



EXPERT PAPER

Aachen Subscription Business

Monetize the use phase of your products.

The six principles of success

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Imprint

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1 Why subscription? Why now?

Digitize. Automate.
Transform business models.

Trends in the digital age are increasingly demanding new performance efforts from manufacturing companies. For some time now, the tradition-steeped mechanical and plant engineering sector in particular has been trying to convert its **business models geared to one-off sales** into business models with recurring revenues, e.g. complementary services. Services often have higher margins than the traditional product business. Although quite a few companies already generate more than 50 percent of their profits with a complementary service business, little has changed in the basic business model of manufacturers, i.e. plant sales. Many manufacturing companies are increasingly experiencing **stagnation in the sale of new machinery** and plants as well as an increase in the intensity of competition: products are becoming increasingly interchangeable. To counteract the stagnating new business, manufacturers are making major investments in the development and implementation of product innovations in order to increase the efficiency and service life of their products. However, the direct consequence of this is that **customer demand** can be **met by a smaller number of products** or via fewer repeat purchases.

As a result, demand for new products continues to fall. Although this phenomenon of stagnating new business has been observed for some time, only a few manufacturers have developed effective countermeasures to date. **However, „We’ve always done it that way“ is no longer a guarantee of survival** in the dynamic digital world. Rather, Darwin’s principle increasingly applies: **survival of the fittest**. Only those who adapt will be successful in the future. Adaptation is now taking place through a shift in focus: away from the expensive acquisition of new customers, towards **revenue and growth with existing customers through so-called subscription business models** (see figure 1)!

Subscription business models, also known by numerous synonyms such as pay-per-use and pay-per-outcome models or everything-as-a-service offerings, are characterized by four key features:

¹ s. GASSMANN 2013, p. 6

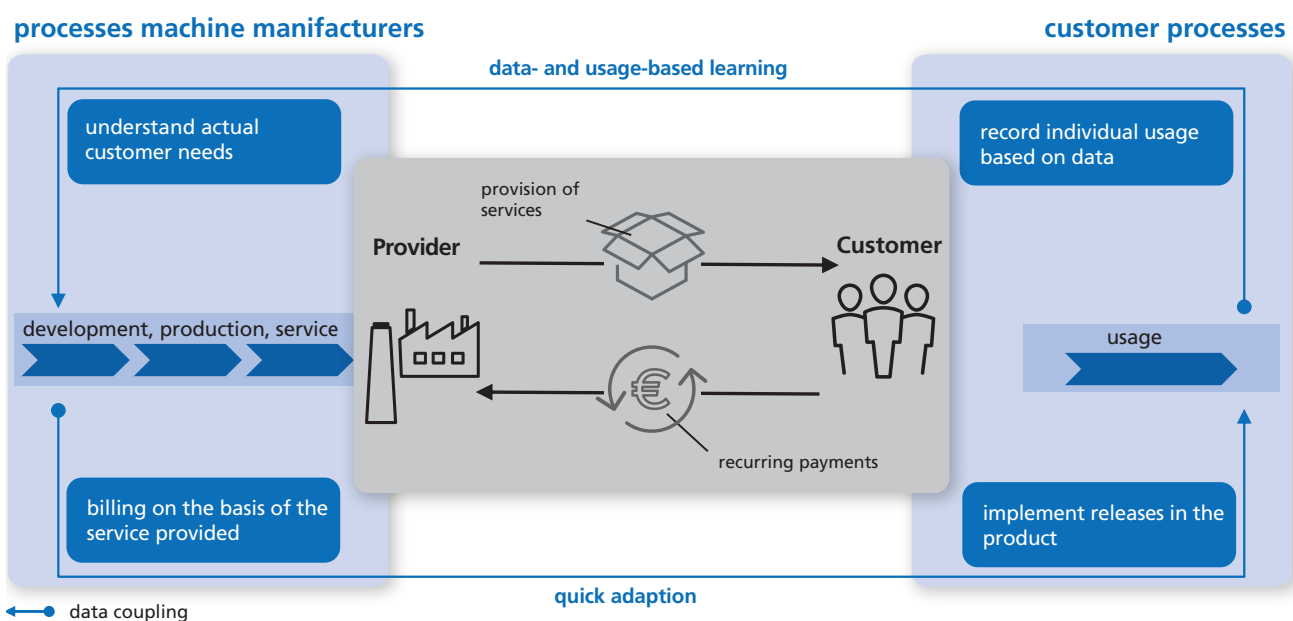


Figure 1: Industrial subscription business models are based on a close provider-customer relationship (own illustration based on Harland 2018, slide 15f.).

