



WHITE PAPER

Build Versus Buy for Subscription Commerce: Choosing the Right Approach for Your Platform





Introduction

Companies that adopt a B2B subscription commerce model stand to gain more than just the recurring revenue. Investors reward companies with recurring revenue models with far higher valuations than those with only traditional, one-time transaction models. Beyond growing revenue and valuation, many companies pivot to subscription commerce to differentiate their brand, improve customer loyalty and share of wallet, and reduce their cost of sale, among other reasons.

But a subscription commerce model itself doesn't guarantee success. A make-or-break factor that you must consider is your platform. How will your company go about getting the capabilities required—from the digital marketplace to provisioning, to onboarding, to billing, customer relationship management, and beyond—in place as 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? Or is it better to buy multiple point solutions and write custom code to fill in the gaps in functionality?

Over the past decade, we've helped many companies deploy the capabilities they need to be successful with subscription commerce. The following considerations and pros and cons can help inform your business case and help you decide how to move forward.





01 Understanding the Core Capabilities Your Company Will Need

By now, you're probably aware that the subscription commerce model is very different and significantly more complex than one-time transactions. 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



ONBOARDING



BILLING



IDENTITY AND ACCESS MANAGEMENT



SPEND MANAGEMENT



DATA ANALYTICS AND REPORTING



APIS TO INTEGRATE WITH EXISTING BUSINESS SYSTEM





02 Approaching the Development Project on Your Own

Some companies start their subscription commerce journeys assuming 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

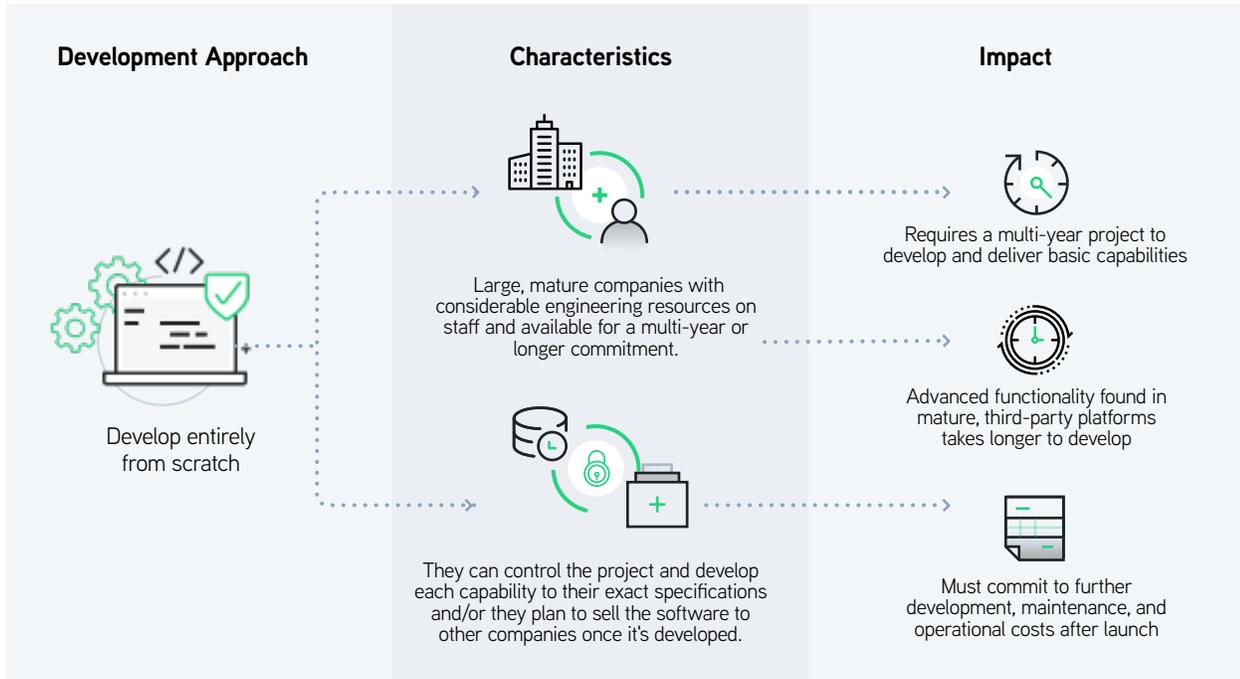
Based on assumptions made about the use case or a lack of understanding of the requirements for subscription commerce, some companies aren't aware that a suitable, off-the-shelf platform solution exists. The belief is that building it themselves is the only option because no existing, third-party software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



