



MARKETING STRATEGY CHOICE BASED ON ERP MARKET DEVELOPMENT STAGES: EVIDENCE FROM INDIA (KERALA)

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ABSTRACT

This study takes the main ERP (Enterprise Resource Planning) developers in India as the research object, and carries out a large number of analyses on their marketing strategies, so as to come to the conclusion that the choice of ERP marketing strategy must be matched with product features and market stages. The author believes that, as a special product, the marketing strategies of ERP are significantly different from that of traditional products. This study summarizes the commodity features of ERP, and divides ERP market into four phases according to the milestone events, which are considered as two innovative points in this paper. Based on this study, the author suggests that the value marketing strategy should be adopted in the mature phase of Indian ERP market. This paper provides an empirical supports for Indian ERP enterprises to select marketing strategies.

KEYWORDS: ERP, Product feature, Market stage, marketing strategy.

1. INTRODUCTION

The history of ERP market in India can be traced back to that the first official enterprise management software design institution "India Electronic Computer-aided Enterprise Management Joint Design Group" was established in 1973. It indicates the rudimentary stage of management software industry in India. Nevertheless, the first enterprise that truly engaged in the development of management software was CASE, which was the first developer of Material requirement plan in India. Since then, ERP market had stepped into the early development stage in India. In 1998, as the most important two market leaders: TCS and INFOSYS were listed respectively in DELHI, HYDERABAD and BANGLORE, and formally stepped into ERP market through a series of mergers and acquisitions. By the end of 2005, as more and more enterprises showed a more clear need in management information system, the training period of Indian ERP market had come to an end. In the last few years, transformation is the hot-test word on ERP market of India.

According to the forecast report of NASSCOM (one of the most professional IT research companies in India), the trend of market development in 2010 was: the growth of ERP would return to 46% or above in 2012, and the ERP for manufacture industry would play a dominant role in the development trend of ERP market in the next three years. It shows a new time for ERP vendors are coming. However, ERP is a so special commodity that it needs different marketing strategies from the traditional goods in the new market stage.

2. LITERATURE REVIEWS

Although there have been a vast number of literatures on studying ERP at home and abroad, the number of literatures is still very limited from the perspective of ERP marketing strategies.

Guptha's (2005), based on the life cycle theory of high-tech products, proposed that ERP products should adopt different marketing strategies in different life cycles. The author believes that customers in the introductory phase are not sensitive to prices; therefore conceptual marketing should be adopted. The author considers that their view is biased. First, because the introductory phase of product is not synchronized with the introductory phase of market, the relationship between the individual and the overall get confused in their studies. Second, it is difficult for enterprises to determine the life cycle of products through clear criteria. Third, the theory of life cycle has a good predictive ability in a relatively stable product market, but its guidance for such particular ERP products and the characteristics of Indian market is of little significance. Vincenzo Morabito et al (2005) pointed out that the marketing promotion of ERP would be largely determined by the marketing ability of ERP suppliers, rather than customers' need or acceptance of ERP users. But there are a large number of factors affecting ERP marketing, so it is difficult to find out how much a factor can effect. Peter Doyle put forward the marketing strategies oriented in competitive benchmarking after carrying out a field survey on more than 40 MRP II/ERP system enterprise users and comparing the implementation methods of over than 10 domestic and foreign ERP software systems. The benchmark here usually refers to the best practice, but the author does not agree to the practices of benchmarking with foreign outstanding enterprises and competitors. Because successful management methods of foreign enterprises are existing in the context of mature foreign markets and national culture, many of which cannot be copied to India directly; the advantages of the benchmarking competitor may be just the strong place where

the enterprises should avoid, and simple imitating benchmark company will make the enterprises lose their unique advantages, thus failing to form the core competitiveness.

