



Rethinking Strategic Digital Toolmaking Can Cap Customer Acquisition Cost and Reduce ROI

It's all about the high cost of customer acquisition and solution onboarding. Software for these specific uses tends to be very expensive? Why is that and what can be done about it?

Let's start with the onboarding and operating costs first. Small to medium-size businesses typically can't shoulder high IT setup and support fees, thus the current trend toward Cloud and SaaS solutions. Cloud solutions let others configure, scale, and support your business's IT needs. SaaS solutions allow easier deployment of software and availability from multiple devices. It's a common misconception that SaaS solutions are more cost effective for the user; this isn't necessarily true. It's definitely cheaper for the software vendor, for a couple of reasons. A constant flow of revisions makes managing different versions, and quick bug fixes, much easier. How does this help the small and medium business (SMB)? It makes the process manageable by a non-technical staff as it reduces the IT infrastructure overhead, which is where the ultimate savings are.

How about large corporations? They're also going towards Cloud and SaaS solutions. Their issues are similar, a primary difference being the need for information security, scalability, and accessibility throughout the world. In addition, large companies need to keep information within the sovereign jurisdiction of some governments and not elsewhere. This can be very expensive to manage with your own system and staff. Hence, Cloud and SaaS reduce costs and complexity for their customers.

When onboarding a new software technology, most companies face several considerations: Do I need to retrain my people? How do I migrate my existing information? Will this solution be around for a long time? Are others using it? Is it affordable? What about configuring the software to suit my needs? The last issue can be VERY expensive for a lot of software packages. Sharepoint can cost a million dollars to deploy versus a Box solution with a price tag in the tens of thousands. There are pros and cons to either solution, but the problem SMBs have is that many times they lack the internal expertise to know what's best for them. It's always perceived as safe to choose the big name that's very expensive; it seems like a lower risk option. Yet the configurations of high-priced solutions are fairly rigid and expensive to reconfigure. Hence, the productivity gains that were hoped for are often lost due to the system not being flexible enough and the users trying to circumvent the system in order to simplify their own lives. This issue becomes more and more of a dilemma for the traditional big software vendors. Their onboarding costs are too high and productivity gains are not realized to their full potential.

Let's focus for a moment on specific Customer Acquisition (CA) costs. These consist of advertising, marketing, sales staff, conferences, promotional materials, and call centers – in other words, the total amount of money it takes for a vendor to land a customer. CA costs can dramatically impact the product's selling price. As an example, a large software company has a CA of \$7,000 per user but charges \$1,200 per year for a user to receive their SaaS cloud-based software solution. That means it takes a company nearly six years before the customer pays for what it cost to get them. This is why the concept of Freemium has come along. With a well defined freemium plan, your customer acquisition costs can be reduced to \$0.43 to \$210 depending on the type of client. With the CA costs being so low, it's easier to make solutions more affordable to the end user.

What about the businesses and their unique needs? Tailoring to them, solutions should have easy-to-understand formats, be highly customizable by a non-technical person, and adeptly plug into their existing eco-system of consultants and custom vertical software solutions.

To recap: Reduced customer acquisition costs, reduced onboarding expenses, increased flexibility of the solution, usability on all devices, including mobile smartphones, while coupled with affordability, is exactly what the market is looking for. This is especially true for small and medium-size businesses that have been grossly under-served by large software vendors.

About Us

Qikspace (www.qikspace.com) specializes in social collaboration software with a personal relationship management (PRM) component. Qikspace was started as a research project in 2011 the emphasis was the analysis of contextual relevance in relation to human interactions. The result of this research became the platform that is being developed and enhanced today. Our unique philosophical and technical approach has allowed us to create a solution to the complex world of online human interactions and the consequent collaborations.

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