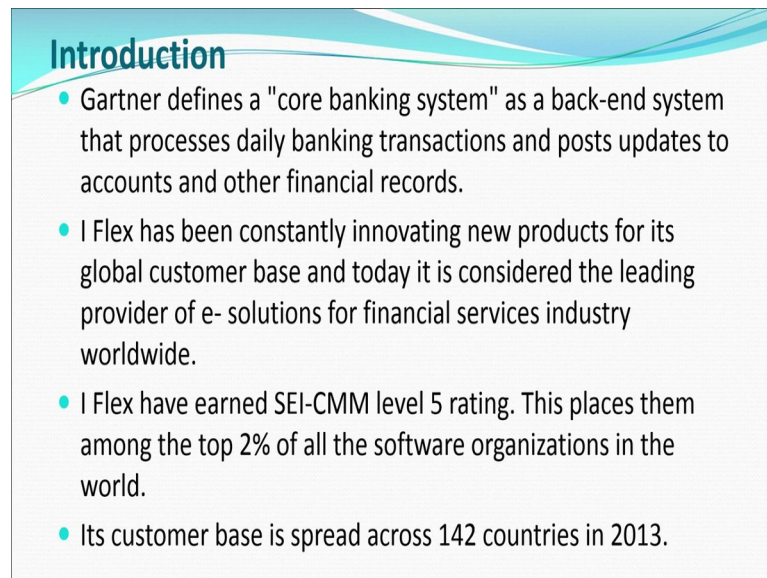


Integrated Marketing Management
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Lecture - 33
I-flex OFSS

Welcome to this class, now we will look at one more case study. This is a case study of software firm it is many of you might have known this. It was earlier called I-flex solutions, now it is called Oracle financial software solutions, after it was taken over by Oracle Company.

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Introduction

- Gartner defines a "core banking system" as a back-end system that processes daily banking transactions and posts updates to accounts and other financial records.
- I Flex has been constantly innovating new products for its global customer base and today it is considered the leading provider of e- solutions for financial services industry worldwide.
- I Flex have earned SEI-CMM level 5 rating. This places them among the top 2% of all the software organizations in the world.
- Its customer base is spread across 142 countries in 2013.

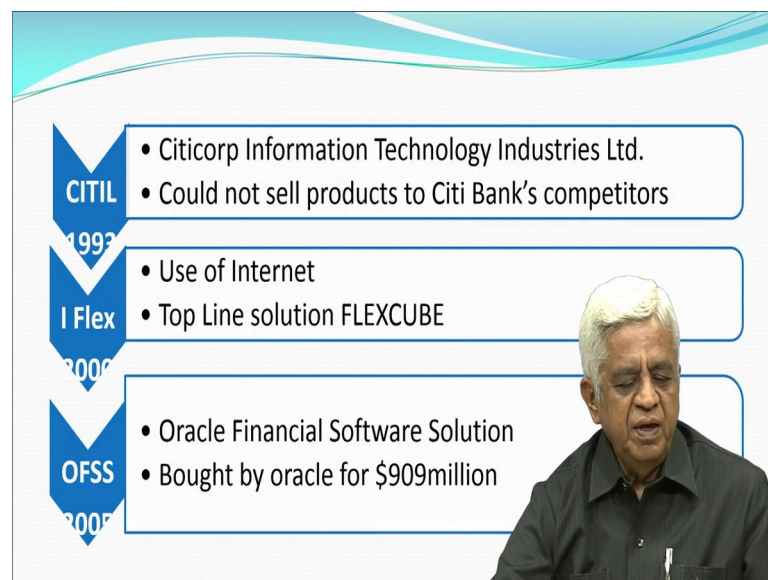
This is also a case study taken from my book only on case studies. Kindly go through this case study in the book, I am analyzing this case study for your benefit so that you will get to know how to analyze this type of case study.

How do you go about introducing this form? This form Gartner defines a core banking system, as a bank end system that processes daily banking transactions and posts updates to accounts and other financial records. So, this I-flex as you can make out if in the business of core banking system. It is a backend system, it processes daily banking transactions this is updated to accounts and other financial records of the bank.

