Academic Sample – Business Study

Is India a Viable Environment for a Profitable Research Company?

The main argument for conducting research in India is the reduced cost of labor with regards to hiring a team of research analysts. In the past, this was an entirely valid statement. However, the situation is no longer as clear cut. In 2004 the Total Cost per Analyst (TCPA) in India was just $9,524. By 2008 the TCPA had risen significantly, and based up the figures below, we can see that the projected TCPA into 2015 and 2020 is also much higher.

India	**Salary**	**COS**	**CPH**	**COT**	**COP**	**TCPA**
2004	$6,000	$1,020	$7,020	$306	$2,198	$9,524
2008	$10,494	$1,784	$12,278	$535	$3,844	$16,657
2015	$27,914	$4,745	$32,659	$1,423	$10,225	$44,307
2020	$56,145	$9,544	$65,689	$2,863	$20,566	$89,118

USA	Salary	COS	CPH	COT	COP	TCPA
2004	$65,000	$5,200	$70,200	$7,020	-	$77,220
2008	$73,158	$5,853	$79,011	$7,901	-	$86,912
2015	$89,975	$7,198	$97,173	$9,717	-	$106,890
2020	$104,305	$8,344	$112,649	$11,265	-	$123,914

COS = Cost of Search, CPH = Cost Per Hire, COT = Cost Of Turnover (30% India, 10% USA), COP = Cost Of Premium (30% India, 0% USA), TCPA = Total Cost Per Analyst.

The figures above are based on a simplified, static wage growth rate per annum of 15% for India and 3% for the USA, real world figures would likely differ to a degree.

If we extrapolate this data and compute a projected ratio of research analysts which can be employed in India compared to the USA for the same cost, we get the following figures:

Year	**CPA India**	**CPA USA**	**Ratio**
2004			8.1

	9,524	77,220	
2008	16,657	86,912	5.22
2015	44,307	106,890	2.41
2020	89,118	123,914	1.39

CPA = Cost Per Analyst.

Based upon these figures it appears that the cost difference between employing research analysts in the USA and research analysts in India is steadily being eroded. However, there are additional disadvantages to locating a research company in India which will affect the overall picture.

Firstly, we need to consider the customer experience. Modern marketing techniques rely upon Customer Feedback Management (CFM) and Customer Experience Management (CEM) to capture the Voice of the Customer (VOC) and turn it into actionable business insights. Part of this process involves ensuring that customers are entirely satisfied when they make contact with the business across any channel. A better customer experience leads to greater brand loyalty, a higher level of customer satisfaction and ultimately a greater share of the customer wallet. This has a direct effect upon revenue. By operating in India, it is highly likely that the quality of the customer experience will be lessened, and revenue will be lost.

Secondly, we need to consider the problem of maintaining an effective research team, and meeting the quality of service expected by Western clients.

Another observer estimated that it might take four or five researchers in an Indian research firm to produce the output of three analysts or associates in a U.S. or European consulting firm. (Alcacer & Rivkin, Monitor's Opportunities in India (A), 2008)

If the statement above proves to be true, then based upon the figures presented on the first page, staffing costs could actually be higher.

It was unclear whether most Indian research firms conducted research carefully. Employees at a less careful firm might dig up an item via a quick

Internet search and present it as a valid fact. (Alcacer & Rivkin, Monitor's Opportunities in India (A), 2008)

Combine the possible situation of Indian research analysts being less efficient that Western counterparts, with the fact that there is a question regarding their ability to perform their job of work to Western standards, and the business could have a serious problem on their hands. A greatly increased cost of service due to the requirement to recruit more research analysts, to get the job done properly.

Monitor and Grail – A Comparative Study

When we compare the business strategy used by Monitor to establish an Indian research company, and that used by Grail to achieve the same results, there are some fundamental differences.

Monitor's marketing approach was to sell research services to external customers, therefore placing the Indian business in direct competition with Monitor in the USA. "People were worried that by selling research directly to external customers, not just Monitor teams, we would cannibalize our consulting business" (Alcacer & Rivkin, Monitor's Opportunities in India (B): Grail Research, 2008)

Monitor believed that the vast pool of seemingly inexpensive research talent in India would allow the company to deliver excellent research services at a lower cost. Monitor sold into two basic markets, syndicated research (long term contracts with data provided to customers periodically and billed for as an annual subscription), and customized research (short term projects, billed on an as required basis). Monitor aimed to deliver research results quickly, in a short turnaround time. The main income stream for Monitor came from the same type of external customer base as its USA operations, directly contacted external clients.

The Grail approach was different, initially targeting life science companies and private equity firms. (Alcacer & Rivkin, Monitor's Opportunities in India (B): Grail Research, 2008) However, Grail later began to target a wider client base, working on a subscription basis for its services. The grail research product was different, "There are many times when client want just the facts rather than strategic advice" (Alcacer & Rivkin, Monitor's Opportunities in India (B): Grail Research, 2008) and Grail opted to provide this more dynamic form of research service. Grail locates new clients by effective networking, calling on past contacts, and by actively approaching potential customers via email. Grail delivers a service which does not compete on cost. Instead, the Grail research services are sold by highlighting the low response time to research requests and the expertise of its research team in local markets. The main revenue stream for Grail comes from smaller projects, as well as taking on work for other research companies.

Is Information Resalable?

Taking a look at the Grail business model, we can ask the question whether the company is in a position to repeatedly sell information once the research has been done. On the one hand, the fact that Grail works on smaller, almost ad-hoc projects, it is unlikely that one customer will ever request exactly the same research as another. However, there may be a possibility for Grail to build a data warehouse containing a multitude of small research results, which could be interrogated intelligently for future projects. Put simply, the current business model is not a good fit with the concept of reselling research, but a little investment in technology could turn the situation around.

Integreon are now the owners of Grail Research, and it is very likely that they will be able to exploit far greater value from the Grail business model than Monitor did. Integreon seem to operate in a more data driven way, rather than the project driven fashion which Monitor exhibited. We have already discussed how Grail sold its services based on quality and turnaround time, but worked on smaller project than Monitor. Integreon have several facets of their research business which would at first glance seem to be in synergy with the Grail business model. This includes the library & information services, knowledge management and intelligence monitoring products.

Bibliography

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Alcacer, J., & Rivkin, J. (2008). *Monitor's Opportunities in India (B): Grail Research.* Harvard Business School.