Be smart on post-sale support

By Denzil Doyle

One of the costliest errors made by early stage technology companies is their indifference to the supply of post-sale support. Hardware companies seem to think their products will never fail and on the rare occasion that they do, it would be unfair to charge the customer for repairing them. (I wish my automobile supplier was so magnanimous). Systems companies seldom factor in the cost of providing a warranty on their deliverables and so they are reluctant to provide it. In fact, they often encourage their customers to do their own maintenance. Software companies are so preoccupied with penetrating their target markets with their killer apps that they seldom give any thought to maintenance and service of any type.

The managers of all three of the above types of companies have a tendency to handle post-sale support in their early days by giving their customers direct access to the people inside their companies who designed or delivered the products or systems. Common sense should tell them that that practice can wreck their companies but they pursue it nonetheless. In the case of hardware and systems companies, the deliverable should have a specified warranty period (one year maximum) and the supplier should be prepared to offer maintenance on a profit centre basis after the expiration of the warranty. Such maintenance can take the form of an extended warranty, a return-to-factory service or per-call service.

As an absolute minimum, they should provide spare parts in kit form to customers who may want to take a stab at doing their own servicing. I am familiar with one hardware company that was indifferent to the maintenance need and the opportunity and had even set up some of its distributors to provide it. An annual calibration of the product was required and it turned out to be a disaster, primarily because the distributors were not able to keep up with changes in the technology.However, that did not deter one of them from going into the manufacturing business and supplying a competitive product. He had learned just enough to be dangerous.

The greatest single benefit to a company that makes a serious attempt to provide post-sale support in a professional way is increased customer satisfaction. Another is that it gives the company a source of recurring revenue that can be very profitable. Another is that it creates an ongoing customer interaction that can be invaluable in pursuing future sales opportunities. Although post-sale support can be very different for a software company than for a hardware or systems company, the opportunities for increased customer satisfaction and increased revenues are just as great. A quick look at some of Canada 's largest software suppliers confirms the latter.

A May 22 report by CIBC on the Canadian software industry shows that firms like Cognos and Open Text have maintenance and service revenues that are about equal to their license revenues. What is more significant is that sales in the first two have been growing more rapidly than sales in the latter and they have been much less volatile. This would suggest that such activities are easier to manage. Most high tech managers will attest to the difficulties of managing a business that cannot be forecasted with some degree of accuracy. Unfortunately, the longer that a company procrastinates in putting proper post-sale support facilities in place, the more difficulty it will encounter in doing so. My advice is that it should be built into the new venture business plan that is used to launch the company in the first place and that it be built into its annually updated strategic plan and operational plan. Its shareholders and customers will benefit from the action and they rank the highest on a company 's hierarchy of responsibilities.

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