

Buying Trends in the Indian Software Market

-Purnima Varadrajan

This paper identifies the driving factors in the Indian software market that influence a company to select a software product or a vendor to cater to its IT needs and presents forecasts for sales of software products from the present to 2015 timeframe. For the purpose of this study, we will consider the recent market research conducted by a reliable source on the Indian software industry particularly in the small and medium business (SMB) segment.

Initially, information is provided on the prevailing situation as it exists in the IT and ITES sector in India today and how it is expected to develop over the next few years. Comprehensive results of the survey conducted by iPOTT are then provided. Later, the expectations that the software buyers have from the software vendors they chose and the reasons for their dissatisfaction is addressed. The supply – demand void that exists between the software buyers and vendors is then addressed by iPOTT. Finally, iPOTT proposes a solution to fill this void based on analysis of results of the survey and through its wide experience gained by serving its clients.

Overview

Indian Software Product Market is going to get extremely bullish... its time for software vendors to time test and prepare their products for this new emerging market...

According to a recent research conducted by *Nasscom* and Bangalore-based management consulting firm *Zinnov Management Consulting*, sales of software products are expected to increase from US\$294 billion at present to US\$537 billion by 2015. The study estimates that by 2015 the addressable market for Indian software products could be US\$290 billion to US\$315 billion. More so the growth in the domestic market is due to the demand from the small and medium business (SMB) segment.

There are two key reasons for this: First, the Nasscom-Zinnov study estimates, the SMB share of domestic IT spending will increase from 38% at present to 50% by 2015. Second, SMBs' requirements and buying patterns open a door for domestic providers.

Zinnov notes "Multinationals find it easy to sell to large Indian enterprises because their buying patterns are similar to that of large enterprises elsewhere in the world. But SMBs have very different and localized needs. This makes it difficult for multinationals to address them and presents a huge opportunity for Indian players."

Working closely with Indian SMB customers will also help Indian companies make their products both "enterprise-ready" and suitable for other markets, especially emerging markets. "The domestic market is a great place to make mistakes and learn and that too at the lowest cost. It is also a great place for building references."

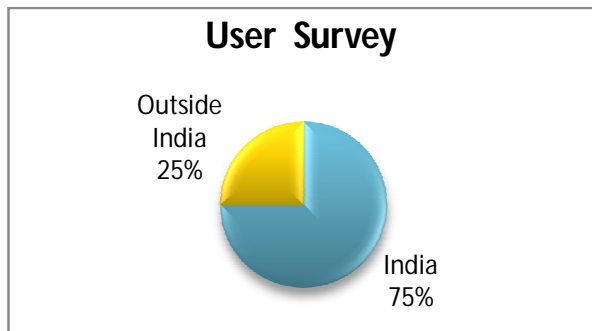
...it's time for software vendors to time test and prepare their products for this new emerging market...

Current scenario & Void

With this new emerging market are the 4 Cs that drive companies forward into an 'ever increasing' phase - the CUSTOMERS' demands are escalating, the COMPETITION intensifying, the COST of products and services reducing (but with a quality upsurge) and the pace of CHANGE increasing...

In the current market scenario there is no system/process for basic Company or Product/Service validations. There is no publicly available authenticated information about companies or products / services. No mechanism to satisfy the validity of information. No seal or symbol of trust which a product buyer or service seeker can rely on. There exists a huge void in the market for a differentiator.

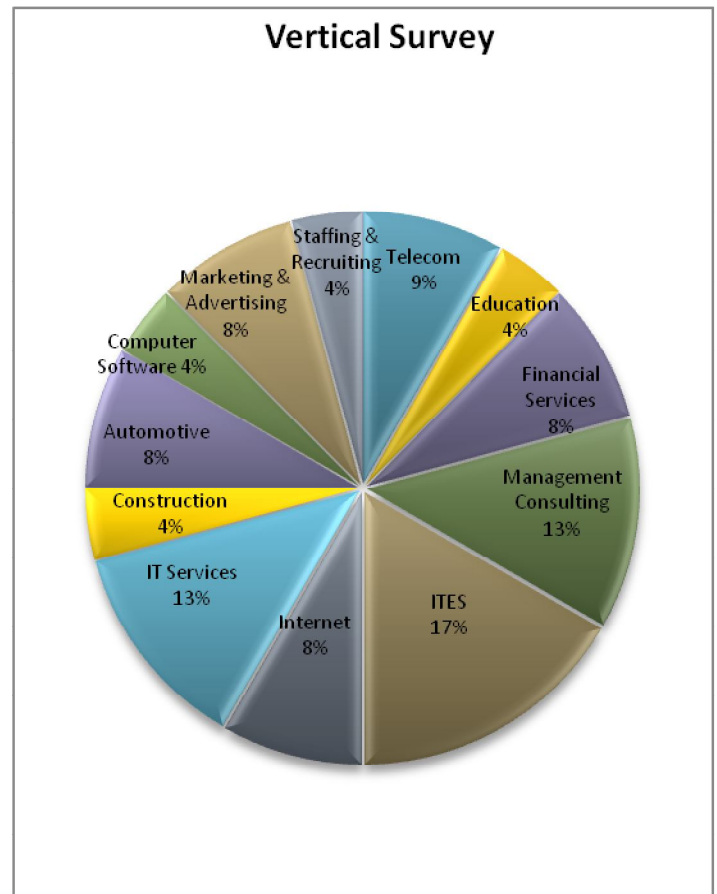
A recent survey was conducted by iPOTT Softech Private Ltd on companies from several verticals of which 75% of the participants were based in India and the rest were based overseas as can be seen from fig1.



