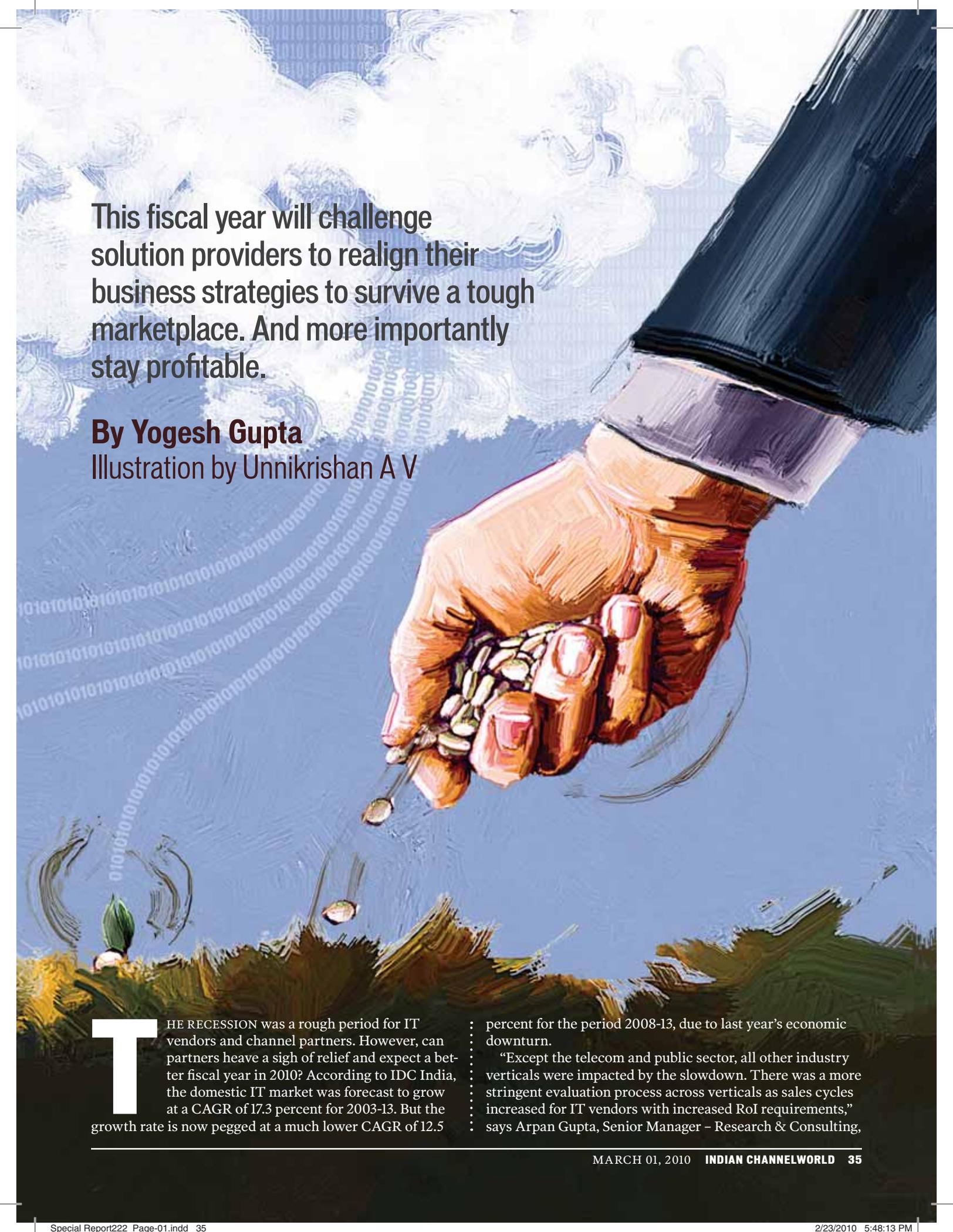# The Seeds For GROWTH

This fiscal year will challenge solution providers to realign their business strategies to survive a tough marketplace. And more importantly stay profitable.

