

IT Company Marketing Strategy as a Factor of Corporate Sustainability

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ABSTRACT

The article deals with the problems of choosing a marketing strategy of companies operating in the IT services market to ensure their corporate sustainability. A study of the Russian IT services market is presented. It shows the importance of segmentation and positioning methods when choosing an effective marketing strategy of companies in the market of IT services. The authors identify the specifics of the marketing complex of companies providing IT services. The criteria for evaluating the effectiveness of the marketing strategy and the level of achieving corporate sustainability of the company in the IT services market are considered

Keywords: corporate sustainability, marketing strategy, IT-services market, positioning, segmentation, software development, competition, revenues.

1. INTRODUCTION

The Russian information technology market is characterized by high turbulence, dependence on the dollar exchange rate and the economic situation. According to IDC, the Russian IT services market was worth USD 5.57 billion in 2019, an increase of 8.0% compared to 2018 [8]. This figure includes such segments as system integration, consulting, customer software development, hardware and software installation and support, IT training and education. Using this data and earlier IDC reports [6], we have calculated the growth

rate of the Russian IT services market from 2005 to 2019. (Fig.1).

The data in Figure 1 shows that the IT services market is highly dependent on currency fluctuations and the economic situation. Due to the pandemic, analysts predicted a 30% drop in the Russian IT market in 2020 [8], while the global market decreased by 8%.

At the same time, as a result of the pandemic, many companies decided to accelerate digital transformation and started implementing IT solutions more actively. Positive dynamics can be noted in the

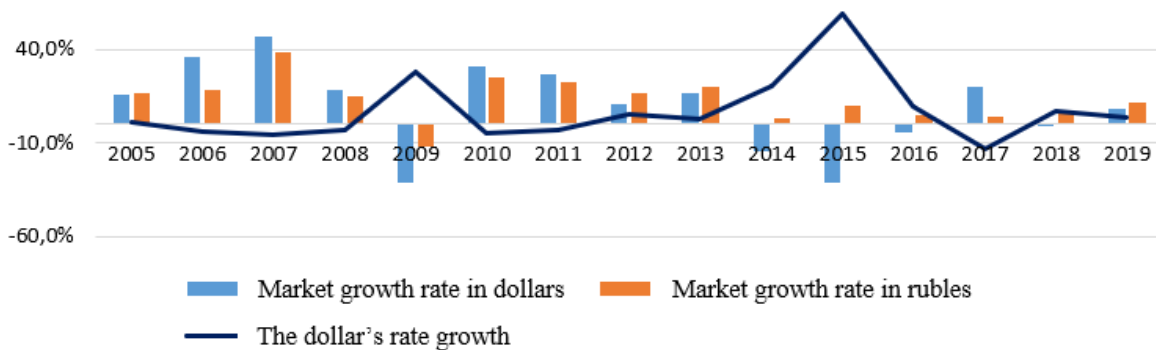


Figure 1 Growth rate of the Russian IT services market in dollar and ruble terms for the period of 2005-2019

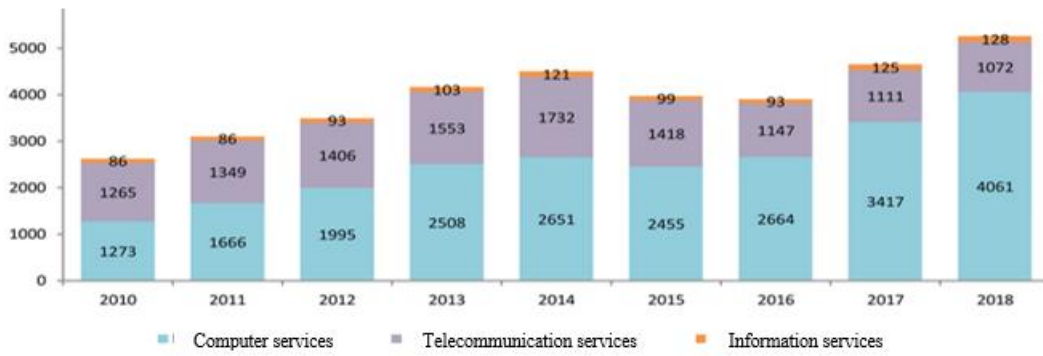


Figure 2. Structure of IT services exports. [11].