1. Revenue mechanics: how is revenue generated in a subscription business model?

A solution package consisting of products, software and services is integrated into the customer's production process. Customers are no longer billed for individual products or services, but for a **productive state in the customer's process**, for example on the basis of usage time or production results. This means that the customer only pays for what they actually use, so that there is often a beneficial shift from one-off payments to recurring investments over the term.

2. Value proposition: what benefits are offered to the customer with a subscription business model?

Instead of the benefits from the purchase of products and services to be weighed up by the customer in advance, the customer is offered the successful use of a solution package in a subscription business model. This means that the customer is guaranteed individual success, e.g., maintaining or increasing a certain level of productivity. Whereas in the past the customer had to bear the risks of failure or incorrect operation after purchase, in a subscription business model the provider increasingly assumes the customer risks.

3. Value chain: how are solutions realized within the framework of a subscription business model?

The assumption of customer risks is made possible by the intelligent networking of products and the digitalization of customer contact points. With the help of the Internet of Things, the provider gains data-based insights into actual product use by the customer and can feed the knowledge gained directly back into its own processes and products, as well as directly

into customer processes via (software) releases. This optimizes the customer's individual value creation. Since the provider is interested in the best possible, long-lasting operation of the products and no longer in new business, both customer and provider pursue the goal of the highest possible performance of the services in the customer process. This results in a resource-saving alignment of the target systems of provider and customer.

4. customer: who are my subscription customers?

A subscription offer is generally only aimed at specific customer segments: in mechanical and plant engineering, where high-priced assets are often integrated into the customer's production process, the focus is mostly on potential customers for whom long-term success can be predicted from the use of the subscription service. The focus in a subscription is on a long-term, positive „lock-in effect“, i.e., the customer does not want to terminate the subscription offer due to an individual optimization of its performance – a win-win effect for all parties.

2 Why don't all companies offer a subscription yet?

A subscription business model – that sounds like significant economic advantages. The question arises: why have not all manufacturing companies built these types of participative business models yet? The answer: the establishment and implementation of subscription business models goes hand in hand with key challenges that companies must overcome in the course of a business model transformation:

To achieve a win-win situation between customer and provider over time, it is necessary to link the **revenue mechanics** more closely to the service provided to the customer and the benefits it creates. This balanced pricing is individual and very demanding due to numerous variables, such as the time of use or the production result. The service is no longer billed as a one-time financial transaction, but as a recurring payment over the time of the subscription transaction. However, many existing billing systems are not yet geared to these continuously billable services. When we talk about providers of high-priced machinery and plants, the first issue that usually comes up is that of financing. This is because a shift from one-off trans-

actions to recurring, smaller payments results in an extensive delay in terms of operating cash flow. Many companies shy away from taking this financing risk.

An exceptional **value proposition** is at the heart of a subscription business model. For the customer, a continuous benefit from such a business relationship between provider and customer must be apparent at first glance. At the same time, initial trust in the provider is required, because in the case of a subscription, the provider must continuously deliver against the value proposition made. The value for the customer is generated by a combination of various partial benefits, such as products, services, software, and in some cases even consumer goods. This increases the complexity of the service internally on the provider side, while it must be reduced for the customer as part of the value proposition. The assumption of customer risks also increases dependency on the actual performance of the customer. The inclusion of physical assets, some of which are capital-intensive, in the subscription offering thus causes a shift in the distribution of risk towards the plant manufacturer.



