

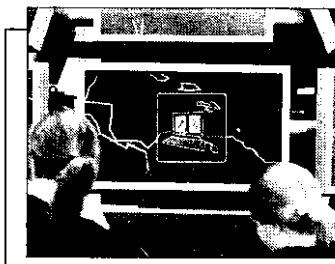
THE ECONOMIC TIMES

IT cos may spend more on marketing Greater Focus On Sales & Marketing Planned To Attract More Clients

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LIKE the shopkeeper painting the billboard more brightly during a downturn, IT companies are set to spend more on sales and marketing as the going gets tough. For, they have evidence that it might just work — Cognizant, which spent 8-9% more in marketing compared to other big firms such as Infosys and Wipro, added more clients than any other member in the Big Five. In the past three quarters, Cognizant added 182 clients compared to 138 by TCS, 129 by Infosys, 107 by Wipro IT services and 99 by Satyam Computer Services.

Analysts and company officials attribute it to Cognizant's higher spend on its sales, general and administrative (SG&A) component, which is the highest among the top five players. Cognizant's SG&A is in the 23-24% range, which is almost an 8-10% differential investment compared to Wipro or Infosys. Considering that the



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biggies did not make any big-ticket acquisition during this period, the bulk of the customer addition is organic.

Indications are that others in the top five will improve spending in this segment. In a recent earnings call with analysts, Infosys officials said SG&A investments is one of the levers it would use as its clients go through a period of indecision in the next few months.

At the same time, Satyam CFO Srinivas Vadlamani told ET: "In nascent markets, the objective would be to invest in front end for customer

acquisition while in mature markets, we would look to mine customers, especially when we have around 185 Fortune 500 customers. To achieve these objectives, investments would not only be made in front end sales and marketing to strengthen relationship management but also in brand."

Analysts ET spoke to say a relation can be drawn between a company's marketing effort and the impact it has on client addition. "Normally higher selling and marketing expenses help in client acquisition. The lead-time in

getting new clients for Indian IT companies has usually been 6-9 months. However, in the current economic scenario, the results from these spends will take time to materialise," said Dipen Shah, VP, Private Client Group-Research, Kotak Securities.

Gartner India's principal research analyst Diptarup Chakraborti added: "The leaders in the industry might go for that kind of aggressive strategy, but not the smaller firms." The situation confronting the Indian IT industry can be linked to the age-old market research problem of what an executive will do when he lands in an island where no one wears a shoe. Does that mean there is no market or is there 100% share up for grabs?

Similarly, when companies are not eagerly spending on IT, does it mean there's no market or does it mean it's a market waiting to be tapped? If you take the second view, you will invest a lot in marketing and that's what the top IT players are planning to do. chandra.ranganathan@timesgroup.com