

zuora

# THE JOURNEY TO USERSHIP



# TABLE OF CONTENTS

## 01 Executive Summary

Sec 01.1 / What is the Journey to Usership?

Sec 01.2 / This Is the End of Ownership and the Rise of Usership

## 02 The Journey to Usership: Stages

Sec 02.1 / Stage 1: Launch

Sec 02.2 / Stage 2: Optimize

Sec 02.3 / Stage 3: Scale

Sec 02.4 / Stage 4: Lead

## 03 Assessment: Where are you on the journey?

## 04 The Journey to Usership: The Focus Areas

Sec 04.1 / Overview

Sec 04.2 / Focus Area 1: Offering Design

Sec 04.3 / Focus Area 2: The Subscriber Experience

Sec 04.4 / Focus Area 3: Financial Model

Sec 04.5 / Focus Area 4: Business Operations

Sec 04.6 / Focus Area 5: Enterprise Architecture

## 05 Conclusion



# 01 EXECUTIVE SUMMARY

## EXECUTIVE SUMMARY

Over the past decade, there's been a fundamental shift in people's relationship to products. In fact, more than 70% of adults across the globe believe that a person's status is no longer defined by what they own. Instead of owning products, customers want access to services. Subscribing and using services instead of owning products sets people free from hassles, maintenance costs, and constant upgrades.

We are witnessing the end of ownership, and a rise in usership.

This shift has sparked companies to dramatically change how they work. Companies are embarking on their own journeys into this brave new world, one that's quite different from the old way of doing business.

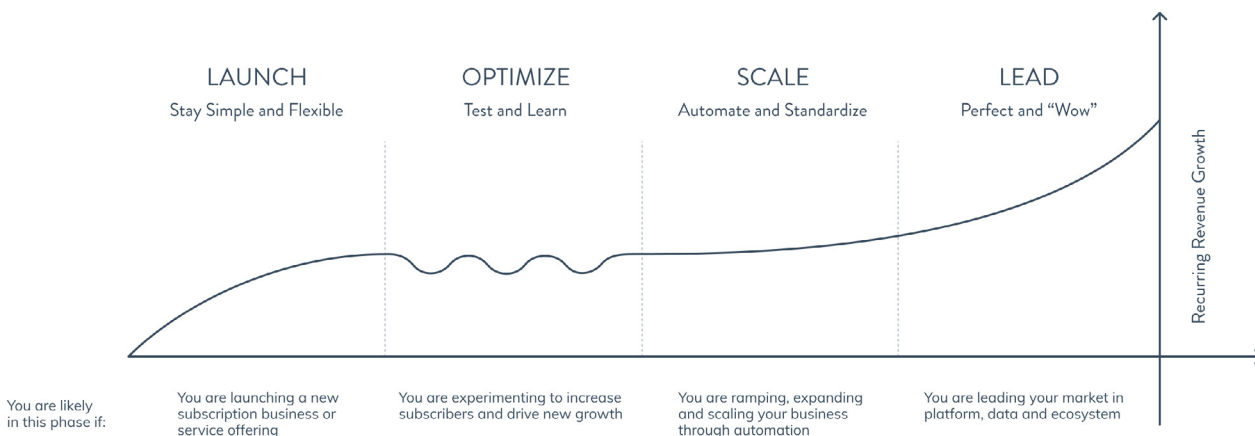
We call this the Journey to Usership.

At Zuora, we've worked with thousands of subscription businesses and studied millions of data points across the world's leading companies. We've seen patterns of success, pitfalls to avoid, and lessons that other companies can learn from. We've compiled all of these learnings into a blueprint that outlines the stages your company will go through and the areas you need to focus on to reach the holy grail of subscription success: long-term customer loyalty and sustainable, predictable revenue growth.

Whether you're just thinking about subscriptions or you have an offering in the market today, you'll find actionable insights here that can help you get valuable resources and take the right path when you reach a fork in the road.

Let's get going.

## THE JOURNEY TO USERSHIP™



## WHAT IS THE JOURNEY TO USERSHIP?

Over the past decade, we've witnessed a fundamental shift in people's relationship to products. More than 70% of adults across the globe believe that a person's status is no longer defined by what they own. So instead of owning products, customers want access to services. Subscribing and using services instead of owning products sets people free from hassles, maintenance costs, and constant upgrades.

And this transition has only accelerated in recent years. In 2020, the pandemic forced companies to wake up to the power of the recurring business model. Whether it's in education, consumer devices, or software technology, customers are increasingly searching for ways to access services rather than own another product.

GOODBYE, OWNERSHIP.  
HELLO, USERSHIP



UNIT SALES  
ARE DOWN



CONSUMPTION  
IS UP

## OWNERSHIP VS. USERSHIP

### Ownership

- Customer pays up front for product
- Customer pays for product maintenance, updates, and replacement
- Company invests in making the one-time sale to customer

### Usership

- Customer subscribes to use the product, not own it
- Company pays for product maintenance, updates, and replacement
- Company invests in long-term customer relationships

This shift has sparked companies to dramatically change how they work. We call this transition the Journey to Usership.

At Zuora, we've worked with thousands of subscription businesses and studied millions of data points as companies embarked on their Journey to Usership. After more than a decade, we've learned from some of the best companies in the world:

We've seen companies take on common strategies and find common learnings. We've discovered where the pitfalls are, as well as what the points of acceleration are along the way.

And we've learned the patterns to subscription success based on vertical, business model, and stage of growth.

