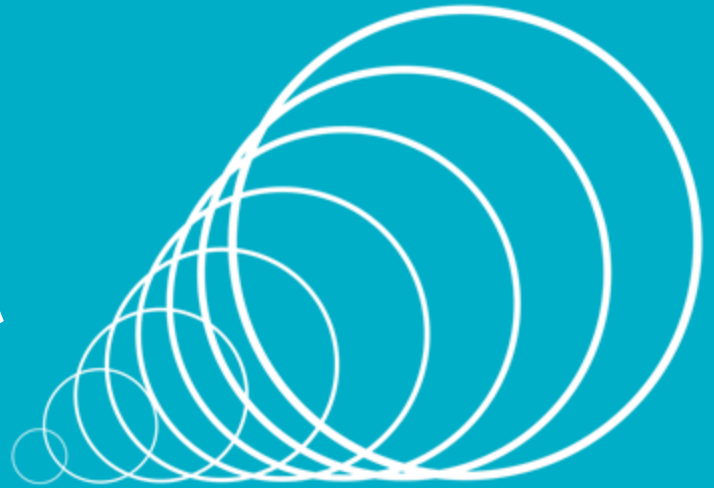


Subscription Management Playbook



Understand Subscription Management
Processes for Enterprise SaaS Businesses

This playbook is designed for high-level executives who want to influence

subscription management

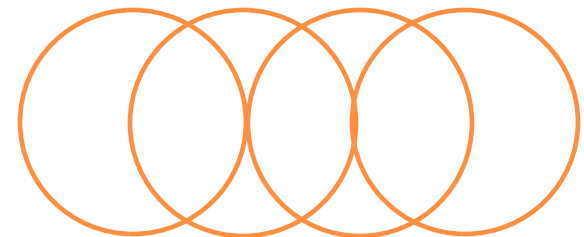
or

revenue operations

at a SaaS company selling complex solutions to enterprises.

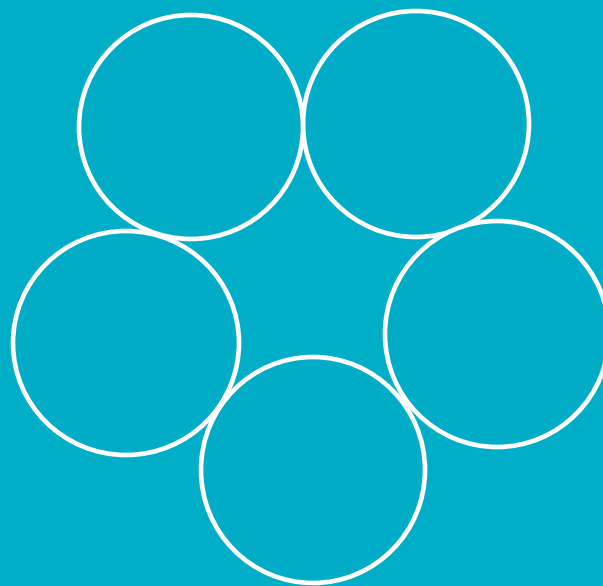
You're a “user admin” for an essential business tool for:

- **Sales**
- **Customer Success**
- **Product Management**
- **Finance**
- **Internal IT**



CONTENT

- Introduction to Subscription Management
- Customer Lifecycle Management
- Subscriptions
- Pricing
- Reporting
- Connectivity
- Build It or Buy It?
- Pricing and Billing Automation



INTRODUCTION TO SUBSCRIPTION MANAGEMENT

SUBSCRIPTION MANAGEMENT PLAYGROUND

Subscription management can cover wide functional areas from managing quotes to accounting.

One of the reasons why the bigger your subscription base, and the more complex your plans/contracts, the more difficult it is to manage.

Core Topics in Subscription Management

Customers & Suppliers

- Customer & contact information
- Terms
- Billing information

Subscriptions & Contracts

- Plans & contracts
- Subscription terms
- Upsells, downgrades
- Renewals, cancellations

Pricing

- Products
- Product Packaging
- Price plans
- Discounts
- Price changes & indexation

Connectivity

- Connectivity between systems from quote to cash

Billing

- Billing channels & types
- Invoice creation & specification
- Invoice delivery
- Payment processing (typically an integration to a payment service provider or a bank)

Compliance

- Files or data for sales ledger
- Revenue recognition
- Financial reporting & KPIs

Metering

- Interfacing to usage data sources
- Data mediation
- Usage rating

KEY DRIVERS IN SUBSCRIPTION MANAGEMENT

Customer Segments

Typically affects ARR per customer and Customer Acquisition Cost (CAC).