This I-flex has been constantly innovating new products for its global customer base. And today it is considered the leading provider of each solutions for financial services industry worldwide. Here is a form which started with a humble base and then has more to be a global service provider ok. So, we will come to that a little later.

It has a CMM SEI CMM level 5 rating. This places them among the top two percent of all the software organizations in the world. As of 2013 its customer base spread across one 142 countries. It may be interesting for you to look at the customer base in the present-day context, how is the how was the present customer base improved further. Maybe 2018 19 you can try to get the data and make a comparison how it has improved further.

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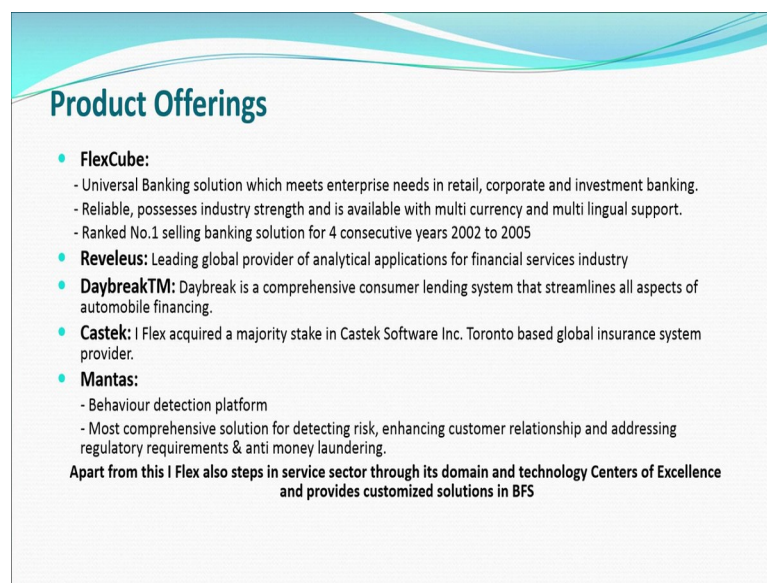
Started as a Citicorp in Information Technology Industries Limited back in 93 could not sell products to Citi Bank's competitors; because these were people who broke away from Citi Bank started this company called Citicorp Information Technology Industries Limited. So, Citi Bank put one rider before leaving them to start this venture that they cannot sell products to Citi Bank's competitors. In other words, this is a Citi Bank team's outfit, which started this company.

First as Citicorp Information Technology Industries Limited; then in the year 2000 it was called I-flex first it was called Citi then in the year 2000 its name became to I-flex. Lot of internet was used top line solution which was provided by this company was

FLEXCUBE that is the product which became highly popular by then only was FLEXCUBE. So, one of the beneficiaries of this FLEXCUBE was also the Canara Bank.

Now, by 2005 this Oracle financial software solutions shortly known as Oracle bought I-flex. Hence, I-flex ceased to exist as Oracle acquired I-flex by 2005 and it was bought by Oracle for 909 million dollars. Just to see the type of capitalization this firm market capitalization this firm has achieved in a very short time. Just in a matter of a decade it has moved to 909 million dollars so, acquired by Oracle for 909 million dollars.

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Product Offerings

- **FlexCube:**
 - Universal Banking solution which meets enterprise needs in retail, corporate and investment banking.
 - Reliable, possesses industry strength and is available with multi currency and multi lingual support.
 - Ranked No.1 selling banking solution for 4 consecutive years 2002 to 2005
- **Reveleus:** Leading global provider of analytical applications for financial services industry
- **DaybreakTM:** Daybreak is a comprehensive consumer lending system that streamlines all aspects of automobile financing.
- **Castek:** I Flex acquired a majority stake in Castek Software Inc. Toronto based global insurance system provider.
- **Mantas:**
 - Behaviour detection platform
 - Most comprehensive solution for detecting risk, enhancing customer relationship and addressing regulatory requirements & anti money laundering.

Apart from this I Flex also steps in service sector through its domain and technology Centers of Excellence and provides customized solutions in BFS

What are the types of product offerings which this company gives? One of the products which is very well known given by this company is the FlexCube what is this FlexCube? FlexCube is a universal banking solution which meets enterprise needs in retail, corporate and investment banking. In other words, it is a back end tool for banking industry.

