A Brief Study of "Software Industries in India"

Shah Azmat Ali Rizvi
Research Scholar,
Deptt. of Management,
L.N. Mishra College of Business Management,
Muzaffarpur

Shah Salamat Ali Rizvi
Assistant Professor,
Deptt. of IT,
L. N. Mishra College of Business Management,
Muzaffarpur

C.K.P. Shahi
Professor,
Deptt. of Economics,
B.R.A.B.University,
Muzaffarpur.

Abstract

Information technology is an important emerging sector of the Indian economy. The Government of India has identified IT industry as one of the major industries in India and it plays an important role in achieving the policy objectives like economic development. The IT industry has mellowed over the years and has emerged to be a chief contributor to the global economic growth. The IT sector, constituted by the software and services, Information Technology Enabled Services (ITES) and the hardware segments, hasbeen on a gradual growth trajectory with a steady rise in revenues as witnessed in the past few years. The size of this sector has increased at a rate of 35% per year during the last 10 years. The share of information technology industry is 7 percent of gross domestic product (GDP) in Indian economy according to The prime aim of this paper is to analyze the growth and performance of information technology industry in India. This paper examines the question: How information technology contributes to India's economic development in a holistic and broader way.

Analysis and Focus on Core Strength

Focusing on your core strength is very important to offer successful software product. Instead of saying yes to everything you should wisely choose resources and identify your market and customer. Choose one vertical and once successful repeat it with other verticals. This gives you a lot of room for improvement and further articulates your product.

Long Journey begins with a first step: Get couple of customers first and focus on marketing your product to them and offer them win-win proposition and keep them cheerful. Use SaaS (Software as a service) model to offer to small and medium sized companies with lower pricing levels. Encourage them to spread word and share success stories in their circle.

It takes more to sell software product in India but if right set of techniques are adopted then we can make a real difference. Offering value proposition is the key. The right balance between marketing and selling will take us to the top. Though it is still a distant dream but not impossible.

Keywords: Software Industries, Government of India, ITES, GDP.

Introduction

India is the world's largest sourcing destination for the information technology (IT) industry, accounting for approximately 52 per cent of the US$ 124-130 billion market. The industry employs about 10 million Indians and continues to contribute significantly to the social and economic transformation in the country.

The IT industry has not only transformed India's image on the global platform, but has also fuelled economic growth by energising the higher education sector especially in engineering and computer science. India's cost competitiveness in providing IT services, which is approximately 3-4 times cheaper than the US, continues to be its unique selling proposition (USP) in the global sourcing market.

The Indian IT and ITeS industry is divided into four major segments – IT services, business process management (BPM), software products and engineering services, and hardware. The IT-BPM sector in India grew at a compound annual growth rate (CAGR) of 25 per cent over 2000-2013, which is 3-4 times higher than the global IT-BPM spend, and is estimated to expand at a CAGR of 9.5 per cent to US$ 300 billion by 2020.

India has emerged as the fastest growing market for Dell globally and the third largest market in terms of revenue after the US and China, said Mr Alok Ohrie, Managing Director, Dell India.

Market Size

India, the fourth largest base for young businesses in the world and home to 3,000 tech start-ups, is set to increase its base to 11,500 tech

start-ups by 2020, as per a report by Nasscom and Zinnov Management Consulting Pvt Ltd.

India's internet economy is expected to touch Rs 10 trillion (US$ 161.26 billion) by 2018, accounting for 5 per cent of the country's gross domestic product (GDP), according to a report by the Boston Consulting Group (BCG) and Internet and Mobile Association of India (IAMAI). In December 2014, India's internet user base reached 300 million, the third largest in the world, while the number of social media users and smartphones grew to 100 million.

Public cloud services revenue in India is expected to reach US$ 838 million in 2015, growing by 33 per cent year-on-year (y-o-y), as per a report by Gartner Inc. In yet another Gartner report, the public cloud market alone in the country was estimated to treble to US$ 1.9 billion by 2018 from US$ 638 million in 2014. The increased internet penetration and rise of e-commerce are the main reasons for continued growth of the data centre co-location and hosting market in India.

Year	GDP Growth (USD Billion)	IT Growth (USD Billion)	% age share of IT Industry in
1997-98	411.570	5.0	1.2
1998-99	440.597	6.0	1.4
1999-00	461.914	8.2	1.8
2000-01	473.050	12.1	2.6
2001-02	494.997	13.4	2.7
2002-03	573.167	16.1	2.8
2003-04	669.442	21.5	3.2
2004-05	783.141	28.2	3.6
2005-06	877.224	37.4	4.3
2006-07	1098.945	47.8	4.3
2007-08	1232.946	64.0	5.2
2008-09	1150.0	69.4	6.0
2009-10	1198.36	73.1	6.1

Investments

Indian IT's core competencies and strengths have placed it on the international canvas, attracting investments from major countries. The computer software and hardware sector in India attracted cumulative foreign direct investment (FDI) inflows worth US$ 13,788.56 million between April 2000 and December 2014, according to data released by the Department of Industrial Policy and Promotion (DIPP).

