

ONTrigger Episode - Part 3 of 4

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Sanchit Vir Gogia: Every other person who is talking about smart city is going out and collaborating with the builder, is absolutely not interested in building something which is half done or it is an existing city. They want to start a new city and start from there which I think is a wrong starting point because you might as well make 100 mistakes in one city and learn from that while making 100 mistakes in 100 cities.

Going back, as you said private enterprises, the government and what others?

Vanitha Narayanan: The third area is the smaller enterprises. If you, again, look at India and different people have different statistics as to how they classify SME's but it's definitely over 40% of the economy or the IT market addressable market with SME's. 

Historically again, as an enterprise company who builds and produce solutions for enterprises. This is a market that we didn't really build solutions for. Now if you look at the trends, the technology trends and with cloud based offerings, with consumable offerings and if you look at our strategy that in a couple of years it is going to be all IBM that is available as a service and then you overlay that with a lot of the SME's in India and start-ups in India are also tech oriented. 

What we did was, we went and looked at this and said that this is now an area our portfolio and the SME segment is moving and with the democratization of IT, they are looking for leading edge technology capability to really build their business on. We went through and we actually looked at the market segment and we said that we are not addressing the 40000-50000 SMEs, but based on geographies, based on segments, based on workloads, we are now understanding of how do you address this because this is the segment of that market that is going to be tech sensitive. There is a whole part of our workforce that we are enabling as digital sales and building an ecosystem that can also address SMEs. 

If you look at the Indian market and what we have done in terms of positioning ourselves to address a much broader market in India with the portfolio that we have, the way the market is headed; it is a different business than it would have been half a dozen years ago. 

SVG: Can I ask you a very sensitive question. When I speak to a lot of these CIO's they do come back and say sometimes when different IBM teams approach them differently and that does cause some confusion and that does rub some people wrong, how are you changing that?

VN: India is a perfect example. You look at everyone. You are Indian at heart and certain things that you absolutely rally around and then you will have a person from the south with their language and their cultural habits and then person from the north, so yes, we are a complex company. Our portfolio, how we structure and I think this is where it comes down to when you are looking at the large population we have an employee population and we look at the complexity of the portfolio and especially when you are transforming. 

I don't know that it is at the principle level, at the executive level, at the leadership level but there is any major contract. No more than today, we would have been at any different points of time with the different capabilities and the trends we had. In fact we think we are driving more synergy but I think it takes time for the people to settle in and get the taxonomy right. 

SVG: Sure. But I think the good thing today is that the IBM of today versus the IBM of yesterday is the fact that when you accept there is an issue; that is the first step of change. I see that openness now as compared to yesterday, kudos to that.

You made a point of SMBs and I want to come back to that more specifically. SME sales is a lower margin higher discounting. If you look at it as a service economy, your marginal as a service economy is going to be thinner because it's a volumes business. How prepared is IBM to accept that because usually IBM goes after the large ticket deals. My question to you is on discounting. We hear discounting come very often in these deals these days. I understand that India is a very sensitive economy. How would you take the leap forward where in you say look discounting and pricing is one part but the technology has a value add?

VN: I think a couple of different things. One, we always as a company have been much focused on delivering value and high value and unlike some others we don't look at it and say I will build lost leaders and somehow things will change. We are thoughtful about the offerings we bring to market and the segments we will serve and how they will be effective for the client and for IBM. 

If I look at the segments over here, it is about increasing depth, skills and breadth for our top end and our clients that we serve in a very direct way. For a broader part of the market, India itself has many markets and it is quite a big place and people don't realize the geography until they get here. We are working very closely, with a lot more intensity that we ever had before, with our set of partners and channels and SI's (System Integrators) and IVS's (Independent Software Vendor), the whole ecosystem comes together. I use the word ecosystem because it's more than the traditional channels, System Integrators and Re-sellers. 

