

chairman's message

Maximizing Choices for Customers

Dear Friends,
We are living in an IT world that is witnessing rapid changes. While software power residing on desktops was the way to go in the traditional environment, the emergence of new and revolutionary technologies such as the Internet have created disruptions in the way people deliver and consume software. Software-led services, or online versions of popular software are gaining popularity in the new age.

At the same time, the client side story is also evolving, with PCs, mobile phones, gaming consoles and other devices running even more powerful software that is taking the user experience to new heights. Finally, of course, massive reductions in bandwidth costs and improving telecom infrastructure are making software ubiquitous.

In the new scenario getting defined by these shifts, enterprises, SMEs and consumers are looking for more choices. Not only do they want to access their rich off-line IT resources, they want to harness the benefits of online software services.

The IT industry therefore, is experimenting with the innovative Software + Services model, which uses the best of what was offered in the past, and blends it with what is emerging on the horizon.

Using this model, IT partners to

businesses are placing before large, SME and Government customers “end-to-end,” solutions that allow them to work securely in the traditional office environment with its array of high powered devices—desktop PCs, notebooks, PDAs, cell phones—while accessing hosted applications off the Internet.

For the Government, specifically, this becomes even more attractive. It can now deploy a model which will enable its citizens to access e-governance offerings using cost-effectively and conveniently delivered “pay-as-you-go” services.

Microsoft has made considerable investments in this space. Our Windows Live, Office Live, CRM Live, Exchange hosted services, Silverlight, In One Care, Virtual Earth, etc. are enabling us to take the end-user experience to new levels.

Today, we are in a unique position because we can offer customers a spate of choices. We are offering on-premises servers, which will give enterprises the ultimate in customization and control. We have partner-hosted services, where customers can take advantage of any given partner’s unique vertical expertise or vertical solution. Finally, we have our own services in the cloud, in our data centers, where they are much more horizontal in nature and being provided at the lowest possible cost.

Going forward, every single product getting developed by Microsoft will have a services element to it. It will be our intent to help consumers extend and enhance their Windows PC experience in particular through connected software and services.



Ravi Venkatesan
Chairman, Microsoft India

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Software + Services

Blending Best of Both Worlds

By Srikanth Karnakota,
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The history of the software industry is peppered with many turning points or defining moments—when it has been compelled to take new and unexplored paths and ride the wave of change and evolution.

Possibly, the first key transformation took place in the early 1980s, when software became available as a standard packaged business that was delivered to users on a floppy disk. It ruled the roost in this form, until the arrival and proliferation of the Internet, which opened up the possibility of taking software to users “as a service.”

The Internet, accompanied by other developments such as cheaper client hardware, bandwidth availability at lowered costs and highly secure networks, gave rise to an all new software delivery model, where the software vendor developed a Web native software application and deployed it as a hosted service over the Internet. The aim was to place all of the program logic and data and provide end users with access to this information over the public Internet, through a Web-based interface.

The first generation of online software delivery, in the early 1990s, in fact, failed to meet the reliability and quality standards demanded by business users. It is only in the recent years that this model—christened Software as a Service (SaaS)—gained ground.

According to global business intelligence firm McKinsey & Co., the trend has indeed reversed today, with the new delivery method expected to take off. McKinsey’s review of venture capital investments showed that companies whose main business was delivering hosted services saw their revenues rise from US\$ 295 million in

2002 to US\$ 485 million in 2005, an 18 percent increase. On the buyer’s side, a 2006 survey of senior IT executives indicated a dramatic jump in the number of companies considering hosted service applications during 2007.

Market research firm, IDC also endorsed this view, stating that while it would not be replacing existing licenses and in-house custom-developed code overnight, customers and enterprises would migrate to the hosted services model by 2009, making it a priority for CIOs and venture capital investors.

When the industry refers to Web 2.0, it’s really are talking about a rich Web experience with advertising-based monetization. When the industry talks about Software as a Service, it is referring to software delivery, which is hosted software. And when it’s talking about SOA, it is focusing on service composition and federation.

Moving Beyond SaaS Towards Software + Services

The key question that arises today is whether the delivery model will remain SaaS or an even more evolved *avatar* of this concept. Analysts and software vendors are increasingly veering around to the view that going forward, the world will move beyond SaaS and embrace “Software + Services.”

Simply explained, what this means is that customers will not abandon the excessive processing power they have accumulated in their “offline” environments. Neither will they ignore the advantages offered by hosted services, their more cost-effective, maintenance-free orientation, and ease-of-use.

The next phase of the software journey, the space where vendors will find themselves, will be this Software + Services domain. Software + Services is an additive model which embraces SaaS, Service Oriented Architecture (SOA) and Web 2.0 technologies.

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Clearly, then, Software + Services will represent a rich combination of Online (cloud services) and on premise software. In the emerging world, organizations will move beyond Software-as-a-Service to include on-premise server and client-side software assets and deliver compelling experiences that leverage the

best of hosted and offline software.

In this environment, users will be presented with a choice and have integration across multiple devices and delivery methods, to build flexible and optimized solutions.

The Software + Services model will be driven by affordability and will provide customers with a new world of information access at anytime, anywhere and on any device.

