Thrive in the **Subscription-Based Economy**
Build and Monetize New Service-Driven Business Models
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Streaming platforms have changed the way we consume music and video. Cloud computing offers new ways to access files and software. And the way we travel from A to B continues to evolve with car sharing and mobility-as-a-service concepts.

We now live in the subscription-based economy, where services are either bundled together with physical products or replace them entirely. One-time transactions are giving way to usage-based payment models, and the focus has shifted to providing outstanding customer experiences and ongoing value. Your business is now at a turning point: How can you capitalize on the new reality before your competitors do?

Digitalization has transformed expectations of products and services. In both B2B and B2C environments, an increasing number of customers want more than just the product itself. Instead, they are searching for convenience, personalization, and most of all, positive outcomes. This is challenging companies to rethink business models and find ways to generate new, continuous streams of revenue. But to do this, you first need a billing process that can handle the unique requirements associated with this transformation.

The subscription e-commerce market has grown by more than 100% annually over the past five years.
Some manufacturers use integrated sensors, cloud computing, and IoT technology to measure product usage. A printer manufacturer, for example, could install IoT-enabled printers in an office and charge the customer a monthly fee based on consumption. The manufacturer benefits from an ongoing stream of revenue, while customers enjoy a simplified user experience. No longer do they have to maintain the printer infrastructure and replenish supplies; they simply pay for what they actually use.

To monetize new business models, you need an end-to-end billing process that can be adjusted to subscription and usage-based payments. See figure 1 on the next page for an overview.

Servitization is the process of replacing or enhancing products with services—and it is growing in popularity in virtually every industry. It challenges companies to rethink business models in order to offer customers the service they want and to deliver the outcomes they expect.

Take the industrial machinery and components sector, for example. Instead of simply selling machines and leaving maintenance and operation to the customer, an increasing number of machine manufacturers offer additional support. Customers can now purchase machinery on a subscription or usage basis, including diagnosis, maintenance, and repair services. These new turnkey offerings not only avoid expensive initial investments, they also help ensure uptime, availability, and quality.

Servitization Is Taking Hold in Almost Every Industry

What this means for businesses – examples
Business Model Innovation Requires a Modernized Billing Process

The key processes behind subscription-based business models
When you switch to a usage or subscription-based business model, you can better track how your customers use your products and services over time. You build a more detailed profile of your customers so you can create personalized offers. By tracking usage data, you can recommend different packages, payment plans, or additional services to your customers. To do this, you need a way to flexibly add, modify, and remove elements of a customer’s contract as their needs change.

This added degree of personalization and flexibility can attract new customers and strengthen your ties with existing clients. However, it can be complicated to manage contracts containing a mix of physical products, ongoing and one-time services, usage-based services, and revenue-sharing models. To accurately bill customers, you need to be able to collect and unify usage data from multiple sources and convert it into billing information.

By tracking usage data, you can create targeted offers that boost average revenue per customer.
For customers, one of the key benefits of subscription-based payment is convenience. They want to simplify payments and maintain a clear overview of all transactions. So, to boost customer satisfaction, you need to give your customers full control over their spending, while ensuring payment transparency at all times.

On the vendor side, the ability to create flexible pricing models can give you a competitive advantage. You can tailor pricing models to reward loyal customers and give them discounts at invoice level. As subscription-based pricing models can include millions of service consumption events and numerous partners, it is necessary to consolidate all billing information into a single, clear summary. This is especially important if you are working with partners in a revenue-sharing model.

Creating **Flexible Pricing Models** and **Consolidated Invoices**

25% reduction in customer support calls with simplified, transparent invoicing.

Source: SAP Performance Benchmarking
Personalized and efficient customer support is even more crucial in a subscription-based business model. To maintain longer-lasting relationships with your customers, you need to simplify the payment collection process as much as possible. In case of disputes, your customer service agents require a complete and accurate view of the customer’s payment history. It is also vital to continuously monitor customer payment behavior to gain an up-to-date picture of their credit risk.

By automating receivables and payments handling, you can better manage revenue flow and reduce days sales outstanding (DSO). Your revenue flow is secured thanks to automatic alerts in case of late payment.

Secure Your New, Ongoing Streams of Revenue

27% lower DSO when accounts receivable tracks short payments and alerts staff of recurring issues or those outside of a given tolerance.

74% decrease in operational costs of billing and collections cost as a percentage of revenue with optimized collections and dispute handling.

Source: SAP Performance Benchmarking
faster business model innovation with greater flexibility for introducing new commercial offers.

Source: SAP Performance Benchmarking

Learn more about SAP Billing and Revenue Innovation Management solutions at [www.sap.com/brim](http://www.sap.com/brim). Or watch the [video here](#).