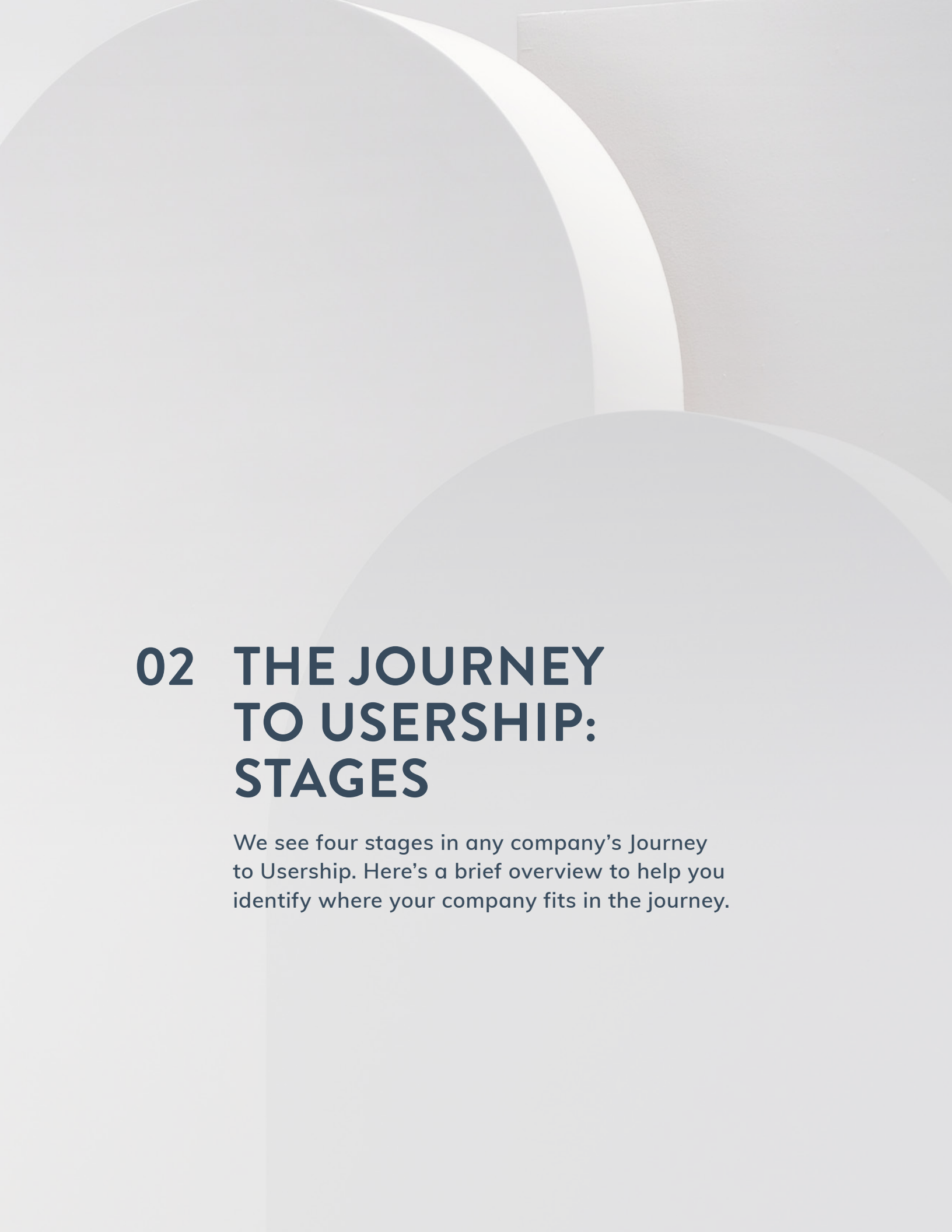
We've put our learnings all into a digestible roadmap that can guide your team and your business. This blueprint is your guide on the Journey to Usership.

### IN THIS PAPER, YOU'LL LEARN:

- The four stages of the Journey to Usership and the five areas of focus for any company

- Best practices you can adopt and pitfalls you'll want to avoid at different stages

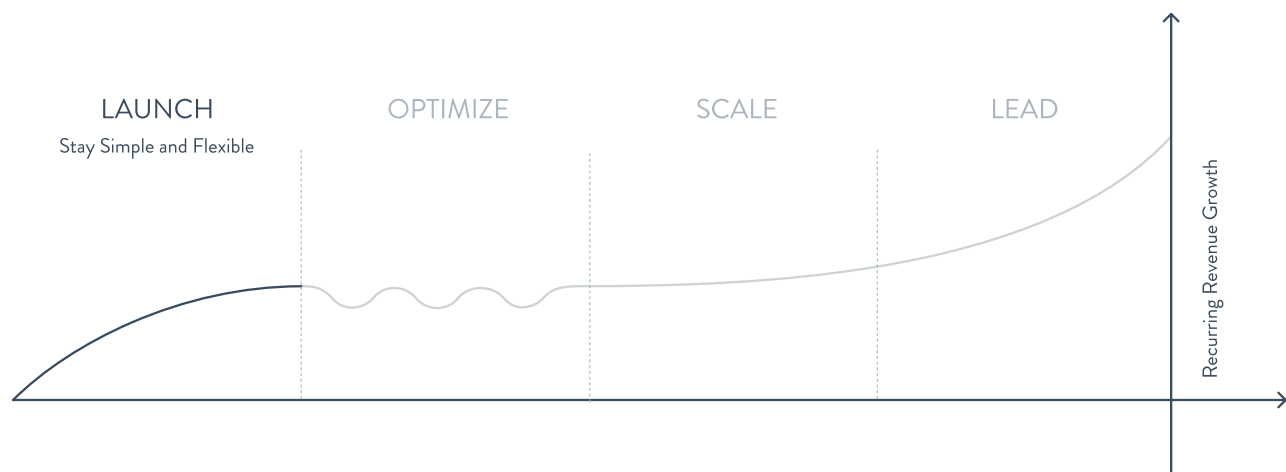
- Customer examples of "what good looks like" for each focus area



## 02 THE JOURNEY TO USERSHIP: STAGES

We see four stages in any company's Journey to Usership. Here's a brief overview to help you identify where your company fits in the journey.

# STAGE 1: LAUNCH



## STAGE 1: LAUNCH

### You're at this stage if:

Your company is launching a brand new subscription business or a new subscription offering (often in a dedicated business unit).

### Your goal at this stage:

Keeping it simple and staying flexible while getting started on the journey

### What to focus on:

- Creating an initial go-to-market strategy
- Gaining market traction
- Building your basic subscriber experience
- Dialing in business operations

### What to watch out for:

- Holding on to backward-looking metrics and operations systems that are rooted in your traditional business
- Exploding costs associated with acquiring customers
- Fuzzy business models



## HEADWIND

Keeping it simple  
and staying flexible  
while getting started  
on the journey