It is being acknowledged today that the industry will evolve and take this direction. The reasons for this are manifold. Customers today are looking for a heightened software experience. They not only want to click and run any application, no matter where it resides, they also want to use the rich processing power and computing capacity in their phones, their laptops, their desktops and yes, their televisions sets. The goal is to complement those things with services that exist in the cloud.

The Need for the "Complete" Solution

While consumers and enterprises just love services for their "pay as you go pricing," ease of trial and "outsourcing" dimension, they also need rich interactive experiences, offline capability, control and flexibility and extensibility and integration. In other words, they require on-premise software and the host of benefits it brings. People want the richness of the client experience but with the ubiquity of the Web-site Software + Services experiences.

Certainly, there is a lot of promise in things that can be deployed in a browser, particularly if there's an application that needs to reach the broadest possible audience. At the same time, there are even greater benefits of using the broad-based, Software + Services model.

Sales force automation is a case in point. Organizations want to centrally maintain records and correlate activities that are going on between customers.

However, sales people are inherently mobile. They run around from place to place. They use the phone a lot. They might fire up the PC at a Costa Coffee and quickly log in, or they might use it in the car where the connection is sketchy. This is the reason why vendors will need to move beyond the SaaS model, towards a Software + Services environment. Software + Services envisions the solution as a service-delivered one, but where the service, software, and sometimes even hardware are integrated to provide users with an experience that is really seamless for what they are trying to do.

Take the instance of salesforce.com, a company that provides on-demand Customer Relationship Management (CRM) software services to help companies with global customer communications. When it started out, the company stated clearly that it would have no 1-800 number. Today, however, the organization has been compelled to come out with an offline version of its software!

It is apparent that customers value the advantages of software and they value the advantages of services and they want to harness the power of both. They are looking at a "best of both worlds" scenario, where they have the option to move easily between the two domains. Software + Services is giving vendors the opportunity to provide customers with connected entertainment, connected productivity and connected business. The platform now exists upon which these solutions can be built on a dramatic scale.

Understanding the New "Blended" Model

However, what exactly does a blend of Software + Services entail?

The fact of the matter is that every Software + Services application has an experience that transcends devices—PCs, TVs or mobiles. It also uses different monetization models such as the subscription model, an advertising funded model or just the good old license-based software model. It can be delivered on premises or hosted. Composition is an important attribute. It is about aggregating the services, so that a single experience can be delivered. Finally, there is federation, where the

The Key Benefits of S+S

The benefits of S+S vary with the segment that is being targeted. The end customer could be an Enterprise CIO, an SMB business owner or a consumer.

ENTERPRISE: The S+S model will help the Enterprise CIO in lowering costs and ensuring that his developmental resources are better utilized in servicing projects which are mission critical.

SMB: The model will help SMBs by lowering the cost of software adoption, deployment, maintenance and making software easy-to-use. This model also provides tremendous flexibility in making software available on a device of choice for an SME (including the mobile)

CONSUMER: For consumers and small businesses the combination of Internet services and client software promises to make technology dramatically easy-to-use. They will have a set of connected experiences that provide them with greater levels of productivity and value. These will be enabled with scenarios through connected devices, applications, commerce, communications and entertainment.

services talk to one another.

On the Services side, this model offers Line-of-Business services to enterprises and organizations of all sizes. These services are usually large, customizable business solutions, aimed at facilitating business processes such as finances, supply-chain management and customer relations and typically sold to customers on a subscription basis.

Under the umbrella of SaaS, customers are given the option of using an ERP or CRM application hosted by a service provider, rather than being compelled to buy a software license for it and installing it on individual machines. In this scenario, they have the flexibility to switch vendors and have fewer headaches in maintaining the software.

At the same time, enterprises want to go beyond SaaS and harness software which is available on their premises. Organizations such as ICICI are taking this route, where they are outsourcing their non-mission critical applications, and using the software on their premises for the crucial work.

Then there are the consumer-oriented services, offered to the general public. These services are sometimes sold on a subscription basis, but often provided to consumers at no cost, since they are supported by advertising.

Finally, the Software + Services world is focused around what are called business solutions. In the business solution,

Adoption of the Software + Services model by small and medium enterprises has become viable for them in the past few years owing to ever reducing bandwidth costs, which are making it affordable for these companies to purchase the level of connectivity that allows online applications to perform efficiently.

customers may want the richness that comes from a powerful client, but they also almost certainly want the richness of integration with the tools and applications that are already in use.

The Early Adopters

While Software + Services model has an overarching impact across the bigger enterprises, small and medium businesses and consumers, it is particularly relevant for small- and medium-sized enterprises who can now automate business processes without necessarily having to make big upfront investments in expensive hardware and software. These companies will also find it easier to embrace hosted services, as they have no “legacy” (in terms of the existing IT investments), to worry about.

Furthermore, these companies will be able to overcome the problems they face on account of IT talent retention. Managing and holding on to precious manpower skills, a major pain point for SMEs, becomes easy with the hosted software model.

Adoption of the Software + Services model by small and medium enterprises has become viable for them in the past few years owing to ever reducing bandwidth costs, which are making it affordable for these companies to purchase the level of connectivity that allows online applications to perform efficiently. Typically, it will be these smaller companies that will show the most eagerness to shift. The Software + Services model will allow them to avoid the traditional cycle of buying a software license, paying for a maintenance contract, and upgrading the system from time-to-time.

