CHAPTER-7
CONCLUSIONS AND RECOMMENDATIONS

'Marketing Strategies of Selected US, Japanese and Indian companies in Consumer Electronics and Computer Software Industry', pertains to the post liberalization scenario, in the Consumer Electronics and Computers Software industry in India. The study attempts to portray a comparative analysis between Indian Consumer Electronics Companies vis-a-vis Japanese Consumer Electronics Companies and Indian Software Companies vis-a-vis American Software Companies, in India.

The significance of the above-mentioned topic lies in the following facts:

a) Growing Importance of the Consumer Electronics and Software in India – Electronics is the fastest growing industry all over the World and forms the core of many a nations’ economy. Though USA occupies the maximum share in the World electronics market, with a massive production of US $4,12,547 during the year 2000, yet Japan remains the leader in Consumer Electronics with a production of US $ 13,127 in the year 2000, which is 22 percent of the total Consumer Electronics production in the world. The share of India in World Consumer Electronics market is merely 3 percent. In the case of Consumer Electronics sector in India, all the renowned global brands have either established production facilities in the country or are present in the market through technical/financial collaborations. Consumer Electronics continues to consolidate its production base and has achieved a production level of Rs.11, 200 crores during 1999–2000, thus achieving a growth rate of 22 percent. The production was Rs.5800 crores in the year 1995–96; hence, in a span of five years, it has witnessed a 93 percent growth.
The software has emerged as one of the fastest growing sectors in the economy with a CAGR exceeding 50 percent over the last five years and with a turnover of Rs. 7200 crores (for domestic software industry) and Rs. 17,150 crores for software export industry, during 1999–2000, witnessing a growth of 53 percent over the past year.

b) Increase in Foreign Direct Investment into India: – The changing economic scenario towards liberalization and privatization in India, has brought about a significant shift from the protective tendencies which were prevalent before the year 1991. The cumulative approval of FDI since 1991 add up to approximately US $48 billion and total inflows upto December 1998 were nearly US $13.58 billion, giving a growth rate of 28.29 percent. In terms of the origin of investment approvals, since 1991, USA accounts for the highest share followed by Mauritius, Japan and Germany. The number of approvals increased from 2500 in 1991 to 14,551 in 1998, the maximum being for electrical equipment (including electronics and computer software) followed by transportation, chemicals, mechanical engineering and industrial machinery.

c) No exhaustive study has been conducted so far in this particular field. This is evident from the Review of Literature in the Chapter 2.

The objectives of the study were:

1) To study the growth of Japanese Consumer Electronics companies vis–a–vis Indian Consumer Electronics Companies in India.

2) To study the growth of US Software Companies vis–a–vis Indian Software Companies, in India.

4) To study the marketing strategies of selected US, Japanese and Indian companies.

5) To study the impact of marketing strategies on the performance of the selected companies.

6) Conclusions and Recommendations.

A comprehensive research methodology was adopted in order to achieve the above-mentioned objectives. The sample included the top five companies in each of the four categories, which were chosen on the basis of sales revenue generation. The categories were – Indian Consumer Electronics Companies (BPL, Videocon, Mirc Electronics, Salora International and Texla), Japanese Consumer Electronics Companies in India (Sony India, Kalyani Sharp India, National Panasonic India, Sansui India and Akai India), Indian Computer Software Companies (TCL, Wipro, Infosys, NIIT and HCL Technologies) and US Software companies in India (Microsoft India, Oracle Software India, Hewlett Packard India Software Operations, Texas Instruments India and IBM Global Services). For the purpose of primary data, structured questionnaires were designed separately for Consumer Electronics and Computer Software Companies. These questionnaires were personally administered to the officials of the companies. In case of Consumer Electronics, questionnaires were also designed and administered for customers and dealers. Convenience sampling technique was used for the selection of customers on the basis of their income. A total of 375 customers were administered the questionnaire. The 3 major dealers were selected for each of the Consumer Electronics brand. A total of 27 dealers were administered the questionnaire. Personal interviews were also conducted with the officials of the companies, experts from the market research firms and associated government department officials. The Secondary data has been collected from the annual
reports of the companies undertaken for study, Ministry of Industry reports, various business related magazines, journals, reports, newsletters and websites of various national and international institutions such as FIPB, CII, NASSCOM, UNCTAD, CMIE etc.

The analytical framework to measure the strategy based performance of the companies, has been designed separately for Consumer Electronics and Computer Software Companies. In case of Consumer Electronics Companies, the model designed for strategy based performance measurement takes three approaches into consideration—Customer Focused, Competitor Centered and Company Centered (Internal). The customer focused approach aims to measure the customer satisfaction with the help of various rating scales (Interval scales). The rating scales have further been used to measure the mean scores. The Competitor centered approach, uses market share, relative profitability and dealer survey outcome as the indicators to judge the competitive advantage of each company. Time series analysis has been used to estimate the future trend in the market share analysis. The company centered approach measures the performance of the company through the marketing costs and benefit indicators. Besides analyzing the sales growth, this approach also aims at comparing advertisement costs with the sales benefit. In the case of Computer Software Companies, the framework for analysis includes a tabulated picture of Business strategy supported by performance highlights, for each company. The sales turnover of each company has also been analyzed.

The growth and development of Consumer Electronics and Software Industry in India, Japan and USA has been traced and analyzed over the period of 20 years. The analysis highlights the fact that Japan and USA are undoubtedly the World leaders in Consumer Electronics and Computer Software industry.
respectively. Nevertheless, in India, they face a tough competition from the well established and fast growing Indian Consumer Electronics and Software Companies. The brief profiles of the selected US, Japanese and Indian companies (names mentioned above) have also been presented. The past five years sales revenue trend has also been depicted for each company. The existing marketing strategies of the selected companies, relating to Product, Price, Promotion, Distribution and Customer Service have been highlighted for both Consumer Electronics and Computer Software Companies. In the latter case, strategies related to human resources have also been studied. Finally, the impact of marketing strategies on the performance of the selected companies has been measured and analyzed, in accordance with the analytical framework mentioned in the research methodology.

