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Cloud computing and pay-per-use (or software as a service) solutions have changed the way businesses do business. In this climate, the current 'It Thing' in IT is to focus on consumer satisfaction as a growth catalyst. But can the returns of such a strategy be balanced against its long-term costs?

The debate has its roots in how technology, both hardware and software, was packaged in the early days of the digital revolution in the 1980s. In Malaysia, this corresponded with the nation's venture into higher-value electronics manufacturing. At the time, enterprises had to put up with vendor lock-in, large initial costs and lengthy product update cycles.

Pay-per-use solutions have since democratised technology delivery to customers, and this has set the bar higher for suppliers. Customers today are looking beyond brands, feature sets and metrics such as innovation, efficiency and scalability. Instead, they measure how solutions help them achieve their business targets.

The bigger picture

Domestic spending on cloud solutions is expected to reach US$621 mil (RM2.56 bil) by 2021, up from US$29 mil in 2010, according to IDC (International Data Corporation) Malaysia. In other words, the segment has room to grow, with an expansion phase projected for the near future.

This is reflected in current take-up rates in the country, with 44% of small and medium enterprises (SMEs) reporting usage of cloud services, usually in the form of data storage solutions such as Dropbox and Google Drive.

THE 'IT THING' IN BUSINESS IT: IS THE CUSTOMER ALWAYS RIGHT?

Providers of software as a service (SaaS) solutions need to re-evaluate if their focus on consumer satisfaction as a growth catalyst is sustainable.

By Arlene Wherrett

The potential of cloud applications has drawn a growing number of pay-per-use providers to local shores. These are primarily international players such as Sage, Dimension Data and VMware, with cloud applications ranging from accounting and know-your-customer to compliance.

Sustainability has become a key concern for these providers, given increasing competition in the space. After all, even Fortune 500 companies are vulnerable to business turnarounds, with only 10.6% of firms retaining their place on the prestigious list since its launch in 1955.

Against this backdrop, consumer satisfaction has been positioned as a growth driver and differentiator for pay-per-use players. Recent IDC European Enterprise Services Surveys have cited it as the single highest priority for enterprises when it comes to selecting IT services providers.

With this in mind, thought leaders have proposed consumer-driven strategies to reduce churn rates – the pace at which customers cancel their pay-per-use subscriptions. These strategies focus on:

1 **Quantifying customer success:** The track record of large-scale IT solution deployments has room to improve, with many failing to deliver desired customer business outcomes. By clearly defining these in detail at the start of the process, providers can 'stay on target' by guiding deployments towards a visible goal.

2 **Breaking down barriers across value chains:** There is a tendency to pass the customer relationship 'buck' between providers and partner networks. By sharing ownership of customer relationships between all stakeholders in the pay-per-use value chain, the industry as a whole will focus less on transactions and more on retention and reduced churn.

3 **Future-proofing pay-per-use solutions:** Technology providers across the board in Malaysia have traditionally relied on partner networks to distribute solutions. However, IDC predicts that by 2021, 30% of these partner networks will disappear. Solutions designed today will need to take this into account when planning for success tomorrow.

While these strategies make sense as growth drivers amid wider competition in the pay-per-use space, some have questioned whether the pursuit of customer satisfaction is a pipe dream.

You can't please everyone

IDC cites the impossibility of pleasing everyone when client bases number in the millions. Heterogeneous customer demographics further complicate the issue, with different measures of success for every niche.

This is particularly relevant for the Malaysian market, which in regional terms is far from sizeable, with a population of just 32 million compared to Indonesia's 264 million. In addition, its complex, multi-ethnic structure and evolving consumer behaviours require extensive segmentation efforts to position products and services effectively.

As such, insights into consumer behaviours become crucial to target specific demographics effectively. In particular, service experiences need to be designed around the following two pillars:

1 **Know your customer:** Customer support calls and feedback surveys are means to an end, not an end in themselves. The goal among both providers and partners should be to source insights from each customer interaction which are beneficial for the organisation as a whole. The key focus here is not on 100% customer satisfaction, but to strive towards 100% understanding of a given client base.

2 **Value in every interaction:** Here, the shift is from knowing what business outcomes a customer is striving towards, towards knowing what they value – in other words, what they are willing to pay for. This philosophy is implicit in the pay-per-use model, with customers no longer buying products and updates, but outcomes and levels of service.

Both sides of the customer satisfaction debate have merit, with valid points to ponder. As cloud computing, software as a service (SaaS), and pay-per-use models are still evolving in Malaysia, it is unlikely that the answer to the debate lies solely in one perspective or the other.

Instead, as with most things in life, I believe that SaaS providers in the country will need to strike a balance between customer satisfaction and customer value to effectively manage churn while achieving business targets.

However, players in the space should keep in mind that this is not the same as striving for the best of both worlds. Instead, it is about finding the ideal trade-off between the two that makes the most sense for their respective scales of operation.

Arlene Wherrett is Vice President and Managing Director at Sage Asia.