CHALLENGES AND GROWTH OF ITES INDUSTRY IN GLOBALIZED ECONOMY

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1.1   Introduction :

In today's globalization era Information Technology plays vital role. Hence in every organization the use of Information Technology is significant, whether it is human resource, finance or marketing department etc.[1]As marketing is important in every organization because it plays leading role than other department. Without information technology it is impossible to be successful in today's competitive world. The success of the company and its products depends upon the performance of the marketing department. Hence it is reasonably important that a company must give proper attention to its marketing strategy. For every marketing department it is quite important that they must promote their products through the most popular channel. It not only helps them to increase the popularity of their business but also provides them a tool to bring success to their business. If we talk about the various forms of marketing, these days internet marketing is the most widely preferred tool of marketing.[2]The way it has spread its wings is simply great. Now most of the consumers around the world love to congregate information about anything through the internet.The Internet is assumed to be an important channel for marketing and distribution of products and services. This is among other things, due to the cost-effectiveness of the Internet and the convenience for customers. With the Internet marketers can reach out to a broad customer base[,3]locate target customers, identify their needs and communicate with them at a relatively low cost. The Internet provides an opportunity for market testing and optimization. Increasing digitalization will make it progressively easier to experimentally alter particular aspects of a business and quickly observe how customers respond.

Hotel industry is widely using internet to promote the name of their hotels. The reason behind this is quite simple, with the development in the living standard of people around the world, there has been a significant rise in the revenue earned by the countries through their tourism department. People love to visit new places and different countries. They are willing to spend more on fun and entertainment. They do not mind to spend few extra bucks for some fun filled days. Therefore we can surely say that tourism and hotel industry are rising these days.[4]

Whenever consumers need some information about hotels and different holiday packages, they find it quite comfortable to know about these details from internet. They usually search out this information through search engines.[5]They like to know about the rates of the hotels and the different features and discounts offered by the hotels. Consumers do not mind to book rooms in hotels through credit cards. It means that internet has provided a quick way to generate profit from every part of the world. If some hotels do not have a well maintained website, and they do not promote their hotel in the right way, it is likely that the customers would not like to go for that hotel. Therefore it is quite important that hotels must have their own website, and they must pay proper attention to internet marketing.[6]

1.2 Indian Internet Market: The state-owned Videsh Sanchar Nigam Limited (VSNL) launched Internet Services in India in August 1995. For the first four years, VSNL was the sole provider of Internet Services in the Country. In the first years, broadband usage in India was growing 20% per month, according to the Internet Service Providers Association of India (ISPAI). Thanks to the progress in the penetration of Information Communication Technology (ICT) and especially, the

Broadband Policy announced in 1995, the term "broadband" entered the mass lexicon and most Internet users were aware of faster Internet speeds.In November 1998, the Government ended VSNL's monopoly and allowed provisioning of Internet Services by Private Operators. The Terms and Conditions of the ISPs (Internet Service Provider) License were unusually liberal with no License Fee and allowed unlimited number of players. ISPs could set their own tariffs and even their own International Gateways.[7]

Women lead the rural Internet rush in India. In year 2004 the Internet was having a revolutionary effect on the 700 million people who lived in villages in India - and the change was led by women. A project set up by one of India's leading technology institutes put women in charge of forging the way across the digital divide as the proprietors of a fast-growing number of internet cafes or kiosks around the sub-continent. In total 80% of these new kiosks were run by women, many of whom have had very little or no acquaintance with technology before.

1.2.2 Statistics on India's Internet Usage:
Internet and Mobile Association India, September 2011, recorded a mammoth rise of 112 million internet users in India. 88 Million Users are from urban cities and 18 Million are from rural villages. It is expected that by September 2011, there will be 112 Million Internet users in India – 88 Million from urban cities and 24 from rural villages.

