

Strategies for Growth and Customer Retention in Challenging Times for the IT Industry

Ms. Himali Natekar

Co-founder, Genesis Consultants, Pune. himalinatekar@gmail.com

ABSTRACT

The rapid technological growth and need for agile and flexible models to retain customers has led to rethinking of strategies for most IT companies. Given the current economic situation, the challenge is to create long term and sustainable strategies to move forward in the coming quarters. IT companies are facing a double whammy. From the supplier end, cost inflation is high. On the other hand, customers are highly discerning and expect better prices. Such kind of markets often produces typical challenges and also vast opportunities to generate robust financial and marketing policies, thereby taking the organization forward. The global situation demands immediate correction and intervention in previously planned strategies of corporate. Under the present circumstances, is it then, possible, to create and sustain strategies to leap ahead in the coming quarters? Markets are seen to be producing immense opportunities for growth and challenges at the same time. This has created a great need for focusing on growth strategies, reskilling and identifying methods to retain existing customers.

This paper emphasizes on futuristic strategies used by corporate from IT sector.

Keywords- Corporate challenges, challenging markets, Strategies

INTRODUCTION

IT companies are currently in the process of reinventing themselves. Growth rates have fallen to single digit, lower double digit. The buzzword is “Digital” forcing companies to re-train and reskill their workforce and come up with strategies to stay ahead of competitors.

New technologies like IOT, AI/Machine learning, Block chain, Digital printing, rapid advances in storage and data analytics have led to many companies being left behind the

technology curve. Average deal sizes have reduced and there is increased competition for the larger deals.

Companies which have adapted better – retrained their workforce, formed technology partnerships in new areas, acquired companies in the Digital space have managed to stay competitive and even prosper.

In addition, protection list policies in the US, problems in Europe have added to the uncertainty. Some companies in the IT

industry have proven that adapting novel strategies can enable them to float, albeit with a struggle in the rapidly changing economic situation.

What sets these companies apart is their willingness and adaptability to change according to the demands to survive in a changing global market and execute strategies efficiently.

The focus therefore needs to be on Digital, efficient execution, reskilling, flexibility, cost optimization and intelligent spending.

This study therefore has tried to focus on the strategies which are being used by companies to tackle the various facets of a dynamic environment with specific reference to growth strategies and customer retention.

The effect of global changes on different companies is different. But to generalize, the effects have manifested in the following decisions by companies:

1. Increased spend on Digital – learning of new technologies and reskilling.
2. Lower budgets from customers for spending in traditional areas
3. Delayed decision making and longer sales cycle
4. Smart spending on budgets – companies looking for niche vendors
5. Effects internal to a company
 - a. Increased innovation

- b. Cost reduction initiatives in older technology areas/older products
- c. Outsourcing of certain functions
- d. Loss of work / decreased utilization for Service companies.

These effects have instigated the companies to introspect and discover their own shortcomings and devise ways to overcome the same. The name of the game is to fine tune the strategies in stay ahead in these changing global conditions.

Research Methodology

Primary research was conducted by taking a survey of ten leading IT firms. Three primary functions of the IT industry were researched, Business Development, Process Innovation and People Management. I conducted interviews of people from Senior Management level and team members in the Strategy development areas.

Secondary research was also done with the help of books, journals and other relevant articles and the internet for collating facts and figures. Secondary research was used to identify the key areas to be studied. Also some basic discussions and interviews helped the author on finalizing key areas.

The survey was done with the help of a questionnaire designed for the purpose. The sample contained medium and large IT companies in Pune area. The data collected was both qualitative and quantitative in nature

with a perspective of understanding the deeper issues and challenges faced by organisations. The questionnaire included questions regarding the following areas:

1. Business development. In this section questions were asked regarding how new customers were acquired, strategies for customer retention and efforts taken by companies for short and long term growth. Many questions were asked regarding innovative business models used if any ,to find if success was enhanced due to a specific model used. Questions were also asked regarding product offerings and how changes were made in these from a growth perspective.
2. Process Innovation was a factor which was considered in the questionnaire to understand its effects on the growth and also whether changes made in processes help companies sustain during challenging times.
3. People management was considered as the third area for research. Questions regarding rewards and succession planning were deeply probed into to understand what motivates employees and drives growth. Qualitative method of data collection was used for his purpose.

Data was analysed both qualitatively and quantitatively using statistical methods where required. The results of the survey were collated and the final analysis was made. The

interpretations of the findings coupled with authors analysis has been presented in this paper.

