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Faculty of Computer Science
Bachelor's Programme "Data Science and Business Analytics"

**New Market Entry Company: TechSolutions
From Israel to India**

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1. Executive Summary

The problem:

There is a huge demand for AI wrappers, as non-tech users struggle to use such technologies. Also, many AI models are not polished within desired area of use.

The proposed solution:

Wrappers for AI models that come in form of ready-to-use software containers. This ensures both easier use of the AI technologies and easier installation on the company end. Any company can host its own AI model with preferred wrapper, for both internal and external uses. Product allows for easier combining of multiple models.

The opportunity and value:

Many companies crave products that will allow to make AI more understandable for the general public. Such product will help to meet both demand from businesses as well as indirect demand from general public (through businesses). As of now, S&P500 is fueled by the AI sector and digital breakthrough (on both hardware and software levels) are made because of AI.

India has one of the biggest populations in the world, combined with the fact that there are many remote workers there. Also, besides Europe and USA, India is amongst the first areas that have quick IT growth

2. Identifying the problem

Cultural Differences: Israel business culture differs from India business culture, thus we should be familiar with it and prepare in advance in case not to get into uncomfortable situations with Indian employees.

Market Penetration: Selling products directly to the Indian market requires careful consideration. Look for information from officials. Additionally, think of promoting in social networks and creating a website.

Intellectual Property Protection: As pirating is very common in India (In the latest Ankura Piracy Statistics report 2022, India is ranked as the third highest contributor of piracy) Take care of protecting software from pirating.

Labor Laws and Taxation: Understanding labor laws, employment regulations, and the taxation system in India is essential. Labor laws and taxation may vary across different states.

Recruitment: Get familiar with employment in India and culture/behavior of Indians. Contacts officials for help and advises.

Regional Adaptation: India's diverse culture and climates influence consumer preferences. Adapting communication and marketing strategies according to specific regions within the country is essential.

Exit Strategy: Considering potential unforeseen circumstances, having an exit strategy in place is wise. Get familiar with all possible exit strategies and pick the most suitable.

3. Real Examples

Market entry strategies are methods companies use to plan, distribute and deliver goods to international markets. Market entry strategies are crucial because selling a product in an international market requires precise planning and maintenance processes. The cost and level of a company's control over distribution can vary depending on the strategy it chooses. Here are some examples of market entry strategies for companies: *exporting, turnkey projects, licensing, franchising, joint ventures, fully owned subsidiaries*.

Apple

India and China are two of Apple's biggest markets, so choosing the right entry strategy was critical. When Apple entered the Indian and Chinese markets, it actively used such entry strategies as licensing, joint ventures.

Challenges

1. China has fairly strict sales regulations, which is why Apple had to adjust to local laws and adapt its entry strategy.
2. India and China are not the richest countries, which is why residents in this country prefer cheaper and therefore affordable gadgets. Apple products are premium, which is reflected in their price. These circumstances caused the initial reluctance of buyers to make a choice in favor of Apple.
3. India and China are countries with a culture very different from Europe, which made it necessary to constantly adapt to local customs.

Successes

1. To boost sales in India, Apple has introduced many useful options, such as buying older iPhones. In India, the wealth of buyers did not always allow for the most advanced models, so the ability to buy older models helped boost overall sales. Thanks to this innovation, buyers had the opportunity to get acquainted with Apple products at an affordable price and continue to buy it in the future.
2. Apple has built effective relationships with local companies that have increased brand credibility in India and China.

Key learnings

1. It is crucial to be able to adjust the pricing policy to a specific country, this may affect the company's income in this country in the future.
2. Building strong ties with local companies is critical to the development of a company in the region.

Tesla

India and China have become one of the most promising markets for Tesla, which is confirmed by the company's reports. When entering these markets, the company used various approaches such as cost driven approach based on penetration pricing.

Challenges

1. Large tariffs on imports and restrictions on foreign car manufacturers have become major barriers to entry into these markets.
2. In India, the company faced a lack of necessary infrastructure, the creation of which required huge expenses.
3. In China, Tesla had to compete with strong local players who had more favorable conditions for development.

Successes

1. Tesla has established a factory in Shanghai and has become a significant player in the market for the Chinese authorities.
2. Tesla was able to successfully compete with local manufacturers of electric cars and in some places overtake them in terms of performance.

Key learnings

1. Creating your own production in the country helps to increase the confidence of the company and improve relations with the government, which helps to achieve more favorable conditions for doing business.
2. When entering the market, it is important to take into account the possibilities of infrastructure in a given country and the costs of its creation. Sometimes building the right infrastructure brings further benefits to the company.

Netflix

For Netflix, the Asian region is of great importance, and China and India are in the first places there.