SMEs in fact, are embracing the Software + Services model as a business-critical, strategic investment at twice the rate than are executives of larger enterprises. These organizations have a higher propensity to adopt applications that are database-driven, and support a highly distributed workforce.

Many SMEs also believe they would have more control over the relationship if they simply pay monthly fees that could be switched to another vendor if the first failed to perform.

Foraying the Enterprise Space

A number of organizations in the

enterprise segment too will adopt this model. The first wave of adoption for Software + Services is already on and the trend will continue. Companies are eager to acquire the technology for human-resources applications such as CRM and payroll and for collaboration tools that aren't mission critical, involve relatively low data security and privacy concerns, have a distributed user base, and require little integration with on-premise applications and little customization.

Several industry-specific applications are gaining popularity in large industries such as financial services, health care, and retail, as well as in smaller ones such as automotive retailing, law, and real estate.

The Way Forward

The next wave of applications seems likely to involve transactions between buyers and suppliers, including procurement, logistics, and supply chain management. As customers grow increasingly comfortable with the concept, a third wave of applications more critical to business, such as hosted environments for software development, may also start to be delivered in this way. Enterprise customers and those in small and midsize businesses are likely to adopt applications at different rates. For example, some smaller businesses are already embracing the online delivery of financial applications, whereas large enterprises may never do so because of the breadth and depth of functionality required or because of concerns about data security.

Studies by analyst firms have shown that Software + Services implementation times and ROI cycles are growing shorter in such areas as sourcing and procurement, supply chain management, financial management and product lifecycle management.

Software + Services, then, is the future of computing. Going forward, it will be the delivery model of choice for consumers and large and small enterprises, from virtually every important industry vertical. The Software + Service evolution is not just an issue in the business market. It really permeates all of how vendors will deliver things in every dimension of the business.

Microsoft's Software + Services strategy is going to be the most crucial element of its growth going forward. The initiative will not only launch the company in a new and emerging space, it will also enable its customers and business partners to achieve their potential.

Software + Services: Exploring the New Opportunity

"For Software + Services, the time is now," said Microsoft CEO, Steve Ballmer in a keynote at a recent Worldwide Partner Conference, highlighting the most strategic shift the company is experiencing in its history. Driven by a rapidly altering technology landscape and expanding customer needs, Microsoft is pioneering a new business approach which will enable both its partners and clients to achieve their potential.

Called Software + Services, it takes into account the fact that technology breakthroughs are transforming the way solutions are created, delivered and used. With the line between consumer and business use of technology continuing to blur, and people coming to expect the same functionality at work and at home, the time has come to evolve new models that deliver a higher user experience.

Today, Microsoft is looking at transitioning from a traditional software

company to one offering Software + Services, and has already created a roadmap of how the strategy will play out in the years ahead. This services transformation, from Software to Software + Services will be a critical aspect of all Microsoft offerings over the next few years.

Software + Services goes beyond packaged software to give customers increased flexibility and choice in deployment options, including on-premise, delivered over the Internet, or hybrid solutions that deliver the best of both worlds by combining hosted services with capabilities that can only be achieved by software running locally on a device with a powerful processor.

Empowering Customers and Partners

The goal of the Microsoft Software + Services strategy is to empower customers

and partners with richer applications, more choices, and greater opportunity through a combination of on-premise software, partner-hosted software, and Microsoft-hosted software.

A good example of this blended solution is the Exchange experience, in which users can access e-mail, contacts, and calendar on the PC through Outlook, in the browser through Outlook Web Access, on the phone through Outlook Mobile, and in the case of Exchange 2007, via voice through Outlook Voice Access, all of which are synchronized on the back end. And from a delivery perspective, Exchange can be deployed on-premise, hosted by a partner or hosted by Microsoft as a service.

There are essentially three offerings under the S+S model from Microsoft including the following:

- **Live Offerings**—For Consumers and Small Businesses
- **Online Offerings**—For Medium businesses and Enterprises
- **Service Delivery Platform**—For Developers and Partners to build on top.

Meanwhile, here's how it will work:

On-Premise. In this model, software is installed at the customer location and licensed to the customer. A partner can make money through traditional methods such as providing deployment and system integration services, application development, resale of software licenses, and training and support.

Hosted by Partner. In this model, the infrastructure and software is owned and licensed by the partner, who purchases Microsoft software licenses through a Service Provider Licensing Agreement (SPLA). In most cases, the hosting partner will add additional software

Understanding Microsoft Services Assets

	Live (Consumers and Small Businesses)	Online (Small Businesses and Enterprise)	Platform Services (For Devs)
MS Hosted	Windows Live	Exchange Hosted Services	Silverlight streaming
	Office Live	Office Live Meeting	Windows Live Platform
	Dynamic CRM Live	Microsoft Forefront	Virtual Earth
	XBox Live	Biz Talk Services	Popfly
	n..Live	CSS (Communication and Collaboration services)	Biz Talk Services
		MMS (Microsoft Managed Services)	Microsoft Services Delivery Platform
Partner Hosted		HMC (Hosted Messaging and Collaboration)	
		Hosted Win Server, SQL Svr, Share Point Svr	
		Hosted Dynamics	

or services, such as vertical or line-of-business (LOB) applications, storage, and data backup, and will bill customers based on a subscription model.