For B2C, the aim is to keep pricing simple and aim for “click to buy.”
For B2B, usage-based pricing and personal sales is often needed.

Number of “Products”

The number of “products” has a relation to needed price plans and product packaging.

With a bouquet of products, a price plan may not be a preferable solution. Instead, contract lifecycle management is needed.

Pricing Models

Flat fees are typically easy but may have some negative effects on both profitability and churn. It works better for B2C software.

B2B SaaS vendors use hybrid models, combining flat fees and usage-based pricing.

Sales Process

Product-led growth requires a lower barrier to entry and tend to use a “good-better-best” pricing model that’s sometimes combined with a “freemium” plan or longer trials.

B2B enterprise software vendors prefer sales involvement and offer more pricing flexibility.

Company Lifecycle

Reporting needs and KPIs may be different for investor-backed startups, established companies, and large enterprises. Adobe doesn’t work the same as Figma.

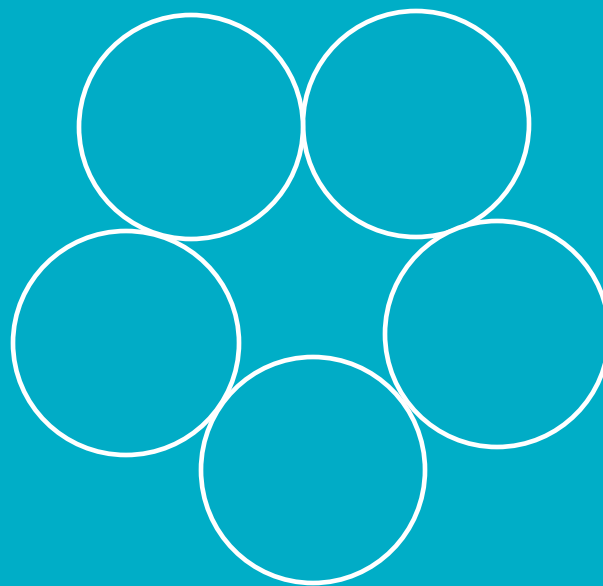
Naturally, the longer a company has been selling, the more products and pricing models running on different lifecycles.

WHAT IS NEEDED FOR SUBSCRIPTION MANAGEMENT?

- Subscription management needs:
 - Ownership across teams
 - Clear processes to handle changing business needs
 - Standard ways for teams to communicate changes.
- Purpose-made software can support customer lifecycle management by automating parts of your process.
- A combination of complexity (product, plan, contracts, billing) and manual work will result in revenue leakage and even churn.

WHAT IS NEEDED FOR SUBSCRIPTION MANAGEMENT?

- Automation is important if you have usage-based or consumption-based pricing models.
 - Think databases like Snowflake where you can scale both “compute” and “storage” at any point, or genAI services based on “token” consumption or outcomes (number of images generated, for example) on top of standard pricing plans.
- Connectivity to your other systems because you can charge for what was agreed in a contract and keep it transparent for your customer.
- Subscription management should reflect business reality. Businesses change, plans change, products are updated—ensure your systems are equipped to support and handle such inevitable changes.



CUSTOMER LIFECYCLE MANAGEMENT

CUSTOMERS

Customer information can be maintained in a CRM, a subscription management system and on other systems from several points of view.

You'll have to accommodate:

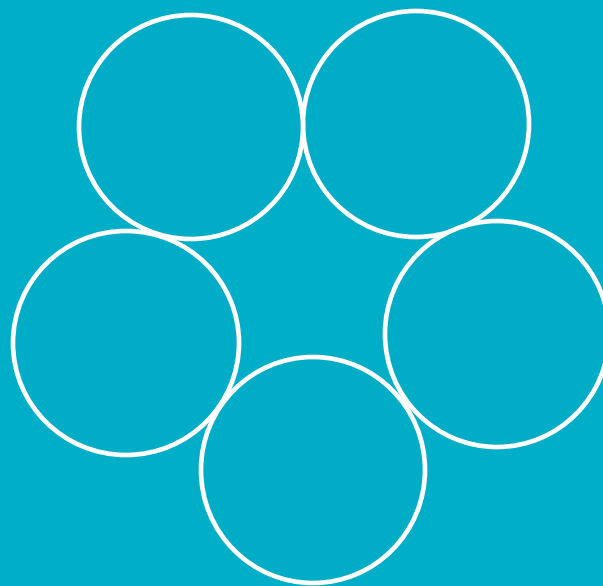
- Customer information, contact management and communication
- Legal information for VAT and billing
- Customer subscription and order status for operational transparency
- Customer history for reporting and forecasts
- Payment information for dunning