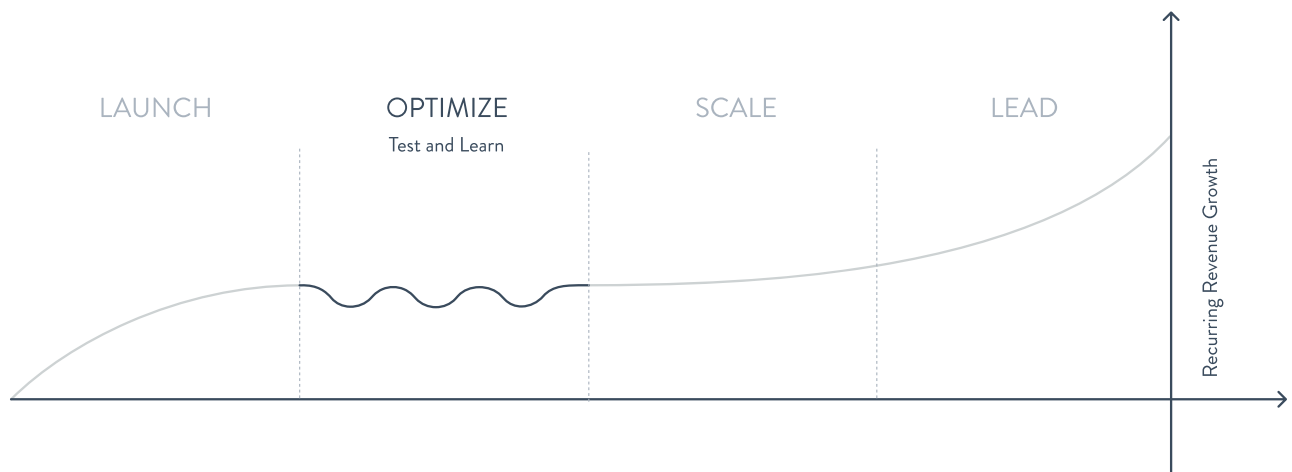


## TAILWIND

Excitement,  
untapped potential



# STAGE 2: OPTIMIZE



## STAGE 2: OPTIMIZE

### You're at this stage if:

You've achieved the right market fit for your product and need to develop additional growth strategies: upmarket, digital commerce, upsell/cross-sell, international expansion.

### Your goal at this stage:

Testing (and testing and testing) to learn what works—and what doesn't

### What to focus on:

- Implementing new growth strategies
- Gathering insights to double down on the best strategy

### What to watch out for:

- Back-end systems and processes that don't support the new model's subscription experience
- Over-reliance on manual processes
- Problems handling spikes in demand
- Lack of customer lifecycle support
- High and unpredictable churn



## HEADWIND

The need for agility is key here—you can be held back by systems and processes designed for a linear transactional business.

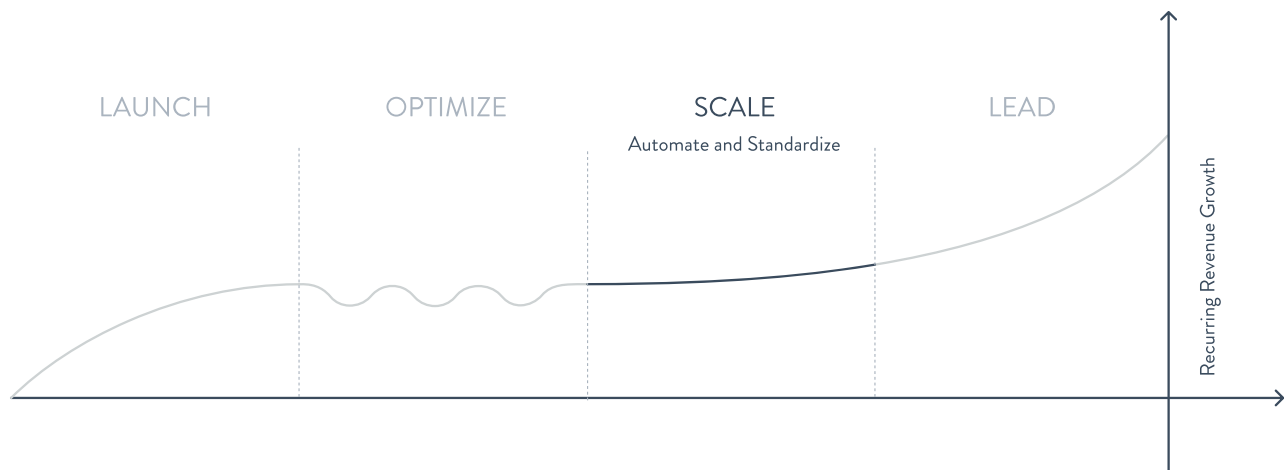


## TAILWIND

You likely have a large number of current subscribers who are helping you fine-tune your value proposition.



# STAGE 3: SCALE



## STAGE 3: SCALE

### You're at this stage if:

Your financial model is set, your growth strategies are successful, and you're entering new markets.

### Your goal at this stage:

Scale operations and drive efficiency by automating and standardizing your operations so you're able to run what you can on autopilot

### What to focus on:

- Scaling up your operations
- Building your company culture
- Solidifying and expanding relationships
- Setting up processes and automation for efficiency

### What to watch out for:

- Lacking the automation needed to scale your business, especially automation related to the order-to-cash process
- Operating without a customer success team
- Lacking a personalized journey for your customers
- Out-of-balance customer lifetime value, recurring revenue, and overall retention rates



## HEADWIND

Any areas that you neglected earlier on—systems, processes, culture—will be amplified here. You need to build a go-to-market strategy that allows you to acquire, retail, and monetize as you scale.

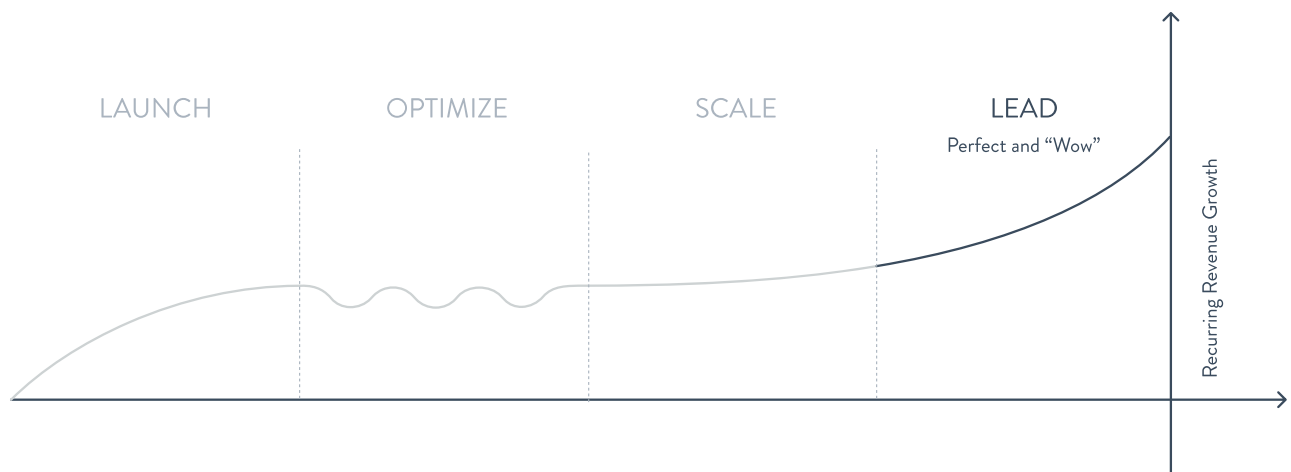


## TAILWIND

Your net retention is rising as you have more and more customer relationships to renew and grow. The flywheel of subscription growth has been kicked into motion.



