

ORACLE

Subscription Era Demands Financing Flexibility

—
Next-gen asset finance technology
fuels opportunity and profitability



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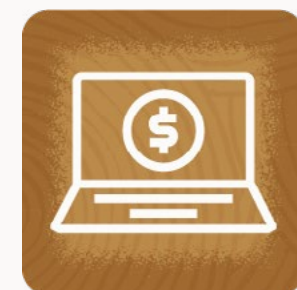
A whole new world

The subscription economy is gaining momentum exponentially and revealing new opportunities for businesses to grow and thrive.

Subscription economy—By the numbers



6x
growth in last 9 years



Value:
\$1.5 trillion by 2025
(more than double size in 2021)

We're even seeing the emergence of a new vocabulary to describe this evolving business model—XaaS, servitization, and now subscronomics.

Subscronomics: An economic trend turned into a social movement where consumers become users because they have decided that enjoying is better than owning. From consumption to use, from purchase to subscription.

– Source: www.subscronomics.com

The key to success in this new economy is the ability to deliver ultimate flexibility for users—who no longer want to procure products or services as a one-time transaction, but, instead, seek to access them anytime, anywhere, and to whatever level they prefer.

It's equally clear that the subscription economy requires new financing options and models. This includes embedded finance, where finance doesn't feel like finance. Many businesses have been “making do” with legacy finance systems, but that approach is unsustainable as the subscription economy—and customer expectations—continue to grow and evolve.

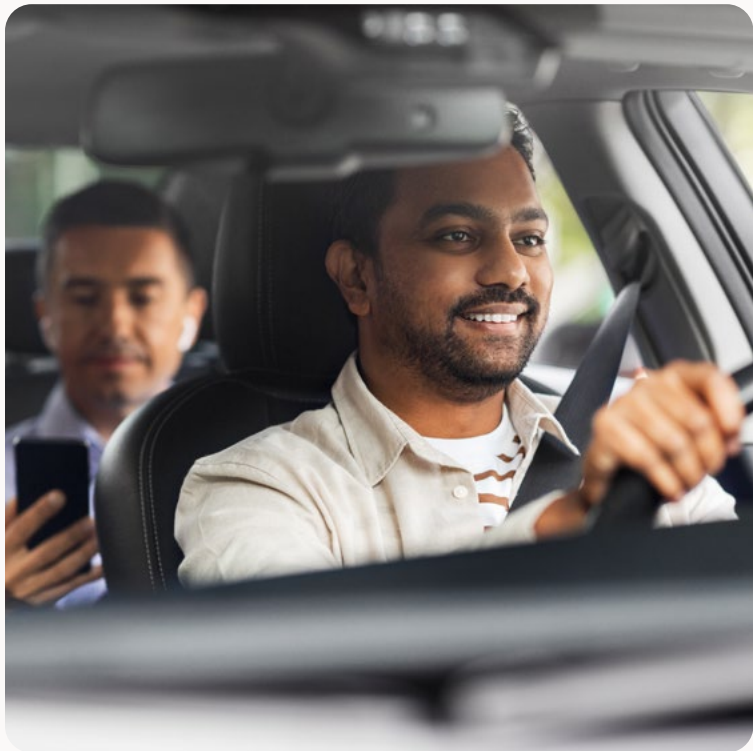
The subscription economy

Subscription models are elevating our ability to attain and access previously unattainable luxury and status goods or, in the case of businesses, expensive capital assets that they need to fuel growth. While we've become accustomed to subscription services for music, entertainment, and technology, we're seeing as-a-service models proliferate in sectors as diverse as food delivery services, transportation, communications, and even office space and lodging. It's even factoring into corporations' environmental, social, and corporate governance (ESG) goals as they work toward zero carbon emissions and other sustainability targets.



Subscription model user benefits:

- Flexibility with no long-term commitment / responsibility
- All inclusive
- No hidden costs
- Simple / quick processes
- Benefits circular economy / environment / carbon neutrality



Sign me up

Why now?

A perfect convergence of technological innovation and user expectations is fueling the rapid desire for subscription-based offerings. We've achieved a mature digital foundation—including cheap compute power, mobile apps, machine learning, and the Internet of Things, to name just a few. At the same time, consumers have become accustomed to—and increasingly reliant on—digital services, anytime-anywhere ability to transact, self-service options, and the flexibility that these models afford. And, they're eager to elevate the experience to the next level.

What's in it for me?

Opportunities abound for organizations that can optimize flexibility and customization in their offerings and their financing. In Q4 2020, subscription companies in the [Zuora Subscription Economy Index](#) grew at a rate of 21 percent, seven times faster than S&P 500 companies. Overall, subscription businesses show 5-to-8 times faster growth compared to traditional businesses.

What's holding you back?

