

Drive Digital Services Growth with Flexible Monetization

By: Jean Lawrence

Today's customers are increasingly digitally minded in the ways they interact with each other and the businesses they patronize. A recent Oracle survey found that [70 percent](#) of consumers are highly engaged with their mobile devices and check mobile apps at least several times per day. While these statistics are not surprising, they illustrate the extent to which digital channels represent a means to reach a massive market share across many aspects of consumers' personal and professional lives.



To stay competitive, businesses must examine their business models and meet expectations for how today's customers want to access and manage their services. The most successful market disrupters have staked their businesses on digital access and delivery of services. Netflix, for example, which delivers digital movie and television content, recently flexed its market power by announcing an increased subscription rate for its 58 million customers—and it's not alone.

Subscribing to a New Business Model: Everything-as-a-Service

The digital era lends itself to ongoing relationships and frequent touchpoints with customers, which in turn gives rise to subscription and "as-a-Service" offerings that evolve and add value over the course of the relationship. With this shift, digital experiences and services—including everything from inherently digital subscription services like Intuit's TurboTax and Skype, to digital subscription services enabled by physical products such as home security systems and connected cars, to durable goods packaged as a service like Care by Volvo—are becoming more sophisticated and are proving to be a disruptive force in the market.

Oracle recently conducted a [survey](#) that indicated that 75 percent of monetization decision-makers consider the launch of subscription-based services a business priority. The idea is enticing: what business would pass up the opportunity to shift a one-time transaction into a recurring and predictable revenue stream? As a further benefit, an ongoing customer relationship translates to stronger customer loyalty and retention as well as deeper understanding of customers' preferences. The ability to use analytics to derive data-driven insights on customer behavior gives innovative organizations the ability to quickly optimize their offers in response to customer demand.

Businesses often test the waters with simple subscriptions and quickly learn that customers expect intuitive and fair pricing that offers them value, while competitors are rolling out more interesting pricing models. Because of these competitive pressures and changing customer expectations, nearly two-thirds (63 percent) of respondents in Oracle's monetization survey are planning to offer packaged or bundled products or digital services. Furthermore, 61 percent anticipate implementing usage- or consumption-based charges.

Enhancing customer experience is the top-ranked business objective cited by executives in Oracle's Digital Services survey, and companies are realizing that increasing subscriber control and offering more personalized services are critical to that differentiated experience. Businesses that are winning in the digital services era are those prioritizing the launch of creative subscriptions, bundles and usage-based offers that deliver a differentiated customer experience.

New Business Models Require New Monetization Tools

Most companies today rely on billing and revenue recognition tools that were built for a product-centric era. Taking a single order doesn't require much monetization flexibility. But as companies shift from physical products to digital services or reshape their business models to deliver tangible goods in modern recurring formats, they often find that the ERP-based tools of yesteryear don't stand up to the challenge. In Oracle's monetization survey, 54 percent of executives said their existing systems couldn't handle their current or future needs. Only 16 percent cited the ability to quickly launch new subscription-based services, and only 18 percent felt very equipped to respond to changes in market demand. Organizations must differentiate their services by having the agility to quickly bring them into the digital world and convert customers with competitive pricing and enticing discounts and bundles—activities that rely on flexible, modern monetization capabilities that cover the Concept-to-Cash-to-Care Lifecycle.

In fact, there is a correlation between companies that are market leaders and those that have modernized their monetization approach. Nearly half (47 percent) of solo market leaders say they've implemented monetization solutions for digital or subscription-based services, with the same share of companies fighting for the top spot in market share reporting the same, according to Oracle's ["Monetization As a Competitive Advantage: New Services, New Opportunities"](#) report. These industry leaders are putting monetization solutions to good use as they launch new digital services and subscriptions, allowing for recurring revenue—and unlocking new opportunities and deeper customer relationships in the process.

5G and IoT Mean Even More to Monetize

Emerging technologies will continue to disrupt the digital service market and create new opportunities to be monetized. The Internet of Things (IoT) is already driving ecosystems of always-connected devices and people and enabling services like subscription-based monitoring, predictive maintenance and consumption-based charging based on sensor-driven triggers.

To illustrate, let's consider the example of a 3D printer. Not long ago, a customer would simply buy the printer and have no ongoing relationship with the manufacturer. Now with IoT and subscription-based business models, this scenario has completely changed. Customers can pay a monthly fee to subscribe to a printer-as-a-service and IoT sensors can track possible issues like clogged nozzles and overheating and provide alerts. These sensors can also detect when a cartridge is low and present an option to order replacements via a mobile app. This approach can be monetized via a combination of subscription charges, one-time charges for alerts, and usage-based charges for consumables—all through one flexible monetization system that provides an intuitive digital customer experience.

Upcoming high-speed 5G mobile networks will provide even more new service opportunities. Oracle's Digital Services survey shows that 5G will not only benefit the telecom industry but will also offer a new paradigm in connectivity across industries. The lightning speeds and near-zero latency of 5G will enable many new digital services in areas ranging from autonomous vehicles to remote surgery to millisecond video downloads. Survey respondents indicated they believe smart cities and connected or autonomous vehicles will prove to be key opportunities in a 5G world.

In the same survey, respondents identified the top new digitally enabled areas of opportunity their companies are looking to explore. Prominent examples include:

- **E-commerce:** E-commerce, including original goods and services, was cited as one of the top opportunities for digital services by 48 percent of respondents in the telecom industry and 50 percent of respondents in other industries.
- **Digital customer engagement:** Following e-commerce, digital customer engagement tools for apps or websites were cited as a top digital services opportunity by nearly half of respondents in both the telecom industry (46 percent) and those in other industries (44

percent).

- **Smart cities:** Smart cities, including such digitally connected features as parking, tolls, traffic, lighting and security, were cited as a top opportunity for digital services by 42 percent of respondents in the telecom industry and 34 percent of respondents in other industries.
- **Digital Media and Entertainment:** Thirty-nine percent of respondents in the telecom industry and 44 percent of respondents in other industries cited online or over the top (OTT) digital media and entertainment as a top opportunity for digital services.

To illustrate how these digital service opportunities will require flexible monetization capabilities, consider a smart city that fully automates monetization with IoT-equipped smart meters. This city can combine usage-based, recurring, and one-time charges and consolidate multiple services on a single itemized invoice with a unified view of usage and behavior, offering a streamlined customer experience for residential and commercial utilities users. Futuristic concepts of smart cities that include flying cars may be farther down the road, but organizations can begin today by implementing monetization strategies in more familiar scenarios like smart parking and smart tolling.

Innovative businesses will be positioned to launch many new digital services in a range of formats and models and will need agile and powerful monetization solutions to fully capitalize on the opportunities promised by upcoming technologies.

Forward-thinking businesses are laying the groundwork for success in monetizing these digital services with business models ranging from consumption-based to subscription to bundles, all at massive scale. They will capitalize on the opportunities promised by new technologies with the agility to quickly launch new services to provide powerful customer experiences.

A New Model for Success

Failure to compete with today's customer-centric digital services can compromise a company's revenue growth as customers defect to better services. Companies that lag risk a loss of positive brand perception in the market. As these new digitally enabled models become the new normal for consumers and corporate customers, businesses will be forced to disrupt or be disrupted. Those that move swiftly to future-proof their businesses with robust and flexible monetization capabilities will reap the benefits of deeper, more lasting customer relationships in the digital economy.