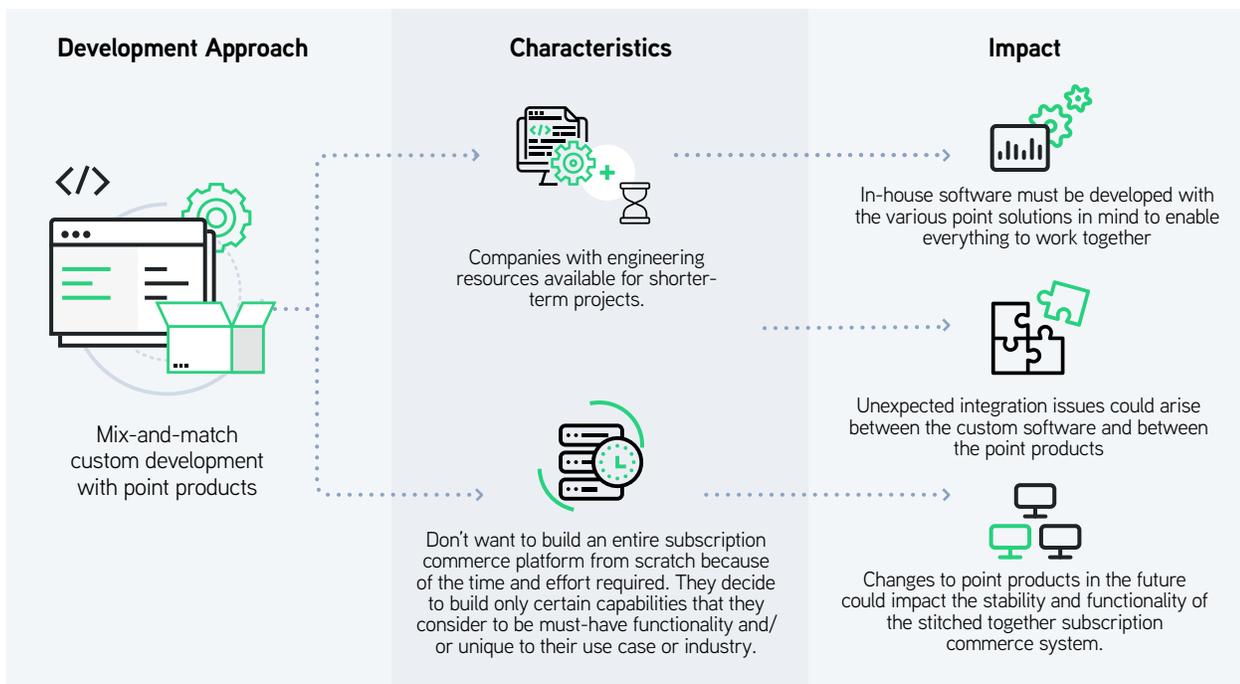


IN THE BUILD-IT-YOURSELF SCENARIO, COMPANIES TYPICALLY CHOOSE ONE OF TWO APPROACHES:

01 Developing all capabilities from scratch



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





03 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 ongoing development to address evolving needs and maintenance
- ✘ 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	 CONS
<ul style="list-style-type: none">✓ 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	<ul style="list-style-type: none">⊗ 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

04 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)?





05 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 future proof your strategy
- Frequent releases and continuous platform evolution
- Scalability
- Frequent releases and continuous platform evolution

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

“It didn’t make sense to build a marketplace on our own with all the bells and whistles we needed. We wanted a partner that is a leader in the space and one that would be open to customizations for our agent-driven approach.”

— Jeff Tamaru, Head of Corporate Development, Keller Williams



Learn More

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.

The Next Step

Getting to market quickly with a new subscription commerce offering can mean the difference between gaining an early mover advantage or lagging the competition. Choosing the fastest, lowest-risk, and most cost-effective way to adopt subscription commerce is a critical success factor for companies pivoting to a recurring revenue model.

AppDirect is a trusted advisor to leading companies across different industries, including software companies, service providers, manufacturers, financial services, real estate, and others. We've helped numerous companies deploy the capabilities they need to be successful with subscription commerce.

For more information about AppDirect, please visit www.appdirect.com.

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, ADP, and Deutsche Telekom.

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