# STAGE 4: LEAD



## STAGE 4: LEAD

### You're at this stage if:

You've entered that rarefied air of Subscription Economy leaders like Zoom, Salesforce, Amazon, and Netflix.

### Your goal at this stage:

Deliver the "wow" factor, gain market dominance, and widen the competitive gap

### What to focus on:

- Dominating your category
- Unifying multiple markets on your platform
- Creating a solid ecosystem of ISVs, partners, customers, and users

### What to watch out for:

- Not letting customers drive their own journey
- Lack of pricing agility
- Not optimizing your use of customer data



## HEADWIND

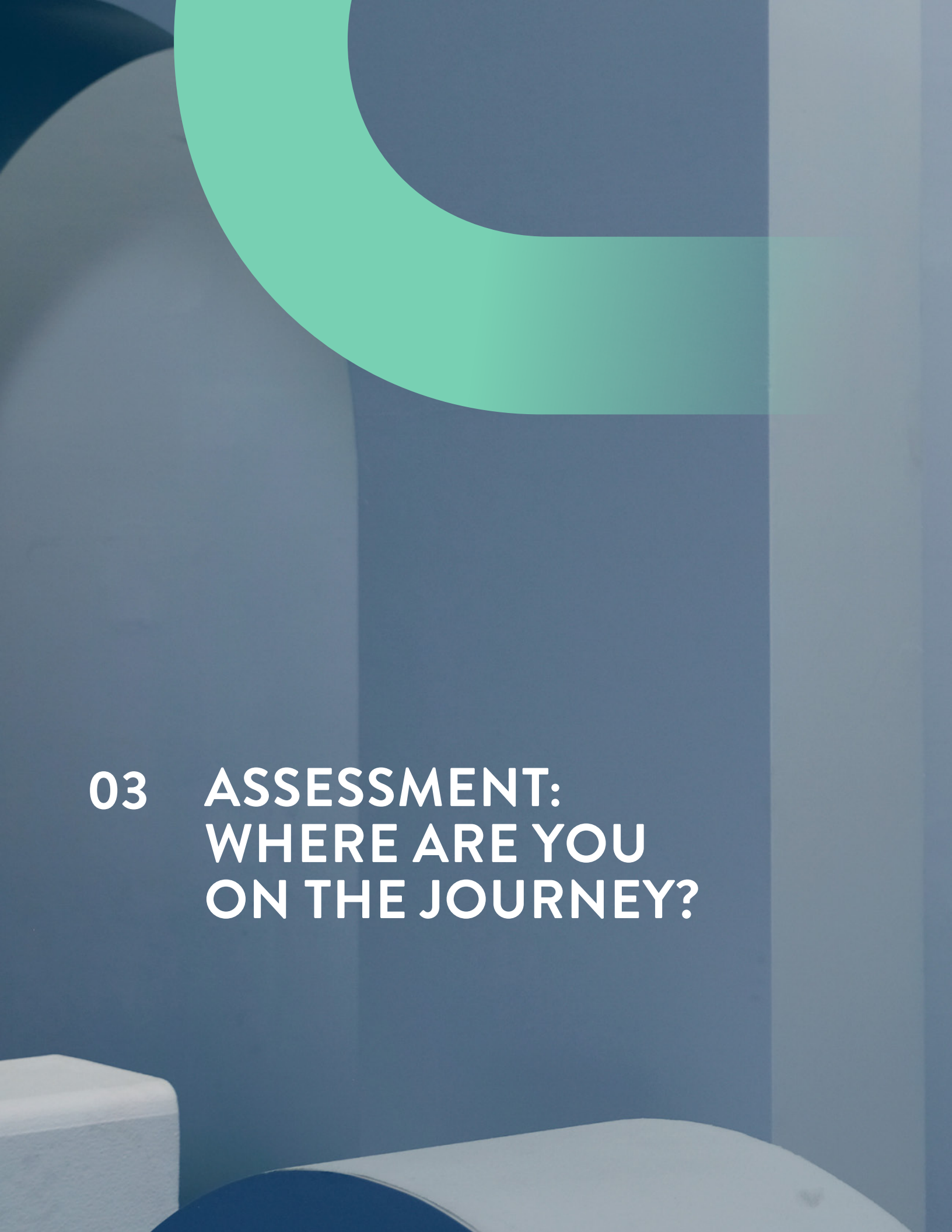
Subscription business complexity increases as you grow. You have a diverse set of customers across the globe, with all stages of their lifecycle to support. Your entire organization must be committed to the subscription business model in order to thrive at this stage.



## TAILWIND

Your business is optimized for customer-centric subscriptions, and you have all the customer data and expertise you need to deliver differentiated value and outperform any competitor.



The background features abstract geometric shapes in various shades of teal and blue. A large, light teal shape resembling a thick 'C' or a partial circle is positioned in the upper left. A vertical teal bar runs along the right side. At the bottom, there are several overlapping shapes, including a white rectangular block on the left and a dark blue semi-circle in the center.