The findings of the study and the recommendations, have been summarized as follows: –

SECTION I

7.1 FINDINGS OF THE STUDY

7.1.1 Consumer Electronics Industry

7.1.1.1 Related to the Market Scenario

The following findings have been drawn from the study of the recent market scenario (1995–2000) in Consumer Electronics Industry in India and Japan.

i) In the global Consumer Electronics Industry, Japan has a clear lead. The electronics trade surplus of Japan is bigger than the total trade surplus of all the countries put together. In other words, most of the countries are indebted to Japan in electronics.
ii) Inspite being a small country (production-wise), India is doing well with high growth rates. During the eighth plan (1995–1998), the electronics Industry witnessed a cumulative annual growth of 20 percent in production and over 40 percent in exports.

iii) The entry of the multinationals in India has given a boost to the industry. The competition is fierce. And it is the Indian manufacturer who has been losing ground year after year.

iv) In the years 1970-1985, the Indian manufacturers had been successful in exporting TV sets (both B&W and Colour) but aggressive marketing by the multinationals has dried the avenue for Indian exporters. The Indian market leaders are busy holding on to their shares of the domestic market and at present not devoting much attention to exports.

v) Competition offered by foreign brands in CTVs has almost killed 60-odd indigenous manufacturers but has strengthened the position of three Indian market leaders – BPL, Videocon and Onida – who are able to successfully face competition from international giants like Sony, Akai, Sharp, Panasonic etc.

vi) B&W TV's are more popular compared to CTV's because its sets are cheaper and are able to attract families from the lower income brackets. Annual sales of B&W TV sets are 50 percent more than those of the CTVs.

vii) The demand for CTVs in the metros is on the increase because the television sets there have shifted to the bedrooms from their earlier position in the living rooms. The new demand is also due to replacement of the old sets by the new ones. And the companies that offered allurements for this purpose have reaped a rich harvest.
viii) In case of the Audio products, the Indian brands have completely lost to the foreign brands, especially the Japanese. BPL is the only Indian brand, which still holds 8 percent market share (1999) as compared to the four Japanese brands holding 64 percent market share (AIWA, Sony, Akai and Panasonic) in audio segment.

ix) In case of Video products, VCR is presently in the doldrums with sales falling to a low of only 50,000 units in the year 1999 as compared to 1,50,000 units a year before. The following factors are responsible for its decline –

- Proliferation of more cable channels
- Intense competition from gray market, which accounts for 50 percent of the market share.
- Import of critical components, including the head, accounts for high prices of VCRs and VCPs.

However, with the coming in of State-of-the-art video compact disc (VCD) and digital video disc (DVD) players in India, the market is expected to be active again.

x) Most of the Japanese companies are importing 20-30 percent of their components; especially in the case of colour televisions. With the abolishment of quantitative restrictions in April 2001, the Indians are expected to emerge as the low cost producers while the Japanese brands might capture the high-end segments.

7.1.1.2 Related to the Customer Focused Approach

The following findings pertain to the analysis of the questionnaire administered to the customers to gauge their satisfaction level and perception.
i) It has been found from the study that the customers possessing Japanese brands demonstrated a better satisfaction level as compared to those possessing the Indian brand consumer electronic items.

ii) Out of the nine attributes undertaken for analyzing customer satisfaction, the Japanese brands held the top position in seven attributes leaving the rest to the Indian brands.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Brands which Provide Maximum Satisfaction</th>
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<tbody>
<tr>
<td>Product design and style</td>
<td>Sony, National Panasonic</td>
</tr>
<tr>
<td>Product Quality</td>
<td>Akai, National Panasonic</td>
</tr>
<tr>
<td>Product Features</td>
<td>Akai</td>
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<tr>
<td>Performance</td>
<td>Akai</td>
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<tr>
<td>Pre–Sales Service</td>
<td>Akai</td>
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<tr>
<td>Value for Money</td>
<td>Sharp</td>
</tr>
<tr>
<td>Schemes and Discounts</td>
<td>Akai</td>
</tr>
<tr>
<td>After Sales Service</td>
<td>Salora (Indian)</td>
</tr>
<tr>
<td>Warranty Terms</td>
<td>Salora</td>
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</table>

As per the customer survey, Akai is the most satisfying brand amongst the Japanese brands,

iii) The owners of the Sharp brand of Consumer Electronics products (maximum retention rate) are the customers who would be least interested in the replacement of the brand. The owners of Salora and Sony brand of products follow this tendency too.

iv) 64 percent of the customers were not interested in replacing their already owned brands, whereas among the rest (36 percent) who sought replacement the most preferred brand
for repurchase was Sony (for 50 percent of the customers seeking replacement). The next most preferred was BPL (16 percent of the customers seeking replacement).

v) The majority of customers (66.66 percent) preferred company service centers for the after sale service of their products in comparison to 33.33 percent of customers who preferred the local repair shop. Among the 66.66 percent who opted for the services of the company service centers, 76.66 percent were satisfied with the services provided whereas 83.33 reported dissatisfaction with the services provided at the company service centers.

The various reasons cited by the customers for dissatisfaction were - the problem was not rectified in one go, the service took too much time, too much of effort and money was required, the same problem reoccurred, lack of proper attention by the service staff, a number of visits had to be paid to the service center.

vi) 78 percent of the customers reported not to have received any kind of after sales feedback enquiry from the concerned companies. 84 percent of the customers wished that feedback should be taken from them after they have bought the product, which would enhance the feeling of satisfaction and security.

vii) 30 percent of the customers perceived that the Indian brands were better in comparison to the Japanese brands, 26 percent perceived that there was no difference among the two categories, 38 percent perceived that Indian brands were a little less in quality as compared to Japanese brands and 6 percent of the respondents perceived that Indian brands were better than the Japanese brands.
7.1.1.3 Related to Competitor Centered Approach

i) In the time period (1995-2000), the year 1995 marked the entry of Japanese multinationals like Sony, National Panasonic into India, the Indian leaders in Consumers Electronics market have been continuously losing their market share – Videocon showing 17 percent decline, followed by BPL with 14 percent decline and Onida with 7 percent decline in its market share.

