

Industry Watch

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The Channel thrust of Dax Networks focusses on:

- Targeting regional sales across the country

- In reaching SMBs and the niche market

- Supporting customers in terms of total Service Level Agreement (SLA) relating to 99.9-per cent network uptime

Religare Technova Limited directly works with SMEs to help them compete effectively. "We are offering the SaaS model tailoring solutions specific to this sector, which will enable them to reap the benefits of technology without upfront capital investment," says Sanjay Padode. "We offer SaaS services in the areas of CRM, ERP, financial services, and healthcare to this sector."

Top SMB Technologies

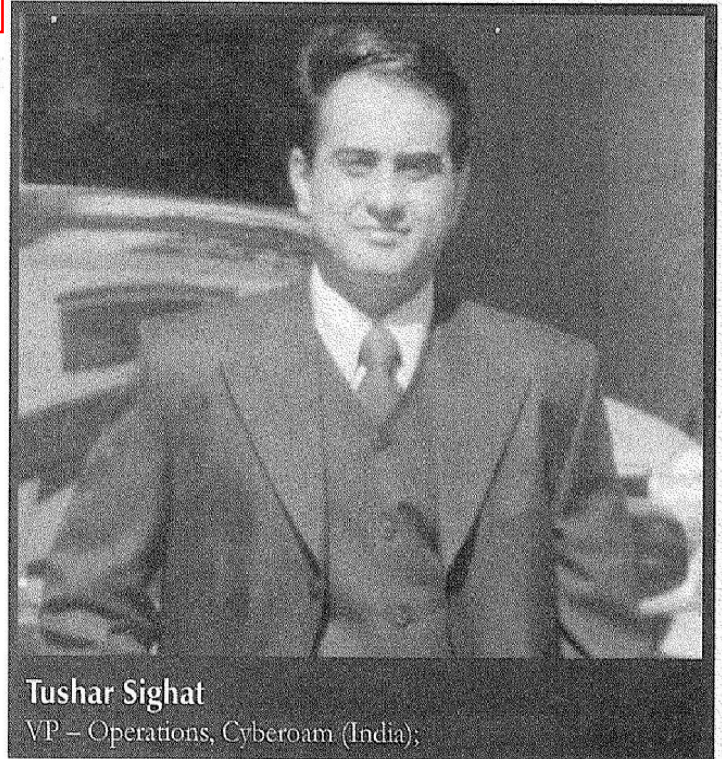
SMBs require advanced technologies, cost-effective, reliable and secure IT networks that would enable them to achieve their business plans and goals. They also need products that are easy to adopt and maintain. "Many SMBs today are opting for integrated security appliances that combine a host of functions such as anti-virus, firewall, VPN, content filtering, IDS/IPS in addition to providing network monitoring tools. As these SMBs whet their appetite, the demand for video, conferencing, IP telephony, Wi-fi and other technology will surge,"

says Sudha Jagadish.

Technology is now an integral part of every business strategy and this is true for the Small and Medium Enterprise segment as well. The power and reach of technology has impacted businesses across all sectors and segments. The SME segment has been facing the brunt of this impact as technology has helped the larger organizations in penetrating their blue oceans which earlier were protected by entry barriers such as geographical location, local distribution capabilities and access to lower cost of labour.

The UTM has emerged as a choice technology to be invested for SMEs as corroborated by leading analysts and research groups across the industry. According to Frost & Sullivan, the concept of UTM is witnessing growing appeal due to two primary factors: reduction of total cost of ownership (TCO) and reduced complexity. "There are enough reasons to believe that businesses of all sizes are trying to replace legacy or outdated point security solutions such as anti-malware gateways, routers and firewalls with unified UTM solutions. The reasons for this are the possibility to have one single source of support, one device to worry about and truly unified controls in every security aspect of the organization," says Tushar Sighat.

Mr N. Jariam of HughesNet



Tushar Sighat

VP – Operations, Cyberoam (India);

Broadband Services feels that storage and security are the areas where SMBs will be more inclined to invest. "Reliable connectivity is the starting point. Without this component, all other aspects can fail," says N. Jariam.

