AppDirect



AN APPDIRECT EXCLUSIVE

The Definitive Guide to Subscription Commerce

Everything you need to build your subscription commerce strategy.

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Introduction

As a consumer, chances are good that you're part of the subscription economy. Maybe you have an Amazon Prime account, stream Hulu, or listen to your favorite songs on Spotify. Now, subscription services are so common that it's easy to forget that the business model as we know it today is relatively new. Netflix, long considered an industry pioneer, launched its first monthly subscription product in 1999.

In the two decades since then, we have watched as the "old" world of products and one-time transactions has turned into a new world of subscription commerce with predictable, recurring revenue for everything from software, to heating and air conditioning maintenance, to healthcare and home or office cleaning, to real estate and beyond.

In fact, the 2020s are set to become the era of B2B subscription commerce, with companies looking at subscription models for anything that can be monetized based on value instead of ownership. Wall Street and investors are rewarding the pivot to recurring revenue with substantially higher company valuations, as much as eight times greater than comparable companies with transaction-based business models.[1]

Nonetheless, selling simple subscriptions to consumers for products like razors or streaming media is quite different than selling software, services, data, hardware, and more to businesses and their employees. That's why we created this "Definitive Guide to Subscription Commerce" to help you understand what it takes to launch, scale, and optimize a subscription commerce offering.

1. "Jeff Wissink, Managing Director Of Navint Partners, Gearing Up For New Revenue Models, CFO Publishing, September 2018 [1]

The New World of Subscription Commerce

The IMARC Group predicts that the global “anything as a service” subscription market will grow to

$344.3B

by 2024, reaching a CGR of 24%

SOURCE: IMARC GROUP

CHAPTER 01

Hidden Complexities of Subscription Commerce

The subscription model has been around since the 17th century, when publishers relied on subscriptions to see regular revenue from book sales. However, these early forebears of Amazon.com didn't have the advantages of always-on, always-connected digital technology that has turned the model into the global business phenomenon that it is today.

Modern Subscription Commerce

Any product or service that you subscribe to and pay for can be considered part of subscription commerce, but there are a few key differences between various offerings. Today, subscription commerce is most often associated with two business-to-consumer (B2C) product categories:



Subscriptions to consumer products, such as subscription boxes, where consumers sign up for regular delivery of a wide range of items, from beauty products, to pet supplies, to clothing, and more.



Subscriptions to media streaming services, including Netflix, Hulu, Spotify, Audible, and others.

A third major offering that falls under subscription commerce are the "as a service" products that dominate the public cloud. These are infrastructure as a service (IaaS), platform as a service (PaaS), and software as a service (SaaS). While some "as a service" offerings can be considered consumer products, the majority are B2B solutions geared toward business users.

The Newest B2B Subscription Models

While SaaS was the pioneer in the B2B subscription commerce economy, companies are now thinking outside of the software box to uncover how they can monetize other products, such as data and data sharing, business services, energy, and more. (These types of offerings are often called anything as a service, or XaaS.) As B2B subscription commerce continues to evolve, the offerings will likely include:

- Software
- Hardware
- Data (e.g., from sensors and other equipment)
- Energy
- Financial services
- Heavy equipment charged on a usage basis

An important difference to note:
Subscription commerce is not the same as e-commerce. Subscription commerce, whether B2B or B2C, is focused on managing an ongoing customer relationship, while e-commerce is about a one-time transaction.

Hardware as a Service: The Next Evolution of the Internet of Things (IoT)?

> The rise of XaaS proves that companies are thinking creatively about the types of products and services that can be offered as subscriptions. This is particularly true for the IoT sector, where companies are not only offering software, data, and other digital services, but also subscriptions to the hardware itself.

Everyone Benefits

At a high level, adopting a subscription commerce model is a win-win for both sellers and buyers.

With subscription commerce, sellers get a consistent, recurring revenue stream, which provides an easy way to:

- **Forecast future cash flows and budget**
- **Lower administrative costs associated with time tracking and billing**
- **Drive higher valuations, since capital markets value subscription revenue more than other types of revenue**

Buyers, on the other hand, get a consistent, recurring cost, which gives them an easy way to:

- **Better plan and budget for the solutions they need**
- **Lower the cost (measured in time, employee resources, and CapEx) of solutions**
- **Lower the risk of implementing new tools**

Companies adopting a B2B subscription commerce model stand to gain more than the recurring revenue associated with their new offering. Aside from revenue, many companies pivot to subscription commerce to differentiate their brand, improve customer loyalty and share of wallet, provide flexibility, and reduce their cost of sale. Moreover, investors reward companies with recurring revenue models with far higher valuations than those with only traditional, one-time transaction models.

B2B Subscription Commerce Is Different than Consumer Subscriptions

The main feature that separates B2B subscription commerce from other subscription types is complexity. Selling, implementing, and managing recurring B2B digital products is entirely different than selling simple subscriptions to consumers.

In B2B subscription commerce, companies must consider how to:



Sell software subscriptions (marketplaces, assisted sales, reseller channels, etc.)



Price subscriptions (per seat, per GB, per month, etc.)



Bundle subscriptions with multiple services, on a single invoice, with interconnected discounts



Manage taxation, supplier and reseller reconciliation, and other advanced billing considerations



Handle quotes, customer specific discounts, and contracts



Provision, deploy, and migrate software



Ensure security for highly sensitive business data



Administer identity and access management (including single sign-on, entitlements, etc.)

Subscription Commerce Is Not the Same as Subscription Billing



Subscription billing—also known as recurring billing—is one of the engines that drives subscription commerce, but it is just one part of the larger picture. Subscription billing is the ongoing, periodic payment for a product or service until the subscriber cancels or the subscription expires.



Subscription commerce, on the other hand, encompasses all of the technology and processes that power the sale of digital products on a recurring basis, from sales operations, to marketing, to product delivery and deployment, to vendor management, to customer support and lifecycle management, and much more.

A company can have a great subscription billing solution, but without a larger strategy and platform, its subscription commerce efforts will still fall short.

The Complexities of B2B Subscription Commerce

Selling to businesses has always been more complex than retail consumer sales, and B2B subscription commerce is no exception. In fact, it differs in many ways from the consumer subscription model.

B2B SUBSCRIPTION COMMERCE…	WHICH MAKES IT COMPLEX BECAUSE…
Is multidimensional	The relationship involves multiple people across multiple channels and multiple devices. For example, you can invoice for your own subscription service, but can you also invoice across multiple vendors? Can you invoice across multiple channels (e.g., resellers)? Can you manage reconciliation and payouts for resellers for those same sales?

B2B SUBSCRIPTION COMMERCE...	WHICH MAKES IT COMPLEX BECAUSE...
Needs more sales assistance	Many business customers need help with the decision and purchase process as they consider all the needs of the business.
Often involves the channel	Many B2B SaaS products are purchased indirectly, through resellers, referral partners, distributors, etc., which adds an additional layer of complexity.
Includes complex products and services	Meeting the needs of businesses typically requires robust, multi-user products and services.
Requires seamless integration	B2B customers want a seamless experience across the entire journey, which means that providers must ensure that their internal systems—including CRM, ERP, customer support, and more—are connected. This becomes even more challenging with multi-tier distribution and indirect sales channels.
Must accommodate a range of payment options	Companies pay for B2B SaaS in a variety of ways, including credit cards, ACH payments, invoices, etc. This means providers must be able to accommodate a range of payment types, along with flexible terms (net 30-day, net 60-day, etc.), volume discounts, and more.
Involves multiple decision-makers and other stakeholders	Unlike a consumer sign-up, entering into a subscription contract often requires quoting, negotiation, and approval from many departments and individuals within a B2B customer's organization.

Technology Must-Have: A Subscription Commerce Platform

While billing is an important component of subscription commerce, it's only part of the engine that will enable your business to move fast and reap the rewards of a recurring revenue model.

Successful subscription commerce requires a technology platform to automate and manage the end-to-end customer journey. The platform should provide robust capabilities to power a seamless experience for customers, partners, and internal staff across sales, marketing, product delivery and deployment, vendor management, customer support, lifecycle management, and other processes.

To deliver a frictionless find, buy, and manage experience for customers, streamline your operational processes, and enable you to grow and manage an ecosystem around your offering, you'll need technology designed for subscription commerce. That technology needs to support multi-vendor, multi-service, multi-channel, and multi-device subscription commerce by delivering the following capabilities, at a minimum:

- **Customer relationship management**
- **Marketplace commerce**
- **Product Onboarding**
- **Billing**
- **Identity and access management**
- Spend management
- Data analytics and reporting
- APIs to integrate with existing business system

In the following pages, you can dig into these capabilities in detail.

CHAPTER 02

Let's Talk About Ecosystems



Before we get into what you need to think about when considering a move to subscription commerce, we want to cover ecosystems. That's because ecosystems play an increasingly important role in strategies for building and expanding recurring revenue models.

Companies that open their technology and business operations to third-party vendors are creating what is known as an ecosystem of applications that complement their core solutions

> **A digital ecosystem not only provides the opportunity to drive additional revenue beyond that of the core solution, but can also help companies innovate faster and gain huge competitive advantage by effectively "outsourcing" the development of complementary products.**

Ecosystems are ideal for B2B companies, since many business customers who subscribe to one as-a-service product are often interested in complementary services. For example, buyers who purchase a Salesforce.com solution may want vertical-specific add-ons that they can find in the AppExchange ecosystem.

B2B SaaS ecosystems also epitomize all of the challenges that B2B subscription commerce presents. In any ecosystem, there are multiple vendors, products, channels, payment types and terms, decision-makers, and a long list of other potential stakeholders.

The Benefits of Subscription Commerce-Powered Ecosystems

Ecosystems drive exponentially more value and revenue than single-vendor offerings. Why? Because subscription-based ecosystems:

- **Make your core products more appealing**

  and valuable to your customers because you're offering more options that help them solve more of their problems

- **Create stickiness**

  because customers no longer need to look elsewhere for new capabilities

- **Enable your company to deliver new features quickly**

  without having to create them yourself, keeping your R&D costs down

- **Accelerate your revenue and growth**

  as third-party developers innovate in concert with your core products to quickly meet customer needs

In fact, there is a growing consensus that ecosystems are the most effective way to keep up with the ever-shifting demands of the digital era. According to Accenture, "In today's competitive business landscape, companies cannot go it alone. They need the help of partners that bring unique capabilities, data, customers and industry knowledge that can be a source of innovation."[2] By simplifying the process of developing and bringing digital products to market, ecosystems provide almost unlimited opportunities for scale at less cost than traditional growth strategies.

2. "Cornerstone Of Future Growth: Ecosystems," Accenture, May 2018

The Value of Ecosystems

> By 2024, the Salesforce software ecosystem—a best-in-class industry example—will be



bigger than the company itself, meaning that for every dollar Salesforce.com will make, its ecosystem will make $5.80.

SOURCE: “THE SALESFORCE ECONOMIC IMPACT: 4.2 MILLION NEW JOBS, $1.2 TRILLION OF NEW BUSINESS REVENUES FROM 2019 TO 2024," IDC, OCTOBER 2019

CHAPTER 03

What You Should Know About Billing

The process of billing customers is an essential component of every business, and every business leader knows that billing needs to be accurate and efficient. These basic principles are no different for B2B subscription commerce.

However, just about everything else associated with billing is, in fact, quite different when you're selling subscriptions to businesses. That's why, before you create your go-to-market plan for subscription commerce, you should get up-to-speed on the requirements for the billing engine you'll need as a core part of your subscription commerce platform.

Recurring Billing that Is Ready for Subscription Commerce

There are dozens of recurring billing tools on the market that can handle subscriptions. However, subscription commerce requires next-level flexibility to accommodate the complexity of direct and indirect channels, billing across ecosystems, different pricing based on a range of usage scenarios, procurement across large organizations with different processes, and more.

Billing that is subscription commerce-ready is:

Three dimensional

One-time transactions have two primary variables: price and quantity. Most existing billing capabilities—those found in enterprise resource planning (ERP) systems, for example—were designed with these two dimensions in mind. A company uses the billing system to invoice a customer for a particular product or service at a certain price for a certain quantity.

With subscription commerce, billing becomes significantly more complex because of the added dimension of time. Your company bills a customer an amount on a recurring basis based on a certain pricing model. Take an industrial device, for example, such as a component for a wind turbine. The manufacturer used to sell it as a standalone product, but it added sensors that can detect heat and vibration, creating data that can be monetized.

Now, in addition to selling a physical product, the company sells subscriptions to the data generated by the component as well as predictive maintenance. These add the third dimension to billing, time, because the customer is getting charged at set intervals (for the data subscription) and for services (maintenance) that will happen periodically but can't be predicted.

In subscription commerce billing, the price of a product or service may be fixed or variable depending on whether some or all of the pricing is based on actual consumption by the customer. Time also plays a role for certain contractual or sales terms, such as introductory discounts that are effective for the first three months of the subscription.

How Time Impacts Subscription Billing

	Old “two-dimensional” model	**New “three-dimensional” model**
Transactions	One-time	**Recurring**
Price	Fixed	**Fixed or variable**
Units of Measure	Quantity of units	**Quantity of units, consumption, or a combination**
Discounts	One-time	**One-time, variable, time-based**
Profit	Unit margin	**CAC to LTV**

Dependent on customer usage

The general trend in the subscription commerce market is to move to consumption-based pricing, where customers only pay for what they actually use. Companies with a large platform solution sometimes charge a combination of a flat, recurring rate for the core product and usage-based billing for transactions, features, and so on. In fact, there are many different metrics used to define usage—from the number of concurrent users, to volume of daily transactions, the number of times a service is used, to the number of minutes a product or service is used.

Whether or not you plan to have usage-based pricing from the start, your products and services should have a way to track and report consumption to your billing system. Your billing engine must be able to understand and use consumption data to accurately calculate the appropriate pricing each month for each customer, including any fixed or recurring fees (often billed in advance) and usage fees (billed in arrears).

Agile and holistic instead of product-centric

Traditionally, B2B commerce has been product-centric, with a catalog of physical goods that were sold and shipped to customers. Back-office processes and supporting systems, such as ERP systems, were built around the concept of products, catalogs, inventory, and one-time transactions to sell those products to customers. Simply stated, ERP systems and other billing tools were designed to automate invoices and collect payments for products.

B2B subscription commerce, on the other hand, is dynamic. It goes beyond one-time transactions and can easily support customer relationships that change over time. Subscribers purchase additional products and services, they decrease or increase the number of users accessing your service, they increase usage or want to add new modules, just to name a few changes. Your subscription billing engine must be able to easily and automatically handle changes to the relationship as they occur.



EXAMPLE

A large IT managed services provider was growing its cloud subscription business exponentially, but its backend struggled to keep up. The provider's legacy systems, including an antiquated ERP solution, were not built for subscriptions. Every transaction was invoiced separately, and the provider's solution bundles—packaged together purportedly for convenience—had to be billed separately. It was a recipe for frustration, and significantly higher costs, for both the provider and its customers.

The bottom line is that customers want a seamless experience across the entire lifecycle, from discovery, to quote, purchase, invoicing, payment, provisioning, and access—across any sales channel. Automation is the only way to achieve this type of experience.