In the meantime, further challenges arise in relation to the **value chain**, such as the reliability of the data-based coupling between the customer and provider processes. Furthermore, especially in mechanical and plant engineering, there is no subscription without efficient technical service! After all, a subscription business model only generates revenue if the customer can use a machine or plant at any time. It is therefore essential to reduce downtimes and failures to a minimum. This is a particular challenge for companies whose plants are distributed around the world or to which they do not have access at all times. In this respect, providers are faced with the conflicting demands of providing high-quality service and keeping service costs as low as possible to keep the model viable. This is because the service is usually no longer paid for directly but is integrated into the subscription price. Component suppliers in particular do not see themselves in a position to set up such an innovative business model because of their “distance” from the end customer and their limited share of the customer’s value chain.

*“Understanding the **individual customer** better than the customer understand themselves”* – that is the declared goal in the as-a-service business. The question is obvious: *“When do I really know my customer and how can I find out more about them?”* Right at the beginning of the customer journey, in contrast to previous marketing measures, it must be clear how potential customers can be identified and addressed. In the following, sales is challenged to sell a continuous service, contrary to the previous transactional sale of a physical product. To do this, sales must know the needs of individual customers in order to customize the service.

The introduction and implementation of subscriptions and the transformation from a product to a solution provider are accompanied by a number of challenges. In the following section, you will learn valuable best practices for overcoming these challenges.





Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec

3 What makes a successful subscription business model?

Six generally applicable principles for the success of subscription business models have been identified based on consortium studies conducted by the FIR at successful companies in the manufacturing industry. These principles support companies in their transformation to solution providers and in the management of subscription offerings. Read all about the six success principles and case studies of successful subscription providers below.

3.1 Know your customer!

Do you know the genesis of the Netflix series „House of Cards“ from 2013? The series is considered a milestone in aligning movie content with actual customer interest: By analyzing the usage data of its 30 million streaming customers at the time, Netflix knew that movies with director David Fincher are rarely canceled, that actor Kevin Spacey is considered a crowd favorite, and that an English political show generates particular interest among Netflix customers. In short, the US series was created on the drawing board and became a global success.

You are probably asking yourself: How well do I actually know my customers? Can I react quickly and efficiently to latent changes in needs? Or am I still developing functionalities on the assumption that these are potentially of interest to the customer?

In the subscription business, knowledge of individual, changing customer needs is a crucial success criterion. In the first instance, it is a matter of understanding the customer’s business model and assessing their current business situation. Only those customers who also signal the potential for growth, increased performance and long-term partnerships are of interest to the provider. Because only if the customer really uses the offer consistently and derives a benefit for himself from it, does the pay-per-use/pay-per-part metrics inversely increase the profit for the provider. Otherwise, contracts will be terminated, because this flexibility is one of the original reasons why customers decide to buy a subscription.

Companies that know their customers well use customer data from all phases of the customer lifecycle to align the entire process from product development to training for product users with customer needs. Inventory changes in the provision of consumables are analyzed in some cases, as are production times,

downtimes and fault messages from machines and plants. In addition, the scope of technical functions used on the machine or software functions in the software solutions (customer portals and assistance systems, etc.) can provide information about the “state of health” of a customer. At the same time, according to an internal consortium study, over 80 percent of successful companies are able to combine the data from the various sources into meaningful and value-creating customer insights, both systemically and organizationally.

A case study from B2C for the professionalization of customer insight management is the company Vorwerk. With the Cookidoo platform, the company enriches the bestseller Thermomix with a digital customer interface. Via recommender functions based on the cooked products, the platform offers customers additional creative cooking ideas, similar to the suggestion of new playlists and songs on Spotify. The usage behavior on the platform and the cooked products of the customers are correlated with each other via a self-learning algorithm. As a result, suggestions are consistently provided digitally. The platform is billed on the basis of a subscription model. Complete integration in the sense of the subscription logic described above, i.e., the merging of product, service, and software, has not yet been implemented in this case due to the high margins of the core product.²

3.2 First standardize, then individualize

Did you know that the iPhone was inferior to comparable cell phones in almost all technical categories when it was launched in 2007? How did the iPhone nevertheless make Apple the most valuable company in the world? The recipe for success is simplicity and a focus on a few exceptionally good products. When Steve Jobs set this course for Apple in 1997, the company was on the verge of insolvency and had over 100 different product variants on offer for every conceivable customer requirement. These were simplified to such an extent that in 2007 there were about 10 products left in the portfolio. Customization no longer takes place via the

² s. <https://www.alexanderthamm.com/de/smart-kochen-thermomix-vorwerk/>

hardware, but rather via the software. As a result, the cell phone does not simply remain a product, but becomes a platform that simplifies users' everyday lives with the help of an individually configured selection of digital apps.