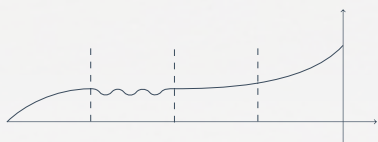
## 03 ASSESSMENT: WHERE ARE YOU ON THE JOURNEY?

|                 | Who leads your subscription transformation or modernization strategy?                                                                                                                                                 | What is your organization's innovation focus?                                                                                                                                                                                                                                                                                                                | What role does subscription play in your company's primary or "north star" strategy?                                                                                                                                                                                                                                                |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>LAUNCH</b>   | <p>"It's unclear."</p> <p>"There is no single leader who owns the strategy."</p>                                                                                                                                      | <p>"We compete primarily based on functions and features."</p> <p>"We don't have a formal process for gathering customer feedback to help prioritize our innovation strategy."</p>                                                                                                                                                                           | <p>"We haven't articulated our company strategy."</p> <p>"We have an articulated strategy, but subscription does not play a role yet."</p>                                                                                                                                                                                          |
| <b>OPTIMIZE</b> | <p>"We have a leader in product, finance, or IT that is starting to track subscription progress and building the beginnings of a strategy."</p>                                                                       | <p>"We compete on functions and features, but we interview customers and read market research to help determine where to focus our product innovation."</p> <p>"Our focus is on both product and customer experience innovation, but most of the R&amp;D funding and executive focus is still on developing proprietary product features."</p>               | <p>"Our subscription model is part of a strategy to address the needs of a specific customer segment or isolated market opportunity."</p> <p>"Our subscription offering is part of a larger organizational objective to offer customers choice and flexibility in how they buy."</p>                                                |
| <b>SCALE</b>    | <p>"We have an executive leading the development of our cross-functional transformation office."</p>                                                                                                                  | <p>"We're beginning to think about customer journeys and the experience customers have with us at different stages of their relationship with us."</p> <p>"We are investing in meeting expectations when customers interact directly with us, but feel like we are catching up to expectations versus meeting unmet needs they can't conceptualize yet."</p> | <p>"We believe our subscription strategy will be our North Star strategy in the future."</p> <p>"We are working to bridge the past – a traditional ownership approach – with the future subscription state: building models, setting financial objectives for the organization, building migration pathways for our customers."</p> |
| <b>LEAD</b>     | <p>"Our transformation is being led by our CEO. They set the standards for how our success should be measured and they communicate the significance of our transformation to internal and external stakeholders."</p> | <p>"We focus our resources on creating an innovative customer experience in every interaction and across every channel."</p> <p>"We differentiate our products and services based on our customer experiences and the outcomes they enable."</p>                                                                                                             | <p>"Our subscription strategy is central to our organization's overall purpose and ambition—the North Star by which it is navigating."</p> <p>"We believe in making our customers successful and that a subscription business model is the best way to meet that objective."</p>                                                    |

## 04 THE JOURNEY TO USERSHIP: FOCUS AREAS

As companies move along the journey, we've learned that there are five focus areas for every business to focus on. The initiatives and goals for each area evolve as the company evolves. While each area is critical to master on its own, it's the coordination between all five areas that separates the great companies from the rest of the pack.

Here's an overview of the five focus areas:



## THE JOURNEY TO USERSHIP: FOCUS AREAS

### OFFERING DESIGN



How do you design, price, and package your subscription offerings to optimize for sustainable growth?

### SUBSCRIBER EXPERIENCE



How do you create a frictionless subscription experience that drives competitive advantage?

### FINANCIAL MODEL



How do you architect the business model that delivers recurring revenue growth and profitability?

### BUSINESS OPERATIONS



How do you operate with greater agility and efficiency across order-to-cash processes?

### ENTERPRISE ARCHITECTURE



How do you architect your technology infrastructure to grow and scale with your business?

The background is a solid red color. It features several white, curved, overlapping shapes that create a sense of depth and movement. A prominent white rectangular block is positioned in the upper right quadrant, appearing to float or be part of the layered structure. The overall aesthetic is modern and minimalist.

## **04.1 FOCUS AREA 1: OFFERING DESIGN**

## FOCUS AREA 1: OFFERING DESIGN

How do you design, price, and package your subscription offerings to optimize for growth?

To succeed in the Subscription Economy, you need to have a subscription offering that's useful, reliable, desirable, and delivers on its promise. How you price and package that offering plays a critical part in attracting and retaining customers.

Companies that excel in Offering Design understand how to evolve their pricing, packaging, and promotions over time, always staying one step ahead of their customers.

## CUSTOMER EXAMPLE:



GoPro is a great example of a company doing Offering Design right. If you're one of the millions of people who have used a GoPro camera to capture your adventures, you probably think of the company as an electronic device maker. But in 2016, GoPro launched a new subscription cloud service to make it easy for its customers to access their content anywhere and from any device. Over the next four years, they experienced consistent organic subscription growth, so much so that GoPro decided to invest in new offerings to accelerate that growth, like giving customers unlimited cloud storage, premium editing tools, guaranteed camera replacement, exclusive product discounts, and more. GoPro saw a 150% increase in subscribers from 2019 to 2020 and continues to invest in subscription methods to better shift to a DTC business model. Today, GoPro has more than one million subscribers.



## STRATEGIC INITIATIVES FOR OFFERING DESIGN

### Add a new subscription product

Get your first subscription service in market or add a new offering to the portfolio. To optimize your pricing and packaging strategy, you'll want to test (and test and test) to find the sweet spot between your price point and your customer acquisition rate.

### Refresh pricing strategy

As your offerings expand, often times pricing and packaging can become too complicated for customers – customers want pricing to align to the value that they get from your offering. Refreshing your pricing strategy to realign with customer value is a cross-functional effort.

### Adopt usage-based pricing

Companies are increasingly adopting usage-based pricing to provide customers with more flexibility. Explore the possibility of adopting a usage-based pricing model, whether it's pay per use or overages, and figure out which model is most applicable for your offerings. To understand the different types of usage-based pricing models, you can take a look at Zuora's latest research here: <https://www.zuora.com/resource/usage-based-pricing-for-subscription-business/>

### Tailor offerings for international markets

Moving into new geographical markets is a good way to scale your subscription offerings for new audiences. Companies taking on this initiative need to think through all aspects of their offering, including currency, language, invoicing requirements, payment collection, data privacy.

### Execute cross-sell and upsell strategy

At some point, companies invest in a land-and-expand strategy to grow the value of existing customers. To follow their lead, you need to establish new offerings that are either complementary to or independent of a customer's existing subscription services; as with all offerings, your pricing and packaging decisions are critical to ensure that your new ones are attractive to and adoptable by customers.

### Expand up-market or down-market

Moving upmarket, by targeting larger customers and enterprise companies, allows you to drive up ARR across your subscriber base. To execute this, you will need to introduce new offerings and quoting processes that match the expectations of this customer segment. On the other hand, moving downmarket lets you capture "the long tail" of the market and requires you to expand into the consumers / SMB segment. To do so, you will need to introduce new offerings and provide self-serve subscription management to match the expectations of this segment.

