

FINLATICS - Business Analyst Experience Program

Case Project – 1

Submitted by:

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Problem Statement:

An Indian IT Service and product company has an employee base of 5000+ resources all over the globe. Around 73% of the resources are based out of India (Mumbai, Pune, Hyderabad and Ahmedabad). Total employee strength includes 690 contractors out of which 60% are in India, 5% in Australia and 7% in Asia Pacific centres. These contractors are on an average 1.4 times costlier than permanent employees.

Its customers are across 35 countries mainly in the US (32%), Middle-east (27%) and Europe (20%).

Its main business is providing IT solutions and Annual Maintenance Services. Though they provide IT solutions in all the domains, 46% of their revenue comes from BFSI sector, 21% is from the Healthcare sector and the rest from other sectors like Retail, Public sector, Manufacturing, Travel, Entertainment etc.

Its product-based business is providing pre-made softwares and applications for companies. The three products they offer are DevOps bundle, cybersecurity and digital marketing. 90% of revenue comes from the digital marketing product.

It enjoys a good margin from BFSI (42%) and Retail (39%) sectors and also from business in the US (48%) and Europe (44%) region. The margin is very low in business in India (9%) and other Asia Pacific countries (14%).

It is finding it difficult to be at par with its competitors on a year-on-year margin improvement rate which is 11% v/s 26% by other comparable IT companies in India. To address this, it is thinking of acquiring smaller organisations which specialise in niche technologies and having a larger customer base which will help them in increasing its employee base and expand the business with cross-sell opportunities.

Will the acquisition help in the improvement of margins? If yes, then why? If not, then what alternate strategy should the company follow?

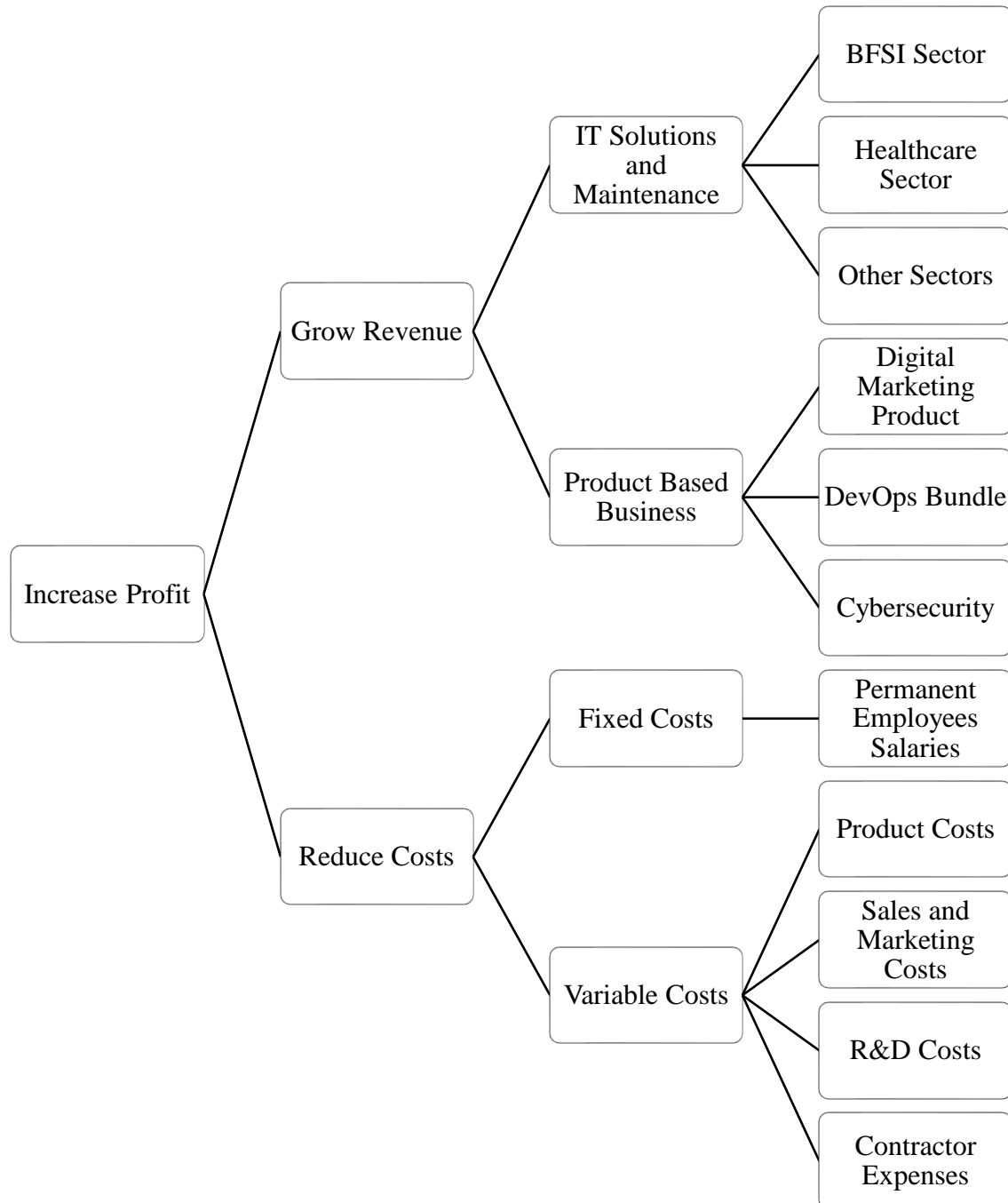
Instruction Set:

1. Identify the root problem and use the MECE (mutually exclusive, comprehensively exhaustive) principle, discussed already in the module videos, to break down the problem.
2. Using the profitability tree down structure, divide it in two parts 'Revenue' and 'Cost'.
3. Further branching can be done according to your logic but do keep in mind that those parameters shouldn't overlap. Eg. Revenue and profit are overlapping parameters.
4. For revenue, 60% of it comes from IT solutions and maintenance, and rest comes from its products.
5. The company is looking forward to investing in India, US and Europe. See the potential growth for different sectors in these geographical locations.
6. In the US and Europe, the healthcare sector seems promising and the same for India with the BFSI sector. Explore other options and see what could be done differently.
7. Finally, provide recommendations for where the company should invest and what kind of acquisitions it should do.

Root Problem:

The main problem for the Indian IT company is that it's not making as much profit each year as other similar companies in India (11% compared to 26%). This suggests that the company is encountering difficulties in boosting its profitability and maintaining a competitive edge in the market.

MECE Principle:



Potential growth for Different Sectors:

Let's analyze the potential growth for different sectors in India, US, and Europe.

- India:

1. IT Solutions and Maintenance: With the growing digitalization initiatives in India, there is a strong potential for growth in IT solutions and maintenance. Industries such as BFSI, Healthcare, and Public Sector are expected to be key drivers.
2. Product-Based Business: As businesses in India continue to expand and digitize their operations, there is potential for growth in the product-based business.

- United States:

1. IT Solutions and Maintenance: The United States has a mature IT services market, but there is still significant demand for innovative solutions, cybersecurity, cloud services, and digital transformation. The BFSI sector, healthcare, and technology companies are expected to be major growth drivers.
2. Product-Based Business: The US is a leading market for technology products. With a strong focus on digital marketing and cybersecurity, there is substantial potential for growth in this segment. The demand for DevOps solutions might also be high, given the fast-paced nature of the US tech industry.

- Europe:

1. IT Solutions and Maintenance: Europe is a diverse market with varying levels of IT adoption across different countries. The BFSI sector remains a significant contributor to IT services revenue, along with sectors like manufacturing, healthcare, and retail. European companies are increasingly investing in digital transformation, which creates opportunities for IT solutions and maintenance services.
2. Product-Based Business: The demand for pre-made software solutions is steadily increasing in Europe, with a focus on digital marketing and cybersecurity. The emphasis on data privacy and security regulations (such as GDPR) has led to a growing need for cybersecurity solutions.

Other Options:

Let's explore other potential sectors for the company to consider in each region.

- United States:

1. Technology and Software Development: The US is a global hub for technology and innovation. The demand for custom software development, cloud services, AI/ML solutions, and emerging technologies like blockchain and IoT presents significant opportunities.
2. E-commerce and Retail Technology: With the rapid growth of e-commerce, there is a demand for technologies that enhance customer experience, optimize supply chains, and enable data-driven decision-making in the retail sector.

