WHITE PAPER

Unifying Subscription Commerce with Your Existing Systems and Operations

AppDirect

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The subscription commerce economy continues to gather momentum in the B2B world, with companies across diverse industries pivoting all or part of their business models to a subscription-based approach. In fact, half of companies report that 40 percent of their current revenues are already recurring.[1]

For organizations that are formulating strategies and developing new products for a subscription model, one of the main goals is 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. 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.

DOUBLE-DIGIT GROWTH FOR THE SUBSCRIPTION MARKET

$344.3 billion will be the size of the global "anything as a service" subscription market by **2024, a 24% CAGR**[2]

1 "The Growth of Recurring Revenue Business Models," Salesforce and CFO, 2019.

2 "Anything-as-a-Service Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2019-2024," IMARC Group, 2019.

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. The following guidance represents years of lessons from many different AppDirect customers across multiple industries.

01 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 a subscription offering to market are siloed and walled off from the rest of your 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

Forcing customers and prospects to use a different access point to purchase your subscription offering than the rest of your products and services creates frustration and friction throughout the customer journey.

BRAND CONFUSION

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

UNIFYING SYSTEMS TO DRIVE SCALE

A major Microsoft Cloud Solution Provider (CSP) was looking to scale its business, but its systems for support, provisioning, and maintenance all had to be managed manually. The provider had no ability to unify or automate these processes, which was severely inhibiting its ability to grow.

Using a subscription commerce platform, the provider was able to streamline and unify its operations with its existing business. Automation has helped the provider not only better manage its business processes, but also deliver a better customer experience.

02 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 than 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.

A CRITICAL UPDATE TO LEGACY BILLING

A large international manufacturing company had legacy billing systems that were designed to bill for high-priced products that cost hundreds of thousands of dollars. To bill for these purchases, the company spent nearly $100 to generate an invoice. When invoices are large, $100 is a small fraction of the total cost. However, as the company moved to a subscription model, with recurring bills that were around $200 per month, each invoice ended up costing 50 percent of monthly revenue just to bill a customer.

With a billing system built for subscription commerce that can interface with legacy systems, the company was able to dramatically reduce the cost of invoicing.

03 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 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

DELIVERING A BETTER CUSTOMER EXPERIENCE

A major IT solutions provider with a growing subscription business for cloud software was running into trouble with its antiquated commerce technology and processes. When customers made purchases—including product bundles—each solution was being invoiced separately and solutions could not be provisioned immediately.

To overcome these challenges, the provider implemented a subscription commerce platform that was purpose-built for recurring transactions. With improved technology and automated processes, the provider was able to scale faster while providing a superior customer experience.

04 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?

While we're addressing aligning success metrics last, it's certainly not the least important in terms of alignment. If anything, it's the most critical 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.

CREATING A SEAMLESS EXPERIENCE DRIVES REVENUE

For many B2B marketplaces, assisted sales is still a key factor in getting customers to buy. However, providing self-serve tools that allow customers to add licenses or upgrade on their own can have a big impact.

That's exactly what a large multinational telecom company based in Europe saw when it made self-serve tools part of its subscription commerce strategy. In fact, the company saw $1 million in additional annual sales due to customers who used these tools to make purchases entirely on their own.

Conclusion

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 are 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

B2B companies of all shapes and sizes are tackling the challenge of unifying subscription commerce with their existing operations and systems. It can be a daunting process that requires the right technology combined with the right expertise.

AppDirect is here to help. Today, our platform powers millions of subscriptions worldwide. As a trusted advisor to industry leaders such as Jaguar Land Rover, Comcast, ADP, and Deutsche Telekom, we've worked with many companies to help them achieve their subscription commerce vision. We can help your business, too.

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