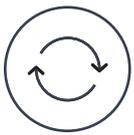


Five Ways to Strengthen Recurring Revenue Growth

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Recurring revenue business models are redefining the business landscape and driving valuable growth opportunities across sectors. This model provides a host of benefits to organizations including more precise forecasting and planning capabilities, smoother, more predictable revenue streams and the ability to build customer loyalty by establishing long-term relationships.

But while the recurring revenue model holds great promise for organizations, it also introduces a great deal of complexity. In the early stages, growth typically comes from a hyper-focus on pure customer acquisition and market share. Over time, however, other strategies need to be adopted to drive ongoing ARR growth. In working with many high-growth clients to diversify their ARR strategies, we have identified five best practices for organizations to enable and strengthen ARR growth.

01

Start with strategy

When companies think about their ability to scale, velocity and volume are perhaps the first two words to come to mind. But scaling ARR growth includes a third “v” metric—variety. The business needs processes and systems that not only enable the first-time buying experience, but also provide pathways for upgrades, add-ons, and renewals. The goal is to nurture customers through these events, which requires timely and accurate information to inform interactions, offers and decisions.

So where to start? Many organizations will begin with technology, evaluating tools and systems that will help them optimize key portions of the lead-to-revenue lifecycle. However, since there is currently no single system that can own the entire process, this approach is likely to deliver lackluster results.

Instead, we encourage organizations to formulate a comprehensive strategy that will create value for the customer and enable recurring revenue growth. While technology will play a role in realizing this vision, the tools and systems are not the solution itself, but an enabler of the overarching strategy.

02

Establish customer lifetime value as the gold-star metric

In the modern business landscape, customers expect the organization to understand and anticipate their needs and preferences. They want the company to keep track of how they engage with products, services, and support channels and offer new alternatives specific to their needs. In short, they want the business to create value—and formulate a strategy that continues to build that value over time.

To deliver on this front, businesses must look beyond the initial sale and take a broader, long-term view of the customer relationship. This approach links sales and support with value creation—and constantly reevaluates how the strategy must change as a result of the customer’s evolving needs.

03

View all relationships as part of the Continuous Customer™ journey

In a recurring revenue model, the customer journey is cyclical, with the client following the basic steps of sell, renew, upgrade and add-on or adapt. When the business offers the right products/services at the right time, and for the right price, customers continuously engage with the company. This is a process that we call the Continuous Customer™ journey.

This journey is broken when the customer ceases to generate value from the organization and seeks to terminate the relationship. According to our model, we see this as a salvage point wherein it is still possible to win the customer back by demonstrating the ability to deliver value and continuously build it over time.

04

Rethink product/services pricing and packaging

A recurring revenue model is a significant departure from traditional hard good orders. As a result, businesses must reconsider how they price and package their products and services.

Ideation is a critical part of the revenue optimization process and the business must set aside existing operational constraints, including processes, technologies and current offerings. We recommend that businesses think about their products and services at a more atomic level, breaking down these offers into discrete components that can be combined and configured to meet a variety of customer needs and consumption behaviors over time.

05

Build stickiness and value through reinforcing offerings

For many years, businesses worked to create so-called “sticky” products—offerings that delivered value so consistently that their use became habitual. Reinforcing offerings are similar. It’s about embedding relevant offerings that coexist so well that they are hard to separate from the original purchase.

In today’s market, we see many prominent examples of this concept applied across industries. For instance, Peloton, a market leader in at-home fitness equipment, also offers Peloton Membership, which consists of digital classes and training sessions that are linked to the initial purchase. Nike’s Adventure Club offers a multi-tier subscription service that delivers children’s shoes and clothing right to busy families’ doors. And Amazon doesn’t just hope to appeal to readers with a one-time Kindle purchase, but a Kindle Unlimited e-book subscription. What these examples have in common is that the brands have found new ways to expand their presence within the customer’s life and grow their share of wallet by providing continuous value. As consumers become more accustomed to both digital providers and online shopping, we expect this trend to continue—which means that many organizations should consider how a reinforced offering could help fuel their growth.

While the fundamentals of a recurring revenue model may appear fairly straightforward in theory, any business strategist will admit that they are actually quite complex in practice. At Navint, we help our clients navigate the strategic and operational challenges of driving ARR growth. We have tried-and-tested playbooks to help your organization design a frictionless methodology of selling and modifying customer relationships across the customer lifecycle and throughout the entire business operation.

For more information about how we can help your organization create a comprehensive lead-to-revenue strategy and solution, please contact us at info@navint.com.

About Navint

Navint is an advisory and technology services firm that enables enterprise organizations to drive growth and operational efficiency throughout the lead-to-revenue lifecycle. We deploy modern solutions that connect deep strategy and process expertise with technologies across the front and back office to help enable new levels of flexibility, efficiency and customer centricity. Strategically-led, operationally-minded and technology-supported, we support engagements across a wide variety of partners and platforms, including Salesforce, to design and implement a comprehensive approach for CRM, CPQ, CLM, Billing and ERP.