But how can this Apple success principle be transferred to the much more complex manufacturing industry? The manufacturing industry is characterized by much more complex offerings, consisting of hardware, services and software, and by lower unit volumes than the IT sector. Many solutions are cost-intensive and developed individually for one or a few customers. Nevertheless, the optimization goal here as well is to offer all customers a solution that is as cost-efficient and customized as possible. Modularization and digitalization in the subscription business offer potential, so that a high degree of individualization of the solution and the associated high added value do not have to be at odds with cost efficiency.

A success principle of successful subscription providers from the manufacturing industry is therefore "standardize first and then individualize over time through software". Hardware provides the basis for long-term customer loyalty and creates a lock-in effect for the subscription business. It provides a standardized platform for offering the subscription. Based on this, the offer is tailored to the customer's individual requirements over time with the help of services and digital solutions. Successful subscription providers carry out end-to-end evaluations and adaptations of individual services for the customer twice as often as less successful providers.

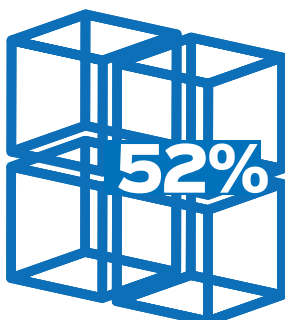
One example of the successful implementation of this principle of standardization and individualization from the machine and plant engineering sector is TruConnect from the TRUMPF Group. The company has developed various components for its Smart Factory product in the categories of hardware, software and classic services. These components allow modular adaptation to individual customer needs. Standardized machines or even entire manufacturing cells serve as hardware components. Building on this, six software components are offered to support and optimize the customer's operational work. These are supplemented by classic services such as training or implementation support. This modularity enables the customer to be provided with an individual service package.³

3.3 Risk-taking as a value proposition

„If the user is having a problem, it's our problem.“ As Steve Jobs recognized early on, customer problems in a customer-centric business model are also the provider's problems. Through offering a solution in the form of a subscription, there is a shift in the distribution of risk. In particular, this assumption of risk establishes the value proposition of the service for the customer.

The risks assumed depend on the maturity of the subscription business model (see figure 2, p. 11). According to Roth and Stoppel, this already starts from an **availability-oriented** maturity. In this case, the equipment manufacturer assumes the **risk of plant availability**. The manufacturer must maintain this at least at the agreed level through appropriate service, development and planning services. In addition, the manufacturer assumes the **investment risk**. This means that the financing of the plant is provided or

³ s. https://www.trumpf.com/de_DE/loesungen/smart-factory/



of successful subscription companies rely on **modularization** of services for individual customer segments



of successful subscription providers **manage and monitor** the risks they take with their subscription model.

organized by the manufacturer. Any downtime is borne by the manufacturer. In a **usage-based** subscription business model, the usage intensity is the quantifiable reference variable. Here, **market risks** arise in relation to the customer's market. A lower order situation at the customer's site reduces the utilization of the machine and thus its utilized capacity, which forms the billing basis for the provider. Furthermore, **process risks** are transferred, which exist in the case of incomplete or error-prone processes. It therefore makes sense for the provider to support its customer in optimizing its processes. If a **result-oriented** promise is made within the subscription business model, the reference variable is often the number of well-produced units. Accordingly, the provider also assumes the **quality risk** of the products produced with the machine. From this maturity at the latest, the manufacturer also assumes the **productivity risk**, which is why they are well advised to raise the performance of the machine to as high a level as possible, since they profit directly from this. Here, the provider benefits both

from the manufacturer's know-how and often also from the network effect. The network forms the connected base of the manufacturer, which continuously provides data on performance and settings. Digitalization is a necessary prerequisite here! The supplier thus has the necessary knowledge to maximize the productivity of the individual plant. The customer themselves do not have the opportunity to do this due to the lack of information. If the provider refers to the economic success of the customer as the basis for billing in his subscription business model, i.e., if it is **success-oriented**, there is usually a share in economic variables such as profit or reduced costs. This results in a **value risk** in relation to the valuation of the measurement variable, which can fluctuate over time. For example, a product unit may lose value as a result of a competitive price war, reducing the concrete economic success of the customer and thus also the profit of the supplier.⁴

