

## Drawing on innovation

**Vinson Kurian**

*A chat with the CEO of SunTec on relationship-based pricing and other business strategies.*

M&As might be the flavour of the season, but are no big deal to K. Nanda Kumar, Founder President and CEO of SunTec Business Solutions at Technopark, Thiruvananthapuram.

Nanda Kumar has built SunTec into one of the successful Indian software product companies in the niche space of transaction billing/pricing management. Today, SunTec boasts a BFSI (banking, financial services and insurance) and telecom clientele that spans the globe from India to the US, Indonesia, Europe and West Asia. It counts Comcast, Cable One, Batelco, ICICI, HSBC, ING Bank and Lloyds TSB among customers.



K Nanda Kumar

SunTec has received a few acquisition offers, Nanda Kumar says. But "I treat these as an endorsement to the fact that we are doing great, are on the right trajectory and all set for aggressive growth. We are committed to stay on and will continue to leverage the leadership position we have established for ourselves in the BFSI market," he says.

Not only does Nanda Kumar think differently, but he has also gone on to integrate this capability into TBMS (Transaction Billing and Management System), his flagship product and its variants, enabling his company to differentiate across products/pricing.

SunTec, which is close to tying up a second round of venture funding of up to \$40 million (the only Kerala-based company yet to achieve the distinction twice over) hopes to reach \$23 million in total sales revenues this fiscal. The headcount will be beefed up to 750 from the existing 500.

Excerpts from an interview with eWorld:

**In the product and solutions arena, the name of the game is differentiation. What has been your strategy?**

Differentiation is the key, absolutely. We differentiate on all the three paradigms — core product/service offering, price or total cost of ownership and total relationship and customer experience.

But our core competence remains our product.

We are the pioneers in this space. Today I am proud of what we have achieved; our product has been rated amongst the best in the industry and as a testimony, we have two of the world's top five banks as our customers. Moreover, leading analyst Celent has positioned SunTec in the top quadrant.

In today's crowded telecom market, a new player must be able to differentiate through innovation. In the banking sector, we have created a new market and are now able to define and develop the space with close and active participation of thought leaders of the day. All in all, continuous innovation that adds value to our customers has been the key to our success.

**From the viewpoint of a customer, product/price-based differentiation is waning because of four factors — maturing markets, globalising trade, efficient manufacturing and even the Internet. What is your take on this?**

From a bank's perspective, the core products are getting commoditised, and any service that gets commoditised will always be under price pressure. You have no choice but to be competitive. A recent survey done by Gartner shows that over 50 per cent of people select their banks based on just one factor — price. Banks are now finding pricing to be a critical differentiator.

In such a scenario, banks can adopt relationship-based pricing (RBP), which is a centralised and automated approach that cuts across product silos to create new customer-centric paradigms for pricing. With RBP, a bank can now price, service or bundle a product based on the overall relationship it has with a customer. It is a far-reaching innovation that progressive banks around the world are using to build sustainable competitive advantage.



PUTTING SOFTWARE into the picture - Shashi Ashiwal

**Does this kind of pricing create monopolistic trends?**

No, not at all. Relationship-based pricing helps a bank deliver bundled products with personalised pricing and discounting based on any level of segmentation of the customer base. This provides banks with the ultimate flexibility to create and deliver competitive offerings that are responsive to customer needs. This, in turn, might result in a customer choosing to deal with a bank on an exclusive basis. This of course is a customer's decision. Thus, RBP can help banks to retain existing customers and attract new ones.

RBP creates a win-win situation both for the bank and its customer. Let me explain with the help of an example — with RBP, we can give a bank a single view of a customer's relationship across all the products and regions.

Using our solution, banks can identify the value of a customer and create special products, bundles and prices to promote a shift in business — a process that brings more value to the bank and the customer.

**Is the subscription-based ASP (application service provider) model suitable for TBMS (transaction billing and management system) variants?**

Yes, it is. We do have an ASP model for TBMS variants. We look at these practices to augment our product (solution) offerings to customers in a more effective manner.

Currently, we are implementing the model with one of our customers in the telecom vertical with significant success.

**Would you agree that staying ahead of competition solely through product leadership is becoming increasingly difficult?**

I have a strong conviction about the long-term applicability of our core product line. We have to build solutions around the core product line, addressing the immediate business problems of the industry verticals we currently focus on.

Our focus is quite clear from the product management group structure, wherein we have a core product division that takes care of the core product roadmap and development efforts.

Then there is the product applications group for telecom and BFSI verticals, which focuses on creating solutions to address the business problems of each application area. They create messages around our product value propositions, which are then communicated to the market.

I am sure we will continue to stay ahead on the curve through our passion for innovation and persistent product development strategies.

Along with our efforts to keep product leadership through product development efforts, we give equal weightage to communicating the value propositions of our product to each business application.

I believe this is where a software product company like ours needs to focus on and build competence.

Product leadership, along with a strong consulting practice, will help us break away from competitors and establish a commanding lead in this exciting journey.

