

The Tech Enterprise Customer is King: Assessing the business impact of the cloud on your next product roadmap

Creating a roadmap to roll out your next tech product must assess the impact that cloud computing has made and will continue to make on your business. Cloud computing is not just a new way to store information, it has revolutionized the relationship between seller and vendor in ways that might not be immediately apparent. Without a deep level understanding of how the playing field has changed, tech businesses are likely to be making financial predictions based on incorrect information.

“Consumption Economics: The New Rules of Tech,” (Wood, Hewlin, Lah), analyzes and explains the new business environment for tech businesses. The most fundamental change they discuss is the shift of the risk for capital investment for tech purchasing having been on the customer, to the new cloud paradigm in which the customer pays for new technology on a pay-as-you-go, or even a pay-as-you-grow basis. In the “old” model, all the resources of the vendor are focused on the signing of the contract for the big sale. In the “cloud” model, the vendor still has to focus effort and resources to gain the customer’s buy-in of the product, but a great amount of time and energy must be spent *after* the initial sale in order to a) keep the customer and b) upsell for greater investment in your product.

One example of a successful business model given in the book is that of Siebel Systems: “When the sales rep got the sale, his commission was calculated. But when did the sales rep get paid? At shipment? No. At installation? No. Upon payment? No. They got paid when the customer’s score on a customer satisfaction survey of their top executives reached a specific, high-level target.” In the cloud, the customer has no upfront investment of thousands or millions of dollars to keep them loyal to - or stuck with - a product they may be unhappy with. In the cloud, the customer is no longer the IT department that used to make all the decisions for the technology purchases of the company, today, the end-user is perfectly capable of quickly discovering that a product does not provide for their business needs, and either mutiny wholesale, or simply go out and find one that does work and switch to that, no matter what the IT Department says!

In the business world created by the cloud, technology service companies need to understand that they are no longer selling to the IT department that makes all the decisions, but to the end user. And if the end users are not happy, they will move on to another product that does work for them.

So far this all sounds like very bad news. But believe it or not, there is an upside. In the world of the cloud, what the vendor needs is still that initial contract, but that is not where the sales revenue begins. It begins as the customer, having its business needs properly fulfilled, adds on more users, more apps, more storage, more features. All these transactions are paid on a monthly basis, and as the customer grows, so does the vendor. And this is where the enormous change has occurred through cloud-based business. In the past, the customer took

on all the risk and paid up front for technology services placed on site by the vendor. Now, it is the vendor that takes on the risk of investment. The customer risks very little up front and will only continue if satisfied with the service. Technology companies that succeed in this new cloud-based environment will focus on customer satisfaction above all else.