RECVUE

RECVUE.COM

FIVE BEST PRACTICES FOR RECURRING BILLING

Strategies to Enable Top-Line Revenue Growth

Get Started

TABLE OF CONTENTS

FIVE BEST PRACTICES FOR RECURRING BILLING

Strategies to Enable Top-Line Revenue Growth

INTRODUCTION

In a rapidly growing number of industries and business sectors, companies are leaving behind the traditional model of selling products and services on a one-time-basis. Instead, companies in these industries are considering a shift to a recurring-revenue business model. These business models can lead to increased revenue through a wider variety of solutions and pricing options for customers, more predictable revenue streams, and increased engagement with – and loyalty from – customers.

One important driver behind this shift: Today's business buyers want more options when they acquire or use anything from software to copiers to medical equipment to vehicles – and everything in between. Organizations quickly discover that remaining competitive requires greater flexibility than they may be accustomed to:

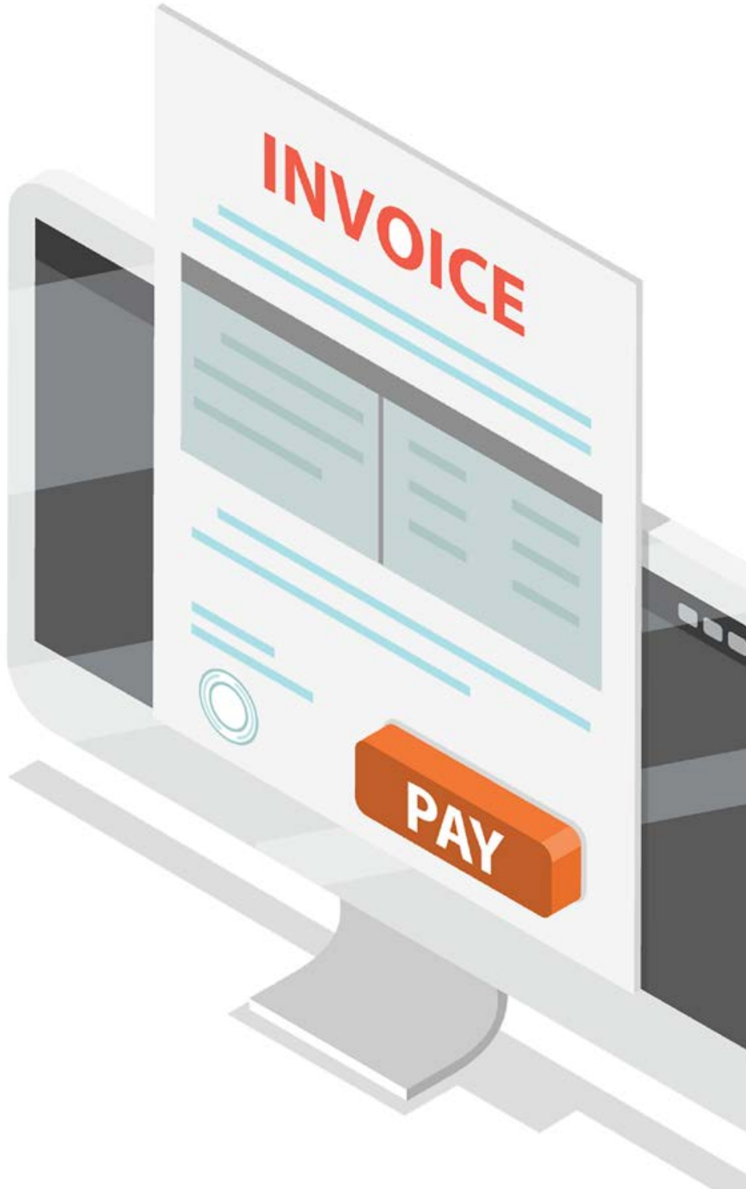
- The product management team wants to experiment with pricing and bundling – and to adjust quickly when some offers generate positive traction.
- The sales organization needs the freedom to align contractual terms and pricing with customer demands.
- The finance and accounting team requires systems and processes that support product management and sales, but that can also support very high volumes of transactions and automate nonstandard recurring billing processes.

As companies strive to enable top-line revenue growth, the following five strategies for recurring billing can help them overcome the challenges of this strategic shift.