⁴ S. ROTH U. STOPPEL 2014, S. 193

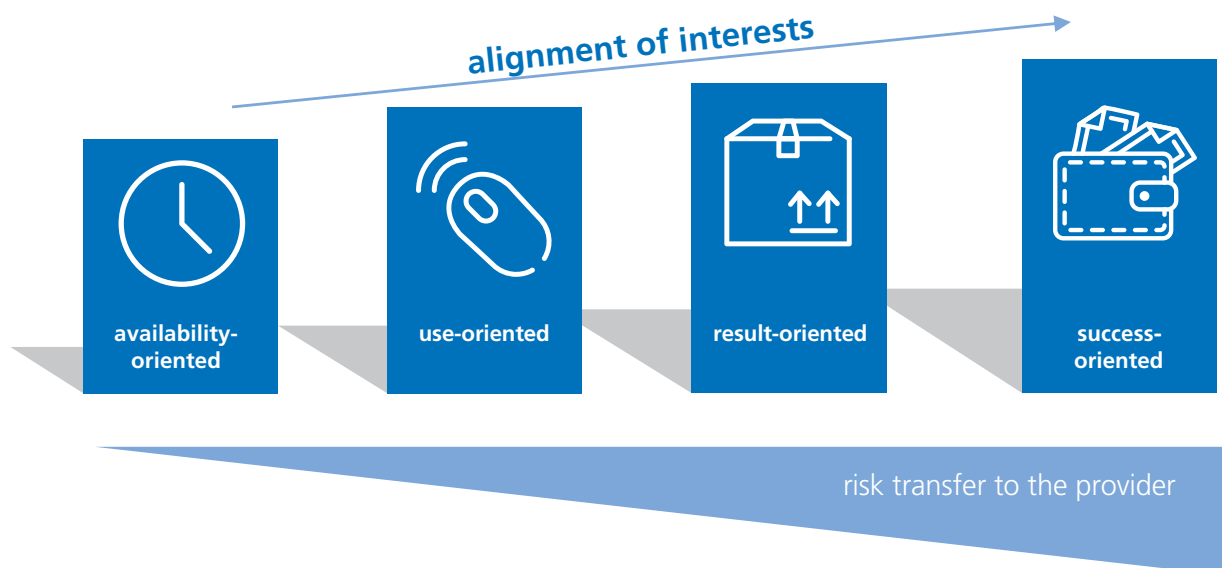


Figure 2: The added value of the subscription is achieved with increasing risk
(own illustration, based on content from Roth u. Stoppel; see Roth u. Stoppel 2014, p. 193)

For plant manufacturers, the anticipation of risks can already lead them to shy away from entering an innovative value proposition. However, these same risks form the potential for value creation and thus, thanks to increasing **alignment of interests**, the basis of a participative business model. However, risks can often be mitigated or reduced. For example, before submitting an offer, the customer's business model should be reviewed to determine whether it is suitable for a subscription offer. One indicator here is the growth ambitions and opportunities of the potential customer. Other risks can be distributed among various players according to their competencies through cooperation in the form of a business ecosystem.

A case study from the B2C sector for the professionalization of customer insight management is the company Vorwerk. With the Cookidoo platform, the company enriches its bestseller Thermomix with a digital customer interface. Via recommendation functions based on the cooked products, the platform offers customers additional creative cooking ideas, similar to the suggestion of new playlists and songs on Spotify. The usage behavior on the platform and the customers' cooked products are correlated via a self-learning algorithm. As a result, suggestions are consistently provided digitally. The platform is billed on the basis of a subscription model. Full integration in the sense of the subscription logic described above, i.e., the merging of product, service, and software, has not yet been realized here due to the high margins of the core product.⁵

3.4 Cooperation in business ecosystems

Today, well-developed specialist knowledge is worth a great deal. A wide range of skills and experience is needed to develop and implement new business models such as subscriptions on this basis. But today it is no longer necessary to acquire new skills and combine them in one company. Indeed, building new competencies is often a lengthy process, and establishing entirely new business units presents many companies with insurmountable challenges. It is much more efficient to **collaborate with other players** who locate their expertise in the relevant areas needed. By joining forces, companies can grow faster because they can draw on the resources of partners. By aggregating resources and competencies, each company can add value to its own expertise through subscription offerings, and the **customer is provided with a total solution**.

