



LIVE 4 SEASON

CASE STUDY

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MARKETING STRATEGY DEVELOPMENT: INDIAN IT PLAYERS

Evolution of the IT industry:

- 1970-90 : Hardware/System integration/Software era
 - ~ Start of IT evolution in India with large organisations buying computers and establishing data centres
 - ~ The Tata Computer Centre evolved into Tata Consultancy Services recognising the enormous potential for software services and applications
 - ~ The initial breakthrough in “export” of programming talent (late 1970s) helped in establishing the quality of talent available in India
 - ~ The mid 1980s saw some multinationals (e.g. Citibank, Texas Instruments, Motorola) establish captive IT services organisations, and Indian entrepreneurship ventures, which led to a steady growth in the sector, even if mostly in staffing/ body-shopping
- Y2K phase 1997-98 - 2000: Provided the Indian IT companies the much needed boost in the market
 - ~ The next key milestone was in the late 1990s with the Y2K market and the downward revision of telecommunication costs. This triggered the takeoff stage of rapid growth. Since then it has been a cruising phase for the industry
 - ~ During this phase, due to organic growth as well as through M&A, the Indian services providers have been able to move into the higher value-add segment of architecture, IT strategy, etc., as well as value-added services such as tech support and testing
 - ~ Additionally, during the first decade of the twenty-first century, the deal sizes have also increased and capabilities strengthened to manage multicultural workforces
- Post Y2K 2000s -2005: Dot com burst and the downfall of the market
 - ~ Dot.com companies experienced meteoric rises in their stock prices and therefore moved faster and with less caution than usual, choosing to mitigate the risk by starting many contenders and letting the market decide which would succeed
 - ~ During the loss period, the companies relied on venture capital and especially initial public offerings of stock to pay their expenses while having no source of income at all
- 2005 present:
 - ~ 2005-06 saw the overall Indian IT-ITES industry (including domestic market) grow by 31%, revenues of \$29.6 billion up from \$22.5 billion in 2004-05
 - ~ Direct employment in the IT services and BPO/ITES segment was 2.3 million in 2009-10
 - ~ Indian IT and ITES companies have created global delivery models, entered into long term engagements with customers and expanded their portfolio of services offerings
 - ~ Some of the major reasons for the significant growth of the IT industry of India between 2005 - 2010 are:
 - Abundant availability of skilled manpower
 - Reduced telecommunication and internet costs
 - Reduced import duties on software and hardware products
 - Cost advantages
 - Encouraging government policies.

About the IT-BPO Industry in India :

- Indian IT-BPO (business process outsourcing) sector crossed aggregate revenue of \$100 billion (around Rs. 5.3 trillion today) in fiscal 2012, generating direct employment for more than 2.8 million people

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- Nearly 74 percent of people employed by the Indian IT-BPO industry were less than 30 years of age, and 35 percent were less than 25 years old.
- Further, the industry's growing capabilities around transformative services, new business models and services around disruptive technologies such as cloud, analytics, social media and enterprise mobility, along with the focus on operational efficiencies and non-linearity, have resulted in the growth of India's market share in the global sourcing arena to 58% in 2011 (51% in 2009, and 55% in 2010).
- The industry currently accounts for almost 25% of India's total exports and 11% of total services revenue.
- The domestic IT industry has also witnessed a 17% growth in 2011 driven by the emergence of cloud computing that has led to increased consumerisation of IT, rapid advancement in technology infrastructure, increasingly competitive India organisations, enhanced focus by the government and emergence of business models that help provide IT to new customer segments like SMBs and consumers.
- Non-linear technologies are forcing Indian IT companies to rethink their strategies and move up the value chain by also sharing financial and business risks with clients with more outcome-based and output-based pricing, and adding consultancy services to their portfolio thus becoming partners in business.
- For instance, many Tier-I Indian IT firms such as Tata Consultancy Services Ltd (TCS), Infosys Ltd, Wipro Ltd, HCL Technologies Ltd and NIIT Technologies Ltd, are leveraging their own capabilities in light of these new changes and are planning a host of non-linear initiatives like platform-based services, software products, SAAS, which, in turn, are expected to increase their operating margins per employee, while simultaneously reducing capital expenditure for their clients.
- IT companies are also moving to newer pricing models like outcome-based models from input-based models.
- Key global megatrends around macroeconomics, demographics, social, environmental, technology and business will shape the future of the Indian IT-BPO industry.

