

Technology shifts consumer buying patterns and gives C level executives their biggest challenge yet

Ever heard of the subscription economy? Already a massive trend internationally, this new economy has emerged as a result of the Software as a Service (SaaS) evolution and has inconspicuously changed the requirements for business software and how they work. This convergence is forcing companies to re-evaluate their delivery models and find a way of making it work if they want to remain competitive.

Quinton Pienaar, CEO of Agilitude a Salesforce.com and Zuora reseller, says that CTO's need to overcome the technical, organisational, regulatory and financial issues that stand in the way of making a new delivery model like the subscription economy work: "It is vital to respond to changing customer behaviour and build new delivery models. The subscription economy has already proved successful in a number of sectors such as software, automotive and finance."

The rise of the SAAS model has increased the intimacy between vendors and their customers. As a result, these vendors know exactly who is using their software and how much they are using it. "Essentially this means that each company that embraces the subscription economy will have to successfully manage a direct multi-channel relationship with its customers. In essence, this means that the focus is no longer on a product or transaction, but on the ability to service the customer," explains Pienaar.

He ascribes this change to shifting cultural norms, lingering economic challenges and steady advances in technology, which have helped make the value and convenience of temporary access more appealing to consumers than the intrinsic satisfaction they once derived from ownership. "What South Africa is yet to realise is that consumers will grow more comfortable with the idea of using rather than buying goods and services. They will soon expect companies to give them these options in a user-friendly and secure environment," says Pienaar.

However, sound business principles remain important cautions Pienaar: "Building new delivery models must provide value to customers and positively impact the business' bottom line. Sustained profitability must dominate otherwise the subscription economy will never work."

Top tips for how to adapt to change in consumption and delivery models:

1. Do the numbers – a new delivery model will only work if there is a strong business case backing them up.

2. Cash is king – in a temporary access delivery model, companies rely on future revenue streams rather than big upfront payments, so be certain that the company can bankroll the transition.
3. Convenience counts - make sure your interface is fast and easy to use – consumers will only support these businesses if they offer quick and seamless access to goods and services. If it is not convenient, they will not adopt it.
4. Regulate the industry – work with industry-specific law makers and ensure there is enough structure to keep scammers and incompetents out, but not so much that it blocks efficiency and profitability.
5. Make sure it's good – social media makes it possible for good and bad reviews to spread like wildfire. Consumers are hyper-connected and will want to share experiences, especially bad ones.

According to Tien Zuo, founder and CEO of Zuora, we live in a world where, again, it's not about how many products you ship anymore, it's about how strong your customer relationships are, and how good a job you are doing monetising those customer relationships. He says that this is the way companies need to think in order to survive and ultimately thrive in the Subscription Economy.

Pienaar agrees and says that getting this right is going to be one of the most exciting and differentiating challenges facing CIOs and CTOs for the next five years.