

CASE STUDY

AFFORDABLE BUSINESS SOLUTIONS INDIA LTD: A MICROSOFT SOFTWARE + SERVICES PARTNER CASE STUDY

Sponsored by: Microsoft

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IN THIS PARTNER CASE STUDY

IT vendors increasingly recognize that the business health of their partner community is critical to their success. In this context, Microsoft commissioned the 2008 Software + Services Partner Study to research the evolution of Microsoft partners.

From this research, Affordable Business Solutions or ABS will expound on its transition into adopting the S+S model, the value the S+S model has delivered and its near-future plans to grow the S+S business model.

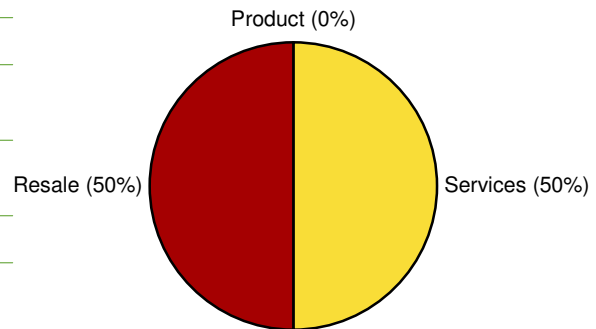
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FIGURE 1

Affordable Business Solutions India Ltd

Partner Profile

Revenue	\$1.5 Million
Employees	63
Revenue per full time equivalent (US \$)	\$23,800
Revenue Growth (12 months)	More than 25%
Headquarters	Bangalore, India
Customer Segment Focus	50%, 100-499 employees 30%, 500-999 employees
Microsoft Product(s)	Microsoft Dynamics AX Microsoft Dynamics NAV
Key Practices	Software Vendor

Revenue Breakdown

Source: IDC, 2008

Overview of the Company

ABS offers a suite of business solutions addressing various industry verticals through a S+S model, offering affordable solutions to the growing SME segment in India. ABS also offers consultancy services in the areas of strategic business planning, business process consulting and business analytics. In the area of education, in addition to IT Usage and administration, ABS's Center for Functional excellence (CFE) offers education and skills upgrading courses for various functions like sales, materials management, finance and accounting or production planning, targeted at employees and executives of Indian SMEs. From 50% of its revenue on services, ABS expects its services business to grow and account for 90% of total revenue within 5 years – primarily because ABS expects its software resale business would transform into S+S services.

According to CEO Srikant Rao, "We see software resale moving rapidly to the S+S model over the next 3-5 years. In this context, the wallet share of services will become far higher as customers need not spend upfront on software and not at all on hardware."

Transitioning to an S+S Business Model

ABS expects its revenue contribution from S+S to escalate to 70% in 3 to 5 years time, significantly higher than its current 5% of total revenue. In order to support this growth, ABS has carved out a specialized team focusing on the S+S model.

With the S+S model, ABS is able to address customers across a wide range of industry verticals and sizes, from very small to significantly large enterprises. The advantages the S+S model delivers to ABS has resulted in:

- ☒ Reduction in the sales cycle
- ☒ Significantly shorter delivery time-frames
- ☒ Significantly more aggressive pricing as compared to their competition
- ☒ Enabling associates to reach significantly higher productivity levels
- ☒ Increased portfolio of business solutions beyond just horizontal market solutions by partnering and tapping on the resources of Microsoft ISVs

Managing the Business

Present Key Performance Indicators:

- ☒ Number of pre-sales interactions with the customer
- ☒ Time taken/ resources required for implementation/ replication
- ☒ Number of iterations before final go-live
- ☒ Education/ training requirements

At this point in time, ABS believes the market lacks awareness on the S+S model's capabilities and business benefits. Despite this, every potential client it has educated on the S+S offering has indicated interest. Interestingly, ABS figures the greatest opportunities lie within the SME segment, where many companies operate without a full-fledged IT department and a CIO.

"The key opportunity of moving into the S+S space is that we are now able to address a huge market at the Bottom-of-the-Pyramid that has been completely untapped. The opportunity in the next 3-5 years is to increase the customer base by a factor of 1000X as compared to the present on-premise option." said Srikant.

On the other end of the customer base, the opportunities in large enterprises lie with companies with CIOs who are mature enough to realize that the S+S model offers their organization an option to “outsource” IT and obviate the need to hire, train and retain a huge IT team.

Lessons Learned

ABS feels that the S+S model has necessitated a company-wide direction change from a “product sales and implementation” mindset to a “services-oriented” way-of-thinking. This mindset change has resulted in:

- ☒ Engaging customers from a services angle rather than a product angle
- ☒ Exploring partnerships with SME Clusters to generate the scale of operations necessary to support a services model
- ☒ Hiring and training a separate breed of associates
- ☒ Moving from a project based implementation to a replication-based solution delivery model. For example, ABS created an ‘ERP Factory’ of about 10 people who develop the pre-configured template of a particular vertical and implements the solution on a hosted model

Srikant advises ISVs who are thinking of introducing an S+S model, "Please evaluate your own strengths and motivations before jumping in – there is a huge on-premise market already available that continues to grow. The S+S model needs a completely different mind-set, approach and needs deep pockets – you need to sustain the business for at least a 3-5 year time-frame before you start approaching break-even". He also suggests another alternative approach might be to partner with an existing S+S vendor to extend reach to clients who can benefit from S+S.

Future Outlook

Leveraging on the S+S model, ABS was able to expand into new geographies, industry verticals with minimal capital expenditure. In its existing geographies, ABS has expanded its presence by three fold. In addition ABS streamlined its operations and increased productivity dramatically in order to meet the pricing expectations of the S+S model. This has resulted in increased margins, profitability and capacity utilization, even for its on-premise business.

Over the next two years, ABS will be focusing on:

- ☒ New industry and geography clusters (currently demand is being driven by auto-component, engineer-to-order, garment/ textiles, pharmaceutical, Fast Moving Consumer Goods and Retail Industry verticals)
- ☒ Creating alliances with ISVs to build a suite of industry verticals
- ☒ Instituting world-class business processes internally to ensure service levels

- ☒ Expanding business consulting, business analytics and functional education offerings

Synopsis

Affordable Business Solutions (ABS) offers Indian SMEs business process and analytics consulting services, aggregated with functional skills upgrading services and business solutions offered on a subscription-based business model. In this case study, ABS reflects on its transition into adopting the S+S model, the value the S+S model has delivered and its near-future plans to grow the S+S business model.

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