Strategies adopted by companies for growth and customer retention

BUSINESS DEVELOPMENT

1) Emphasis on customer

- Increased focus on Customer needs by aligning strategies to requirements of customers through better understanding.
- Alignment with the Digital push by the customer – need to invest in new technologies
- “The need of the day is to give customized solutions to the client’s needs. The days of ONE SOLUTION FITS ALL” are long over. This requires deep understanding of customers’ needs and innate willingness to be flexible according to the demand. Acquiring new customers is not only difficult but many times more expensive than retaining existing ones. So customer retention and customer development is the key for survival.

2) Mine Current Customers

- Mining of existing customers by cross selling and up selling should be the focus of the companies. Instead of acquiring new customers, focus should be on Tier-1 customers by giving them value added

services. This works out to be much cheaper than acquiring new clients.

- Companies must use this opportunity to develop an organization wide emphasis on client servicing through various initiatives to increase client loyalty.
- Cross Selling to existing customer also helps improve the revenue pyramid and also helps in providing better stability and predictability in revenues.
- The focus is on building “partnerships” in the true sense and such partnerships will yield rich dividends in the long term as they bind two organizations more tightly than a company-vendor relationship. Thus the old model of transactional relationships is being replaced by partnering.

3) Innovative Business Models

- Usage of different business models like Risk-Share, Revenue share, EOL (End of Life), Usage and Impact pricing to align with customer expectations. In these business models risk is divided with the customers as well. This facilitates quick decision making from the customer’s side.

4) Optimize Product/Offering Portfolio :

- Focus investment on product lines or offerings with clear future and accounting for major revenues/margins – this can mean doing away with certain

product lines or selling off lower revenue product lines. This means moving and gaining expertise in various aspects of the Digital Ecosystem.

5) Target New Markets and find new sales channels

- Companies try to broaden their market mix – in addition to developed markets like Europe and US, add new markets like the local Indian market and APAC regions and public sector enterprises within the region. Though there is a risk of low profit margins in these markets, they provide stability, a much sought after need of today’s times.
- Customize products for different markets and different price points. This includes new feature additions for existing products (specific to new markets) and completely new offerings e.g. IOT.

6) Growth through Acquisitions

- In the current situation, growth through acquisitions is critical for companies trying to find their feet in the Digital Space.
- There is a limit to how fast companies can build capabilities inhouse. Companies are therefore depending on smart acquisitions to increase their footprint across the Digital ecosystem.

This has led to a spate of acquisitions by most Indian companies in the recent past.

7) Improve Branding

- Companies need to improve their visibility in key markets. They need to advertise and showcase their capabilities by attending and sponsoring conferences, holding workshops etc. This will help them differentiate their offerings from competition. This will help strengthen their presence in the marketplace. Initiatives includes starting blogs, sponsoring webinars, and giving value added services which will help improve their positioning in the marketplace and launch them as market leaders.
- Working on documenting and highlighting product differentiation with respect to competitors for customers to better understand what they have, to ensure customer retention.

8) Moving up the Value Chain

- The current scenario is used as a stepping stone to move up the value chain by acquiring complete ownership of products rather than the traditional resource based T&M approach and in forming strategic alliances in the real sense.
- Partnering with the customer to advice and own the complete digital strategy. This ensures that the customer does not

have to look at multiple vendors for the same.

- Training initiatives which upgrade and enhance employee knowledge of the company's value chain and their part in it is critical especially for people who are the backbone of the company.

9) Future Technology Areas

- Invest in technologies of the future like different aspects of the Digital Ecosystem including IOT, automation, Data Analytics, Smart bots, AI etc... And other areas like Cloud Computing and Mobility, Virtualization, SAAS(Software as a Service), Social Networking, Convergence.

10) Proactive Investment and Increased Focus on Product Development

- Using available manpower to build for the future – with a special focus on technologies and projects. This also helps in building IP and in producing reusable components which will help attracting customers when the market picks up.
- Companies are also embracing Open Source Innovation(to reduce R&D costs) to ensure that overall spending is reduced or can be used better.

HR Policies and People Management

1) Incentivization and rewards

- It is important to make the employees a part of the growth process. If benefits are linked to success in customer retention, motivation of employees will increase. Rewards and recognition must be given to keep the morale high.
- Increase in employee benefits - Giving facilities like sessions for stress management, understanding life skills and focusing on work life balance will help them deal better with the constant fire fighting which is a typical feature in this industry.
- Increasing morale of employees through various internal exercises to retain talent is the call of the day. Retention of employees is a big challenge for companies currently. Having a strong employee pool also improves the chances of customer retention as clients are more comfortable dealing with known partners. Many managers develop strong relationships with their clients and it becomes imperative for the company to retain such employees from a long term perspective.

2) Attention to building the next level leadership

- Growth of companies requires a strong pipeline of potential leaders. It is said that leaders are built in crisis situations.

Companies are testing this theory by using challenging situations to decide and differentiate on leaders for the future based on performance and potential. This offers companies a chance to clearly differentiate the leaders of tomorrow and empower them. Leaders who go through this natural learning curve will definitely be assets to the organization in the long run.