For component manufacturers in particular, integration into a value-creating ecosystem has the advantage of reducing risk. Since ownership of components that have been permanently installed in a plant and are critical to its function is transferred by law to the plant owner, the provider cannot demand the return of the installed component, even though it has not been paid off, in the event of termination of the contract. As part of a business ecosystem, this risk can be mitigated.

As part of this, diverse, new **ecosystems** are developing in practice with players who assume the provider's financing risk. Intermediaries and insurers are visibly entering the market to build the financial bridges and reduce risks of non-payment by unproductive or insolvent customers. It is important to note: Subscription business is much more than classic leasing! Leasing

⁵S. RAKETTE ET AL. 2020



of successful subscription companies bundle their **ecosystem's** services into a **single value proposition** for customers.

is exclusively about the financial allocation of a one-time price to periods and residual value calculations. Subscription business is essentially about performance for the customer. Machinery and plant, consumables, software, service, and ultimately forms of financing are merely means to an end.

An increased margin by building a business ecosystem and integrating the customer into the company's processes: Heidelberger Druckmaschinen AG has achieved this. A great deal of expertise is required to operate a printing press, both in terms of maintenance and in terms of setting up and operating the press and selecting consumables. This allows customers to concentrate on their core business again. The presses are intelligent and networked. Heidelberger has access to the usage data, and the company can also intervene in the processes, as the press is controlled by Heidelberger itself. The presses are thus optimally utilized and optimum maintenance, which means that unscheduled service calls can be avoided. By including the manufacturers of consumables in the ecosystem, Heidelberger can realize volume discounts as a central partner and thus generate additional margins.⁶

3.5 Efficiency and optimal integration

“Every service call burns our margin. Without maximum service efficiency through predictive maintenance and remote technologies, no subscription model will pay off in the long run.” A statement many of you have probably heard while developing a subscription business model. An unscheduled service call on the customer's machine suddenly no longer brings in additional revenue but only incurs costs. A paradigm shift in the process of work delivery is therefore necessary. To increase efficiency, subscriptions in particular offer the practical opportunity to extend one's own **company boundaries to the surrounding value network as well as to the customer.**

“The cloud ensures a uniform technical infrastructure and releases and feature updates can be brought to the customer with little effort.”

*Top performer,
machinery and plant engineering*

Optimal integration of the customer into own processes can create a common, efficient system with smooth communication and end-to-end data exchange. 60 percent of successful subscription providers therefore integrate their solution into the customer's value chain via multiple interfaces. For **customer and provider processes to be intertwined** in this way, the customer must be equipped with intelligent networked systems and enable the provider to intervene in usage processes and access usage data.⁷ This is where you can become active! You probably know it from your private and professional environment: These processes require a stable basis of trust between customer and provider. Accordingly, integrating the customer into your own corporate sphere requires intensive **cultivation of the customer relationship** by sales and product management. Particularly through subscriptions, with appropriate design, a stronger bond between customer and provider can be achieved through a comprehensive alignment of interests. The service is no longer aimed at maximizing the customer's liquidity and willingness to pay, but at providing the service promised to the customer with the highest quality at lower cost.

