

Growing through technology

There's huge potential for IT adoption in the SMB market in India. However, the IT appetite of this market differs from that of the enterprise and needs be catered to accordingly

⊕ By Varun Aggarwal

According to the Union Ministry of Micro, Small and Medium Enterprises, there are about 13 million SMBs in India. The Ministry defines a micro, small or medium enterprise as an industrial undertaking with fixed assets in plants and machinery—whether owned or leased—of USD 200,000 to USD 1.5 million.

Bangalore-based Zinnov Consulting, on the other hand, puts the number of SMBs at 35 million. Zinnov defines an SMB as any organization with up to 1,000 employees. Of the 35 million SMEs, Zinnov says, almost 34 million have less than 10 employees. This is a huge market to address considering the fact that a majority of these companies do not have a sophisticated IT setup.

SMBs have been shying away from IT deployments since companies in this market were unaware of the extent to which technology can improve their productivity and grow their business. This market also has different IT requirements than those of the enterprise. "SMBs typically face constraints from a cost perspective, they would like to deploy a solution that is ready-to-use and simple. They would not have the time or the money to put resources (people) into deploying, managing, customizing and maintaining a complex infrastructure. They need a no-headache, high-productivity solution that provides near zero downtime and requires minimal ongoing attention. In other words, they require a robust, reliable solution that is easy to manage

with minimal resources, so that they can focus on their core businesses," says Ravi Ranade, Head - Presales and Global Professional Services, Red Hat India.

Kale Consultants' latest study titled 'Technology Adoption Index for Logistics' clearly shows that increased technology adoption is a clear driver of growth for logistics companies. Vineet Malhotra, Global Head - Marketing, Kale Consultants, says, "Instead of waiting to reach a certain size before IT can become affordable, players who push themselves ahead on technology adoption have a clear chance of success." While this report focuses only on logistics industry, other industries also experience similar benefits related to IT.

Awareness in terms of ROI is lacking in SMBs, opines Mohammed Saif, Deputy Director, Consulting, ICT Practice, Frost & Sullivan. "They need to ask for a clear and quick ROI from their IT investments. Ideally the ROI shouldn't be more than three years and could be as low as a year and a half to two years. They also

need to sign SLAs with the vendors in order to get maximum gains from their investments," says Saif.

IT = INCREASED TURNOVER

IT can translate into direct business benefits for SMBs. Take for example, Delhi-based travel services company, Formula One Corporate Solutions which has a turnover of Rs 75 crore. The company decided to take an aggressive route to the market by converting every prospective client into a customer. However, managing contacts and tracking client dealings was not an easy task. The company looked to technology for a solution to this challenge and deployed a CRM solution from Sage Software. "In the last six months, we have been able to open four new offices and have clear visibility into all client dealings from a central location. The investment in the CRM solution is clearly paying off for us," says Shiivani Aggarwal, GM - Business Development, Formula One Corporate Solutions.

The company has distributed



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Xavier Augustin, Founder & CEO, Y-Axis

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BlackBerry phones to some of its staff so that they can stay connected via e-mail and access CRM on-the-go.

Vendors are also realizing the great potential of the SMB market in the country and are building special solutions for SMBs. Oracle, for instance, is offering complete enterprise features for SMBs at low costs by giving SMBs options to choose from. “Instead of selling all modules to SMBs, we’re giving them an option to choose six of 30 modules that are also used by enterprises. There is no difference in the scalability and feature set of the modules that the SMB gets,” says Shamik Roy, Head - Applications Business, Oracle India. Oracle has also tied up with server vendors to offer end-to-end solutions to SMBs that are easy to deploy.

Similarly, IBM has developed products and services specifically priced and designed for the SME marketplace under the brand name ‘Express Advantage.’ IBM’s Express portfolio comprises hardware, software, services, solutions and financing and is designed to meet specific needs of SMEs. “IBM’s pre-packaged business intelligence and planning solution Cognos Express is designed to help midsize organizations glean the information insights they need to effectively navigate through difficult times—but without the costs and complexities that come with traditional enterprise solutions. IBM’s tailor-made solutions help SMBs reduce cost and improve service delivery by enabling business innovation,” says Jyothi Satyanathan - Regional Executive Midmarket, IBM India/South Asia.

Open source also comes as a breather for SMBs that are looking at deploying enterprise-class solutions at

a low cost. “A recent IDC study says that in India around 69 percent of SMBs use open source technologies today, which is the highest across the APJ region. Technologies such as virtualization appear out of reach for SMBs due to the costs involved in acquiring and deploying virtualization, i.e. upfront software costs, consultation, training and support. The virtualization offering from Red Hat provides enterprise-grade capabilities at a fraction of the cost, compared to proprietary offerings,” says Ranade.

CLOUDY AFFAIR

While open source solutions reduce IT costs, they also involve hardware and maintenance costs—something that many SMBs cannot afford. Thus, with the cloud, SMBs can deploy an enterprise-class solution at an affordable cost with



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minimal or no support required from IT staff.

“SMBs want to get to the new generation of customers that are below 25 years of age. To woo such customers, they need to invest in technology. In order to maintain focus on their core competencies, SMBs need to outsource their IT by taking the cloud route,” says Saif.

Xavier Augustin, Founder & CEO of Y-Axis, a Mumbai-based overseas career

and immigration consultancy, is a firm believer of cloud computing. While his Rs 15 crore company spends Rs 40-50 lakh a year on IT, he ensures that nothing is spent on servers and on-premise software. In order to automate the end-to-end operations of the company, Augustin decided to deploy Salesforce.com’s enterprise CRM to not only automate business processes but also gain better visibility of the organization across 12 locations.

“We currently have around 5,000 applicants passing through our doors every month—a figure we weren’t even aware of before the Salesforce CRM,” explains Xavier. “We currently have a 10 percent conversion rate and our aim is to generate around a 15 to 20 percent conversion rate. Every one percent increase has a significant positive impact on our bottom line. This is something we can easily track and monitor in Salesforce.com,” says Augustin.

With a high degree of workflow, the Salesforce CRM system guides new business leads, whether web enquiries, phone enquiries or ‘walk-ins,’ through a series of processes that could culminate in a transaction. The Salesforce CRM

provides Y-Axis with a clear view of the transactions that have been completed and those that haven’t. In the case of the latter, it allows the company to dig deeper into data records to examine reasons.

The increasing interest for IT in a growing SMB market cannot be overlooked by vendors. “In the next 3 years, IT spending by SMBs would take over IT spending of enterprises in India,” predicts Saif.