> **This can't be overstated: The systems and processes for subscriptions must be automated. If any part of your shift from a product-centric business to a subscription model requires manual processes, your growth will not be sustainable.**

Flexible

> **Traditional billing capabilities are fairly rigid, and with some solutions, once pricing is set it can be very difficult to change.**

On the other hand, billing that powers recurring products and services must be highly flexible. Customers must be able to temporarily suspend a subscription, resume a subscription, upgrade or downgrade, add users or locations, add new capabilities or products, and more.

The billing engine must understand the terms of the relationship and calculate pricing accordingly, including prorating fees accurately whenever a change is made. It must handle these changes gracefully and efficiently, without manual workarounds that create inefficiencies and inaccuracies that result in a poor customer experience.

For maximum flexibility, providers should enable customers with self-service tools that allow them to manage subscriptions on their own.



EXAMPLE

Take a telecom company that handles SaaS subscriptions through assisted sales. Existing customers shouldn't have to talk to another salesperson to upgrade, downgrade, or cancel their subscriptions. Only a full subscription commerce solution that offers both front- and backend capabilities can easily enable customers to make those types of changes.

Ecosystem-and channel-ready

Not all of the products or services you plan to sell may be your own. It can be very lucrative to take a platform approach to market, where your core product is complemented by add-on capabilities delivered through products and services from third-party vendors. This lets you get to market quickly with new features that solve more of the customer's problems, which, in addition to increasing your revenue, also increases customer stickiness.

Likewise, you may want to grow your revenue through channel sales, with resellers assisting customers in purchasing and using your products and services. Your billing engine needs to deliver all the capabilities required to seamlessly support both situations—third-party products and services as well as third-party sales agents. For example, the billing engine needs to understand when to apply any mark-up or mark-down to third-party products or sales made via resellers for their customers.

> **There's another aspect of ecosystem and channel readiness that is often overlooked: invoicing, specifically the ability to produce custom invoices branded with the logo of the merchant of record.**

For example, if a reseller sells a product and is the merchant of record, a billing solution needs to be able to brand the invoice for the reseller. Likewise, if the company that makes the product is the merchant of record, a solution needs the flexibility to brand the invoice as the company, even if the product is sold by a partner.

Finally, in order to be truly ecosystem- and channel-ready, it should be easy to share subscription billing data across organizations. Many teams—from finance, to sales, to marketing, and more—will need to access subscription information, so you need a way to extract and share relevant data with the other systems that teams use to manage their part of the business. It must be easy to find the data, customize it, automate reporting, or offer APIs to share it with other systems.

Powerful and connected

In addition to easily handling the complexity around B2B subscription commerce, your billing engine should also include advanced billing capabilities that support modern and evolving B2B commerce, including: taxation, supplier and reseller reconciliation, and different payment types such as credit cards, ACH payments, invoices, and others.

The Best Path to Subscription Commerce Success: A Platform

While it's important to understand why traditional billing systems can't support B2B subscription commerce, it's equally important to know that standalone subscription billing tools aren't enough to make subscription commerce successful.

Instead, you need a robust subscription commerce platform that supports and integrates everything needed to deliver a frictionless experience for your customers—onboarding, marketplace commerce, identity and access management, billing, relationship management, spend management, data and analytics, and more.

A Subscription Commerce Success Story: Keller Williams

Keller Williams, the world's largest real estate franchise, is redefining itself as an agent-driven technology company for the digital age. It's creating the industry's first cloud platform to support the entire real estate value chain. Recognizing the company's accomplishments, Fast Company named Keller Williams the "Most Innovative Company" in real estate in 2019.

Instead of agents individually purchasing and managing all the different applications needed to run their real estate business, they can subscribe to the applications they need in the KW Marketplace application store, an open ecosystem of carefully curated software solutions, all in one place.

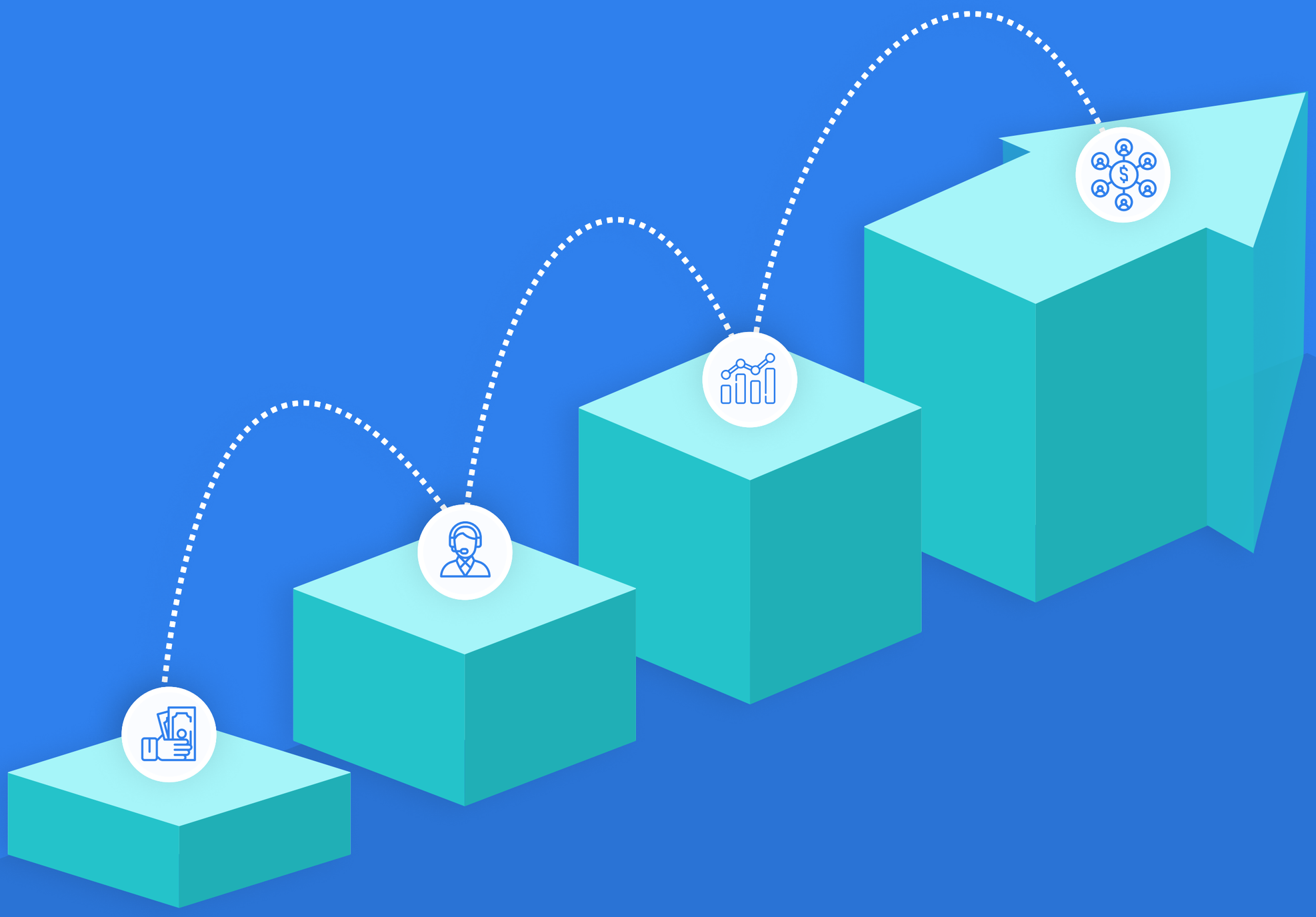
The KW Market Place powered by AppMarket is the storefront and commerce engine for the Keller Cloud and third-party applications that plug into the Keller Cloud ecosystem. The KW Market Place now provides Keller Williams agents with an open ecosystem of applications for agents, but ultimately the company plans to drive all commerce through the KW Market Place. This will include its Keller Williams coaching services as well as physical goods, third-party professional services, and event ticketing for a truly multidimensional commerce model.

Highlights:

- Powers multidimensional commerce and replaces disparate, legacy billing systems
- Streamlines the agent experience with one-stop shopping for their businesses
- Allows Keller Williams to focus on delivering apps core to real estate

CHAPTER 04

Preparing for Change and Assessing Your Readiness



Understanding and anticipating the operational and cultural changes necessary to move to a subscription commerce model will help you avoid typical pitfalls and setbacks as you pivot your business. To make sure your company is prepared for the fundamental changes required to support subscription commerce, consider the following six critical readiness factors.

1. Subscription-ready Products and Services

Just because some existing products or services might lend themselves easily to a subscription model doesn't mean they are the right choices for your strategy. Ideally, you should start with an honest assessment of your company's market opportunities and then decide which existing and future products and/or services would be most successful in a subscription model.

Look at the biggest opportunities for growing revenues within your current customer base. Also consider what it will take to create new markets and revenue streams outside of the current customer base. Keep in mind that the future success of your company may necessitate that you cannibalize your own current offering—if you don't, some other brand might.

To help you figure out next steps, consider these questions:

- **What customer problem are we solving?**
- **What value will customers get from our offering?**
- How does this value translate into revenue opportunities for our business?
- How is our offering differentiated from the competition?
- Do we have an application programming interface (API) for integrating our offering with our customers' and third-party applications?

2. Pricing

You might think pricing is the easy part of subscription commerce, but it's imperative to do your homework and consider the impact of the changes you make. Poor pricing practices can seriously hurt your profit margins and impede performance.

There are many different models and permutations for how to price your offerings. Tiered or usage-based? Annual or monthly? What will the metric or unit be for usage-based? Which pricing models deliver the best long-term outcomes?

Here are some additional questions to ask as you evaluate which pricing strategy you should choose:

- **How are our competitors pricing their offerings?**
- **What type of pricing would best align with the value our customers receive?**
- **What would our customers be willing to paying?**
- **What will our company need to put into place to enable value- or usage-based pricing?**
- **What pricing levels attract new users (trials) and what pricing provides greater value to customers (bundles)?**

3. Customer Experience and Relationship Management

The right product and price are only part of the equation for being successful in subscription commerce. The rest of it is delivering the kind of customer experience—throughout the lifecycle of the customer—that today's business buyers expect. This means that, unlike a one-time transaction, the subscription model lives and dies on the strength of the customer relationship.

To deliver a frictionless find, buy, and manage experience for your customers, you'll need a comprehensive subscription commerce platform. It's obvious that billing is substantially different for the subscription model, but the same goes for many other operational aspects of your business.

A robust subscription commerce platform brings all the capabilities together—onboarding, marketplace commerce, identity and access management, billing, relationship management, spend management, data and analytics, and more—so that your business doesn't have to cobble together different solutions.

Before you choose a platform, be sure to ask these questions:

- **Which customer management and engagement tools does the platform offer?**
- **Can it easily support multiple offerings, channels, and devices?**
- **How does it automate and streamline processes such as onboarding and billing?**
- **What data and analytics can I get to understand performance?**

4. Sales Strategy and Compensation

If you're moving from one-time transactions to subscription sales, be prepared to dramatically shift your sales strategy and the way you incent your sales team. Selling product and service subscriptions is truly unique. Not only does it require different skills and knowledge for your sales team, it means that you have to think differently about your incentive program.

You can't rely on tried-and-true compensation schemes that worked for higher-dollar, one-time transactions. Instead, you'll need to understand whether it makes more sense to base your compensation model on metrics such as onboarding and activation rates and average revenue per account.

As you evaluate how to create the right compensation package for your subscription offering, consider the following:

- **Which metrics make the most sense for measuring and rewarding our sales team's performance?**
- **What is the ideal frequency for incentives (e.g., monthly or weekly versus annually or quarterly measurements and payouts)?**
- **How should we reward renewals in our incentive plan?**

5. Ecosystem

An ecosystem of complementary, third-party products around your offering can drive exponentially more value for customers and revenue for your business than single-vendor offerings. Subscription-based ecosystems make your offering much more appealing to customers because you're solving more of their business problems with one-stop shopping.

The benefits for your business are tremendous because you can deliver new capabilities quickly without having to create them all yourself. This not only keeps your research and development costs down but gives you the agility to bring new products and services to market far more quickly.

To make your ecosystem a success, start by asking yourself these questions:

- **Which capabilities are core to our product and which make sense for partners to fulfill?**
- **What's the value of partnering with our company?**
- **Will my subscription commerce platform support my ecosystem as it grows?**
- **What will partners need from us to be able to participate in our ecosystem?**

6. Customer Service and Support

A strong customer relationship also means your company is there when customers need help with your products or services. Making sure your customers have what they need to be successful is critical to your bottom line—recurring revenue won't recur over the long term if you lose customers because they didn't get the support they needed.

That's why customer service and support can't be an afterthought. Instead, this part of the business needs to be a core component of your subscription model strategy and an essential part of your customer relationship efforts.

Here are some things to consider:

- **Do we need to establish a customer support organization or scale our current group to accommodate the new model?**
- **Should we/can we effectively handle customer support in house, or should we partner with a third-party provider?**
- **What services should we offer to help our customers be successful?**
- **How should we monetize those services?**

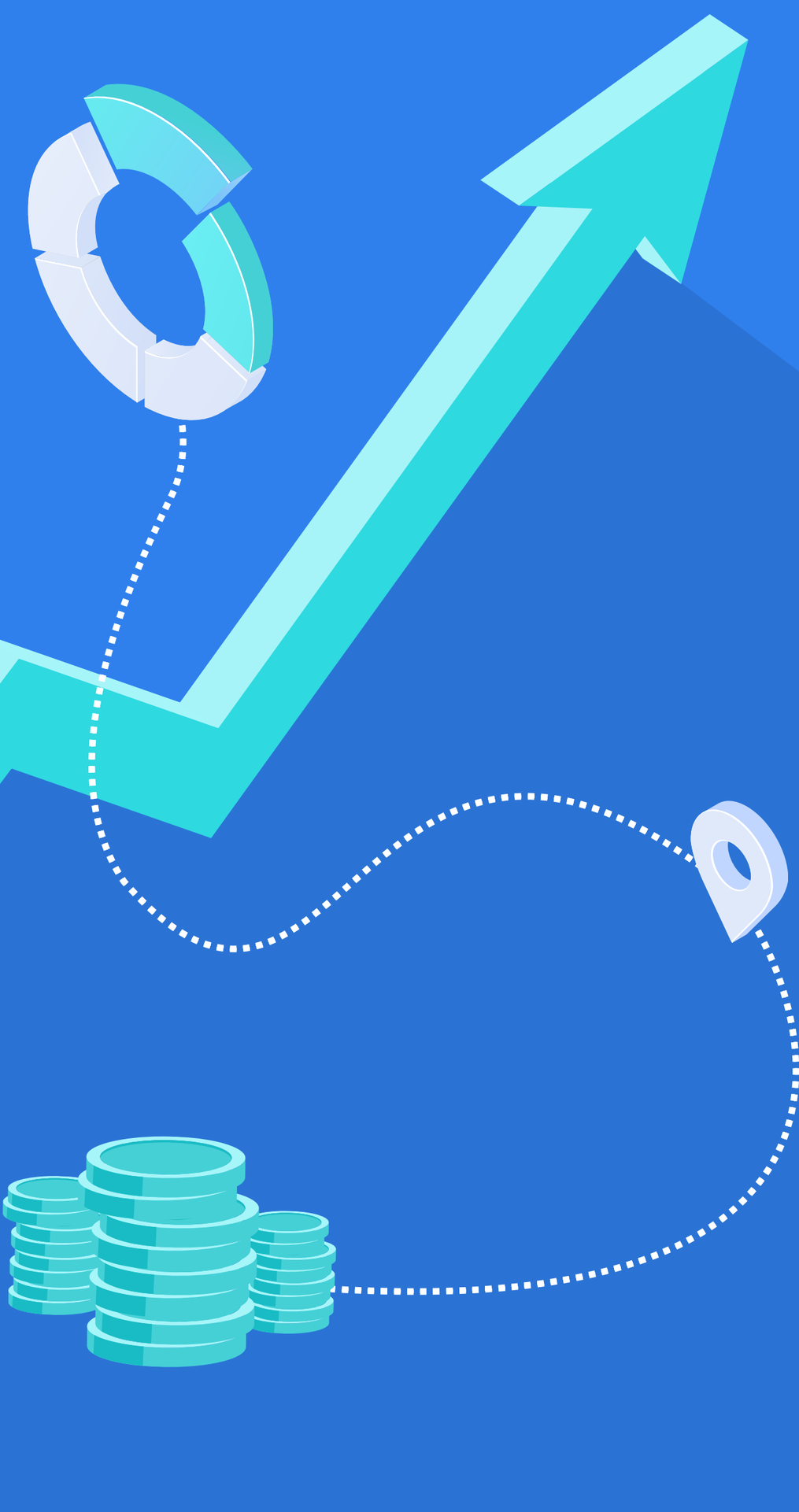
Checklist: Subscription Commerce Readiness

If you can answer the questions below, you are likely ready make the transition to a subscription commerce model, or scale your current subscription-based business.