Table No: 1.1
Internet Usage and Population Statistics in India:

Year	Internet Users	Total population
1998	1,400,000	1,094,870,677
1999	2,800,000	1,094,870,677
2000	5,500,000	1,094,870,677
2001	7,000,000	1,094,870,677
2002	16,500,000	1,094,870,677
2003	22,500,000	1,094,870,677
2004	39,200,000	1,094,870,677
2005	50,600,000	1,112,225,812
2006	40,000,000	1,112,225,812
2007	42,000,000	1,129,667,528
2009	81,000,000	1,156,897,766
2010	100,000,000	1,173,108,018

Source: www.internetworldstats.com
Internet Users from 1998 to 2010
1.2.3 Internet Users in India:
In March 2011, India has witnessed an 18% rise in Active Internet Users among urban cities, amounting to 65 million across in country. Numbers of people who have Ever Used internet and are PC (Personal Computer) literates have also grown to 82 Million and 114 Million respectively. In September 2011, there are 119 Million PC literates and 88 Million claimed Internet users – of which there are 70 Million active Internet users who access Internet at least once a month. Among rural villages as of March 2011, there are 18 Million claimed Internet users and 14.3 active Internet users.
1.2.4 Growing Internet Population:

While the 18% hike in the total Active Internet Users appears to be satisfactory, a look at past six years trend unveils the gradually approaching saturation. While the growth levels approach

stagnancy, the dynamics with Internet continue to take shape to accommodate India as a universally acceptable media vehicle.

Table No: 1.2
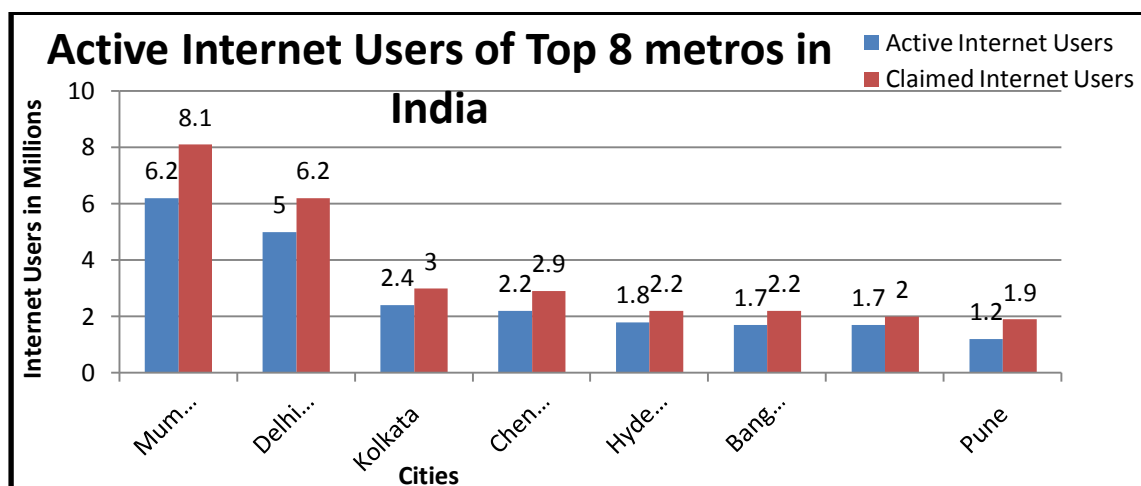**Internet Users in India (Urban)**

Sr. No	Year	Active Internet Users in Million	Claimed Internet Users in Million
1	2004	11	16
2	2006	21	32
3	2007	32	46
4	2008	42	57
5	2009	52	71
6	2010	59	78
7	2011	65	82

Source: IAMAI-IMRB

The penetration of telecommunications industry Pan-India is evident and widely appreciated. As on today, all telecom operators have introduced Internet at affordable prices within two various geographies they operate in. Ad campaigns specific to geography, especially smaller towns however remain unexplored by the media industry and deserves attention.[13]continuing trends from previous years, internet has been constantly impacting lives of small town residents. The smaller towns continue to showcase grouped dominance over the Top 8 metros. Despite this fact, the Ad spends in the media industry are surprisingly not focused geographically. The long-tailed smaller towns are yet to be exploited by the occupants of the entire media industry's value chain.