Source: iPOTT Survey - Sep 2009

Figure 1: Poll participation from across verticals

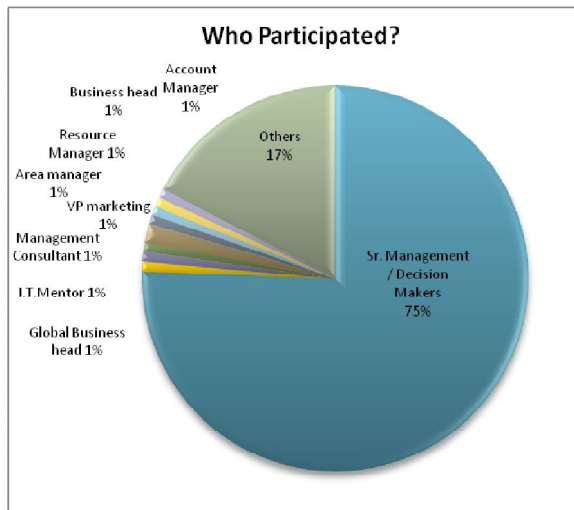
A total of 12 verticals participated in the survey as seen from the figure 2, of which the IT and ITES accounted for a major percentage of 30%. The other verticals included were Financial Services (8%), Management Consulting (13%), Internet (8%), Construction (4%), Automotive (8%), Computer Software (4%), Marketing & Advertising (8%), Staffing & Recruiting (4%), Telecom (9%) and Education (4%).



Source: iPOTT Survey - Sep 2009

Figure 2: Participating Industries

The participants of the survey were mainly the management professionals of which nearly 75% were at the senior executive level of management, who were the key decision makers of the organization. Others included- Accounts managers, business heads, resource managers, area managers, marketing VP's, management consultants, IT mentors and global business heads who each accounted 1% to the total number of participants of the survey. This can be seen below in figure 3.



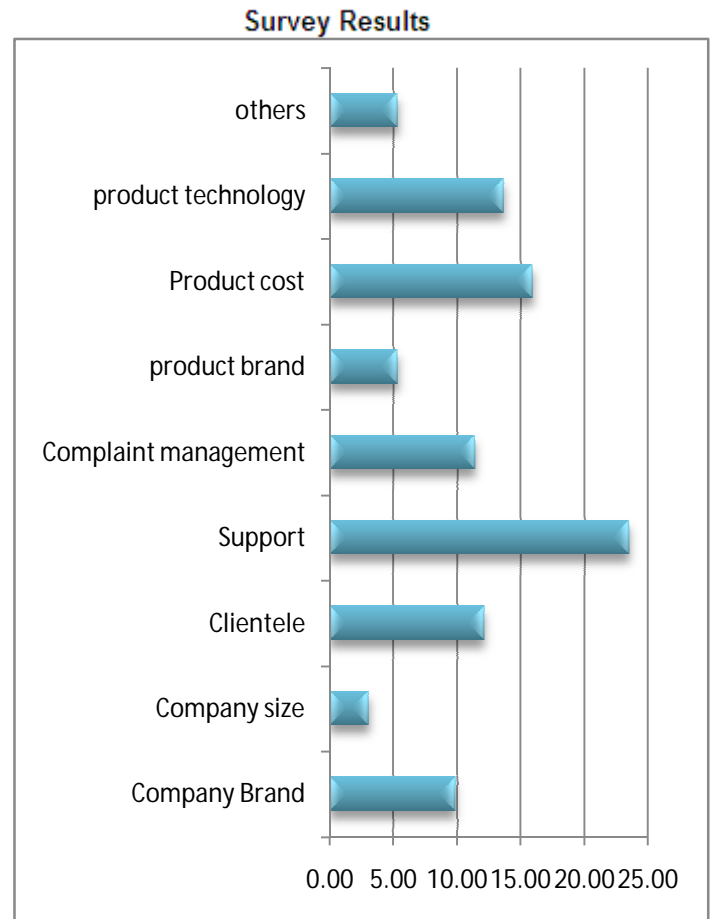
Source: iPOTT Survey - Sep 2009

Figure 3: Designations of the Poll Participants

What are the Market expectations?
 What is the need of the hour in the current scenario?...