Peter Doyle. Proposed that the application of ERP systems in India could not be separated from the Indian cultural factors and management thought. This view has greatly inspired the future of ERP marketing strategy, on the one hand, it points out the environmental characteristics of ERP in Indian enterprises; more importantly, great attention shall be paid to the influences of the Indian traditional culture in the marketing of ERP.

Research literatures on Indian ERP market and its marketing strategies generally focus on two levels, namely ERP products and ERP vendors, but few scholars have studied ERP marketing strategies from the higher level, that is ERP market environment in India. This study try to find out those appropriate ERP marketing strategies based on different market stage in India, especially in the future years.

3. FEATURES OF ERP PRODUCTS

Enterprise Resource Planning was proposed by SAP in 1972, and its essence was a thought of management for supply chain developed on the basis of MRP II. From the perspective of the management system, the ERP is an enterprise resource management system integrating management theory, business processes, basic data, human & material resources, and also computer hardware & software.

As a special commodity, the ERP is completely different from the products in the traditional sense, and it has the following features, and therefore can be suitable for adopting different marketing strategies:

3.1 HIGH TECHNICAL CONTENT

ERP sales need more knowledge than people who sell traditional products and a more complicated process for judging users' needs and decision information; the solution and value consisting in ERP system have a more significant conveying effect on related people who can affect purchase behaviors. These features are determined by the high technical content of ERP.

3.2 GREAT DIFFERENCE IN DEMANDS

Overall, the basic modules and function of ERP software products are relatively fixed, but for different industries and companies of different sizes, demands have very large differences; coupled with the differences in internal corporate culture, management process and the characteristic of human resources, the demands often present customized features.

3.3 DIFFICULTY IN VALUE ASSESSMENT

Enterprises purchase ERP not only as a product, but even more follow-up services. However, after the implementation of ERP, there are no clear standards or evaluation methods to measure whether company becomes better or not, causing that it is difficult to assess the ERP system's value.

3.4 HIGH COSTS OF INVESTMENT

ERP vendors have shifted the R&D costs and fixed costs to the product price, making the ERP often more than several hundred thousand even ten million RMB. Compared with the high product price, its costs for implementation are

even higher. According to some medium or large ERP projects analysis, the cost for purchasing ERP software often accounts for less than 50% of the total cost, while the implementation costs often account for more than 60% or even 80% of the total cost

3.5 COMPLEX PURCHASING DECISIONS

There are a majority of people involved in decision whether to purchase ERP, ranging from the top decision-maker, IT department manager and functional department managers; it takes a long process for ERP purchasing, with a number of negotiations and each round of negotiation will take a long time; the process of purchase decision-making is complex, requiring invitation for bids, bid opening evaluation of bids and announce who wins the bidding, etc.; moreover, there will be supervising engineer participating in every step.

3.6 LONG CYCLE OF IMPLEMENTATION

Currently, the delivery modes of ERP vendors generally include customized delivery based on standard products, customized delivery based on customer needs and online delivery based on Internet. No matter what kind of delivery mode it is, the cycle of ERP implementation usually takes one to two years, also a longer period will be required for a large or complicated enterprise.

The features of ERP above have determined that the marketing strategy of ERP as a special commodity will be significantly different from other traditional commodities. From the perspective of means of marketing, ERP software products will pay more attention to marketing communications, rather than the role of advertising marketing.

4. ERP MARKETING STRATEGIES IN DIFFERENT MARKET PERIODS

The feature of ERP as a special commodity has directly determined that its marketing strategies are different from traditional products. From a higher level, the impacts of the development stages of Indian ERP market on marketing strategies should not be ignored.

4.1 DEVELOPMENT PHASES OF INDIA'S ERP MARKET

According to the analysis of ERP features as a commodity above, combined with the policy factors and competitive features, Indian ERP market can be divided into the following periods.

4.1.1 INTRODUCTORY PERIOD (1991-2000)

On April 12, 1992, Gartner issued a report titled ERP: a Vision of the Next-Generation MRPII, in which the concept of ERP was put forward for the first time. This report is considered to initiate the development of ERP industry.

