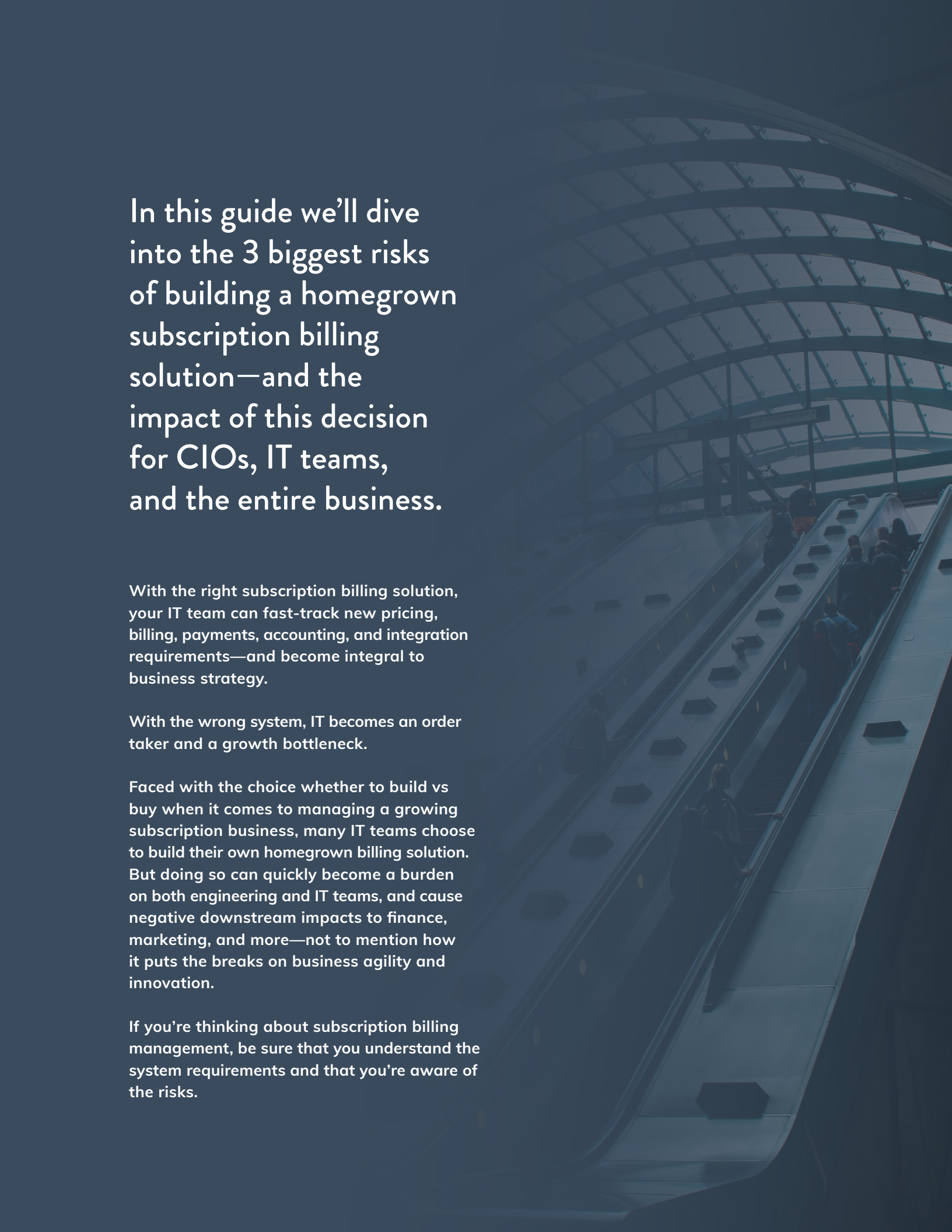


zuora

Build vs. Buy: The CIO's Guide to Subscription Billing





In this guide we'll dive into the 3 biggest risks of building a homegrown subscription billing solution—and the impact of this decision for CIOs, IT teams, and the entire business.

With the right subscription billing solution, your IT team can fast-track new pricing, billing, payments, accounting, and integration requirements—and become integral to business strategy.

With the wrong system, IT becomes an order taker and a growth bottleneck.

Faced with the choice whether to build vs buy when it comes to managing a growing subscription business, many IT teams choose to build their own homegrown billing solution. But doing so can quickly become a burden on both engineering and IT teams, and cause negative downstream impacts to finance, marketing, and more—not to mention how it puts the breaks on business agility and innovation.