Challenges

1. In China, there are a huge number of laws restricting the creators and distributors of various content, including Netflix. Censorship and prohibitions regarding the moral component have become a serious problem for the company.
2. Netflix in China faced serious competition, as local companies had already occupied this niche, which required Netflix to improve the conditions for luring buyers to their side.

Successes

1. The company focused on the quality of content, which positively distinguished it from competitors and made it one of the largest players in the market.
2. Faced with huge challenges in China, Netflix prioritized India in the Asian region, which had a positive impact on the development of the company.

Key learnings

1. It is necessary to carefully analyze the market and draw a conclusion from this analysis whether it is worth entering it or not. Netflix analyzed all the difficulties that would have to face when entering the Chinese market and gave priority to India in time, which helped to save a lot of money and resources for the company.
2. Understanding the peculiarities of the local culture helps to build the right strategy and make the company's products as pleasant as possible for the buyer.

4. Business analysis of landscape, risks and opportunities

Let us conduct a business analysis of Indian AI business solutions market.

Begging with **PESTLE**:

	Opportunities	Threats
Political	<ul style="list-style-type: none">— Working with indian government— Possibility to integrate ai in people-control regime through street cameras, grantint more safety in a country— collaboration with Google, as he comes from India	<ul style="list-style-type: none">— Changes in ai regulations, prohibiting use of AI services in certain countries.— Prohibition of AI business products due to use by scammers.
Economic	<ul style="list-style-type: none">— Growing demand for cheap labour and smaller teams.— Human labour would be partially swapped on AI labour.	<ul style="list-style-type: none">— Economic slowdown in India is present and caused by a decreasing GDP growth. This may reduce potentially the overall market size.
Societal	<ul style="list-style-type: none">— India has tech-interested people, which can help TechSolutions company find new powerful employees.	<ul style="list-style-type: none">— Aged population reducing workforce leading to economic burden.

Technological	<ul style="list-style-type: none"> — Huge IT market portion may be enhanced by our product. As india has a lot of IT workforce, that is very beneficial. — Cloud computing technology. 	<ul style="list-style-type: none"> —Possible use by Indian scammer group. — Integration challenges.
Legal	<ul style="list-style-type: none"> — Government initiatives to apply product to safety systems. 	<ul style="list-style-type: none"> — Prohibition of public TechSolutions product distributuon due to use of scammer groups based in India. — Prohibition of LLMs or LDF (Large diffusion models) due to ita impact on levels of unemployment.
Environmental	<ul style="list-style-type: none"> — Lesser Co2 emissions by applying ML modernisation to plants. — Rubbish ML based segmentation future possibilities, focused on recycling. 	<ul style="list-style-type: none"> — None found

Now let us conduct an analysis through the framework Porter's Five Forces:

Threat for new entrants: From one point of view, India has a lot of young and smart programmers and IT-sphere workers, which may want to use ongoing technological revolution to their advantage and introuduce the competition. Contrary to this issue, Indian

entrepreneurs usually work abroad and do not overfill competitiveness inside the country. So actually this threat is mediocre.

Bargaining Power Of Suppliers: Price of servers in india is relatively very inexpensive. Therefore it means, that Supply overcomes demand for Indian servers, therefore power of suppliers is very low, which is good for such businesses like TechSolutuons.

Bargaining Power Of Buyers: In our case, we are primarily work B2B, therefore buyers in this case are indian businesses. As there are a lot of AI companies in India, it definitely applies a pressure on prices, making them lower. But our product is very new, therefore bargaining power would be low-to-medium.

Threat of substitutes: The threat of substitutes is low in the Indian tech industry, as technology is an integral part of almost every business sector. As this technology grows right now, we are going to be bleeding-edge company.

Rivalry among existing competitors: Rivalry is really high as there are a lot of established ML companies (Hyperlink InfoSystem. , Cognizant, HData System, Accenture, Globant). These companies are very legitimate.

5. Problem Solving Approach

Data caps in India - use compression and caching of data in client-side applications to reduce traffic usage (for the sake of user experience).

Existence of server-side applications - because of the fact that company can host its own services for users, the servers can be located in India (even in the company building) so the request times would be much lower (as compared to Europe or USA servers).

Giving an option for applications to be localized - many AI models used today are not properly localized. For instance, many powerful models work only with English language and pretrained on English based data, meaning that results would be probably biased (and not towards Indian users).

Running custom-made models in private environment - with the rising popularity of AI, more and more people use AI assistants at work. While possibly helpful, they are banned in some companies, because of the lack of transparency on the fact as to where and how data of requests is stored in used. With AI tools being hosted locally, there almost no chance that the data will be used by someone outside of the company (given no internal leaks).

Adaptive interface - even with all simplifications, users often find themselves lost in AI interfaces. For instance, many companies working with AI technologies hire so called *prompters*, people that write meaningful and detailed prompts to AI from the requests of other employees.