CIMS (Computer Integrated Manufacturing System) Center of the National High Technology Research and Development Program (860 Program) was established in 1985. The government began to give substantial support to the WIPRO construction. CASE was set up at that time and actually became the first ERP vendor in India.

In this phase, both ERP vendors and users did not have a clear understanding of what ERP really was, say nothing of demands for ERP.

4.1.2 TRAINING PERIOD (2001-2007)

On December 16, 1998, CASE was acquired by some companies, indicating the financial software company has begun to enter into ERP market. In 2000, TCS purchased NETUP-P2 software technology. By means of the above, the two leading companies of financial management software industry were upgraded to ERP vendors.

In this phase, the most important task of ERP vendors were to train how to understand ERP to Indian Enterprise users.

4.1.3 TRANSITIONAL PERIOD (2008-PRESENT)

In 2004, the UF Software released its three-year plan from 2005 to 2008, in which management software and mobile commerce would be taken as a strategic focus and UF would be faded out from the ERP market. This landmark event has been regarded as the reference of ERP market going into the transitional period.

In this phase, due to the limitation of ERP system and the rapid growth of demands for management software, ERP vendors have transformed into management software suppliers.

4.1.4 MATURE PERIOD

Market mature period is characterized by slowing growth rate of profits and market demands. According to 2005-2008 Research Report on India's Manufacturing ERP Software Market Trends issued by the NASSCOM, India's manufacturing ERP market scale in 2009 reached as high as 6 billion RMB, with a growth of 19% comparing with 2006, and the growth rate of ERP market space is higher than 2007. The data above shows that, the demand of India's current ERP market is still presenting a high growth rate, and profit margins are still higher than that of traditional products, and accordingly, we can draw a conclusion that the mature period of the ERP market is yet to come.

In the mature ERP market, the demands will be more subdivided that is gradually expanded from fragmented demand in one or several business departments to the integrated demand of the information system based on the entire enterprise management; the system integration will become the focus of the enterprise for its overall operation value.

4.2 TYPICAL MARKETING STRATEGIES IN DIFFERENT STAGES OF MARKET DEVELOPMENT

4.2.1 RELATIONSHIP MARKETING IN THE INTRODUCTORY PERIOD

Since the Ministry of Finance issued "Several Provisions on the Management of Accounting Software" in 1996, financial software developers have developed a variety of financial management software based on computerized accounting under the policy orientation, and established good relations with the Ministry of Finance and carried out relationship marketing by means of various channels. In the decade of the financial computerization strongly promoted by the Ministry of Finance, financial software enterprises which took advantage of this policy much better have developed in advance with the support of governments. However, a large number of other ERP software enterprises have gradually exited from the market due to the failure in passing "Several Provisions on the Management of Accounting Software". Combination of policy orientation and relationship marketing strategy has changed the competitive landscape of India's ERP market for the first time.

4.2.2 PRODUCT MARKETING IN THE TRAINING PERIOD

1) Conceptual marketing for the purpose of dissemination of ERP knowledge

During the training period, users were not familiar with ERP. They did not know the basic idea of ERP. Therefore, ERP providers were selling the concept of ERP, rather than selling ERP products.

The characteristic of high technical content has determined that the ERP vendors must act as a preacher during this period. The value of the salesperson often lied in the popularity of ERP knowledge and explanation of values of BPM (Business Process Management) and BPR (Business Process Reengineering) to the management, rather than the promotion of marketing process.

2) Functional marketing for the purpose of affecting decision-making in purchasing

When users became familiar with the basic concept of ERP, they would be no longer concerned about "whether to buy an ERP system" but "what kind of ERP system we should buy". Therefore, the ERP vendor's key task was to prove to the user that "my ERP product is most suitable for you".