If you're thinking about subscription billing management, be sure that you understand the system requirements and that you're aware of the risks.

RISK #1

Delayed time-to-market and lost opportunities

It's impossible for any company to anticipate all future go-to-market needs.

For example, have you already considered:

What are your pricing models in the future?

How will you solve for churn, launch multiple editions, or experiment with usage models?

Will you extend your product line organically or via acquisitions?

What's your plan for going (or supporting) international?

And the list goes on and on.



The cost of not implementing Zuora: loss of agility and delayed time to market.

Irwin Weiss, Vice President
Information Technology at Carbonite

The Downside of a Quick Fix

The problem is that today you build just for what you need today, with engineering hard coding the system as a quick fix—but that prevents you from growing tomorrow. What starts out as a “quick fix” can quickly morph into an engineering time suck which pulls much-needed development resources from your core product into creating a billing system.

Missed Growth Opportunities

With engineers struggling to keep up with new requirements as your business matures, this will obviously negatively impact your time to market. Why have engineers focusing on internal IT when they could—and should—be focusing on the core product?

Hard-coding recurring pricing into your solution hinders business agility. It also offers just a fraction of the capabilities you'll need to grow your business.

RISK #2

Error-Prone financial reporting

IT needs to be a good partner to the Finance department; it's imperative for the finance team to get accurate numbers for accounting and audit purposes. But building a homegrown solution that can ingest and report financial data accurately is very hard to do, and it becomes even more complicated with subscriptions.

General Ledger Requirements

With subscriptions, you're dealing with changes like renewals, upgrades, pauses, and the concept of time. This means you need a subledger that can group and calculate the right charges and then generate journal entries that can be understood by your general ledger. Some requirements include things like storing accounting codes that match every single charge or running a trial balance report to make sure your numbers tie out.

Finance needs to be able to close and lock accounting periods for audit and compliance purposes. And they need to be able to do it quickly.

The Challenges of Revenue Recognition

Plus there's revenue recognition. You're going to have to consider the additional costs it will take to train your engineers on finance and accounting processes and rules that realistically take years of experience to understand. Not building these requirements into your billing solution will result in financial reporting errors. And if you decide not to build this into your solution, your finance team will be forced to do everything manually, which can lead to even more errors in your financial reporting.

ERP Fails

You may think you can retrofit your ERP to manage this, but it doesn't work that way. As a leading exec at Boomi so aptly stated: "The bottom line is your CRM and ERP don't speak the same language. You can't just use middleware to transfer financial data from one to another. It's an extremely manual process to transform these charges into line item accounting data. We tried doing this with Boomi, and we built 1000+ flows that we had to manually update every couple months. You're much more prone to inaccurate and duplicate records, which ultimately impacts financial reporting."

You want to make sure that your customers get billed correctly, that you're in compliance, that you have the financial accuracy your CFO needs for board reports. A homegrown system isn't robust enough to manage all this, and, if the system is a bust, then the downstream impacts on your finance team are overwhelming and can lead to errors and, ultimately, to revenue leakage.



With Zuora, "in just three months we improved the efficiency of our software orders and financial close processes, taking our close process down from 8 days to 2."

**Kevin Spinelli, Senior Director
Business Systems at Procore Technologies**



RISK #3

Costly maintenance for integrations and compliance

Last but not least in the hearts and minds of every CIO: cost, integrations, and compliance. Your subscription management and recurring billing solution is integral to your existing tech stack, which means you will need to build and maintain all of the integrations to your ecosystem. This is resource intensive—and difficult.

IT Ecosystem Integration

And it's not just your CRM and ERP. Your system will need to integrate with a tax engine like Avalara that can calculate tax rates and then return the rate amount for each invoice. It'll need to integrate to payment gateways to process customer payments and gateway returns successes and failures.

And as your company expands to new markets that means building and maintaining even more gateways. Plus there's your CRM, CPQ, ERP, GL, partner portal, provisioning, web portal, data hub, and more.

Your subscription management system needs to seamlessly integrate with your entire IT ecosystem.

