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SAAS MODEL GAINS TRACTION FOR REMOTE CUSTOMER TECHNICAL SUPPORT

*Survey of 208 IT professionals and Managers with
Direct Experience and Responsibility for
Remote Customer Support Operations*

SaaS Model Gains Traction for Remote Customer Technical Support Applications

By

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Introduction:

With the Software as a Service (SaaS) model evolving at a rapid pace, a growing number of organizations that provide remote technical support services to consumers, enterprises and mobile customers are embracing this new way of delivering critical technology-based services to end-users.

A survey conducted by **BizTechReports** of 204 technology professionals and managers with customer-facing technical support responsibilities reveals that there is growing interest in the SaaS delivery vehicle (which is also known as On-Demand or Web-based software), even from organizations that already have legacy premise-based customer support infrastructures in place.

This is a remarkable trend, considering the relative youth of SaaS in this segment of the market (it is most mature in the Customer Relationship Management space). As the study further demonstrates, customer technical support is viewed by senior executives and technology managers as an increasingly important and core business function – suggesting that SaaS-based solutions could become ever more consequential in this area of business operations.

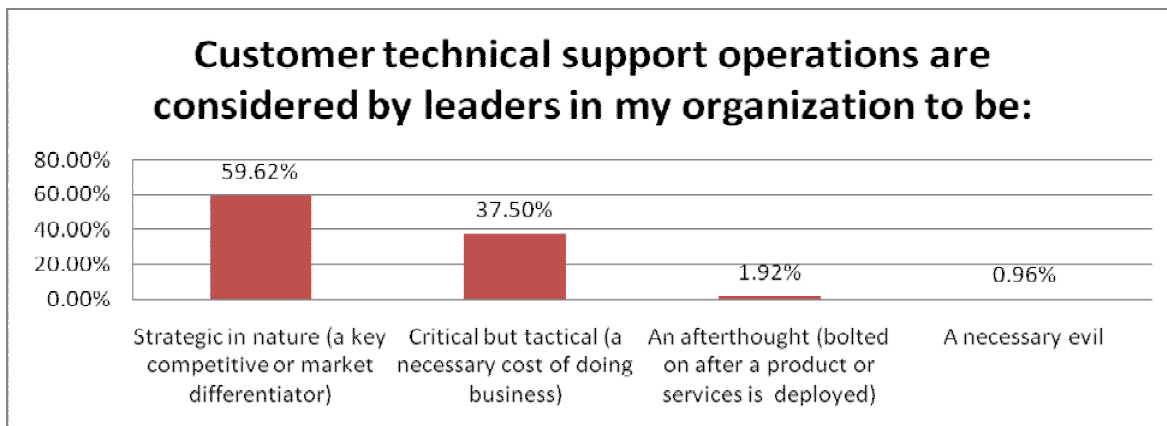


Figure 1 - Source: BizTechReports

- Nearly 60 percent of respondents to the survey characterized customer technical support as a “strategic” activity because it plays a central role in differentiating organizations from competitors and achieving key corporate objectives.
- Over 37 percent of respondents described their customer technical support operations as a critical business requirement for remaining competitive.

The findings further support the premise that the current economic downturn – which is hampering the ability of many enterprises to generate new revenues – has elevated the customer retention imperative.