The alignment of interests can be strengthened by the risk assumption and design already described. This also includes the design of an appropriate **connectivity concept**. Particularly in the case of globally deployed plants, there is the challenge of limited or protracted accessibility. This requires not only a dense network of trained service technicians; rather, digital technologies (e.g., condition and predictive monitoring) must be used and customer contact points (e.g., by means of AR or service platforms) must be consistently digitized. With AR-based remote support, service personnel can

⁶ S. HERMANN 2020, p. 213 – 279

⁷ S. WEIBER U. HÖRSTRUP 2009, p. 294

increase success rates by up to 96 percent and work 30 percent faster. Self-help must also be provided as part of this.⁸

A first level of integration and efficiency is already being implemented by many companies through predictive maintenance and condition monitoring with a high level of connectivity and an end-to-end data flow. This is because the optimal time for appropriate maintenance measures can be determined on the basis of a data-based determination of the condition of the plants or components. This leads to the greatest possible utilization of related resources and thus to high efficiency. In the process, the company boundaries are extended to include the customer and their machine as well as potential service providers and spare parts suppliers.

3.6 Customer success management for the subscription relationship

The *Dieffenbacher company* sells wood processing equipment all over the world. Despite a worldwide service network, service calls can be expensive and involve long travel times, depending on the location. The equipment is crucial for the customer's productivity, which is why it is particularly important to achieve the highest possible availability and thus keep downtime and costs as low as possible. A remote service solution with condition monitoring and a ticket system with seamless integration of the customer's employees enables a large number of malfunctions to be resolved remotely. The system enables direct communication between Dieffenbacher and the user on site. Any language barriers are overcome by implemented translation software. As a result, Dieffenbacher can solve more than 9 out of 10 requests remotely, reduce downtime and save travel costs.

The customer is the center of attention and thus in the way. This motto applies in many manufacturing companies that propagate customer centricity to the outside world but criminally neglect existing customer management on the inside. In traditional product sales, this can go well for a while. In the subscription business, on the other hand, the customer must be nurtured as a strategic asset, cared for like a tender little plant, and supported as it grows, because the following applies here: customer success = supplier success. This fact is one of the most formative changes from product to subscription provider. Only if the customer achieves its business goals, i.e., is successful in its target system and according to its target metrics (quality increased, productivity increased, costs reduced, etc.), only then can the provider generate long-term profits and grow together with the customers. The revenue mechanics of recurring, performance-based payments are responsible for this dependency. In the revenue mechanics already shown, such as pay-per-use or pay-per-outcome, the provider assumes numerous risks from the customer. The provider interest increases to reduce risks such as process, quality and productivity risks in the customer process through differentiated existing customer management.

"The good you do to others,
you always do to yourself".

Customer success management (CSM) is the central organizational concept for these tasks and has been an indispensable part of the SaaS world for several years: „We now have more customer success managers than sales people," reports a marketing manager of a large cloud provider of customer relationship management (CRM) systems. "Sales has a natural limit, while expansion and growth with existing customers seems almost endless," says the product manager for cloud-based condition monitoring solutions at a leading manufacturer of rolling bearings.

The CSM is now entering the manufacturing industry and acts between the established functions of sales

⁸ s. MALECAJ 2020



of successful subscription providers use CRM systems to manage subscription contracts.

and service. It takes on tasks for which these roles have not previously been incentivized: the realization of the successful use of the subscription offer. At its core is the definition of a so-called customer health score, which carries out a continuous, data-based evaluation of defined success criteria such as target achievement, functional scope used, payment behavior, and so on. This is the only way to enable the CSM to initiate proactive measures and make recommendations to customers, e.g., in so-called monthly or quarterly business reviews with all parties involved on the customer side (operators, internal maintenance, IT experts, buying center managers, etc.), to increase success with the subscription solution. In the long term, this reduces customer churn and increases usage intensity. As a result, the value received by the customer is successively increased over the period of the business relationship.

Two important findings in conclusion:

1. Customer success does not equal customer satisfaction. Customer satisfaction is a feeling, a subjective evaluation by people on the customer side. Customer success is quantitative, measurable and linked to the specific achievement of the customer's business objectives.
2. CSM activities should be differentiated: So-called high-touch customers (high sales volume or low adaptation rates) receive short-cycle personal

support, while low-touch customers (low sales or high adaptation rates) are provided with process improvement information relevant to them in an automated manner, similar to marketing automation. Basically, the CSM should be free of charge or priced into the subscription fee so that the customer has no inhibitions to interact with the CSM, to open up and to solve challenges together.

