

# Strategic Areas of Partner Relationships Marketing for IT Company Under Crisis Conditions

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**Abstract.** The Russian IT market is in crisis. The reason is a complex geopolitical environment and a national economic policy, resulting in a low ruble exchange rate, the absence of low-interest credits, general economic decline, reduction of IT companies' budget, sanctions. The decline of the IT service market for 2015 exceeded the values forecast by IDC analysts (International Data Corporation) by virtually two times. Properly selected marketing strategies can provide a way out from this difficult situation. To keep its strong positions at the IT service market, the company can use a strategy to develop partner relationships on the basis of the following basic principles: orientation towards partner business interests, boosting a loyal attitude to clients; entering new prospective markets; broadening the business geography due to the development of a network of IT branches in the regions.

## 1. Introduction

Today the Russian IT market is suffering from crisis. This situation was caused by a complex geopolitical environment and the national economic policy.

The IT market in Russia is not the economic flagship, it is considered to be a supplementary and servicing sector. That is why it largely depends on the general state of the country economy. Any economic changes, both positive and negative, have a continuous and many-fold influence on the IT market situation.

The experts point to the following reasons of the IT market decline: low ruble exchange rate, absence of low-interest loans, general economic decline, reduction of the IT companies' budget, sanctions [5,6,7].

The weakening of the ruble exchange rate more than two times caused a two-fold reduction of the existing ruble budgets of IT companies. It is connected with the fact that the IT industry is now completely relying on import. In addition, IT budgets are being reduced as for most companies they are cost-intensive under the general economic decline conditions [4].

This global risk restrains the development of business companies. Despite the difficulties, one cannot completely stop investing into the company's development. However, the companies started to evaluate short-term and long-term economic profits from IT projects in a more careful and thorough way. IT projects are started only in case the profit is obvious.



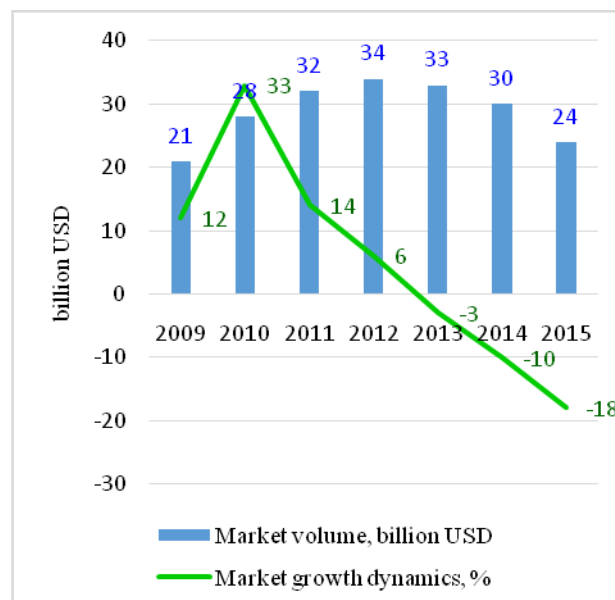
## 2. Main part

Financial problems brought about dramatic increase in bank interest rates. In addition, it became difficult to get a loan as the banks require guarantees that such loans will be paid back. Because the companies had been deprived of the opportunity to apply for a low-interest dollar loan, a number of ambitious projects were frozen, some had to be rejected.

Other risks relate to the sanctions on the purchase of some types of IT products from foreign suppliers. Thus, starting from 2014, some vendors refused to supply various software to Russian customers; such software included, for example, certain automated design systems.

A low ruble exchange rate and sanctions make the purchase of high-quality foreign IT products rather difficult. Due to this, the Ministry of Industrial Trade has developed the Plan of Import Substitution Action in the radioelectronic industry. Before 2020 it is planned to decrease the import share in the area by 25%. China and India are considered by Russia as key foreign suppliers of IT products.

The dynamics of the IT market development in Russia for the period 2009 – 2015 is provided by the analytical company IDC (International Data Corporation) [6]. The diagram (Fig. 1) shows that the market volume in dollar terms reached its maximum in 2012. In percentage terms the market growth reached its peak point in 2010, after that one could observe the slowdown. Starting from 2013, the growth dynamics is negative. It was expected that in 2014 the market decline will be equal to 10%. However, in compliance with the annual report, provided by the IDC company in 2014, the Russian IT service market reduced its volume by 15% down to 6.57 billion dollars (in dollar terms). According to the IDC analysts, the decline in 2015 should have been equal to 18 %, while the forecast IT service market volume must have been about 24 billion dollars. However, for 2015 the volume of the Russian IT service market reduced by 34 % and was equal to 4.52 billion dollars. In ruble terms the IT service market grew by 4.7% comparing with the previous year [5].



**Figure1.** Volume and dynamics of the Russian IT market growth, 2009–2015.

As a result of a crisis situation the competition between IT companies at the Russian market has significantly increased. Robust well-reputed IT companies with a large client base have more chance to preserve their positions.

Various segments of the IT market will response to the crisis in different ways. For the distributors the ruble exchange rate will be the most significant, for the integrators, working with supplementary equipment, the sanctions will be the most important factor. Large technological holdings, offering a

wide range of services, will be the most sustainable ones alongside with the companies as oriented at national or Chinese suppliers [4].

If we consider the change of partner relationships in the areas, it is important to note that the key customers of IT services are: Government control, oil&gas industry, financial sector and retail. The crisis negative influence on each of these segments has a negative impact on the IT market as well.