The Tip of the Iceberg

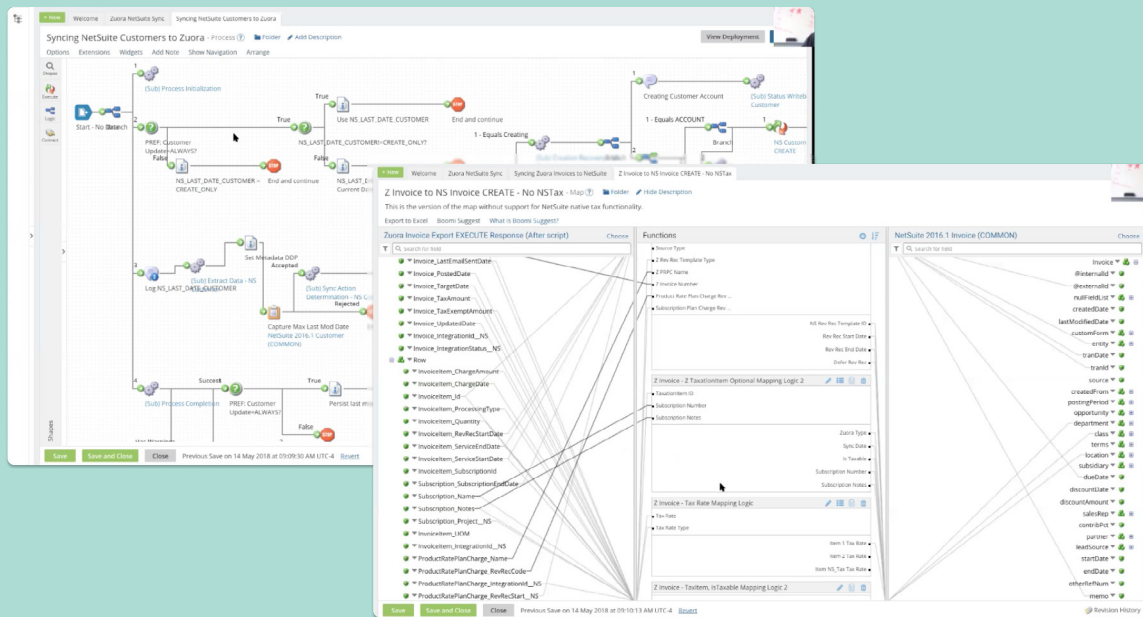
Engineers often just see the need to automate pricing options. But that's just the tip of the iceberg. They never anticipate dealing with currencies, tax models, support for dozens of payment methods (Apple Pay, Amazon Pay, etc), revenue recognition rules, audit controls, quoting for the sales force or partner channel, invoice presentment standards, invoice numbering standards, strange use cases like early renewals, contract renegotiations, etc.

Plugging into your ecosystem takes a lot of time. Everytime you want to add a gateway or portal that's additional cost.



Zuora's payments processing capability has removed a lot of administrative overhead for us. It readily handles our subscription-based charging system and our multi-currency operations.

Ashik Ahmed, CEO,
CTO & Co-Founder at Deputy



1000s of Validation Flows

Here are 2 screenshots from our own Netsuite Connector that's built on Boomi. Our own connector has 1000+ complex flows, and it's taken tens of thousands of hours to build and maintain this integration.

Even an integration between your homegrown solution and your ERP won't be easy with middleware like Boomi or Mulesoft. Because of the sensitivity of getting financial data correct, you're going to have to build over 1000 validation flows that need to be updated regularly to prevent account imbalance.

On top of that, your solution and an ERP won't speak the same language, meaning you will have to map hundreds of fields with formatting differences to your ERP for line item accounting. Not doing these things will result in incorrect records and duplicate data which will impact financial reporting.

PCI Compliance

Beyond integrations, you also need to factor in things like PCI compliance. If you're building a homegrown billing solution that will hold sensitive customer data, you must be PCI compliant, or risk fines, data breaches, loss of customer confidence, and more.

To achieve PCI compliance, you need security architects and techops engineers, strong infrastructure like encryption appliances, and web and application firewalls. You also need a mature security program that covers application, network, host-based, and data security with strong policies and procedures in place.

Finally, to get certification you're going to have to go through assessments and annual audits, which means you're going to have to hire auditors and have compliance managers. All of this combined can easily add up to \$1 million. And, according to a recent Gartner report, CIOs have already stated that this is meeting board resistance, yet it's required.

THE BOTTOM LINE:

Finding a billing solution for the long term

The bottom line is that building and maintaining a homegrown solution has great risks that will ultimately hinder subscription growth. And these risks will cost you.