On the other hand, the Japanese companies have not been able to show any significant capture of the Indian market but the companies - Sony and Sharp have been able to maintain almost a constant level of market share at 6 and 3 percent respectively.

ii) The 3 Indian companies – Videocon, BPL and Onida still hold a major share of the Indian market – almost 50 percent, the rest being shared by 12 foreign companies (Japanese, Korean, American and Chinese), out of which Japanese companies hold about 15 percent.

iii) The year 1998-99 saw the entry of 3 new Japanese brands into India – Akai, Sansui, and Aiwa, each of which caught hold of at least 3 percent market share on their first year of operation in India, but no new Indian brand has entered the market since the past 15 years. This phenomenon hints at a decline on indigenous capability.

iv) The time series analyses of market share trends over the next five years (2000-2005), predicts that only one Indian brand, Onida shows a positive trend line in contrast to 3 Japanese brands – Sony, Akai and National Panasonic showing positive market share trends.

v) The profitability analysis shows a drastic contrast among the
Indian and Japanese companies. Whereas the substantial net profit figures of the Indian companies reflect their stability and a high return on sales, the Japanese companies on the other hand, have either not reached the breakeven point or the return on sales are very low.

vi) The main objective of the dealers (as stated by the 80 percent dealers) is to achieve target profits. Enhancement of consumer brand loyalty comes the next. Hence, the prime objective of the dealers emphasizes the importance of margins given to them by the company. Fierce competition in the market has led the companies to sacrifice their own margins, but dealer margins have not reduced as much because the proliferation of models (at present there are more than 15 brands and more than 200 different models in CTVs itself) had led to a situation where it is much more difficult to get a dealer to stock a wide range of any company's brand. It has reached a point where often, the dealer makes more money per set than the manufacturer. The net retention (what dealers make after passing on cash discounts to the customer) amounts to 4-5 percent of the MRP (Maximum Retail Price). This can go as high as 8-9 percent in upcountry markets, where typically one brand is available at very few counters. For an average MRP of about Rs. 14,000 the dealer makes between Rs. 600-1,200 per TV set. In contrast, most manufacturers make a net profit of Rs. 500 per set.

vii) The major areas in which the dealers receive directions from the company are discounts and schemes to be offered followed by the directions on the customer service.

viii) Inspite of being a 'bridge' between the customers and the manufacturing company, 64.28 percent of the dealers reported to have never participated in marketing decision-
making activity of the company. 21.42 percent claim that they 
participated sometimes, 14.82 percent claim to have 
participated occasionally but none of the dealers claimed to 
have participated regularly in the marketing decision making 
activities of the concerned companies.

ix) Among the companies undertaken for study, the dealer 
perception analysis revealed that the Japanese company – 
Sony India gives best Channel delivery speed to the 
customers, Best product quality and best technical support to 
the dealers. A relatively new Japanese company in India – 
Sansui, gives the best channel margins. The Indian company 
BPL has the best channel penetration all over the country and 
Videocon provides best channel support to the dealers 
through schemes awards and rewards.

x) Dealer perception analysis also revealed that among the factors 
influencing the customer's buying decision, price factor played 
the most important role, followed by advertisements, product 
features and product quality. A typical Indian consumer hunts for 
value-for-money product and the attractive advertisements and 
the schemes lead him towards it.

xi) 80 percent of the dealers opine that Japanese brands have an 
upper hand in the Indian market (brand image quality) as 
compared to the Indian brands. Sony is perceived to be the 
'most sought' brand in the Japanese brand category.

xii) The dealer analysis revealed that some strategic areas in the 
marketing of Consumer Electronics goods should be 
emphasized the most by the companies, in order to gain 
leverage in the market. They are - product quality, brand 
image, and payment and credit terms to the customers, 
advertisements, dealer incentives, and distribution network 
and after sales service.
xiii) 78 percent of the dealers were reportedly unsatisfied with the kind and the amount of compensation received from the respective companies. They seek most improvement in the gross margin and overhead contribution provided by the companies, followed by distribution exclusivity in their area of operation.

xiv) The dealers claim that they get feedback from almost half (53.33 percent) of the total customers after the sale. This feedback is then forwarded to the respective companies, yet it is only in 57.14 percent of cases that the companies act on the feedback received. This claim by dealers is quite contrary to customer satisfaction survey analysis, which show that 78 percent of the customers report to have never received any kind of after sales feedback enquiry.

7.1.1.4 Related to the Company Centered (Internal) approach

i) The financial performance of the companies in terms of net sales and profitability reflect the stability and strength of the Indian companies over the Japanese companies. The Indian companies have the benefit of massive volume production capacity and hence economies of scale arising from growth and maturity stage in the product life cycle. On the other hand, the Japanese companies have either not reached the breakeven point or are operating at minimal level of profit.

ii) The Indian companies gain on the cost front not only due to the economies of scale but also due to reduction in the other required expenditure; a major of which include advertisement expenditure. The average advertisement expenditure of Indian companies in 1999-2000 was 4.01 percent of sales, as compared to 13.92 percent of sales by the Japanese companies.
iii) The period (1995-2000) has witnessed a 22 percent decline in the advertisement expenditure of the Indian companies in contrast to the Japanese companies that have shown a marked hike of 300 percent in their advertisement expense. This trend not only portrays the eagerness of Japanese companies to build their brand image and position themselves strongly in the minds of Indian consumers, but also shows the aggressiveness of their marketing operations in India which are bound to increase in the near future. The results of correlation analysis also uphold the present conclusion as proved by the negative correlation trend between advertisement expense and sales revenue, in case of the two major Indian companies—BPL and Videocon. The Japanese companies Sony and Sharp, depicting a tendency of high advertisement budget being associated with high sales revenue, have showed the greatest positive trend.

iv) The results of regression analysis show the indespensable dependence of sales on advertisement for the following companies – Sansui, Sony, Sharp, Onida and Salora. In the absence of any advertisement, these companies have a greater tendency to show decline in their sales.