FIVE BEST PRACTICES FOR RECURRING BILLING

Strategies to Enable Top-Line Revenue Growth

1 Integrate Order Capture And Contract Management Systems



Recurring revenue models involve significantly more options, tiers, configurations, and permutations (think: uplifts, ramp-ups, amendments, addenda, exceptions, renewals, and price points), as well as more frequent invoices. Unfortunately, that translates into exponentially more opportunities to get it wrong.

For instance, billing managers must monitor price increases or multiple tiers in a contract. Without automatic processes, the gap between order capture and contract management becomes a major barrier to revenue. You can lose revenue because you're not charging the right price. Manual labor also costs you time because the process itself takes so long. Given the volume and complexity that are inherent in recurring-revenue models, finance must achieve every possible efficiency to streamline operations and improve accuracy.

The first place to start: ensuring there's a direct connection between capturing the information in an order and managing the contract over its lifecycle. While it's logical for order capture and contract management systems to be integrated, most companies simply haven't taken this crucial step. Too often, a contract gets drafted and completed in the CRM system. But without integration, the sales department is left to merely send a PDF version of the contract to the billing department. Once there, someone must manually enter relevant information into a contract management system. This often leads to data-entry errors or missing information that can be critical to accurate billing.

In addition, when there is no integration between order capture and contract management systems, it's almost impossible for the people who manage contracts and billing to stay current with changes in those contracts. For instance, they may not be aware of forthcoming renewals, scheduled price increases, recent amendments, or terminations. This crucial lack of integration and visibility can degrade the customer experience and damage the customer relationship if errors aren't caught and corrected prior to invoicing.

Tight integration between CRM and contract management represents an essential strategy to close gaps, remove errors, and accelerate the process of accurate invoicing.

2 Identify And Standardize The Most Effective Models For Contracts And Pricing

In recurring revenue models, one thing is certain: The volume of contract and billing data grows rapidly and this new data can serve as the basis for important analyses that can help companies refine their contract and pricing practices to determine the most profitable ways to run their businesses.

With the right tools to manipulate that data – including test environments and attribute-based or rules-based calculations – you can simulate different pricing scenarios and structures to identify opportunities to improve sales effectiveness, see the revenue projections, improve predictable revenue streams, and determine their impact on profitability.

As you perform this analysis – which can span tens – or even hundreds – of thousands of pricing models – it's also essential to identify the right correlations between pricing/contracts and customer satisfaction, which can yield important insights across the organizations – from product management and customer service to sales and marketing.

Alternatively, if you're just starting to deploy a recurring-revenue business model and don't yet have the pricing/contracts data to analyze, then look for the right platform to help your organization simply develop a new mindset about pricing. Before you go to market, make an educated guess about your price points and pricing models. As sales rolls out the pricing models, contracts are signed, and new customers come aboard, you'll gain deeper insight into what works based on adoption rates, relative popularity, usage volume, and more. This culture shift views pricing as an evolving process and a range intended to spark customer activity, rather than a fixed point.

FIVE BEST PRACTICES FOR RECURRING BILLING

Strategies to Enable Top-Line Revenue Growth

3 Tie In The Systems That Capture Customer Usage

One key aspect of recurring revenue models is the freedom they provide to use innovative, highly configurable, and complex pricing structures that can involve granular data about usage – everything from clicks to mileage to data consumption to kilowatt hours. This approach typically requires pulling data from dozens of different types of IoT sensors, data services, software applications, machines, and other external feeds. But fragmented, non-standard information from all of these disparate systems can translate into a complete lack of insight. Or worse, it could lead to revenue leakage – the products and services you provide that get lost during the invoicing process and never reach a customer bill.

The fact is, most of these source systems can generate reports – but they're usually in different formats and layouts. Companies require a "many-to-one" data-mediation layer that can map the data, interpret the fields, and aggregate different sources of usage data. What's more that mediation layer should be able to enhance that data as it's aggregated by reconciling different codes, IDs, keys, and labels to create unified, uniform data that supports analyses that rely on a range of extra attributes.

By integrating all of the sensors and systems that capture usage, the data-mediation layer ensures your processes capture all customer usage – quickly and accurately – and translates it into a format that can be consumed by the billing system to prevent revenue leakage.

