RafterOne
An IPG Company

Why Most Self-Service Subscriptions Won't Scale

R¹ Built around you.

The Subscription Economy is Growing, but Can't Scale

The subscription economy is booming at an unprecedented rate. According to McKinsey & Company, the B2C subscription market has witnessed a staggering growth of over 100% each year for the past five years. This remarkable expansion underscores the growing consumer preference for subscription services, which offer convenience, personalized experiences, and continuous engagement. Companies are tapping into this trend, recognizing that a recurring revenue model not only stabilizes cash flow but also fosters long-term customer relationships.

Adopting a subscription model can significantly enhance a company's financial performance. A study by Bain & Company reveals that increasing customer retention rates by a mere 5% can boost profits by an impressive 25-95%. This retention-focused approach is crucial in today's competitive market, where maintaining a loyal customer base can be more cost-effective than constantly acquiring new customers. By prioritizing customer satisfaction and engagement through subscriptions, businesses can ensure a steady revenue stream and higher profitability.

Companies that master the art of customer retention and deliver consistent value will thrive, as evidenced by the SEI (Subscription Economy Index). Since 2012, SEI companies have grown 3.7 times faster than their S&P 500 counterparts, reflecting a significant shift from traditional product-based business models. Subscription businesses have not only demonstrated a revenue growth rate of 11.6%, but they have also outperformed non-subscription peers, who saw a decline of 1.6% in revenues. This data vividly illustrates the transformative power of the subscription economy.

Despite the potential benefits, the journey to success in the subscription economy is fraught with challenges. Today, while 75% of organizations selling directly to consumers offer subscription services, only 20% of these companies are expected to succeed in enhancing customer retention. **This begs the question, how is it that only 1 in 5 companies succeed in offering increasing customer engagement and deepening the relationship?** The answer is simple: scale. Most subscriptions lack the ability to scale and this is the main problem with almost every solution on the market geared at helping companies manage subscriptions. At the end of the day, they don't scale to offer a touchless self-service experience and this single problem hurts customer experience, adoption and retention.

Subscription Complexity Hinders Scale

Buying a subscription is easy, but managing the subscription is very complex. Customers want to amend and renew their existing subscriptions without having to talk to a sales rep or customer support. Something as simple as adding a few licenses to an existing subscription involves intricate changes to contracts, billing, and account details, necessitating substantial back-office effort.

Managing amendments and renewals in B2B subscription models adds another layer of complexity. Businesses often deal with large volumes of licenses, diverse payment methods, and intricate billing scenarios such as co-terminations and consolidated billing. Add on more complex requirements like purchase orders and volume discount tiers, you can see why something as simple as 'adding a few licenses' turns into a complex web of chaos for businesses.

This would be less of a problem if all these interactions were automated, but for most companies they are not. Manual reconciliations and updates across various systems—such as sales operations, revenue operations, and finance—make the entire process cumbersome and time-consuming. Many companies operate with siloed systems for marketing, commerce, quoting, and billing, leading to fragmented and inefficient processes. This lack of integration forces companies to manually makes these update, which is time-consuming, expensive and hurts the customer experience.
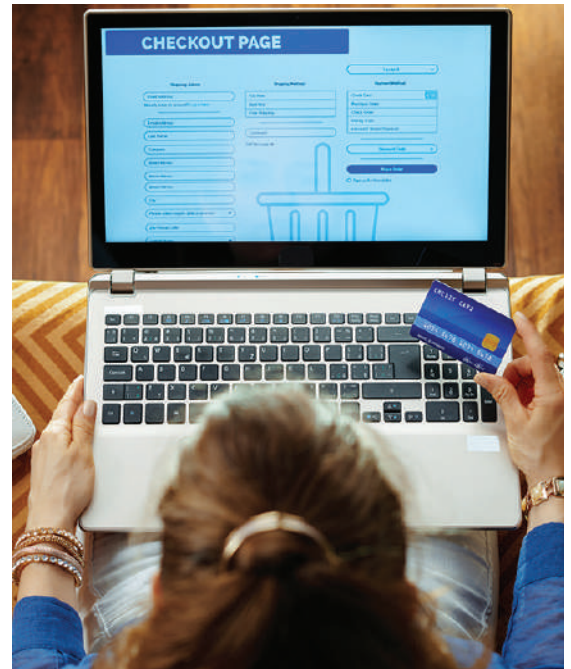
And to add even more complexity to this equation, usually these applications for managing subscriptions are not a single platform. They typically are a bunch of disconnected systems: CMS for the website, CRM for customer data, ERP for recognizing revenue and software application to release the additional licenses. With each addition to the company's tech stack, complexity is added exponentially. And at the end of the day, complexity is what directly hurts a business' ability to scale their technology.