Absence of constant pipelining - it can be really hard for employees to use many AI services at once, as they often require logins, payments or even email requests to use their services. This can reduce productivity, as it will be hard to both monitor expenses and keep track of the technologies used. TechSolutions's product solves all of the problems above, as all the services are working without any hassle, there are easy API's for using models and it is easy to keep track of used technologies (to monitor efficiency of each model for example).

6. Research and Development

As company produces software, that can be sent via internet, there is no need for great workforce in India, there are local managers, localisation team (in order to adapt to both formal and informal aspects of India).

Geographic area structure is used. There is not that much wager on technical aspects of the program, rather than on marketing, as company wants to grab attention of early adopters and early majority.

Areas of research: software containers (to give users ready-to-use sandboxes), hardware tuning for AI use (to efficiently use allocated resources on the server side), compression algorithms (as many AI models utilize coded sequences of numbers or even blocks to generate output, it can be compressed on lower level, for example, two layers of AI generated image can be possibly compressed before merging in a way that the compressed information will require less space).

For now main goal for company is to localize the product as much as possible, as there are not that many competitors, and given the AI growth such technologies will be in huge demand. Also, there is a correlation between adaptation of AI and ability to use it (usually the more person reluctant to use AI technologies, the less exact person is tech oriented).

Product is divided in three business plans: Demo (for users to experiment), Business (for small-medium businesses) and Enterprise (for something bigger). For testing purposes there is no need to include many safety, tracking, tuning tools, so excluding them will not only make the introduction to the product easier, but also reduce the resource usage by the server (usually server is user's machine). There is also Enterprise plan, as on a bigger scale, there is a great need for fast both vertical and horizontal scaling, which requires stable synchronization and load balance.

7. Recommendations

- 1) When entering the Indian market, reach out to the India Business Council for support and guidance. They can provide valuable insights into navigating the formal and hierarchical relationship between managers and staff. It is important to adapt the recruitment practice to the practice of the local market in India.
- 2) Given the hierarchical structure in Indian business culture, it is crucial to establish effective feedback and communication channels to foster collaboration with Indian employees. Encourage open and transparent communication, and provide opportunities for Indian employees to share their insights and ideas. Focus on internal training as Indian employees have expectations of continuous career and salary development. Consider salary increase expectations of 25% to 30% which is usual case for India. Engaging a payroll accountant early on in the hiring process is advisable.
- 3) Protect your intellectual property by implementing physical protection and licensing for the software. Consult with Indian experts in intellectual property rights to ensure comprehensive protection. In case of piracy, engage a competent legal practitioner with experience in Indian law.
- 4) Familiarize yourself with labor laws, employment regulations, and the taxation system in India. Take into account the variations that may exist across different states. Ensure timely filing of tax returns and consider consulting. For example, tax year in India starts in the beginning of spring and company should pay taxes and send all documents until November.
- 5) Instead of solely relying on resources from the main headquarters, it is advisable to use Indian local capital, including servers and infrastructure. Indian capital often comes at relatively lower costs, making it a good practice to leverage local resources for technical maintenance.
- 6) Taking into account that India has the 3rd largest number of internet subscribers globally and is projected to become the 2nd largest smartphone market. Indian users are highly active on social networks compared to other countries. To effectively target the Indian market, business should adapt their communication and marketing strategies to leverage the active social network usage in India.
- 7) Promote your business in India by leveraging most popular social media platforms in India like Facebook, Instagram, and Twitter. Ensure your website is well-constructed, easily navigable, up-to-date, and created for the Indian audience. Make it mobile-friendly, considering the increasing number of smartphone users in India.
- 8) Prepare an exit strategy in case of unforeseen circumstances. Evaluate options such as liquidation which means selling all assets in India or an initial public offering (IPO) to secure investment.

8. RACI Matrix

1. Executive summary.

2. Identify the problem: How should TechSolutions effectively enter Country X* and establish its presence in this new market?
3. Parse real examples of companies in the world with a similar problem and conclusions: Analyze the market entry strategies of companies, such as Apple, Tesla, and Netflix, when they expanded into China and India. What were their challenges, successes, and key learnings?
4. Use of frameworks: Apply frameworks, such as PESTLE, Porters' Five Forces, or CAGE Distance, to analyze Country X*'s business landscape and identify opportunities and risks.
5. Creativity to the problem-solving approach: Propose innovative solutions to withstand market challenges and capitalize on emerging opportunities in Country X*.
6. Describe the specifics of working in the development of such a company's R&D strategy (for example, discuss the most suitable IT architecture, team organization and management, etc.).
7. Recommendation for business: Provide actionable recommendations for an effective market entry strategy and highlight the necessary steps for TechSolutions in Country X*.
8. RACI matrix with the contribution of each participant to the overall work.

	Participants			
Question	Selifanov	Malutin	Timchenko	Nedbay
1				
2				
3				
4				
5				
6				
7				
8				

9. Sources

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- 5) Lectures
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