Hosted by Microsoft. In this model, Microsoft owns the infrastructure and provisioning of the software, which is provided as a service to customers. Examples include the Microsoft Office system™, the Windows Live™ network of Internet services, Microsoft Virtual Earth™ mapping software, and Microsoft Dynamics™ CRM Live. This model creates new partner opportunities, with monetization methods that include subscription fees for partner-developed solutions that are built on top of Microsoft-hosted services, on-premise integration services, and referral and resale fees for customers who use those services.

Interestingly, the above delivery models don't necessarily need to stand on their own. A core principle of the Microsoft Software + Services strategy is that these models must be easily and seamlessly combinable and interchangeable to maximize customer value and partner opportunity.

Building the Platform

A solid services platform on which

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Microsoft is currently working feverishly to build a hardware and software platform that will support its services vision across every one of its software products. This year, the company is concentrating on building this services framework. In the next year, Microsoft will begin introducing new and key components of the platform.

At the very bottom level of this services framework are Microsoft's massive data centers and the networks that connect them to the Internet. The company has more than doubled the size of its data centers over the past year. Above that level is most fundamental layer, including a utility computing fabric made up of a virtualized computation layer, infrastructure that manages load balancing of applications and horizontally supported storage.

The platform will also include a services layer that can be shared across applications. Such services include user identity services, presence information and contact lists. This platform will be used internally by Microsoft to support its own services, such as Windows Live, but partners will be able to use it to support their applications that work in conjunction with Microsoft products as well.

The Solutions Side

Microsoft has been focusing on aligning its products with the evolving Software + Services strategy and Windows Live™ and Microsoft Office Live, are cases in point. Designed to deliver rich and seamless experiences to individuals and small businesses, the offerings combine the power of Software + Services and provide compelling enhancements to Microsoft Windows® and Microsoft Office products. In particular, Windows Live helps bring together all the elements of an individual's digital world while Office Live helps small companies do business online. In the same way that Xbox Live® enhanced the value of Xbox® by marrying the power of the

The new Microsoft Dynamics Live CRM service offers tremendous application configuration capabilities, allowing customers and Microsoft partners to deploy on-demand CRM systems that work the way that each individual business does.

Internet with the richness of software and hardware, these new offerings will deliver similar value to customers.

More recently, the company has also kicked off of its partner-led customer early access program for Microsoft Dynamics™ Live CRM, as well as detailed product and pricing information for the new on-demand service. In addition, new pre-configured vertical templates for Microsoft Dynamics CRM have been demonstrated for the public sector and manufacturing industries.

The new Microsoft Dynamics Live CRM service offers tremendous application configuration capabilities, allowing customers and Microsoft partners to deploy on-demand CRM systems that work the way that each individual business does. Together with the company's on-premise and partner-hosted offerings, Microsoft is providing customers and partners the ultimate in choice and flexibility in how they deliver CRM capabilities to users. Microsoft Dynamics Live CRM will be operated and managed by Microsoft within its datacenters. The customer early access program for Microsoft Dynamics Live CRM will begin this quarter and will extend through the remainder of 2007.

A special offering for the Indian market—one that will help Microsoft realize its Software + Services vision—has been the launch of subscription based ERP services for SMBs (*see Infobits*), which will allow businesses

to use these solutions without having to install them within their premises.

The Road Ahead

The transition, meanwhile, to providing more services, is expected to touch every part of Microsoft's business going forward, but some changes will be more obvious than others. Software + Services in Windows could include a services component that might store device settings. That service would make it easier for users to access the same application from various devices or buy new devices without having to create new settings. Office customers might use hosted services, such as publishing, sharing and editing, in conjunction with Office applications.

The user interface, will be yet another important place for innovation, and Microsoft's Silverlight technology is the cornerstone of this effort. In April this year, Microsoft introduced Silverlight, a browser plug-in that allows for rich video and interactive media experience to be delivered within Web sites.

Windows Server 2008, which includes a Web server called Internet Information Services 7.0, will give hosting providers "significant enhancements," improving security, scalability and reliability of Software + Service.

The launch of Microsoft Windows Server 2008 next February, which includes a Web server called Internet Information Services 7.0, will give hosting providers "significant enhancements," improving security, scalability and reliability of Software

+ Service.

Focused on delivering a low total cost of ownership for its server products, Microsoft has developed key features such as integrated health management for Web services, optimized PHP, Hypertext Preprocessor application hosting on Windows, a fast and scalable configuration system, and delegated administration.

At the end of the day, it is becoming apparent that Microsoft is intent on delivering innovation and value to businesses around the world, particularly through its Software + Services strategy. In the years ahead, the company will focus on delivering a consistent, seamless user experience across devices. It will provide deployment options (on premise or hosted), based on customer needs, extend the development platform and tools to encompass services, support new business models and define ways partners can increase their revenues and grow their business.

Guru Speak



"In this era, the environmental change is about to shift from software, whether it's client or server software, to a Software + Services model. Services is going to be a critical aspect of all of our offerings from Windows and Office on the client to Exchange and SharePoint and Dynamics and other things on the server. And in order to gain leverage across all of our offerings, we're taking a platform approach to services, giving each of our products the common benefits of cost, speed, scale and monetization that a platform approach offers."

—RAY OZZIE,
Chief Software Architect, Microsoft

A Stitch in Real-Time!

Hosted IT solutions help garment exporters in Tirupur cut production time, cost effectively!