It is reliable, possesses industry strength and is available with multi currency and multi lingual support. This is one of the reasons why this I-flex this FlexCube has been able to penetrate the global market. It was ranked as the number 1 selling banking solution for 4 consecutive years from 2002 to 2005. So, its a great achievement for a.

When it was started as Sital it was just a start up from this start up when it became I-flex to come out with a product FlexCube and then to be ranked as number 1 selling banking solution for 4 consecutive years; quite a significant achievement from 2002 to 2005.

Reveleus is the next product it is leading global provider of analytical applications for financial services industry. In other words, this is one of the earliest forms to apply analytics for providing solutions to the banking industry in particular. This is again a great achievement considering that it was from 2000 only this form has delved into analytics. In order to come out this with this product it must have done lot of research even much before that.

The third product is what is called the Daybreak™. What is this Daybreak™? It is a comprehensive consumer lending system that streamlines all aspects of automobile financing. Initially if you saw the first two products, it was in the banking industry and the financial services industry. Now, keeping the same core of finance this product Daybreak™ moves into automobile financing.

The fourth product which this company was able to get was by acquiring a majority stake in a company called Castek Software Inc - this is a Toronto based global insurance system provider, again in the financial industry; I-flex acquired a major stake in this company with the result it could move into this insurance systems also.

The last one is Mantas; it is a behaviour detection platform, what does this give? It is a most comprehensive solution for detecting risk enhancing customer relationship and addressing regulatory requirements and anti money laundering. So many cases listed again a so many leading people in this money laundering act by the government.

This is a product coming out by this firm I-flex Mantas which can help detect risk enhance customer relationship and address regulatory requirements and anti money laundering. When you look at these products you will feel very happy that have formed which started as a small form a breakaway from Citi Bank. A group of people breaking away from Citi Bank were able to come out with a start up then changed the name then came out with such wonderful products.

And one of their products was rated as number 1 selling banking solution for 4 consecutive years from 2002 to 2005 which is a remarkable achievement. And bought by Oracle in 2005 for a staggering 909 million dollars.

All these information is available to you in the case study itself which is given here. This is also a wonderful way of studying an actual industry a realistic industry whether it is in software or whether it is in services that we discussed earlier that is the cafe coffee day in.

You will be able to appreciate how these firms though they have operated in highly competitive environment are able to make a mark; create a niche for themselves in the marketplace and also able to have a wonderful market capitalization within a short period.

This is apart from these offerings'; I-flex also steps in service sector through its domain and technology centres of excellence and provides customized solutions in BFS banking and financial services. These product offerings of I-flex have made a great mark; start looking at the way tracing its history within a very short period in a market place its product. Its product base also very good, one of its products used almost in a number of countries in the world that is a FlexCube.

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When we look at all this we proceed to the next how do we do a SWOT analysis for this type of a firm. What is the strength of this firm, what are the weaknesses, what are the opportunities that are available to a firm like this? If you look at the types of strengths its presence is in 142 countries that is 2013 data. It might have increased much further by 2018.

Very strong financials, it has a very good financial base in the core banking system can give good financial solutions. It has unique and beneficial strategic relationship with oracle. Oracle was keenly looking at I-flex right from the beginning its offerings and all that ultimately bought over I-flex.

High value products like FLEXCUBE 100 percent focused on banks and financial services it is not into any other field. It is concentrating on BFS totally into BFS. These are the strengths of this firm. And when you start looking at this firm, you will only admire the courage of this group which started this Sital, then became I-flex came out with such wonderful products again.

Then what are the weaknesses of this firm? One of the strong weakness of this firm is as a 2013, 14 it was not having great presence in the United States. Any global firm especially a software firm, to make its global presence felt it must and should have a presence in US. Because US is the number one leading country in all these types of services in the world.

Here, I-flex was having minimum presence possibly by now due to its getting taken over by Oracle, its presence in US might have improved substantially. The other aspect of I-flex if you want to call it a weakness, sometimes you may try to say why it should be termed as weakness. But you are depending on one aspect very much that is I-flex was dependent on exports only, 96 of percent of its revenues were coming from exports. It was basically a financial services product industry making its revenue through exports. To that extent you can call it a weakness.