- What customer problem are you solving with your subscription offering?
- How large is your addressable market?
- Have you developed one or more APIs for your offering?
- How will you price your subscription offering?
- Do you have a subscription commerce platform to manage the customer experience?
- How will you service and support customers?
- Have you created a sales compensation model tailored to subscription sales?
- Have you mapped a strategy for developing an ecosystem?

CHAPTER 05

Create a Compelling Business Case



To convince stakeholders that subscription commerce is the right step to take right now, you need a compelling—and educational—business case for why your company not only needs to adopt a subscription commerce model, but why you need to do so as quickly as possible.

The following best practices and recommendations can help you develop a hard-hitting, yet realistic business case.

Convey the Why, What, When, and How

You know that moving to a subscription model is the right step for your business, bringing with it all the financial benefits of recurring revenue, new market opportunities and revenue streams, a differentiated offering, and others.

While the reasons and benefits of adopting subscription commerce may be completely obvious to many, chances are that executives, board members, stakeholders, and other decision makers in your company have differing views and competing ideas on the future direction of the company. A well-prepared business case can help you describe the opportunities, benefits, and subscription commerce vision in a way that gets executive and board-level approval, buy-in from other parts of the company, and a higher priority within the company for investing in your initiative.

Your business case should tell the story of what will happen if your company does or does not make the decision to move forward now on subscription commerce. It presents the justification for the investment and a convincing rationale for decision makers to approve.

One way to think of how you should structure the business case is answering the questions: why, what, when, how, and how much? As you work through the development and refinement of your business case, ask yourself whether you're addressing these questions:

- **Why is subscription commerce the best way for the company to achieve all or part of its vision?**
- **What is subscription commerce and the specific opportunity for your company?**
- **When should the company move to subscription commerce and how long will it take?**
- **How can the company execute a subscription commerce strategy?**
- **How much will subscription commerce impact the business outcomes most important to company leadership?**
- **How much investment will be required?**

Start with the Corporate Vision

While this may be obvious, the best place to start when developing the rationale for your business case is not with the subscription-based product or offerings you want to bring to market, but with the top-line direction and vision for the company. To make your business case relevant to top executives, you need to ground the rationale in how a subscription commerce offering can help the company achieve its vision for where it wants to be in the next three to five years.

> **As you describe the vision in your business case, drill down into the most important measurements for achieving that vision.**

In other words, what are the top goals and key performance indicators (KPIs) that leadership cares about? Table 1 lists common goals and KPIs.

It's best to choose one or two, but no more than three of these KPIs to focus on as you develop your business case. These will be the metrics where you believe you can show measurable improvement from a subscription commerce offering.

Common Goals and KPIs that are Top Priorities for Company Leadership

GOALS	KEY PERFORMANCE INDICATORS (KPIS)
Increase company value	▶ Market capitalization ▶ Shareholder value/share price ▶ Percentage of revenue that is recurring
Grow revenue	▶ Net new revenue stream(s) ▶ Revenue from existing customers ▶ Customer lifetime value

Improve the customer experience	▶ Churn rate ▶ Customer satisfaction ▶ Net Promoter score ▶ Product usage
Reduce costs	▶ Cost of sales ▶ Customer acquisition cost ▶ Efficiency in bringing a product to market
Differentiate the product/brand	▶ Win rate ▶ Product usage ▶ Trials started ▶ Product adoption
Expand market share	▶ Number of customers ▶ Number of net new customers acquired ▶ Market percentage ▶ Ranking compared to competition

Educate Your Audience on the Opportunity

Executives, board members, and other stakeholders may not know the difference between ecommerce and subscription commerce, let alone why and how your company should be thinking outside of the traditional, one-time transaction model. They may understand the value of moving to subscription commerce, but don't believe that now is the right time to do so. That's why your business case must first educate the audience and help everyone be on the same page.

The concept of recurring revenue and all its advantages is an important distinction to make as you lay the foundation of your business case and define the opportunity. Refer back to Chapter 1 for help on definitions.

Once you've defined subscription commerce, then you can present data about the opportunity—starting at the highest level with overall industry trends and then working your way down to your offering. Look for industry analyst and other objective sources of recent (within the past two years) data on:

- **Industry growth and trends**
- **Market opportunities within your industry**
- **Opportunities in adjacent/other industries if relevant to your offering**
- **Size of the addressable market for your subscription offering**
- **Valuation of similar companies in your industry or adjacent ones, comparing those with recurring revenue to those with only traditional, one-time sales**

Round out your research with the competitive landscape, comparing your competition and ranking them objectively against your company. Identify and analyze any new competition you'll face as you launch a subscription offering. This information will be an important component of conveying the importance and urgency of moving to subscription commerce for executives and stakeholders. Areas to cover in your competitive analysis include:

- **What companies are the leaders in the market?**
- **Which competitors already offer subscription-based products and/or services?**
- How are those products perceived in the market?
- What are the growth rates/market share of the competitive subscription products?
- Does your company have a defensible position?
- Is your offering differentiated? How?

Describe Your Strategy for Subscription Commerce

Once you've identified the company vision, the top metrics that leadership cares most about, and the opportunity, now you can describe what you believe your company's strategy should be for moving to subscription commerce.

This is where you convince stakeholders that you have identified the best way to capture the subscription commerce opportunity. Present your strategy using concise language that demonstrates you have a clear vision of how to achieve the company goals you're focusing on.

Briefly describe your proposed solution and your go-to-market plan for launching it. Don't go into too much detail at this point but convey the main activities of your initiative and the time frame, including:

- **Description of the solution**
- **Phases or stages of the plan**
- **How you will market and sell your solution using a digital marketplace**
- **Technology required to support the solution**
- **Schedule of major milestones**
- **Stakeholders and their responsibilities**

Calculate the Outcomes

Now it's time to focus on the estimated impact of your strategy on the most important KPIs you identified earlier. For your business case to be convincing, you'll need to show clear, measurable benefits and when those benefits can be expected to be achieved.
To answer the "how much" question, executives and other stakeholders will want to know:

- **Costs**
- **Forecasted outcomes**
- **Return on investment**
- **Potential risks and their impacts on costs and outcomes**

To provide credible forecasts, your financial model should reflect a three- to five-year outlook. Seeking input and assistance from financial analysts and other experts within your company can help you make sure that your model is grounded in reality and reflects an accurate picture of your current and future company financials.

Demonstrate the urgency of implementing your subscription commerce strategy by modeling different scenarios that show the impact of getting to market as quickly as possible versus a delayed launch of 12 to 18 months or more.

Also describe non-financial, softer benefits of adopting a subscription commerce model. This could include competitive differentiation, alignment with company strategy, the ability to improve recruitment and retention of talent, and others.



Check Your Work Against Best Practices

As you work through the development of your business case and answer the why, what, when, how, and how much questions, take the opportunity to consider and incorporate the following best practices into your effort:

Do you have an executive sponsor or sponsors on board?

An executive sponsor can give you important insight and guidance for the business case before you present it to a broader audience.

Did you distill the business case down to what's most important to stakeholders?

Narrow down the main focus of your business case to one to three core metrics to keep it concise and compelling.

Did you get input from different areas of the company such as finance?

Make sure to build consensus across functions and gain cross-functional alignment as you develop your strategy and your business case.

Are you thinking long term?

Subscription commerce is strategic and visionary, so don't expect overnight results—anything shorter than 18 months is too short, while three to five years is more realistic.

Investors Reward Companies With Recurring Revenue

8x

Investors value companies with recurring-revenue models as much as eight times greater than comparable companies with transaction-based business models.

Consider the example of Salesforce, which has a market capitalization

$165B

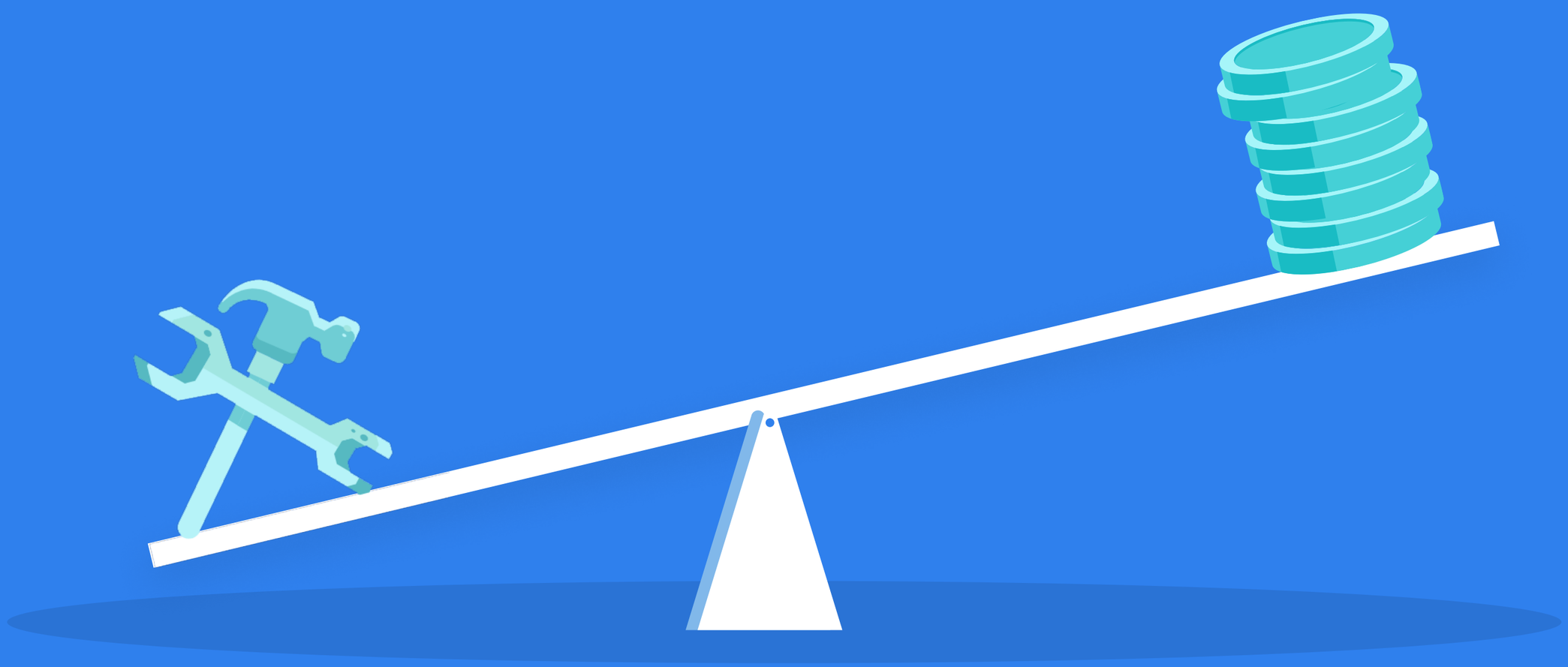
That's more than 12 more than 12 times its recurring revenue ($13 billion in 2019).

Traditional companies with very thin margins may even have negative multiples for valuation. Some distributors, for instance, may have a .1 multiple of revenue for valuation. Once they adopt a recurring revenue model, many of these traditional companies start experiencing increases in their market capitalization.

SOURCE: JEFF WISSINK, MANAGING DIRECTOR OF NAVINT PARTNERS, GEARING UP FOR NEW REVENUE MODELS, CFO PUBLISHING, SEPTEMBER 2018.

CHAPTER 06

Considering Build Versus Buy for Your Platform



A considerable factor in the success of any move to subscription commerce is deploying the platform and capabilities needed to fully support your offering—from the digital marketplace to provisioning and onboarding, to billing, customer relationship management, and beyond. How will your company go about getting the capabilities required in place quickly and as cost-effectively as possible?

The decision to build or buy the platform and capabilities you need to support subscription commerce can have a major impact on your go-to-market strategy. Should you build the capabilities you need for your subscription commerce model in house or should you choose an off-the-shelf platform? Is it better to buy multiple point solutions and write custom code to fill in the gaps in functionality?

The following considerations and pros and cons can help inform your business case and your decision on how to move forward.

Approaching the Development Project on Your Own

Some companies start on their subscription commerce journey assuming that they will build supporting capabilities and technologies in house rather than purchasing an off-the-shelf solution. Here are some of the common reasons companies consider building a subscription commerce platform themselves.

Common Reasons for Choosing to Build From Scratch



FIT/CONTROL

When certain aspects of a company's use case do not appear to align 100 percent with off-the-shelf software, some organizations decide it's better to develop the capabilities they need on their own. This gives them complete control over fit and function.



PHILOSOPHY

Companies known for developing their own innovative technology are often hesitant to use off-the-shelf software on principle, even if the capabilities to be developed are not core to the company's business.



COST

When companies already have a large developer organization on staff, cost savings is often seen as a driver for developing even non-core software in-house.



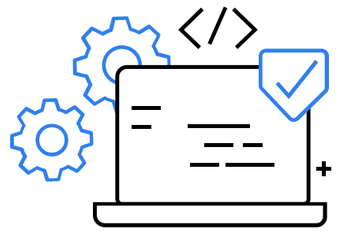
PERCEPTION

Based on assumptions made about the use case or a lack of understanding of the requirements for subscription commerce, some companies aren't aware that a suitable, off-the-shelf platform solution exists. The belief is that building it themselves is the only option because no existing, third-party software will meet their needs.

In making the build-it yourself decision, companies typically choose one of two approaches: developing all capabilities from scratch or developing some capabilities from scratch and buying others off the shelf in a mix-and-match fashion.