According to Ramprasad Lakshminarayan, telecommunication and computing services like printers and printing supplies, PCs and servers are the two broad categories that will receive significant investment by SMBs.

Sudha Jagadish of Dax Networks lists the following technologies where the SMEs are likely to invest:

- Mobility

- Transparency
- Integrated security
- Unified communications
- Virtualization
- Storage
- Infrastructure management

Finally...

It can be said with certainty that SMEs are rapidly adopting technology previously reserved for enterprises to grow their businesses. Though SMBs are being deterred by economic slowdown, in India they are comparatively on a good wicket. ■

SMEs invest in Technology but Cautiously

Notwithstanding the economic slump, SMBs in India remain receptive to IT spending, especially when consistent with their efforts to leverage current IT to enhance productivity, improve customer relations, and expand business capabilities.

For a decade or so, small and medium enterprises (also SMEs, SMBs, and variations thereof) have been making a buzz in the market. Their phenomenal growth has made them cynosure of all eyes, but the current market slowdown and financial meltdown have brought in some amount of difficulties for this sector. India is also no exception to this phenomenon. Some people say that this is the right opportunity to start enterprises. It is true, but to run the existing enterprises is a bit difficult. The juggernaut of the Indian SMEs has slowed down because of the economic slump. They are almost at the crossroads. On the one side, the global market is keen to outsource their product manufacturing and R&D to India. On the other side, the market slowdown is making it difficult for them to raise funds and take up projects. Exports are getting delayed; so also the payment cycle. This is also true for the domestic market. The customers are deferring their decisions. They are renegotiating with the partners in terms of cost. The payment cycle is also getting delayed.

However, SMEs are notionally better off in India than the large enterprises. Owing to their small stature and eagerness to

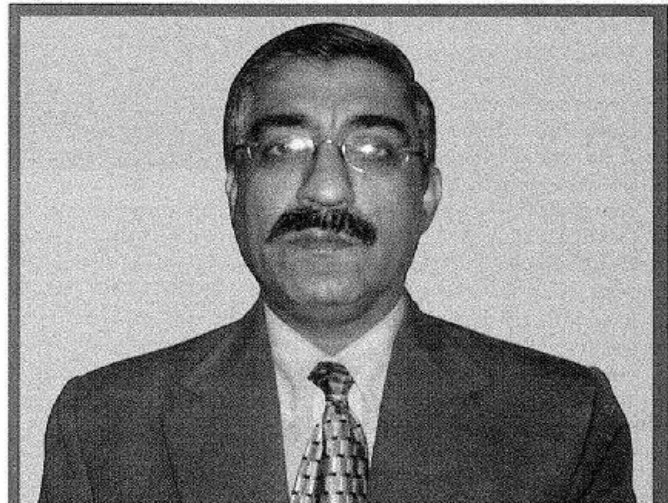
add maximum value to the whole deal, they stand a chance to gain vis-à-vis the large enterprises. In India, the current IT penetration in the Indian SME penetration is only 16–17 per cent. However, there is a chance that the ratio of penetration should go up much higher – at least 25–30 per cent. SMEs need to invest in the technology aggressively, especially in Internet and mail messaging.

Small and medium businesses or SMBs are evidently getting more attention from technology companies which otherwise in the past would be focussing on larger corporations.

Notwithstanding the economic slump, SMBs in India remain receptive to IT spending, especially when consistent with their efforts to leverage current IT to enhance productivity, improve customer relations, and expand business capabilities.

These findings are the result of a study "Impacts of a Game-Changing Economic Downturn: How to market effectively and stay Competitive" which was conducted by AMI. This study was initiated among Indian SMBs during October–December 2008.