4 Consolidate All Invoices Into A Single Bill Run

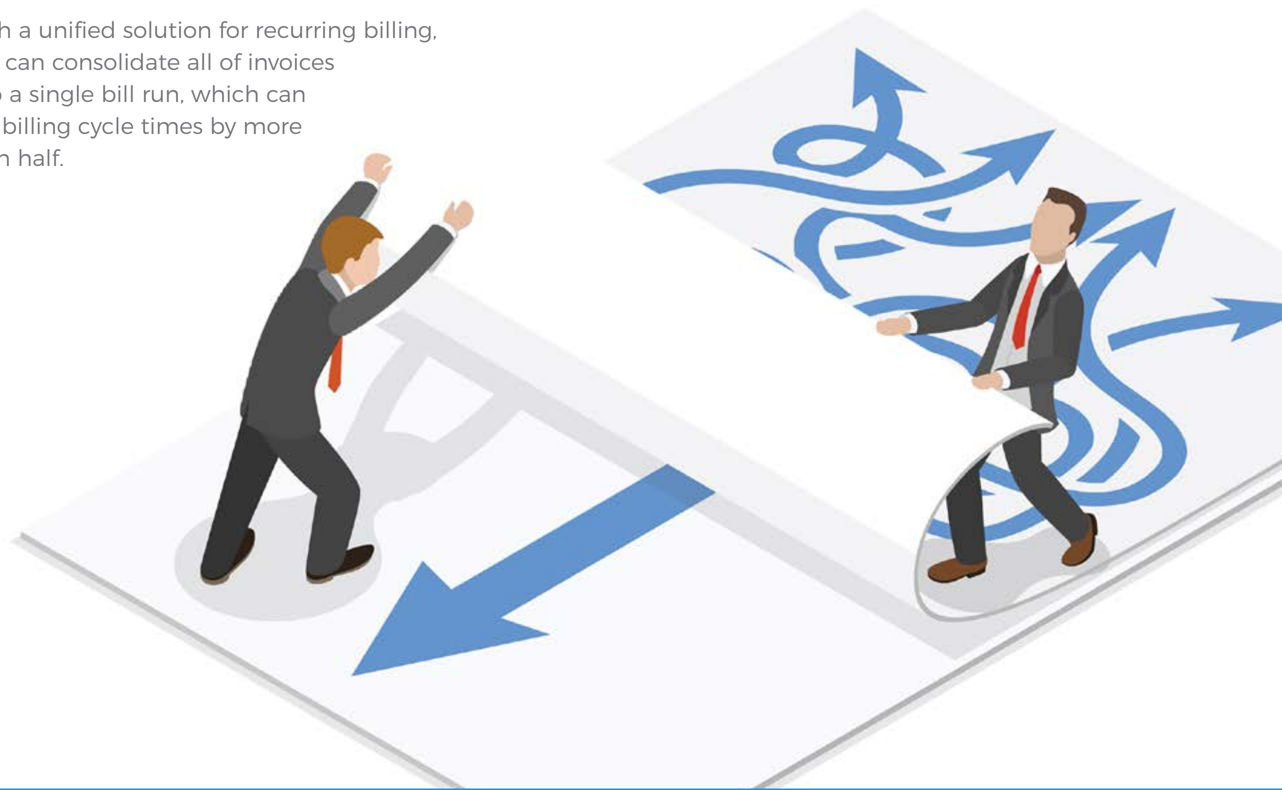
In recurring revenue businesses, complexity is the norm. It's not unusual for a customer to use multiple products and services in several regions and across different business units – potentially creating dozens of separate invoices for each billing period. And that creates enormous complexity – and productivity losses – for the seller and the buyer.

For the buyer, that complexity is leading them to demand smarter and more comprehensive invoices. For instance, they will no longer accept invoices separated by individual product, service, or region. Instead, they want one bill with all charges relevant to the organization, with historical comparisons and variance analyses.

For the seller, the challenge is to consolidate all invoices into a single bill run. Unfortunately, some billing systems force the billing team to execute bill runs on a contract-by-contract or amendment-by-amendment basis. This significantly increases the time to bill and the time to deliver invoices to customers. That means wasted productivity and a longer cash cycle.

What's more the manual consolidation creates too many opportunities to introduce errors to the billing cycle – which can cost you revenue and create ill will with customers who receive late and inaccurate bills.