Developing all capabilities from scratch

Development Approach



Develop entirely from scratch.

Characteristics



WHO

Large, mature companies with considerable engineering resources on staff and available for a multi-year or longer commitment.



WHY

They can control the project and develop each capability to their exact specifications and/or they plan to sell the software to other companies once it's developed.

Impact



Must commit to further development, maintenance, and operational costs after launch.



Advanced functionality found in mature, third-party platforms takes longer to develop.



Requires a multi-year project to develop and deliver basic capabilities.

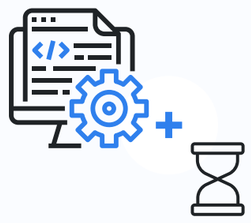
Developing some capabilities from scratch and buying others off the shelf in a mix-and-match fashion.

Development Approach



Mix-and-match custom development with point products.

Characteristics



WHO
Companies with engineering resources available for shorter-term projects.



WHY
Don't want to build an entire subscription commerce platform from scratch because of the time and effort required. They decide to build only certain capabilities that they consider to be must-have functionality and/or unique to their use case or industry.

Impact



Changes to point products in the future could impact the stability and functionality of the stitched together subscription commerce system.



Unexpected integration issues could arise between the custom software and between the point products.



In-house software must be developed with the various point solutions in mind to enable everything to work together.

Weighing the Pros and Cons

To determine the fastest, lowest-risk, and most cost-effective way to adopt subscription commerce, start by considering all the pros and cons of building the supporting technology yourself or buying/subscribing the technology from a third-party provider. Identify how the pros and cons apply to your organization and your company strategy.

Build It Yourself (The Entire Platform or Mix-and-Match)

Pros

- Control of the entire project, from design and user experience to technology stack used (except for mix-and-match scenarios where point solutions limit choices)
- Built from the ground up for the exact features and requirements you want (again, except for mix-and-match scenarios where some compromises will be required)

Cons

- Slower time to market
- Lack of in-house skills and knowledge around building and scaling a subscription commerce platform
- Cost of engineering and product management resources for planning, development, and testing
- Cost of infrastructure and operations
- Opportunity cost of engineering resources not working on innovation for the core business
- For mix-and-match scenarios, unplanned/unexpected issues with integrating point solutions to meet requirements

Buying/Subscribing to a Third-Party SaaS Platform

Pros

- Faster time to market
- Reduced project risk
- In-house resources can focus on core business innovation
- Continuous updates and capabilities per roadmap
- Fully hosted and managed service
- Total cost of ownership is predictable

Cons

- Standardized platform and features for which some project requirements might have to be modified to fit
- Companies can influence the roadmap, but not control it

Building the Business Case

To prevent the build versus buy decision from delaying or derailing your go-to-market plans for subscription commerce, involve key stakeholders early as you begin building your business case and defining your strategy for subscription commerce.

> **Those stakeholders usually include IT, finance, product management, and others as appropriate to your industry and business.**

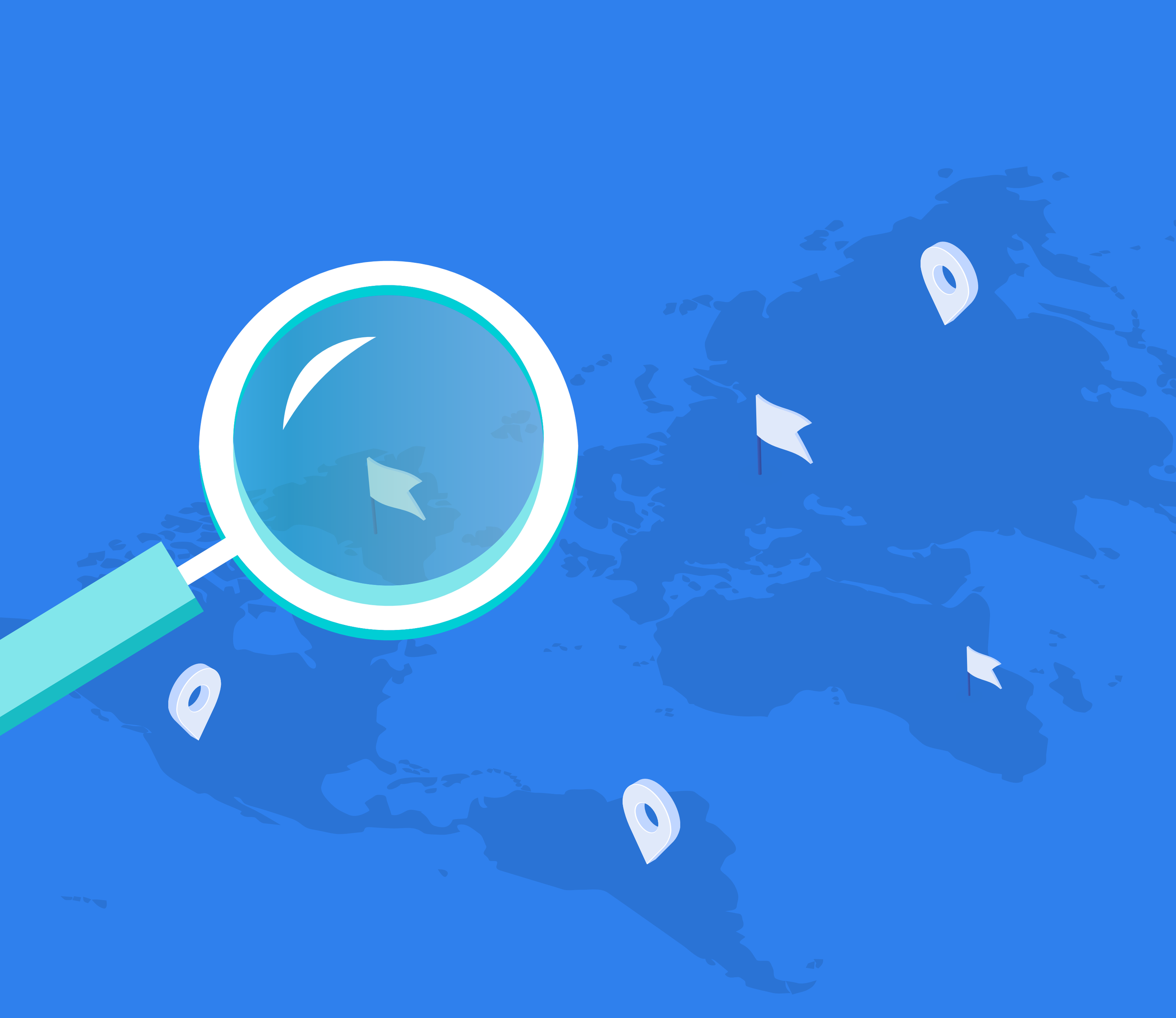
To inform your business case, develop a financial model that shows costs and return on investment of the options you're considering. This model doesn't have to be overly complex, but it should be forward-looking over a period of five years so that you can accurately reflect the value to your business of getting to market sooner rather than later.

Finally, ask yourself these questions and make sure you're reflecting the answers in the financial model, business case, and decision-making process:

- **Is building a subscription commerce platform part of my core business?**
- **Do we plan to sell this platform to other companies (i.e., will a custom-developed platform generate revenue for the business?)**
- **If building it ourselves delays our launch, how far behind our competitors will we be?**
- **How will a delay to market impact our ability to grow market share and revenue?**
- **What is the value over time of getting to market faster (revenue and company valuation over a five-year plan)?**

CHAPTER 07

Selecting the Right Partner



As the world moves into the new normal, industry experts such as McKinsey and Company are urging company leaders to not only act now but act boldly. Previous McKinsey research has found that "companies that made substantive changes fared better coming out of downturns than those that didn't." [3]

Moving to a subscription model can be the bold step that brings with it all the benefits of recurring revenue, new market opportunities and revenue streams, higher company valuation, a differentiated offering, and others.

Creating a Platform and Vendor Checklist

While some companies will conclude that building the capabilities they need in house is the right decision for their business strategy and needs, most will instead choose to deploy an off-the-shelf subscription commerce platform. For those who have decided to work with a provider, the next step is to develop a requirements list for both the technology and the vendor providing it.

Here are some important criteria to include on your checklist:

Platform requirements

- [ ] Ease of integration with your existing technology stack
- [ ] Open and agnostic to help you be future proof
- [ ] Frequent releases and continuous platform evolution
- [ ] Scalability
- [ ] Flexibility to accommodate your business needs

Vendor requirements

- [ ] Global expertise and experience to help you reduce risk and accelerate time to market
- [ ] Strong references from other companies in your industry
- [ ] Professional services to complement and extend your in-house expertise and resources
- [ ] Strong security and governance measures to help you comply with relevant mandates

3 "What Now? Decisive Actions To Emerge Stronger In The Next Normal," McKinsey & Company, September 2020.

A Subscription Commerce Success Story: Q2 Software

Q2 Software offers digital banking solutions, but its team views its mission as being much bigger than just that. Based in Austin, Texas, Q2 believes that technology has the power to build stronger and more diverse communities by strengthening their financial institutions. Since its launch in 2004, Q2 has taken major strides to do just that.

One key way is the Q2 Partner Marketplace, a hub for digital banking solutions that delivers an elegant app-store experience to financial institutions (FIs). The Marketplace allows FIs to evaluate, select, and deploy pre-integrated, branded third-party products with a few clicks. Not only that, but the applications are delivered directly inside the banking platform.

More broadly, the Marketplace gives FIs the ability to provide innovative and compelling digital solutions to their account holders faster and with fewer resources. By using the Marketplace, FIs can easily overcome the many challenges of sourcing, vetting, and implementing third-party applications, and also generate incremental non-interest income.

At the same time, the Q2 Partner Marketplace gives fintech developers a new, completely different go-to-market model. With subscription commerce, developers can scale quickly, lower customer acquisition costs, and focus on delivering innovation in the financial services technology sector.

Today, one out of 10 digital banking customers in America is using Q2's single platform to bank. As Q2 enables more FIs to launch marketplaces, customers will have streamlined access to the banking solutions they need, both for their businesses and their own personal finances.

Highlights:

- **Flexible AppDirect platform accommodates Q2's B2B2B and B2B2C use cases**
- **Allows Q2 to partner with financial institutions to open new subscription revenue streams through marketplace revenue share and generate non-interest income**
- **Marketplace model can be quickly and efficiently scaled as Q2 onboards a growing number of FIs**

CHAPTER 08

Which Capabilities Will Be Critical for Success?

As we've learned, successful subscription commerce requires a technology platform to manage the end-to-end customer journey. However, given the breadth of capabilities involved, how do you know which ones are most important for your company?

While every situation is different, this chapter can help you understand which areas of capabilities will be important and why as you begin your subscription commerce journey.

Every Strategy is Different

Depending on your industry and where your company is on its subscription commerce journey, the use cases for a subscription commerce platform can vary, but commonly include:

- **Launching a referral marketplace**
- **Selling or scaling subscription services**
- **Automating reseller management**
- **Launching and/or monetizing a digital ecosystem**
- **Selling and managing services on connected devices**
- **Giving employees or agents a central location to procure IT-approved products or services**

Your business may start with one use case and expand to others over time as you see incremental success. Alternatively, you may decide to minimally meet requirements for multiple use cases right from the first launch and then expand capabilities within each one over time.

Think About the Customer Experience

Unlike one-time transactions, B2B subscription commerce means focusing on the customer lifecycle and managing the ongoing relationship. To sustain and grow your recurring revenue, you'll need to meet customer expectations for a frictionless find, buy, and manage experience.

A core component of your subscription commerce platform should therefore be a robust, digital marketplace that showcases and monetizes your offering while providing an intuitive experience for customers.

As you consider your company's needs around the customer experience and which use cases you want to launch with, most or all of the following categories of capabilities will be critical for success:



Custom marketplace/Storefront

Make it easy for customers to find and buy the perfect solutions and for you to manage and merchandize your offerings.



Content Management

Publish and edit all types of content that help buyers with their decision.



Checkout

Deliver fast checkout and support different payment methods.



Subscription Lifecycle Management

Give customers a simple way to manage subscriptions and give your business stakeholders the reporting and dashboards they need to make informed decisions.



Identity and Access Management

Enable secure, seamless access to the applications and digital services customers purchase through single sign on and multifactor authentication.

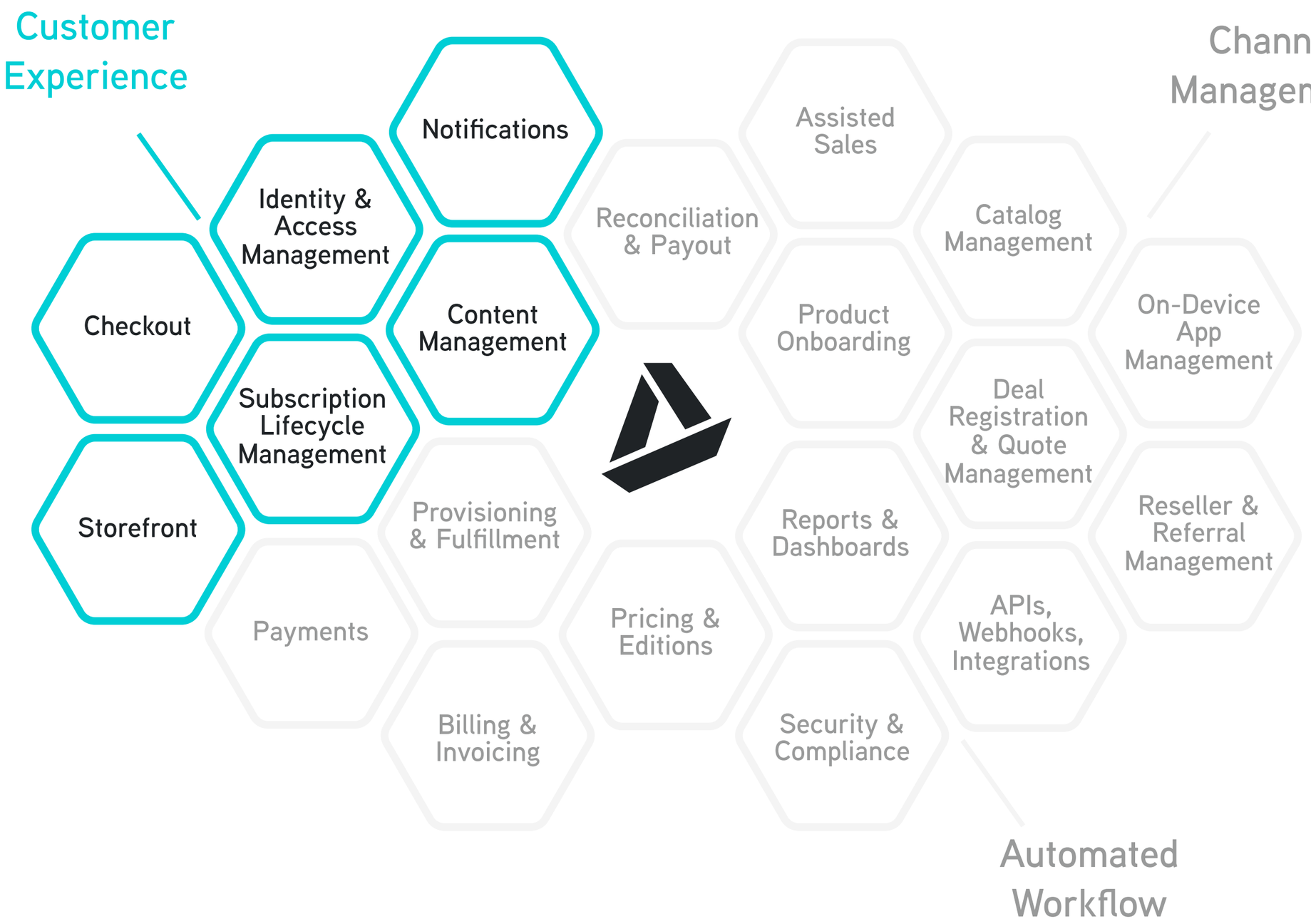


Notifications

Automatically communicate and alert customers, partners, your sales team, and others about events such as invoicing, orders, payments, and more.