Active Internet Users of Top 8 Metros in India

Source :IAMAI-IMRB

Internet User Breakup across Top 8 Metros and Rest of India; Mumbai leads among all top 8 metros of the total claimed internet users, 34% reside in the top 8 metros with the majority in Mumbai closely followed by Delhi and NCR(National Capital Region). Hence the study on above topic is of prime importance.

Table No: 1.4
Small Towns Market Penetration

Sr. No	Particulars	Active Internet Users in Millions	Claimed Internet Users in Millions
01	Small Metros	11.6	14.3
02	Small Towns	7.4	9.1
03	Non Metros	7.5	9.0
04	Towns with Less than 2 Lack population	16.1	21.0

1.2.5 Purposes of Accessing Internet:

In the 30 urban cities wherein the survey was conducted, 89% use internet to access emails, 71% use it for social networking activities (such as making friends and staying in touch), 64% access it to search education-related content, 55% use Internet for chatting purposes and 49% access videos, music and images.[12] The usage pattern differs among rural Internet users. Among the survey conducted in 7 states, 46% use Internet for accessing music, videos and images, 38% use it for email and communication activities, 29% access it for getting general information and 27% use Internet to access content related to education.

1.2.6 Frequency of Internet Usage:

With a rising number websites availing a variety of offerings at the stroke of a few finger tips, Internet delivers inimitable value to its users across the country. As on 2011, 87% of people use Internet at least once a week.
Internet users are spending more time online engaging in activities that help avoiding,
- Physical travel
- Paper work
- Meetings
- Going to Travel Agents
- Taking special trainings
Internet has seeped into everyone's lives and has become an integral part of it. We can see a higher percentage of Medium users (those accessing internet for around 6.5 to 16.5 hours per week) among all the demographic segments, particularly the non-working women. The reasons could be the increased availability of better modes of communication, social networks and their popularity. Around one third of Young men and Working women are heavy users (those accessing internet for more than 16.5 hours per week). The new users have come up as light users of internet (those accessing internet for less than 6.5 hours per week). The need to stay in touch with friends and loved ones is the main reason pushing the users onto the internet bandwagon. The proliferation of social networking is another reason which can be attributed to the increased heaviness of usage. With this growth, and the introduction of better infrastructure for connectivity, Internet is going to be the medium of choice across demographics. [8]

1.3 ITES (Information Technology Enabled Services) Industry:

Globalization has a profound impact in shaping the Indian IT industry over the years with India capturing a sizeable chunk of the global market for technology sourcing and business services. Over the years the growth drivers for this sector have been the verticals of manufacturing, telecommunication, insurance, banking, finance and of late the fledgling retail revolution. As the new scenario unfolds it is getting clear that the future growth of IT and ITES (Information Technology

Enabled Services) will be fuelled by the verticals of climate change, mobile applications, healthcare, energy efficiency and sustainable energy.[11] Traditional business strongholds would make way for new geographies, there would be new customers and more and more of SMEs (Small and Medium Enterprises) will go for IT application and services.

Indian IT and ITES industry has continued to perform its role as the most consistent growth driver for the economy. Service, software exports and BPO **(**Business Process Outsourcing) remain the mainstay of the sector. Over the last five years, the IT and ITES industry has grown at a remarkable pace. A majority of the Fortune 500 and Global 2000 corporations are sourcing IT and ITES from India and it is the premier destination for the global sourcing of IT and ITES accounting for 55 per cent of the global market in offshore IT services and garnering 35 per cent of the ITES/BPO market.The Indian hospitality industry has emerged as one of the key industries driving growth of the services sector in India. The fortunes of the hospitality industry have always been linked to the prospects of the tourism industry and tourism is the foremost demand driver of the industry. [10]The Indian hospitality industry has recorded healthy growth fuelled by robust inflow of foreign tourists as well as increased tourist movement within the country and it has become one of the leading players in the global industry.

Trends in the Industry:

1. Budget Hotels as the next trigger

2. Medical Tourism

3. New avenues of growth

4. Shifting focus to Tier II and Tier III cities

5. IT Enabled Marketing Strategies

6. Emergence of Mixed Land Usage

7. Huge spurt of International Brands

8. Innovative operating models

The Indian hotel industry is highly fragmented with a large number of small and unorganized players accounting for a lion's share.

