Finlatics
ENABLING INSIGHTS

Business Analyst Experience Program

Project-1

Submitted By-

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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 software's 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 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.

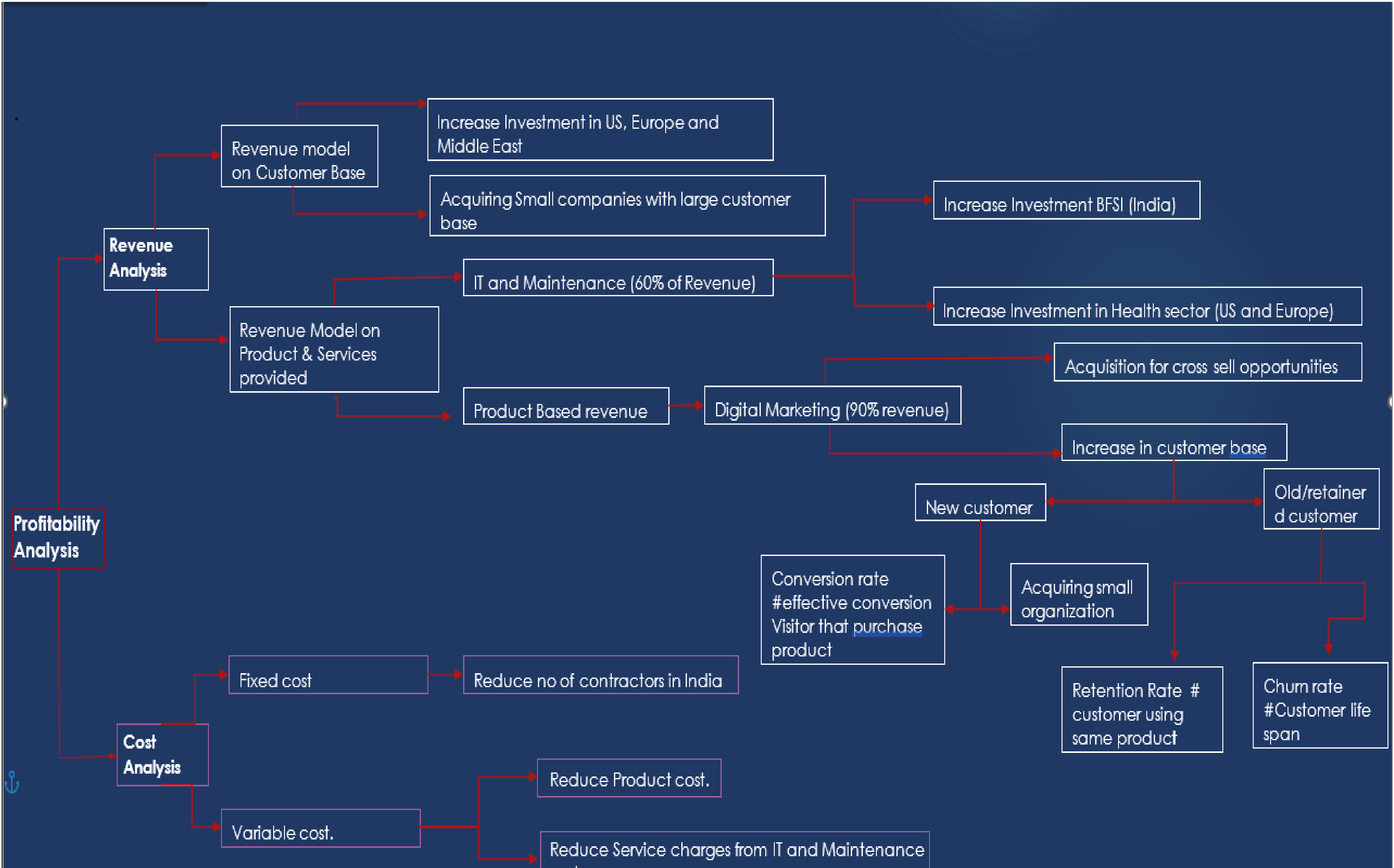
5. The company is looking forward to investing in India, US, and Europe. See the potential growth for different sectors in these geographical locations.

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 Cause –

- The root problem for the Indian IT Service and product company is that the company is finding difficult to be par with competitors (other IT companies in India) on a year-on-year margin improvement Rate.
- This indicates that the company is facing challenges in increasing its profitability and staying competitive in the market.


Profitability Analysis
Revenue Analysis
Revenue model on Customer Base
Increase Investment in US, Europe and Middle East
Acquiring Small companies with large customer base
Revenue Model on Product & Services provided
IT and Maintenance (60% of Revenue)
Increase Investment BFSI (India)
Increase Investment in Health sector (US and Europe)
Product Based revenue
Digital Marketing (90% revenue)
Acquisition for cross sell opportunities
Increase in customer base
New customer
Old/retainer d customer
Conversion rate #effective conversion Visitor that purchase product
Acquiring small organization
Retention Rate # customer using same product
Churn rate #Customer life span
Cost Analysis
Fixed cost
Reduce no of contractors in India
Variable cost.
Reduce Product cost.
Reduce Service charges from IT and Maintenance

Potential Growth for Different Sectors in following geographical locations.

a) India:

• The company has a significant employee base in India, and it can strategically leverage this advantage to explore various sectors for potential growth.

