Q&A

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Revenue Life Cycle Management as a Strategic Initiative

Why are companies investing in Revenue Life Cycle Management (RLM) initiatives now?

Revenue Life Cycle Management (RLM) is the grouping of business processes for managing revenue in a more holistic way across organizational silos to better encompass the modern mixed pricing models that enterprises are gravitating toward. The concept of generating complementary recurring revenue via digital products and services has been adopted across most industries, from manufacturing to automotive to health care. This has resulted in a shift from the traditional transactional approach to managing revenue to one centered around the experience and sustained engagement across the entire customer life cycle. In addition, the growth of omnichannel buying and selling—including the increasing adoption of digital commerce in B2B—is encouraging enterprises to change their selling processes to better meet customer expectations.

Given the imperative for sustained engagement to achieve profitable, lasting revenue growth, there is a need for the enterprise to review and make adjustments to the processes and technologies that are used to support these new business models.

New systems and processes can be disruptive. Why should we tackle this now?

The pace of change in customer expectations and buying behavior is unrelenting. To survive, agility is key. Examples of new entrants disrupting the status quo are many, and being able to innovate and respond to evolving customer needs is a crucial part of any business strategy. The often-used phrase, "Customer experience is the product," reinforces the importance of the entire experience customers have with products and services. If an enterprise is not addressing this, it is likely that competitors are negatively impacting the business.

Many enterprises use a phased deployment approach to prioritize early success as a platform for future adoption. This highlights the need to choose the right software and service provider to provide guidance that minimizes disruption.

What are some core processes impacted by a holistic RLM approach?

Ensuring accurate and timely billing is important for providing a positive customer experience, but it is only one part of a successful revenue life cycle. In fact, a key attribute is the ability to present a unified bill or invoice, potentially spanning many internal business units and systems. Additionally, enterprises can lose sight of how important it is to ensure that processing amendments to contracts, plans and orders is frictionless, with minimum latency for fulfillment, asset management, delivery and billing. Focus on all aspects of customer engagement helps lead to renewal, upsell and cross-sell opportunities. And because a unified approach to RLM involves systemic, exhaustive capture of all billing and customer data, the revenue recognition process can be streamlined and simplified without any sacrifice in accuracy, auditability or regulatory compliance.

Do we need to replace our ERP, CRM and internally developed systems?

One reason to look at a new RLM platform or application is that many enterprises already have substantial investments in multiple ERP and CRM systems, and modernizing them all would be very costly. An independent application can enable adoption of RLM while preserving existing system investments.

A modern, commercial RLM system that uses automated process orchestration and API-based integrations can coordinate the necessary data flows to present a unified process to the customer. In this way, underlying organizational complexity—especially where different business units are involved—is masked from the customer. The aim is to have customer interactions that are as frictionless as possible. This means ensuring that changes and amendments to product and service subscriptions and purchases flow through the appropriate systems with minimal delays or need for manual intervention, thus providing the immediacy expected from customers.

What future benefits could be realized from an RLM system?

Unification and access to customer purchasing data deliver more actionable insights around buying habits, potentially leading to data-driven identification of new product, service and bundled offerings. When these offerings test-market successfully, a modern RLM system will shorten the time needed to operationalize new products and services and help preserve the important first-mover advantage. An RLM system can also help improve the wider adoption of usage-based pricing by delivering transparency and visibility as to predicted consumption. More accurate projected usage can reduce the incidence of unexpected bills for customers and allow for more predictable revenue for the enterprise. And finally, AI capabilities embedded in these systems promise to assist in reducing the internal and external costs of audit processes that are necessary to detect and explain anomalies. This leaves experienced resources more time to focus on new strategic value-added activities. These specific benefits should be considered in light of their contribution to broader business success metrics, including improved customer satisfaction, reduced customer churn and improved productivity within the sales and revenue organization.

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Stephen Hurrell leads the Office of Revenue software research and advisory expertise at Ventana Research, now part of ISG. His topics of coverage include digital commerce, partner management, revenue management, sales engagement, revenue performance management and subscription management.