

Featured Articles

IT Infrastructure Service Business Strategy for India

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OVERVIEW: With India expected to experience strong growth in its IT market, Hitachi Systems, Ltd. sees the country as a strategic base and, in March 2014, acquired Micro Clinic India Pvt. Ltd. and re-established it as Hitachi Systems Micro Clinic Pvt. Ltd. Using the company as a base, Hitachi intends to expand its business in India by enlarging the scope of its operations, taking steps to increase its sales to both local customers and Japanese-owned businesses, and by developing new businesses through collaboration with data center operators. It is also increasing its revenues by seeking to expand its fee-based service businesses.

INTRODUCTION

HAVING specified a target “global ratio” of 10% in its mid-term management plan, Hitachi Systems, Ltd. has formulated and is implementing an overseas business strategy. Along with an accelerating trend toward the “China plus one” strategy, and taking account of trends in Japanese customers establishing overseas operations and in the growth prospects of information technology (IT) markets, Hitachi is focusing on Southeast Asia when choosing which markets to enter. In FY2013, Hitachi established a joint venture together with Sunway Technology Sdn. Bhd. The new company, Hitachi Sunway Information Systems is headquartered in Malaysia and operates businesses in the nations of Southeast Asia. Following on from this, Hitachi has chosen India as a strategic base for an IT infrastructure because of the country’s large IT market relative to the rest of Asia, and because it is expected to enjoy strong ongoing growth. To enter the Indian market, Hitachi acquired Micro Clinic India Pvt. Ltd. and re-established it as Hitachi Systems Micro Clinic Pvt. Ltd. (HISYS-MC) in March 2014. Micro Clinic listed leading companies among its customers, and had an affinity with the business of Hitachi Systems in terms of its strong technical capabilities in network and system implementation, and excellent customer marketing capabilities.

This article describes HISYS-MC’s regional business strategies in India, how it integrates into Hitachi’s business, and the synergy benefits it provides.

OVERVIEW OF HISYS-MC’s BUSINESS

HISYS-MC operates throughout India, with 16 business offices, including its New Delhi headquarters. It has approximately 1,000 staff members (as of November 2014) (see Fig. 1). Its predecessor, Micro Clinic, was established in 1993. HISYS-MC supplies a wide range of IT services, with more than 200 customers from a variety of businesses, including finance, manufacturing, and the public sector, and

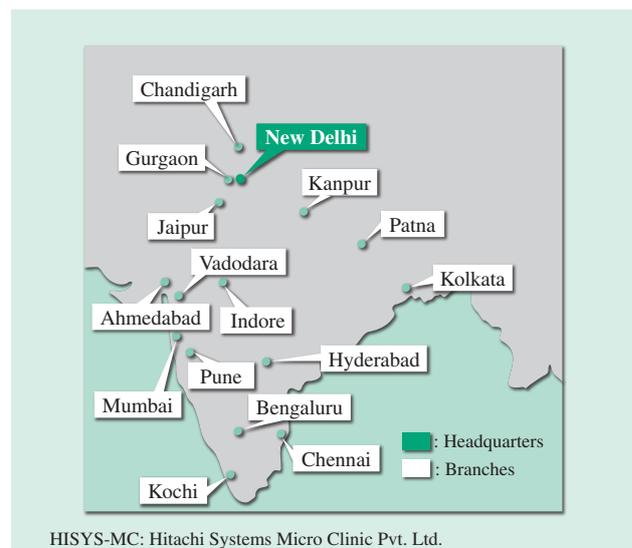


Fig. 1—Indian Operations of HISYS-MC. HISYS-MC’s business operates from 16 business offices that provide nationwide coverage, including its New Delhi headquarters, with staff on-site at more than 150 customer premises.

partnerships with numerous IT vendors, including hardware manufacturers and security software vendors.

Micro Clinic Prior to Acquisition by Hitachi

Unlike the mature IT market in Japan, market penetration for IT in India remains low and there is an expectation for the market to grow strongly in the future. In particular, annual growth of more than 15% is forecast for the IT services sector⁽¹⁾. However, customers are cost-sensitive and prefer the latest advanced technology.

With 21 years of business experience in this Indian market, Micro Clinic earned a high level of trust from customers for satisfying both their cost and technology requirements by utilizing staff with a high level of skills and technical capabilities and by building strong relationships with IT vendors.