Interface looks at how tiny Tirupur, with its eight million SMEs and 40 million small businesses is reaping the benefits of the Software + Services model, to bring in greater efficiencies and cost benefits across the supply chain.

The small town of Tirupur in the state of Tamil Nadu, barely 50 kms from Coimbatore, may just be a speck on the Indian map, but it has a reputation that places it among the key manufacturing hubs of the country. Famous for its knitwear and garment exports, Tirupur houses millions of tiny businesses, which are integrated with the global supply chains of leading international brands such as Wal-mart, Gap and Banana Republic.

Tirupur has the distinction of being one of the largest foreign exchange earning towns in India, with its export turnover this year expected to cross the Rs. 10,000 crore (US\$2.2 billion) mark. The 7,000 garment units in the town provide employment for over 600,000 people.

The Situation

Possibly the most interesting feature of Tirupur is the fact that it is a sub-contracting marvel. There are over 1,000 export houses which control the value chain in the town, with the rest of the units operating as sub-contractors undertaking job orders for knitting, yarn production and dyeing.

A typical garment travels about 15 kms within Tirupur before it transforms into a finished product. With the breaking up of WTO textile quotas, the demand for garments is far outpacing supply production in Tirupur. Export orders have gone up from an average of 4,000 pieces in 1990 to 20,000 pieces today.

Both order size and frequency have witnessed significant hikes.

Based on this burgeoning demand and to meet all customer expectations, it is imperative to debug the production cycle and reduce the garment production time from the 90 days to 60 days. This will help manufacturers meet higher demand for garments by freeing the supply chain to do more work, plan much better for service demand and inventory costs, and be able to work on different sets of seasoned garments

Recognizing that technology was going to be one of the drivers of success for the garment exporters of Tirupur and their sub-contractors, NMCC and Microsoft decided to pilot the unique Software + Services solution in the town, under the aegis of its Project Vikas. Project Vikas, in partnership with National Manufacturing Competitiveness Council (NMCC) which covers over 380 manufacturing clusters across India, spanning industries such as auto component, garments, pharmaceuticals and gems and jewellery, enables SMEs to build their global competitiveness through IT.

The Solution

The Software + Services solution developed by Microsoft partners, specifically to handle the unique needs of this cluster, targets the many households in Tirupur that are into the textile business and take on sub-contracting work. The exporters of the garment grade the order and roll out the logistics. They sub-contract some of the work to contractors in order to fulfil their orders. The subcontractors take around 40-50 days to finish the work. During the course of order execution, the only way the exporter can know about the status of the work team, is by sending his own people,

and checking on the work item.

A simple Web-based hosted application, however, has changed this entire scenario. With the exporter and the sub-contractor getting connected, it is possible to track the order and better integrate and monitor the supply chain. All they have to do is pay a monthly subscription fee to sign up for the application and use it to track the order.

The Benefit

Today, by deploying the model, contractors are deriving the following benefits:

- ⇒ accessing a high-technology solution, at a very reasonable cost, through the hosted model, without having to invest in expensive IT infrastructure
- ⇒ connecting with their suppliers and maintaining better control on the products being sub-contracted for manufacture
- ⇒ tracking their work items either through the Web-based application or by using their mobile phones
- ⇒ updating the status of their work items by just sending an SMS to their sub-contractors, who are well versed in mobile technology
- ⇒ gaining better visibility
- ⇒ curtailing the production time line of their sub-contractors to 20 days

Already, 1300 units in Tirupur have embraced the Software + Services solution launched by Microsoft, representing over 20 percent of the "manufacturing" population in the town. Going forward too, there is expected to be a huge pull for infrastructure and horizontal applications by the contractors and sub-contractors. Tirupur bears testimony to the gains that Software + Services brings to SMEs.

“Models such as Software + Services are more suitable for SMEs as they help them reduce the high unit cost of technology.”

— Mr. V. GOVINDARAJAN

Member Secretary, National Manufacturing Competitiveness Council



What are the challenges that SMEs face in today's global competitive world and how can they overcome them?

SMEs face various challenges in terms of global competitiveness. One main source of challenge is technology. Identification and adoption of new technology, including the IT enablement of the business process and management practices, is both a challenge as well opportunity for SMEs. Over 90 percent of the manufacturing enterprises in India fall under the SME category. Use of IT would improve their business efficiency and thus their competitiveness. However, a majority of these companies are still in the nascent stages of IT adoption, due to lack of appropriate knowledge. Many of the challenges that the SMEs face can be overcome by implementing ICT-enabled manufacturing systems that help improve productivity and create a competitive edge in the global scenario.

Human resource development and management is another challenge faced by SMEs. HR activities are often neglected by SMEs who are unaware of their strategic dimensions and associated benefits. Hence, recruitment of the right people, training them and retention of talent are important.

What is the transformational role that IT can play in SMEs. At the same time, what are some of the challenges faced by SMEs that are preventing them from implementing technology?

Even though there is a clear business case favoring increased IT adoption by SMEs within the manufacturing sector, lack of knowledge and difficulties in accessing technology have prevented this from happening. Current day

use of IT is confined to a few specific functions like inventory control, external communication, etc. Manufacturing enterprises in developed countries, on the other hand are at a stage of nearly full-functional automation and cross-functional integration. Adoption of ICT tools can help SMEs fight obsolescence, conserve energy, improve productivity and innovativeness and enhance global competitiveness and exports. However, affordability of technology continues to remain an issue, which needs to be looked into.