Onida brand (Indian) has the greatest tendency of change in its sales if the advertisement expenditure is changed by one unit. This trend is followed by Sharp, Sansui, Salora and Sony brands, in that order.

v) The brand equity measurement was carried out on the basis of three criteria – Brand loyalty, Name awareness and perceived quality. The criteria of brand loyalty and perceived quality was dominated by Japanese brands – National Panasonic, Sony, Sansui and Akai, with National Panasonic, scoring the most in both these criteria. As far as the name
awareness criteria, BPL (Indian) and Sony (Japanese) showed the most and equal awareness with the customers.

In summation, the first three positions of maximum brand equity are enjoyed by the Japanese brands, namely – National Panasonic, Sony and Akai, the Indian majors - Videocon and BPL, hold the next two positions respectively.

7.1.2 Computer Software Industry

7.1.2.1 Related to the Market Scenario

The following findings have been drawn from the study of the recent market scenario (1995–2000) in the Computer Software Industry in India and USA.

i) The World Software market is currently (year 2000) estimated to be around $ 150 billion.

ii) The Computer Software Industry is characterized by significant expenses for upfront development, marketing and technical support infrastructure for initial versions of software products. Subsequent products based on the first version become much less expensive to develop because they are based on the same technical development.

iii) Gross margins in the software business are often 70 to 80 percent because the expenses needed to support a software company are very little. Labour is the largest expense item since software development often involves working in teams of 6, 12 or even 100 people. Furthermore, software projects often involve long lead lines between different versions.

iv) The United States Software industry is the world-leading supplier of packaged software. The US software industry continues to be the fastest growing sector of the US economy.
v) The global software industry can be divided into players engaged in providing software solutions and players engaged in developing products. While large American software companies are driven by product business, Indian companies predominantly are service providers. In the next 3-5 years, all Indian companies will continue to be so, given the small size of their operations (in global parlance).

vi) India is uniquely placed in the global software market and is likely to remain a dominant player in global outsourcing of the software services. The average cost of software programmer in India is about 1/12th of the same in USA or other developed European countries. Cost of a programmer in China/Russia is around 20 percent lower than that in India. But the negatives of language and the learning curve far outweigh the minor cost advantage they have.

vii) The leading Indian companies have quality systems and global standards and possess leading fortune 500 and other large corporate as their clients.

viii) The growth for Indian exporters will be driven by huge re-engineering business, Euro conversion and Internet related opportunities. In the long term, established players who are moving up the value chain and have sound manpower policies shall be competitively well placed.

ix) Domestic Indian software production is estimated at Rs.7300 crores in financial year 1999-2000, which is about 44 percent the size of software exports. Though in the past (before 1995), domestic market lacked export growth, but since 1995 growth has picked up commendably, registering a growth rate of 55 percent in 1999-2000. Growth, is driven by deeper penetration of computers in business, education and household segments and conducive policies such as zero
import duty on software, crackdown on piracy, export incentives etc. Domestic market is dominated by packages and 'turnkey' services. Most of the software packages are imported and domestic companies have a limited presence in this segment.

x) The Internet revolution is set to gather momentum. The technology that connects anybody, anywhere and anytime at a nominal cost will change every facet of human life be it business, education or entertainment. In the process, there will be enormous opportunities for the IT industry, and formidable challenge for every business including IT.

xi) The Indian computer education and training industry is growing at a rapid pace (31 percent growth in 1999-2000). The growth is primarily driven by white-collar employee's need for training in computers and increasing penetration of computers, which in turn is driven by falling hardware prices.

xii) The private training institutes meet an insignificant part of manpower requirement of the software export industry. In the last five years (1995-2000), there has been a rapid growth in the career oriented courses and the training programs targeted at IT professionals. The trend is likely to continue. On the other hand, several new players have entered the low end of training. Over the next decade, the industry will see a major shakeout of small-unorganized players, as low-end market will dwindle with increasing exposure to computers in formal education and availability of low cost multimedia (CDs, TV, internet) teaching aids. Established players will concentrate on high-end courses.

xiii) Over the past decade (1990-2000), the Indian software developers have come into the limelight. They have been gradually moving up the quality chain, from more than 80
percent of Indian programmers engaged in coding and programming in the early nineties, now the skill sets are distributed over a vast area of technology. In the early nineties, only TCS, which had the Tata name to leverage upon in the international arena, did consulting in software development. Today, most of the top companies (Wipro, Infosys, HCI Technologies etc.) are engaged in IT consulting and it contributes anywhere from 17 to 20 percent of the total software exports revenue. Though not a big number in percentage, exports are underway to push it to 40 percent in the next two years.

xiv) India is the home for almost all software majors in the world. What makes it unique is that no other country in the world has all the software majors. They are not here merely because of the cost advantage, but because they have begun to realize that they get more than their money's worth. These centers are considered 'cost' centers and therefore estimating the actual value of work done out here is difficult. Figure estimation is not as important as highlighting the technology skill sets being developed in India and the kind of value added to the overall value chain. Some of the companies, which operate their development centers from India, are – Oracle, Microsoft, HP ISO, Texas Instruments, IBM, Adobe, Novell, Informix etc.

xv) The software companies in India are moving up the value chain and playing a far more significant role in shaping the industry than in the past. Though the Internet and PC penetrations have a long way to go before they reach the critical mass, promising efforts are being made both by the public as well as the private sector to add the required bandwidth and the backbone. And, the Internet is increasingly becoming the epicenter for future strategies of the software
companies. The growth would continue across four broad sectors - IT services, IT-enabled services, software products and ebusiness.

