

# DATAQUEST

The Business of Infotech

## Trends Predictions 2009

# 9 4 '09

Nine specific areas in technology that will see great action in 2009



**O**n all accounts, 2008 was one of the worst years for India in the last two decades. Indian IT was no exception. While we enter 2009 with a lot of fear and uncer-

tainty and a slowdown across all sectors, which will affect IT, there are some specific areas that, we believe, will provide some silver lining. We present a list of nine such areas—which we call Nine for

O'nine—that are likely to see considerable actions.

So, here is the list, not in any particular order.

- Mobile Payments
- Remote Rail Ticket Booking
- Conferencing
- Green Data Centers
- Online Photo Printing
- Surveillance and Security Solutions
- Logistics/Procurement Outsourcing
- Public Services Outsourcing
- Remote Working Solutions

As you can see, there is very little common among these. We are not saying these will be the fastest growing areas or the biggest revenue earners. But if you want to see action, tune into these areas. The exact nature of action would be different in different areas, simply because they are in different stages of development.

Some of them—like conferencing and green data centers—are established solution areas and we believe will continue to shine even amidst a slowdown. Some of them are fairly new areas with some ground work having been done by stakeholders and we believe 2009 will be the year when they will see large scale adoption by the customers. Areas like mobile payment and online photo printing fall in this category.

At least one of them—surveillance and security solution—is as old a technology but has found a new meaning in the wake of threat to the nation's security.

Some of them—the two outsourcing areas in the list—are new to India but are mature areas in developed markets.

And of course, online rail ticket booking, which is a fairly established area even in India, stands out because it is one area that will not just continue to see volume transaction by remaining the single largest e-commerce area in India. Some paradigm shifts are happening in this area, much of which will be visible in 2009.

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Then, there is a completely new area of what we call remote working solutions. Though there is no visible sign today to identify it as a hot area, we expect the dynamics are so compelling that we will see some action regarding this in 2009.

**MOBILE PAYMENT** is an area that will see considerable action in 2009. With more than 300 mn mobile users, India has potential for any mobile-based applications. But no application provides as much tangible value to the users as mobile payment. Mobile payment also promises to take payment services to those mobile phone users that are unbanked. It is estimated that India has a minimum of 30 mn such users.

The year 2008 saw considerable action on the supply side for mobile payments. Today, multiple independent players such as mChek, Obopay, Paymate and ngpay provide mobile payment solutions and services to users. Some of them like ngpay have started marketing themselves aggressively. Many commercial banks have also launched mobile payments as part of their mobile banking solutions. HDFC's mWallet and ICICI iMobile are some of the examples. Airtel has also initiated mobile payment for its subscribers with the mcheck facility. To facilitate faster development, the Reserve Bank of India released its mobile payment guidelines. Institute for Development and Research in Banking Technology (IDRBT) and Rural Technology Business Incubator (RTBI) of IIT Madras have together launched a forum called Mobile Payment Forum of India (MPFI) to further research on making the services friendlier and affordable as well as to develop standards.

While 2008 created enough ground for the area to take off, the year 2009 will be the year when the usage will finally take off.

**ONLINE RAIL TICKET BOOKING** (From IRCTC) is India's poster boy of e-commerce. And it has been there in the limelight since long. So what makes us pull it and put it as one of the nine hottest areas to watch out for in 2009? Well, we believe a paradigm shift is happening there. While the rise of aviation fuel and the rapid increase in air fares in 2008 led many to go back to the Indian Railways. Railways, on its part, responded by improving the customer experience on all fronts. Two of the major developments in 2008 are worth mentioning. One is making rail tickets available on phone. IRCTC took a bold step by outsourcing the rail ticket booking and customer interaction services through its 139 service to a private agency in a profit sharing model. This, if successful, will achieve a twin objective. One, it will release Railways' resources and make the operations more efficient—a traditional benefit of outsourcing. But more importantly, it has already takes train ticket booking to a phone user, rather than only the Internet users. The difference between the two bases in India is huge.

Two, apart from the new channel, rail ticket booking, which was hitherto possible only through the website of IRCTC, has now been extended and private players like makemytrip, yatra and cleartrip have been allowed to access the system and provide online train ticketing to their customers. This opens immense possibilities for online travel services in India as it allows the players to bundle and provide packages. So far, this was possible only with air tickets, clearly beyond the reach of a majority of Indians.

Another development that has significant implications for 2009 is a new reservation system that Center for Railway Information Systems (CRIS) is building. According to sources, CRIS is even looking at

providing an alternative to IRCTC's system for the customers. Well, one can only say the more the merrier.