In the software-as-a-service world, the role of the customer success manager is more in demand than ever. A leading CRM cloud provider relies on differentiated customer success management to guarantee customers an optimal customer success experience depending on their usage performance. If functions of the software are not used, the customer success manager can react immediately and proactively before the much unloved „churn“ (customer churn) occurs. Manufacturing companies are also increasingly recognizing that there are gaps in customer support in the subscription business from sales and service alone. In order to achieve consistency and continuous performance improvement in the customer process, the new function of Customer Success Management becomes necessary.

“The product manager for subscription business puts himself in the perspective of the customer when developing our service perspective and coordinates the individual product managers for hardware, services and software hardware, services, and software to deliver a holistic value proposition to meet the customer's needs.”

Top performer, machinery and plant engineering

4 Cooperation with FIR: Model for the Aachen Subscription Business

To efficiently implement these principles of success in practice, FIR developed the Aachen Subscription Business Method together with leading companies from the field (see figure 3). The approach, which has been successfully implemented in numerous use cases, structures the development and establishment of subscription business models along five successive steps. Our experts at the FIR support companies in terms of content and methodology in the holistic implementation of the approach and, together with our customers, achieve measurable success in the subscription business.

Within the first step '**customer needs**', we place the customer at the center of the consideration. The required sub-goals are customer segmentation, the identification of customer needs of the individual customer segments and the development of value propositions to fulfill the identified customer needs. Here, we at FIR provide


support through methods such as a **usage center analysis** or the implementation of a **value proposition canvas**.

Within the second step, we define the **service offering** of a subscription based on customer needs. First, we analyze which service offerings represent added value for the respective customer segments in relation to the value propositions to be offered. This is followed by the development of a strategy based on the service offering and the objectives. Furthermore, costs and risks of the subscription business have to be determined depending on different possible service offerings. We support companies in this step, for example, with methods such as the subscription **portfolio strategy matrix** or an **analysis of the subscription risk drivers**.

The third step serves to bring together the service and customer perspectives by designing the



Figure 3: The steps of the Aachen Subscription Business Model (own illustration)



service system. For this purpose, we record the customer's journey and define the relevant touchpoints of the customer with the subscription offer. Based on all the previously established fundamentals, an individual solution consisting of networked product, service and digital product is designed for the customer. In addition, pricing and mechanisms for continuous billing must be aligned with the service. Our experts have developed tailored methods for **subscription journey design** and **subscription business engineering** to support practical applications. Furthermore, companies are supported by a **procedure for subscription pricing** developed by us.

The fourth step involves setting up structures for **process integration** between the subscription provider and the customer. To this end, we define roles, competencies, resources, and structures in the organization for the provision of the service system. Based on this, processes are developed for continuous service provision, data-based reporting, and analysis. The digital shadow and individual usage profiles provide structures for the targeted collection of this customer data. At this point, we provide support, for example, with the methods of **subscription blueprinting** and **process and data model design**.

The fifth step, '**customer management**', serves to establish and continuously maintain the customer relationship. As part of this, we develop a procedure for launching and selling the subscription offering to the customer. Furthermore, KPIs for measurement as well as customer success management for maintaining the customer relationship are to be introduced. Based on the data from customer success management, release management must be used to establish services and processes for targeted improvement of the customer's performance. To this end, we have developed an agile **process model for the sale of subscription services** and are extending this to include a method for **customer success management**.

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6 FIR – A Competent Partner in Practice

We support you on your transformation path to becoming a successful solution provider. In doing so, we at FIR can draw on extensive expertise and comprehensive experience in numerous areas such as business model development, service strategy, organization and IT, as well as maintenance management in research and practice.

From numerous assignments, we know how to address stakeholders in the context of demanding projects, how to design communication and how to successfully implement projects in companies.

With its research and industrial projects, the FIR is located in the horizontal and vertical field of operations. In the context of this, we carry out

comprehensive analyses of the service organization and uncover strengths and potential for improvement in your strategy, your IT systems and other design fields. Based on this, we develop an individual catalog of measures and a forward-looking service roadmap for targeted implementation. We extend this and similar approaches with competencies in the area of digitalization as well as data-based services. Thus, we can combine competencies from research and industry and offer customized solutions for your individual challenge.

Our vision is the active development of the service business into a solution offering creating direct added value for you and your customer.

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