What are some of the steps the Government and IT vendors can take to raise awareness about IT and bring affordable, easily implementable technology solutions to the doorsteps of SMEs?

The Government has introduced relevant policies and programs to spur IT deployment by SMEs in the manufacturing sector. As part of the NMCP (National Manufacturing Competitiveness Program), the government has launched initiatives centered around awareness-building, configuration of common ICT solutions, development and deployment of ICT-enabled business applications, Internet based e-commerce, ICT competency centers and consultancy support, and interface with academic institutions.

In order to help SMEs realize the potential of IT and spread its benefits across the grass root levels, the Government, in collaboration with Microsoft, the industry and local IT developer communities, has launched a project called Vikas.

Is it viable for SMEs to “outsource” some of their non-core functions?

Outsourcing is a viable option. However, in order to make the volumes of business attractive for vendors, there has to be a grouping and bundling of requirements at the cluster level. SMEs that cannot afford the cost of maintaining such facilities as manpower training/reskilling, maintaining sophisticated high-end IT infrastructure etc., on their own, need to be encouraged to outsource their non core business processes to specialized service providers.

Retraining in-house IT talent to build and manage software business applications in proving to be a big challenge to SMEs. How will new software models address this challenge?

Retraining the best talent is more important than hiring new talent. Today, besides SMEs, even large industries are facing problems of attrition. To combat these issues, innovative HR practices, must be implemented. At the same time, the industry has to come forward with user-friendly, customized applications that can be delivered conveniently through both the online and offline channels, using affordable “pay-as-you-go” business models.

Can emerging models such as Software + Services, where SMEs can leverage their offline investments and blend them with hosted online services, proliferate technology across these companies?

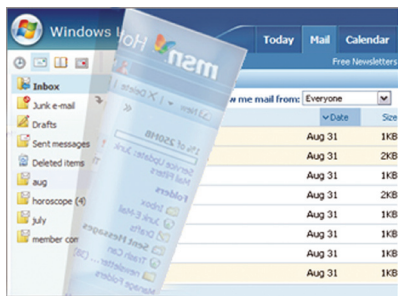
Indeed, models such as Soft + Services are more suitable for SMEs as they help them reduce the high unit cost of technology and prevent them from unnecessarily locking up both finance and human resources in their non core business. However, these services need to be provided at an affordable cost.

Microsoft Strengthens Web Services Story

Boosts Windows Live Hotmail storage to 5 GB

Microsoft has unveiled a host of services for customers including Windows Live SkyDrive, an online storage service, a variety of upgrades to Windows Live Hotmail, and a beta of home.live.com, a new centralized Web site for consumers to access Windows Live services all in one place.

Windows Live SkyDrive (<http://skydrive.live.com>) provides customers with anywhere, anytime access to their files and information on the Web, as well as options for conveniently sharing them with others. Windows Live SkyDrive has three areas for peoples' information: Personal, Shared, and Public. The information they put in the Personal and Shared areas are secured with their user name and password for access, and the user names and passwords of those they choose to share with. The Public area is open to everyone on the Web.



The initial beta offers 500 MB of free storage which will allow a customer to store approximately 100 songs, 1,000 Office docs, or 3,000 digital photos at 1200x1200 resolution. At this time the beta is available in the US, UK and India only.

Following the need to provide a centralized home for Windows Live customers as well as to access all their services, the beta of home.live.com has been released. This centralized Web site further integrates the overall Windows Live experience for customers by enabling consumers to access Windows Live services all in one place and providing easy navigation between services.

Meanwhile, the most significant upgrade after the first launch of Windows Live Hotmail in May 2007, is the increased storage limit to 5 GB for free accounts and 10 GB of storage

MICROSOFT SPEAK



"This is the first time Microsoft has offered sharing and storage in this manner and we're excited to roll it out to our customers. We are hoping that this platform would prove to be an exciting way of offering customers a range of services to meet their storage and file-sharing needs with maximum security."

— Jaspreet Bindra,
India Country Manger,
Online Services, Microsoft India

for subscription-based customers of Windows Live Hotmail Plus.

Subscription Based ERP Services Now Available to SMBs

Microsoft moves to make ERP affordable and easily manageable for smaller companies

Microsoft India has recently announced the availability of its Dynamics Suite of Enterprise Resource Planning (ERP) applications as a subscription service, which will allow businesses to use these solutions without having to install them within their premises. This is part of Microsoft's Software + Service vision, under which the services are being designed to complement existing Microsoft applications and extend them to the Web.

The ERP application will be hosted by a Microsoft Channel Partner and accessed by companies through multiple access modes such as the VPN and Internet. The Partner will also provide turn-key solutions, right from initial setup and staff training, to management of the application for the company and complaint resolution. Microsoft's first partner for this service is Bangalore-

based Affordable Business Solutions (ABS), a leading IT solutions provider that is focused on the SMB market in India.

Currently ABS is offering 3, 5 and 10-user ERP packs for basic material and financial accounting functionalities for a small business priced at Rs. 25,000, Rs. 35,000 and Rs. 60,000 per month, against the Rs. 10-15 lakh upfront payment in the traditional model.