xvi) As the Indian economy becomes truly integrated with the world economy, the industry in India will see a shakeout of both domestic and overseas companies. Fundamentally, the software companies that do not provide their customers with quality products and services will see their installed bases dwindle. Without the revenue to invest in new product development, these companies will go out of business; or have their products acquired by a higher net worth company. Ultimately, only the companies – whether based locally or overseas – that provide value to their customers will survive.

xvii) On the economic front, cheap and effective modes of communication are driving the growth of ecommerce and the need for more communications-oriented software. Market demand is shifting from back office to integration with customer's suppliers and partners. Complete solution providers such as application service providers, who address the needs of not only large corporate, but also of small and medium enterprises and individual consumers are becoming prevalent, the use of software enabled devices such as cellular is also becoming widespread. Software products are growing across the board.

xviii) The 'think global act local' catchword has become the guiding spirit for software majors. Globalization is the driving force and localization is the driving need that has made companies opt for this route. The underlying factor is that, if a company wants to have a global presence, it is imperative that the top management sits at a place where the majority of its customers are located. With the majority of business for the
software companies coming from the US, it has become a need rather than a means to be close to the customers. It helps them understand the problems of the customers and reach out to them. Over and above, it helps them in forging long-term relationships with customers and realizing the needs of markets as well as acting according to those needs. Also, major US dotcoms and ebusinesses have shown how business can be generated and run using the new click model rather than by sticking to the traditional brick and mortar model. As such, it has become imperative for the top management of software companies to be in the thick of action, to guide and take the company forward in the new economy, CEOs are therefore opting for hands on approach to drive their business by setting up their bases overseas.

The low cost model pursued by many of the Indian software companies as a unique selling point is unsustainable in the long run. Most of the Indian companies have been announcing high growths in revenues as well as net profits for the past few years. But a close look at these companies shows that they have not been able to improve upon their margins. Major reasons attributed for lower margins were increase in competition and heavy dependence on a few clients. This has prevented the middle rung companies from increasing the billings to keep in tune with the increase in employee salaries. Another factor is that the rupee ruled steady against the US dollar during the last fiscal (1999-2000). The steady rupee dollar rate meant that software export income could not gain much from the depreciation of the currency, as in the previous years. This fiscal (1999–2000), though there was a balance between the on site and offshore work being pursued by the software companies. The ecommerce projects, which call for a lot of onsite work, have
definitely lowered the margins. Long term contracts with clients also led to a decrease in margins.

xx) Branding has become important and companies will have to invest in branding if they have to keep up the momentum.

xxi) In the software exports sector, US continues to be the favourite destination for Indian software companies and brought in the largest chunk of revenue - 67 percent, up 4 percent from the previous year (1998-99). The Indian software companies have not been able to make any significant inroads into the European market, with the region maintaining a steady 21 percent of the total revenue. Incidentally, Japan has been one country where the Indian companies have lost ground. While in the 1998-99 fiscal, 4.5 percent of the revenues came from this region; it dropped to a 2.5 percent in the 1999-2000 fiscal. Considering that there has been enough scope for exports, it is discouraging to note that the Indian software companies have been losing ground year after year.

xxii) In the next few years India is expected to emerge as the most significant hub for IT services within the global context, where:

- Software exports will grow faster than any other sector and constitute 20–25 percent of the total exports of the country.
- It will have a global presence in certain niche areas such as Integrated Circuit (IC) design, hardware design and development for network products, embedded software and telecom software and other IT enabled services.
- The Indian companies will create their own brand equity.

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More and more Indian companies will have a listing in the overseas stock markets.

7.1.2.2 Related to the Companies

The following conclusions pertain to the analysis of marketing strategies related to the Product, Price, Promotion, distribution, customer services and human resources, for the selected companies.

i) The Indian software companies, Infosys, Wipro and NIIT have established credibility with the clients and have critical mass to sustain the growth. TCS is another major player but not listed on the stock exchange. HCL technologies has shown the highest C.A.G.R in the past five years.

ii) Infosys has become the benchmark for the Indian IT industry. With its global delivery model, spread of clients and a good mixture of onsite and offshore projects, Infosys today is perhaps the only company to keep up with the challenges and the competition and has been able to successfully renegotiate its per man hour charges. It commands a reported $90 per hour from its clients. Naturally therefore, its process and quality initiatives are being followed by many companies.

iii) Companies have increasingly realized that it was imperative to have good quality processes in place, if they were to move up the value chain. And with at least 13 companies having achieved SEI-CMM level 5, Indian companies have definitely carved out a niche for themselves on the global arena.

iv) Most Indian companies are currently operating in the lower value-added space in the areas of IT services and outsourcing and in some areas of e-business services. Though the high-end Indian players such as Infosys, TCS, HCL Technologies, NIIT and Wipro (Companies taken for
study) are increasing scope towards e-enabling/e-infrastructure initiatives and strategy and consulting services. The latter is the highest yielding segment of the IT services value chain.

Among the US companies in India, IBM Global services, besides being a global broadline company also has ebusiness services and strategic consulting unit within its broader business structure.

v) Indian IT services companies with their diversified revenue streams (including geographic and customer diversification) seem particularly attractive as they offer flexibility, lower cost/capital liberation opportunities and the world class technical expertise. This has not only encouraged global corporations to look at offshore engagements but in the times to come, will also spur a continued migration of basic IT services away from the end user countries to the skill-saturated regions like India.

vi) The IT services companies in India are increasingly forsaking the 'one-stop-shop' approach for e-business services in the favour of using multiple vendors with a multiple range of experience. Cost is becoming increasingly relevant to e-business services decision-making. Companies that hire strategy consultants are asking themselves how much better the outside consultant understands their business.

vii) Sales revenue analysis over the past five years (1995-2000) shows that the companies undertaken for study can be divided into rapid risers and steady floaters, shown by the following table 7.1. (The reasons have been stated in the brackets).
Table 7.1
Summary of Sales Revenue Analysis of Computer Software Companies

