

## The Indian Software Products Industry: Packaging a Success Story

It is the youngest segment within the Indian software industry and the fastest growing. At a CAGR of 44 per cent, the country's software product industry is finally emerging from the shadows to cast a shadow of its own. Interestingly, the action has built up over the past three years, with larger companies achieving scale and expanding their product portfolios, and software product start-ups beginning to crowd the landscape. Of the 400 software product companies entering the market since 2001, over two-thirds have become operational in the last three years. A 100 have been set up in 2007 alone!

According to NASSCOM's Software Product Study 2008, the ecosystem, which promotes software product entrepreneurship and the growth and proliferation of small and mid-sized companies, is now in place. Besides the top 10 companies active in this space, which account for 84 per cent of the segment revenues, there are over 200 mid-sized companies and start-ups that are contributing to the revenue pie and catalysing the industry's momentum. Are we ready then to say that the next wave of growth for the Indian software sector will come from exciting, innovative and global-class software products, which will find a fit both in overseas as well as the country's burgeoning domestic market?

According to Subash Menon, Chair NASSCOM Product Initiative, Founder Chairman, MD & CEO, Subex Limited, "the first ever study of the software

companies in India and their business has revealed several startling facts. The industry seems to be spawning product start-ups at an amazing speed. This much needed momentum will fuel a mass movement in the products business in India. I am also thrilled to note that there are at least 10 to 15 companies that seem to be scaling up, apart from being successful in the global arena. These companies will act as the pillars of this nascent, yet promising industry. India clearly is poised to emerge as a key player in the lucrative and fast growing software products arena within the next few years."

The answer therefore, is yes, according to Sanjay Goyal, Founder and CEO, ACL Wireless Limited, a Rs 50 crore company which has grown from 10 people in year 2000 to a 250-employee entity. "The next phase of growth for the Indian IT industry will come from India positioning itself as a base for product companies. The way we see this happening is through the emergence of several small and mid-sized companies developing products in niche segments targeted at a large domestic base of consumers," he says.

Vivek Khemani of ConnectM believes that it will be the technologically-skilled talent pool which will play the most crucial role in developing a large and marketable product base. India's success as a product innovator, will be additionally spurred by a large domestic market, the need to customise and localise software to suit

“The product segment in India has the potential to grow 10 times its current size and touch anything between USD 9.5 to 12 billion, over the next decade. We have a lot of work to do and have identified all the stakeholders who can make this happen.”

**Som Mittal, President, NASSCOM**

the needs of companies, an improving IP regime in the country which will enhance the acceptance of 'Made in India' software products, and an investment-friendly climate which will draw much needed funding into product-oriented businesses.

## Building a success strategy

Clearly, the environment is conducive to the rapid expansion of Indian software product businesses, but what should companies do to ensure success in this emerging scenario?

The answer lies in the manner in which organisations distinguish themselves in highly competitive markets. A quick look at some of the Indian software product success stories reveals a plethora of strategic initiatives that give them their distinctive edge. ACL Wireless for instance, has taken the multi-product route, developing unique products with innovative value propositions. By building key differentiator based on business models, technologies and consumer benefits, the company has been able to successfully market its products in India and other large emerging geographies across 22 countries in Middle East, Africa, South East Asia and Latin America. In order to get its products off-the-ground quickly, with minimum CAPEX, the company has opted for a business model based on revenue share with a centralised ASP and leveraged its local as well as international partnerships.

Partnerships are the key pillars that support the Agile Labs business as well. According to Raghunathan Perumal, Director and CEO, Agile Labs, the company has embraced a partner-driven business model to achieve traction in the global and Indian software product marketplace.

“We are demonstrating the business value that our product brings to the table very clearly to the Indian and global players. When the value is huge and highly irresistible, the partnership becomes a win-win relationship. Then the partners with their market reach and global client base take our technology to the end customers.”

Sankhya Technologies, an embedded design solutions player, has made headway by starting business

units that work on addressing the bigger challenges or ideas that require the creation of a whole new platform. “A platform-based approach to product development allows the creation of product variants that address the specific requirements of different markets around the world. In other words we target those markets that have higher entry barriers and rewards. Success in one market would easily translate to success in other markets,” says Gopi Kumar Bulusu, CEO, Sankhya.

For Druvaa, success has resulted from its portfolio of offerings that promise customers a strong value proposition and quick return on investment. “We plan to be a global brand and make products which are single click install, rock stable and very disruptive,” comments Jaspreet Singh, VP Business Development, Druvaa.

## The domestic market

As Suresh Sambandam, Founder and CEO, OrangeScape puts it, “We have been primarily operating in the domestic market place. It's a conscious decision to be closer to our customers during the early stages of our product, especially being a pioneering technology. While many people complain that Indian companies don't pay, we have been very successful in securing many reputed companies in India and also Fortune 100 companies who operate in the sub-continent as our customers.”

## Overcoming the challenges

Despite the ever growing family of software product achievers, especially among the start-ups, there are still roadblocks. Some of the typical challenges software product firms in India are facing include, difficulty in attracting rightly skilled talent, which is still averse to working for product start-ups, building a team with an end-to-end expertise spanning market research, product specification, project financing, product development and packaging, channel development, after sales support, access to finance, lack of mentorship and guidance for struggling start-ups, and lack of innovation in business models.

## The NASSCOM game plan

NASSCOM has already initiated a series of actions that will help accelerate the next phase of growth of the software product segment. A concerted, industry-level programme to establish an identity for Indian software product businesses, that will help build a stronger base for individual firm-level marketing efforts has been launched. NASSCOM is also strengthening the interface between the industry and academia.