



THE DEFINITIVE GUIDE TO SUBSCRIPTION BILLING

zuora



Subscription billing. Say those words, and people may start to snore. But if you understand how the subscription economy really operates, you know that subscription billing has implications for your entire business. That's why we get excited — yes, excited! — about subscription billing.

It's not just about the logistics of sending out an invoice and collecting payment. Subscription billing is at the core of subscription businesses, and at the root of the massive changes we are seeing as businesses across all industries shift from a product focus to a relationship focus. Essentially subscription billing is a proxy for communicating value, generating customer engagement, and driving growth.



THE PAIN POINTS OF THE WRONG SUBSCRIPTION BILLING SYSTEM

At a certain point in time, your IT organization chose to build or implement a simple billing system. But fast forward to today: as a result of growth and maturity, that system is now struggling to handle a new level of scale and complexity.

When companies begin to outgrow their legacy billing system, they feel the following pains:

- **The wrong systems drain resources.**

Building and/or maintaining an inadequate subscription billing system will overburden your technical resources. We've seen many companies assign as many as 30 engineers to support and maintain a homegrown billing system. In one extreme case, a telecom company had 400 employees whose job was just to support their billing system. Just think of what innovations those engineers could build if they weren't being sidelined by building and maintaining customizations and integrations!

- **Inability to pursue future growth strategies.** Many billing systems aren't architected to enable future growth strategies. If you look ahead to the future,

you'll (hopefully!) be managing many more subscribers — with all of their many invoices and many changes. And you'll be continuously taking on new growth strategies from moving upmarket (which will require new pricing and packaging) to international expansion (which will require new payment gateways) and acquisitions (which will require a standardized billing system to onboard and cross sell new products). Without the right subscription billing platform, you greatly limit your ability to react to current and future market demands with new growth strategies.

- **Unreliable data exposes the business to compliance and audit risks.** Without a comprehensive subscription billing system, data is everywhere: payment gateways hold one thing, your CRM another, your general ledger another. Finance has to manually export this data out of disparate systems and reconcile it — and then go back to IT for help when all doesn't go well — or an auditor finds discrepancies. According to CIO.com, on average, companies that fail to meet compliance end up paying 2.7x more in fines and delinquencies.



SUBSCRIPTION BILLING – THE GLUE THAT BINDS VENDORS AND CUSTOMERS

So you can see, a subscription billing system is about much more than a simple bill. While it was the case for product-focused business models that the bill was simply the manifestation of a transactional relationship — “I ship you 5000 widgets, you owe this amount of money, you pay me” — that has completely changed with subscription models.

Now the bill represents the entire vendor/customer relationship. What does the customer get, and how much usage did they have, and how did they translate that usage into value? When your customer gets a bill, that’s their chance to see how they’re using their

subscription and to optimize for their desired outcomes (for example, to upgrade to a higher-tier subscription plan so they don’t have to pay piecemeal for overages).

So now, with that single act of billing, you can see the depth of the relationship. Your subscription billing lets you see customers who are going to churn, and customers who may be thinking about it.

Rather than being a by-product of the seller/buyer relationship, subscription billing is now the glue that holds that relationship itself. Everything comes down to that bill.



SUBSCRIPTION BILLING SYSTEMS: SUPPORTING YOUR BUSINESS GOALS

And that's why subscription billing has become so important. Especially as your business grows, billing operations play a critical role in the maturity of a subscription business. You need a central platform to monetize and orchestrate all of your subscription services across the broader ecosystem.

With higher complexity, a business will experience more complex sales processes, more sales channels, more international regions to support, and more customer requirements.

With higher scale, a business will experience a higher volume of orders, higher volume of

subscription changes, higher frequency of invoices, and a higher rate of uncollected payments.

And that's why a simple billing system isn't enough. The most successful subscription companies don't let billing systems hold their business back.