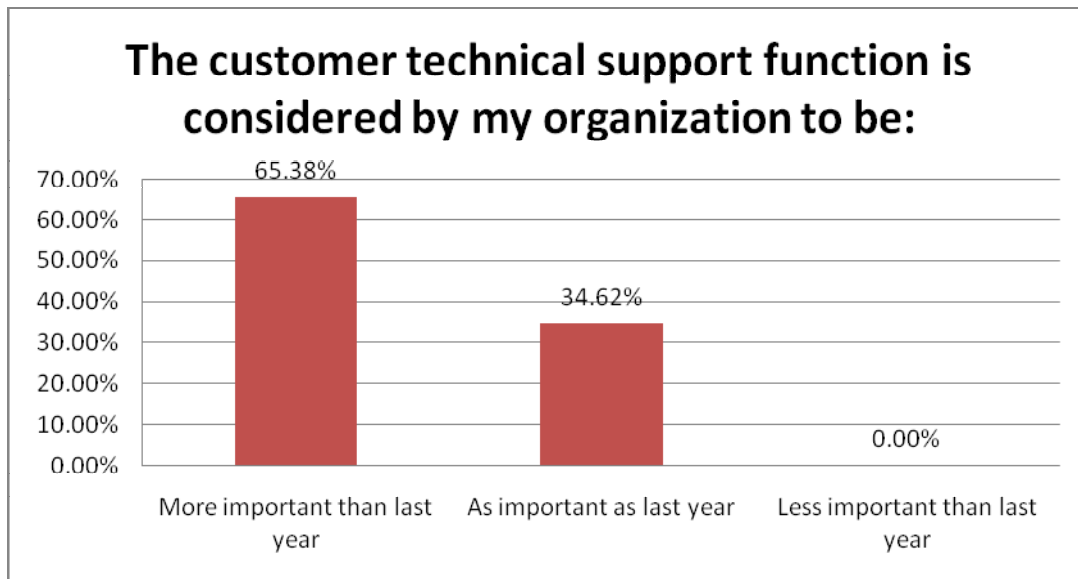


Figure 2 -- Source: BizTechReports

While the vast majority of respondents (82 percent) use premise-based technologies to support their technical support operations, a significant percentage of this segment see important benefits associated with SaaS delivery models. For instance:

- 9.7 percent of premise-based customer support respondents indicate that SaaS would be a better way to manage and predict the operational costs of customer technical support operations.
- 9.8 percent of respondents with premise-based customer support operations believe that SaaS would be a better way to meet cost containment/budget requirements for remote support operations.
- 10.9 percent of premise-based customer support respondents believe that the ability to scale customer technical support operations up or down could best be achieved with a SaaS-based system.
- 12.1 percent of premise-based customer support respondents state that business continuity and disaster recovery strategies for customer technical support operations could be most effectively achieved via a SaaS platform.
- A whopping 19 percent – nearly a one fifth of premise-based customer support respondents – report that SaaS-based remote support tools would be a more effective way to enhance the high-availability performance of customer technical support operations.

By contrast, the survey found no similar “defections” from respondents who deployed SaaS-based solutions for customer technical support activities.

...Findings Support Growing Evidence of Enterprise Acceptance of SaaS

These findings suggest that SaaS is gaining traction among customer technical support professionals and managers in a critical enterprise activity. It contributes to the growing body of evidence documenting the rapid growth of SaaS technology as a preferred delivery platform in the enterprise arena, even as IT spending as a whole comes under the budgetary axe.

"With a broad slowdown across IT sectors, businesses are increasingly bearish about their short-term ability to invest, whether for stability, growth, or cost savings down the road," says Robert Mahowald, director, On-Demand and SaaS research at IDC.

"But SaaS services have benefited by the perception that they are tactical fixes which allow for relatively easy expansion during hard times, and several key vendors finished the year very strong, reporting stable financials and inroads into new customer-sets."¹

According to the most recent analysis from Gartner, the market for SaaS is forecast to reach \$8 billion in 2009, a 21.9 percent increase from 2008 revenue of \$6.6 billion, and will show consistent growth through 2013 when worldwide SaaS revenue will total \$16 billion for the enterprise application markets.²

"The adoption of SaaS continues to grow and evolve within the enterprise application markets as tighter capital budgets in the current economic environment demand leaner alternatives, popularity increases, and interest for platform as a service and cloud computing grows," according to Sharon Mertz, research director at Gartner.

...Putting SaaS into a Remote Customer Technical Support Context

Customer technical support professionals and managers are reevaluating how to deliver services as more attention is placed on the disposition of capital budgets and more pressure is applied to contain and manage costs.