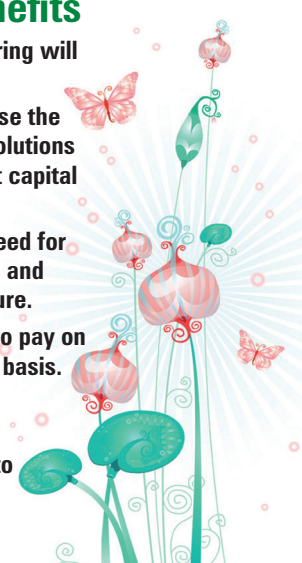
Additionally, these companies will also not have to incur the cost of hiring and

training an ERP professional to manage the application.

Bouquet of Benefits

Here's how the new offering will benefit customers:

- The model will increase the affordability of ERP solutions by eliminating upfront capital expenditure
- It will eliminate the need for in-house IT resources and additional infrastructure.
- Customers will have to pay on a per user, per month basis.
- The new offering will allow a much larger set of SMBs in India to adopt and benefit from ERP services.



Windows Mobile 6 Now in India

Latest software to feature new messaging tools, tighter security and improved productivity features

Windows Mobile 6, the latest version of Microsoft's mobile software platform is now available in India. The new platform delivers enhanced communications, productivity, security and device management capabilities, enabling users to work and play wherever, whenever. By improving usability and added support for Microsoft® Office features previously available only on PCs, Windows Mobile 6 delivers to the small screen a familiar and rich experience that meets the needs of work and life while on the go, all with a single device. Currently some of the windows mobile 6 enabled devices available in India are HTC Touch, HTC S710, HP iPAQ 512, and O2 Atom Life.

Windows Mobile with its new look and feel offers the following key benefits to the users

- First platform to offer the ability

to read HTML mail. This enables consumers to view e-mails in all its rich fidelity with its original pictures, tables and formatting, whether from a corporate e-mail server such as Exchange Server 2007, Web-based accounts such as Windows Live Hotmail or Yahoo! Mail, or a wide range of other service providers.

- Direct Push Technology for up-to-date e-mail delivery and automatic synchronization of Outlook calendars, tasks and contacts through Microsoft Exchange Server
- Chat with multiple contacts at one time, express more through emoticons, quickly send a file or image, as well as record and send voice notes through a new instant messaging application
- Day Glance, an innovative new feature to manage your Calendar

- In a short span of over a year Windows Mobile has registered a 400 percent growth and been well embraced by enterprises and consumers.

- According to IDC Worldwide Converged Mobile Device 2006-2011 Forecast and Analysis, May 2007, Windows Mobile will see a CAGR of 57.0 percent, the highest rate of growth among the top 5 platforms through 2011.

- In India Windows Mobile leads the messaging segment with a 30.5 percent market share in Q1 2007.

(source: IDC quarterly tracker)

- Seamless integration with SharePoint and active links
- Support for storage card encryption and storage card wipe
- A rich set of Windows Live services including mail, messenger, search, contacts and spaces

HOT STATISTICS

Microsoft Unveils Unlimited Potential for India

Launches Microsoft IQ PC and MSN IQ Beta education portal

Close on the heels of the global launch of Microsoft Unlimited Potential by Bill Gates in Beijing, China, the company has announced the roll out of the strategy in India as well. The initiative will focus on creating innovative ways for deploying technology to transform education, foster local innovation, and enable jobs and opportunities to sustain a continuous cycle of social and economic growth for everyone. Unlimited Potential will draw on the substantial resources and business expertise of Microsoft and its partners to create a model that enables new market opportunities as one billion consumers, in India and elsewhere, join the global economy in the next decade.

What's Next?

Microsoft has launched Project Shiksha (the global Partners in Learning program) and worked with Indian state governments, and other key stakeholders to offer a spectrum of education resources including tools, programs, and practices. To increase IT literacy amongst teachers and students at the government school

level, Microsoft has to date, trained over 100,000 teachers, impacting over 5 million students. In higher education, its efforts have included providing professional development training and tools and resources to over 1000 IT and engineering faculty members across 51 colleges in India.

Going forward, Microsoft will scale up the existing initiatives such as Project Shiksha and broaden the opportunity beyond institutions to enable access for individuals under a "Connected Learning framework" called IQ.

IQ is essentially a combination of online and offline content tied into all aspects of a student's learning process and growth. A key offering is a pilot program for the IQ PC in partnership with AMD. Aimed at school going children from Kindergarten to class 12, the PC will be built on AMD hardware in partnership with Zenith as the designated OEM.

Additionally, Microsoft and AMD are also collaborating with Wipro to deliver IQ-PC on its platform.

The IQ PC will include Windows, Office/Works, Encarta, Student 2007 and specialized education solutions from a host of key partners. The content focuses on the key concerns of families, be it the learning of English as a language, tutorials for competitive examinations, or ensuring a seamless transition from class work to homework.

Microsoft has also announced the launch of the MSN IQ Beta Education Channel which will be a repository of educational as well as edutainment content. Students can access curriculum for classes Kindergarten to 12th, avail of online tutoring; competitive exam coaching; online entertainment; referencing and online counseling. Leading industry personalities will also provide some specialized editorial content for the channel.

The IQ offerings—both the PC and the Education Channel—have initially been launched in Bangalore and Pune starting July and will roll out to the rest of the country by November.

