

Service versus sales: a new era of customer demands

The advances in technology, economic pressures and shifting cultural norms have resulted in consumers looking for cheaper goods and more convenient ways of accessing them. New models of personal ownership are gaining attention in many industries based on the idea that people are increasingly interested in consuming and paying for temporary or limited access to goods and services, rather than purchasing them outright.

This service-driven desire is a reality and has led to companies focusing their business on the customer. Quinton Pienaar, CEO, Agilitude, says that while clearly understood, this remains a relatively new concept locally: "Service-driven demands have driven the birth of a new model known as Customer Success Management (CSM). This approach is becoming more popular among B2B organisations, and especially in those dependent on a recurring revenue model to bolster growth."



Consumers are more informed

Pienaar says that consumers have become more informed and demanding. Having shifted from buying products to enjoying services, more and more aspects of a consumer's life has separated the solution from the device: "Consumers are not as interested in managing physical assets anymore and as a result, companies have to pivot from selling products to managing services, and services require huge amounts of customer engagement."

Going forward, Pienaar says product metrics like units, margins, and inventory have been replaced by relationship metrics like renewals, upsells, and churn: "Companies are less concerned about the number of units shipped, caring more about the successful outcomes they deliver and the consistent, positive interactions with each and every customer."

This is how a traditional business transforms into a Software as a Service (SaaS) company. If the SaaS business becomes larger, so does the size of their subscription base. So much so that customers who churn after an initial contract purchase can have a huge impact on a company's long-term financial prospects. That loss of revenue requires more and more bookings coming from new customers just to replace the churn. As a result, growth slows substantially.

Boosting retention

When centred around managing relationships vs. selling products, businesses are economically focused on customer retention. "It is here," says Pienaar, "that boosting retention requires comprehensively managing the success of customers, keeping all health metrics up to date, and moving proactively when warning signs appear in any given account, at any given time."

In an increasingly cost conscious world, the benefits of temporary just-in-time access to products and services - without the cost and hassle of ownership - are becoming more appealing. At the same time, the explosion of social media and mobile devices, as well as the growth of cloud computing, are dramatically increasing the speed with which information is reaching consumers and facilitating their access to goods and services.

"It is becoming increasingly clear that every company has to build a customer-centric culture if they want to remain a profitable business. It is about relationships and customer intimacy and understanding customer requirements and less about simply selling. Customer Service Management has simply never been more important," concludes Pienaar.

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