To determine whether you already have these capabilities or will need them for your immediate subscription commerce strategy or as you scale your offerings in the future, start by asking these questions:

- How will customers discover your solutions?
- Will you want to segment and personalize the experience and the offerings for customers by business size, geography, or other factors?
- What type of customization do you want for the appearance and branding of your marketplace?
- What types of content will you provide to support the buyer's decision (e.g., reviews, frequently asked questions, and other guidance)?
- How can buyers manage their orders and subscriptions?
- How will your customers distribute and manage their digital purchases?
- What capabilities will you need for configuring products on the marketplace?



Optimize Channel Management

Whether you launch your new subscription offering with channel partners or plan to expand to a channel approach after your initial launch, you should consider the partner experience when you're evaluating a subscription commerce platform. How can you streamline and optimize the experience and processes for selling through resellers, referral partners, distributors, and other partner types?

To empower your channel and drive results through partners, consider the following categories of capabilities when choosing a subscription commerce platform:

Reconciliation and Payout

Track and share detailed payment records, invoices, revenue share breakdowns with partners and resellers.

Product Onboarding

Enable self-service onboarding of new products and offerings, including pricing and editions, contract management, and more.

Assisted Sales

Manage and track leads, opportunities, pricing, orders, and subscriptions.

Reseller and Referral Management

Onboard, manage, and enable your entire partner network.

Deal Registration and Quote Management

Create and manage quotes for qualified opportunities.

Catalog Management

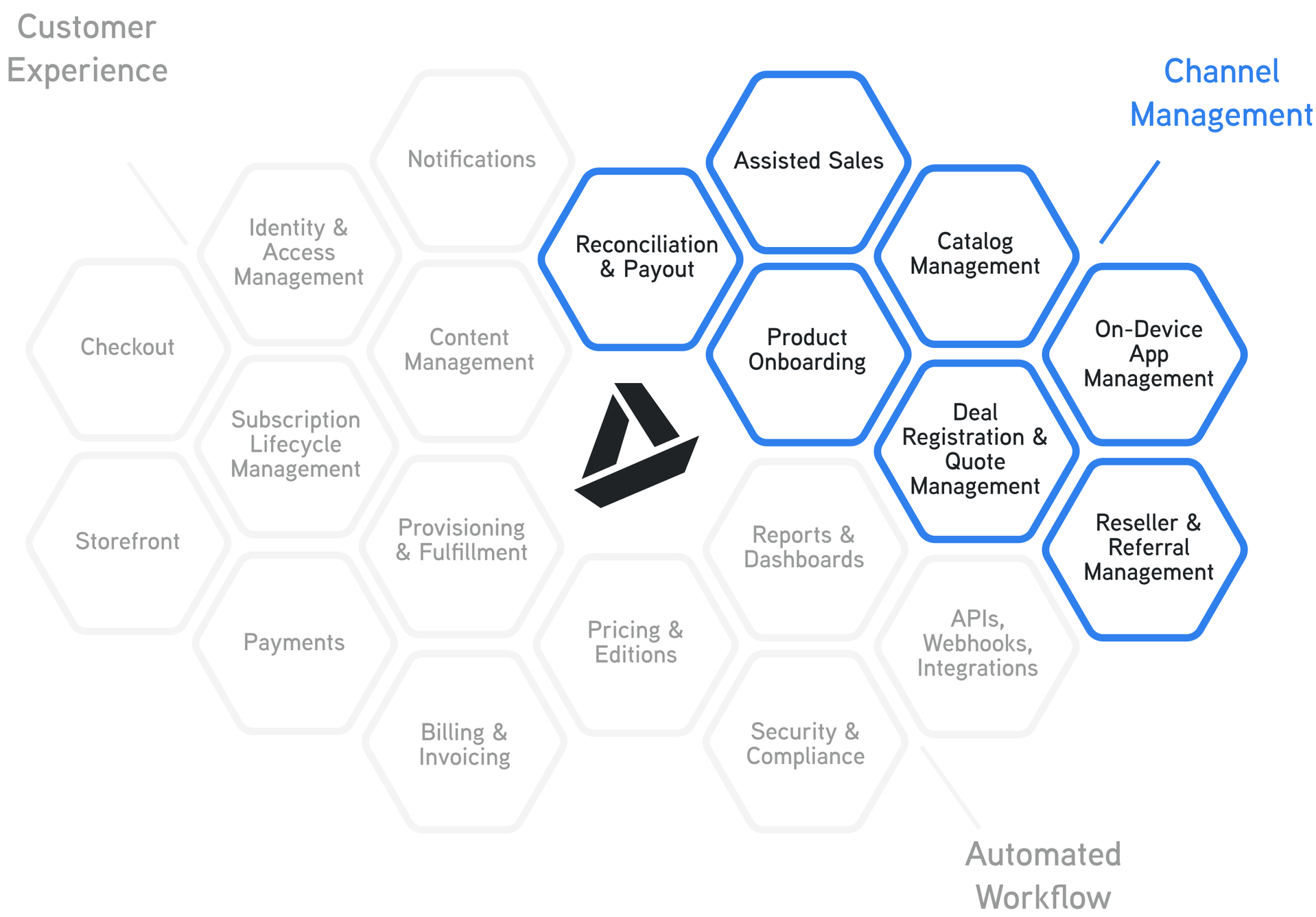
Manage products and content in your marketplace.

On-Device App Management

Sell, provision, and manage digital services on any device.

Which of the above capabilities you'll need to put into place and when will depend on the maturity of your partner program. To inform your planning on when and how to streamline, manage, and report on your end-to-end channel process, consider the following questions:

- **How do/will you track leads and pass them to partners?**
- **How do/will you plan to manage referrals?**
- **Which merchandizing options (free trials, bundles, etc.) will you want to offer and support?**
- **How do/will you handle channel reconciliation, tax, payout, and invoicing?**
- **Will you need to invoice across multiple vendors and channels?**
- **Which payment methods and currencies will you need to support, both now and in the future?**



Automate the Workflow

Once you launch your marketplace and begin to grow volume, you can then turn your attention to automating more of the back-office functions related to subscription commerce. Automating processes helps reduce your operational costs, improve efficiency, and streamline the experience.

Automating processes requires a robust billing engine as a core capability of the subscription commerce platform along with the ability to efficiently connect the platform to existing, internal systems such as customer relationship management (CRM), enterprise resource planning (ERP), and customer support.

To automate and scale your subscription commerce strategy, many of the following platform capabilities will be essential:



Payments

Manage payments and integrate with payment gateways as well as your own internal systems.



Billing and Invoicing

Simplify complex billing and streamline back-office invoice processing.



Provisioning and Fulfillment

Automatically provision subscriptions on demand, assign seats or licenses, start and stop billing, cancel or add licenses, and upgrade or downgrade subscriptions.



Pricing and Editions

Support a broad range of pricing models, contract terms, usage-based billing, bundling, free trials, discounts, and promotions.



Reports and Dashboards

Get a full view of invoicing, payments, customers, prospects, billing, reconciliation, and more.



Security and Compliance

Give your customers secure access to their subscription services and meet relevant regulatory mandates.



APIs, Webhooks, and Integrations

Connect to other internal and third-party systems and functionality to extend your capabilities and improve operations.

Within each of the above categories are specific capabilities such as integrations with the third-party systems that make up your technology stack. To better understand your company's requirements around automating your back-office processes for subscription commerce, you can start gathering input by using these questions:

- **How will you price your subscriptions? Will you need to support usage-based pricing models?**
- **Do/will you be supporting free trials, discounts, and promotions?**
- **How do/will you track invoices, payments, revenue, and other important business performance metrics?**
- How do/will users activate and manage their subscriptions?
- What in-house and external systems will you need to connect to your subscription commerce platform in order to automate provisioning of digital services?
- What payment gateways do/will you need?
- What other connections and integrations will be important for optimizing your operations?



Launch, Scale, and Optimize

One important thing to keep in mind as you consider and choose the capabilities that you'll need to deploy as part of a subscription commerce platform, is that it's better to launch with fewer bells and whistles to get to market quickly than to spend too much time upfront and launch a perfect solution that is too late to market. Software vendors call this failing fast or the MVP (minimally viable product) approach.

> **We call this best practice Launch, Scale, Optimize.**

The idea is to start with the most critical requirements first, then expand and optimize incrementally as your revenue—and your success—grows. Think of the initial launch as the starting point for your journey.

Based on this approach, the capabilities that you ultimately decide that you need in place for your launch will depend on your use case. For instance, if your use case is to launch or scale sales of your subscription service, then you should be focusing first on the customer experience and the core capabilities you will need to deliver a great shopping and buying experience.

Rely on Experts

Everyone's journey is specific to their industry, use case, company, product portfolio, and customers, which means that every company's strategy, launch, and set of essential requirements will be different.

That's why it pays to engage with a subscription commerce expert early in the process. Expertise and guidance are invaluable in helping you determine the best approach for your business and avoid common missteps.

CHAPTER 09

Sell Subscription Commerce to the Rest of the Company



A compelling presentation helps you tell your company's subscription commerce story—the why, what, when, how, and how much. This presentation makes it clear why your company not only needs to adopt a subscription commerce model, but why you need to do so sooner rather than later.

To help you jumpstart the creation of your presentation to your boss, we've created a fill-in-the-blank template you can use to get started. Just download the template here and work through the following sections to fill in your story.

Vision

The best place to start is with the company vision.

Why? Because it lets you ground the rationale for a subscription commerce offering by showing how it helps your business achieve its vision for where it wants to be in the next three to five years.

From the vision, drill down into the most important measurements for achieving that vision. What are the top goals that leadership cares about? Typically, these goals are focused on revenue, shareholder value, costs, and/or customer experience.

Problem/Challenges

List the challenges your company faces in achieving its vision and goals. Consider these questions as you compile the challenges:

- Does your company have a defensible position?
- Is your offering differentiated?
- What competitive threats do you face?
- How are disruptors currently impacting your industry?
- How are customer trends and behaviors impacting your business?
- What operational challenges do you have?

Back up the challenges with relevant data from your company, competitors, industry analysts, and other sources to illustrate the extent and impact of the challenges.

Strategy

Now you're ready to describe in broad terms for your audience how a subscription commerce strategy can overcome the challenges you identified and help your company achieve its vision and goals.

> **Use concise language that shows you have a clear understanding of the subscription commerce opportunity and what it means for your company.**

Briefly describe your proposed offering and why you believe it's the right offering at the right time. This is also a good place to include examples of companies in your vertical and adjacent ones that have successfully pivoted to subscription commerce.

The Go-to-Market Plan

Give a high-level overview of a potential phased approach to bringing a subscription commerce offering to market. One way to approach a go-to-market plan is to think in terms of three distinct phases:

- **Launch phase, where you launch with a minimally viable product to a limited set of customers to get to market quickly**
- **Pivot phase, where you expand your offering and broaden support to more types of customers**
- **Scale phase, where you optimize the customer experience and your operations**

Outcomes/Benefits

This is where you drive your points home about how subscription commerce can fulfill the company vision and goals. For each of the one to three top goals that your executives care most about (the ones you identified at the beginning of the presentation), you should forecast the impact you believe that your strategy can have on the key performance indicators (KPIs) that drive them. Highlight net-new benefits, including "soft" benefits such as competitive differentiation, improvement in recruitment and retention of talent, and others.

Make sure that as you create your financial models, you're taking a longer-term approach, forecasting out 3 to 5 years.

Subscription commerce is not a trivial or superficial, short-term tactic. It requires investment over a longer period of time to generate sustainable, substantial returns.

For ideas on which KPIs to choose, here are some common corporate goals and sample KPIs associated with them:

GOALS	KEY PERFORMANCE INDICATORS (KPIS
Increase company value	Market capitalization Shareholder value/Share price Percentage of revenue that is recurring
Grow revenue	Net new revenue stream(s) Revenue from existing customers Customer lifetime value
Improve the customer experience	Churn rate Customer satisfaction Net Promoter Score Product usage
Reduce costs	Cost of sales Customer acquisition cost Efficiency in bringing a product to market
Differentiate the product/brand	Win rate Product usage Trials started Product adoption
Expand market share	Number of customers Number of net new customers acquired Market percentage Ranking compared to competition

Risk Profile

Identify and explain the potential risks—typically these are related to time, cost, complexity, organizational change management, and others. Describe how you will solve for these risks to mitigate them before, during, and after your subscription commerce launch.

Timing

Demonstrate the urgency of implementing your subscription commerce strategy by showing the impact of getting to market as quickly as possible versus a delayed launch of 12 to 18 months or more. How does a delay affect the KPIs that you focused on earlier? How does a delay impact your ability to meet the company goals and fulfill the vision?

Organizational Investment

Describe the commitment and investment your company will need to make to realize the objectives of your subscription commerce initiative. There are typically three key pillars where your company will need to invest time, resources, and budget:



Go-to-market Strategy

What will it take to launch a minimally viable product?



Governance Strategy

Consider increases in staffing, cross- functional alignment, other requirements



Enabling Technology

Describe the subscription commerce platform you need to support your initiative

Next Steps

What do you want to happen next? Typically, this is where you'll ask for initial commitments to move forward. That could include getting help in securing executive sponsorship for the initiative, coordinating across company functions (including product management, finance, sales, marketing, IT, customer experience, and others), and developing a more detailed business plan and go-to-market strategy.

CHAPTER 10

Unifying Your New Business Model With Existing Systems and Operations



Companies formulating strategies and developing new products for a subscription model look to bring those new offerings to market as quickly as possible. Yet in their drive to reduce time to market and accelerate their time to revenue, they may be making strategic mistakes that inhibit revenue and market share growth.

One of the biggest, most common missteps is to single out the subscription offering and create a siloed operation around it. The perception is that integrating subscription commerce into existing operations, business processes, and systems will take too long and not be worth the time and expense. Though in reality, a siloed approach to subscription commerce is, in fact, slower and less effective than making your new product a cohesive component of your business.

That's why the fastest, most efficient and effective way to grow revenue, expand market share, and increase customer lifetime value is to take a phased approach to unifying subscription commerce with your existing operations and systems.

Why Going Solo (and Siloed) Is Usually a Bad Idea

> **Companies not born into the subscription commerce economy are often tempted to isolate their foray into recurring revenue models from their existing business.**

Dipping their proverbial toes in the water before jumping into the recurring revenue model with both feet, they set up a siloed set of systems, processes, and even staff for their new subscription offerings.

