Finlatics
Programme: Business Analytics
Project 1

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Contents

Business Analytics

Project 1

1.1 Identifying the Root Problem

The root problem for the company seems to be *"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."*

What this implies is that the rate of *rate of profit* the company acrues is less than half at which the industry in general does. To overcome this, there are usually three ways-

1. by lengthening the workday through overtime, thereby increasing the total profit absolutely;

2. by increasing the productivity of the worker, thereby increasing the total profit relatively;

3. by decreasing variable capital whilst mainting the size of the workforce, and hence reducing the total capital invested but increasing the rate of surplus value.

This leaves the company with two options,

1. increase the productivity in the sectors in which it already engages in.

2. increase investment in the sectors which have a tendency to generate a *good margin.*

1.2 MECE of the Root Problem

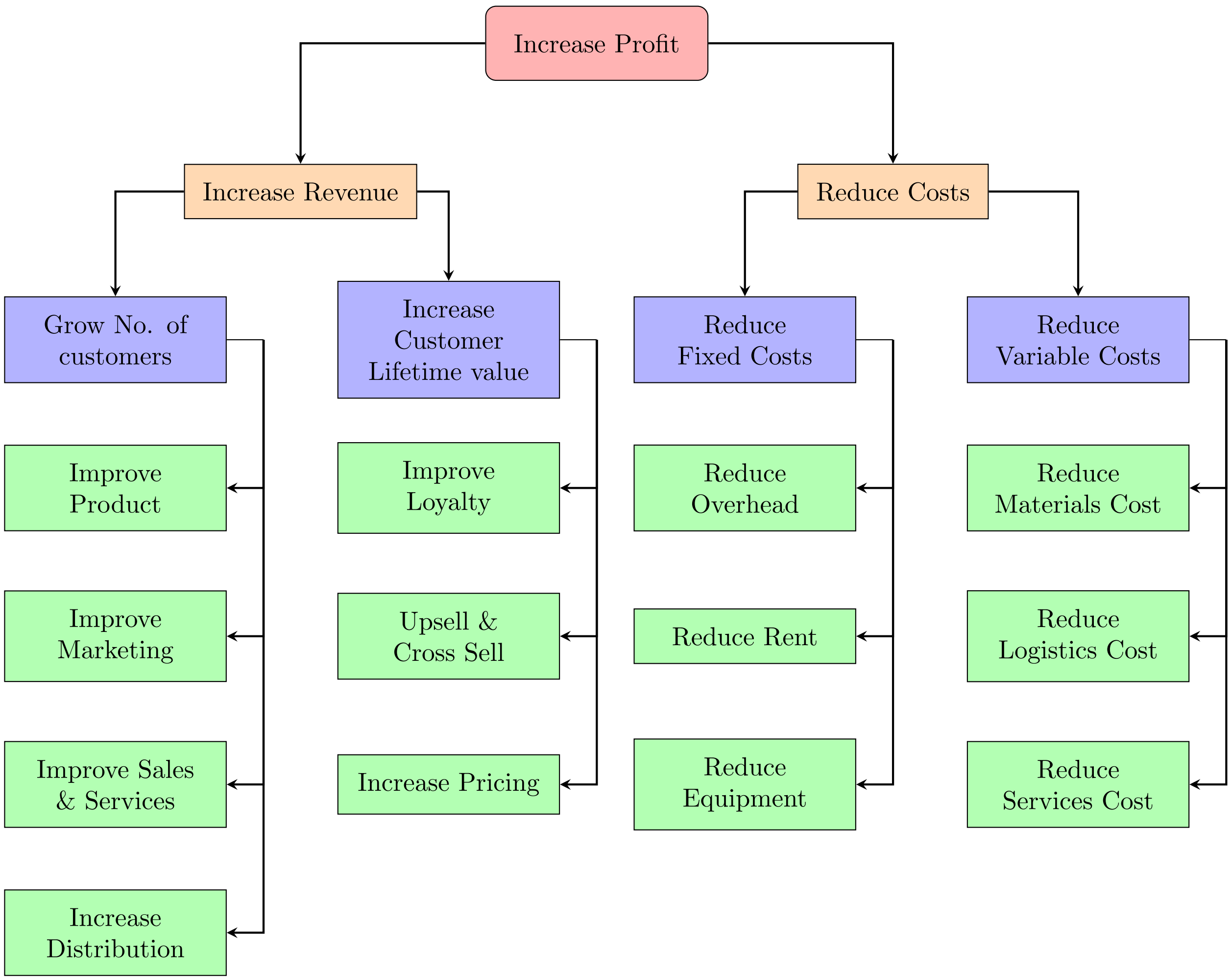

Figure 1.1: *Obtained through Notes*

1.3 Profitability Tree

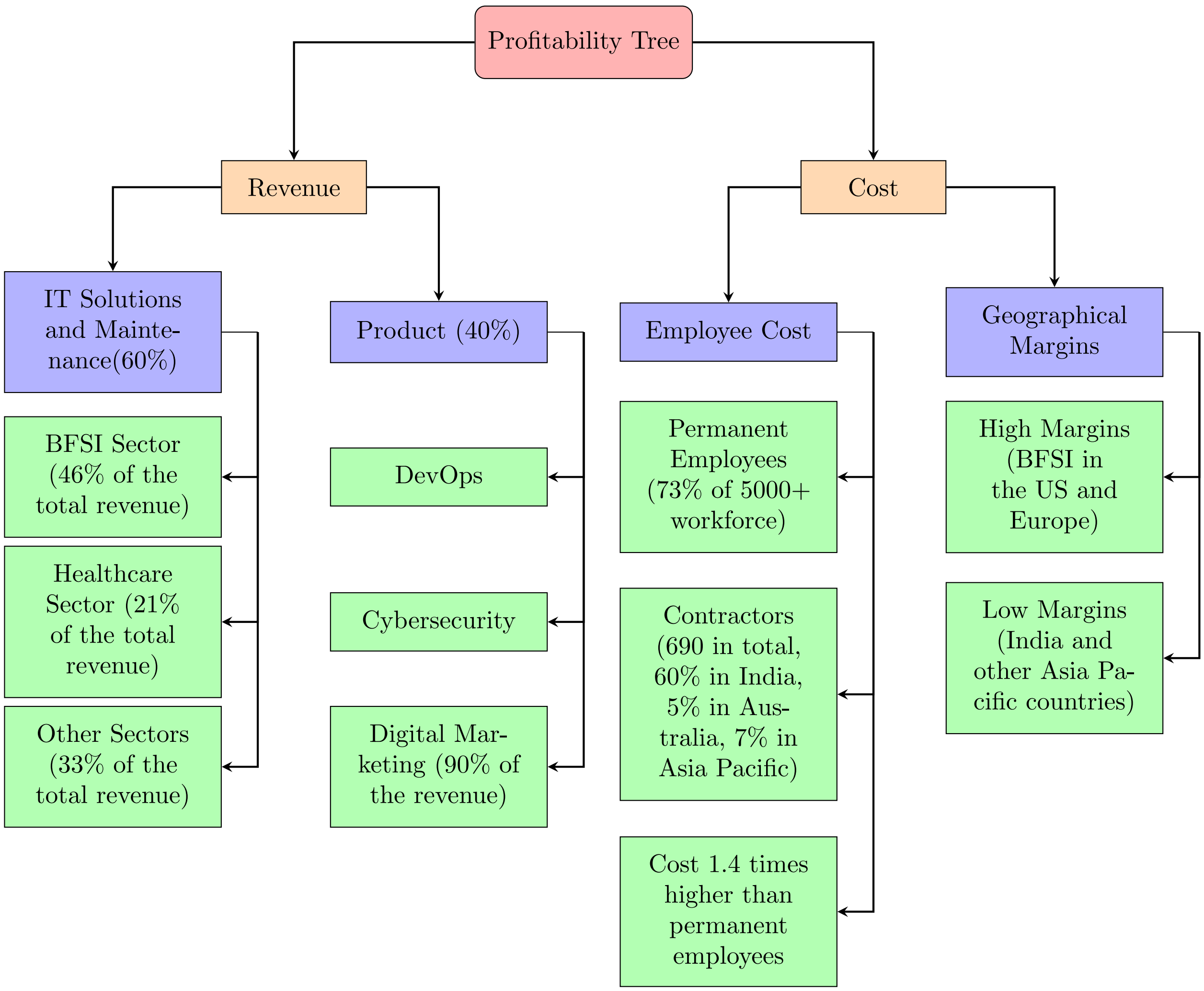

Figure 1.2: *Given in the Problem Statement*

1.4 Potential Growth in Different Sectors and Geographical Locations:

1.4.1 India

Though the profit margins in business in India (9%) are quite low, **BFSI** and **Healthcare** would be good investment opportunities.

1.4.2 US and Europe:

Business in US(48%) and Europe(44%) generates good margins hence any sector would be good for investment. In particular **Retail** and **Healthcare** would be good investment opportunities.

1.5 On Acquisition

Acquisition of smaller organisations which specialise in niche technologies will help in compartmentalising the labour process, where by the permanent employees would not necessarily be redundant nor obselete.

This in turn will increase cross-sell opportunities which will bloat the value of the product, furthering margins.