CUSTOMER LIFECYCLE

- Apart from the familiar upsells and downgrades of subscription services, enterprise SaaS providers could have to deal with the other changes, like:
 - Pausing a subscription, say to accommodate project timelines
 - Mergers, when the customer company is part of a merger with another business entity
 - Acquisitions, when the customer company buys another
 - Geographic expansions, when the customer starts operations in a new country/region
 - Pivots, when a customer significantly changes or adds a new business model

CUSTOMER LIFECYCLE MANAGEMENT

- You receive **silent signals** on your business from your customers.
 - For instance, an upsell or a downgrade may give you ideas about perceived value and the price of your product.
 - Usage-based software should be able to track adoption across companies as well as within one large enterprise customer.
- You need to interpret these **data-driven signals to act**.
 - Test various price points for your complex solution.
 - Trigger upsell motions, because enterprise software needs customer success support.
 - Activate product marketing across user types to increase adoption.
 - Be proactive in addressing changes to a customer's business.
- You need to have **processes and systems** support
 - Plans and pricing for customers expanding into new regions.
 - Mergers and acquisitions from a systems perspective.
 - New products or significant changes to the business model.
- Planning for **flexibility is key** for you to support your customers.



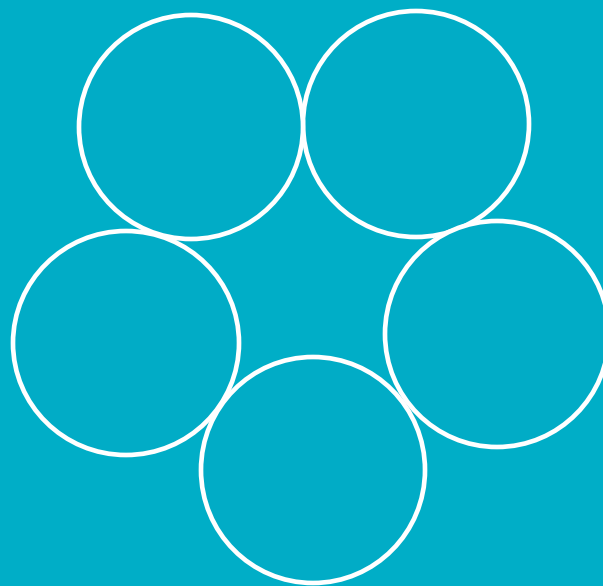
SUBSCRIPTIONS

SUBSCRIPTIONS

- A customer may have multiple subscriptions, and the customer lifecycle is not always the same as a subscription lifecycle.
- Subscriptions typically consist of:
 - Products and prices, often combined as a price plan
 - Service delivery terms, timespan and other information
 - Typical timespans may be "evergreen" that will run forever if not cancelled, and fixed term, typically a month or a year.
 - Billing frequency (annually, quarterly, monthly, weekly)

