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IT cos give marketing a push

Indian Software Majors Are Spending More To Lure Customers

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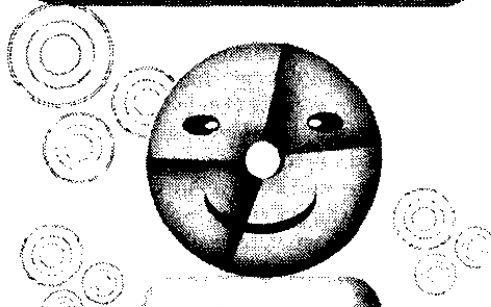
LIKE the shopkeeper painting the billboard extra bright during a downturn, IT companies are set to spend more on sales and marketing as the going gets tough. For, they have evidence that it might just work: Cognizant, which spent 8-9% more on marketing compared to the other big firms such as Infosys and Wipro, added more clients than the other companies in the Big Five. In the last 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 (SGA) component, which is highest among the top five players. Cognizant's SGA is in the 23-24% range, which is almost an 8-10% more investment compared to Wipro or Infosys. Considering that the biggies did not make any big-ticket acquisition during this period, the bulk of the customer addition is organic.

Indication is that others in the top five will improve spending in this segment. In a recent earnings call with analysts, Infosys officials said SGA 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's CFO Srinivas Vadlamani told ET: "In nascent markets, the objective would be to invest in front end for

**MORE YOU SPEND,
MORE YOU EARN**



	Clients	SG & A Expenses
TCS	138	19-20
INFOSYS	129	12-13
WIPRO	107	10-12
COGNIZANT	182	23-24
SATYAM	99	18-19

No. of clients is for Jan.-Sept quarter

SG&A expenses are % of revenue per quarter

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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 six to nine months. However, in the current economic scenario, the results from these spends will take time to materialise," said Kotak Securities private client group-research vice-president Dipen Shah.

Gartner India's principal research analyst Diptarup Chakraborti said: "The leaders in the industry might go for that kind of aggressive strategy but not the smaller firms."

The situation confronting the Indian IT sector can be linked to the 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? In a similar vein, when companies are not 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.

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