While the BFSI sector seems promising in India, there are other sectors worth considering as well.

• Healthcare Sector: While the BFSI sector is strong, the company can also tap into the growing healthcare industry in India. The healthcare sector in the country is witnessing rapid digitization and technology adoption, creating opportunities for IT service providers to offer solutions in electronic health records, telemedicine, healthcare analytics, and patient engagement platforms.

• E-commerce and Retail: India's e-commerce and retail sectors have seen significant growth in recent years. The company can develop IT solutions to support e-commerce platforms, supply chain management, inventory optimization, and customer experience enhancement.

• Government and Public Sector: The Indian government's focus on digital initiatives presents opportunities for the company to provide IT solutions for e-governance, smart cities, and public service deliver.

• BFSI Sector: The company can further strengthen its position in the BFSI sector by offering specialized IT solutions and services tailored to the unique needs of financial institutions. This could include advanced analytics, digital transformation, and cybersecurity solutions to cater to the evolving demands of the sector.

b) US and Europe:

The US and Europe are lucrative markets for IT services, and the company can focus on specific sectors to drive growth in these regions.

• Healthcare Sector: The healthcare sector in the US and Europe is technologically advanced, and there is a continuous demand for IT solutions to improve patient care, data security, and operational efficiency. The company can target electronic health records, telehealth solutions, health information exchanges, and healthcare analytics.

• Banking and Financial Services: Like India, the BFSI sector in the US and Europe offers significant growth potential. The company can offer advanced banking software solutions, payment processing systems, fraud prevention tools, and regulatory compliance solutions.

• Manufacturing and Industry 4.0: With the ongoing Industry 4.0 revolution, manufacturing companies in the US and Europe seek IT solutions for process automation, IoT integration, predictive maintenance, and supply chain optimization.

• Cybersecurity Services: Given the increasing cyber threats, there is a growing demand for cybersecurity services in both regions. The company can expand its cybersecurity offerings to cater to the unique needs of businesses in various industries.

Exploring Other Options.

While the BFSI sector in India and the healthcare sector in the US and Europe offer promising opportunities, the company should also explore other options to diversify its revenue streams and improve its margins:

• Retail and E-commerce: Expanding IT solutions for the retail and e-commerce sectors in all regions can drive revenue growth. Offering services like personalized marketing, inventory management, and omnichannel customer experience can be beneficial.

• Digital Transformation and Cloud Services: Emphasize digital transformation and cloud services across all sectors and regions. Many companies are undergoing digital transformation, and the demand for cloud solutions is increasing. The company can position itself as a reliable partner for businesses looking to adopt modern technologies.

• Emerging Technologies: Invest in emerging technologies such as Artificial Intelligence, Machine Learning, Internet of Things (IoT), and Blockchain. Offering cutting-edge solutions in these areas can attract new customers and improve margins.

• Partnerships and Acquisitions: Collaborate with strategic partners and consider acquiring smaller organizations specializing in niche technologies. This can expand the company's capabilities and customer base, enabling cross-selling opportunities and revenue growth. By diversifying into various sectors and focusing on specific growth areas in India, the US, and Europe, the company can improve its revenue streams, achieve higher margins, and stay competitive in the IT industry.

Recommendations:

1. Acquire small organization with large customer base:
   I. It improves the overall revenue across product and services.
   II. It improves customer base for product like Digital marketing app, which in turn improves the revenue significantly.
2. Increase investment in Promising Sectors: The company should focus on investing in the promising sectors in each geographic region to maximize revenue and margin potential. This includes:
   I. India: Further investment in BFSI sector, considering its potential growth.
   II. US and Europe: Capitalizing on the growth potential of the Healthcare sector.
3. Improve Retention and churn rate: By providing seasonal offers for product-based customers.
4. Reduce no. of contractors in India: As cost is 1.4x than permanent employee.
5. Optimized reduction in product and service charges.
6. Product Focus and Cross-Selling: Since the digital marketing product brings in 90% of the revenue, the company should continue to focus on this area and explore opportunities for cross-selling the other two products (DevOps bundle and cybersecurity) to existing customers.
7. Acquisitions in Niche Technologies: To address the margin improvement challenge, the company should consider acquiring smaller organizations that specialize in niche technologies. These acquisitions can provide access to a larger customer base and offer cross-selling opportunities, leading to potential revenue growth and improved margins.
8. Geographic Expansion: The company should strategically expand its presence in the US and Europe to tap into the higher-margin markets and leverage the potential growth in the Healthcare sector.
9. Efficient Cost Management: Since contractors are 1.4 times costlier than permanent employees, the company should focus on optimizing its workforce mix and try to minimize the dependency on contractors where possible.

10. Competitive Benchmarking and Innovation: The company needs to closely analyse its competitors and identify areas where it lags, particularly in terms of margin improvement rates. Emphasizing innovation and staying ahead in the rapidly evolving IT industry can contribute to improved margins.
11. Customer Retention and Satisfaction: For generating recurring revenue, referring new clients, and maintaining long-term relationships.
12. Market Diversification: While BFSI and Retail sectors provide good margins, the company should explore opportunities to diversify its market presence across other industries and geographies. This diversification can reduce dependence on specific sectors and regions, providing more stability in the long run.