telecommunications and education sectors; most likely due to the launch of remote-work and online-learning solutions. According to Hubspot, 4.7 million employees (3.4%) in the United States work from home at least half a week, while the number of people working remotely at least once a week has increased by 400% since 2010 [6]. The banking sector, retail companies, industrial enterprises and the energy sector are still active customers of IT service providers. Public sector organizations remain the largest and most solvent customer. At the same time, Russian IT service providers are strengthening their position in the foreign market: exports of computer services tripled between 2010 and 2019 [8]. In recent years, exports have surpassed imports: by 1% in 2017, by 15% in 2018, by 25% in 2019. The dynamics of the export volume of IT services is shown in Figure 2.

Exports of computer services are showing high growth rates, having barely lost any ground on the global market even in 2015-2016: the 2018 volume is one and a half times higher than in 2014. In 2018, the main consumers of Russian IT services (55% of exports) were the US (USD 1.4 billion), the UK, Cyprus, Germany (USD 0.4 billion each) and Ireland (USD 0.3 billion).

Import substitution in digital products is increasing while exports are increasing. In April 2014, the state program "Development of industry and increasing its competitiveness" was approved [1, p. 10]. According to the results of 2019, the share of domestic software in public authorities and budgetary institutions is approaching 50%. According to the forecasts of the Ministry of Communications of the Russian Federation, by 2024, state-owned companies will already buy up to 70% of Russian software, and public authorities - up to 90% [3].

At the same time, competition in the industry is growing due to the low entry threshold. The authors have calculated the rate of entry of companies into the industry market of IT services, as well as the rate of penetration of new companies in this market (Table 1).

Table 1. Entry and penetration rates for new companies into the IT services market.

Year	Total number of companies	New companies	Revenues of all companies, RUB mln	Revenues of new companies, RUB mln	Entry rate	Penetration rate
2015	4 885	1 344	583 643,30	61 716,20	0,28	0,11
2016	5 971	1 607	613 869,40	61 837,00	0,27	0,10
2017	6 809	1 982	626 146,79	66 783,96	0,29	0,11
2018	7 792	2 371	638 669,72	72 126,68	0,30	0,11
2019	8 852	2 770	651 443,12	77 896,81	0,31	0,12

Compiled by the author

Table 1 shows that the rate of entry and the rate of penetration into the IT services industry market have been rising steadily, which suggests that competition in this market is increasing.

2. MATERIALS AND METHODS

According to our research data, there is no clear division by geographic regions in the IT services market. This means that the company can be located in any region, while carrying out activities throughout the country. All services can be provided remotely. The only limiting geographic factor is the time zone difference. The comfortable difference is no more than two hours; the allowable difference is no more than four hours. Thus, the main competitors are companies located within 3-4 time zones. LANIT Group, the largest Russian IT holding

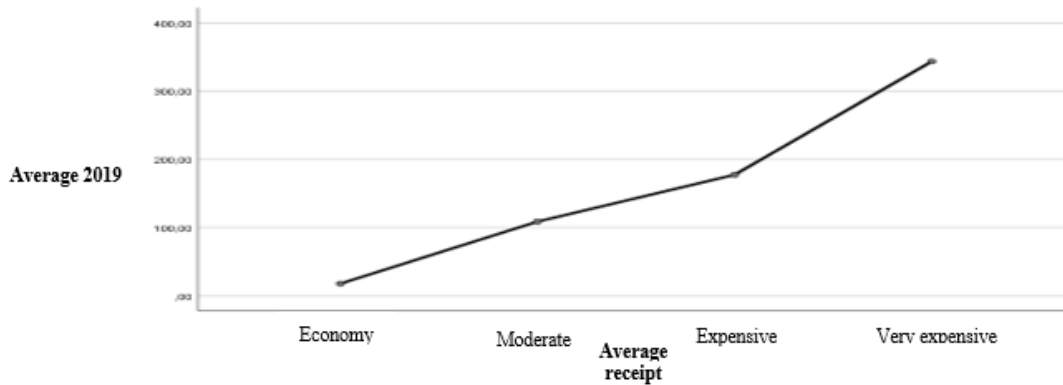


Figure 3 Dependence of the company’s average revenues in the IT services market on its average receipt.

company, is the leader in the Russian market of IT services. CROC, ITG, Technoservice and Infosystems Jet follow it. In total, the revenues of these five companies account for more than 25% of the Russian IT services market [8].