Then what are the types of opportunities that you can have for a firm of this nature? One of the great opportunities which it can have is to insurance, the area of insurance for which this company tried to get has tried to get in already. The second one is this fast-growing data warehousing business, this is the place to be; this was at to be tapped by this company at that point of time.

It would be interesting for you to look at this S W O and T whether they remain the same or whether they have there are some changes in 2018-19. This was in 2013-14 this was the way you could do a SWOT analysis for this form. And it would be interesting for you if you attempt this same analysis in 2018-19 to find out how is this where the whether all this S W O and T remain the same or have they changed.

The next one was spent driven by key trends-what is this spend driven by key trends what is this? This is your big data, mobility, cloud, all these contribute to these key trends. These are the ones which are providing the opportunities. You are getting into big data; you are getting into big data itself is a big opportunity which the company can tap on.

Then what are the types of threats? Any form which puts out a product into the market which I have discussed so many times, lends itself vulnerable to imitation. The product becomes vulnerable to imitation. When it becomes vulnerable to imitation, the threat is that of substitute products being offered in a market at a lower cost to capture the market; that is capture the market share. Whether it is IT services or whether it is a product in any other type of industry manufacturing or whatever. If you put a new product into the market, you are always exposed to the threat of getting imitative or getting the products getting imitated by your competitors.

When they imitate these products and are able to come out with substitute products at a lower cost; you are market share that is the company original companies market share gets affected substantially. In fact, just to give you an instance back in the 80's IBM was the leading computer manufacturer.

IBM 360 was considered to be one of the top and processing machines in the world. At that time the Soviet Union; now Soviet Union has got split; USSR it wanted to break this dominance of IBM. Hence, came out with its own computers in the market.

What did they do? They took this IBM 360 and did what we call the reverse engineering. They ripped open the whole system, came out with a substitute which was very similar to the IBM 360. As USSR was a powerful country next only to the US, then it started exerting pressure on other countries to buy this product to try at least this product.

One of the countries on which it exerted pressure to try this product was India too. What is the type of incentive? It gave to a country like India and said-why do you want to buy from IBM? We will supply a similar product like what you are looking for from IBM at no cost that is you do not have to pay anything. The only thing that we want from your side is that you were programmers will be assisting in solutions for problems in USSR.

At one point of time there were 80 computer professionals solving problems of USSR in return for this type of computers. Now, the most important point, this is a computer which is based on the lines of this well-known IBM product; developed by this rival country but when developing this product one error happened, what is that?

The processing time in this computer developed by IA USSR was at least 10 times more than that of the IBM. If you could solve in 1 minute a problem in IBM. Here you would require ten times that is ten minutes to solve the same problem.

The second aspect which computer professionals noted was; it was they took lot of painstaking efforts to develop programs; then run on this computer. Sometimes it used to give wrong results and these results had drastic implications for the end user.

For example, for one of the states, when it was asked to computerize the matriculation exam results at that point of time in the late 70's. Due to some error in this processing what happened was good students got low marks; thanks to this imitated computer from USSR and students who had not done so well got very good marks.

A reversal act taken place and this was a great heart burn for many of these merited students from a particular state in India and many of them committed suicide also. This is the type of drastic implications you can have when you try to imitate the product of a leading producer just by this method of reverse engineering that is ripping open the product and trying to come with an imitated product.

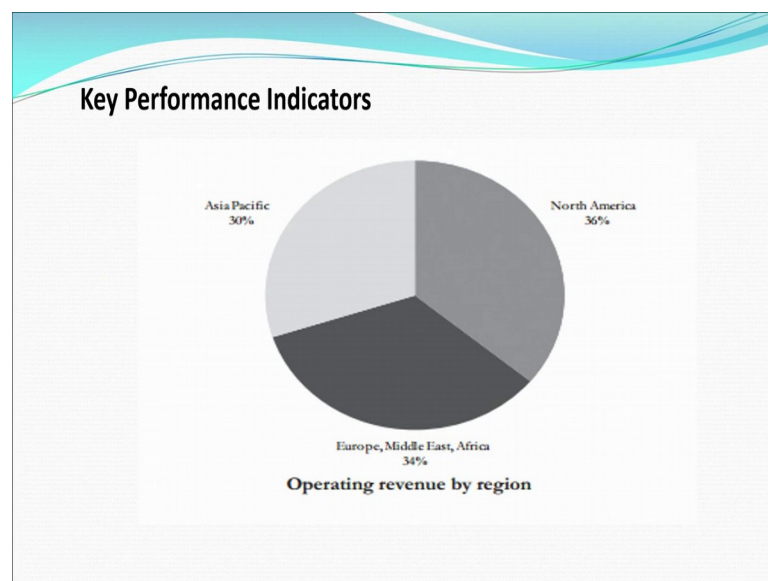
Somewhere you are likely to make some errors which can prove very costly. This was a real instance which happened and its effects were felt in our country only. What is the; what is the implication? Those substitute products for FLEXCUBE; you can still find them. The banking system should be very wary of using such products; because one small error can be can prove to be very costly.

