



# The Future Ready, Subscription Ready CXO



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Stephen Scheeler, The Digital CEO

The humble subscription business model is experiencing its own *Back to the Future* moment. For decades it underpinned sectors such as media, entertainment and the arts.

For customers, a subscription was highly valued – a transaction that meant something. It represented an alignment with brand values, that customers were part of a community and were brand loyal.

Today the subscription business model is rapidly evolving. Converging technologies, demand for engaging customer experiences, and pandemic lockdowns across the globe have caught the attention of business leaders across a variety of sectors. Subscriptions are driving growth and transformation.

It's a revolution happening at companies in the manufacturing, fitness, music, cars, software development, food and beverage, health and lifestyle sectors.

As with any transformation, subscriptions are not for the faint hearted. Speakers and CXO guests attending a roundtable discussion hosted by **6 Degrees Media** and partners **Zuora** and **GoCardless** discussed how business leaders can avoid the pitfalls associated with bold customer-first initiatives.

The roundtable also discussed relevant case studies, leadership insight and positive practical advice – what next if you're ready to become a *future ready, subscription ready CXO*?



Nick Cherrier, Zuora

### Welcome to the Subscription Economy

What's driving the subscription boom? Amazon, for one, made subscriptions mainstream. Netflix and Apple, likewise.

Stephen Scheeler, former CEO at Facebook Australia and New Zealand, knows this story all too well.

He spent four years at the social giant surrounded by young millennials who didn't automatically adopt the spending patterns of their parents or grandparents.

However, it's not just young people. In recent years people from all generations across the world have steadily become more comfortable with subscriptions.

"Then we had the pandemic slam into us which locked us into our houses all around the world," he said during the roundtable.

"And so suddenly, the idea of a service rather than a product became attractive to so many other people."

Scheeler describes the subscription movement as an ecosystem of companies, technologies and cultural behaviour. "There is no question social media and the internet have facilitated the rise of a subscription economy."

The challenge, however, is that selling via subscriptions is not a simple case of changing payment models and infrastructure. It requires a company-wide transformation and commitment to rethinking how it delivers customer value.



Carolyn Breeze, GoCardless



Mark Jones, Moderator

It requires engagement from everyone including sales, finance, marketing, customer experience to product development. A strategic shift in mindsets and processes is also required to move from product delivery to providing a service. Because customers can potentially engage with you every day, customer experience takes on a new level of importance.

Nick Cherrier, Subscription Strategist at Zuora, said leaders must also be clear on strategy. How will subscriptions drive customer acquisition, retention or revenue growth?

For mature businesses, customer retention is most often the focus. But equally, he said subscriptions are an opportunity for innovation and moving into new marketing.

"They really help you implement new monetisation strategies, try new services like bundling products and services, which allows you to become more profitable as a business," he said.

Carolyn Breeze, General Manager Australia and New Zealand at GoCardless, said the subscription economy reflects a changing consumer mindset that prioritises usership over ownership.

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Carolyn Breeze, General Manager Australia and New Zealand, GoCardless

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## Subscription Business Examples

The panel discussed a range of companies which are successfully using subscription models to expand, innovate and adapt to changing consumer demands. The list includes:

- **Atlassian:** An Australian success story, Atlassian has been winding down its old licensing model in favour of subscription pricing. The company continues to grow largely based on positive word-of-mouth.
- **Afterpay:** Australian-born Afterpay became a household name after its record-breaking \$39 billion acquisition by Square. Paying in four instalments is a new take on the subscription model.
- **Sweat.com:** A global workout brand founded by influencer Kayla Itsines, it has a vision of becoming the Netflix of fitness. Subscribers access different fitness programs hosted by different instructors.
- **Deputy.com:** A global rostering and timesheets company, Deputy gave businesses the option of pausing subscriptions during the pandemic's early days. The strategy helped with customer retention.
- **Omniscient Neurotechnology:** Run by panel guest Stephen Scheeler, Omniscient Neurotechnology sells subscriptions to its software used by neurosurgeons in hospitals around the world to plan neurosurgery.
- **Whiskey Loot:** This whiskey company delivers subscribers a sample of hard-to-find whiskeys every month. Full bottles can then be purchased at a discount after members discover their favourite brands.
- **Bookabuy:** An Australian book subscription service, Bookabuy gives people the option of subscribing each month or paying upfront. Readers enter preferences then receive a surprise book each month.
- **Fender:** An iconic guitar maker, Fender branched out into subscriptions with Fender Play, a service that teaches people to play. More than 200,000 people have signed up and pay US\$9.99 per month.



Stephen Scheeler, Founder, The Digital CEO

**“Unless you start with the bigger picture, you’ll wind up just being incremental and not necessarily getting to the new world of products and services you could be offering your customers under a subscription model.”**

A central appeal is the notion of customer control. Value is created when customers feel the service makes life easier, is convenient and takes care of mundane activities, including transactions. Likewise, the opportunity for better personalisation builds loyalty, engagement and by extension long-term retained value in the business.

Panellists also mentioned other consumer brands including Who Gives a Crap, Blinkist, Calm, Headspace, Dollar Shave Club, Car Bar and Hello Fresh.

In the B2B space, construction giant Caterpillar now offers a subscription to connected devices and telematics that help customers manage construction equipment. Likewise, iconic farming equipment manufacturer John Deere is moving into software subscriptions to help farmers manage crops.