HISYS-MC now mainly operates in the following four areas, supplying customers with end-to-end IT services.

(1) Information infrastructure

Sales, design, and implementation of hardware and software for networks, servers, personal computers (PCs), storage, and operating systems (OSs)

(2) Information security

Sales, design, and implementation of hardware and software for firewall, anti-virus, information security countermeasures, and other security products

(3) Information availability

Sales, design, and implementation of high-availability products, including storage (clustering, backup and recovery) and virtualization

(4) Services & solutions

Maintenance services, desk support (including help desks that use tools developed in-house), and operational support

Benefits of the Acquisition

The acquisition of Micro Clinic by Hitachi Systems means that HISYS-MC can look forward to strong growth. Among the factors expected to make a positive contribution to growth are use of the Hitachi brand to gain greater recognition from customers, better contract terms with hardware and software vendors, recruitment of quality staff, and greater financial trustworthiness.

Along with these benefits, other benefits of the acquisition have also manifested through the commencement of new business with multinationals and large Indian companies.

In addition to existing businesses, HISYS-MC is investigating how to make a contribution to the “Social Innovation Business” targeted by Hitachi, including power systems, urban management, and the monitoring and operation of healthcare systems.

While it currently supplies services throughout India, HISYS-MC also aims to grow into a company that operates in global markets by acquiring international customers and expanding the scope of its services.

HISYS-MC'S BUSINESS STRATEGY

In addition to the benefits of acquisition described above, HISYS-MC is pursuing four business strategies to expand its business further and accelerate synergies.

(1) Regional strategy

Expand business in the west of India, where the finance industry is concentrated, and in southern India, where there is a large automotive industry, from its business operations centered in India's north where government agencies and small- and medium-sized businesses (SMBs) are concentrated.

(2) Shift to fee-based business

Focus on the rapidly growing and high-margin IT service sector and increase the proportion of fee-based business.

(3) Deploy Japanese businesses

Extend services and enlarge the scope of the business by deploying managed services (a strength of Hitachi Systems) in India.

(4) Strengthen sales

Increase sales to Japanese companies and local customers through collaboration with Hitachi companies.

The following sections describe each of these strategies.

Regional Strategy

While HISYS-MC's business operations have been centered in Delhi, in FY2013 it also strengthened its sales capabilities and technical capabilities in relation to security and availability in western regions centered around the financial center of Mumbai. In FY2014, the company strengthened its sales capabilities in southern regions centered around Chennai, Hyderabad, and Bengaluru, where there has been notable activity in the establishment of operations by automotive and other manufacturers. As a result, sales in western and southern regions are growing. India is characterized by differences in the concentration

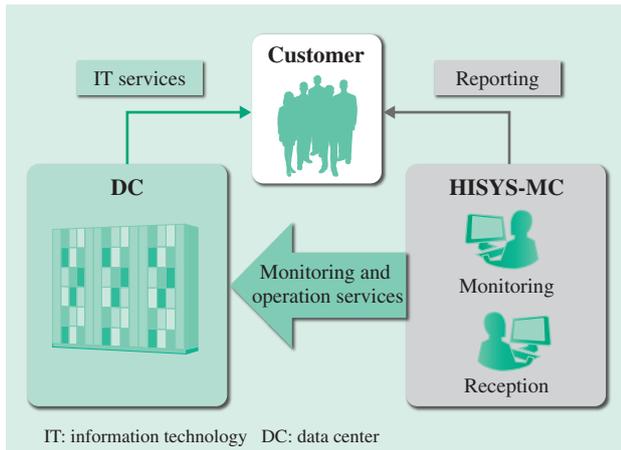


Fig. 2—DC Services Overview.

With demand for DCs in India forecast to grow, HISYS-MC supplies services for monitoring and operating customer IT assets at DCs.

of industries in different regions, and the Modi administration is promoting manufacturing under the slogan, “Make in India,” taking active steps to attract manufacturing to places such as the western state of Gujarat. Taking note of this industrial policy of the government, HISYS-MC is continuing to strengthen its organization in order to grow from a company that is strong in particular regions to one that has a nationwide presence.