SUBSCRIPTION MANAGEMENT: THE REQUIREMENTS

Instead you need a robust subscription billing system that enables:

- **Agile Monetization.** Price and package in minutes across all channels, including one time, recurring, and usage-based pricing models. Generate discounts and promotions with set dates and time limits. Enable your sales teams to create new quotes and amend existing quotes with full visibility into financial impacts. Enable end customers to self-manage their accounts. Have control over reseller channels, to allow partners to manage offerings, accounts, and subscriptions.
- **Rating & Billing.** Automate rating and billing for usage-based and recurring pricing models. Rate customer usage events against product price plans to determine invoice charges. Validate, enrich, standardize, transform, and aggregate usage data for rating and billing. Group customers into segments and automate billing. Leverage conditional logic to dynamically produce branded, localized invoices. Seamlessly manage international taxation. Manage parent-child account hierarchies.

- **Accounts Receivable.** Minimize revenue leakage and expand into new markets while maintaining PCI-compliance. Support multiple global payment methods and process global payments with pre-integrated payment gateways. Segment customers and automate payment operations. Adjust invoice charge discrepancies. Use intelligent logic to automatically retry electronic payments. Optimize recurring collections at scale. Tailor and automate customer communications for overdue payments. Configure and view AR aging buckets.
- **Subscription Order Management.** Capture orders and changes across the entire subscriber lifecycle. Ingest customer orders from any sales channel. Support any changes at any time in the subscriber lifecycle. Automate the downstream financial impact of every order.
- **Finance.** Accelerate the month-end close process in a GAAP-compliant manner. Align the chart of accounts and accounting periods with the general ledger. Lock and close accounting

periods. Summarize and segment transactions into journal entries for the general ledger. Consolidate all transactions into a primary currency and provide daily foreign exchange rate information. Manage separate financial processes and operations across different business divisions, legal entities, subsidiaries, and geos in a single tenant.

- **Analytics & Reporting.** Gain full visibility into subscription data for compliance and reporting. Create, save, and share ad-hoc reports across bookings, billings, cash, and revenue metrics. Explore and share key subscription metric trends. Prepare for GAAP revenue reporting. Access visibility into revenue positions through an extensive library of configurable reports. Leverage the power of SQL to perform custom joins across accounts, subscriptions, orders, billings, payments, usage, and more



YOUR COMPLETE SUBSCRIPTION BILLING AND MANAGEMENT PLATFORM

Perhaps most importantly, modern businesses need a subscription billing platform that can help them meet changing consumer demands and manage subscription complexity — in short, a platform that provides:

- **Orchestration.** Design and execute automated workflows for provisioning, billing, collections, customer notifications, data syncs, and other processes
- **Extensibility.** Extend the platform to fit unique use cases by defining and capturing custom fields, objects, events, notifications, and workflows
- **Scalability.** Process accounts, subscriptions, invoices, payments, and other transactions at a high scale.
- **Compliance.** Ensure compliance with up-to-date standards, including SOC, GDPR, ASC606/IFRS15, PCI, PSD2, ISO, and others.
- **User and Tenant Administration.** Maintain and update roles, permissions, and settings at the individual user level and the tenant level.
- **Integrated Ecosystem.** Connect with a variety of third party applications such as general ledgers and payment gateways using pre-built connectors.
- **Security.** Ensure the highest level of network, application, and data security, including 2-Factor Authentication, User Data Access Controls, PCI compliance, and more



THE POWER OF A MODERN SUBSCRIPTION BILLING PLATFORM

With a modern, agile, purpose-built subscription billing system, businesses can:

- **Maximize use of technical resources.**
When your engineering team is no longer responsible for building and maintaining your existing legacy system, you can reallocate these valuable engineering resources to customer-facing innovations.
- **Enable new growth strategies.** A modern subscription billing system gives your business the ability to react to current and future growing demands from the market and pursue new growth initiatives.
- **Minimize compliance and audit risk.**
The right platform is easy to use and provides complete data to meet all of your operational and compliance requirements around PCI, SOX, and even audit requirements.



SUBSCRIPTION BILLING: AT THE CENTER OF IT ALL



And that's why we get excited about subscription billing.

Because we've moved beyond the old-fashioned idea of a bill simply being about invoicing and collections. Because we've moved beyond a simple transactional view of customers. Because we're prioritizing building relationships over shipping products. Because we're in the middle of a once-in-a-century transformation of business models across all industries. Because subscription models are complex. Because markets are always changing. Because consumers are demanding.

And because subscription billing is at the center of it all.

About Zuora

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, 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.

The Zuora logo, consisting of the word "zuora" in a lowercase, white, sans-serif font.