With your own solution, you'll need a group of engineers working on business capabilities like pricing and packaging and order management, and another group of engineers working on platform services like payment gateways and user controls, and yet another team working on infrastructure like security and scalability.

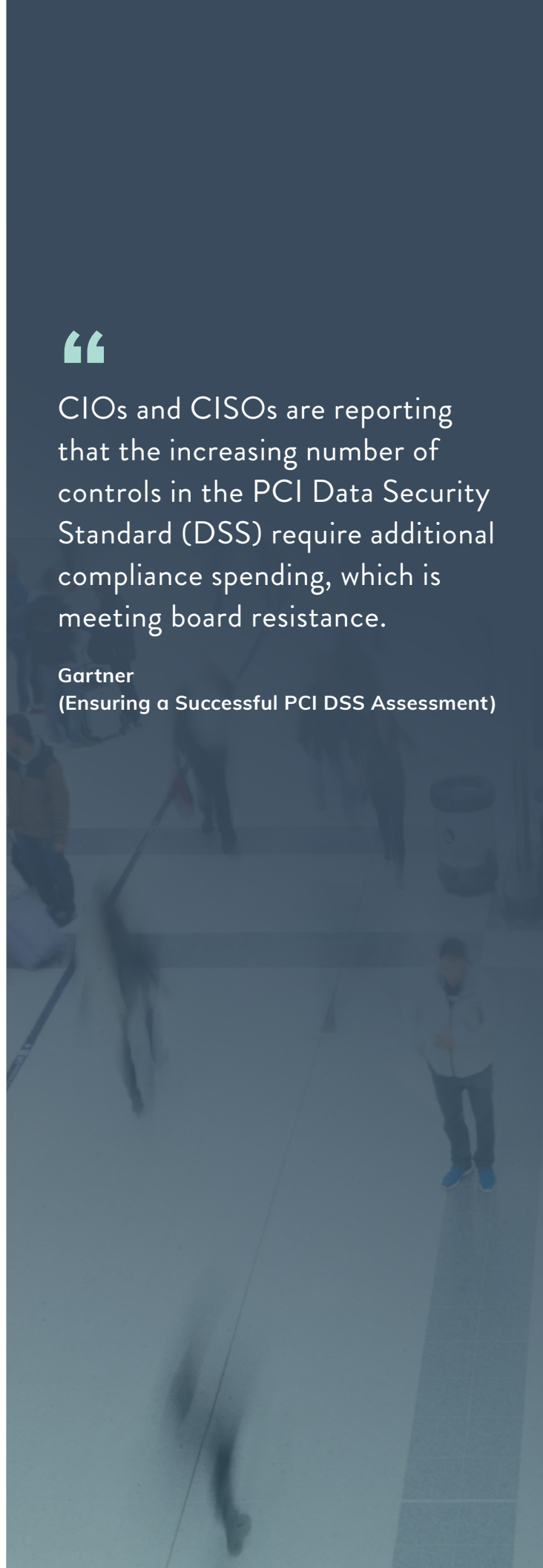
Not only does it take years to get this up and running, but you'll need to have the resources to maintain it. Plus you're going to have to pay for additional hosting. Meanwhile, you could be focusing all of these resources on your core product and creating value for your end-user.

Instead of a homegrown billing solution, CIOs at leading companies look for a longer-term strategy that lets the company adapt and flex to changing market needs. What CIOs need is a flexible platform that provides the necessary agility to enable long-term subscription growth.



CIOs and CISOs are reporting that the increasing number of controls in the PCI Data Security Standard (DSS) require additional compliance spending, which is meeting board resistance.

Gartner
(Ensuring a Successful PCI DSS Assessment)





Zuora provides the leading cloud-based subscription management platform that functions as a system of record for subscription businesses across all industries. Powering the Subscription Economy®, the Zuora® platform was architected specifically for dynamic, recurring subscription business models and acts as an intelligent subscription management hub that automates and orchestrates the entire subscription order-to-cash process, including billing and revenue recognition. Zuora serves more than 1,000 companies around the world, including Box, Komatsu, Rogers, Schneider Electric, Xplornet and Zendesk. Headquartered in Silicon Valley, Zuora also operates offices in Atlanta, Boston, Denver, San Francisco, London, Paris, Beijing, Sydney, Chennai and Tokyo.

More at www.zuora.com.

Get started today

Speak with an expert to learn how Zuora can help you deliver great subscription experiences

Talk to sales