Shift to Fee-based Business

India is experiencing strong growth in IT services, a sector where margins are higher than they are in hardware and software sales or in design and implementation. Although HISYS-MC already provides maintenance services for IT infrastructure, such as PCs and servers, as a fee-based business, it is seeking to expand its fee-based business by adding to its existing services data center (DC) services and security operations services that utilize the accumulated knowledge, experience, and technical capabilities of Hitachi Systems.

(1) DC services

These services draw on Hitachi Systems’ DC operating experience, technical capabilities, and track record of supplying various managed services to monitor and operate customers’ IT assets (see Fig. 2).

By outsourcing their IT, customers are freed up to concentrate on their core business.

Demand for DCs is believed to be rising in India based on a background of weak infrastructure that includes frequent power outages and unreliable telecommunication services, with growing

requirements for monitoring and operation services for equipment at DCs, and disaster recovery measures to support backup and other business continuity planning (BCP) needs.

The shift from ownership to renting is also strong in India, meaning that IT infrastructure is utilized when and as needed, instead of owning it.

Among multinationals, meanwhile, examples of companies operating the IT infrastructure for sites in other countries from India continue to increase as they take advantage of the ease with which IT staff can be recruited in India, as well as its staffing and other cost advantages.

In this way, along with supplying the experience and technical capabilities of Japan to customers in India, where demand is rising, development is proceeding with a view toward globalizing the operations of IT infrastructure.

(2) Strengthening of security services

Development is proceeding on services that can deal with the rise of Internet businesses that demand a high level of security in India, and the growing demand for outsourcing the operation and management of security products that require complex configuration and operation.

Hitachi is investigating services that monitor and operate customer equipment, including firewalls and other security products as well as servers, and that provide monitoring and analysis by specialists who check for signs of unauthorized external access or other problems and implement countermeasures when an incident is identified.

Security monitoring requires a high level of technology, and provides customers with benefits that include lower security risks and improved awareness of compliance (see Fig. 3).

Deployment of Japanese Businesses

The intention is to launch DC services and security service businesses through the transfer of technology in the form of operational knowledge and experience held by Hitachi Systems.

The plan is to begin by providing services that include a point of contact for customer inquiries, providing replies based on existing knowledge, and routine operational tasks, and then subsequently grow gradually into an organization capable of supplying advanced services.

After that, the plan is to increase the size and quality of the operation so that it can supply services to overseas customers as well as those in India. In

