



HOW TO BALANCE AGILITY AND FINANCIAL CONTROL ON S/4HANA

BRIM + SUBSCRIPTION MONETIZATION, EXPLAINED SIMPLY

EXECUTIVE VIEW | 2-MINUTE READ

Building Subscription & Usage-Based Revenue on S/4HANA

What It Really Takes Beyond a Technical Migration

For many enterprises, the move to S/4HANA is driven by necessity: aging ERP landscapes, end-of-support timelines, and the need for a modern digital core. Yet increasingly, S/4HANA programs are also expected to unlock new business models—particularly **subscription and usage-based revenue**.



While S/4HANA provides a powerful foundation, building scalable subscription and consumption-based revenue is not a simple extension of traditional order-to-cash. Organizations that treat it as such quickly encounter complexity, margin leakage, and operational friction.

The challenge is not whether S/4HANA can support subscription models. The challenge is **how those models are designed, governed, and integrated**.

Why Subscription and Usage Models Are Now a Strategic Imperative

Across industries, revenue is shifting from one-time transactions to ongoing relationships.

Customers increasingly prefer:



Paying for outcomes rather than ownership

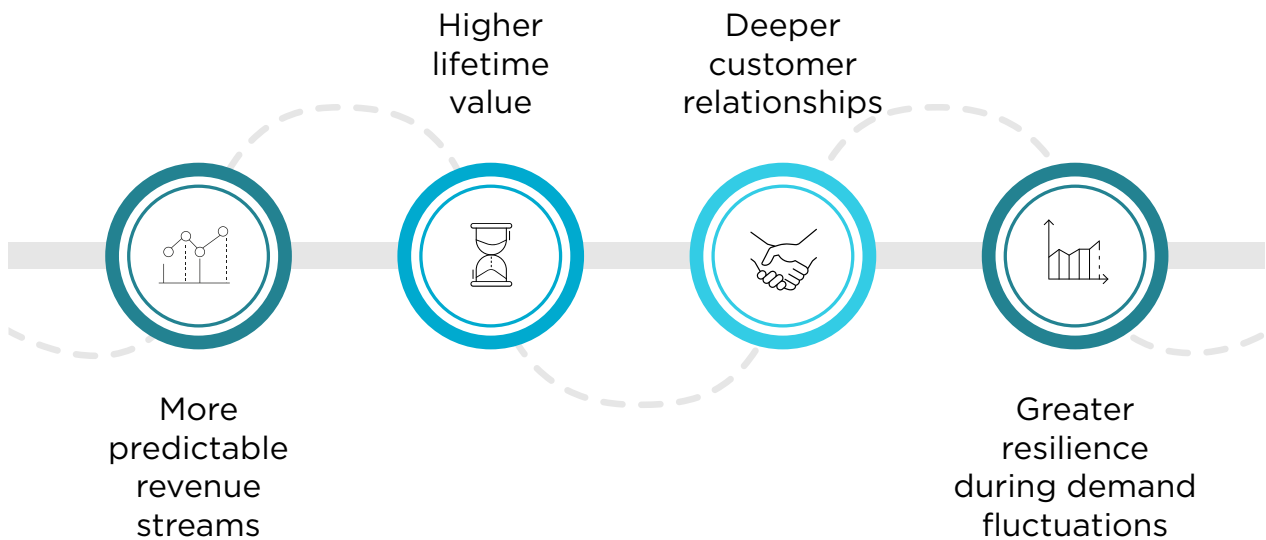


Scaling usage up or down without renegotiation



Transparent, predictable billing aligned to actual consumption

For businesses, subscription and usage-based models promise:



However, these benefits only materialize when monetization is operationally sound. Poorly designed subscription models introduce volatility rather than stability.

The Fundamental Mismatch: ERP Transactions vs. Subscription Lifecycles

Traditional ERP systems were designed around discrete commercial events:



Subscription and usage-based revenue behave very differently.

They introduce:

Ongoing contracts instead of one-time orders	Frequent lifecycle changes (upgrades, downgrades, pauses)
Variable charges driven by usage, events, or thresholds	Continuous alignment between commercial terms and financial outcomes

Trying to force these dynamics into classic order-to-cash processes creates workarounds: manual adjustments, custom code, spreadsheets, and delayed reconciliation.

The result is not innovation—it is complexity.

What S/4HANA Enables—and What It Does Not Do Alone

S/4HANA provides a robust digital core for finance, logistics, and operational control. It excels at:



Financial integrity and compliance



High-volume transaction processing



Integration across enterprise functions

For subscription and usage-based revenue, S/4HANA is essential—but not sufficient on its own.

The key question CIOs must answer early is:

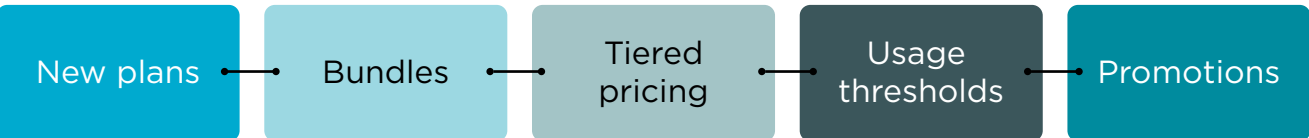
Which parts of the subscription lifecycle belong inside the ERP core, and which require specialized capabilities?	Organizations that skip this architectural conversation often end up over-customizing S/4HANA or fragmenting monetization across disconnected tools.
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Decomposing the Subscription and Usage Revenue Stack

Successful monetization architectures separate concerns instead of conflating them.