Given the complexity of subscriptions, with the need to integrate different systems and reduce manual intervention, it becomes clear why most self-services subscriptions won't scale.

Platforms Scale, Applications Do Not

Most solutions for subscriptions focus on new applications like a more user-friendly website or a stream-lined billing solution. The problem is that while these do streamline some of the processes involved in managing subscriptions, they are not a holistic subscription management solution. The only way to address the complex issues of subscriptions so that businesses can scale is with a robust and integrated platform capable of automating the entire subscription lifecycle.

A unified platform automates subscription management from quote generation to contract amend-ments and renewals. This level of automation significantly reduces manual intervention, thus lowering operational costs and reducing the time that customers can see their update in the software. Businesses can handle a higher volume of transactions without needing to proportionally increase their staffing levels, which is crucial for maintaining profitability as the company grows. While companies are fixated on growth, what gets lost is profitable growth, which a subscription management platform offers. The efficient and error-free automation allows businesses to scale and reduce the cost to serve at the same time.

The surge in high-tech acquisitions underscores the critical need for a unified platform for subscription management, particularly for SaaS companies aiming to optimize their acquisition strategies. In the second half of 2020 alone, technology acquisitions deal values surpassed $200 billion per quarter, a milestone not seen in over two decades. Furthermore, software acquisitions have doubled over the recent decade. These trends demonstrate the need for a cohesive subscription management platform to streamline operations, enhance customer experiences, and maintain competitive advantages in a rapidly evolving digital landscape.

A key advantage of a unified platform is the centralization of systems and processes. By tying together all aspects of subscription management, including Quoting, Pricing, eCommerce, and Billing, businesses can streamline their operations and maintain consistent data across all customer interactions. This integration ensures that amendments and renewals are handled smoothly, and the data remains accurate, providing a consistent customer experience. The unified system not only simplifies internal processes since they are in 1 application instead of 3, but also enhances the reliability of the information, leading to better decision-making and more efficient operations.

Salesforce's Subscription Management Platform Scales

Salesforce's Subscription Management platform, utilizing Revenue Cloud and Commerce, empowers businesses to scale efficiently by automating the entire subscription lifecycle. This unified platform seamlessly integrates commerce and revenue functions, allowing for the automation of processes from quote generation to contract amendments and renewals. By reducing the need for manual intervention, businesses can lower operational costs and manage a higher volume of transactions without a corresponding increase in staffing. This automation not only streamlines operations but also enhances the overall efficiency and scalability of the business.

Salesforce's platform offers a single, integrated system that centralizes all aspects of subscription management, including, Pricing, Quoting, eCommerce, and Billing. This centralization ensures that all subscription-related data and processes are unified and streamlined, resulting in improved data accuracy and a consistent customer experience. The ability to handle amendments and renewals seamlessly further enhances the reliability of the system, ensuring that businesses can scale without compromising on service quality or operational efficiency.