Over 88 percent of respondents reported that senior management is aggressively seeking ways to reduce capital expenditures associated with customer technical support

¹ Software as a Service Market Will Expand Rather than Contract Despite the Economic Crisis, IDC Finds (<http://www.idc.com/getdoc.jsp?containerId=prUS21641409>)

²Gartner says Worldwide SaaS Revenue to Grow 22 Percent in 2009 (<http://www.gartner.com/it/page.jsp?id=968412>)

operations. Over half indicated that they are under more pressure this year than last year to contain costs.

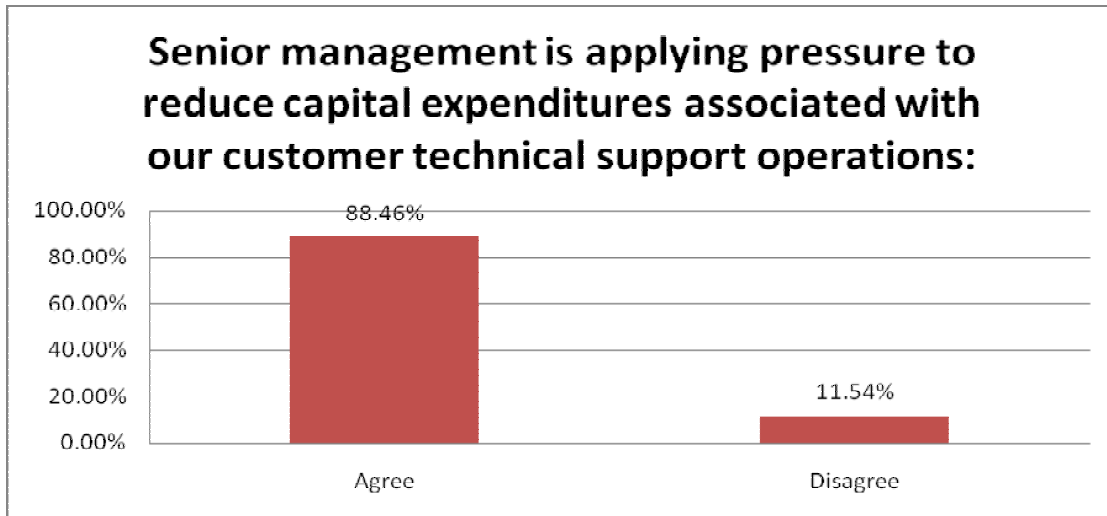


Figure 3 - Source: BizTechReports

These pressures are shaping the priorities of managers and professionals charged with deploying infrastructures to provide remote customer support services. For instance, in addition to controlling capital outlays, the **BizTechReports** survey found that:

- 96 percent of all respondents find the ability to manage the operational costs of customer technical support is growing in importance.
- 94 percent of respondents indicate that the ability and flexibility to quickly scale customer technical operations up – or down – in a cost effective manner is growing in importance.

These priorities play well to the strengths of SaaS solutions. According to Gartner's Mertz, factors driving adoption of SaaS include:

- Rapid deployability;
- Rapid ROI;
- Less upfront capital investment; and
- Decreased reliance on limited implementation resources.

She adds that many enterprises are further encouraged by the fact that, with SaaS, the responsibility for continuous operation, backups, updates and infrastructure maintenance shifts risk and resource requirements from internal IT groups to external vendors or service providers.

...Concerns over Maturity of SaaS Waning

In **BizTechReports'** random survey of technology professionals and managers active in remote customer technical support activities, only 16.5 percent were applying SaaS to support operations. This percentage illustrates the early cycle at which SaaS finds itself with this business application. But it also hints at some latent concerns about the maturity of SaaS when it comes to supporting this critical customer retention activity.

The maturity issue, however, seems set to quickly be resolved as offerings from the provider community continue to demonstrate the industrial strength of their SaaS offerings and analysts gather more evidence that the SaaS market has come of age.