By Yogesh Gupta
Illustration by Unnikrishan A V

THE RECESSION was a rough period for IT vendors and channel partners. However, can partners heave a sigh of relief and expect a better fiscal year in 2010? According to IDC India, the domestic IT market was forecast to grow at a CAGR of 17.3 percent for 2003-13. But the growth rate is now pegged at a much lower CAGR of 12.5 percent for the period 2008-13, due to last year's economic downturn.

"Except the telecom and public sector, all other industry verticals were impacted by the slowdown. There was a more stringent evaluation process across verticals as sales cycles increased for IT vendors with increased RoI requirements," says Arpan Gupta, Senior Manager – Research & Consulting,

Customized, BPO & Industry Verticals, Lead Government Consultant, IDC India. There is still some caution and recent 'positive' happenings may not necessarily result in immediate spending or full scale spending before FY 2010-11, he adds.

"Telco was our key vertical in 2009, and we expect this trend to continue for the next two years as there are new players and new services on the roll out. With significant business from the BFSI vertical over the years, we expect this vertical to grow further in 2010," says Sriram Narayanan, GM-Marketing, Accel Frontline.

According to Mohammad Saif, Deputy Director- Consulting, ICT Practice, Frost & Sullivan, South Asia & Middle East, the growth catalysts in 2010 would be virtualization and cloud computing. "As enterprises are at the apex of investing for new technologies, 'pay as you grow' or the 'Opex' model will be prominent. They will use Capex

for high-end technologies," he says. According to him, the government sector is a sure shot vertical for growth.

"The dark horse in 2010 will be Government," agrees Narayanan, "due to investments in state e-governance, public distribution and land registration systems. This vertical is growing very fast and we have adopted a unique approach to notch up some significant wins here."

"Increase in IT spending for business agility and efficiency is a priority for most CIOs. Virtualization, mobile computing, cloud computing and UC would be the flavor of 2010. CIOs will prefer the Opex model though a majority of IT spending still happens with Capex," says Naveen Mishra, Senior Research Analyst, Gartner.

SOLUTIONS FOR CUSTOMERS

Swan Solutions & Services is taking a 'suggestion partner' approach, while positioning new solutions to enterprise

customers. "We, like most partners, became just execution partners during the boom time, a couple of years before the recession set in. To attract new customers, the company is pitching solutions from Propalms, Never Fail and IBM Blade Server with storage.

"Iomega network drives act as an entry weapon for new accounts. Never Fail –a high availability solution for critical applications helps us to go deeper into our focus vertical of BFSI," says Murtuza Sutarwala, Manager – Sales, Swan Solutions & Services.

"In 2010, top lines and bottom lines need to register double digit growth," says Rajnikant Das, CEO, E-Soft Solutions. Driven by customer demand for cloud computing, storage and de-duplication, the Delhi- based solution provider has diversified from a traditional licensing model of software to infrastructure solutions. "Mature customers with IT setup of more than 5 years are looking at new technologies

'Concept Selling' Approach To Dominate In 2010

Arpan Gupta, *Senior Manager – Research & Consulting, Customized, BPO & Industry Verticals, Lead Government Consultant, IDC India speaks about opportunities for channel partners in FY 10/11.*

What is the new IT infrastructure shaping amongst Indian enterprises? Growth Phase 2.0 will be built on the back of new services, which consumers 2.0 and enterprises 2.0 will demand.

While servers, desktop PCs, routers, LAN/WAN, ERP, CRM, databases etc.were popular from 2003 to 2008; technologies like virtualization, SOA, SaaS,Web 2.0, Unified Communications, Managed Services will be the flavor from 2009-2013.

Which verticals will witness faster adoption of IT in 2010? In banking, the bet is high on expansion technologies (financial inclusion & mobile

banking) and process improvement applications (UC & SOA). For insurance, emphasis will be on implementation of core insurance and process improvement applications (UC & PDAs to sales agents). 2010 would be the year beyond ERP & SCM for manufacturing, as technologies include infrastructure management (virtualization) and process efficiencies (UC). Mobile Number Portability (MNP) and Consumer 2.0 will drive the telco market in 2010. For IT/ITes, technologies like collaboration and SaaS will see increased adoption by the second half of 2010. In utilities, the next phase of technology investments to happen will be for improving process efficiencies like UC and Virtualization along with adoption of SOA.