The second threat is you have some well-established firms like Infosys, TCS, SAP they can give a very strong competition to in I-flex. In fact, at that point of time, Infosys had come out with Finacle - its financial offering to the market. And Finacle is also used by a number of banks and very successfully in the Indian market. One of the common banks which is using it on a day to day basis on an extraordinary scale and where it has made a very good mark is the ICICI Bank itself which uses the Infosys offering.

The other threat which I just mentioned, easy imitation of product you can see how this product is functioning whether you can imitate this product all these types of things. The fourth threat is low growth due to global economic conditions; that is suppose the economy the global economy is not growing well. Let us say that is what is happening in the present day, then it is going to affect the growth of these types of companies also that is the revenues of these companies also. It is also likely to come down.

This is what we are seeing in the present day due to this economic slowdown globally. If you saw some newspaper media announcements that in the next year there is likely to be a cut in jobs IT jobs, why the cut in IT jobs? This is because of this global economic slowdown. This is the type of analysis that you should be doing for a firm of this nature. This gives you a wonderful base to analyze the firm. We move further.

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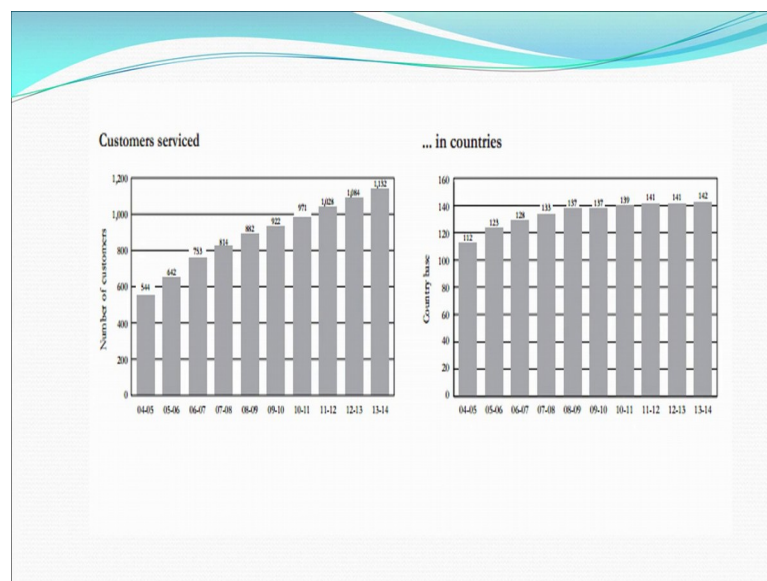
What are the types of key performance indicators that you can have? If you look at it the share of Europe, Middle East and Africa by revenue operating revenue its 34 percent;

these are 2013 14 figures. Kindly note that and North America was 36 percent by that yardstick almost if you look at the competitors like Infosys more than seventy percent of its revenues was coming from North America during that time only.

Asia in fact, even much more maybe 80 percent only. Asia pacific was contributing to 30 percent. You have Europe, Middle East and Africa contributing to 34, North America contributing to 36, Asia pacific contributing to 30. This was the this was a type of performance which this firm was able to craft by 2013 14. And what are the types by portfolio revenues by portfolio?

The product revenue was contributing to 77 percent maximum by this FlexCube only. And services was contributing the financial services base essentially to 20 percent, the BPO services was contributing to 3 percent.