The product feature of complex purchasing decision has determined the necessity of functional marketing. When an ERP pre-sales consultant is presenting the powerful function through an exquisite PPT and DEMOs, the most easily impressed will be the decision makers and demand sectors. Of course, there are a number of business users placing too many expectations on ERP, in the hope of solving all of the management problems existing in their enterprises by ERP, thus blindly pursuing the ERP products with powerful functions. This mindset also is the reason of functional marketing.

3) Price marketing for the purpose of enhancing market share

In the early 1990s, IBM, the first foreign ERP provider in India, had occupied more than 40% of India's ERP market, which could be described as a period of golden time. However, ORACLE was the native company who had firmly occupied the largest market share in India's ERP market. IBM, as a rising star, with the slogan "South India, North India", rapidly captured a number of new customers by means of lower price strategies. Faced with this phenomenon, the UF was forced to fight against the challenges, and other ERP enterprises also got involved into this disorderly price war.

Another reason of the price war was the layout of the market. In November 2005, UF proposed the slogan of "ERP Technology", and directly targeted India's 30 million MSME (Micro, small and medium enterprises). Being frustrated in the high-Level market. IBM cast its eyes on the SME market too. Foreign companies, such as SAP, Oracle, who had originally locked the high-end market, also came to carve up the cake. Limited by their funds and sizes, the MSMEs were very sensitive to the price of ERP. Thus the disorderly competition triggered a new round of price war.

The product feature of high investment cost is always one of the incentives of price war. The entire industry's profit structure is destroyed by the rat race, and it not only overdraws the future added value of their brands, but also forwardly narrows their brand spaces for further improvement. The ERP industry carrying the mission to enhance the level of India's enterprise management, should have become the booster for the management of users, but have lost its value recognition due to price marketing.

4.2.3 CUSTOMER MARKETING IN THE TRANSITIONAL PERIOD

Since 2006, competition in the ERP market has entered a higher level. The direct reason is the successful rate of ERP implementation has been low. As the native market leader, TCS and IBM were keenly aware of the serious situation, and have explicitly put forward the strategic transition. UF has transformed from product

marketing to customer orientation, and IBM has changed to service marketing strategy, both of which are the landmark transition among leading enterprises in the IT industry.

1) Service marketing for the purpose of improving customer satisfaction

The product feature of long cycle of implementation has greatly increased the demand of ERP vendors on services. Global soft expands its implementation team, and employs international senior ERP service specialists, while IBM provides customers with a full range of services from consulting to customize development, implementation, training and technical support. Meanwhile, service has also become an important source of revenue of ERP vendors. In general, in the costs for a company to implement ERP software, service costs account for 60%, while the price of the software itself only accounts for about 40%.

2) Experiential marketing for the purpose of maintaining relationship with customers

The product feature of difficulty in value assessment will let customers get into the puzzle. It is one of the best marketing methods for users to experience in person. Bernd H. Schmitt (2001) suggested that experiential marketing should be a process of "strategically managing customers' overall experience in products or companies". Experiential marketing focuses on every contact with customer, and delivers helpful information to customers in a seamless manner by integrating each marketing link, namely pre-sales, mid-sales and after-sales processes, so as to strengthen customers' perceived value on products.

In 2005, HCL established "User Experience Center", and provided more than 30 benchmark customers throughout the country for interested customers to pay on-site visits. Experiential marketing has attracted a large number of new customers for HCL, fully showing that experiential marketing is helpful for ERP, which is a product characterized by high technical content and difficulty in value assessment.

3) Traditional marketing for the purpose of exploring potential customers

Although there are significant differences in sales between ERP and traditional products, but for innovation of marketing modes, it is not a rare thing for ERP enterprises to return to tradition in recent years. According to the data of a company's Internal Telemarketing Monthly Report, telemarketing has helped the company to increase more than 500 business opportunities each month, and the amount of a single contract has reached several hundred thousand or even a million RMB.

Other sales strategies, such as community marketing, meeting marketing, recommendation marketing, up sell marketing and other traditional modes, have also been experimented by ERP vendors.