"SaaS applications have advanced beyond early market applications in human resources and CRM to become a game changer in the enterprise software market," says Liz Herbert, senior analyst, Forrester Research.³

"SaaS adoption continues to increase, and it is now relevant for a wide array of applications. This new research provides strategic direction to end users evaluating SaaS technologies and planning their next decade of investments."

SaaS-based technologies poised to experience significant success in the enterprise market include:

- **Collaboration.** Forrester's market data has shown SaaS collaboration to be one of the hotter areas of SaaS adoption, with the potential to significantly impact the collaboration market. Collaboration, of course, lies at the core of customer technical support and includes technology like remote support.
- **Web conferencing.** Already heavily SaaS-based, Web conferencing technologies continue to move in that direction. It is an ideal candidate for SaaS, and many companies are comfortable using SaaS technology for Web conferencing purposes. This capability is particularly critical for supporting complex technical offerings at the enterprise level.
- **IT Service Management (ITSM).** ITSM will have a significant impact on the ability of organizations to develop and rapidly deploy new innovative and responsive customer technical support services without having to completely re-invent the code base. The re-usability benefits of SaaS-based solutions, therefore, have the potential to support the ongoing efforts to continuously improve remote customer technical support operations.

³ Forrester Forecasts The Future Of Software-As-A-Service Technologies, (<http://www.forrester.com/ER/Press/Release/0,1769,1256,00.html>)

- Built-in BC/DR.** The nature of SaaS makes it an ideal platform from which to develop operationally effective and financially cost-efficient business continuity and disaster recovery contingency plans. This is critical for a remote customer technical support operation that is primarily focused on ensuring high-levels of availability and improved customer satisfaction.

...Customer Satisfaction is the “Sine Qua Non” of Remote Technical Support

Customer satisfaction is far and away the driving factor when it comes to setting priorities for investments in remote customer technical support initiatives. Nearly three quarters (73 percent) of the **BizTechReports** survey respondents singled out end-user satisfaction improvement as the principal mission of the remote customer technical support operation. It is interesting to note that cost reduction (at 57 percent) was a distant second priority.

Principal Mission of Remote Customer Technical Support	
<i>Improve end user satisfaction</i>	73.08%
<i>Reduce cost of operations</i>	56.73%
<i>Accelerate problem resolution</i>	54.81%
<i>Access to latest analytical tools</i>	39.42%
<i>Customer retention</i>	32.69%
<i>Capture systemic problems with technology or business processes so they can be reengineered</i>	23.08%
<i>Capture new customers</i>	20.19%

Figure 4 -- Source: BizTechReports

This finding also helps to explain why organizations plan to continue investing in remote customer service staff and infrastructures, even as their budgets come under a microscope.

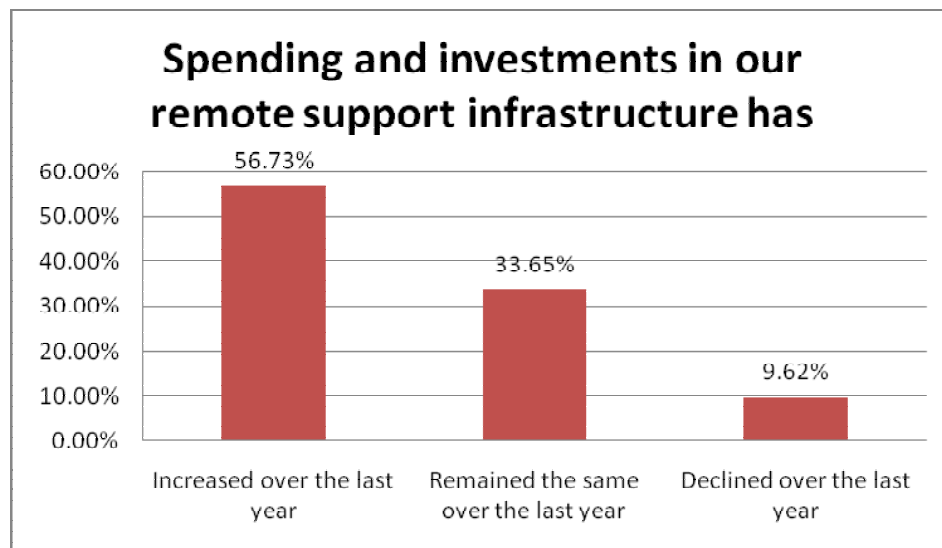


Figure 5 - Source: BizTechReports

Over half of the survey respondents not only report that they invested more this year over last year, but a remarkable majority plans to do it again next year.