3) Hiring the Best Talent

- Most companies increase hiring in growth phase. However, understanding that every upturn is followed by an downturn, some proactive companies are using this opportunity to go out to market and get good talent to ensure that they have a definite advantage when an downturn begins.
- Companies are aligning long term talent need with areas of potential growth. The current scenario has enabled companies to get in the right talent which will help build the company's future.

4) Added emphasis on Training - Reskilling people

- Companies are focusing on large scale reskilling programs for their existing workforce. They have tied up with online training companies providing training

and assessment in new technologies. The training should provide knowledge and skills that can be used in the immediate future. It is often observed that only technical or domain knowledge is not enough for a successful managerial role. Other skills like soft skills and life skills also play an important role. Imparting training on customer management and understanding customers needs should also be an essential aspect of training today.

- Focus on Leadership training programs focused on problems and opportunities facing the company now. This should include how to manage in a slow growth environment – which is unfamiliar territory for many managers.

5) Increased and continuous internal Communication

- Companies are using the adage that in such times, it is better to over communicate. Communication can be used as a tool not only to motivate people but also leads to increased sense of ownership and belonging.
- It is important that employees get accurate information about the company's initiatives. Employee morale is a critical factor which needs to be continuously addressed.

6) GO GREEN initiatives

- Energy Conservation - Saving in power costs, switching off lights while not working, switching off monitors and servers while leaving for the day. This also includes usage of virtualization, consolidation of server rooms etc.
- Waste Management – reduction in food wastage, reusing one side of printed paper.

PROCESS INNOVATION

Process innovation is an important area for all companies surveyed. Creation of lean processes which discard waste of time and help in cost cutting is a big area of focus for all companies targeting rapid growth. Companies must use every opportunity to revisit their processes and operations in different areas and also get outside help for a bird's eye view. Process improvement greatly helps in reducing cost for company as well as customer. A customer who sees the supplier working in this area will definitely be more satisfied due to the mutual benefits availed.

1) CORE v/s CONTEXT :

- Keep Core work in-house and outsource all non-core business.
- Outsource line functions like HR, Training to optimize costs e.g. some companies have outsourced functions

like finance, payroll, travel, procurement and internal maintenance to other companies specializing in those areas and thus saving costs.

2) Focus on Automation

- Many processes can be made less time consuming through automation. This helps to reduce operational costs on repetitive work. This automation can be in the form of process automation through Lean Management and Six Sigma, automation of internal functions to improve efficiencies like Travel/Finance etc., usage of tools for automation during the course of the product lifecycle(Testing Automation) and so on.

3) Productivity Improvements

- The focus must be on doing more with less – customers are demanding guaranteed increased productivity from partners.
- Productivity improvements can be in the form of longer working hours, increased usage of tools, skill improvement initiatives and should be easily measurable for the end customer to validate improvements.

4) Efficient Development Processes

- Usage of “Agile” Development process to reduce “Time-to-Market”. These

processes are used to ensure more efficient development cycle and to enable companies to gain an advantage over competitors.

CONCLUSION

As Darwin says, it is not always the strongest or the most intelligent who survive, but those most responsive to change.

Customer retention and growth go hand in hand for a company. The global landscape is changing fast and in this era of digitization, companies that focus on customer retention have an innate advantage.

It is necessary for companies to adapt to new technologies to remain competitive.. Continuous evolution – whether it is reskilling of employees, innovative business models, strong technology partnerships, focus on account management, continuous productivity improvements is a must in today’s competitive world.

Innovative strategies, adaptability to change and lean organizations help companies grow and keep the customer satisfied. Three major areas,viz Business development, HR policies and people management and Process development/innovation have been studied here.

It is proven that companies who are able to use the above strategies for growth and focus

on customer satisfaction and customer retention have a better chance of being successful.

FUTURE SCOPE

Innovation in people management, processes and market development adopted by IT companies will help them stand a better chance of emerging as market leaders in the highly competitive environment.

Companies can start by investing heavily in research and development now so that they will have new products and services ready for launch in the growing market. This will give them a strategic advantage over competitors, thus creating a sustainable competitive advantage over others. Thus shifting the focus

to the areas discussed above and giving utmost importance to customers will enable companies to be the market leaders of tomorrow.

REFERENCES-

- 1) The Challenges Of Global Corporate Strategies Camila De Souza Braga Rademaker
- 2) <http://hbswk.hbs.edu/archive/2668.html>
- 3) <http://www.bime.com/main.php?id=31718&t=1&c=62&cg=4&mset=1041>
- 4) <http://indialeadershipforum.nasscom.in/blog/>
- 5) “Leadership in the Era of Uncertainty” by Ram Charan

* * *