Most vendors are targeting Government and education through partners. What are the opportunities? There is a Rs. 100 crore plus opportunity per state government. Partners need to align with emerging needs and the innovative services that government user de-

partments are launching. In the first phase of computerization, various state governments are expected to integrate their healthcare delivery systems at various levels starting from district hospitals to PHCs. The education sector is becoming tech-savvy with the establishment of sophisticated environments, automation of admissions, online examination and results and support for hardware deployments.

Do you feel solution providers need to alter their business model in tune with market demand? There is a paradigm shift from Product Selling towards Concept Selling. A VAR should demonstrate freedom to innovate and differentiate.

Partners are looking at growth from revenue sharing versus growth through margins. Licence / One-time sales are outdated as annuity business is a preferred model. Partners can influence customers with service-based differentiation rather than just push boxes.

like storage virtualization, DLP and de-duplication," says Das.

"2010 will be a conservative year, but definitely better than last year. Managed services and consulting business for datacenters would be the company's continued focus. Our SI portfolio was a bit incomplete, so we are speaking to large vendors like HP, Dell, Cisco to gain a bigger footprint in datacenters," says K V Jagannath, MD & CEO, Choice Solutions. Investing resources and time spent to clinch big project deals, and managed services in government are huge playing fields for Choice Solutions. Speaking on the risk involved with investment in government sector, he says, "With risk comes reward."

Delhi-based Ace Data Devices plan to continue their expertise around storage in term of optimization, storage services and assessment for customers. "For system integrators like us, the product is an OEM. The service delivery and support is the key differentiator. With large market for storage in India, the 'solutions based approach' is the best strategy," says Neeraj Mediratta, CEO, Ace Data Devices.

Team Computers is aggressively planning to deliver Cloud Services. "The cloud is the new growth engine and we are working with cloud service providers like IBM, MS and Google. We are proceeding with what we can do with the cloud before it becomes more popular with enterprises," says Ranjan Chopra, CMD, Team Computers. "Increasing consultancy services to help customers achieve efficiency and business benefits would be our route to customer. We have increased the pace at our R & D centre at Team Lab to develop new and better product lines or solutions which solve a customer's business problem," he adds.

THE SILVER LINING

Accel Frontline is concentrating on technologies like virtualization, VDI, middleware, advanced analytics and data center construction for 2010. "With virtualization, it is not only server consolidation, but across the entire stack of storage, computing, networking and availability," says Narayanan. A VMWare VIP Partner, Accel Frontline has rolled unique projects on virtualization in the past.

> **"There are indications of investment in UC. Areas like datacenter design, audits at enterprise end will bring huge top and bottom lines**
>
> **NAVEEN MISHRA,** SENIOR RESEARCH ANALYST, GARTNER

> **"We will increase our focus on enterprise customers looking for specialized solution providers rather than just a commercial transaction**
>
> **RAJNIKANT DAS,** CEO, E-SOFT SOLUTIONS

As an infrastructure solution provider, Fourth Dimension Technologies is expanding its software solutions to move away from being a pure hardware player. "Given the expertise in this space, we can provide comprehensive and holistic solutions as we can value add. Off late, education is a strong vertical for us. Managed services (onsite and remote) give 25 percent of the overall revenues for the company. We need to increase this share," says N. Jagannathan, Director & CEO,

WHAT'S IN DEMAND?

- ❖ **Cloud Computing**
- ❖ **Thin Clients**
- ❖ **BI & Advanced Analytics**
- ❖ **Converged Infrastructure**
- ❖ **Virtualization & BCDR Services**
- ❖ **IP/ VoIP Solutions**
- ❖ **Unified Communication**
- ❖ **Managed Services**
- ❖ **Mobile Computing**
- ❖ **Business Continuity Solutions**
- ❖ **DLP/ UTM Solutions**
- ❖ **High End Printing Solutions**
- ❖ **Wireless Technologies**

Fourth Dimension Technologies.

