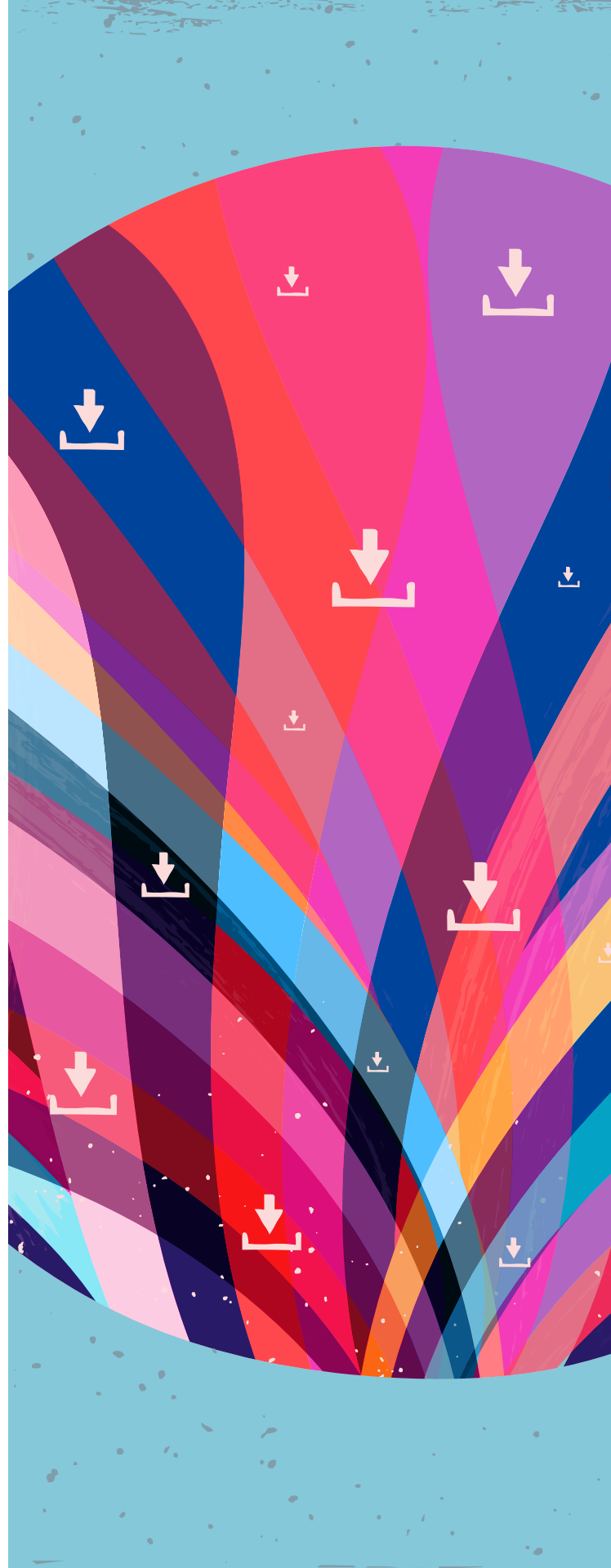



Five steps to scaling a flexible consumption model

MANY INCUMBENT TECHNOLOGY companies are scrambling to adopt in part or all of their business flexible consumption models (FCMs), which offer customers delivery and payment options to purchase access to products “as a service.” It’s not hard to see why. Besides providing greater value to customers, who pay only for what they consume, FCMs’ potential business benefits include predictable, renewable revenue streams; deeper insights into customer consumption patterns to help inform add-on sales; and lower operational costs through the ability to serve customers at scale through a common platform.

Yet converting a traditional organization into an FCM requires a radical transformation of its operating model as well as its business model. Why? Unlike traditional, product-centric business models, FCMs organize activities around customer





needs and opportunities rather than the product life cycle. FCMs' value chains are not sequential, but interconnected: The company may engage with customers at any stage at any time, requiring an operating model that can support multiple concurrent customer interactions and that includes mechanisms for teams to work together to deliver an end-to-end customer experience.

One approach for companies seeking to implement an FCM is to adopt a “services operating model,” which involves treating as “services” delivered to internal or external stakeholders not only the company's market-facing offerings, but its enabling internal operations. The following five steps can help companies make this shift:

Establish a transformation office with executive sponsorship. Companies should identify a senior leader with direct access to the C-suite to lead the transformation. This leader should head up a dedicated group to carry out the effort, supported by a cross-functional panel of subject-matter experts who understand the dependencies between, and the services operating model's impact on, different areas of the company.

Disaggregate the operating model into a set of services. The next, critical step is to decompose the company's operating model into a set of services in a way that allows each service to be independently managed and tracked. The complete set of enabling services should be identified for each of the company's marketplace offerings.

Determine the level of standardization for each service. Here, the temptation to take a blanket approach to standardization must be resisted. It is imperative to consider each service separately in the context of the offerings it supports when deciding on its level of standardization.

Operationalize each service. We suggest companies start by appointing a service owner for each service who will act as its general manager. The service owner should work with the central transformation team to identify the service's components, its consumer(s), the necessary inputs and requirements, the expected outcome(s), and its performance metrics. He or she should also determine whether the service should be placed within the legacy organization or housed within a separate structure specifically created to contain services supporting the FCM business(es).

Establish service life cycle management. Once a service is established, the service owner should work with the service's consumers to understand their requirements, and identify and prioritize the development of any new needed capabilities. Similarly, capabilities that a service's consumers no longer need can be eventually retired.

Organizing operations to support the delivery of FCM offerings is very different from the operational needs of a traditional business model. If the strategic decision is to go forward with an FCM, applying a services operating model can enable a company to execute the FCM(s) effectively in the marketplace. ●

For more, read the article by Abhi Arora, Gopal Srinivasan, and Isaac Khan, *The shift to flexible consumption: How to make an “as a service” business model work*, on www.deloitte.com/insights.