Whether they choose a separate approach to subscription commerce to protect their existing product lines from being cannibalized or to minimize the perceived risk of shifting to recurring revenue, a one-off, siloed approach to entering the subscription economy most often leads to disappointing results.

Why do companies fail to achieve their subscription commerce vision when they don't integrate it into the existing business? When most or all aspects of bringing the subscription offering to market are siloed and walled off from the rest of the business, it creates:

- **Operational inefficiency**

  With separate strategies, processes, systems, and staffing, there's little opportunity or incentive for different teams across the company to work together. Reinventing the wheel for each process and system results in redundant efforts and higher costs, in addition to conflicting processes that then have to be reconciled.

- **Frustrated customers**

  How does the new offering work with your current products? Which products or services should a customer purchase? With no holistic view across all of your offerings, customers have to make potentially ill-informed decisions about which products make the most sense for their needs.

- **Missed sales opportunities**

  Each time your customer service or sales teams interact with a customer, it can create an opportunity to educate them about other offerings from your company. But with a siloed approach, your staff may be missing out or not incentivized to upsell or cross-sell your subscription offering, leaving you with only push marketing approaches for acquiring new customers.

Instead, by unifying your recurring revenue strategy with your existing operations, you can:

- **Bring your subscription product to market faster**
- **Jump-start the revenue stream by upselling/cross-selling to existing customers**
- **Optimize operations and generate internal efficiencies**
- **Streamline and simplify the shopping, buying, and managing experience for customers**

Aligning Your Operational Processes

Savvy companies understand that a phased approach to aligning and unifying operations is the best approach to achieve the right balance of speed to market, time to value, and efficiency. Starting with your operational processes, begin evaluating how they'll need to be adjusted to support your new subscription model, then prioritize the ones that are most important to generating revenue, maintaining customer satisfaction, and reducing costs and effort.

Don't expect existing processes to work flawlessly for a subscription model. You'll need to adapt them to get the right fit and eliminate any friction.

> **By prioritizing processes, you can divide the effort into phases to iteratively reduce friction over time, while simplifying your launch and getting you to market faster.**

The more processes you align, the greater your efficiency across the entire platform operation becomes. This includes the ability to use the same toolset to automate workflows and processing across all of your products, which creates a seamless experience for your customers.

OPERATIONS	IMPACT OF SUBSCRIPTION COMMERCE
Pricing model	Obviously, pricing is one of the biggest differences between one-time sales transactions and subscriptions. There are many different models and permutations for how to price your offerings. Will you charge yearly or monthly? Or both? Will it be metered or a flat rate? Or both? Consider and adjust your processes accordingly for working with cross-departmental teams for making pricing decisions, communicating pricing changes, and creating pricing models.
Sales strategy and compensation	Without the right incentives and training for your direct sales team and/or partners, you won't hit your revenue goals. One area that becomes particularly complex is how to compensate and motivate your direct sales force for selling subscriptions. For instance, you could create a compensation model based on onboarding and activation rates. This is one of the process areas that should rank high when you prioritize areas to align first.
Customer support strategy	Subscription commerce is all about establishing and nurturing an ongoing relationship with your customers, which is different from a one-time sale. If you fail to be there when they need you, you will lose customers when a better provider or offer comes along. Can your current support organization scale and pivot to support your subscription offering and enable customer success? Which customer support processes will need to change and evolve to support the needs of subscription customers?

Marketing strategy	Your marketing strategy needs to adapt to the unique buying behaviors for your target customer in a subscription commerce model. You also need an appropriate strategy and the right marketplace to meet the specific expectations of your customers for a frictionless experience for shopping and buying.
Product delivery and management processes	Many of your back office processes and workflows for order management, shipping, fulfillment, and refunds/returns will need to be adapted for your subscription offering, especially if your existing product suite is primarily physical products and inventory.

Aligning Your Supporting Tools and Technology

To create a unified experience for customers across the buying journey and optimize the efficiency of your operations, you'll need to adapt or integrate your existing operational systems to support your subscription model. Depending on your industry and types of offerings, typical systems already in place in your technology stack probably include some or all of the following:

SYSTEM	IMPACT OF SUBSCRIPTION COMMERCE
Customer and partner relationship management	The customer lifecycle for subscription commerce is substantially different than it is for one-time transactions. To build long-lasting relationships to sustain your recurring revenue, you'll need a way to create and manage multiple touchpoints to help customers optimize the value and usage of your product.
Configure, price, and quote capabilities	Your system needs to accommodate new types of pricing models, such as consumption-based usage combined with a flat recurring rate. You'll need to determine how your existing systems can handle quotes, customer specific discounts, and contracts for a subscription model.

Provisioning	Another area of complexity can be provisioning and activation if your company is new to offering digital products. Any existing systems your company uses to provision, deploy, and migrate software will need to be evaluated and adapted or integrated to support your new subscription offering.
Billing	One of the well-known areas of complexity for subscription commerce is billing. Invoicing, taxation, and other advanced billing considerations will need to be addressed to support your subscription model.
Enterprise resource planning (ERP)	As a core system for any company of size, you'll want to create seamless workflows between any front-end subscription commerce platforms and your backend ERP system and processes.
Reconciliation	Your systems will need to manage reconciliation and payouts for resellers of your subscription offering.
Product integration management (PIM) and digital asset management (DAM)	Consider how you can integrate product data from your PIM and DAM systems with your subscription commerce marketplace.
Content management system (CMS)	If a new digital marketplace is part of your subscription model launch, you'll need to integrate it with your existing CMS for a seamless customer experience.

Keep in mind that many of your existing systems may not have been designed to support subscription commerce models and won't easily accommodate the new capabilities your company will need as it adds subscription-based offerings to its portfolio. Companies quickly discover that they need capabilities for subscription commerce such as a digital marketplace, onboarding support, relationship management, engagement tools, and more.

A subscription commerce platform is the logical choice to handle the additional requirements of a subscription commerce model. A platform that integrates well with your existing systems helps you create the unified operations you need to achieve your business goals. In fact, by deploying a robust, proven subscription commerce platform at the right time in your subscription commerce strategy, it can help you:

- Launch and grow a new business model that is sustainable and reproducible in different regions
- Reduce internal costs by extending or replacing legacy systems and avoiding duplicate or manual efforts
- Streamline and align processes across your operations
- Deliver a frictionless customer experience

Align Your Success Metrics

The starting point for any subscription commerce initiative is the corporate vision for the next five or more years. How will adopting a recurring revenue model help your company reach its goals and fulfill the vision? How will you measure success against business outcomes such as higher revenue, lower costs, and a differentiated customer experience?

Just because we're addressing aligning success metrics last in this discussion, does not mean it's the least important in terms of alignment. If anything, it's the most important because it's how you'll demonstrate success against your subscription commerce plan—and you can't demonstrate success if you aren't measuring the right things.

While some measures, like quarterly revenue for instance, can still be a valid and valuable metric, other typical metrics may need to be adjusted or new ones added to better reflect how success is measured for recurring revenue. Measurable key performance indicators (KPIs) to consider using for subscription commerce include:

- The number of active users
- Usage (frequency or length of time) of your product
- Revenue per customer or average revenue per user
- Internal operational costs
- Renewal rates
- Customer churn

Ultimately, these metrics should be used to make data-driven decisions about your subscription business, helping you inform pricing, offers, and other decisions to create an even stronger recurring revenue business.

Putting It All Together in a Phased Approach

Aligning across operational processes and systems can seem like a monumental task, which is why companies often make the mistake of starting up a siloed operation instead. However, creating separate operations is a short-term fix that will ultimately cause your efforts to fall far short of your goals.

A phased approach as described here lets you move quickly, garner initial success, and iteratively align your operations over time, addressing more areas of the business and enhancing operations and the customer experience to help you achieve your company's vision.

vodafone

A Subscription Commerce Success Story: Vodafone

As more companies begin to reap the benefits of customer-facing subscription commerce, many are also looking for ways to apply subscription strategies internally to increase efficiency and cost savings. One of these organizations is Vodafone Procurement Company (VPC), the procurement arm of the multinational telecommunications company, Vodafone.

VPC manages the purchasing of products and services for all of Vodafone's operating companies worldwide. Across Vodafone, VPC was seen as a cost center, with a variety of manual or partially automated processes and user experiences. VPC wanted to change that by streamlining its operations and offering an internal digital marketplace where employees could choose solutions from a catalog of pre-approved vendors.

On the customer-facing side, Vodafone operates several digital marketplaces across Europe. Wanting to emulate these successes, the VPC team decided to launch its own marketplace on the same subscription commerce platform. As the internal procurement marketplace ramps up, the VPC team is on track to significantly reduce non-contracted, one-off purchases—also known as tail spend—which can account for up to 20 percent of annual enterprise procurement spend.

Highlights:

- Flexible AppDirect platform allows company to deploy digital marketplaces for both external and internal use cases
- Gives employees an easy to way find and use company-approved applications
- Enables company to better control spending by reducing ad hoc purchases

CHAPTER 11

Best Practices for Your Go-to-Market Effort

Making the move to a subscription commerce model is a major undertaking, but you can reduce the risk, accelerate your timeline, and improve your business outcomes by learning from the experiences of companies that have already succeeded in transitioning to a subscription model.

LESSON 1

Say goodbye to your comfort zone

For companies not born digital or ones that are early in their digital transformation journey, it's tempting to stay within the comfort zone of proven processes, technology, and operating models. However, trying to fit subscription commerce into existing, more traditional structures and expectations (think of it as a square-peg-in-a-round-hole situation) can inhibit your chance of success right from the start.

Instead, question every assumption and requirement as you create your strategy for moving to subscription commerce. Make sure you're not setting artificial limits or boundaries because of the rigidity of your legacy business model and supporting systems. One way to think of this is to not solve for something that you already know. Open up your thinking, explore alternatives, and embrace experimentation.

LESSON 2

Work well with others from day one

It's critical to understand that there's more to subscription commerce than a compelling product offering. You'll need to drive a brand-new, go-to-market motion and that means gaining strong executive support and alignment across the company. Your offering absolutely needs the full involvement of departments such as finance, sales, customer support, platform, legal, and others.

> **Most important, you need to engage and align across departments early and often in the planning and preparation phase.**

Starting with executive sponsorship, move quickly to gain the buy-in of stakeholders in other areas and involve them in planning for the move to subscription revenue. You want to make sure that the cross-department team is surfacing any issues such as processes, procedures, and systems that will need to change well ahead of your planned launch day.

The important thing is to not miss any upstream or downstream effects that could cause problems or even delay your launch if not addressed early.

LESSON 3

Pay close attention to external dependencies

Your subscription products are going to be in high demand. The customers you've talked to are practically waiting in line to get it. Technically, they are ready to launch and you've aligned the subscription approach across all the necessary internal company departments. Wait, have you checked for external dependencies?

There are things that are outside of your direct control, but nonetheless must be in place before you launch your offering. These external dependencies can encompass legal documentation, regulatory compliance, tax compliance, audit requirements, credit card or debit processing, the list goes on.

The important thing is to engage experts who can confirm which external dependencies your product and your subscription commerce operation will need to support and then make sure that happens well before your anticipated launch timeframe.

LESSON 4

Aim to fail fast

Start-ups embrace the concept of developing an MVP to get to market before a competitor emerges and confirm that companies appreciate the value of the product even if it doesn't yet have all the bells and whistles. Even for companies that aren't start-ups, the idea of not over-engineering a new product is a proven best practice for subscription commerce.

> **While having an end vision is great, don't insist on satisfying all of the possible use cases and workflows right from the start. Launch with one or two and then add functionality over time.**

That means being prepared to fail fast, starting over if needed and continuing to iterate until you've got the right product concept. Don't try to launch the perfect solution or you risk investing more time and money than needed before you start creating revenue

LESSON 5

Give your B2B customers the consumer-like experience they crave

Companies like Amazon, Netflix, and other household names have set the bar high for a convenient, easy, and seamless consumer experience.

> **Happy consumers bring their expectations with them to their jobs, which means they seek out similar experiences when they are selecting products for their business.**

You need to make sure that you're delivering a frictionless find, buy, and manage experience for your B2B customers. But it's extremely difficult to do that by cobbling together different systems and solutions or trying to build a system in-house that supports all the management and engagement tools you need for subscription commerce.

Instead, the best way to deliver a great, consumer-quality experience for your customers is to deploy a robust subscription commerce platform that automates and streamlines the customer journey, from product selection through subscription management.

LESSON 6

Grab every opportunity by empowering your marketing and sales teams

"Build it and they will come" was a good movie line, but it's definitely not the best business strategy for subscription commerce. That's where a solid marketing strategy comes in, with compelling content, demand generation, nurture streams, and other efforts to get the word out about your new offering and drive people to your marketplace.

What good are leads if your sales team isn't motivated to sell your new offering? Develop a sales strategy that defines who will sell the offering, how they will get trained, and how they will be compensated for subscription sales.

Finally, spend time educating all of your other customer touchpoints, such as call centers, about the offering so they can recommend it when they're interacting with customers. Give them training on when and how to recommend subscription products and services as well as how to provide advice and guidance to customers on using your marketplace.

LESSON 7

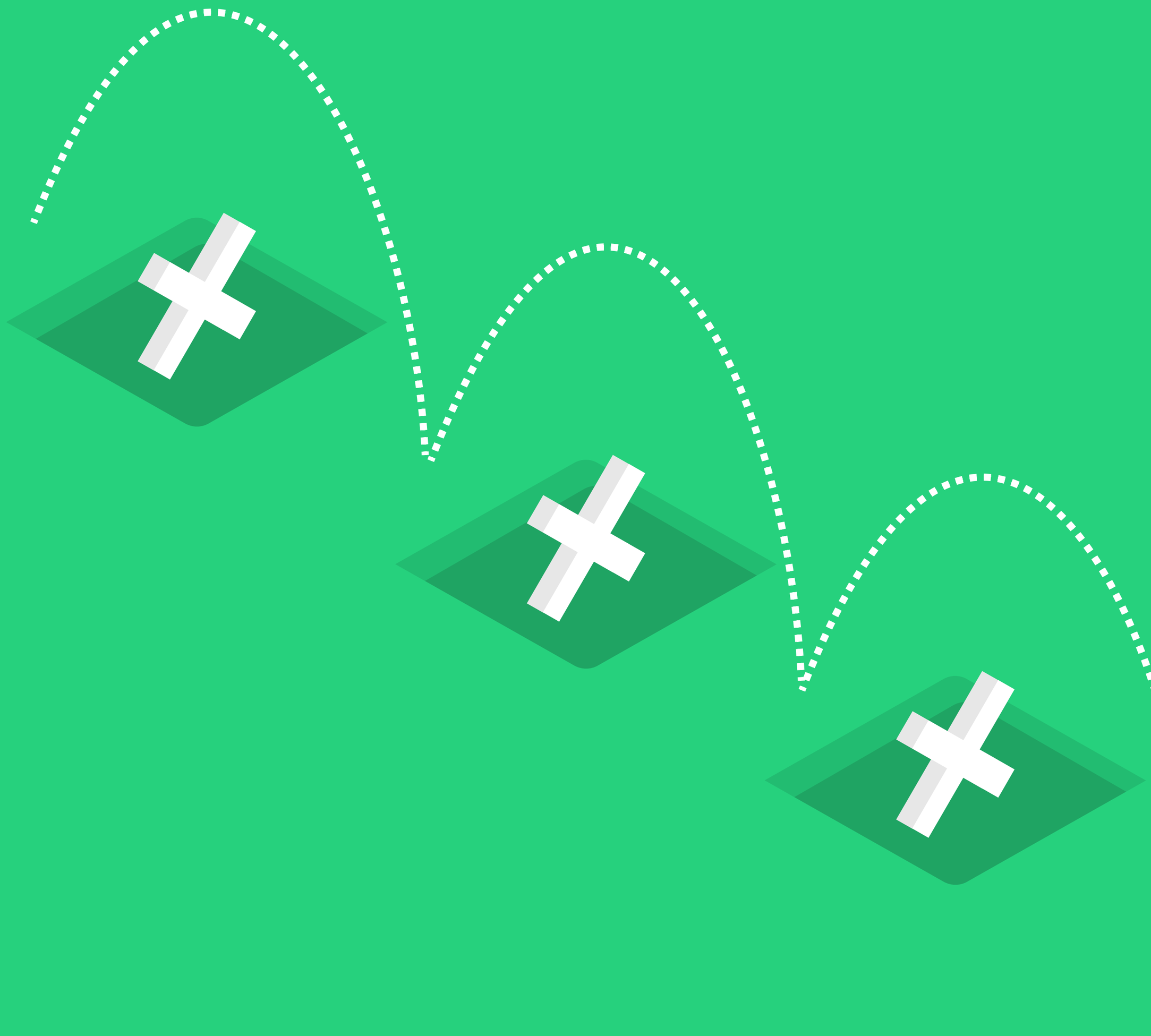
Prepare for the journey

Think of the move to subscription commerce as a journey. Your first launch date is not the finish line, it's the starting point. And just because the journey may have some unexpected bumps in the road, construction delays, or maybe even some detours, remember that you will get there any way and it will be worth it.