Many businesses remain ill-equipped for digital transformation, with a lack of understanding of how to successfully transition from products to subscription services. Nor do they have the financing systems needed to support these new models. Specifically, many are stuck with legacy billing systems that they've stovepiped in an attempt to support subscription billing and asset management. These systems simply were not built for this new era, which requires a strong technology foundation for success.

Opportunity knocks

Subscription businesses are growing **5-8 times faster** than traditional businesses.

Subscription service business benefits:

- Enhance reliability and uptime
- Improve operational efficiency
- Sell new product capabilities
- Introduce new revenue-generating business opportunities



Modernization mantra

Organizations can gain important benefits from modernizing their approach and infrastructure for asset and service finance. These include:



Superior customer experience that drives top-line growth



Flexibility to evolve offerings rapidly



Elevated productivity and operational efficiency that improves the bottom line and helps to ease workforce issues during times of peak demand



Not your parents' financing platform

New models are driving new needs when it comes to financing and servicing assets and offerings in the subscription economy. Most legacy platforms—regardless of industry—were designed to support loans, leases, and lines of credit. The game has changed. Today's world requires metered use; flexible terms, financing, and billing; extensive notification and communication capabilities; real-time information and analysis; and the ability to support and manage IoT data to support asset management.

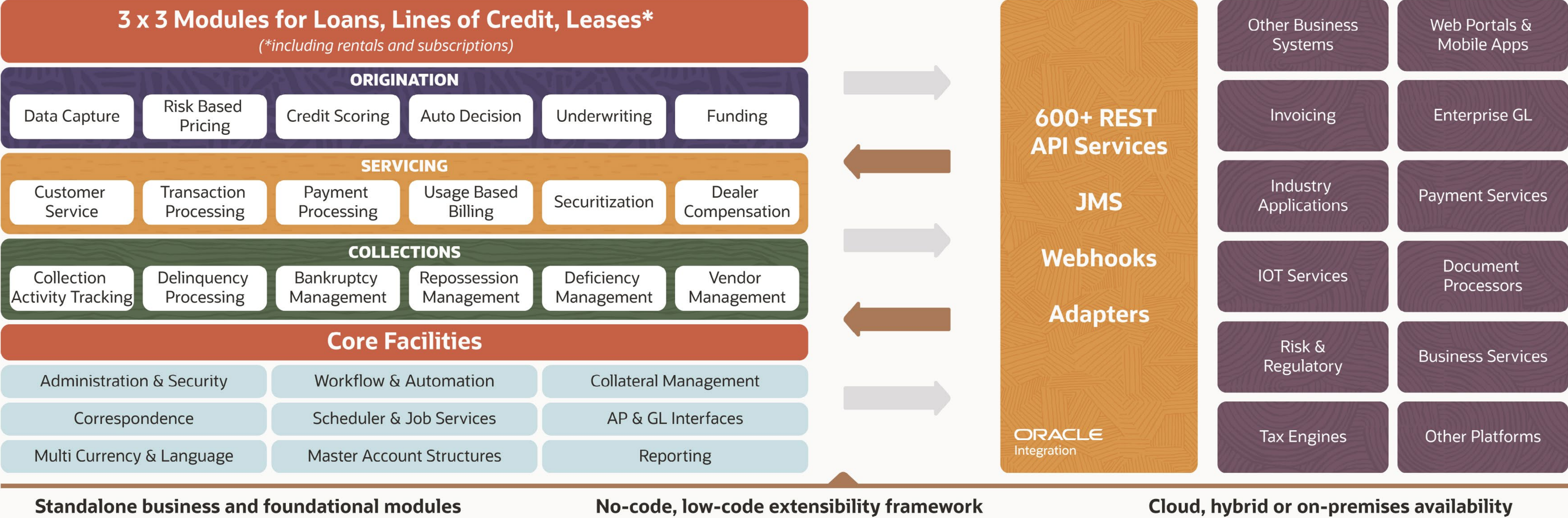
The ability to integrate with other systems is critical to enabling an embedded finance experience that is essential to supporting subscription offerings. For example, finance systems need to integrate with payments, API services that streamline the user experience, as well as non-financial applications. This integration demands a service-oriented architecture.

Embedded finance

Merging a non-financial service provider, such as a retailer or ride-sharing company, with a financial service, such as payment processing, lending, or insurance. The rise of embedded finance represents a massive new opportunity—an addressable market opportunity estimated to be worth **over \$7 trillion in the next 10 years**, twice the combined value of the world's top 30 banks today.

OFSLL - Modular architecture with broad functional coverage

Modular Architecture + Integration Layer



Next-gen subscriptions

Vehicle-as-a-service

Auto manufacturers are adjusting production to skew toward higher-end options and then leveraging the ability to deliver cars-as-a-service. Subscribers pay a single monthly fee to cover nearly all of the expenses associated with an automobile—including insurance and maintenance.