As per a recent report by AMI, despite a challenging economic environment, IT and telecom



Ajay Verma
Director, Channels &
Alliances, Symantec India

(IT&T) expenditure by small and midsize businesses (SMBs) in the Asia-Pacific region will reach US\$153 billion in 2009. This year's projected SMB spend will witness an increase of US\$6.5 billion over the last year. Indian SMBs are the fastest-growing group with a forecast 8.5-per cent growth in IT&T investment, nearly double the average of 4.5-per cent growth for the region in the last year. However, SMBs across all industries in India are expected to lower their IT investment growth rates by 1 per cent to 2 per cent this year.

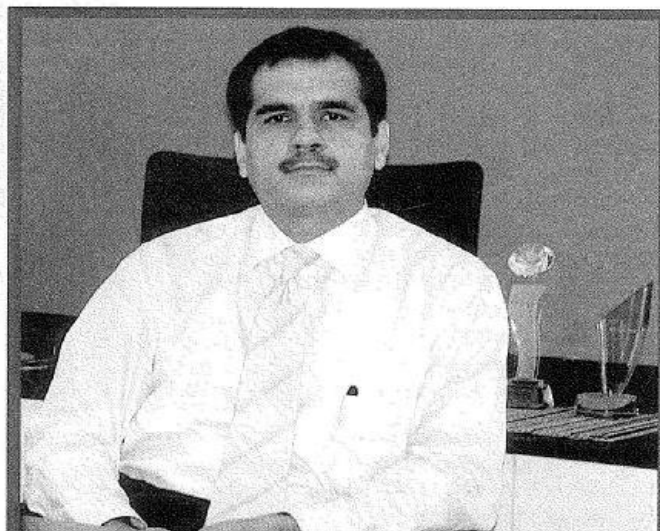
Indian SMBs have been adopting a wait-and-watch policy for new technology adoption. Most of them have not cancelled new technology adoption and purchase plans. They have merely postponed them.

"The easy deployment and affordable availability of technologies is driving the overall technology adoption among the SMB fraternity, which is evident from the fact that India already has 5,000 IT/ITeS companies that have 100% PC penetration. The SMBs are estimated to spend \$1.04 billion (Rs.5,130 crore approx.) on networking products and services this year, up by 11 per cent over 2008," says Ajay Verma, Director, Channels & Alliances, Symantec India.

"SMEs generally invest in what they really require. They need a reliable business application, reliable and secure connectivity and storage solutions. Given a choice, they would like to have a one-stop shop who can provide all these solutions and manage their IT infrastructure," says N. Jariam, National Manager, HughesNet Broadband Services.

"Small and medium businesses (SMBs) are an important target segment for IT vendors seeking to tap the Indian market. Across different industry verticals in the SMB market, technology is finding acceptance as an enabler of operational efficiency, market intelligence and competency in a global marketplace," says Ramprasad Lakshminarayan, Head, SMB Channels, Lenovo India. "Targeting SMBs is also one of the surest means of entering the hinterland regions, for widespread geographical reach," adds Lakshminarayan.

Sudha Jagadish, Chief Operations Officer, Dax Networks, is of the opinion that small- and medium-sized businesses in India today have unprecedented access to new markets, suppliers, and customers; it is truly a global marketplace today. "They are constantly looking at shaping



Sanjay Padode
CEO, Religare Technova Ltd.

Industry conditions and understanding holistic solutions that their customers seek in order to help them pursue a quantum leap in value to dominate the market. SMBs are considered to be the growth driver for many IT companies," says Sudha Jagadish.

The security predictions made in the beginning of 2009 by a leading analyst, Frost & Sullivan, categorically state that small and medium enterprises would continue with their regular spending on IT security. "The recent months have actually witnessed a spike in spending although modest, which is significant in the context of the present worldwide economic slowdown," says Tushar Sighat, Vice-President - Operations, Cyberoam (India).

"The downturn has, indeed, caused a few SMEs to be cautious

a massive change visible in this sector and the SMEs seem to be the first among the adopters of new technologies. Currently, SMB segment contributes more than 60% to the Indian GDP and their spending on IT is around 30% of India's total IT spend," says Shivasankar Krishnamurthi, Country Manager (India), LifeSize Communications.