## RECOMMENDATIONS BY STAGE

| OFFERING DESIGN INITIATIVES               | LAUNCH                              | OPTIMIZE                            | SCALE                               | LEAD                                |
|-------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| ADD A NEW SUBSCRIPTION OFFERING           | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| REFRESH PRICING STRATEGY                  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| ADOPT USAGE BASED PRICING                 | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| TAILOR OFFERING FOR INTERNATIONAL MARKETS | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| EXECUTE CROSS SELL AND UP-SELL STRATEGY   | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| EXPAND UP MARKET OR DOWN MARKET           | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

# COMMON KPIS FOR OFFERING DESIGN



## REDUCE “TIME TO LAUNCH” A NEW OFFERING

Can we quickly go-to-market  
with a new offering?



## INCREASE PRICING CHANGES PER YEAR

Are we iterating on  
pricing every year?



## INCREASE USAGE- BASED PRICING

Are customers adopting  
usage-based pricing?

The background features a deep blue color with large, soft-edged white and light blue abstract shapes. A large white semi-circle is on the left, and a vertical white bar is on the right. In the bottom left, there's a white rectangular block, and at the bottom center, a white curved shape. The text is white and positioned in the lower-left area.

## 04.2 FOCUS AREA 2: SUBSCRIBER EXPERIENCE

## FOCUS AREA 2: SUBSCRIBER EXPERIENCE

How do you create a frictionless subscription experience that drives competitive advantage?

Outside-in thinking is a key mindset of the Journey to Usership, and nowhere is it more critical than in providing a seamless, consistent, and meaningful experience for your subscribers.

Just think about your own experience with various subscription services you use. How easy is it to sign up? Change or add services? See value? Pause or renew your subscription? A customer-centric subscription experience is associated with lower churn and higher net retention.

Companies that excel in Subscriber Experience make it as easy as possible for customers to manage their subscription in exactly the way they want and need.

## CUSTOMER EXAMPLE:

### *The Seattle Times*

A great example of a company that's focused on the Subscriber Experience is The Seattle Times. The Seattle Times is a family-owned, daily US newspaper that was founded in 1896. In 2013, the company decided to pivot from a traditional, ad-based revenue model to one that would drive revenue from subscribers. They saw firsthand how powerful this model could be because it would give them the ability to really meet the needs of their subscribers. For example, their customers wanted more flexibility to tailor their subscriptions to better meet their needs, such as easily pausing home delivery when they're on vacation. By giving their customers the ability to manage their subscriptions digitally, the paper saw a big impact on customer retention. Virtually overnight, new subscription conversions improved by 30%, a stat that's shockingly high for an "old-school medium." In pivoting to a more robust subscriber experience, the paper has also captured new consumers that had never subscribed before—and they've retained them, too.



## STRATEGIC INITIATIVES FOR SUBSCRIBER EXPERIENCE

### Optimize onboarding and engagement

Customer relationships are the lifeblood of subscription companies, so you need to monitor customers that are becoming less engaged. Communicate regularly with them to learn how they're using the product and to make sure they understand the value they're getting from their subscription. You'll also want to be analyzing their data for signs of expansion or churn.

### Enable multiple payment methods

Customers in different regions want to pay in different ways, and adding payment methods like direct debit, Apple Pay or local payment methods like Boletos can allow you to add more customers and maintain the payment relationship on their terms

### Support multiple sales channels

Channels may range from sales-assisted to partner-led to self-service. If your sales are done through a sales team, quoting processes are critical to manage new subscribers and ongoing subscription changes. On the other hand, you can also give subscribers greater flexibility by adding self-service subscription management tools to your website/app.

### Provide self-serve subscription management

Whether it's through your app or through a website, customers want an easy way to manage, update, and review their subscriptions. Common capabilities include being able to view the subscription, view the invoice, make a payment, and cancel. More advanced features include being able to add additional products, amend a subscription (e.g. change the number of seats), pause a subscription for a period of time, and updating billing settings.

### Drive seamless renewal experience

The easiest and "cheapest" sale is getting a current customer to renew. So you want to do as much as you can to make it easy for customers to stay with you: auto-renewal, evergreen subscriptions, or promotional renewal offers.

## RECOMMENDATIONS BY STAGE

| SUBSCRIBER EXPERIENCE INITIATIVES            | LAUNCH                                                                              | OPTIMIZE                                                                            | SCALE                                                                                 | LEAD                                                                                  |
|----------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| OPTIMIZE ONBOARDING AND ENGAGEMENT           |    |    |    |    |
| ENABLE MULTIPLE PAYMENT METHODS              |    |    |    |    |
| SUPPORT MULTIPLE SALES CHANNELS              |  |  |  |  |
| PROVIDE SELF-SERVICE SUBSCRIPTION MANAGEMENT |  |  |  |  |
| DRIVE SEAMLESS RENEWAL EXPERIENCE            |  |  |  |  |

# COMMON KPIS FOR THE SUBSCRIPTION EXPERIENCE



## INCREASE SELF-SERVICE TRANSACTIONS

Can customers manage  
their own subscriptions?



## INCREASE SUBSCRIPTION CHANGES

Can customers easily upgrade,  
downgrade, and more?



## REDUCE SUPPORT TICKETS RELATED TO SUBSCRIPTIONS

Is the experience seamless?



## INCREASE SIGN-UPS AND CHANGES THROUGH NEW CHANNEL

Are new channels well adopted?

## **04.3 FOCUS AREA 3: FINANCIAL MODEL**

## FOCUS AREA 3: FINANCIAL MODEL

How do you architect the business model that delivers recurring revenue growth and profitability?