IoT capabilities enable manufacturers to continuously monitor asset use remotely and alert the customer in real time if they are going to exceed mileage limits. The customer can then determine the best course forward—either stop using the asset or accept updated subscription costs. In addition, manufacturers can alert users of emerging mechanical issues and schedule proactive maintenance to avoid major issues and ensure a superior customer experience. The car-as-a-service model requires both IoT connectivity as well as the ability to offer and manage usage-based billing.

Usage-based leasing is gaining popularity

Challenges with conventional leasing

- 1 Guessing game**
Guessing the usage over contract lifecycle upfront almost always leads to either inflated monthly payments (from underutilization) or penalty charges (from overutilization).
- 2 Continuous monitoring**
Rewriting the contracts based on usage is not feasible.
- 3 Idle assets**
Limited ability to adjust based on marketplace change or demand.

How usage-based billing solves the problems

- Contracting done for minimum usage
- Regular feeds for usage data using telematics or IoT
- Term reduced to compensate over utilization
- Discounts passed on with extensions if underutilized

Next-gen subscriptions

Vacation-as-a-subscription

Traditional time-share arrangements involve deeded ownership or the right to use a specific property during a fixed or floating week contract. The model offered limited flexibility and a long-term commitment. Travel enterprises are evolving more flexible options, such as vacation clubs and travel clubs charging an annual fee for travel counseling and booking services, allowing members to build their own experience and avoid a long-term commitment.

For example, [Travel + Leisure Club](#) operates “as a technology-enabled travel club with a somewhat traditional pitch, offering services and discounts that offset the membership fee, but differentiates itself by cleaving closely to the Travel + Leisure brand, selling trips that follow in the footsteps of the magazine’s writers. Subscribers to Travel + Leisure can read an article and then click ‘book it.’”

To enable this model, providers need transparency into and the ability to manage the entire customer lifecycle from a single location, as well as advanced behavioral score and risk-based pricing. They also require the ability to support multiple channels and experience tiers, as well as the agility to add products and change offerings rapidly.

Communications-as-a-subscription

Ask any consumer of communications services and they’ll likely admit to experiencing some type of vendor “lock in,” either through rigid contracts or massive inconvenience in changing providers. Today’s consumers demand greater flexibility, and communications providers are getting on board with agile subscription models. These new models allow customers to access the services that they want—whether mobile, cable, internet, content/apps—when they want them and deliver easy on/off capabilities. They pay for only what they want and use.

The ability to offer these fluid services requires an asset and finance management platform that enables a complete view of the customer relationship across an increasingly diverse set of services offerings. It also demands extreme agility to rapidly configure new offerings, understand customer use patterns, and enable a unified experience regardless of a customer’s preferred interaction channel.



Make it happen

Several key characteristics define the finance platform needed to support the subscription economy. Your checklist should include:

- ✓ **Deliver a single digital platform for end-to-end lifecycle**—contracting, payments, portfolio management, collections, asset management
- ✓ **Support for IoT functionality** so the device/equipment can directly drive business processes in your operations. And your business can track, monitor and even control devices/equipment under management
- ✓ **Ability to configure** and change workflows, automated events, user responsibilities, and administrative override parameters
- ✓ **Flexibility to adapt finance programs to subscription-based offerings** including Buy Now Pay Later (BNPL) and usage-based programs
- ✓ **Enable behavioral scoring and risk-based pricing capabilities** to deliver improved profitability and lower credit risk exposure
- ✓ **Comprehensive relationship view** to leverage enterprise-wide data to deliver flexible product and financing options to customers
- ✓ **Configurable business rules engine** to enable users to define workflows for unique business processes and events for optimizing automation
- ✓ **Multi-channel support capabilities** to support increased sales opportunities and improve customer experiences
- ✓ **Extensive self-service capabilities** via multiple channels, whether to support basic updates, such as demographic changes, or more complex functions, such as changing repayment schedules
- ✓ **Straight forward integrations** with credit bureaus, valuation guides, payment providers, ERP systems, and more
- ✓ **Advanced audit capabilities** to meet internal and external compliance standards and controls
- ✓ **Flexible deployment** options in the cloud to reduce technology and maintenance costs

Oracle leads the way

Oracle Financial Services Lending and Leasing is a comprehensive, purpose-built solution that provides a modern, enterprise-wide platform to support the entire finance process—across equipment, vehicle, telecom, and all asset finance segments.

The solution delivers seamless, end-to-end digital capabilities, from origination to servicing through collections and asset management. It offers flexible deployment options in the cloud. Its open architecture can integrate with any compatible system, application, or device—with added value when coupled with Oracle's Internet of Things Intelligent Applications Cloud and advanced analytics to give a whole range of new real-time insights into customers and asset use. Simply stated, this solution improves the customer experience with a modern digital platform that supports the subscription economy; enables flexibility that drives business growth; and increases productivity and efficiency with automated processes and transactions.

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