

## Packaged Software Sales to India SMBs Will Hit U.S. \$860M in 2009, Despite Slowdown

### ***Small & medium businesses to spend 15% more, says AMI study***

Small and medium businesses (SMBs, or companies with up to 999 employees) in India are on track to invest about US\$860 million buying packaged software this year, up almost 15% over 2008. The estimated growth level is down amid this current economic slowdown, but still much better than other geographies.

In 2008, small businesses (SBs, or companies with up to 99 employees) posted a 21% rise in software spending, while medium businesses (MBs, or companies with 100 to 999 employees) showed a much lower 12% growth in the same spending category last year. 2008 displayed good traction for productivity suits, collaborative tools and even high-end applications like BI tools, middleware, security/ storage applications and network management tools.

“Buying behavior and purchase decisions have become very formalized and systematic,” says Nirupam Chaudhuri, Senior Research Manager with AMI-Partners. “There is increasing pressure on the technology decision makers to ensure that application investments meet both short-term and long-term business and financial goals,” says Chaudhuri. India SMBs 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. However, SBs in particular are looking for major cost savings.

Among verticals, the manufacturing and professional services sector together drove more than 47% of SB software spending—and 70% of MB software spend. Applications for productivity enhancements, accounts and financial solutions, advanced marketing and sales tools, analytics tools will find buyers even in current times of slowdown. IT vendors are looking at product innovations to help facilitate more availability, affordability and performance of solutions. On the other hand, business entities need to address challenges with regard to managing growth, profitability, providing superior customer service and meeting regulatory measures.

Consolidation and virtualization solutions will find major takers, although adoption is still much lower than global standards. “Hosting service providers with third-party data centers have been leading adopters of virtualization,” Mr. Chaudhuri says. Various users are in different phases, starting from conceptualization, architecting and final deployment. “Customer base will increase manifolds in

coming times amid focus to leverage existing IT and more utilization of resources in place. Scale is essential to get full potential of virtualization; below some trade-off points these solutions are not yet cost effective.”

Companies in India show high awareness but low enthusiasm for software as a service. “In these times of tech slowdown, lower initial capital investments for SaaS applications is to be expected,” Mr. Chaudhuri says. “The proliferation of broadband with increasing speeds has been a major influencer for increased interest in SaaS. The scenario in India has to improve a lot more.” ISVs have to think of innovative business models to support installations; advertisement revenues also can be explored to keep user costs down.

To support ISVs, SaaS hosts can provide them with value-added services like SLA monitoring, billing, etc. Post sales support services and maintenance are major activities for partners in this domain. Implementation activities are rising in association with primary SaaS solution vendors. Integration of SaaS offerings with remaining in-house applications is also a major activity.

## **Related Studies**

AMI-Partners’ 2 008-09: India Small Business Market Overview –Impact of Economy: Changing Dynamics, Opportunities & Challenges and 2008-09: India Medium Business Market Overview –Impact of Economy: Changing

Dynamics, Opportunities & Challenges studies highlight major trends in the context of current/planned IT, Internet and communications usage and spending. Based on AMI-Partners’ annual surveys of SMBs in India, the studies track a broad spectrum of issues pertaining to budgets, purchase behaviors, decision influencers, channel preferences, outsourcing, service and support. Also covered are detailed firmographics and critically important technology attitudes and strategic planning priorities. This data points to key opportunities and messaging hot buttons for vendors and service providers seeking to match their offerings to SMB market requirements.

For more information about this study, AMI-Partners, or our global SMB research, call 212-944-5100, e-mail [ask\\_ami@ami-partners.com](mailto:ask_ami@ami-partners.com) or visit [www.ami-partners.com](http://www.ami-partners.com) .

## **About Access Markets International (AMI) Partners, Inc.**

AMI-Partners specializes in IT, Internet, telecommunications and business services strategy, venture capital, and actionable market intelligence — with a strong focus on global small and medium businesses (SMBs), and extending into large enterprises and home-based businesses. The AMI-Partners mission is to empower clients for success with the highest quality data, business strategy perspectives and “go-to-market” solutions. Led by Andy Bose, the firm has built a world-class management team with deep experience cutting across IT,

telecommunications and business services sectors in established and emerging markets.

AMI-Partners has helped shape the go-to-market SMB strategies of more than 150 leading IT, Internet, telecommunications and business services companies. The firm is well known for its IT and Internet adoption-based segmentation of the SMB markets; its annual retainership services based on global SMB tracking surveys in more than 25 countries; and its proprietary database of SMBs and SMB channel partners in the Americas, Europe and Asia-Pacific. The firm invests significantly in collecting survey-based information from several thousand SMBs annually, and is considered the premier source for global SMB trends and analysis.

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