Trends:

- While MNCs were working both in the global and the Indian market, the Indian companies were mostly eyeing the global market due to their cost competencies. It is only now that the focus has started shifting back to the domestic market as well.
- In order to remain competitive, BPO companies are setting up centres in rural areas. Moreover, India is facing stiff competition from emerging outsourcing destinations such as Philippines, China, Brazil and Ireland. Thus, in order to remain competitive and maintain their low cost advantage, shifting to rural areas have emerged as a strategic solution.
- The IT-BPO industry landscape is expected to witness mergers and acquisitions in the coming years in terms of common synergies, acquiring greater market share and expanding service offerings by tapping newer geographies.
- The technology space in India and globally is crowded with hundreds of brands competing for "mind share", customer loyalty and a spot on customer shortlists.
- While IT companies are looking at innovative service offerings and newer business models to move up the value chain, brand clutter and awareness remains challenge in India and primarily in global markets due to the presence of international IT goliaths.
- **Brand associations are much more fragmented than expected.**

About HCL:

- HCL was born out of the vision of a young team of eight which passionately believed in and bet on the growth of the IT industry. That has resulted now in a global transformational technology enterprise.
- Today, HCL is a \$6.2-billion global enterprise with over 90,000 professionals from diverse nationalities, who operate from 31 countries, including over 500 points of presence in India.

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- From designing India's first PC at the same time as global IT peers in 1978; to working on the Boeing Dreamliner's airborne systems today, HCL has stayed a true Pioneer of Modern Computing. As a transformational enterprise, HCL's diverse range of hardware and software offerings spans a wide array of focused industry verticals.

Project Objective:

India has emerged as the superpower of technology outsourcing due to its high cost and labour arbitrage. While Indian IT-BPO companies have proved their mettle in the global IT services landscape, several multinational IT companies have been setting up operations in India to leverage the cost and talent arbitrage and create large delivery centers to service both domestic and international customers.

Interestingly, foreign Tier-I IT giants like IBM/Accenture or Tier- II companies like Sapient, Perot Systems have also emerged as stronger players in the domestic market.

While Indian IT companies are creating newer business model, delivery innovations, service differentiator, the challenge is to create stronger brand presence globally.

HCL while having invested over Rs. 150 crore on building the brand, still has a long way to go to move away from the clutter and create a powerful brand image globally. The project is designed to identify a suitable marketing brand strategy for HCL over the next 3 years, keeping in mind the changing dynamics of the industry and the rising competition from global players. The strategy needs to keep in mind that any spend by Indian IT companies on marketing/branding activities is around 1% of revenues..

What will success look like?:

A marketing strategy that will help position the HCL brand more prominently and help it become the preferred service provider over its global peers.

Specific Deliverables:

- Suggest marketing strategies to be adapted by
 - ~ HCL
- Marketing mix to be adapted
 - ~ Advertisements
 - ~ PR
 - ~ Sales strategy, etc.
- Positioning strategy of HCL vs. Other Indian and Global players.

Expected Methodology:

- Factual/Perceptual mapping (based on)
 - ~ Primary Research
 - ~ Secondary Research
- Analyse the industry
 - ~ NASSCOM reports
 - ~ Internet research
 - ~ Visits to IT companies
 - ~ Interviews with CEOs/CIOs, etc.
 - ~ Annual report of IT companies like HCL, Infosys, IBM, Accenture, TCS to understand the annual marketing spend.

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Expected Output:

- A marketing strategy and approach to achieve brand visibility, salience and impact
- Expected marketing mix along with vehicles chosen
- Evolution of the category over the next 3 years.

Mentors:

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