A scalable model typically addresses five distinct layers:

1. Product, Pricing, and Packaging: Subscriptions introduce frequent changes:



These changes must be fast, reversible, and business-owned. Hard-coding pricing logic deep into ERP systems slows innovation and increases risk.

2. Subscription Lifecycle Management

This includes:



Activations and renewals



Amendments and suspensions



Contract changes mid-cycle



Proration logic

Lifecycle management is fundamentally different from order management. Treating lifecycle events as “order changes” leads to brittle processes.

3. Usage Capture and Rating

Usage-based revenue depends on:

- Accurate metering
- Timely ingestion of usage data
- Transparent rating rules

This layer must scale independently of financial posting.

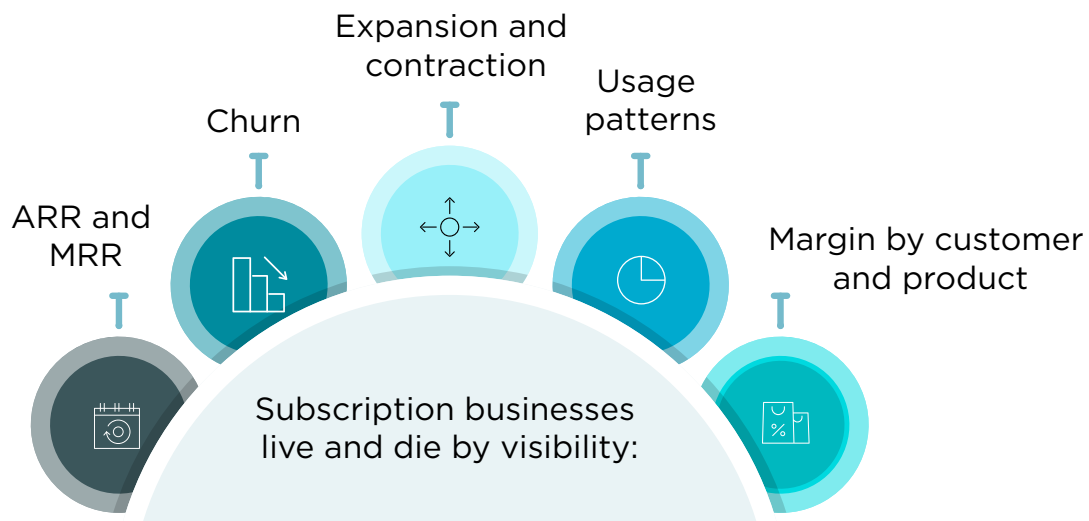
4. Billing and Financial Settlement

This is where S/4HANA plays a critical role:

- Invoicing
- Revenue recognition
- Compliance
- Auditability

Financial settlement must remain clean, consistent, and defensible—even as commercial models evolve.

5. Analytics and Revenue Intelligence



Without unified analytics, leadership flies blind.

The CIO's Architectural Choice: Flexibility vs. Control

One of the most important decisions in subscription programs is how flexibility and control are balanced.

Too much flexibility without financial discipline leads to:

- Revenue leakage
- Audit challenges
- Manual reconciliation

Too much control without agility leads to:

- Slow product launches
- IT bottlenecks
- Lost market opportunities

The role of the CIO is to design an architecture where:

- Commercial agility lives where it belongs
- Financial truth remains centralized
- Integration is intentional, not accidental

This is an architectural decision, not a tooling decision.

Where Subscription Programs Commonly Fail

Across organizations, subscription initiatives stumble for remarkably similar reasons:

Treating Subscriptions as a Billing Problem

Subscriptions are a business model shift, not a billing configuration. When billing is addressed first, downstream issues inevitably surface.

Over-Customizing the ERP Core

Embedding complex pricing and lifecycle logic deep inside S/4HANA makes future change expensive and risky.

Ignoring Finance Early

Revenue recognition, accruals, and compliance cannot be “fixed later.” Finance must be designed in from day one.

Fragmented Ownership

Subscriptions cut across product, sales, IT, finance, and operations. Without clear ownership, decisions stall or conflict.



The Role of AI in Subscription and Usage-Based Revenue

AI adds value when it is applied to decision-making, not just reporting.

High-impact use cases include:



Usage Pattern Analysis: AI can identify abnormal consumption, under-utilization, or expansion signals—enabling proactive engagement.



Pricing Optimization: AI can test pricing thresholds, bundles, and usage tiers against real customer behavior.



Churn Prediction: Subscription churn rarely happens without warning. AI models can surface early indicators before revenue is lost.



Revenue Leakage Detection: AI can flag inconsistencies between contracts, usage, billing, and financial postings—reducing manual audits.

As with reverse logistics and service, AI only works when the underlying processes are structurally sound. AI layered on top of fragmented monetization flows magnifies confusion rather than clarity.

What Good Looks Like

Organizations that successfully build subscription and usage-based revenue on S/4HANA share several traits:

- Clear separation between commercial agility and financial control
- Minimal customization of the ERP core
- Explicit ownership of the subscription lifecycle
- Integrated usage, billing, and finance flows
- Executive-level visibility into subscription economics

Most importantly, they treat monetization as a **long-term capability**, not a one-time implementation.



Final Thought: Monetization Is an Architecture Decision

Building subscription and usage-based revenue on S/4HANA is not about adding a feature or enabling a module. It is about designing how money flows through the organization—commercially, operationally, and financially.

Organizations that get this right unlock predictable growth and resilience.

Those that do not inherit complexity disguised as innovation.

The difference is not technology.

It is design.





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