It can be clearly seen from the figure 4, that contrary to the popular belief that company size and product brand are the two key factors that influence a buyer to opt for a software product or vendor, they are actually found to be least significant receiving just over 5% of the votes by the user.

On the other hand, a few interesting evidence has surfaced out from the survey on what parameters the users value and are



Source: iPOTT Survey - Sep 2009

Figure 4: % Votes from users

actually seeking for from a software vendor. Users have voted for the post-sales support mechanism to be of paramount importance receiving nearly 23% of votes. Parameters such as the technology used in developing the product, product cost, complaint management mechanism, and the clientele of the company also play a significant role in driving the buyer to choose a software vendor or product.

The Supply - Demand gap between the buyers and software vendors

What influences a company to select a software vendor? What does the software buyer want? Earlier it would have been offices next door, knowing the vendor, but the virtual world has removed the barriers of distance and physical presence. Remote selling is being practiced by most of renowned software providers. Even support staff can be more productive by working remotely than working onsite at the client's location. But what matters today is different.

Is it the Company brand; the size; the location; its branches; clients; the support mechanism; complaint management mechanism; the product brand; product cost; technology; age of software; others?

Below are some answers from users...on what is important?

- After-sales service is an important determinant ie. The quality of support.
- Technical capability of the software vendor which depends on the kind of references provided by their clients
- Quality processes followed by the software vendor in executing projects
- Communication protocols followed with the clients
- Advanced technology capability of the software as well as its flexibility & up gradation capability
- Whether the vendor is already doing business with the client.
- It's all about company brand.
- Clients- By this factor you can come to know the "Bandwidth" of the Company.
- Complaint Management as well, because it is one of the components of Support.

So how do you measure these before choosing the vendor?

iPOTT analyzed the Indian Software Market to check what are the factors that influence a company to select a software vendor. From the results of the survey, it was found that there was a mismatch on what the software buyer actually looks for and what the software seller assumes of his prospective buyers. The results led to the following inferences:

We will begin by saying that the Indian Software Market is remarkable in a number of ways. It is more service oriented managed by professionals and entrepreneurs. Indian Software Product Market is going to get extremely bullish in the near future. The huge domestic market's requirements and demands are now surging, throwing newer challenges to the software vendors.

The SME's are responsible to create this emerging market. This new emerging market need not be a playground for the biggies in the IT industry. Smaller vendors with quality products can also make it global. But there are a few voids as discussed earlier in this paper.

... It's therefore the right opportunity for software vendors to time test and prepare their products for this new emerging market... Working closely with Indian SME customers will also help Indian companies make their products both "Enterprise-Ready" and suitable for other markets across the world. "The domestic market is a great place to make mistakes and learn and that too at the lowest cost. It is also a great place for building references."

What software buyers have to say:

In the present market, factors such as location, branches, size of company, clients, etc have lost significance. Application, technology, support and pricing do have more influence.

- Vishal Sharma

Quality, services and cutting edge technology does matter as well.

- Vikram J Singh

Having done some software spec and select projects in the past, I have seen that purchase decisions are driven by:

1. The functionality of the software and ability to integrate it into a customer's IT environment.
2. Whether the vendor is already doing business with the client
3. The brand of the company and how many industry peers are using the software.

While 'After-sales service' is an important determinant, it's actually hard to determine the quality of service prior to the purchase and as a consequence clients try to ensure quality of service through the development of service level agreements.

-Jay Joshi

What is most important to me as a decision maker will be:

1. Client Testimonials
2. Vendor Support mechanism and how well it is aligned to the organization's requirement - both current & future.
3. Advanced technology capability of the software as well as its flexibility & upgradation capability.
4. User Friendliness

-Karishma Kumar

According to me, the parameters that play high importance for software services are

1. Technical capability of the software vendor, which depends on the kind of

references provided by their clients.

2. Quality processes followed by the software vendor in executing projects.
3. Communication protocols followed with the clients.

-When it comes to software products the parameters will be:

1. Product support.
2. Product scalability.
3. Product pricing.

- Sudheer

In my view, the following are the priorities which should be looked upon:

1. Age of software
2. Support Mechanism
3. Product Brand
4. Company Brand
5. Size of the company

- Phani

If I had to choose, I would have chosen based on.

1. Client- By this factor you can come to know the "bandwidth" of the Company.
2. Support Mechanism- In support mechanism I will include Complaint Management as well, because it is one of the components of Support. Support mechanism in my sense should also include Product training & after Sales support.

