**Root Problem Identification**

The company is struggling to keep up with its competitors in terms of year-on-year margin improvement. Competitors are achieving a 26% improvement rate, while the company is only at 11%.

**MECE Analysis and Profitability Tree**

**Revenue**

**1 IT Solutions and Maintenance (60%)**

**◦ BFSI (46%)**

**◦ Healthcare (21%)**

**◦ Other Sectors (33%)**: Retail, Public Sector, Manufacturing, Travel, Entertainment

**2 Product-based Business (40%)**

**◦ DevOps Bundle**

**◦ Cybersecurity**

**◦ Digital Marketing (90% of product revenue)**

**Cost**

**1 Employee Costs**

◦ Permanent Employees

◦ Contractors (1.4x costlier than permanent employees)

**2 Operational Costs**

◦ Infrastructure

◦ Technology

◦ Administrative

**Analysis of Revenue and Costs**

**Revenue Analysis**

**1 Geographical Revenue Distribution**

**◦ US (32%)**: High-margin (48%)

**◦ Middle-East (27%)**

**◦ Europe (20%)**: High-margin (44%)

**◦ India (21%)**: Low-margin (9%)

**◦ Other Asia Pacific**: Low-margin (14%)

**2 Sector-wise Revenue**

**◦ BFSI (46%)**: High-margin (42%)

**◦ Healthcare (21%)**

**◦ Others (33%)**: Retail (high-margin 39%), Public Sector, Manufacturing, Travel, Entertainment

**Cost Analysis**

**1 Employee Distribution**

**◦ India (73%) of 5000+ employees**

**▪ Contractors (60% of 690)**

**◦ Australia (5% of 690 contractors)**

**◦ Asia Pacific (7% of 690 contractors)**

**◦ Contractor Costs**: 1.4 times higher than permanent employees

**Potential Growth Sectors and Geographical Locations**

**1 US and Europe**

**◦ Healthcare Sector**: Promising growth

**2 India**

**◦ BFSI Sector**: Promising growth

**3 Other Sectors to Explore**

**◦ Retail**: High-margin sector

**◦ Digital Marketing**: Major revenue generator in product-based business

**Recommendations**

**1. Acquisition Strategy**

• Acquire smaller organizations specializing in:

**◦ Healthcare** technologies in the US and Europe

**◦ BFSI** technologies in India

**◦ Retail** technologies globally

• Ensure the acquired companies have a larger customer base for cross-sell opportunities.

**2. Cost Management**

**• Reduce Dependency on Costly Contractors**: Hire more permanent employees to lower overall employee costs.

**• Optimize Operational Costs**: Invest in automation and advanced technologies to streamline operations and reduce administrative overheads.

**3. Revenue Enhancement**

**• Expand High-Margin Sectors**: Focus on growing business in BFSI, Retail, and Healthcare sectors.

**• Geographical Expansion**: Strengthen presence in high-margin regions like the US and Europe.

**• Product Diversification**: Increase investment in developing and marketing the DevOps bundle and cybersecurity products to reduce dependency on digital marketing revenue.

**4. Investment Focus**

**• India**: BFSI sector for growth and high-margin opportunities.

**• US and Europe**: Healthcare sector for promising growth.

**• Global**: Retail sector for consistent high-margin business.

By adopting these strategies, the company can improve its margins, stay competitive, and achieve sustainable growth.