Team Computers is setting up a business unit since team analytics as BI is a good opportunity. "Accel Frontline is keen on middleware after the merger between Sun and Oracle. Being an executive partner of Sun and an Oracle-certified applications partner, we can leverage our expertise and experience to our customers. We are also focusing on Oracle Exdata in the advanced analytics space," says Narayanan.

According to Jagannathan, virtualization (server and storage) is a bigger trend than cloud computing for Indian markets this year. He believes most Greenfield projects will be rolled out clearly on a fully virtualized platform. Increasing solutions around datacenters and the power sector for government and SMBs is the road ahead for Choice Solutions. "Though we picked virtualization projects last year, we should have focused more on this technology," admits Jagannath at Choice Solutions.

The education vertical was a silver lining for Ahmedabad-based Innova Systems. "BFSI, education and government were unaffected by the recession and these were our main growth drivers," says Apurva Dave, CEO, Innova Systems. Innova partnered through an imaginative business initiative – Flood IT, a knowledge revolution program in Gujarat to promote computer literacy for students, in particular. "With the expertise and market hold we enjoy with HP, it generated a local support base by creating more than a 100 local channel partners throughout Gujarat.

Our success reflects in the market share captured by Innova under this program as it supplied approximately 60 percent of the total computers sold," says Dave. The involvement in Flood IT initiative helped Innova achieve almost 300 percent growth compared to the previous year.

TO EXPAND OR NOT

The dilemma of adding operating costs while expanding branch offices across India, that was prevalent during the recession, is still a concern for most solution providers. "Most companies failed with their plans," says Das of E-Soft Solutions.

With offices already established in Delhi, Ahmedabad and Hyderabad, the company will set up offices at Kolkata and Bhubaneshawar over the next few months. "Most companies have not done well in eastern India. But we feel a competent solution provider can replicate a successful business model across various cities," says Das.

Swan Solutions & Services added its

> " Flood IT helped us achieve almost 300 percent growth compared to last year, strongly establishing our footprint in the education sector

APURVA DAVE, CEO , INNOVA SYSTEMS

fourth branch office at Ahmedabad in end of 2009 to its offices at Mumbai, Gurgaon and Chennai. "We have postponed further geographic expansion through direct presence as of now," says Sutarwala. Fourth Dimension Technologies is a strong player in southern India with offices at Chennai, Hyderabad and Bangalore. "There is

no need for more branches. If our vertical approach demands our presence in a city, we will open an office," says N. Jagannathan, its Director & CEO.
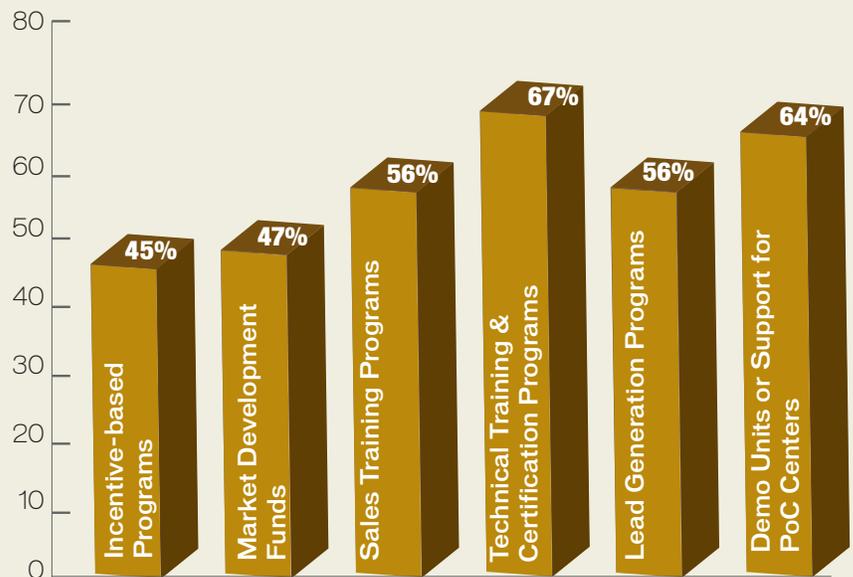
For middle-sized system integrators, it is a bloodbath across regions and it does not make much sense to introduce new offices there," says Saif at Frost & Sullivan. "For large solution providers, their deep pockets, large projects and structured approach enable them to outsource work to regional players and share profits. They also add new offices based on queued orders," he adds. Mishra at Gartner feels that partners should be cautious with expansion plans at this time.