There is also a tendency in the IT services market for large companies to develop internal technological competencies. Companies Rosneft, Sberbank, Lukoil, Gazprom Neft, MTS, Russian Railways, Rosatom and Transneft are creating their own insourcing companies. It is them who receive big orders for software development projects that traditional IT service providers could carry out. This may seriously hinder the development of the Russian IT services market in the medium term [8].

To identify the factors that influence the IT-companies’ gross revenue, which ensures their corporate sustainability, the authors analyzed the activities of 70 companies in the development and integration of complex solutions. As a baseline, the authors used secondary data published in ratings of IT companies [7]. The analysis was conducted in SPSS (Statistical Product and Service Solutions).

Based on the results of a single-factor analysis of variance, it was found that, of all the factors analyzed, the value of the average receipt for company services has a significant impact on the gross income that ensures corporate sustainability

Also by means of regression analysis, the dependence of revenue on the average receipt was established, the regression equation is as follows:

$$Y = -119,81 + 105,56X \quad (7)$$

The value of the regression coefficient in the built model is 105.56. That is, increase of the price segment results in increase of the company revenue by 105.56 million rubles per year. The constructed equation is true

only for 40.3% of cases, which should be taken into account when using this regression model.

Next, we analysed data on the companies that most actively use IT services, identifying the characteristics of suppliers to large companies. To find out which clients have the largest number of IT service providers, a frequency analysis was conducted to identify the companies that are customers of two or more IT service providers.

The analysis shows that the most active users of external IT services are financial institutions (banks, insurance companies), telecommunication operators, large manufacturing enterprises, retailers, FMCG companies and large software developers. In addition, the results of the discriminant customer analysis allowed making the conclusion that there are providers specializing in solutions for particular sectors, such as the financial sector.

The authors identified the factors that determine the need for segmentation in the IT services market (Table 2).

It should be noted that the IT services market is a B2B market. F. Webster notes that purchasing decisions in the corporate market are made not by organizations as such, but by individual employees [2, p. 79]. Each of these employees has their own needs. Therefore, it is important for marketing and sales specialists in the B2B market to know exactly who to target. It is important to remember that potential customers differ from each other in many ways and can be divided into groups - segments. A market segment is a group of buyers with similar needs and wants [14].

Table 2. Factors determining the need for segmentation in the IT services market

Criteria for the need for segmentation	Characteristics of the market for custom software development services
There are many customers with different needs in the market	The major customers of custom software development are large companies in banking, retail, telecommunication, different industries, as well as middle sized and small innovative companies - they are many and their needs are usually different
Producer is able to differentiate a product or service	Service providers are able to differentiate according to customer needs: requirements specification for the development is always drawn up individually
There is considerable competition for customers	Competition for customers is high enough

3. RESULTS

Based on the data presented in Table 2, we can conclude that companies offering IT services need to segment their customers. When assessing the attractiveness of the target segment, we recommend taking into account the following factors: the level of competition in the industry, the size of the segment, the market growth rate, and the potential profitability of the segment. In terms of long-term company profits, Michael Porter recommends analyzing five factors [5, p. 45]: the threat of intense competition, the threat of new entrants, the threat of substitute products, the threat of increased

bargaining power of customers, the threat of increased bargaining power of suppliers.

After choosing the target segment, you should start positioning the company in the IT services market. Positioning is developing a company's proposition and image, aimed at taking a special place in the minds of the target customer group [15]. There are two main approaches to identifying actual competitors: from an industry perspective and from a market perspective [14]. In the first case, competitors are all companies offering goods or services of the same category. So, in the IT services market, competitors will be all companies providing IT-services. In the second case, competitors will be all companies whose goods or services satisfy the same need. In this case, competitors will be all companies that can satisfy the need for IT services, namely: outsourcing companies, software development companies; HR services and agencies that help hire programmers; ready-made services and applications, supporting the required level of personalization - for example, instead of developing a CRM system from scratch, a company can buy a finished product (Bitrix, AmoCRM, etc.) and customize it to their needs.