The private equity (PE) deals increased the number of mergers and acquisitions (M&A) especially in the e-commerce space in 2014. The IT space, including e-commerce, witnessed 240 deals worth US$ 3.8 billion in 2014, as per data from Dealogic.

India also saw a ten-fold increase in the venture funding that went into internet companies in 2014 as compared to 2013. More than 800 internet start-ups got funding in 2014 as compared to 200 in 2012, said Rajan Anandan, Managing Director, Google India Pvt Ltd and Chairman, IAMA.

Most large technology companies may have so far focused primarily on bigger enterprises, but a report from market research firm Zinnov highlighted that the small and medium businesses will present a lucrative opportunity worth US$ 11.6 billion in 2015 and US$ 25.8 billion in 2020. Moreover, India has nearly 51 million such businesses of which 12 million have a high degree of technology influence and are looking to adopt newer IT products, as per the report.

Some of the major investments in the Indian IT and ITeS sector are as follows:

Wipro has won a US$ 400 million, multi-year IT infrastructure management contract from Swiss engineering giant ABB, making it the largest deal for the technology company.

Tech Mahindra has signed a definitive agreement to acquire Geneva-based SOFGEN Holdings. The acquisition is expected to strengthen Tech Mahindra's presence in the banking segment.

Tata Consultancy Services (TCS) plans to set up offshore development centres in India for Japanese clients in a bid to boost the company's margin in the market.

Reliance is building a 650,000 square feet (sq ft) data centre in India-its 10th data centre in the country-with a combined capacity of about 1 million sq ft and an overall investment of US$ 200 million.

Intel Corp plans to invest about US$ 62 million in 16 technology companies, working on wearable, data analytics and the Internet of Things (IoT), in 2015 through its investment arm Intel Capital. The Indian IoT industry is expected be worth US$ 15 billion and to connect 28 billion devices to the internet by 2020.

Keiretsu Forum, a global angel investor network, has forayed into India by opening a chapter in Chennai. With this, the Silicon Valley-based network will have 34 chapters across three continents.

Government Initiatives

The adoption of key technologies across sectors spurred by the 'Digital India Initiative' could help boost India's gross domestic product (GDP) by US$ 550 billion to US$ 1 trillion by 2025, as per research firm McKinsey.

Some of the major initiatives taken by the government to promote IT and ITeS sector in India are as follows:

India and the United States (US) have agreed to jointly explore opportunities for collaboration on implementing India's ambitious Rs 1.13 trillion (US$ 18.22 billion) 'Digital India Initiative'. The two sides also agreed to hold the US-India Information and Communication Technology (ICT) Working Group in India later this year.

India and Japan held a Joint Working Group conference for Comprehensive Cooperation Framework for ICT. India also offered Japan to manufacture ICT equipment in India.

The Government of Telangana began construction of a technology incubator in Hyderabad-dubbed T-Hub-to reposition the city as a technology destination. The state government is initially investing Rs 35 crore (US$ 5.64 million) to set up a 60,000 sq ft space, labelled the largest start-up incubator in the county, at the campus of International Institute of Information Technology-Hyderabad (IIIT-H). Once completed, the project is proposed to be the world's biggest start-up incubator housing 1,000 start-ups.

Bengaluru has received US$ 2.6 billion in venture capital (VC) investments in 2014, making it the fifth largest recipient globally during the year, an indication of the growing vibrancy of its startup ecosystem. Among countries, India received the third highest VC funding worth US$ 4.6 billion.

Road Ahead

Internet should be a basic human right, say 87 per cent of internet users in India, compared with 83 per cent globally, according to a report by Centre for International Governance Innovation (CIGI).

India continues to be the topmost off shoring destination for IT companies followed by China and Malaysia in second and third position, respectively. Emerging technologies present an entire new gamut of opportunities for IT firms in India. Social, mobility, analytics and cloud (SMAC) collectively provide a US$ 1 trillion opportunity. Cloud represents the largest opportunity under SMAC, increasing at a CAGR of approximately 30 per cent to around US$ 650-700 billion by 2020. Social media is the second most lucrative segment for IT firms, offering a US$ 250 billion market opportunity by 2020.

The US$ 12 billion plus rising Indian e-commerce business market is witnessing a rush of hiring and may need 100,000 people over the next six months, as per industry experts. The industry offers a slew of opportunities and scope for innovation thereby attracting the young mind to push their limits.

Marketing

It is very important to understand what is marketing only then we can combine the software with Marketing to understand Software marketing clearly. Here are some Definitions of Marketing given by various sources:

According to the American Marketing Association (AMA) Board of Directors, Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Philip Kotler defines marketing as "the Science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services."