Choice Solutions has more than 10 offices and is pursuing a different route to expand geographically. Using a collaborative approach with other partners for Dehradun, they are tapping 'less travelled' cities. "We have a solid layer of architecture for managed services and other solutions. A regional player can use our consulting and other services," says Jagannath.

PARTNER PROGRAM PERCEPTION - 2010

Vendors have different types of partner programs aimed at incentivizing their channel. But, how useful and effective are these programs? Are they in line with the expectations of the partners? In a survey, 150 solution providers rate the usefulness of the various types of partner programs.

TRAINING & CERTIFICATION MOST USEFUL

Incentive-based Programs: 45%
Market Development Funds: 47%
Sales Training Programs: 56%
Technical Training & Certification Programs: 67%
Lead Generation Programs: 56%
Demo Units or Support for PoC Centers: 64%

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The company is planning to replicate this approach across Rajasthan and Uttarakhand. "Aligning with regional players gives us access to business much faster as it takes almost 6 to 12 quarters to understand a new region, going all alone. Enhancing skill sets gives us business, though we have to split profits," he adds.

PROFITABILITY REMAINS A CHALLENGE

Profitability definitely took a beating in 2009, confesses Sutarwala at Swan Solutions and Services." In 2010, we are not concerned about profit but keen to increase market share and add more customers. With renewed focus on software solutions, to avoid shrinking margins in hardware, Swan gets better bottom lines. But software sales cycles are longer which nullifies the increased bottom lines," he says.

Attempting to increase our service portfolio rather than box push strategy is the way ahead for Choice Solutions.

"We hope the services arm will generate 45 to 50 percent of total revenues this fiscal year. But retaining that figure this year will be a challenge as creating margins and increased net profitability will be of prime importance," says Jagannath. "Business is happening, but there is a shrink in the market. Of course margins have gone down," he adds.

Mishra at Gartner feels that margins continue to be thin in the commodity world. "That's why partners need to create a services and management portfolio as many customers need hand holding. This is a huge playfield for channel partners," he says.

Margins were steady last year at Team Computers as the management kept a strict vigil on operating costs. "On the project management side, we reduced costs from 18 lakhs to 5 lakhs a month. Separate electricity meters were given in each department with a fixed budget," says Chopra.

Innova Systems plans to effectively manage margins by increasing effectiveness in implementation procedures by reducing dependence on outsourcing, reducing cost of transactions and cross selling to existing customers / new customers.

For Team Computers, services are in focus while hardware and software is a downstream business. "No customer will give you a margin if you don't add value. I don't agree that solution providers like us cannot give margins. We will continue to make reasonable margins," says Chopra.

"Virtualization services are a huge area. There are also indications of big investment in UC. Services like data-center design, and audits at the enterprise end bring huge top line and bottom lines too," says Gartner's Mishra.

Fourth Dimension Technologies does believe in being a top-line oriented company. "We get better bottom lines in network projects rather than selling laptops /desktops to the corporate world. However, we have to keep an eagle eye on reducing costs to maintain profitability," says Jagannathan.