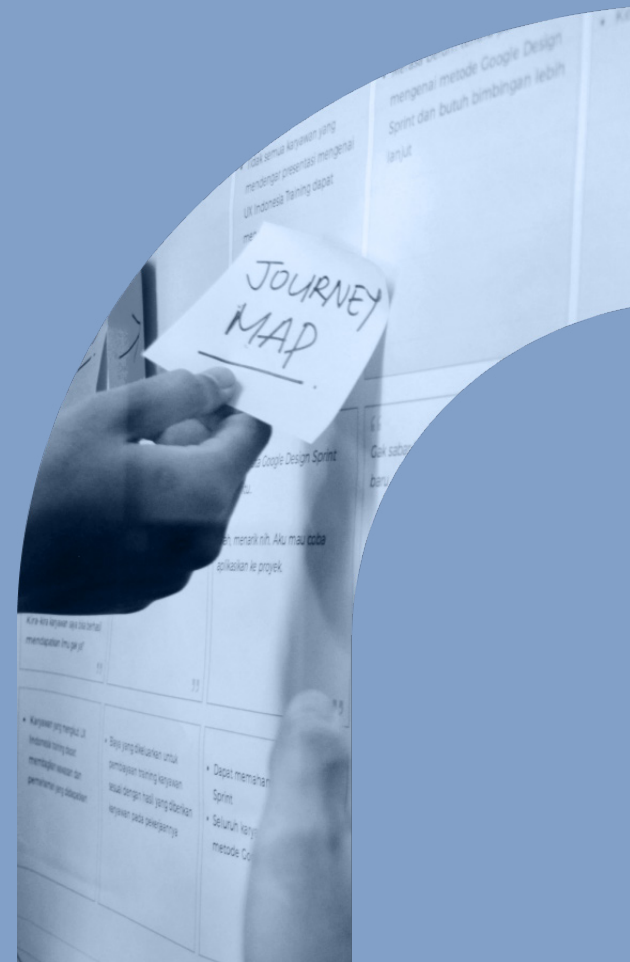
In the Subscription Economy, your finance organization can literally see into the future. Your customer contracts stretch out over time, giving you a baseline amount of recurring revenue at the start of every month. But because the subscription model introduces new risk into financial reporting, managing this requires new forms of financial control, reporting, and processes.

Companies that successfully architect their Financial Model for recurring revenue understand how to drive sustained growth while effectively adopting new financial processes and metrics.

## CUSTOMER EXAMPLE: NCR



Let's look at NCR. NCR is a 125-year-old company that started out by selling cash registers to saloons in the Wild West. But in recent years, they've pivoted to a recurring revenue business, dubbing their strategy as "NCR-as-a-Service." To make this pivot, NCR's finance team had to adopt new subscription metrics, pivot their strategies to manage cost, invent new processes to capture customer insights, and change how they manage revenue recognition. And the investment has been worth it: Today, recurring revenue represents nearly 55 percent of NCR's business, and NCR's revenue was up 3 percent and recurring revenue was up 9 percent from Q1 2020 to Q1 2021.



## STRATEGIC INITIATIVES FOR THE FINANCIAL MODEL

### Track subscription business metrics

Improve the time and effort it takes to produce your operational, management, and subscription reports. Common metrics include annual recurring revenue (ARR), net dollar retention (NDR), annual contract value (ACV), and more. You can find our full guide on subscription metrics [here](#).

### Optimize management reporting

To run the business, your team needs to operationalize management reporting across various functions and reduce the time it takes to gather these reports. This includes forecasting revenue, measuring the business impact of initiatives, monitoring ongoing subscription metrics, monitoring financial KPIs, and other metrics that help the business make key decisions.

### Automate SOX and audit controls

Automating your internal controls and audit processes protects shareholders and the general public from accounting errors and fraudulent practices in your enterprises, as well as improves the accuracy of your corporate disclosures. Although SOX is a US compliance requirement, the internal controls and principles apply universally, with some variances by area or country. To decrease the cost and the time invested in your audit, you'll want to move from a process audit to a system audit.

### Automate revenue recognition compliance

Automating how you recognize revenue can dramatically reduce your costs, your effort, and your error risk. Manual revenue recognition processes include: grouping transactions, identifying performance obligations, establishing standalone selling price, calculating revenue allocations, assessing contract modifications and reallocations, and recording journal entries. This process is timely, costly and creates risk or inaccuracy. With the new ASC 606 / IFRS 15 revenue standards, revenue automation is now more critical than ever.

### Mitigate material weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting that can result in a material misstatement of the company's annual or interim financial statements. Material weaknesses can wreak havoc on your company's valuation and reputation. To mitigate this, you'll want to make sure you have effective monitoring controls in place and ensure that your entire organization—from top to bottom—communicates clearly and often about potential risks.

## RECOMMENDATION BY STAGE

| FINANCIAL MODEL INITIATIVES             | LAUNCH                              | OPTIMIZE                            | SCALE                               | LEAD                                |
|-----------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| TRACK SUBSCRIPTION FINANCIAL METRICS    | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| OPTIMIZE MANAGEMENT REPORTING           | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| AUTOMATE SOX AND AUDIT CONTROLS         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| AUTOMATE REVENUE RECOGNITION COMPLIANCE | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| MITIGATE MATERIAL WEAKNESSES            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

# COMMON KPIS FOR THE FINANCIAL MODEL



## REDUCE TIME FOR REPORTING

How long does it take to find the metrics needed to make business decisions?



## REDUCE TIME FOR AUDITS

How long does it take to complete audits?

## **04.4 FOCUS AREA 4: BUSINESS OPERATIONS**

## FOCUS AREA 4: BUSINESS OPERATIONS

How do you operate with greater agility and efficiency across order-to-cash processes?

Order-to-cash is more complicated for subscription companies. Here's why: Instead of a simple and linear process, subscription companies face an ongoing and complex order-to-cash cycle as customers make ongoing changes throughout the lifetime of their subscription. Every upgrade, subscription change, or overage event can impact downstream billing, collections, revenue, and reporting.

Subscription companies that excel in Business Operations design processes and invest in systems that can scale with changing order-to-cash operations, are better able to scale as the number of subscribers and level of business complexity increases.

## CUSTOMER EXAMPLE:

# zoom

Let's look at the massive success story of 2020: Zoom. When the pandemic hit in March, 2020, demand for the service shot through the roof. In order to monetize this demand, the company needed to ramp up operations and scale quickly: they went from 10 million daily users in December, 2019 to 300 million in April, 2020—a 30x increase. Imagine the additional number of invoices issued, payments collected, and other transactions that took place during that transformative period. Since Zoom had already put processes and systems in place that allowed them to automate the order-to-cash process, it wasn't a bottleneck to their growth. By optimizing their systems to enable this massive scale, Zoom quickly became the market leader and is now a household name all over the world.



## STRATEGIC INITIATIVES FOR BUSINESS OPERATIONS

### Streamline billing operations

Improve the time, effort, and cost you invest in billing. This can include improvements like managing seasonal spikes, monitoring for overages, standardizing on new billing policies, or driving more efficiency as new customer segments are added.

### Optimize electronic payments

For businesses with a high volume of electronic payments, even a percentage difference in payment failure can lead to a large amount of money left on the table. Given that the payment environment is complex and difficult, you need to select the right payment gateways and set up processes to maximize electronic payments.

### Improve collections operations

Effective Accounts Receivable and collections processes are key to preventing revenue leakage. Companies use a variety of methods, from dunning workflows to automated credit card updaters, to ensure that customers are paying on time.