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If you look at the types of customers serviced in countries by in 13, 14 the number of customers was something like 1132 and the country serviced was 142. 142 countries were serviced by this company I-flex. Quite a remarkable achievement for a firm which was more or less a start up to get this.

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The slide features a blue and white wavy header. On the right side of the header is a circular emblem containing a stylized lamp or torch. The title 'Current Performance & Achievements' is written in a bold, dark blue font. Below the title, there is a bulleted list of achievements, each preceded by a small blue circular icon.

Current Performance & Achievements

- Company recorded increase in revenue by 8% in 2013-14 from 34739million to 37413million (in rupees)
- Net Income has increased to 13593million in 2013-14, an increase of 26%
- Company has gained profit of 11483million in 2013-14, an increase of 12% over previous year.
- **March 2001:** FLEXCUBE bagged Banking Software 2000 Award from Chartered Institute of Marketing of Nigeria (CIMN)
- **December 2006:** Forrester Research places I Flex in the leaders wave.
- **2011:** OFSS was ranked 253 in Fortune India 500 list

If you look at the achievements, its revenue increased by 8 percent over the previous years in 13-14 to 34739 million rupees. The net income increase to 1353 million again rupees; an increase of 26 percent company gained a profit of 11483 million in 2013-14 which was an increase of 12 percent over previous year.

In March 2001 FLEXCUBE bagged Banking Software 2000 Award from the chartered institute of marketing of Nigeria. December 2006 this forester research a very big name it plays I-flex in the leaders wave. In 2011 by which time I-flex had become OFSS that is the Oracle Financial Service Solutions; it was ranked 253 in fortune India 500 list so, a great achievement by this form.

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	Mar '14	Mar '13	Mar '12	Mar '11	Mar '10
Profitability Ratios					
Operating Profit Margin(%)	--	--	--	--	--
Profit Before Interest And Tax Margin(%)	--	--	--	--	--
Gross Profit Margin(%)	--	--	--	--	--
Cash Profit Margin(%)	--	--	--	--	--
Adjusted Cash Margin(%)	32.07	32.20	27.24	40.09	36.13
Net Profit Margin(%)	30.37	30.46	37.86	38.74	28.57
Adjusted Net Profit Margin(%)	--	--	--	--	--
Return On Capital Employed(%)	--	--	--	--	--
Return On Net Worth(%)	--	--	--	--	--
Adjusted Return on Net Worth(%)	13.58	14.11	11.90	18.79	19.10
Return on Assets Excluding Revaluations	1,004.81	867.46	743.91	613.89	498.15
Return on Assets Including Revaluations	1,004.81	867.46	743.91	613.89	498.15
Return on Long Term Funds(%)	20.47	20.63	19.53	20.09	21.18
Liquidity And Solvency Ratios					
Current Ratio	6.62	6.98	6.89	7.02	6.10
Quick Ratio	6.55	6.91	6.82	6.92	6.04

The next ones are giving you some more details. These details are essentially coming from the types of ratios I have discussed when we do a case analysis. I said we will look at profitability ratios, we will look at activity ratios, we will look at liquidity ratios; we will look at current ratios and we will also look at other ratios. When you look at the of profitability ratios look at we are just at cash margin if you see, it is around 32.07 percent in 32.07 percent in March 14.

If you look at the return on long term funds, very steady it is at 20.47 percent. From 2010 to 2014 return is around 20 percent which is very steady. If you looked at the current ratios, again a very health healthy one standing at 6.6 to a quick ratio taking your inventory also into account. It also is at 6.55 in 2014 again very healthy for a form.

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Points to Discuss

Q1. Should OFSS sustain FLEXCUBE for its brand value or think of cannibalizing it in the next two years?

- Cannibalization through Versioning
- Apply Software Product strategy

Q2. Discuss companies possible strategy to tackle the emergence of new entrants in the financial service products and solutions market.

- Low base product pricing strategy
- Piggybacking on the Oracle Brand
- Mergers and Acquisitions: Daybreak & Castek
- International Certifications: CMMI

Now, these were the questions which were asked or which are being asked in this case. I am giving you some points here later on we will discuss them in more detail. The first question that was asked was should OFSS sustain FLEXCUBE for its brand value or think of cannibalizing it in the next two years? This was the first question that was asked. The answer for this shortly is you should cannibalize it by versioning that is come out with versions of the products.