1.3.2 Growth Opportunities for the ITES Industry:

There are two ways in which the increasing industry can witness growth: - Moving up the sales value chain. The industry is right now predominantly export oriented. When we look at the growth in exports and the growth in domestic sales, it is observed that the domestic sales growth is left far behind. So if the domestic sales increase, growth of the overall industry will increase. Therefore, the players as well as the government should take initiatives to increase the domestic consumption. The Indian IT players are pre dominantly involved in rendering lower end services to their clients. Therefore, the industry can grow only when it starts moving up in the value chain [9]. Presently, the Indian IT industry is basically focusing on the Application Maintenance and Infrastructure Management. But the focus on rendering higher end services will help in strengthening the brand image of the industry. Business and IT strategy for all sunrise industries like hotel and tourism.

Hence the present study is carried out to strengthen the brand image of IT industry in the core business.

1.3.3 Major Threats to the ITES Industry:

High Attrition Rate: Staff shortage can prove to be a major bottleneck to the growth of the industry. Only 25 percent of the technical graduates are competent enough to work in the offshore IT industry in India. Therefore, managing attrition rate is becoming a big task for the IT companies in India. High attrition rate results in loss of skilled manpower, loss of skill sets etc. Apart from loss in skill sets, cost of recruitment, training and development of the new recruits also becomes a major investment for these companies.

1. **Limited Domestic Market**: The domestic market is still in the nascent stage in India. This makes the whole industry vulnerable to export market only.

2. **Lack of fluency in languages other than Englis**h, e.g. French, Spanish, Italian etc. is proving to be a weakness of the Indian IT industry

3. **Product Innovation**: India specializes in services but not in products. The nation lacks in product innovation, which can be considered a major area of concern. It will be difficult to maintain competitive advantage if product innovation doesn't occur.

4. **Competition from other emerging nations**: Chinese IT hubs are set to overtake Indian hubs by the year 2011. These countries are competing with India on account of their steady socio-economic environment, excellent infrastructure, low attrition rates and skilled talent pool. There is a need for improvement in the urban infrastructure. Further growth of the industry has to come from small districts, outside the Tier 1 and Tier 2 cities.

5. **Rupee Appreciation**: As most of the earnings are in foreign currencies, therefore Rupee appreciation becomes an area of concern for the industry.

6. **Overdependence on US Economy**: Almost 70% of the IT industry revenues come from USA. Therefore, any downscale in the US market, adversely impacts the Indian market too.

A boost in the domestic sales can occur with more favorable government policies and also improvement in the infrastructure which is a pre requisite for the growth of IT industry as a whole. The Way Ahead The future of the industry is very bright provided it overcomes the challenges noted above. The industry will witness a surge in the Engineering and R & D services. Along with there will be more penetration in new service lines. IT spending across verticals like hotel industry, Banking and Financial Institutions, healthcare, manufacturing, retail etc. would increase, with the increase in the internet usage. Slowly and steadily, the Tier II and Tier III cities will also witness increase in the number of IT companies.

Conclusion:

The Indian IT industry is growing progressively in spite of the global condense, the industry is about to register the significant milestone of US $ 50 billion exports. When the whole of the world viewed the negative growth, Indian IT industry still managed to register a growth of 5.5%. The domestic market is also growing. Potential size of India's off shoring industry is estimated at US $ 120 to 180 billion by 2015. The industry currently employs around 1 million people and provides indirect employment to around 2.5 million people. It is expected to add another 1, 50,000 jobs in the next

fiscal according to NASSCOM **(**National Association of Software and Services Companies). Indian IT/ ITES sector is growing   well distinguished expansion into varied verticals significantly with its increasing geographic penetration The phenomenal success of service offerings the Indian IT- ITES industry can be credited to the positive government policies, rapidly increasing demand conditions, healthy growth of related industries and competitive environment ubiquitous in the industry. The interchange of these forces has led to putting the industry on the global plot. The Indian Information Technology industry represents one of the most successful industries showing consistent rapid growth.

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