



A time to Servitize

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Introduction Ar

The increase in servitization, otherwise known as As-A-Service or subscription sales, has seen explosive growth over the last five to ten years. A large portion of that growth was seen just prior to and during the global Covid-19 pandemic. [The Subscription Trade Association](#) suggested that global revenues grew at an average annual rate of 17% between 2014 and 2019. [Recharge](#) amplifies this suggestion with their own claim of 90% year-on-year increase in subscription stores in 2020.

[Zuora](#), regarding The Subscription Economy Index™ vs S&P 500 & U.S. Retail Sales, stated that “The Subscription Economy® has grown nearly 6x (more than 435%) over the last 9 years, and subscription businesses in the Subscription Economy Index™ report have consistently grown five to eight times faster than traditional businesses.”

In a recent [Forbes article](#), Co-founder of [Appdirect](#), Dan Saks, advised of a 40% global increase in subscription sales compared to pre-pandemic figures. Whilst these figures are obviously split across sectors, she goes on to note “a 115% jump in new trial subscription growth for business and professional services, a 79% rise in software growth and a 45% increase for e-commerce.”

With figures like these it is evident that As-A-Service has found a firm foothold in business models across industries globally and is here to stay. While the global pandemic may appear to be winding down somewhat, business strategies and styles will remain forever changed. Increased remote work forces and greater focus on both environmental care and employee well being requires a change in not only the way we buy and sell, but the core fundamentals of business strategies we implement for a successful and sustainable future.

Flexibility

If the last two years have taught us anything it's that a key point to business success is flexibility. The days of rigid linear systems are in the rearview mirror, businesses want adaptable and flexible programs to suit a variety of needs and cases that may change at short notice.

The benefits of total ownership are being more and more outweighed by that of a pay-per-usage option; allowing businesses the flexibility & low risk option to subscribe to offices/furniture/lighting/hardware/software and almost everything else whilst dedicating their time, energy and financial resources to their core business areas.

They want a recurring revenue stream to satisfy shareholders, a frictionless supplier partnership and a deepened customer relationship.

They want these developed and implemented yesterday to meet the growing and rapidly changing demands of their end users and the markets they operate in.

Those failing to adapt to these increasing client demands will increasingly find themselves on the outskirts of competitive advantage.

Find your champions

Subscription selling goes far beyond simply securing adequate funding and changing the billing process. It requires a unique approach to multiple core business processes, some of which may have had the same systems in place for decades.

A key aspect of defining a successful As-A-Service business model that your company can adapt to is by understanding internal resource limitations and enlisting in expert advice. The intricacies and complexities of large scale subscription models will often require expert advice from not just one, but multiple experts, each specialising in a particular focus point of the As-A-Service system.

Whilst these experts are needed and key to initialising the As-A-Service business model, it is also paramount to long term success to find your own champions, and to develop these individuals into role models and instigators of the As-A-Service revolution you wish to enrol the company, its partners, clients and suppliers in.

The time to act

The pace of growth in the As-A-Service industry is at an all time high but success is not an overnight achievement.

Creating increased flexibility and added customer value through in house subscription business models is not a process to be rushed into blindly and to reap the rewards in coming years means to begin the process now.

True success in this arena requires an understanding of an organisation's historically linear financial engineering, funding strategy, operational structure, salesforce capabilities and more; in addition to the knowledge of how and what of this to use to transition into the successful creation, adjustment or improvement of an As-A-Service offer.

To have your business benefit from this recurring revenue stream first requires a decisive action plan to develop, scale and implement a planned As-A-Service business model derived from data acquired through an advanced and professional current-stage assessment and analysis.

Conclusion

Even before the Covid-19 global pandemic, a global shift had begun to be seen across nearly every industry and household. Individuals and businesses were and still are looking for a more simplistic, rewarding, environmentally healthy and financially viable long-term approach to traditional ownership, and usership is the answer.

This shift looks not only to be here to stay but to be a pivotal change in mindset in the way future business and personal transactions are shaped.

Black Winch are a team of experts experienced in the development, implementation and/or improvement of scaled, in-house subscription models across a multitude of industries.

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