But what really sets Salesforce apart from other platforms and allows them to scale is their self-service websites built on Commerce Cloud. These portals allow customers to independently manage their subscriptions, including adding licenses, upgrading plans, and handling renewals without ever calling a sales rep or customer support agent. This self-service capability not only improves customer satisfaction by offering convenience and control but also reduces the cost to serve by minimizing the need for manual support and sales interventions. The omni-channel flexibility of Salesforce's solution, supporting both self-service and rep-assisted sales, ensures that businesses can adapt to different customer preferences and transaction types, thereby facilitating scalable growth and efficient operations.

How Automated Subscription Management Scales Your Business

Back in 2020, our global communications customer faced a problem with their Small Business segment: they were losing money on every sale. The cost of sales reps performing the following tasks was hurting their business with every interaction:
• Calling the small business customer.
• Setting up their quote, pricing, and approval.
• Getting the signed contract.
• Getting paid out commission on the deal.

In order for global communications customer to service their growing market of small businesses, they needed a way to offer a touchless solution for small businesses that wouldn't lose money and would grow this segment. By leveraging B2B Commerce and Revenue Cloud, RafterOne designed a solution for global communications customer that:

• Dramatically reduced the cost to process new customer transactions
• Gave customers a self-service vehicle to update their existing contracts
• Offered a 'rep-assisted' solution when the volume exceeded the small business license number

This automated approach not only streamlined the process but also scaled global communications customer's business by:

• Reducing operational costs significantly
• Improving customer satisfaction with a more efficient and user-friendly system
• Allowing scalability by handling increased volumes without proportionally increasing resource requirements

By implementing Automated Subscription Management, businesses can ensure seamless operations, improve customer experiences, and position themselves for scalable growth in the competitive market.

Challenges and Solutions for Scaling Subscriptions

1. Booming Subscription Economy: The subscription economy is growing rapidly, with significant benefits for companies in terms of stable cash flow and long-term customer relationships. However, only 1 in 5 companies offering subscription services succeed in delivering a customer experience that scales.

2. Complexity of Subscription Management: Managing subscriptions, especially in B2B models, involves complex processes like amendments, renewals, billing, and account updates. Manual reconciliations and fragmented systems make the process cumbersome, time-consuming, and error-prone.

3. Need for Unified Platforms: Most subscription solutions focus on individual applications rather than a comprehensive management platform. A unified platform automates the entire subscription lifecycle, reducing manual intervention, operational costs, and enhancing customer experience.

4. Benefits of Salesforce's Platform: Salesforce's Subscription Management platform integrates Revenue Cloud and Commerce Cloud, automating processes from quote generation to renewals. It offers self-service capabilities for customers to manage subscriptions independently, which reduces the cost to serve and improves scalability.

✏ Make Sure Your Subscriptions Can Scale

As the subscription economy continues to expand, businesses must rigorously assess and refine their subscription strategies to remain competitive and profitable. The intricacies of managing subscriptions can significantly impede growth. This is at the heart of why most subscriptions won't scale.

However, leveraging a robust and unified platform like Salesforce's Subscription Management enables businesses to streamline operations, enhance customer experiences, and scale efficiently. This comprehensive solution addresses the multifaceted challenges of subscription management, allowing companies to focus on growth rather than getting bogged down by operational complexities.

In today's fast-paced digital landscape, having a comprehensive subscription strategy is no longer optional; it's essential for scalable growth and maintaining a competitive edge. Companies need to embrace automation, unify disparate systems, and empower their customers with self-service options. Salesforce's Subscription Management offers these capabilities, ensuring that businesses can adapt to market demands swiftly and effectively. By integrating these solutions, companies can reduce manual processes, minimize errors, and provide a seamless experience for their customers. The result will be growth and the ability to scale your subscription operations which will drive a better customer experience, greater adoption and improved retention.

Contact us to learn about our Subscription Model

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About RafterOne

When we looked to structure the most comprehensive collection of strength, reliability, and quality for solid end-to-end commerce in the Salesforce ecosystem, we extended beyond experience. We sought to secure a spirit connection for solution builders, collaborative creators, and born leaders to do their best work as one problem-solving team.

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