

Gary Weiss is the Senior Vice-President of Cloud Services for OpenText Corp., a publicly held, Waterloo, Ontario-based developer of enterprise information management software, including data analytics. It ranks No. 1 on PwC's Fastest Growing Cloud Companies, based on cloud-related revenue growth from calendar 2013 to calendar 2014.

PwC: What issues do your customers have about moving to the cloud?

Weiss: Cost, speed and security are the big three that companies consider together and then determine whether they want to go cloud or not. Sometimes the application warrants it, sometimes not. It depends on the customer.

PwC: Can you give examples of when it warrants?

Weiss: A customer of ours was thinking of upgrading a big software package. They said maybe now is the time that we move to the cloud because we won't have to spend money replacing hardware and upgrading the environment and can quickly move to the next major release. We can spend money and time on other things. So upgrades are a key driver.

In another case, security was a driver. A customer in Europe decided it would be more secure to use a cloud provider to manage critical data the company relies upon for their entire business. That's because the cloud vendor has the compliance and certification that meet the standards for data privacy in Europe. Otherwise, they would have to spend a lot of resources on security and consulting to make sure that they were managing and protecting that information.

PwC: How has the shift from licensing to subscriptions, replacing the long-term capital expense with the short-term operating expense, affected you?

Weiss: Subscription revenue is recurring and predictable, less affected by short-term market fluctuations. We give customers a choice. They can continue to license our product for on-premises use. They can also acquire our product in a subscription model, which includes the software and support. We will also host and manage a customer's licensed application in our data centre. It's still a customer's choice.

There are benefits from a customer perspective to the subscription model. So customers seem to prefer that. But we still see a mix of customers who prefer to continue down the traditional path, and another set that prefer the subscription model.

PwC: **You say that customers seem to prefer subscription – what's the split?**

Weiss: We introduced subscription pricing in January 2015. So we have less than two years of introducing subscription pricing to our traditional on-premises customers.

I don't know what exact number that is, but subscription pricing is the pricing model for our Managed Services offerings. For those that already have a traditional on-premises license and decide they want OpenText to manage their application in our cloud, they pay managed services by subscription. Most new cloud customers pay all fees by subscription. As our Managed Services business grows, so does subscription pricing.

Our customers see merit in both models and our position is to let customers choose. This is our hybrid strategy and we believe there will always be a need for both delivery and pricing models.

PwC: **Are you doing things differently in how you're compensating salespeople?**

Weiss: Some companies have tried to separate their sales teams into a cloud team and an on-prem team. We think if you put two deployment method sales teams in the field to talk to the same customers that would confuse them.

The cloud team could tell a customer don't go on-premises, because everything is better in the cloud. And the on-premises sales team could tell the customer the cloud is not to be trusted.

Our position has always been to be agnostic, provide the options and let the customer choose. So for us it's one sales team and two compensation models. The cloud compensates a sales rep for the contract value, with annual prepayments. The on-prem pays on a license and maintenance.

We tried making the compensation in quotas and the compensation fees equitable to what our expectations are for performance in both those areas. So that the sales guys are not trying to game the system and steer a customer one way or another based on compensation. That's been our overriding goal: allowing the customers to choose.

PwC: What have you learned since January 2015?

Weiss: The cloud is a services business and the one thing that I would convey to others is to treat it like a customer-service business. It's not a software business. When a customer subscribes, they expect to get customer service like a person would receive from a telecom or cable company.

And it's not just a customer support business. They're not calling up, asking you to open up tickets to find a software bug. They care about delivery and availability of service all the time.

So the biggest thing to invest in is customer relationships. Understand what the customer service organisation does—it's a 24 x 7 x 365 group that's wholly responsive to customer issues. Most software companies out there need to make that transition. They need to understand the investment that has to be made in customer service.

The other learning that stands out is culture. It's easier for a company starting in the cloud business than it is for a company to shift to a cloud business. If you start in the cloud, you have one pricing model and one deployment model. It's easy to focus on building a service on one application internally and that becomes the *de facto* standard approach. It's a different approach than if you are a traditional company building software and then putting it into a cloud service. Contracts, compensation, etc. are all impacted during a change in models. I would recommend to software vendors not to overlook culture and to make sure there is plenty of education, communication and promotion of successes.