Marketing is the messages and/or actions that cause messages and/or actions. Jay Baer– President, Convince & Convert. Author with Amber Naslund of The Now Revolution.

Marketing is traditionally the means by which an organization communicates to, connects with, and engages its target audience to convey the value of and ultimately sell its products and services. However, since the emergence of digital media, in particular social media and technology innovations, it has increasingly become more about companies building deeper, more meaningful and lasting relationships with the people that they want to buy their products and services. The ever-increasingly fragmented world of media complicates marketers' ability connect and, at the same, time presents incredible opportunity to forge new territory. Julie Barile – Vice President of eCommerce, Fairway Market

Marketing includes research, targeting, communications (advertising and direct mail) and often public relations. Marketing is to sales as

plowing is to planting for a farmer-it prepares an audience to receive a direct sales pitch. Mary Ellen Bianco– Director Marketing & Communications, Getzler Henrich & Associates LLC.

Marketing is an ongoing communications exchange with customers in a way that educates, informs and builds a relationship over time. The over time part is important because only over time can trust be created. With trust, a community builds organically around products and services and those customers become as excited about the products as you are-they become advocates, loyal evangelists, repeat customers and often, friends. Marketing is a really great way to identify what grabs people and gets them excited about your brand and give it to them, involve them in the process, and yeah, the best part, build great friendships in the process. Renee Blodgett – Chief Executive Officer/Founder, Magic Sauce Media.

Professor Philip Kotler explained that marketing was "meeting the needs of your customer at a profit." For me that definition extends beyond just communicating product features. Marketers are responsible for a 360-degree experience. For example, in the social media world, a customer's Twitter needs may differ from her needs to "play with the brand" in terms of a social game promotion. Every customer touchpoint from customer service to sales to accounting and more are part of the "new marketing." Toby Bloomberg – Bloomberg Marketing/Diva Marketing.

Marketing when done well is (a) the strategy of the business – its value proposition, go to market strategy, and brand positioning and image to the world. Marketing when not done well is (b) an endless checklist of advertising and promotional to-dos that can never be completed. Marketing in the twenty-first century must be (c) largely, but not entirely, measurable and accountable around driving business goals. Marketing when done brilliantly is driven by (a) includes a small, disciplined subset of (b), and is steeped in a culture of (c).Matt Blumberg – Chairman and Chief Executive Officer, Return Path

Finally

Finally we came to the findings that Indian software products in India have never commanded the same respect as a foreign one. Though India may be one of the largest exporters of software products to the world but back home the condition seems dismal. Recent studies have thrown some light on these issues but more research need to be done so that we can find ways to create a healthy eco-system for Indian software product vendor to thrive and survive.

Understanding Indian software market is a bit difficult when compared to its foreign counterparts. Here, in India, changing market dynamics compounded with lack of awareness have been major hindrance to the software company to market and sell their ingeniously made software products

The Causes are as follow

Lack of Vision and Short-Term Thinking

In India there are only a few success stories in the software product space. The major percentage of the companies is still out of the limelight that they deserve. The cause is attributed to the lack of vision, ambition, perception, marketing, branding, reach, execution and scalability by the Indian software

product companies. These companies still struggle to find a perfect ground to use the appropriate marketing strategies and fall short of taking expert local marketing advice

Investing time and capital to understand the native market scenario and its requirement is crucial to the success of software product before the actual launch of it but are seldom carried out by Indian software vendors. Few companies have been successful in devising solutions through their experience, and they have been rewarded positively by the market.

The Demanding Environment of Indian Market

Understanding a product business is vital to create and establish a good product eco-system but contrary to this Indian software product vendor lack skilled manpower with product mindset. We enjoy a high degree of comfort level with project management more than product management.

Not finding capital to continue R&D in the product development space due to lack of VC funding is also one of the factors that leads to slow growth in this department.

In India most SMEs are late adopter of software product as they look for low cost solutions. Software products being Intangible the willingness to pay for it is very little.

Piracy

Software piracy is rampant in India this leads to use of pirated version of software leading to decline in the demand of original product.

Suggestions

Change in Attitude

Instead of being all-in-one type product lets develop a software product which helps to solve a specific problem and let's be specialist in that area. It is easier said than done unless we change our attitude it will be a tough road to get to the top.

Long Term Planning

Being passionate about the product business is great but you should also have the perseverance to follow the long-term vision. Putting a great team effort and channelizing your energy in the right direction is vital to turn dream into solid reality.

Understand the Indian Market: Knowing your local market thoroughly can pay you rich dividends. Invest time and capital to understand the software product market in India and offer flexible pricing as per their needs. In India the buying behavior of customer is different from the foreign counterparts. So it is imperative to do a thorough research in this field before offering your software product.

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