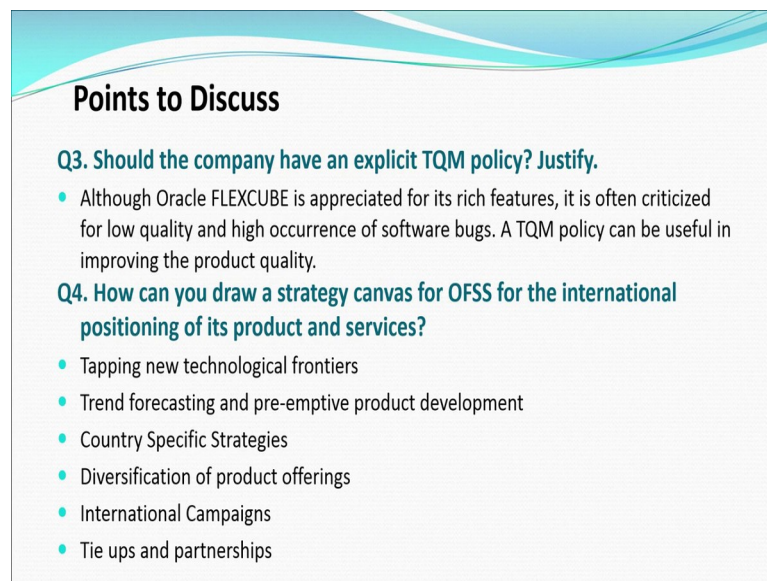
This was also the method which windows used kindly note that. Windows cannibalized its very good product Windows 95 came out with a new version Windows 98. Now, what is the present day situation; you are having you are 2010 upwards all these versions. If the present day boy who is using the IT may not even remember Windows 95.

Apply software product strategy. This is the one which is these are two points which we will discuss these points in more in slightly more detail. I have all I am likely I have produced a word document where we give discuss this in further detail. These are points which I am giving as answers to this question.

The second question that is asked was this discuss company's possible strategy to tackle the emergence of new entrants in the financial service products and solutions market. What are the types of strategies that you could adopt? These are points which I am giving you we will discuss this in more detail in the word document which I am going to present to you in the next class.

A few points or you can look at a low base product pricing strategy, then piggybacking on the Oracle brand; Oracle is a well established brand. And I-flex taken over by Oracle can always Piggyback on that brand then mergers and acquisitions have taken Daybreak; have taken Castek i.e. acquired these two forms international certifications that is the CMMI. These are the points which are being given kindly note we will expand on this in the next class.

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Points to Discuss

Q3. Should the company have an explicit TQM policy? Justify.

- Although Oracle FLEXCUBE is appreciated for its rich features, it is often criticized for low quality and high occurrence of software bugs. A TQM policy can be useful in improving the product quality.

Q4. How can you draw a strategy canvas for OFSS for the international positioning of its product and services?

- Tapping new technological frontiers
- Trend forecasting and pre-emptive product development
- Country Specific Strategies
- Diversification of product offerings
- International Campaigns
- Tie ups and partnerships

The third question that was asked was should the company have an explicit TQM policy? Justify. Although Oracle FLEXCUBE is appreciated for its rich features it is often criticized for low quality and high occurrence of software bugs. This is where a TQM policy can be useful in improving the product quality.

The fourth question that is asked is how can you draw a strategy canvas for OFSS for the international positioning of its product and services? How can you draw a strategic canvas? These are points kindly note you have to elaborate on all these points that we will I will do it in the word document which I am presenting to you.

One is you can tap new technological frontiers, second is you can do the forecasting of the trend and pre-emptive product development. You can look at what is a trend come out with the product developments pre-emptive also before somebody you are competing comes out with a new version when you are there.

Then country specific strategies, diversification of product offerings, then international campaigns tie ups and partnerships. These are the things which you should look at can look at in a strategy canvas for OFSS for the international positioning of its product and services. We will stop here in the next class we will discuss all these points through the world document which I am going to present to you.

Thank you.