“They’re providing agronomic information and the ability to manage your crops in your field, bringing in weather and other sorts of information to essentially make it like farming-as-a-service. They’re not just selling a tractor,” Scheeler explained.

More broadly, the panel acknowledged thousands of software-as-a-service companies now operate across a range of B2B and B2C sectors. In most cases they have switched from selling boxed software or on-premise licensing models to subscription models that include constant updates.

Feeding into this growth are platforms such as Google Play and Apple Store which offer access to an array of subscription-based services and apps.

### Top Tips for your Journey

What’s the best way to move forward? The panel discussed a series of best practices and experience-based insights to consider when transforming businesses around a subscription model.

According to Breeze, it’s important to assemble a team to investigate how customers engage with your brand.

Once these insights are gathered and a new strategy is developed, investment in technology platforms is required to ensure customers have control of their subscription.

Cherrier agreed with the focus on back-end infrastructure, noting that everything from CRM, customer service, billing and accounting should be integrated. These systems should also be agile enough to give customers the experience they want.

Scheeler added customer segmentation and deep customers insights were required to ensure you know exactly what type of service will resonate with customers. From there, the right internal stakeholders are required to reimagine how products or services could be delivered in the future.

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## Embrace the Risks

Like any significant undertaking, transforming to a subscription-based business model is not without its risks – even when you're following best practice.

Scheeler recommends a sober assessment of the risks and ensure the organisation is structurally, culturally and financially ready for investing in a new direction. In particular, finance requires careful consideration.

"You're going to have to change how your cash flow comes in, and shift from something that you know like a relatively predictable product-based business or a transactional business. When you shift to a subscription business there's a financial impact and a kind of valley of death you have to go through to get to the other side," he explained. "It demands pretty disciplined cash management along the way."

Another issue echoed by panel members was adjusting to the reality of a much more personalised, constant relationship with customers than before. Teams, systems and processes must ensure customers don't fall through the cracks. Heightened customer expectations must be matched by a company's desire to be responsive in real-time.

Meanwhile, another sleeper issue is what's known as "subscription fatigue." That is, how many subscriptions will consumers or business customers ultimately accept in their lives? The panel agreed the issue highlights the importance of delivering meaningful value, and developing customer relationships that overcome any resistance to subscriptions. One practical suggestion was to consider offering subscriptions that extend beyond your core offering, providing unique added value.

"If you want to win in the subscription economy, you have to recognise that it is all about putting the customer first and you nearly have to forget about yourself for a second," Cherrier said.

Breeze added it's important to innovate before traditional and non-traditional competitors beat your organisation to new opportunities. For example, she anticipates more disruption in the commercial real estate sector. Instead of leasing corporate office space by fixed square metre rates, she said companies like Microsoft will have better ability to facilitate new models such as usage-based leases.

"Microsoft has a much better idea about how productive people are in that space. And ultimately, when you think about productivity that's why you rent space. It's kind of just bundled in. So the idea is Microsoft could go into the productivity as a service business, particularly with the Internet of Things and with cheap 5G and fast internet everywhere."

It's a sign of more dynamic models and business innovation to come. Rather than a one-size-fits-all, subscription models are a trigger for companies to truly place customers at the core of their business and create lasting value.

Scheeler encourages leaders to completely reimagine their organisations. Using the John Deere example, he offered a challenge: "Now farming-as-a-service is a very different business to selling a tractor right? So you need to build all kinds of different capabilities to make that work. And so I think if you talk about a risk you've got to think what does it take for me to succeed in that new world and do I have the chops to make that transition?"



Nick Cherrier, Subscription Strategist, Zuora

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# Zuora

## About Zuora, Inc.

Zuora provides the leading cloud-based subscription management platform that functions as a system of record for subscription businesses across all industries. Powering the Subscription Economy®, the Zuora platform was architected specifically for dynamic, recurring subscription business models and acts as an intelligent subscription management hub that automates and orchestrates the entire subscription order-to-revenue process seamlessly across billing and revenue recognition. Zuora serves more than 1,000 companies around the world, including Box, Ford, Penske Media Corporation, Schneider Electric, Siemens, Xplornet, and Zoom. Headquartered in Silicon Valley, Zuora also operates offices around the world in the U.S., EMEA and APAC. To learn more about the Zuora platform, please visit [www.zuora.com](http://www.zuora.com).

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## About GoCardless

GoCardless is a global leader in account-to-account payments, making it easy to collect both recurring and one-off payments directly from customers' bank accounts. The GoCardless global payments network and technology platform take the pain out of getting paid for 60,000 businesses worldwide, from multinational corporations to small businesses. Each year GoCardless processes US\$20 billion of payments across more than 30 countries. GoCardless is headquartered in the UK, with additional offices in Australia, France, Germany and the United States. For more information, please visit [www.gocardless.com](http://www.gocardless.com) and follow us on Twitter @GoCardless.

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6 Degrees Media was established by Angela Horvat, former Editor and Publisher of award-winning publications including *Computerworld*, *Information Age*, *My Business*, *The Who's Who of Financial Services* and Founder of FST Media; and Emma Charter, one of Australia's most connected and respected media and events strategists with more than 15 years' experience in delivering C-Level engagement strategies for clients in Australia and the UK. Together, they lead a team of Australia's most talented and driven conference producers, technology and business journalists and event managers to create content-driven experiences across C-level roundtables, custom events and large-scale conferences. For more information, please visit [6DegreesMedia.com.au](http://6DegreesMedia.com.au)