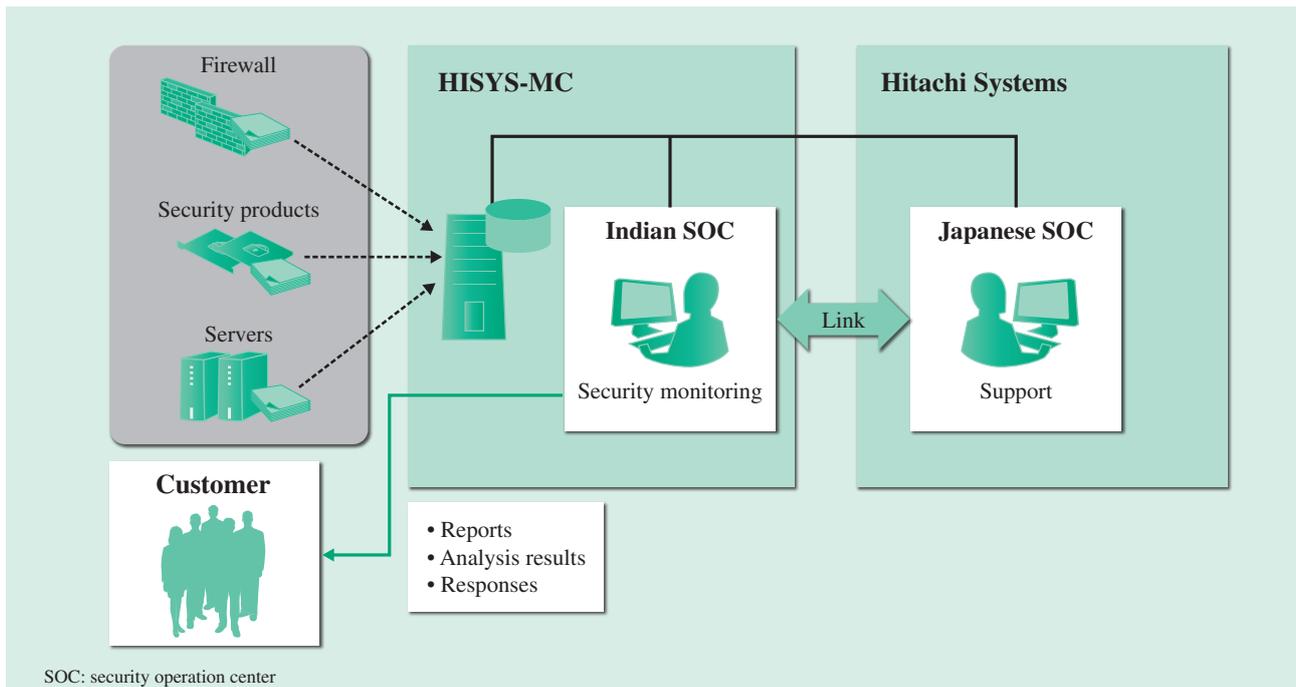


Fig. 3—Security Services Overview.

In collaboration with a Japanese SOC, the services monitor for unauthorized external access and provide operation and management of security products.

this way, it will also contribute to the globalization of Hitachi Systems' DC services and security services.

Although the DC services and security services of Hitachi Systems have mainly been provided to customers in Japan, it is increasingly important to support customers establishing operations overseas and to expand businesses targeting regions where emerging nations are experiencing ongoing economic growth. It is planned that HISYS-MC will also contribute to this by operating as a base for the overseas deployment of Japanese services.

Strengthening of Sales

To strengthen sales to Japanese companies and local customers, Hitachi intends to seek new business by encouraging collaboration with other Hitachi companies and Japanese partners.

(1) Collaboration with Hitachi Data Systems Corporation

Hitachi Data Systems Corporation (HDS) has a strong product range centered around storage equipment. HISYS-MC has gained partner certification by training sales and technical staff for HDS products. It also provides customer support that includes the design and implementation of HDS products and the provision of maintenance services. Having already won large orders through collaboration with HDS,

the company intends to continue to strengthen its collaboration with HDS and increase sales.

(2) Collaboration with other Hitachi companies

By providing IT support in collaboration with Hitachi India Pvt. Ltd., Hitachi's regional headquarters in India, HISYS-MC helps Hitachi companies establish and expand their operations in India.

It is also seeking to strengthen sales by cooperating with Hitachi Sunway Information Systems, Hitachi Systems' subsidiary in Southeast Asia, to expand the scope of their joint business and complement each other's strengths.

(3) Example sales activities targeting Japanese companies

The following describes two examples of sales activities that target Japanese companies.

Dating back since prior to its acquisition by Hitachi, HISYS-MC has been dealing with a large Japanese manufacturer for more than a decade, providing end-to-end IT support that includes the supply of IT infrastructure, backup and recovery and security products, and maintenance services. It has earned the customer's confidence through its nationwide support network in India and its work on proposing improvements. Having become part of Hitachi, HISYS-MC is seeking to contribute to the expansion of the customer's operations and win

more business through the expectation of providing further quality improvements and best practices as a multinational company.

The second example involves a joint venture with a Japanese company. HISYS-MC is part of a joint venture with a Japanese system implementation company that is proceeding with marketing activities that take advantage of their respective customer bases among Japanese companies and of HISYS-MC’s service capabilities for providing IT infrastructure. The benefits of the joint venture are already apparent, with orders having been won to supply IT infrastructure and implementation services that include the supply of servers and configuration of mail servers at Japanese companies. In the future, they intend to continue winning more orders through collaborations that draw on their respective strengths.

CONCLUSIONS

This article has described HISYS-MC’s regional business strategies in India, how it integrates into Hitachi’s business, and the synergy benefits it provides.

By pursuing and implementing the business strategies described in this article, HISYS-MC is seeking to continue growing by cultivating its existing businesses and expanding its synergies with Hitachi.

REFERENCE

- (1) “Gartner Says India IT Spending to Reach \$73.3 Billion in 2015,” Gartner, Inc. (Oct. 2015), <http://www.gartner.com/newsroom/id/2875020>

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