Having a larger customer base will help generate a feedback loop further which will give deep insight to the data analytics department of various markets and customer base.

Though instead of a full-blown acquisition, contract labour is recommended. This will preserve some capital which can be invested elsewhere. Contract to smaller companies or freelancers will also be cheaper and hence will generate an extra layer of margin.

1.6 Recommendations:

1.6.1 Investment Focus:

- Increase focus on high-margin sectors, especially BFSI in India and Healthcare in the US and Europe.
- Capitalize on the strong margins in the US (48%) and Europe (44%).

1.6.2 Acquisitions:

- Acquire smaller organizations specializing in niche technologies with a larger customer base.
- Look for companies with cross-sell opportunities to existing clients.

- Prioritize acquisitions in the healthcare sector in the US and Europe and BFSI sector in India.

1.6.3 Employee Optimization:

- Assess the contractor cost structure and explore options for cost reduction or optimization.
- Evaluate the need for permanent employees versus contractors in different regions.

1.6.4 Product Diversification:

- Explore opportunities to diversify the product portfolio to reduce dependence on a single product (digital marketing).
- Invest in R&D for innovative products to capture new markets and increase revenue streams.

1.6.5 Market Expansion:

- Explore other potential sectors within the US and Europe for IT solutions and maintenance services.
- Consider market-specific strategies for different geographical locations.

1.6.6 Competitive Benchmarking:

- Analyze and learn from competitors with a higher year-on-year margin improvement rate.
- Identify and implement best practices to improve operational efficiency.

1.6.7 Strategic Partnerships:

- Consider strategic partnerships with existing clients for mutual growth.
- Collaborate with other companies for joint ventures in specific sectors or regions.

By implementing these recommendations, the company can strategically position itself for growth, improve margins, and better compete with other IT companies in the market.