SUBSCRIPTION LIFECYCLE

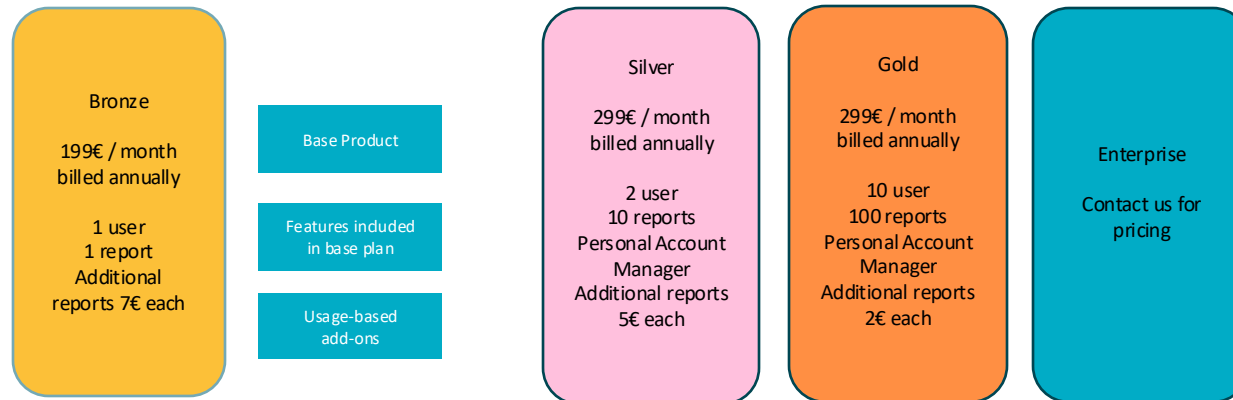
- A CRM that's integrated with a billing tool could handle simple subscription plans and its lifecycle: **Upsell, downgrade, renew, cancellation.**
- More complex plans and pricing needs specialized quote-to-cash software.
- The lack of a **proper subscription management** tool can result in:
 - Revenue leakage as all possible revenue is not invoiced
 - Customer churn as there are no reselling actions before a fixed term subscription will end
- Usage-based pricing models require accurate, sometimes real-time data as they combine usage with various pricing models; tracking and recording usage is necessary.



PRICING

PRICE PLANS

- **Price plans** combine products, terms and costs.
- The typical SaaS **price plan hierarchy** is “good-better-best”



- Enterprise software might use standard pricing as a starting point to crafting a **sales-defined contract**.

PRICING

- “Good-Better-Best” works **for services with flat fees**, no matter who you’re selling to.
 - No calculation of variable or consumption-based components.
 - Discounts are easy to apply to the various plans.
- Plans and pricing becomes more indicative and **sales-driven when complexity** of the product increases.
 - Sales, and maybe a technical team, get involved.
 - Customers has bargaining power to shape the plan.
 - It’s not unusual to negotiate or adjust terms and pricing.
- This needs specific capabilities:
 - Manage discounts as it can be divided into several tiers.
 - Configure usage components to meet customer needs.
 - Adjust price plans as customers negotiate on top of the ready product offering.

PRICING MODELS

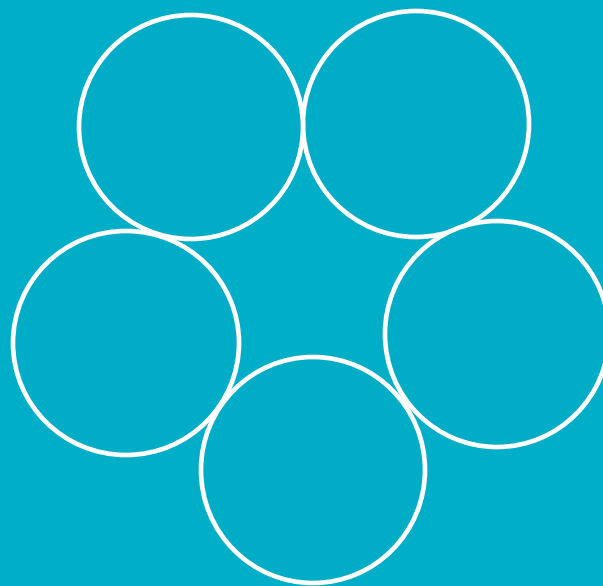
FLAT FEES	
Pricing Model	Descriptions & Examples
One-time Fee	A fixed fee invoiced only once, with no recurrence.
Recurring Fixed Fee	A fixed fee for a predefined usage, billed periodically e.g., monthly, quarterly, or annually. For example, a SaaS subscription fee granting entitlement to 50 "professional plan" users.
Recurring Flat Fee	A fixed recurring fee that remains constant regardless of the quantity or level of services used. Billed periodically for a predefined term, such as monthly, quarterly, or annually. For example, service fee covers all remote support.

For the chosen or preferred pricing model one can pick one or several (hybrid) pricing models.
The flexibility of creating and profiting pricing models can enhance the price plan offering.