<table>
<thead>
<tr>
<th>Rapid Risers</th>
<th>Steady Floaters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HCL Technologies (revenue consolidation using US GAAP)</td>
<td>1. Wipro (Change in the revenue model and restructuring)</td>
</tr>
<tr>
<td>2. IBM Global Services (Export of Services)</td>
<td>2. Infosys (Formula revenue model for export services, enhanced global competitiveness)</td>
</tr>
<tr>
<td>3. Microsoft India (Slow product innovation, delayed global product strategy from the parent company)</td>
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</tr>
<tr>
<td>4. TCS (large revenue base and formula revenue model, business as usual)</td>
<td></td>
</tr>
<tr>
<td>5. NIIT (large revenue base with rapidly changing revenue model, enhanced global competitiveness)</td>
<td></td>
</tr>
<tr>
<td>6. Oracle India (Competition from Microsoft)</td>
<td></td>
</tr>
<tr>
<td>7. HP ISO (realignment of business areas)</td>
<td></td>
</tr>
<tr>
<td>8. Texas Instruments India (Focus on parent company only and technical competency)</td>
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</tbody>
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Source: Field Investigation

The table 7.1 shows that the majority of the Indian companies and also the US companies in India have been keeping their revenues growing at a steady pace. The only two companies, which have shown an extraordinary growth, is the Indian major – HCL technologies and US major in India – IBM Global Services.

viii) Packaged software market in India continues to be dominated by the US companies, with Microsoft in the leading position followed by Oracle. These companies face negligible competition from any Indian company.

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SECTION II

7.2 RECOMMENDATIONS

7.2.1 Consumer Electronics Industry

The following strategic recommendations have been made on the basis of the study.

7.2.1.1 The following recommendations for the Indian as well as Japanese Consumer Electronics are drawn from the perception of the Indian Customers and the changing scenario of Indian markets.

i) Product–Price Compatibility

The demand for Consumer Electronics goods is extremely price sensitive. Although competition has prevented prices from rising, the average price of a no-frills CTV set is about Rs.12,000; which is two times more than India's monthly per capita income of Rs. 5778. The prices of an audio CD system and a video cassette recorder are even more. Thus, as compared to the developed consumer market of USA where it takes only 2 days salary to buy a CTV set, in India it takes about 2.3 month's salary to buy the same. However, with excise duties not likely to fall in the near future, slashing prices cannot remain feasible without bringing about a change in the product to suit the low price.

ii) Cater to the Replacement Demand

The huge success story of one of Japanese companies in India - Akai, was scripted largely because it tapped the latent demand for replacing existing TVs in the early 90's through its wide spread exchange scheme (exchange the old TV for
new). Until now (Year 2000), the average replacement period of television, for instance, was around 8-10 years. But as newer products start rolling out into the market, this is expected to drop significantly. Assuming that the replacement period would drop to 7 years, volumes would grow at least by 6-8 percent.

iii) Adopt Product Customization

Innovations, which suit both the customer preferences and pockets, are the need of the hour. The reason for not buying a product may not be linked to affordability or price. For example, rural India still suffers from infrastructural drawbacks like the non-availability of power. Hence, kerosene or battery run electronic goods could fill the gap or may be an offer of a free generator with a TV set could be another strategy.

iv) Easy and Accessible Financing

Lack of instant purchasing power is another feature of a developing economy like India. Hence, expansion of hire-purchase schemes is one way of making price sensitive consumers spend. With the financial institutions and commercial banks trying to catch the attention of the consumers, staggered payments lead to an increased discretionary spending power.

v) Build Brand Awareness

Building strong brand awareness involves creativity; Companies should follow such marketing strategies, which mark them out from others. Of course, advertising campaigns coupled with grandiose sales promotion schemes would serve as the means but the company which shall have an edge, would be the one—who can do it differently.
Encash Rural Areas

The market geographies throw some light on the colossal hidden wealth in rural areas of India. Just 30 million households in India own television sets. Almost 70 percent of the population is rural based and agriculture accounts for about 35 percent of national income. The rural markets have much buying power, which is highlighted by the fact that, the premium models of colour televisions, refrigerators, washing machines, have sold more in rural areas. As against the general perception demand for economy products is more in urban markets. The recent findings by National Sample Survey Organisation indicate that almost 61 percent of urban households own television sets compared to 18 percent in rural area. Hence, a visible shift in focus towards rural India is required.

Convergence Techniques

With the advent of Internet, convergence is expected to drive growth in future. The classical definition of Consumer Electronics being limited to audio-video entertainment is being expanded to embrace products like DTH (Direct to Home) systems, TV/PC (Personal Computer) combinations, set top Internet access devices, home theatre, home information products, mobile electronics and electronic gaming. Digital TV has been positioned as the hub of next generation digital home networks that will be the platform for a whole new set of consumer devices "intelligent enough to recognize on man's cumbersome commands and menus". Hence, a restructuring of product range is also needed to suit the future demands, as we transition into the new millennium. The players should refurbish their stable product range with state-of-the-art products in line with the desires of a discernable buyer, as he
gets increasingly aware about the latest developments in Consumer Electronics technology around the world.

viii) Distribution Strategy

Strong distribution networks are important for the Consumer Electronics industry not only to guarantee a countrywide reach for a company’s product but also for providing a good after sales service. In today’s competitive scenario, what needs to be emphasized is a strategic partnership between the company and the dealers. The participation of dealers in marketing decision-making activity needs to be enhanced as the dealers act as a 'bridge' between the company and its customers.

The other strategy, which can be employed to increase the direct contact between the manufacturers and the consumers, to bring the brands to the forefront and to reduce the influence of the dealer, is by opening brand shops and employing demonstrators in all the major counters. Many companies like Sony India and National Panasonic already have brand shops in key locations but these networks should be aggressively expanded not only for product demonstration but also for product sale. This would benefit the final customer as the dealer margins can be effectively passed on to him.

ix) Customer Service

This aspect of marketing is usually underestimated while formulating the marketing strategies. Customer satisfaction is the key to the success of any brand. In case of Consumer Electronics industry, customer service is limited to after sales service, which is provided if and when the product develops some kind of fault. Though 100 percent satisfaction of the customer should be the objective of such a service as well but
as evident from the survey, the customers expect the company to take feedback from them after the purchase has been made. It may just be a customary telephonic call or a visit by the company sales person to enquire about the proper working and set up of the product. The other service might involve free at-home-fault-repairing-services.