Don't make the journey alone. Seek out the advice and guidance from other travelers who have made the same journey before you (like the lessons we've just described). Work with partners you can learn from along the way. And be ready to help others as well. Maybe there are independent software vendors (ISVs) you want to work with, but they may not be experienced and need support to be ready for a subscription model. Helping them can be a win-win-win for you, the ISV, and your mutual customers.

CHAPTER 12

Avoid Deployment, Integration, and Migration Pitfalls



At this point, you've aligned your project across the different stakeholder groups across the company, defined your goals and how you'll measure success, and validated the critical capabilities you'll need when you launch your subscription-based offerings.

Hopefully, you've also chosen or will soon select a robust technology platform to support your move to a recurring revenue model, one that will allow you to power a seamless experience for customers, partners, and company employees. Now it's time to begin preparing for deployment, integration with existing systems, and potential migration of existing customer, product, and subscription information to your new platform.

As with any technology deployment, your team can manage and minimize project risk by using proper planning, seeking out expert guidance and input, and applying best practices. Part of a good plan is anticipating what can go wrong and taking steps to prevent it from derailing your project.

Common Deployment Missteps

> **B2B subscription commerce is complex, with relationships that span multiple people, channels, and devices.**

It takes a powerful, flexible platform to handle the complexity of a recurring revenue model while delivering a frictionless customer and partner experience.

An experienced platform provider can also help you understand how to translate your complex use cases into a successful implementation and launch. For example, at AppDirect, our team helps organizations understand why it's important to follow our proven methodology and best practices to avoid making common mistakes like these:

DEPLOYMENT PITFALL	WHY IT'S A MISTAKE	WHAT YOU SHOULD DO INSTEAD
Taking a big-bang approach	Trying to implement everything at once extends your timeline for implementation and increases project risk and complexity.	Identify and prioritize the must-have functionality required to launch a minimally viable implementation. Capture nice-to-have functionality in a backlog for later implementation after your initial launch.
Not getting buy-in across the business	A subscription commerce strategy and new technology platform will impact many different areas of your company. Not involving each of these areas and getting buy-in early in the project can result in unexpected and lengthy delays later.	Get buy-in from finance, sales and marketing, operations, customer support, legal, product development, and any other important stakeholders so that you can surface and resolve objections or issues early—before they impede your progress.
Writing custom code instead of using standard functionality	Writing custom code to extend the platform might seem like a great idea to get a 100 percent fit with your use case. However, the more you customize the software to your specific needs, the more difficult and time-consuming it is to adopt new features in the future as they're released.	Plan to satisfy business requirements by using standard platform functionality, adapting your company's processes where needed. In general, it's also important to stick with industry standards instead of custom development or obscure, proprietary software to avoid unnecessary integration efforts and costs.
Not understanding that compliance is a shared responsibility	Assuming that the platform vendor handles all compliance requirements can lead to gaps and potential compliance audit deficiencies.	Security and compliance are shared responsibilities in the cloud. Your company's responsibility is to take appropriate steps to protect sensitive data based on the regulations with which you must comply. Take the time to research and understand exactly what your platform deployment will need to do to meet the requirements of relevant regulations.
Underestimating the importance of test data	If you get to the end of the implementation and are ready to begin testing but don't have test data ready, you'll run into significant delays, or worse, be tempted to take shortcuts that could lead to launching a platform where you haven't tested everything that could impact the customer experience.	Include milestones for developing robust test plans and test data in a timely fashion. Investing the time and resources in building automated test plans for critical user flows will help you launch with the quality of experience your customers will expect.
Underestimating the importance of test data	If there's a deployment or integration of a separate system required as part of your subscription commerce launch, do you have those milestones tracked on your critical launch path? If not, you could hit a major delay as you wait for dependent systems to be deployed.	As part of your project plan, you'll establish key milestones and due dates. Make sure you have identified and documented all dependencies on your critical path and that you've aligned your launch plans accordingly.

Common Integration Mistakes

Depending on which critical capabilities you've determined you'll need to have in place at launch, you may be integrating your new platform with third-party systems such as an existing billing, customer relationship management (CRM), or enterprise resource planning (ERP) system, payment gateways, tax software, and other back-office capabilities. Here are common mistakes to look out for.

DEPLOYMENT PITFALL	WHY IT'S A MISTAKE	WHAT YOU SHOULD DO INSTEAD
Relying on manual steps to integrate your billing system	Skipping integrations with important systems in the interest of time can impact the success of your strategy. For example, relying on generated reports to import data into your billing system can introduce errors and delays in getting timely information.	For anything beyond a proof-of-concept implementation, it generally pays to invest the time in an API-based integration to your billing system.
Not synchronizing your platform's billing frequency	When the frequency of subscription billing is out of sync with your standard billing frequency, it can cause confusion and frustration for both customers and back office staff.	If you're integrating with an off-platform billing system, make sure that you understand and map billing frequency and dates early in the project so that the platform is aligned from the start with your standard billing processes.
Forgetting to gather all relevant contract details	Leaving the contract details until the end can be costly in terms of scope creep and delays.	Engage your finance and accounting team early to identify the specific contract terms, termination fees, metered usage, and other contractual details you'll need to support in the platform. These are critical areas to understand when integrating with a third-party billing system outside of the platform.

Not identifying all the software that must be integrated	Whenever you uncover a missed integration late in the launch effort, it can introduce substantial delays and extra costs. Worse yet, if you launch without realizing that an integration is missing, you could have a negative impact on the customer experience.	Make sure that you identify all the software beyond the billing system that the platform will need to integrate with at launch. For instance, maybe your company uses a certain chat service to provide customers with online help. You need to identify this and other must-have software early in your efforts so that you can plan for the integration and test it prior to launch.
Not integrating your product using the platform APIs	How will the platform integrate with your product's capabilities? What needs to happen when a customer upgrades, downgrades, or cancels a capability? Not integrating with the platform or creating custom code to integrate can have serious impacts on the customer experience as well as your timeline and costs for deployment.	To create a frictionless experience for your customers, your product should integrate with your new subscription commerce platform. Take advantage of the platform APIs for fast, seamless integration of your products.

Common Migration Issues

> **If you already have a book of business that you want to move to your new subscription commerce platform, that's considered a migration.**

It could involve migrating company data, customer information, existing subscriptions, product information, and more from existing systems into your new platform.

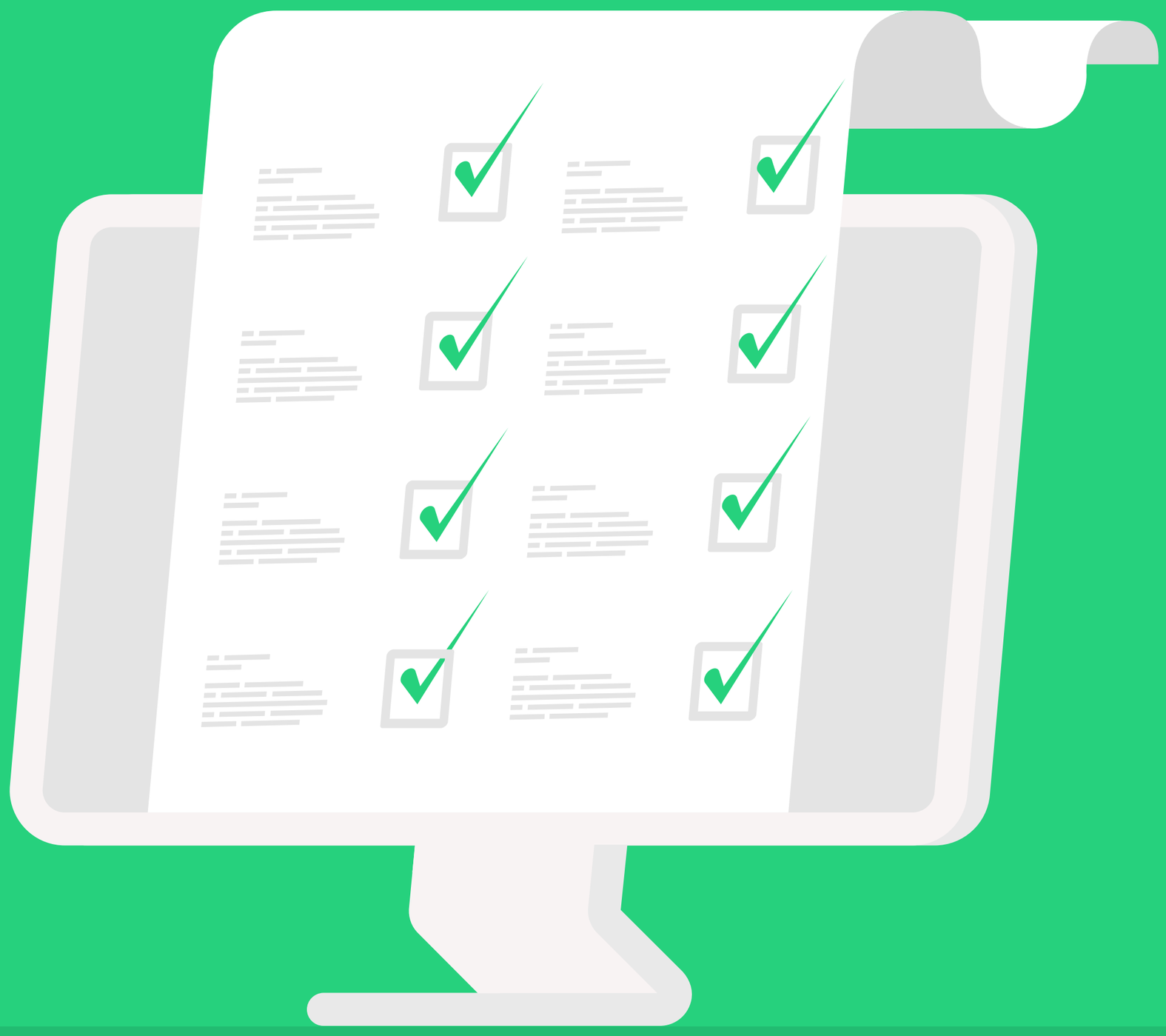
A migration is a critical component of your overall deployment, and, as such, warrants its own detailed plan. The AppDirect team can help you create and execute a comprehensive migration plan, while avoiding the following common issues.

DEPLOYMENT PITFALL	WHY IT'S A MISTAKE	WHAT YOU SHOULD DO INSTEAD
Migrating everything at once	Trying to migrate a large book of business with dozens of different products and subscriptions across tens of thousands of customer accounts can be a recipe for disaster. There will always be something that wasn't anticipated or accounted for in the planning.	Migrate one batch at a time, in priority order. Start with test batches to uncover anything unforeseen and then move on to small batches (start with 10, then 100, then 1000, and so on). Repeat until all scenarios and data are covered.

Migrating expiring subscriptions	Think of the timing of your migration. Often it doesn't make sense to spend time migrating subscriptions that will soon expire.	Consider your options from a timing perspective before you invest the resources into moving all of your data.
Introducing unwanted change into the customer journey	What will happen once your customers start using your new subscription commerce platform? If you haven't planned for a smooth transition and accounted for how their experience may change, your customers may balk at using the new platform.	Before you risk introducing friction into the journey, make sure you understand the entire customer journey as it currently is and map it to the new experience. Were customers receiving certain notifications before? Make sure they will still receive them on the new platform. Document end-to-end business flows and use change management best practices to help people understand anything that will necessarily be different than in the past.
Assuming that billing integrations will work with migrated data	The last thing you want to happen is for customers to experience problems or changes with billing once you move them to the new platform.	Test your billing integration using your migrated data to make sure that you have covered every eventuality and discovered anything that you forget before billing time comes around for your migrated customers.
Underestimating the importance of the migration effort	Migration isn't something that happens behind the scenes and attempting it without a plan can lead to substantial delays or a negative impact on the customer experience.	Make a migration checklist and use it to make sure you're not missing any steps. When it comes to customer impact, effective migration can mean the difference between success and failure of your subscription commerce effort.
Rushing into a migration	Moving an established book of business onto a new subscription commerce platform requires establishing trust. If you rush the migration before you've completed everything you need to do to build confidence in the new platform, you risk losing trust and excitement both with your customers and your internal staff.	Don't start migrating until you have your marketplace created and branded, the customer and partner experiences ready, everything configured properly, products onboarded, and all user flows tested. Then, and only then, should you begin migrating data to the new platform.

CHAPTER 13

Deliver a Superior Customer Service



Focusing on the customer experience pays many dividends—from creating product evangelists that spread the word about your company, to reducing customer churn to making new revenue streams possible. The following best practices, strategies, and advice can help you deliver the kind of customer service and experience that drives customer success and along with it, profitability, revenue, and sustained growth for your subscription commerce initiative.

Design a Better Experience

When you think of creating a frictionless customer experience for your new subscription commerce offering, make sure you're also focusing on the customer support experience. What happens when a customer has a question or a problem? What should be happening?

Here's an example of a frustrating experience:

A customer calls with a question about a module that you offer. Currently there's no option for information about this module on your IVR, so the customer has to guess at the right selection. When the agent answers, the customer explains that she is interested in your module but has some questions about the functionality. The agent isn't allowed to handle sales calls and transfers her to a sales group, where she has to wait on hold until someone is available. Once she completes the purchase, she has a question about how to use the new module. The salesperson doesn't know the answer and refers her to the website. Once on the website, the customer is unable to find the answer to her question and picks up the phone to call your company … again.