3. Entertainment and Media: The US entertainment industry is vast, encompassing film, television, music, gaming, and digital media. There is potential for providing technology solutions to streamline content creation, distribution, and monetization.

- Europe:

1. Manufacturing and Industry 4.0: Europe has a strong manufacturing base. Offering solutions for automation, predictive maintenance, and process optimization in industries like automotive, aerospace, and manufacturing can be lucrative.

2. Energy and Sustainability: With a growing emphasis on renewable energy and sustainability, there are opportunities in providing IT solutions for smart grids, energy management, and environmental monitoring.

3. Transportation and Logistics: Europe's extensive transportation networks present opportunities for technology solutions that optimize logistics, improve supply chain visibility, and enhance mobility services.

- India:

1. E-commerce and Retail Technology: India has a booming e-commerce market. Providing solutions for online marketplaces, logistics optimization, and customer engagement can be a high-growth area.

2. Education Technology (EdTech): The education sector in India is rapidly adopting technology for online learning, skill development, and education management systems. EdTech solutions have significant growth potential.

3. Telecommunications and Connectivity: India is witnessing a surge in demand for telecommunications services and solutions, especially with the rollout of 5G technology. Providing infrastructure, network optimization, and value-added services can be lucrative.

Investment Recommendations:

- India:

a) BFSI Sector: Given the promising growth in the BFSI sector in India, the company should continue to invest in this sector. This could involve expanding its portfolio of services and solutions tailored to the specific needs of financial institutions.

b) Telecommunications and Connectivity: With the ongoing expansion of the telecommunications sector in India, investing in infrastructure and services related to 5G technology and connectivity can be a strategic move.

c) Education Technology (EdTech): The EdTech sector in India is experiencing significant growth. Investing in technology solutions for online learning platforms, skill development, and educational content can be a lucrative opportunity.

- United States:

a) Healthcare Technology: Given the promising prospects in the healthcare sector in the US, the company should focus on providing innovative technology solutions for healthcare providers, payers, and digital health platforms.

b) Technology and Software Development: Investing in emerging technologies like AI, machine learning, blockchain, and IoT can help the company tap into the dynamic US technology market.

c) E-commerce and Retail Technology: Given the dominance of e-commerce in the US, investing in solutions that enhance customer experience, optimize supply chains, and enable data-driven decision-making for retailers can be profitable.

- Europe:

a) Manufacturing and Industry 4.0: Investing in technology solutions for automation, predictive maintenance, and process optimization in industries like automotive, aerospace, and manufacturing can be a high-growth opportunity in Europe.

b) Energy and Sustainability: With the emphasis on renewable energy and sustainability, investing in technology solutions for smart grids, energy management, and environmental monitoring can be a strategic move.

c) Transportation and Logistics: Given Europe's extensive transportation networks, investing in technology solutions that optimize logistics, improve supply chain visibility, and enhance mobility services can be lucrative.

Acquisition Recommendations:

1. Niche Technology Companies:

a) Focus on Emerging Technologies: Acquiring companies specializing in emerging technologies like AI, blockchain, IoT, or cybersecurity can enhance the company's capabilities and open up new revenue streams.

b) Geographic Expansion: Acquiring smaller companies with a strong presence in specific geographic regions can help the company establish a foothold in new markets and expand its customer base.

2. Healthcare Technology Providers:

a) Enhance Healthcare Solutions Portfolio: Acquiring companies with expertise in healthcare technology can bolster the company's offerings in this sector and allow it to provide comprehensive solutions to healthcare clients.

3. EdTech and E-commerce Enablers:

a) Expand EdTech Offerings: Acquiring EdTech companies or those providing e-commerce enablement solutions can help the company tap into the growing online learning and e-commerce markets.

4. Specialized Consulting Firms:

a) Vertical Integration: Acquiring consulting firms specializing in the BFSI sector (for India) or healthcare sector (for the US and Europe) can provide the company with deeper domain expertise and a broader service portfolio.

5. Innovative Startups:

a) Access to Cutting-Edge Technology: Investing in or acquiring startups focused on innovative technologies can give the company a competitive edge and access to state-of-the-art solutions.