The recent scenario has forced the marketers to include two more P's of marketing - People and Pace. Knowledge and awareness has empowered people to rightfully obtain the title of - "Customer is the King" and Pacer is the company, which can entice and delight the "King" at the earliest. The focus on the new Ps - People and Pace, needs complete customer orientation. The companies, which are poised to win, should track their customer's expectations, perceived company performance and customer satisfaction. The ways in which companies can track customer satisfaction are:

- Setting up complaint and suggestion systems.
- Conducting customer satisfaction surveys
- Conducting best customer analysis.

But all the above methods require the companies to maintain a comprehensive customer database. The present study shows that 90 percent of Consumer Electronic Companies claimed of maintaining a customer database but only 20 percent of them took regular feedback from their customers.

The new technology of Customer Relationship management (CRM) can also help the companies to achieve the level of 100 percent customer satisfaction: CRM technology tries to capture customer data across the organization, at all touch points - through e-mail, fax, call centers, direct sales and point of sale. This data is consolidated in a central database, where it can be analysed and
results sent to various customer points so that they provide better service.

7.2.1.2 Recommendations for the Indian Companies

The following recommendations are specifically for the Indian companies, which could prove useful for maintaining their lead in Consumer Electronics sectors, in the vague of fierce competition from the foreign companies.

i) Raise Barriers for MNC’s (Multinational Companies)

The last five years (1995-2000) have seen distinct signs of the inroads made by MNCs into the Consumer Electronics market of India. Not only have they grabbed a collective market share of 51 percent in CTV market and 92 percent in audio market, much of it has been from the three defenders - Videocon, BPL and Onida, whose market share has dropped from 65 percent in 1995 to 47 percent in 1999. The MNCs are still advancing rapidly, gobbling up increasing portions of sales with every passing month.

Though the defenders (Indian companies) did raise some kind of entry barriers for the invaders (MNCs) in the form of targeting down market categories where the brand awareness was low, upgradation of services to lock in customers with better support, established technology credentials to deny invaders a hi-tech edge, raised emotional involvement to prevent defection to new brands, strengthened distribution to raise investment costs for the new entrants yet the attackers breached these barriers by leveraging their brand appeal for a quick entry, cutting prices to match local brands price points, destroying the defenders hi-tech aura by the state-of-the-art features in their products, heavy advertising and a blitz of consumer schemes compensated for their lack of reach.

Hence now the only way through which the Indian marketers can win the war in Consumer Electronics market is by developing
unique, inimitable strengths of their own and not just reacting to the strategies of the foreign companies. The Indian companies still hold the competitive advantage as far as internal strength (costs and revenue) is concerned coupled with extremely sound distribution network. These factors can be leveraged upon to further bring down the costs of the product and follow the policy of predatory pricing to make it unviable for the foreign companies to match such low prices. Secondly, customer services can be enhanced, qualitatively as well as quantitatively, to bring about a better bondage with the customers. The middlemen (distributors and dealers) should be given adequate training in customer service or the companies should go in for company retail outlets, which not only provide the product but also value to the customer. Finally, continuous technology upgradation is a must, in the ever-changing world of Consumer Electronics.

ii) Multi Branding Strategy

Multi branding strategy helps a company to be present at all price points. Though BPL has come up with a new, low priced brand - Evelux, to target the low end of the market, yet this strategy needs to be launched in a broader sense. Separate brands can be positioned at the income categories (luxury, comfort and economy class), so that the brands along with their features and prices suit the perception of the category to which it is targeted. This would help the Indian companies to compete with not only the high-end foreign brands - Sony, National Panasonic, Sharp but also the middle and low-end brands - AIWA, Akai, Sansui etc. This strategy would extremely suit the ever-increasing fragmented nature of the consumer durables market in India.

iii) Emphasize on Research and Development

It has been noticed during the study of the Consumer Electronics market in India, that consumer friendly exchange and
gift schemes have worked well but once they are withdrawn, the sales dip. There is also an inherent risk of fatigue in building brands only around volumes. The competitors do follow the leader and don't get on to the bandwagon eventually. Hence, in order to be one step ahead in this race the Indian players should understand the importance of investing in R&D in order to satisfy the specific customer needs. As the momentum for digitalisation builds up, a restructuring of the product range in the Consumer Electronics is anticipated. The requirement of components would dramatically change, necessitating change in production process. Some of the existing analogue products, as a result would be edged out of the market. The next generation Consumer Electronics products would be compact, smart, multifunctional, interactive and networked. This Indian companies need to gear up their existing technology to meet this reality.

To conclude, it can be said that to uncap the latent demand potential for the Consumer Electronics, players need to cut prices customize products and create demand through marketing innovation.

7.2.2 Recommendations for the Indian Computer Software Industry

The Indian Computer Software industry is undoubtedly growing at a very fast pace yet it's presence in the World market is still quite low in terms of the turnover. The following recommendations may prove useful for the Indian Companies to establish their stronghold in the World Software Industry.

The strength of the Indian software lies in its deep understanding of the technology and in delivering quality services through the projects undertaken. And this should remain the future agenda of the software exporters too. The falling margins and the low growth rates should not be taken as a source of distraction, but considered as a passing or temporary phase. For the software
houses in India to move up the value chain, it is imperative that they take a second look at their business models, and realign and reinvent themselves according to the changing circumstances. India should not be happy with a lone Infosys or a TCS. The onus lies on all Indian Software domestic and export companies to match up to global standards by improving their global delivering models, and by spreading their businesses across clients and geographic locations.