**What do you think works best in the long term — a domain-specific hub-and-spoke model (TBMS and its variants) or a single flagship model?**

As far as product development goes, we do not work on short-term plans; we designed the core product line with a long-term vision and a well-conceived concept of relationship-based pricing in mind. RBP is going to cruise in all industry verticals where customer relationship is the key and where exchange of value takes place through transactions. And I think almost every industry falls under this category! The name of the product is irrelevant to me as long as I am offering customer-specific solutions that help him address real-life business challenges better.

These days there is a strong demand from customers for end-to-end solutions. Hence creating the right solutions and proving their worth to the market is critical to success in this arena. We work in tandem with select partners to create such winning solutions.

For the future, I have decided to work upon a simple two-dimensional model — a core product line, which will be enhanced, based on our interactions with market players including customers, prospects, partners, analysts, consultants and industry forums. This core product line has multiple stand-alone product components, designed to deliver certain key functions. The International Users Group (IUG) will play a major role here since we will be able to incorporate valuable inputs from our customers in the market, into our products.

We will also have solutions around this core product line for each of the application area within the industry verticals. For example, we will have a full billing solution for Voice over Internet Protocol (VoIP) services and mobile virtual network operators (MVNOs). Similarly, we will have pricing and billing solutions for retail banking, asset management, etc. We will make sure that these solutions have all features essential to address the business challenges of that specific application.

#### **Has a billing solution's consulting practice appealed to you?**

At one end, we depend on consulting practice to help us communicate and demonstrate our product value propositions to the market clearly. On the other, we bank on them to guide us on where the market is heading and how we can position ourselves to benefit maximum.

We have created a strong product consulting group with a great blend of core product knowledge and domain expertise with this aim. Currently, we are committed to remain as a product-focused company. We look at consulting service offering and other services offerings as only an augmentation to our product (solution) offerings to the markets in a more customer focused manner.

#### **Have you felt the need to diversify to other areas in the BFSI space? For example, the need for banks to comply with Basel norms, detariffing regime in insurance, etc?**

The whole of the BFSI space is driven by common trends of globalisation, consolidation and intense competition. Boundaries between the BFSI areas are becoming blurred. Hence most of the large financial institutions are now trying to offer the entire range of financial products under one umbrella. I think it is only a question of time before we will start addressing all areas within BFSI.

Regulatory constraints and general trends are enforcing more transparency in the way financial institutions do business now. Also, they are made to focus more on customer relationships and to shift from product-centric operations and structure to a more customer-centric paradigm. Here again, I see huge opportunities for us.

#### **How do transaction billing and management system (TBMS) variants fare with the new regulations in the core banking segment such as real time gross settlement (RTGS), cheque truncation, Structured Financial Messaging System (SFMS), business continuity and compliance security infrastructure?**

We focus on delivering pricing and billing solutions for retail, corporate and investment banking streams. Our products are enhanced on a continuous and planned basis to keep

abreast with latest technology initiatives like RTGS and innovative service delivery channels like the Internet and mobile banking. We have integrated our solutions with several systems, much like the core banking solutions, to give banks total control over their revenue streams at a consolidated level with proper reporting and analysis in place for management.

At the same time, we make sure that we support banks fully in terms of achieving business continuity and having a fool-proof security infrastructure in place.

We have disaster recovery and business process continuity (BPC) modules to ensure business continuity. We also have the ISO 27001 security infrastructure in place to ensure information security to our clients.

**Does the `financial inclusion' drive throw up new opportunities? What do you make of increased mobile penetration that supports phone banking, which, in turn, has explosive prospects?**

Yes, we have had some increased opportunities within the country. Banks have now started working with large customer bases, with specific tailored products for each segment. Financial inclusion drive calls for the need of providing simple bundles to customers, which increases the need of optimum bundling.

And today, customer retention is a major issue for the banks. A relationship-based pricing solution finds even more value in such a situation.

For next generation telecom service providers, the convergence of voice, data, video and wireless is only the beginning of an even larger confluence movement that is underway from the banking industry and heading towards the telecom world. Banks worldwide are recognising that the medium through which they communicate with their customers has rapidly shifted from in-person tellers to automatic teller machines; Internet based banking and now to mobile banking. This poses a significant opportunity for telecom operators to also participate.

SunTec is positioned to bring best practices from both industries to help telecom and banking companies profit from cross-industry convergence. SunTec's telecom provider customers already using TBMS-T are especially well positioned because TBMS-T supports pricing and billing for triple and quad play and also for banking services over the telecom infrastructure.

Despite many challenges, it has become imperative for telecom companies to reinvent themselves and adopt the nimbleness that makes new competitors so successful. An RBP solution is a radical farewell to rigid legacy systems, replacing them with much more agile, exploratory and entrepreneurial approaches that empower salespeople and solidify customer loyalty, making next generation telecom revenues and future viability more assured.

**With banks spreading their wings into tier-2 and tier-3 towns, IT vendors are increasingly feeling the need for tying up with channel partners domestically. What is SunTec's experience in this area?**

Since pricing and billing solutions are mission-critical, usually vendor evaluation and decisions are made at the corporate level. Hence, I don't think we have to closely follow their spread into tier-2 and tier-3 towns. We only need to consider the impact of such operations of client in the pricing and billing requirements.