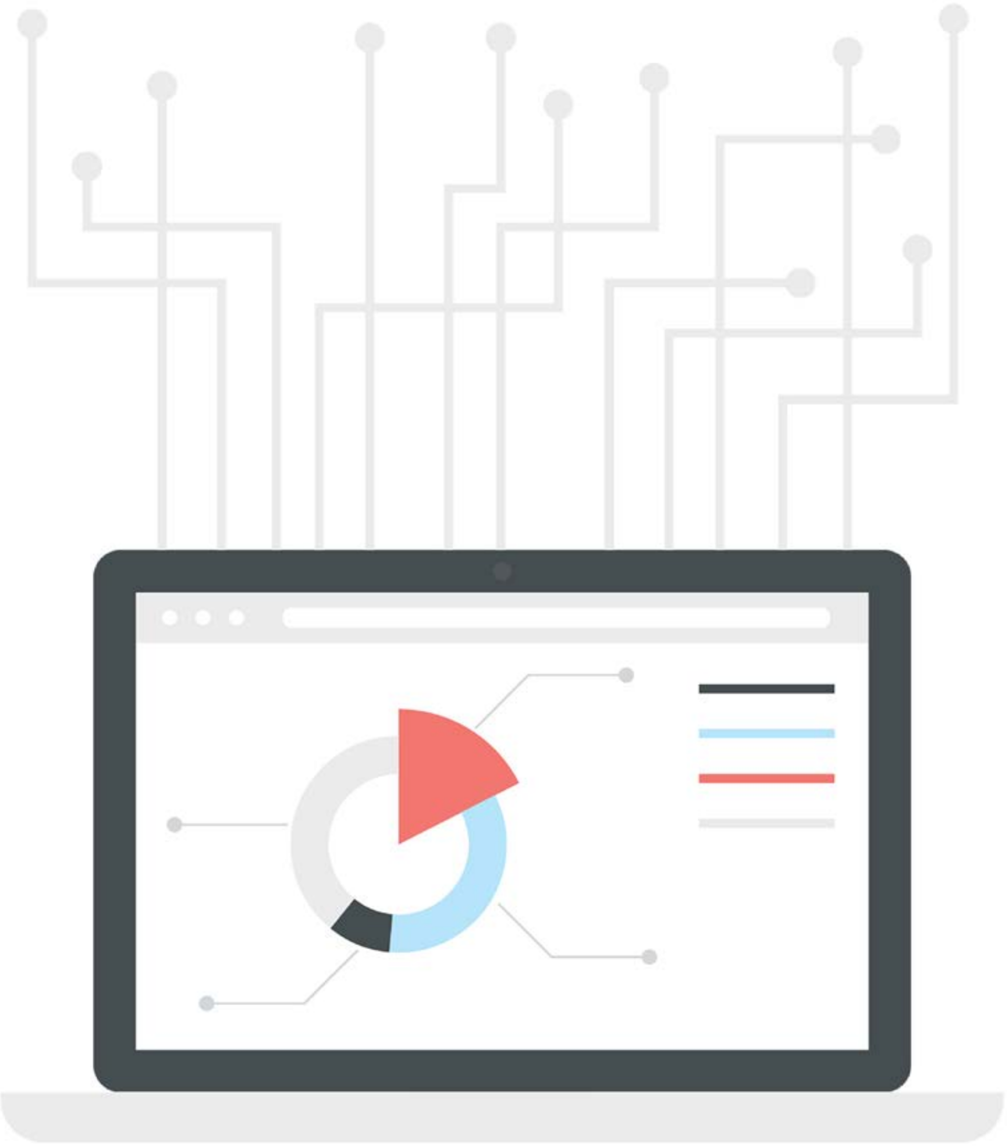
With a unified solution for recurring billing, you can consolidate all of invoices into a single bill run, which can cut billing cycle times by more than half.



5 Analyze For Upsell Opportunities And To Prevent Churn

The large amount of data from recurring revenue business models also offers the opportunity to analyze transactions and identify correlations and the propensity to buy. By sifting through customer buying behaviors and usage activity, you can spot patterns that point to upsell and cross-sell opportunities that can increase your top-line revenue. You can determine revenue by product as well as the cost of sales.

Conversely, you can also track products or services that are not selling as well or where usage is weakening. With the right correlations, you can even predict which customers are at the greatest risk of churn and take remedial action in the form of custom outreach or targeted offers.



FIVE BEST PRACTICES FOR RECURRING BILLING

Strategies to Enable Top-Line Revenue Growth

Conclusion

As companies embrace recurring-revenue business models, the pressure to accommodate greater billing volume and complexity will only grow. One way for finance to respond to the challenge is to adopt best practices and technologies that integrate, automate, and streamline invoicing/billing processes. This strategy can yield important benefits, including faster billing cycles, greater team efficiency, increased customer satisfaction, and greater insights to improve and extend revenue streams in the long-term.

RECVUE

RECVUE™

RECVUE.COM

@RECVUE