The public sector is forced to save the budgets, which leads to the reduction of IT purchases in public companies. The bank activity is negatively influenced by the ruble exchange rate and the international sanctions' imposing. The oil industry is allegedly more resistant towards the crisis, although the sanctions also negatively influence the area. For retail the population purchasing power has the highest significance, and it is substantially decreasing. Therefore, IT expenses are reduced in all the enumerated areas. Nevertheless, in 2014 financial institutions, public organizations, telecommunication companies and mass media were the leading organizations in terms of IT expenses.

In short and long terms it is expected the IT market will move towards the service&solution development. For some time the companies will not perform the equipment upgrade and renewal. However, business cannot exist without services [3].

The analysts forecast that 2017 will be difficult for most IT suppliers in Russia but serious changes in the IT procurement and consumption will provide new opportunities for certain suppliers and business models.

Marketing Director, the IT group of companies, Dmitry Vedev believes: skeptical people should be reminded that the key marketing tasks at the "declining markets" — development (regardless of the circumstances).

To develop partner relationships, the necessary requirements to partners remain the same - financial stability, work efficiency, motivated loyalty [3]. These properties become especially important in crisis. The clarity of partner relationships development comes to prominence alongside with the fulfillment of liabilities, process transparency, mutual trust.

Some years ago the vector of the IT companies' marketing strategy was directed onto technology aspects (upgrading technical solutions, sales volume, high status at the market of IT technologies). The purpose was to provide the partners with the most advanced technologies and best solutions for their introduction within the shortest time possible, which, of course, influenced the service cost[1,2].

At the moment, marketing strategies have to be re-oriented. The partner relationship development strategy, based upon the following basic principles, will help a company to retain its strong positions:

1. Today the optimization of services and their adaptation for the needs of a business customer is the priority direction in the area of partner relationship marketing. There is trend towards the reduction of IT budgets, and customers keep requiring the service cost decrease more and more often. It is hardly possible not to take into account the business problems, related to the crisis, virtually in all economic segments. That is why the key direction of the strategy for partner relationship development shall align with the following principle: to hear and understand the customer's wishes, offer the option with an optimal ratio "quality-price". Under harsh competition at the IT service market the customer should feel comfortable and safe with such a partner.

2. To continue the development, the company needs to analyze the situation and identify those market segments which prone to grow and preserve stability. Some companies receive the urge for development exactly during such crisis and because of a crisis situation at the market. The country's policy towards the economic strengthening and import substitution will facilitate the market entering of new actors from small, medium and large business. The cooperation with such partners will be mutually profitable.

3. One should make efforts to identify the markets, which were not affected by the crisis or were insignificantly affected. These markets entry alongside with the large-scale markets - one more partner relationship direction. To reduce in-house expenses for the work with remote partners, one should open representative offices in the regions. This will make the service cost more competitive. Expanding business geography can be profitable as, within the large markets, the introduction expenses will pay off even in case of the market decline.

Many factors define which markets will be prosperous in modern conditions, including the national country policy and foreign situation. Today the defense industry seems to be prospective, especially given that the private business share in the foundation of new defense companies keeps growing.

The information safety provision and enhancement will definitely remain relevant. Various segments of this market need the services of third-party integrators.

Depending on the economic development policy, selected by the government, the agriculture automation can become a prospective area.

Food and pharmaceutical markets are not really dependent on the external conditions as the need in food products and medicines will not disappear. The e-trade market is considered to be prospective as well.

Above we enumerate only some markets the IT companies should pay attention to.

One should also note some trends in the IT market development, indirectly improving the possibilities for partner relationships building and strengthening. One of the trends is technology consumerization. The nature of this process consists in the transfer of technology from IT experts to common users and employees. "If previously IT innovations entered into the consumer's market by means of corporate solutions, now, quite the opposite, the corporate environment tries to perceive those innovations which started from consumer goods".

The change of traditional marketing channels is becoming an observable trend. Modern technologies provide new opportunities for the communication channels. "Social media, blogs, video chats - these are not only new channels but also new requirements to marketing communications, new opportunities for the market work".

Initially, blogging and social media were characteristic for B2C-business. Now all the large B2B representatives use the social media tool. Social media help quickly transfer necessary offers to the largest number of possible clients and gather the response to such offer.

### 3. Conclusions

Summing up the issue, we can draw the following general conclusions.

The IT market situation is difficult now, which is true for the Russian economy in general. The crisis situation is the result of the foreign and national political situations in the country. Key factors, influencing the IT market development, are the ruble exchange rate to USD and euro, absence of low-interest loans, sanctions, general economic decline, absence of national IT products at the market.

However, the IT area in modern world is one of the advanced and the most important industries for the economic recovery, for strengthening and increasing a general cultural status of our country. That is why, despite the period difficulties, the IT industry will grow and develop both in its qualitative and quantitative aspects.

In short and long terms IT services present the most stable sector of the IT market. Development trends are optimistic. However, taking into account the crisis, IT companies need to make corrections in the marketing of partner relationships. In particular:

- It is necessary to focus on the business partner interests, develop the measures for improving a loyal attitude to the client.
- The companies should enter new markets, which will be the most prospective in the conditions of the emerging trends in the development of the country's economy.
- In addition, it is necessary to expand business geography and the network of regional representative offices of the IT companies.

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