Think about what the journey should be:

There are a number of ways to make sure the customer reaches someone who can help as quickly as possible. There are speech analytics for IVRs that can help identify why she's calling and get her to someone directly who is empowered to help her. There are knowledge systems that can help the agent answer all of her questions without forcing her to switch contact channels. You could offer a proactive chat conversation to her once you've activated the new module to walk her through how to get started. This would reduce or eliminate additional contacts.

By tracking customer-performance key performance indicators (KPIs), you'll know when you've designed the experience for a journey correctly.

Aim Higher

While rethinking the interaction from the customer perspective can help you make the experience easier and more convenient for the customer, don't stop there. Why? Because easy and convenient are rapidly becoming table stakes. Your real aim should be to make the experience authentic and memorable for the customer. Think about what it would take for the experience to actually inspire loyalty to your brand. That is what you should be aiming for.

Give Your Teams the Tools They Need

Part of your investment in subscription commerce success should be used for making sure that your customer support and customer success teams have the right tools they need to proactively reach out to your customers at the right time.

The following tools are the basic components that you need to have in your customer-support-and-success toolbox when adopting subscription commerce.



Customer relationship management (CRM) system

Unlike customer support, which operates in a primarily reactive mode, customer success is proactive and focused over a period of time on building relationships with customers—a critical aspect of successful recurring revenue models. The point is to help them realize the full potential of your product or service, and you do that by managing their success through a series of journeys—from the trial through purchase, onboarding to full adoption.

Your CRM system helps you track and manage these journeys, as well as serving as the system of record for the information your team members gather about the customer's business needs and goals for using the new software. You can use the CRM to trigger outreach when a customer accepts a trial or moves to the next step in the journey.



Knowledge management system

A knowledgebase gives your customer support team ready access to how-to information and serves as the centralized point for sharing what they learn to help others with the same issue. You should also make the knowledge available to customers for self-service support.



Customer usage analytics

With subscription-based solutions such as SaaS, it's much easier than with on-premises products to track customer usage and identify patterns of usage that signal potential issues. Whether your application has a built-in dashboard or your company uses application monitoring tools to provide insight into customer product and feature usage, the customer success team needs to regularly review these statistics to understand, track and measure customer success.

If you have alerting functionality in the dashboard or reporting system, you should use it to alert on red flags that could indicate customers are at risk of churning. For example, a sudden drop in activity could signal that a primary user left the company and the customer doesn't have anyone else who knows how to use the product. An alert lets you pick up on this trend before it's too late and proactively offer training and support to help other employees in the customer's business use your product. This also helps your team understand the best time to engage the customer. Looking at this information is helpful, but you have to make it actionable by creating alerts that trigger response.



A tool for documenting customer journeys

An essential part of offering proactive services to customers is knowing where they are in the journey so you can offer the most appropriate help at the right time. That's why you need a tool that lets you visually document the most critical customer journeys that your customers take—from unqualified lead to trial, from trial to sign-up, from sign-up to onboarding, and so on. You can then design the experience to offer proactive guidance at the right moment to streamline each journey and help the customer achieve success faster.



Other tools

In addition to the four tools above, there are other tools that can help your team be efficient and effective in driving customer success. Some companies rely on collaboration and communication tools such as Slack, project management tools such as Basecamp or Wrike, and even full-blown customer success management platforms. The technology stack you choose will depend on your business model, products, and customers.

Hire and Retain the Best People

To deliver a consistently great experience, you need the right people interacting with your prospects and customers throughout the customer journey. In fact, you need the very best people—engaged, knowledgeable, empathetic, and committed to your company, your offerings, and your customers' success.

Finding and retaining the best people has always been one of the biggest challenges that companies making and/or selling subscription-based offerings face. Given the level of competition in the market as well as the unique combination of skills, experience and personality required for sales, support and customer success roles, it's never been more difficult or more imperative to recruit and keep high-performing staff.

Here are best practices for recruiting for customer service roles for subscription commerce:

01.

Find and hire people with the right technical competencies

Far too many managers hire people for the sake of filling empty seats or they succumb to pressure to fill vacancies as quickly as possible. Instead, hire only those people you believe will be strong additions to your team based on their competencies, starting with relevant technology experience. Insist on finding and hiring people who demonstrate the technical competencies that your company needs to support cloud solutions. You can also seek out people with experience in adjacent industries to the products you're selling.

02.

Focus on outcome-based sales expertise

You need agents who can articulate the benefits that subscription-based products and services can bring to the prospect's business, such as automating business processes to save time and money, having data to make insightful business decisions, and other value propositions. Look for candidates with proven skills in selling outcomes versus products.

03.

Attract the best talent with the right compensation plan

Selling subscription commerce solutions is fundamentally different than selling other B2B services, and as such, you should have a compensation plan that reflects the unique requirements of the recurring revenue business model. With the right plan, you can achieve not only your business objectives, but attract and retain top talent.

04.

Offer a clear career and growth path

Everyone worries about the future of their career. Good candidates will be hesitant to consider your company if you don't demonstrate that it will be a good career opportunity for them both now and in the future. To attract and retain top talent, make sure you have a transparent, effective employee development plan that encourages employees to keep developing their skills and provides incentives to managers to offer opportunities for professional growth to their team members. This is as rewarding for employees and managers professionally as it is for the health of your business.

05.

Look inside and outside your company for referrals

The best way to find more people who have the right combinations of personalities, skills, and experiences similar to your current team is to ask your current staff for recommendations. Make it rewarding for team members by paying significant referral bonuses for employees that recommend someone who gets hired.

Also consider expanding your referral program outside of your company so you don't miss out on any great talent. Anyone who knows your company and the requirements of the role well can be a good source for talent referrals. It can be former employees on good terms, friends of employees, partner companies or even vendors. You just need to offer an incentive and make it known that you will pay if a recommended person is hired.

CHAPTER 14

Become a Subscription Commerce Leader



Even if company stakeholders all agree that moving to a B2B subscription commerce model is the right strategic step for your company, achieving success requires more than a good strategy. To be successful, your company needs a subscription commerce leader who's willing to challenge the status quo, push past obstacles, and create sustainable growth and innovation by helping the company embrace a recurring revenue model.

Let's face it: Change is difficult. There will be resistance, even when everyone supports the ultimate goal. There are also organizational dynamics that come into play where culture, history, and mindset can thwart even the most clearly beneficial efforts.

To achieve big breakthroughs, such as subscription commerce, you must effectively manage change across the organization. Are you ready? It's time to prepare yourself to lead the subscription commerce charge.

Stepping into the Leadership Role

There are many ways to define a leader. And there are just as many traits associated with successful leaders—authenticity, passion, commitment, patience, courage, perspective, and the list goes on.

What kind of leader do you need to be to steer your company towards subscription commerce success? While the traits above are certainly a good start, here are some of characteristics that will help when it comes to shifting to a new recurring revenue model:



A forward-thinker who isn't afraid to do things that haven't been done before



The authority to invest in and empower change management (typically this means being a member of the C-suite or a top executive with a mandate from the C-suite)



The desire and absolute knowledge that you must expedite your company's move to recurring revenue



The ability and understanding needed to persuade and incentivize different areas of the company to adopt the new business model

Anticipating the Hard Part

You and your team have already laid the proper foundation for your company's move to subscription commerce. However, some of the most difficult work still lies ahead. That's because change is never easy. Regardless of the level—organization, team, or individual—people don't universally embrace change. Some may actively seek to sabotage it.

That's why it's important to anticipate the challenges of changing established processes, tasks, responsibilities, and mindsets across the company as you adapt to a new business model. Taking the time to understand what to expect can help you determine the best path forward and then navigate smoothly around the obstacles and areas of resistance.

Assessing Organizational Dynamics

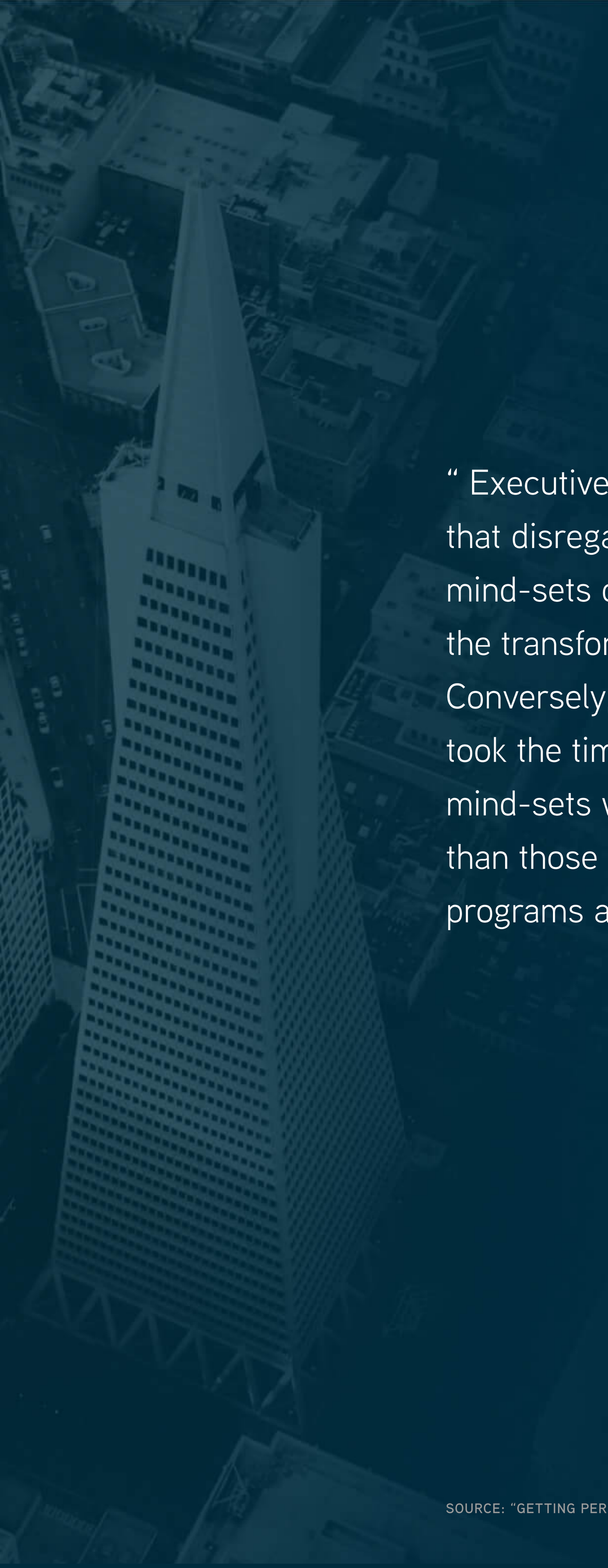
> **Part of your approach to leading the subscription commerce shift needs to consider your company culture, history, and mindset. Are people at your company ready to let go of the status quo?**

Today's business landscape is anything but stable and predictable. Disruption is the new normal and companies live in states of permanent, or semi-permanent, disruption. Yet, some middle managers and even executives continue to hold onto old business models, trying to find ways to replicate past successes and maintain the status quo. You can call this a fixed mindset.

As you formulate your plan for shifting to a recurring revenue model, ask yourself these questions about the current state of your company:

- **Is the current legacy leadership accustomed to operating in one way for the history of the company?**
- **Are there operational and leadership silos?**
- **Does the company culture and mindset embrace continuous innovation?**

To succeed, you'll need to find a way to help people within your company let go of approaches that worked in the past and embrace an innovative and open mindset.



“ Executives at exactly **zero** companies that disregarded an analysis of employee mind-sets during a change program rated the transformation as ‘extremely successful.’ Conversely, executives at companies that took the time and trouble to address mind-sets were **four times** more likely than those that didn’t to rate their change programs as at least ‘successful.’”

SOURCE: “GETTING PERSONAL ABOUT CHANGE,” MCKINSEY QUARTERLY, AUGUST 2019

Focusing on the Human Aspects of Change

> A leader teaches people the "what, why, and how" of the changes that need to be made. This requires change competency, an essential skill for a subscription commerce leader.

Investing in change management is one of the smartest things your company can do to help it successfully pivot to a new business model. Without it, your company may never realize the full potential of a recurring revenue model because the people involved didn't embrace the change.

According to Prosci, a change management research and consulting firm, change management comprises processes, tools, and techniques to manage people and achieve desired business outcomes. It focuses on the human factor of organizational change by helping the people in your company embrace the transformation effectively and adapt to their new environment quickly.

Achieving Your Objectives

While there are multiple, different frameworks and approaches for change management—the ADKAR model from Prosci, John Kotter's Change Management Model, McKinsey 7-S Change Management Model, Kübler-Ross Five Stage Change Management Model, and others—the important success factor is that you pick one and use it.

Using a structured, formal approach to change management helps you stay on track, undertake the right activities, and monitor progress.

According to Prosci, the advantages of using a structured methodology include:

- **Provides structure and rigor for the people side of change**
- **Enables repeatability and scalability**
- **Addresses all key components of the changes needed**
- **Avoids missing important steps**
- **Draws on the lessons learned by others**

“In the roughly

70%

of change programs that fail to deliver results, the vast majority of problems can be attributed to the ’soft stuff’ : employee resistance to change and inappropriate leadership behavior.”

SOURCE: “THE FORGOTTEN STEP IN LEADING LARGE-SCALE CHANGE,” SEPTEMBER 2019

Helping Customers Adopt Your Changes

> **While managing change focuses primarily on employees, don't forget about the changes your customers will face. Are they ready and accepting of a recurring revenue model or will they walk away from your company? It all depends on how you manage the changeover.**

With the move to a subscription commerce model, your company won't be the only beneficiary. It can, and should be, a win-win for both your business and your customers. B2B subscription commerce aligns your solution around customer value, helping them better plan and budget, reduce costs, and lower risk at the same time.

Communicating the benefits of your new business model to your customers can help improve adoption and reduce customer churn.

Furthermore, make sure your team has considered and properly planned for the impact, both upside and downside, on your customers, including:

- Communicating early and often about the change to your customers
- Anticipating how customers will likely react and creating compelling incentives in response
- Developing a transition plan for helping customers move to the new model

The AppDirect Difference

Thank you for reading our Definitive Guide to B2B Subscription Commerce. At this point, you should have a good understanding of what it takes to successfully launch and scale a subscription commerce initiative.

By now it should also be clear that while the right platform is essential, it takes more than technology to be successful with subscription commerce. Even though AppDirect is the leading vendor for platform and ecosystem technology, we know that success also requires the right strategy and governance to realize value.

That's the AppDirect difference: We bring a consultative approach, proven best practices, and years of expertise in helping our customers achieve their business goals—faster, with less risk, and a greater return on investment.

For more information about AppDirect, visit our website.

About AppDirect

AppDirect offers a subscription commerce platform that removes the complexity of building a recurring business model. Sell any product, through any channel, on any device—as a service. Our platform opens up endless opportunities for commerce innovation, giving businesses the freedom to grow. We power millions of subscriptions worldwide for organizations like Jaguar Land Rover, Comcast, Sage, Keller Williams, and ADP.

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