It is a different ecosystem when we look at smarter cities, it is a different ecosystem when we look at SME versus a large client. Working with that, broadens the aperture. When you look at the SME, it is about working with ISVs who are driving the key loads. It is a very focused approach and then you get to them, that's really the market place building for them. Makes it easier for them with a PaaS (Platform as a Service) and IaaS (Infrastructure as a Service) and that will be a low touch approach. 

It is very digital oriented. When you say that the margins will be lower your cost (cost to sell) will be lower too. I am not going to send armies out there. It doesn't make sense. This is very much about building a lot of digital capabilities in our salesforce and having them, so it's a low touch. So multiple different ways I think that is probably early days and we will see growth in the future, but it's about focus. It's about aligning your capabilities with the part of the market that you believe you can add value and the market believes you can add value using the right approaches to get there. 

SVG: Right. That's a great answer. Let's talk about SMBs again and this topic is very close to my heart because that's where the next wave of growth will come in the country. Now to be able to cater to these SMB, opportunity of course, Softlayer was bought and then we see the Blue Box was bought as well and the new software was given the open stack cover.

My question clearly is that it's a very competitive market. It's penny for penny and cent for cent market and of course AWS (Amazon Web Services) and Azure are extremely competitive. They are doing a lot in terms of working with the start-ups in the country as well, how do you see the game for IBM because Softlayer is a younger incumbent, it's taking its own time to really flesh it out, get the name out and also Softlayer is very heavy X86. A lot of your clients are a risk environment, mainframe environment where the work loads are very sensitive. They really wouldn't move to a Softlayer or really wouldn't move to an open stack for that matter. How do you plan to address this differently from your competition?

VN: I think this is where we have a very different and a very rich approach. It is not a one size fits all. You have different competitors where you have specific offerings for specific segments. So let me address. Last year, we opened a private data cloud center in the country and for exactly those clients that don't necessarily want to go to a public cloud. When we look at the work we do here in India, it really fits the reason why IBM says hybrid will be a key place when you have clients both from a regulatory perspective and sometimes you look at scenarios of banking, insurance regulators really allow etc. So you really have private cloud on premise and helping them build and structure their workloads with private clouds on premise. 

Then you look at private cloud off premise and still whatever their technologies, whatever their areas very much designed, customized to fit and then you look at public cloud obviously off premise and there we have the Softlayer answer but it just not Softlayer. In India, one of the things we are looking at and Softlayer by itself and this is where I think it is different from some of the other offerings, you know where exactly your data is, you have visibility data, there is a level of enterprise, design and rigour that they find in Softlayer that they don't find in other public clouds products.



Here, we are also looking at Softlayer in conjunction with our platform as a service, Bluemix. We launched it last year. India is one of the places where we got tremendous traction and interest. The reason goes back to our very early start of our discussion. This is a country of developers. By 2017-18, depending upon whose numbers you look at, India will have the largest number of developers in the world. 

When you look at that community, when we spoke about mobile, today you have got a whole development community over here and when you look at the digital population that you have, they are no longer interested in learning programming languages to code. You have got young people with ideas who want to instantiate the idea in a very short form or you have got companies who are really doing mobile development. The thing about Bluemix versus any other area is you have got a set of service API's that are integrated. That makes development easy and that has back in integration. When you start to look at cloud, you start to layer it the cloud end- the database technology, Bluemix –the PaaS technology, Softlayer- the IaaS technology, and lot of other security so you start to add all of these it is very differentiated, if you will, proposition from IBM. 

That makes it so whether it's public cloud, whether it's PaaS development, whether you are an SI, you are a developer, you are an entrepreneur. Some of our very early Bloomex, if you will, entrepreneurs have been college students who come in to our centre and in three days gone from having ideas to having products. That crunching of that value realization, so when you look at that it now starts to become attractive to VC's (Venture Capitalists) because VC's are looking at how can I get , especially when you are looking angel investments, crunch the time and happen to get a product and a product that actually is globally resilient which we can offer. 

So many different things and the exciting things about here is that any given day, it is hard to keep up with the number of acquisitions and alliances and everything we are forging. This is allowing people for building for enterprise, building for mobile social economy, and building for a set of social capabilities but technology rich. 

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