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Becoming Usage-Data Driven: A New Standard

By: [Stephen Hateley](#)

The world is shifting from one-time product sales to recurring sales of products and services as a subscription. Subscriptions are becoming the standard framework for the relationship between companies and their customers, across industries. For both B2C and B2B, we are seeing a massive shift to digital services, where customers only pay for what they use, simply because it's a better deal for them. Customers see a direct connection between the price they paid and the value they received.



Recurring revenue models are more sustainable for a business as they build predictable revenue streams. Companies with usage-based business models are also proven to grow faster than companies with only flat-fee pricing. Flexibility in pricing and usage-based services allows companies to innovate and package new offerings that are easy to consume for the end customer, opening new revenue potential. Importantly, a subscription business model based on growing the number of users doesn't scale, but a model based on charging for usage does.

Just as important, the shift from one-time sales to recurring engagement also brings companies closer to their customers. The ongoing pandemic is increasing the need to speed up digitalization to get better insights into customer needs. A data-driven approach is the heart of customer relationships in the subscription economy. Usage data is not only the basis for charging and revenue, but it also enables companies to understand their customers and provide personalized experiences.

At the end of the day, usership is also a more sustainable model for the world. For example, Volvo has launched a new brand called M, a mobility service company that enables customers to “stream cars like music.” The company states that every car from M removes eight privately

owned cars from city streets. The service is a new revenue stream for Volvo and a much more sustainable model for the planet.

Soon, anything that can be sold and bought as a service will be. The question then becomes, what do you need to do to generate revenue from this shift? Essentially, companies will need to build the same robust and seamless order-to-cash process that we all experience when consuming mobile services.

Managing the unknown

There are a lot of opportunities and demand for usage-based pricing and anything-as-a-service business models. Customers love these kinds of services, and companies offering them are growing faster than others, while saving resources and reducing waste. So, why isn't everyone offering them?

First, usage data is the core of any digital business model. Second, managing these business models is quite complex, especially if you sit on many disparate data sources and legacy systems built for selling products only once.

To innovate around new digital business models at scale, you need to be able to automate usage tracking, aggregate and analyze massive amounts of consumption data in real-time, and feed the clean usage data records into downstream systems to orchestrate upgrades, downgrades, cancellations, settlements, refunds, and so on. This involves many moving parts and lots of data.

The dirty data challenge

With any type of digital service, the accuracy of billing systems is reliant upon the quality of data they receive. It follows that every digital interaction taken by a customer will generate data, and when consolidated, it will form the basis of how that customer is billed.

Any inconsistencies, missing information or errors relating to the data flowing to revenue systems can lead to lost income and a poor experience for customers. But still, and too often, companies perform high-risk patchwork with manual processes or homegrown tools.

With the importance of accurate usage data in preventing revenue leakage, unnecessary exposure to erroneous data, overcharging and incorrect reporting, there is an alternative approach.

Think usage data. Think different.

When thinking about usage data, we must think different. Most data platforms and homegrown solutions cannot properly manage usage data. To process usage data, you need to be able to handle the five Vs of big data: volume, variety, velocity, veracity, and value.

For example, let's take velocity. Usage data is generated in real-time, in the moment when the service is consumed—not weeks later. Or if you look at veracity, this is about the integrity of your usage data. When your revenues rely on usage data, the data needs to be accurate, and you need to be able to trust it. Or take value: there is no value until the complete usage data record enters the ERP system at the end of the process, automatically and fully operationalized. Leaking usage data means leaking revenue. Over time, we have observed that ultimately all problems in usage-based revenue models are usage data problems.

Usage data is the core of digital business models, but tracking and orchestrating usage data is incredibly complex. Considering it as just requiring simple integration from data source to a billing system massively underestimates the data management requirements to secure, accurate, and reliable revenue management.

How to succeed with usage-based revenue

Usage-based revenue is the future of digital commerce. It's also a better deal for the end customer and, at the end of the day, it's a more sustainable model. Even though there is complexity, there is a huge untapped revenue opportunity to grab. It's proven that companies with usage-based business models grow faster than the ones with only a flat fee or product sales.

At the core of every digital business model is usage data. If you control your usage data, that's the fastest and safest way to open new revenue streams, but companies need to be prepared to think big, start small and move fast.

By bringing usage data under control, you can turn it into increased revenue, grow faster and increase value. Businesses will get more steady, healthy revenue streams and be able to control costs better. Also, if they can engage with customers in the moment they consume services, it becomes possible to better understand their needs and act faster on their demand. This kind of differentiation for your company will be hard for others to copy.

Automate your data streams for an agile quote-to-cash process

Companies are increasingly dealing with rapidly growing data volumes, which increases complexity and can lead to problems with dirty data. Imagine your quote-to-cash process relying upon dirty data, data that is incomplete, out of date or is not delivered at the right time to the right place!

When moving to usage-based business models, billing is one of the first areas where the lack of data quality and persistent data management is exposed. Slow, manual, and outdated data processes further increase complexity in your financial systems and will only lead to data errors and lost revenue.

Building fully automated operations is hard, but it is even harder to compete without them. By consolidating financial systems and automating everything that can be automated, you can drive down operational friction, reduce cost and data errors, prevent revenue leakage, and ultimately increase customer satisfaction.

Become usage-data driven (not just data-driven)

Once you have full control of your usage data, you can observe the reality of your customers' usage consumption as it happens—how, when, where, and why customers are using your services. Usage data-driven companies are one step closer to their customers and the moments they are in. These unfiltered, real-time observations and insights can fuel marketing and product teams to improve and create new services, prices, and experiences.

The approach

The telecoms industry has trailblazed and set the bar for subscription-based services with their residential and mobile-service bundling, ecosystem applications and entitlements. It's now time for enterprises to take business model innovation to the next level. SaaS is just the start and there are many pioneers in the market already, but the pandemic has been a catalyst to small, medium, and large businesses adopting creative ways to leverage IoT devices, applications, systems, and customer engagements with great success.

To increase the speed of adoption, companies need to think differently about usage data. We have seen many homegrown systems and frustrated organizations desperately trying to manually add usage-based models into existing revenue systems, driving not only huge costs but contributing to massive revenue leakage.

DigitalRoute's platform is fast becoming the new standard for usage-based revenues. It is purpose-built to monetize and orchestrate usage data to assist businesses in avoiding the pitfalls of homegrown and patchwork data problem-solving. With a platform that was conceived in the highly demanding telecoms industry but is now established across many enterprise verticals, DigitalRoute understands the processes and data challenges involved and the opportunities usage-based revenues can bring.