**CONFERENCING** has consistently remained a hot area for the last few years, even since the world of business became a little more carbon conscious. The year 2008 saw aviation fuel prices go up several times taking up airfare, and thus overall travel cost. In India, that has not dropped significantly even though fuel costs have come down. In a recession time, that is reason enough to cut on travel. That directly helps conferencing. We believe this is one of the few technology areas that will see new investment even in time of a slowdown. But we also believe that the year will see a decisive move toward small and medium enterprises taking to conferencing in 2009. It is difficult to believe that they will invest on solutions, irrespective of how attractive the RoI is. So, we expect a clear move towards hosted services, even in videoconferencing, even while audio conferencing will grow manifold. We may even see new alignments with vendors like Polycom, Tandberg, Cisco and HP tying up with managed service providers to offer services on demand.

**GREEN DATA CENTERS**, one of the most used phrases in technology last year, will continue to be a hot area of investment. The reason is simple: everyone wants to save on energy costs and there is not a more tangible solution on offer that addresses this need than green data centers. The other area, of course, is LCD monitors, but that will happen once there is a reversal of the slowdown trend. Actually, green data centers are already planned as an investment area for 2009 by many companies. So, it is not dawning of any new realization but continuation of last year's strategy that will see investments in green data centers.

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**ONLINE PHOTO PRINTING** got into prominence with the launch of Snapfish by HP in India in late 2007. Before that, there were a few India specific online photo sharing and printing sites but they mostly catered to the need of NRIs who used them to send photos to India. Last year saw this area coming to its own. Not only did HP launch in India, we saw most of the sites realigning themselves to cater to the Indian market and started competing on price and delivery time. A host of new sites got launched. Some of the most prominent Indian online photo printing sites include Picsquare, iTasveer, Zoomin, Printcamp, Snapgalaxy, Gkvale, apart from Snapfish India and Kodak India. In the short history of less than two years, this sector has already witnessed some consolidation with Merasnap getting acquired by Snapfish and Picsquare by Infibeam.

A clarification here: while most of them call themselves online photo printing and sharing and do provide storage to share photos, our usage of the phrase online photo printing (the omission of sharing) is deliberate while describing the area. Most users still use larger sites such as picasa and flickr to do sharing while using these sites for printing. So, this area is shaping up with this reality driving the market dynamics. Pricing and bundling is still the major competing parameter, but the latter part of the year saw delivery time becoming a significant differentiator. We expect a smoother integration with mobile channel and a mix-n-match with the offline neighborhood print shops will drive the market in 2009. While prices of basic prints may not fall further, we expect a price war in the higher value products. Yes, some further consolidation is due.

**SURVEILLANCE AND PHYSICAL SECURITY SOLUTIONS** which was already catching the imagination of both government and

non-government users last year, has emerged as the top-of-mind solution for many users, including commercial users, in the wake of Mumbai 26/11. In fact, many CIOs say that the only area where they have got a green signal from management to start pilots/make new investments, amidst the slowdown, is security. Many vendors have already sensed the opportunity and are putting together their portfolio, many of which are a mix of surveillance, other physical security technologies as well as traditional information security solutions, more in the physical layer such as WiFi security and authentication. Companies like HP and HCL are putting added thrust on this area and many believe this could be their savior in a recessionary year. Pure players like ADI India are the one to watch. We believe the surveillance equipment market alone to double in the year. Apart from traditional players like Siemens, Honeywell, Tandberg, and Nice, Last year saw IP surveillance players like Milestone and newer players like Axis entering the market through distributor arrangements. IMS Research, which tracks security and surveillance market has identified India and China as the biggest markets to watch in 2009.

**LOGISTICS AND PROCUREMENT OUTSOURCING** by no means is a new area globally but India has not taken to it in a large way. We believe the slowdown will drive many retail and manufacturing companies to look at this area more seriously. We also believe that many medium enterprises which have not leveraged IT for supply chain will leapfrog to go directly for end-to-end outsourcing, while many large enterprises will seriously look at procurement outsourcing as they go global with their procurement. This is one area, like other established areas like green IT and conferencing, which can be sold to counter slowdown but

vendors have not done enough to sell this.

**PUBLIC SERVICES OUTSOURCING** on the other hand, does not require any major condition to be fulfilled before it takes off. There is a growing consensus in government circles that to rapidly provide good governance—which for the first time in sixty years is winning votes—the government cannot provide all services on its own. This has already led to outsourcing in a limited way by what is called public private partnerships in areas of common service centers and BOT in infrastructure projects. There has been selective outsourcing like passport services outsourcing to TCS. We expect a definite move by the central government and progressive state governments to adopt outsourcing in more areas including many of the government information/transaction services, infrastructure services and even some areas in healthcare and security. The entry of players like Serco, a \$5 bn plus public services/government services outsourcing company to India is an acknowledgement of that fact. Expect some of the biggest outsourcing contracts in India in 2009 to emerge in this area.

**REMOTE WORKING SOLUTIONS**, last but not the least in our list, is a little vague in its definition. Also, there is little work on the ground on this, with some exceptions like that done by vCustomer and Netcore. But as enterprises—especially those that employ large number of people—find it tough in a recessionary year and layoffs are seen as the last step in the Indian context, many will look at innovative solutions around the problem. Remote working is one viable solution. We expect some basic but definite steps in this area in 2009.

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