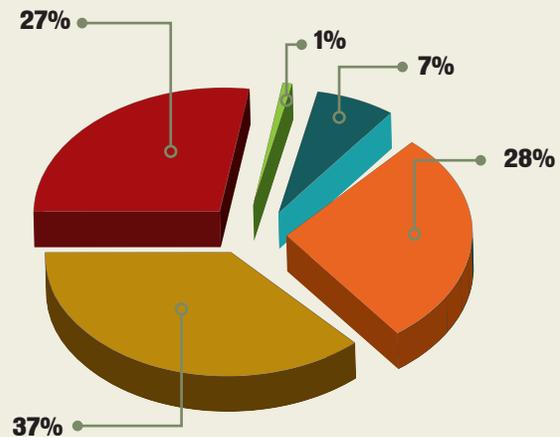"Old customers provide repetitive

SUPPORT FOR POC TRUMPS PLAIN INCENTIVES

INCENTIVE-BASED PROGRAMS
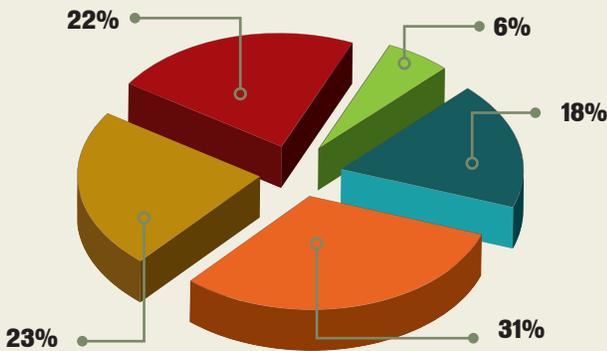
DEMO UNITS OR SUPPORT FOR POC

■ Not at all Useful
■ Somewhat Useful
■ Useful
■ Very Useful
■ Exactly What is Needed

■ Not at all Useful
■ Somewhat Useful
■ Useful
■ Very Useful
■ Exactly What is Needed

business for solution providers. Going forward in 2010, partners need to diversify their portfolio to reduce risk for their revenue stream. If they can actually facilitate the entire purchasing for a customer, they can get more margins and offer customized solutions across the table," says Saif.

SME STORY IN 2010

The large and very large segments faced a decline in 2009 as compared to 2008 in terms of IT spending. The SMB enterprise segment managed a growth of 7.5 percent year-on-year, according to IDC India. The key technologies in demand would be Networking, Virtualization, Managed Services and Regulatory Compliance. Mishra says, "Mid-market organizations need a lot of hand holding. Medium to smaller channel partners have good relations with them which translate into huge opportunities. Mid-size customers deal with 1 or 2 partners, which means solution providers can position the entire virtualization stack

– server, storage etc."

According to Dave at Innova India, it will still take some time for SMB customers here to absorb technologies like cloud computing / virtualization though the trend has begun. "We will definitely focus on virtualization for the niche areas like education (desktop virtualization) and also in server and storage consolidation," he adds.

At E-soft solution, about 35 percent of revenues emerge from SMBs providing better bottom lines. "Since enterprises give us top lines, we have to increase our revenue share from this segment in the next few years. Enterprises are vigorously looking for specialized solution providers rather than a simple commercial transaction," says Das at E-Soft Solutions.