### Reduce time to close the books

Reducing cost and time to close your books not only saves money, but also allows executives to make more informed business decisions.

### Expand the sales team

To grow your business, grow the size of your sales team. And by “grow” we mean doubling the size of the team (not an incremental increase). This initiative may require new operational investments such as a larger billing team or enhanced order-to-invoice workflows to ensure you can support the sales growth.

## RECOMMENDATIONS BY STAGE

| BUSINESS OPERATIONS INITIATIVES | LAUNCH                                                                              | OPTIMIZE                                                                            | SCALE                                                                                 | LEAD                                                                                  |
|---------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| STREAMLINE BILLING OPERATIONS   |    |    |    |    |
| OPTIMIZE ELECTRONIC PAYMENTS    |    |    |    |    |
| EXPAND THE SALES TEAM           |  |  |  |  |
| IMPROVE COLLECTIONS OPERATIONS  |  |  |  |  |
| REDUCE TIME TO CLOSE THE BOOKS  |  |  |  |  |

# COMMON KPIS FOR BUSINESS OPERATIONS



## INCREASE AUTOMATED ORDERS

Are new subscriber sign-ups efficient?



## INCREASE BILLING AUTOMATION

Are billing-related activities efficient?



## REDUCE DAYS TO CLOSE

Are accounting close processes efficient?



## IMPROVE COLLECTIONS RATE

Are collection activities efficient?



## IMPROVE DSO

Are accounts receivable processes efficient?



## **04.5 FOCUS AREA 5: SUBSCRIBER EXPERIENCE**

## FOCUS AREA 5: ENTERPRISE ARCHITECTURE

How do you architect your technology architecture to grow and scale with your business?

To make your full entrance into the Subscription Economy, you'll need to make sure your business's architecture is up for the task. The key characteristics of a modern-day, enterprise-level architecture framework include ease of integration and fast time-to-market capabilities, both of which are critical when it comes to supporting the iterative nature of subscription businesses. One note of caution: if your framework is too rigid, it can crack under pressure of a subscription business at scale.

Enterprise Architecture can be an accelerator or a roadblock for a company's growth and success. The best architecture ensures that a company can stay agile as the business continues to grow and evolve.

## CUSTOMER EXAMPLE: **SIEMENS**

Siemens is a great example of a flexible, yet strong, Enterprise Architecture. When they wanted to launch Siemens Healthineers, a digital subscription service in support of their medical device business, they realized early on their journey that the finance and revenue requirements for subscription businesses were different and couldn't be met by their archaic systems. They needed to add a subscriber-centric system into the middle of their existing enterprise architecture, allowing them to jumpstart their new subscription business unit while integrating with their existing systems. This flexibility allowed Siemens to continue innovating and quickly shift their go-to-market strategy without taking years to re-implement their entire architecture.



## STRATEGIC INITIATIVES FOR ENTERPRISE ARCHITECTURE

### Maintain PCI Compliance

PCI certification is required regularly or your company can face interruption of service, fines, and/or be at risk for legal action.

### Rationalize the enterprise tech stack

Legacy systems can become a bottleneck for your growth. This can be measured in the costs of actual infrastructure, FTEs required to keep the system running at the current functional levels, and opportunity cost by the inability for these legacy solutions to meet new business demands. Redesign the enterprise architecture and build what's needed for the future of your business.

### Optimize integrations to CRM / ERP

Work to reduce the errors that require intervention by a human or have an impact on the accuracy and efficiency supporting business processes. CRM integrations impact information that is relevant to a customer, sales, or marketing while ERP integrations impact information for financial reporting and accounting.

### Onboard new lines of business

As you acquire new businesses, the task of merging data, processes, and subscribers onto a unified stack can be challenging. But doing so will create a more seamless transition for your customers, as well as a more central technology stack for future business lines.

### Improve deployment and testing agility

As your subscription business scales, you'll want to make sure you have agility in how you test, iterate, and deploy updates for your subscriber base, especially as the business evolves and new offerings need to be pushed into the market.

### Ensure system reliability for transaction spikes

Nothing ever goes perfectly in any business or transaction. That's why you'll want to automate your systems to deal with unexpected spikes that might impact your customers or affect your bottom line (e.g., holiday season peaks for consumer goods or the premier of a new season on a streaming media service).

| ENTERPRISE ARCHITECTURE INITIATIVES              | RECOMMENDATIONS BY STAGE                                                            |                                                                                     |                                                                                       |                                                                                       |
|--------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                                                  | LAUNCH                                                                              | OPTIMIZE                                                                            | SCALE                                                                                 | LEAD                                                                                  |
| MAINTAIN PCI COMPLIANCE                          |    |    |    |    |
| RATIONALIZE THE ENTERPRISE TECH STACK            |    |    |    |    |
| IMPROVE DEPLOYMENT AND TESTING AGILITY           |   |   |   |   |
| OPTIMIZE INTEGRATIONS TO CRM / ERP               |  |  |  |  |
| ONBOARD NEW LINES OF BUSINESS (FOR M&A)          |  |  |  |  |
| ENSURE SYSTEM RELIABILITY FOR TRANSACTION SPIKES |  |  |  |  |

# COMMON KPIS FOR ENTERPRISE ARCHITECTURE



## INCREASE AUTOMATED WORKFLOWS

Does the architecture enable the business to automate?



## CONSOLIDATE INTEGRATIONS

Does the architecture integrate key systems together?



## CONSOLIDATE SYSTEMS

Does the architecture plan for consolidation and simplification?



## REDUCE ERROR RATES

Is the system architecture reliable?

## CONCLUSION

As companies work to recalibrate their businesses to meet the demands of the subscription era, a proven framework for transformation is crucial. And the good news is that in the Subscription Economy, we can all learn from each other; you don't have to reinvent the wheel by yourself.

The Journey to Usership reflects the experiences of others who've gone before you to shine a bright light on what to do—and what not to do—to find your way. No matter which stage you're in, what industry you're in, or where you're located, the strategies and tactics we've covered can help you build a subscriber-centric business that's ready for today, tomorrow—and for decades to come.

## Get started today

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

[Talk to sales](#)



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](http://www.zuora.com).



The Subscribed Institute is a dedicated think tank focused on the most critical business problems of the Subscription Economy. It serves as a unique source of ideas, data, and connections for business leaders and their organizations.

More at [www.subscribedinstitute.com](http://www.subscribedinstitute.com)