

Digital age and data protection

FROM PREVIOUS PAGE

Ironically, what happened next echoed the adage that too much of a good thing is not good as the surge in sales also led to the downfall of Extol's sales skills.

"Due to the effectiveness of the antivirus, our sales person could just sit back and receive orders. They were earning a five-figure income back then. As a result, we found that everybody in the company wanted to join our sales team, even our R&D engineers.

"Those were heady times for us but on reflection, in the long run, our sales team lost their selling skills... they didn't know how to market and became too arrogant and complacent," Justin says. The entire company even shut down for a week to go for a company-sponsored holiday in Las Vegas.

Numerous R&D projects but little to show

But Armour continued to do well. The US Department of Defense even purchased 1.5 million units of the software through Extol's technology partner, Norman. However this caused a ruckus as American software vendors lobbied successfully for the government to use only American-owned antivirus software. Locally, the Armour antivirus was selected as the official antivirus solution for the Kuala Lumpur Commonwealth Games in 1998.

It was the strong success of Armour that persuaded Extol to embark on numerous R&D programmes, spending a total of RM7.45 million from 2002 to 2008. It hoped that the projects would replicate the success of Armour. Unfortunately, not many of its initiatives were commercially viable. "Our experience has shown that out of 10 initiatives, on the average, only one is successful," says Justin.

To date, Extol has 15 to 20 copyrights for its software solutions, while it has patented its EC*TEG, an RFID reader system currently used in the garment industry.

Most of its solutions are security-centric, hence banks and financial institutions are its immediate clients. Justin says about 90% of its revenue comes from banks and financial institutions.

The security software market remains resilient despite the current economic slowdown. IDC, an IT global market research firm, is optimistic about Asia-Pacific despite the gloomy economic conditions.

It says 36.6% of respondents in a survey indicated that they would increase their IT spending on infrastructure software over the next 18 months.

Learning from past mistakes, Justin realises it is not viable for the company to do R&D on every single solution. It will now focus on providing solutions based on two pillars — digital age and data protection.

Digital age, Justin says, relates to artificial intelligence, where research will cover machine intelligence, learning and algorithms. Algorithms are critical for the success of industrial strength artificial intelligence and neural networks, and some of the research can now be used in industrial applications, such as fraud detection, face recognition, antimoney laundering, control systems and other pattern analysis requirements.

The company is also looking to start franchise programmes overseas; Extol is franchising its business concept and supply chain to countries in the Middle East.

That said, Extol faces tough times ahead. It posted a net loss of RM2.5 million in 1HFY2009 ended March 31. Indeed, Justin says it will be a challenge to maintain its profitability in the current financial year. "We can maintain our revenue but profitability will be a challenge. Still, we hope to break even this year. We've recently secured some big orders," he says. Looking forward, the company hopes that its focus on the two pillars will pay off.



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