Until a few years ago, Choice Solutions got a majority of its business from IT and BPO verticals. However, they have renewed interest in SMBs and Government since the past two years. "We also revisited our database of SMB customers and spruced up our solution
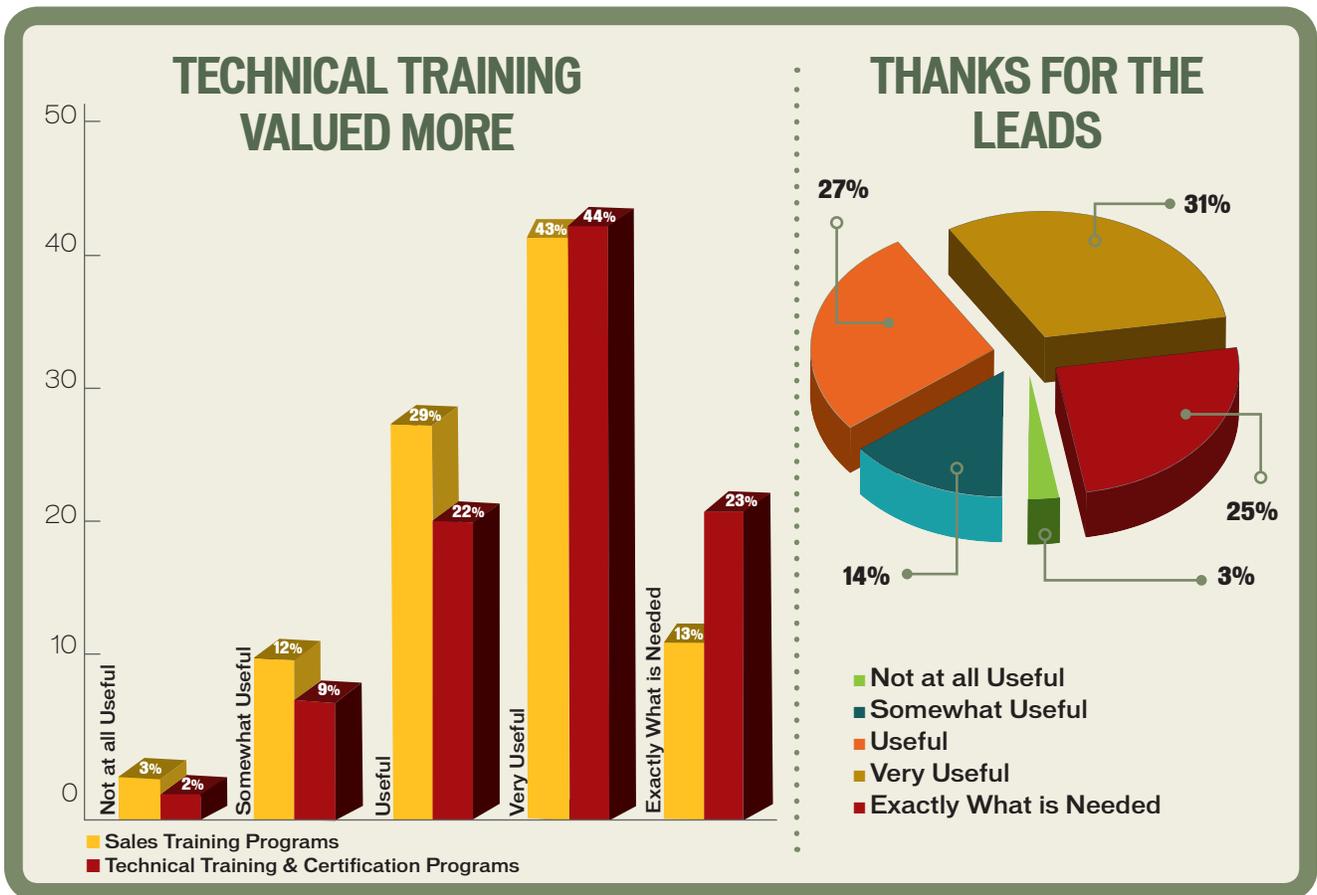
portfolio to cater to their needs," says Jagannath at Choice Solutions.

According to Saif at Frost & Sullivan, "Vendors should target the SMB space with more customized solutions and specialized channel partners. Focusing on one market segment will always help them understand the pain points and requirements of the specific set of customers."

THE VENDOR ROADMAP

"IT vendors in 2010 will diversify into newer technologies to have a differentiator factor and earn a competitive advantage," says Saif. They would invest more into channel training to meet customer requirements and empower partners to add more value and offer customized solutions to their offerings.

Mishra at Gartner speaks about the emerging trend of former collaborators of the IT world now turning competitors. He cites the example of former partners Cisco and HP and SAP and Sun before the latter was acquired by Oracle. "Consolidation will happen in

TECHNICAL TRAINING VALUED MORE

Sales Training Programs (yellow)
Technical Training & Certification Programs (red)

- Not at all Useful: 3% / 2%
- Somewhat Useful: 12% / 9%
- Useful: 29% / 22%
- Very Useful: 43% / 44%
- Exactly What is Needed: 13% / 23%

THANKS FOR THE LEADS

- 27%
- 31%
- 25%
- 3%
- 14%

■ Not at all Useful
■ Somewhat Useful
■ Useful
■ Very Useful
■ Exactly What is Needed

the industry and system integrators will have to strengthen their relationships with vendors who have the right roadmap and business propositions."