To develop an effective positioning strategy in the IT services market, a company needs to collect information on the strengths and weaknesses of competitors, their strategies and goals. It is also important to keep in mind the nature of competition in the target market: in stable markets, it is rather easy to identify a few major competitors; in dynamic markets, you may need a multidimensional reference frame. This data allows one to select points of difference and points of similarity [2 p. 321]. To select points of similarity and difference, marketers often use perceptual maps - visual representations of consumer perceptions and preferences (Fig.4).

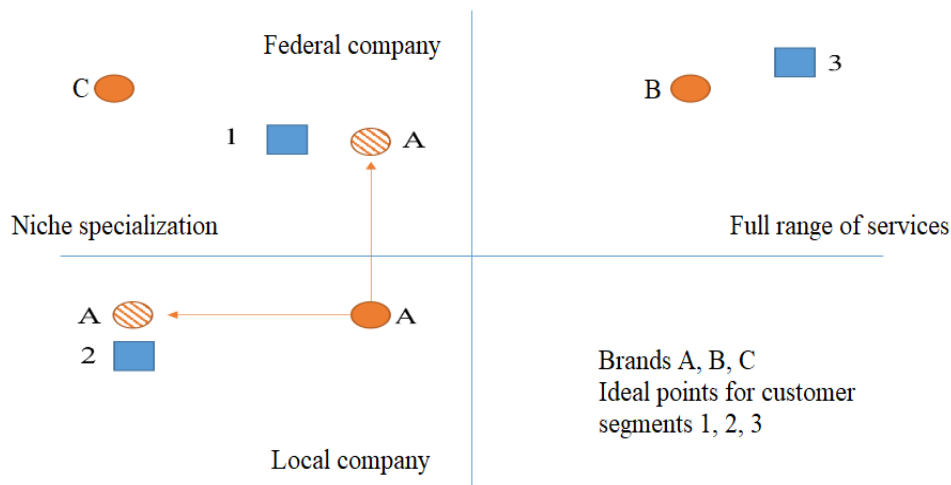


Figure 4 Example of a perceptual map for a hypothetical software developer: current competitor perception and possible positioning of brand A

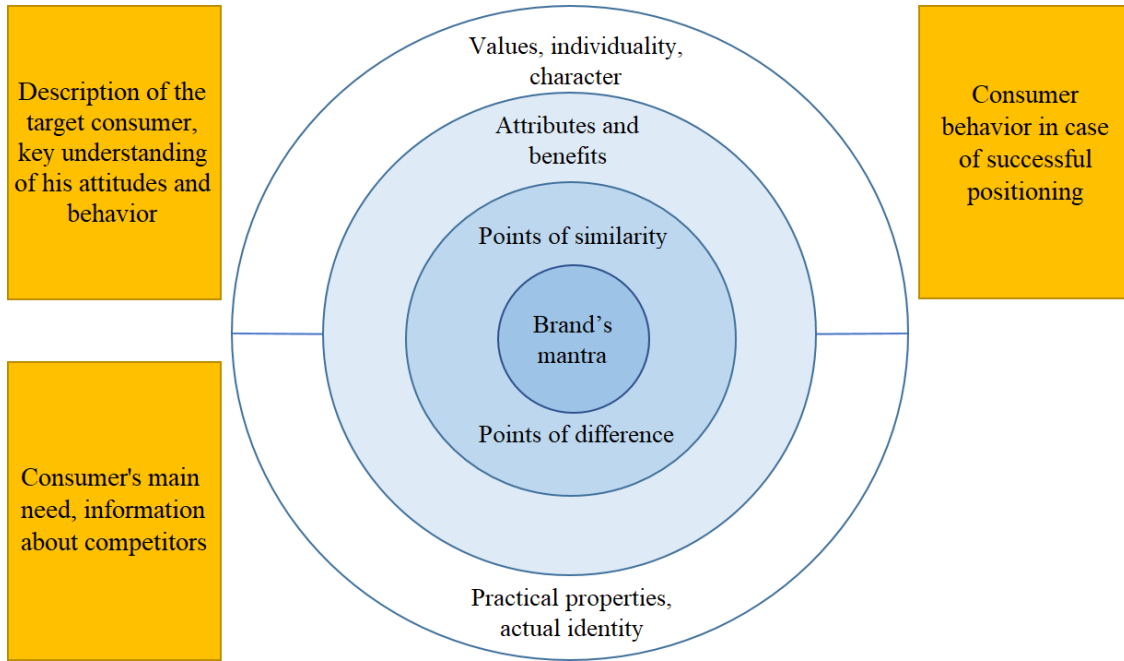


Figure 5 Positioning diagram.