SMEs Using Hosted Applications

Research firm Saugatuck Technology, in a 2007 study has found that 17 percent of SMEs are using more than one application delivered via the hosted model.

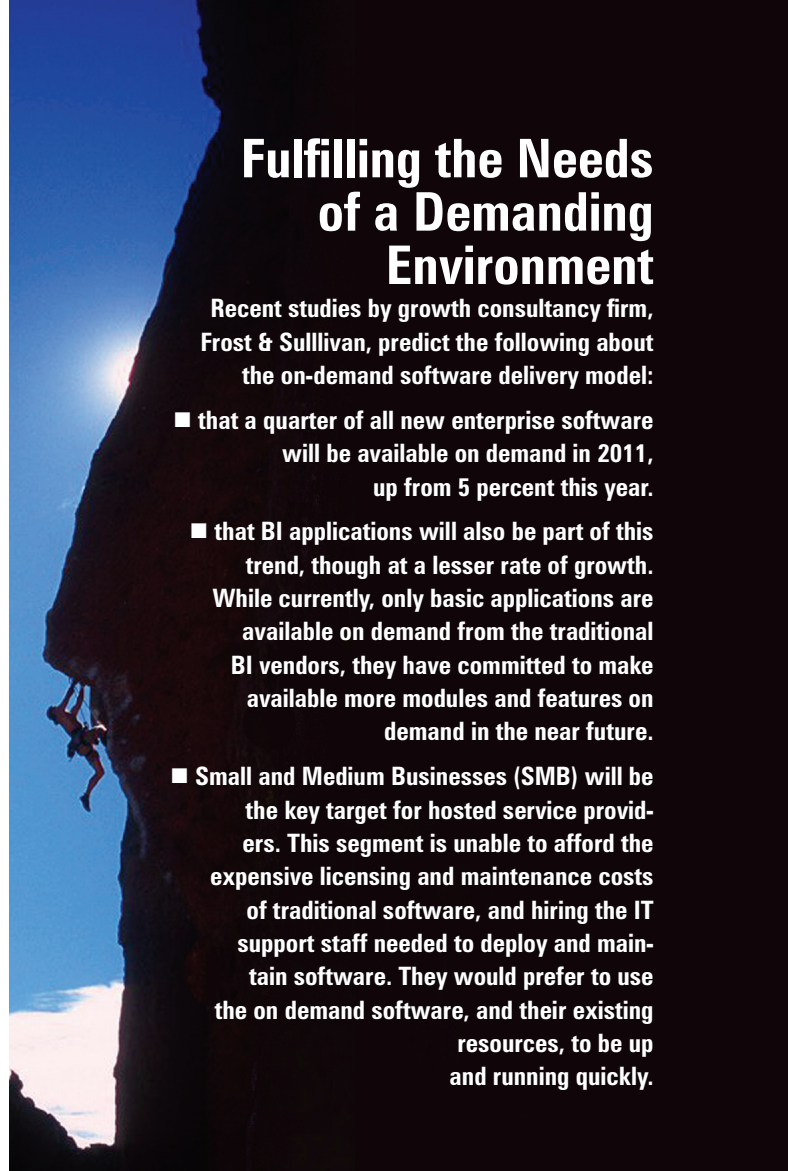
Here's what its research indicates:

- Integration is an important issue with respect to the hosted model and while most service providers offer a range of ways customers can integrate their solutions with on-premise software, it varies from company to company depending on what their competencies are.
- Many companies offer integration through hosted services and appliances. Other major vendors have created partnerships that offer customers a suite of integrated applications.
- Hosted applications are built on open standards and open architectures, making them more suited to integration
- However, reliance on one hosted product for finance, and another for Customer Relationship Management can cause problems integrating data sources

Fulfilling the Needs of a Demanding Environment

Recent studies by growth consultancy firm, Frost & Sullivan, predict the following about the on-demand software delivery model:

- that a quarter of all new enterprise software will be available on demand in 2011, up from 5 percent this year.
- that BI applications will also be part of this trend, though at a lesser rate of growth. While currently, only basic applications are available on demand from the traditional BI vendors, they have committed to make available more modules and features on demand in the near future.
- Small and Medium Businesses (SMB) will be the key target for hosted service providers. This segment is unable to afford the expensive licensing and maintenance costs of traditional software, and hiring the IT support staff needed to deploy and maintain software. They would prefer to use the on demand software, and their existing resources, to be up and running quickly.



Hosted Services to Drive CRM Market

The market for CRM software and services will continue to grow, but at a slower pace, particularly spending on new CRM licenses, according to Forrester Research. Total CRM revenues in 2006 reached around US\$ 8.4 billion, up 7 percent from the year before, and growth will hang steady, averaging 7 percent per year and reaching US\$ 10.9 billion by 2010. In

contrast, AMR Research, which included all customer management applications in its study—not just the historical trio of sales, marketing and service—predicts that the market will reach US\$ 18 billion by 2010.

According to Forrester, hosted applications, which owe much of their success to their simplicity, are also fueling CRM investment, and though traditional license sales may slow down, hosted or on-demand applications will continue to expand.

The research firm expects a fairly dramatic shift in terms of revenues coming from subscription, as opposed to licenses. This opinion tallies with AMR's research, which also found the midmarket and hosted services driving growth. AMR said that Web self-service and marketing automation would contribute to CRM market expansion.