Channel Challenges

In the wake of the ongoing global recession, SMBs feel that they need to improve customer relationship management to increase customer loyalty. First-time buyers of IT lack an understanding of technology and are often not able to map their business requirements with the right IT solutions. There are limited allotted IT budgets for both new purchases and technology upgrades. They



Sudha Jagadish

Chief Operations Officer,
Dax Networks

in such a way to reward our channel partners for their commitment and achievement and to help them grow their business. Symantec transacts its entire business in India through the Partner Community. Our endeavour is to create and foster a community of partners who work with Symantec in making possible Confidence in a Connected World," adds Verma.

"The challenging economic conditions have led to decrease in IT spend by SMBs. But this has translated into companies exploring ways to optimize the use of IT resources with stipulated budgets," says Ramprasad Lakshminarayan.

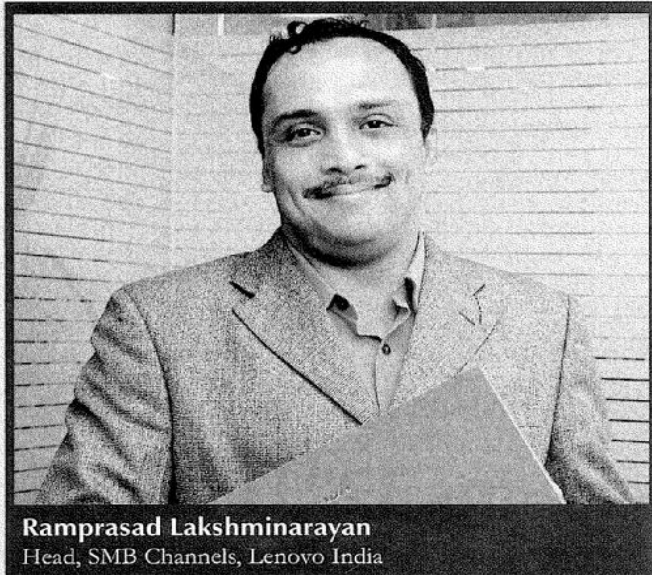
"Channel and business partners play an important role

in Lenovo's SMB route-to-market strategy. Value to product offerings will have to be added at every stage from production to point-of-sale. Lenovo is imparting product training to its channel and business partners, so that they can communicate the benefits of the products to the SMBs and recommend solutions as per their needs," adds

Lakshminarayan.

In line with the newly-formed emerging markets strategy, of which India is a key market, Lenovo has streamlined its SMB distribution and channel structure to set a clear direction, priorities and roles, and enhance channel intimacy and interlock. The tier-1 structure consists of four national distributors for complete and efficient coverage.

A tier-2 structure of regional distributors has been introduced to leverage resources for market expansion, strengthen controls and customer engagement, improve productivity of retail outlets and increase effectiveness of channel reach. This will help with increased penetration in tier-2 and tier-3 markets.



Ramprasad Lakshminarayan
Head, SMB Channels, Lenovo India

in their budgetary priorities, but, by and large, it has not affected their decision-making process for spending more on technology, especially when it concerns IT security," adds Tushar Sighat.

"SME Segment should have realized by now that survival demands exploitation of the same advantage provided by technology to the larger organizations. Thus, I definitely see the spend on technology move northwards in the SME segment," says Sanjay Padode, CEO, Religare Technova Ltd.

"Small and medium enterprise segment has been one sector which has taken the pain of recession as an opportunity to boost their business. There is

suffer from lack of adequate manpower resources to manage the IT infrastructure.

"The biggest challenge lies in educating the masses about the various challenges, problems and solutions available and that technology can be managed. Since the SMB audience has just finished the phase of IT adoption, security is the next step in IT adoption," says Ajay Verma. Making the small enterprises understand the criticality of a secure infrastructure is the key and yet is a challenging thought. However, it is a growing segment where awareness about technology will only increase.

"There are several such programmes which are designed



Shivasankar Krishnamurthi
Country Manager (India)