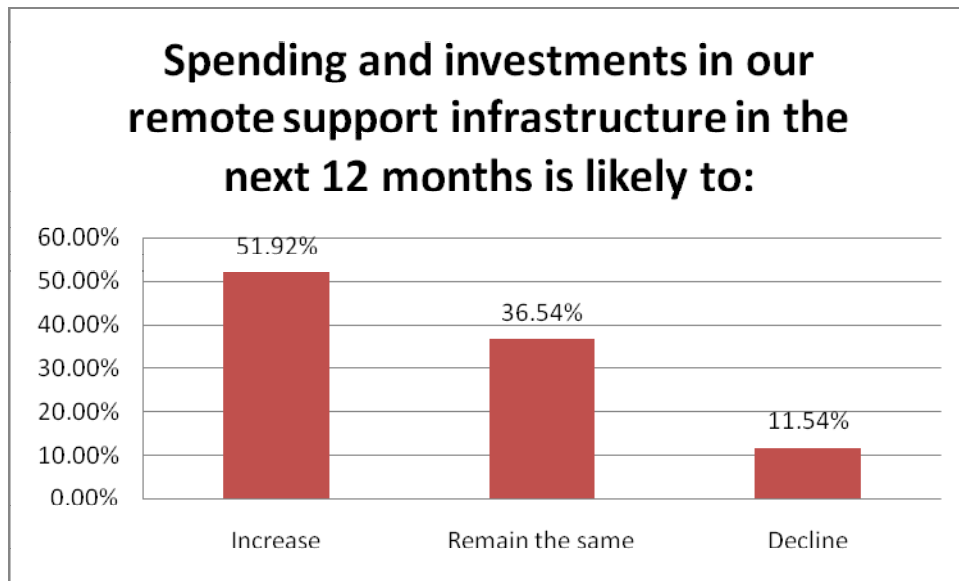


Figure 6 -- Source: BizTechReports

Only 12 percent expect to see a decline in funding. This truly illustrates how important customer retention is seen by executive leadership – especially in the current economy. It is a primary priority that must be funded if organizations are to successfully navigate today’s environment.

However, it also seems clear from the findings that executives are carefully monitoring the kinds of investments that are being made to support this critical function.

...Conclusion: Winning Hearts, Minds and Renewals

Many organizations may spend a dollar to make a dollar when they acquire a new customer. Most executives, however, understand that true profitability comes from repeat business driven by retained customers.

The customer retention imperative is even more acute during difficult economic times. In the absence of fresh revenue streams, renewals are the life blood of today’s organizations.

Unsurprisingly, the role of remote customer technical support has emerged as a critical function for many, if not most, organizations. And, since an increasing number of industries and offerings include a technological element in today’s digital economy, the demand for high performance in customer technical support can only be expected to grow.

Clearly then, executives will have to continue investing in effective remote customer technology support. Key issues before executives will revolve around how to:

- Optimize the impact/return of these investments.
- Maximize flexibility and agility of the remote customer technology support operation.
- Preserve capital resources – perhaps by shifting cost structures from CAPEX to OPEX.
- Harness technologies that can extend and re-use existing technical assets.

The findings in this **BizTechReport** survey corroborate the growing body of work that is prompting organizations to adopt SaaS more broadly, and suggest that many organizations are ready to apply SaaS-based solutions in remote customer technical support operations to contribute to mission-critical priorities.

Appendix I
About the Respondents of this Survey