4.2.4 VALUE MARKETING IN THE MATURE PERIOD

The first scholar who comes up with value-based marketing is Doyle. He maintains that marketing should create value for shareholders (2001). "Enterprise must see itself as an organism to create and meet the needs of customers. Users are more and more rational when the ERP market becomes mature. In their mind, ERP just acts as a tool to convey management methods and the value of ERP project is to optimize the whole management system. In this study, value marketing strategy refers to that ERP suppliers should help users to enhance their tangible competitiveness and intangible competitiveness.

1) Cultural marketing for the purpose of rebuilding brand image

The impact of culture on human behavior can be understood without further explanation, and India's enterprise management has been rooted in the soil of Indian traditional culture, the staff naturally take Indian traditional culture and thinking as the code of conduct, in particular, the internal and external environment of enterprises are the cultural characteristics that India-based emphasis on "human" factor is much stronger than "thing" factor, which has had influences on the implementation of ERP system in Indian enterprises.

Nowadays, as the Indian Patter has been paid more and more attention in the world, there is no doubt that the use of cultural marketing strategy will be a meaningful attempt to enhance the product intangible value.

2) Integrated marketing for the purpose of meeting customers' needs

The product feature of great difference in demands has determined that the strategy of integrated marketing will become the mainstream in the future. The so-called integrated marketing means that, when customer has a demand, ERP consultants will study the demands and then design a set of solutions, including business consulting, software products, hardware products, implementation measures, after-sale maintenance plans, etc.

The advantages of this marketing strategy are, on one hand, to have a good grasp of customer needs, and help customers to improve management, and on the other hand, to ensure the integrate of the entire system and to minimize the occurrence of "information solo". Of course, this marketing strategy has higher requirements for ERP vendors and will bring users a higher satisfaction.

3) Knowledge marketing for the purpose of enhancing the customer's application ability

Technology Acceptance Model believed that, after the ERP system was delivered, the perceived usefulness and the perceived ease of use would be affected by the habits of using previous software, their own knowledge structure as well as non-voluntary acceptant attitude. All of above cause the end-users to show varying degrees of resistance

It requires a very long process for users to learn and adopt ERP, and this characteristic can provide new possibilities for ERP marketing. Providing training courses to improve users' application ability and helping them to keep finding the actual value of ERP will not only reduce the "productivity paradox" against ERP implementation, but also help enterprises to obtain revenues from sustainable operation and maintenance.

4) Network platform marketing for the purpose of sharing values

A long-term and stable network platform can allow interactive communication and learning between ERP enterprise and users, between user and user, between user and management expert, so as to reveal the mysteries of Indian enterprises' management innovations, share their successful informatization experience and discuss the development direction of India's enterprise management software. The value of ERP can be further delivered and more customers can be developed on the platform. Micro-blog marketing is a typical way in this aspect, through which you can increase customer stickiness and create new business opportunities.

5. CONCLUSIONS

The reason for choosing India's ERP market as the research background is because that India's ERP market has its unique features. In connection with the milestone events of Indian ERP enterprises and on the basis of the thread of time, this study divides India's ERP market into four phases, and this is one of the innovations of this paper. In order to analyze the product elements affecting the marketing strategies in a better manner, this paper analyzes the special attributes of ERP, which is considered as a special commodity, and this is also another innovation. On this basis, this paper makes a retrospective analysis on ERP enterprise's successful marketing strategies taken in each phase, and finally draws the conclusion that product, market period and marketing strategy must be matched with each other, so as to improve the success rate of market promotion.

Based on the analysis above, the author also puts forward appropriate marketing strategies and recommendations based on the characteristics of the Indian ERP market in the mature period, in order to benefit the marketing and promotion of ERP software vendors in India's market and provide theoretical and empirical supports for ERP vendors to select proper marketing strategies under the premise that India's ERP market trends to become that country as a ERP Software country.

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