Some of the suggestions for a broad marketing strategy for the Indian Software Companies are as follows:

i) The software companies in India should nurture, invest and maintain their positions in the key areas. These include investments in retailing to allow easy access to products, consistently provide better products with affordable prices, innovate and bring the latest technology into India, invest in IT infrastructure to provide better access and focus on value based solutions.

ii) The software products market can prove to be a high growth opportunity for Indian companies where new opportunities are emerging with multiple choices for market entry. However, to succeed, the Indian companies must develop specific capabilities, particularly in marketing and sales. They should aim at global market for software products, which are expected to grow at 18 percent a year and reach close to $800 billion by 2008.

iii) The Indian companies should also focus on developing wrapper products in mature segments and innovative start up products that are not based on cutting-edge technologies. The wrapper strategy has a lower risk-reward profile, as it leverages an installed base and the marketing of other companies. Indian companies can profit from a wrapper strategy since it will allow them to make the best use of their
implementation and service expertise, as well as relationships with vendors and customers. In the near future, there will be only limited 'garage' startup in India, as the research and development budget dedicated to software is small, there is limited exposure to commercialization of research and little high risk venture capital.

iv) In the trend of increasing software startups, it is expected that more skilled workers will be in demand. The Nasscom-McKinsey study has said that India can achieve exports worth $50 billion by 2008. For achieving this target it has specified seven 'growth enablers'. They are –

- Building a supply base of the world's best knowledge workers.
- Creating the ideal regulatory environment.
- Building anchor Indian IT MNCs.
- Opening new opportunities through country specific initiatives.
- Achieving global parity in telecom infrastructure.
- Unleashing the Indian venture creation and incubation engine.

v) The Indian companies should tap the new emerging areas by making full use of their strength in opportunities like e-enabling both the traditional as well as the dotcom businesses and migration of applications to web-based services and software enabled mobile and other networked devices. Another upcoming segment is the Application Service Provider (ASP) market. Providing rapid implementation and integration services upfront of upgradation is one of the key factors for the success of ASPs. ASPs recognize that winning does not require owning all the pieces and partnering with IT service providers. Furthermore, Internet has thrown up a
plethora of new and innovative opportunities, and rather than joining the dotcom bandwagon, Indian companies should try and make themselves the 'pick and shovels' for the dotcoms.

vi) To make it big in the global software market, India needs to increase its mass of knowledge workers. The establishment of India Institutes of Information Technology (IIITs) is definitely a step ahead in the right direction, but what the industry needs is experts in niche areas, in other words, persons with domain expertise. In the era of cutting edge technologies, it is this skilled workforce that will make all the difference.

vii) The domestic companies should also learn from software MNCs. A key foundation of the MNC model is to share best practices with the customers on a worldwide basis. They allow their customers to form a link wherein they give feedback on how a particular solution can be improved and made far more effective. The experience gained through this process is tailored to the needs of the MNC customer all over the world. This leads to an increase in the ability to deliver customer-centric, open, personalized and collaborative solutions on demand. Aligned with the customer requirements, the MNCs in India as elsewhere have the ability to offer solutions, to a range of industries. Internet makes it all the more feasible and easy. Following the lead, the Indian companies can follow a three step model: One, Indian IT companies should nurture, invest and maintain their position in retail so that consumers have easy access to products. Second, provide better products and technology at good prices. Three, make products trouble free and put in a good support network.

viii) Marketing is one of the major barriers to software exports. Cost of marketing, particularly for small and medium enterprises is prohibitive the bulk of the export has so far been 'onsite' or 'Body Shopping' which is gradually dying due
to visa restrictions in USA and other rift barriers. There is an urgent need for focusing on the 'off shore' projects and value added package exports. There is a need for networking with Non-resident Indian Professionals, Industry Trade bodies, companies and media for effective public relation and lobbying. There is a need for collection and dissemination of commercially useful information. Indian delegations/companies visiting for Seminars/marketing trips need better hand holding facilitation and advice to get results. The success of packages in foreign markets is directly related to marketing inputs and presence. Therefore, marketing tie up or partnership (joint venture) with the software house is essential. The partnership should ideally be with those software companies who have been successful in a particular area or niche so that they are able to understand the peculiar problems of that specific market, the pricing and the distribution channels.

ix) Another strategy would be to tie up with the international hardware manufacturers to market software abroad. A typical corporate buyer prefers a combined sales and services contract for both hardware and software.

x) Similarly, the Indian software companies can go for providing software support to domestic hardware manufacturers in the international market. Such a tie-up can have a high degree of synergy as the Indian hardware exports are perceived to be handicapped due to the lack of adequate software.

xi) The acquisition of software publishing houses abroad would help considerably in increasing the awareness of foreign buyers about the Indian software packages. A group of companies could pool their resources for this purpose. A certain percentage of shelf space and advertisement space can then be reserved for Indian packages. Such an effort will
also serve to provide feedback and market response on the Indian products.

xii) Active role of government is needed to give further fillip to the software industry. Besides the support on software policies and procedures needed from the state, there are other macro issues, which need to be resolved by the government. The lack of adequate infrastructure is one of these. It prevents the Indian industry from exploiting the Internet economy to the maximum. And though we may witness a steady growth in the ecommerce transactions, the absence of adequate bandwidth and world-class telecom infrastructure, not only slows the pace for companies across the board but also affects the Indian companies bottom-lines. Many MNCs have invested heavily in infrastructure, with backup data, call centers and more. It costs money, but it is a major differentiator and a critical customer need.

In a nutshell, the recommendations for the Indian software companies call for diversifying from the uneven export profile, which may not be an easy task for the companies. Many constraints and barriers within the software production and within global software market have led to the persistence in India’s pattern of the Software production and the exports which are low–skill, low–technology, low–investment and low–return relative to other options. The barriers include inadequate finance, lesser access to new technology, low credibility and other elements of client–developer relationship, lack of marketing and high marketing costs, low level of available skills and training, lack of professional managerial attitudes and a weak domestic market. All these barriers need to be overcome in order to drive the Indian Software companies up in the value chain.