"Vendors are shifting from the silo approach to deliver a more converged infrastructure which compels partners to align with fewer vendors. Infrastructure selling has changed as partners need to upgrade skill sets and realign business models to ride the shift to converged infrastructure," says Mishra.

"It's a natural evolution for partners to move from the box push market to System Integration and offer consultancy services to their customers in addition to being MSPs," says Saif at Frost & Sullivan.

"Larger enterprise accounts offer a lot of opportunities for partners to manage and service the accounts. However the hardware application focus has to be weaved around a solution selling approach," says Mishra at Gartner.

SPECIALISATION IS KING

Narayanan at Accel Frontline is also optimistic about the Oracle umbrella of virtualization solutions including Sun thin clients. "We are keen to address opportunities in the middleware space after the buyout of Sun by Oracle. Being an executive partner of Sun, and an Oracle-certified applications partner, we can use our expertise and experience to give the best to our customers," he says. The company is also focusing on Oracle Exadata and the advanced analytics space.

"Specialization in technology will give double digit margins and an edge over others. The customer does not expect a simple transaction and is looking beyond price point. They want more support from a specialized team at the system integrator end. A specialized team can add extra services to turn a simple transaction deal into much profitable one. To teach customer, the business benefits of a deployment is key," says Das at E-Soft Solutions.

Swan Solutions & Services recently formed sales teams based on three main verticals – logistics, IT/ITES/ KPO and banking/manufacturing. "This helped teams to pitch specific solutions based on the need of the vertical," says Sutarwala.

> **"** Our alliance with regional players gives access to business in newer locations faster. Complementing skill sets gives good business.

KV JAGANNATH, MD & CEO, CHOICE SOLUTIONS

> **"** In 2010, we will not be that concerned about profit, but keen to increase market share through our renewed focus on software solutions

MURTUZA SUTARWALA, MANAGER -SALES, SWAN SOLUTIONS & SERVICES

E-Soft Solutions always works on a vertical basis. "Last year, we initiated good business in medicine, hospitals, education as these verticals are recession free and are making good money," says Das.

Being a service-focused organization since inception, Narayanan feels SI and Infrastructure businesses have been more prevalent than services for some time now. "We are keen to develop more services revenue. Presently in the RIM space, we are enhancing our datacenter facility services to ride

ARE YOU ON THE RIGHT TRACK?

❖ **Are your business actions in line with the way the economic curve is shaping up?**

❖ **How are you aligned with different industry verticals?**

❖ **Are you gaining mindshare on new enterprise technologies?**

❖ **Are you able to business case your solutions to the CIO and CFO / CEO with RoI measures clearly articulated?**

❖ **What is the proportion of services in your business? And what is the orientation of this services play? How would you like it to play out over a period of time?**

SOURCE: IDC INDIA

out this new wave," he says.

OUTLOOK 2010

Jagannath at Choice Solutions feels managed services are undoubtedly the new wave. For Swan Solutions & Services, the agenda is simple. "We want to get more business out of our existing customer base. Our alliances with a couple of innovative software vendors helped us garner new accounts," states Sutarwala.

Innova is optimistic about the Converged Infrastructure from HP, with all components including servers, storage, power, cooling, etc in a single chasis. For Innova, Dave says it is technologies related to virtualization, data security solutions and power solutions.

In India, cloud computing is still a myth with different definitions in the IT marketplace. "However, our partner VMware is well placed to address the cloud computing space. Backed by our training and certifications, we can provide services built around cloud computing solutions from VMWare to our customers," says Narayanan at Accel Frontline.

According to Mishra at Gartner, telepresence is compelling, but an expensive proposition for enterprise. He feels the lower end of UC will find acceptance in 2010.

"Going forward, solution providers should have a laser-like focus on costs. With one eye on costs, one should seek new opportunities to drive innovation," concludes Chopra at Team Computers. ■