3. Product Cost

-Sabu Augustine, Naukri.com

According to me and my past experiences, it's in the following order:

1. Past history & experience of a company to develop challenging software
2. Support Mechanism
3. Product Cost
4. Technology
5. Company Brand

-Ashish Annachhatre

The Solution:

iPOTT proposes a solution to reduce the supply-demand void by launching the trust seal “**Trust IT**” designed exclusively for the IT and ITES companies.



Vision of TrustIT:

To be the largest source of authenticated “company & product information”

Mission of TrustIT:

To Product & Service Companies: To provide a trust Seal which will not only be a differentiator but will also add value to the company.

To the buyer of product & Service: To make available, publically, authenticated & unbiased ‘critical to decision making’ information on companies providing products and services to the Indian Market.

The Collaboration

iPOTT has strategically collaborated with TUV Rheinland to provide TrustIT to its esteemed clientele.



TÜV Rheinland India Pvt Ltd, a part of the 137 year old worldwide TUV Rheinland group, is actively engaged in providing

services related to Management System Certification, Testing and Product Certification, Automotive and Industrial Inspection, Life Care, Climate Change, Academy Activities, Software Quality Assessments, etc.

TUV Rheinland will validate the Company and Product information. Validated companies will be issued with an authentication seal which will be a differentiator, a trust enabler and a value add to the companies.

Types of Trust Seals

STAR DOC

It’s a completely online validation process. All documents required for validation will be submitted online. Validation and verification will be done offsite and the validation seal will be provided.

STAR ORG

All required documents will be submitted online. Validation will be done onsite by the auditors of TUV who will perform checks on a random sample basis. Validation seal and authentication certificate will be provided.

STAR PRO

It’s a unique evaluation and rating service developed by the TÜV Rheinland Group. Parameters such as ‘Corporate Sustainability’ and ‘Social Performance’ of a company will be evaluated. Objective is to rate an organization’s performance in 9 dimensions. As per request, 10th Dimension – to assess Customer Specific Requirements

To ensure continued trust, the Seal will be valid for a period of 1 year.

Features & Advantages of TrustIT

- The certified customer information will be available on TUVdotCOM, an internet platform for tested quality and safety, containing all the product features, services, companies, systems and personnel certifications tested by the TÜV Rheinland Group.
- Customized 10-digit TUVdotCOM ID number for the certified company products or services.
- Customized internet entry and details on the company, product/service certified
- TUVdotCOM ID print templates carrying individual 10-digit ID number for free use on marketing material related to the certified product or service.
- SMB's can use this 'Business Authentication Seal' as marketing tool as it can be displayed on the company's websites, software packages, CDs, brochures... etc.
- By increasing transparency and providing information, online potential customers gain confidence and appreciation of the company's brand.
- The seal will be the evidence that the validation is done and the organization is authenticated. This seal will be a differentiator, trust enabler to the buyer and a value add to the company.
- It's a very interesting option for companies overseas to build trust and penetrate into the Indian market.

TUVdotCOM ID

- The TUVdotCOM ID is the key to all certificates that TÜV Rheinland Group issues. Using this ten-digit number, all of the properties of a product, a service or an organization that have been tested can be accessed at any time on the Internet.
- Enter the ID into a data field on the TÜV home page www.tuv.com and you will be taken straight to an overview of the test findings.
- Only disclose the information of clients who opt for public view, which is available in the web site.
- The TUVdotCOM ID (circled in blue, displayed below) forms part of the round TUVdotCOM Seal. Company can use it onto certified products while certified organizations can include it in their letterheads, catalogs and other documents.
- It makes it easier for anyone who is interested in buying the product or service to make a decision and assists companies with their marketing.
- Within minutes, anyone who is interested can locate a product or organisation accurately by means of its TUVdotCOM ID. If a product has a bogus ID, a glance at its description on the Internet is all that a buyer needs to expose the scam.



Learn More:

Learn more about how you can improve productivity, enhance sales, and sharpen your competitive edge by using TrustIT.

For more information or to register, visit www.trustit.co.in / www.ipott.com or call 080-25484019 to speak to a representative from the promotional team.

Acknowledgement:

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About the Author:

Purnima Varadraján is the CEO of iPOTT group of companies. She has over 10 years of experience in the IT industry and has handled various roles before starting her new ventures. She currently heads four companies - 1. *iPOTT SaiaS Private Limited*: A Software Search Company listing software developed across the world for the Indian Market which currently lists over 5000 software in 106 categories, 2. *iPOTT SEI* : Increasing technology expectations, selection, evaluation & implementation of software, 3. iPOTT IKV: Intellectual Knowledge Management providing IP services and 4. iPOTT BtoBC : Information classified.