F. Kotler defines points of difference as properties or benefits that consumers strongly associate with a brand, evaluating it positively, and believe that they cannot find the same properties and benefits to a sufficient extent in competing brands. Important points of difference must meet three criteria: desirability for the consumer, technical feasibility and differentiation from the competitor. In their turn, similarity points are associations that other brands can evoke. There are points of similarity of the product category, correlation points and points of similarity with competitors.

A brand mantra can also be drawn up - an informative, simple and inspiring motto for internal use. The "translation" of the mantra into the language of consumers is the brand motto. Positioning can be imaged as a 'shooting target' [14] for better understanding by all employees (Figure 5).

After choosing the positioning method, the company can begin developing a marketing mix. For the IT services sector the marketing complex includes 7Ps: product, place, price, promotion, people, processes and physical evidence. I. Savchenko and E. Mityasova note that the IT solutions market for industrial consumers is characterized by the individuality of the marketing complex [9].

B. Parkhimenko and V. Strezh note that in the field of custom IT services, when making product decisions and selecting product strategy, the important parameters will include contractor qualification, focus on a particular industry or area of business, and competence in quality control of ready-made software solutions. As for the price of such services, the authors distinguish two approaches: fixed price (used when it is possible to estimate the time

and cost of the work in advance), time and materials (man-hours worked) [4].

Table 3 presents the specifics of the marketing mix in the IT services market.

It should be noted that the consistency of all elements of the marketing mix is very important, especially for smaller companies [2, p. 334].

4. CONCLUSIONS

Thus, the conclusion can be made that for developing an effective marketing strategy in the IT- services market, it is necessary to segment and position, and develop a marketing mix that will flexibly respond to changes in the external environment and best meet the needs of both current and future customers, thereby ensuring corporate sustainability of companies.

To identify the level of achievement of corporate sustainability of the company, it is necessary to use an indicator of effectiveness of the chosen marketing strategy. There are economic, communication and social effectiveness [10, p. 285]. Economic effectiveness determines the impact of marketing programs on the financial performance of the company. Such results may include sales revenue, marketing and sales costs, operating profit, profitability of sales and others. In addition to financial analysis, the following marketing indicators are applied: sales growth, change in the market share, degree of customer retention, share of new customers, satisfied customers, relative quality of goods and services [14]. Communication effectiveness measures the influence of a marketing program on customer satisfaction. Key indicators are brand

awareness and brand preference. Social effectiveness is becoming increasingly important. It shows how a company influences the society: influences consumer tastes and opinions, increases consumer knowledge, encourages consumers to give up bad habits [15, p. 291].

In the IT services market, the choice of approach to assessing the effectiveness of the marketing strategy that ensures corporate sustainability will depend on many factors, such as business size, market situation and others [12].

Table 3. Specifics of a company's marketing mix in the IT services market.

Marketing mix element	Characteristic
Product	Determined by customer specifications, high degree of customisation. The product can be either developer man-hours or complete IT solutions
Price	Price is based on cost of man-hours, cost of solution rights, cost of client infrastructure. Fixed or flexible pricing may be applied.
Promotion	Personal selling takes the lead in communications. In segments with a small number of customers, the approaches are developed individually.
Place	IT solutions are most often sold directly or through a partner.
Processes	Each element of the development process has to meet individual customer requirements, e.g. timekeeping system, storage, project management system, etc.
People	Each project involves an individual team. Purchasing decision is made by several members of the client's staff, usually with technical expertise
Physical evidence	The office environment, the employees' appearance, gifts to the customers - this element of the marketing mix is not much dependent on the specifics of the particular project.

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