STANDARD HYBRID OR USAGE-BASED FEES	
Pricing Model	Descriptions & Examples
Unit	Typical pay-as-you-go charging model. Fee is based on a standard unit of measurement, such as per user, per device, per hour, or another measurable quantity. For example, 20€ per user per month. Another example, \$50 per workstation per month.
Overage	Package of units is included in the base price, and overage fee is charged for any higher usage. For example, a SaaS subscription includes 10 "professional" users for 900 \$/month, overage fee for any additional users is 100€. Another example, SMS messages with a packet of 500 included in the subscription and 0,20€ to be charged for each SMS exceeding 500.
Mark-up	Charging based on unit cost and predefined markup, either % or monetary value.
Tiered Usage, Steps	Increments based on usage. For example, first 50 units of the service is included in tier 1 with a price of 0,50€ per unit. The second tier is for the next 100 units with a price of 0,40€ per unit, and the third from 151 units to 300 units with a price of 0,30€. A customer consumes 212 units and is billed $50 \times 0,50€ + 100 \times 0,40€ + 62 \times 0,30€ = 25€ + 40€ + 18,60€ = 83,60€$
Tiered Usage, Volume	Variation of tiered usage pricing: The customer pays according to the highest tier reached. Example: Using the numbers of the tiered usage pricing example, a customer pays $212 \times 0,30€ = 63,60€$
Block or Stairstep	Block pricing or stairstep pricing sets a flat rate for distinct pricing "blocks" or "steps".
	Distinction is sometimes made that in block pricing, each block size and fee may remain the same while in stairstep pricing different prices are set for different steps of usage and as customers move to higher levels, the pricing steps may increase or decrease.
Block or Stairstep	In both cases each step represents a tier of volume, with the price remaining the same within that tier, regardless of the exact consumption within the tier. Using the numbers from the tiered usage pricing example, a customer consuming 212 units, is billed also for the full third block/step, and the customer pays $50 \times 0,50€ + 100 \times 0,40€ + 150 \times 0,30€ = 25€ + 40€ + 45€ = 110€$. Another example where stairsteps are not used in the block pricing: Software SaaS subscription is sold in blocks of 10 users, where customers pay a fixed price for each block of 10 user entitlements.

PRICING

- Testing such plans and pricing requires investment in research
 - Ability to calculate true product costs
 - External market research
 - Customer behavior data, and so on
- **Value-based pricing** is the most effective pricing strategy but is difficult to pull off without the research.



REPORTING

REPORTING

There are some common '[Key Performance Indicators](#)' that subscription business needs to follow.

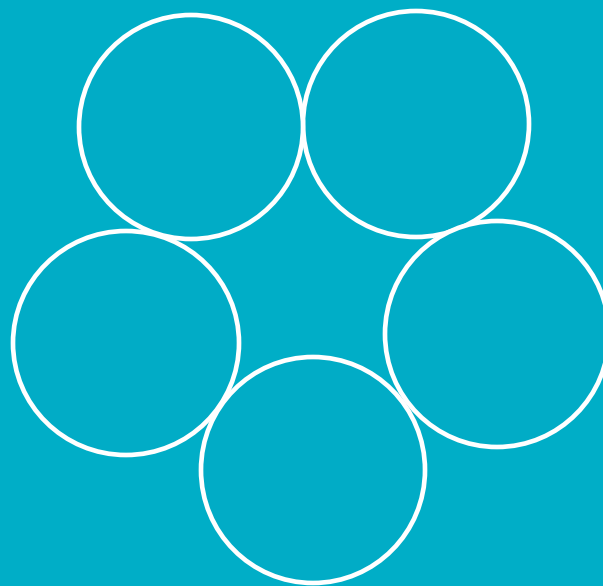
Reporting these should be **real-time and automatic**, especially if it affects short-term business decisions.

You could also need KPI reports **on many levels**, especially if you have a large userbase per customer, such as:

- Customer-level
- Customer segments
- Product-level
- Regions

REVENUE RECOGNITION AND COMPLIANCE

- Revenue Recognition and Compliance covers typically at least
 - Keeping accounting up-to-date with customer orders and service delivery
 - Being able to do proper Revenue Recognition, ie. what revenue to recognise and when.
 - There is a tight connection between accounting and subscription management
 - Every time an invoice is created, relevant information should be pulled out to the accounting system
 - This should happen *automatically* when creating an invoice, covering credit invoices as well
 - Files should include information for the period for proper revenue recognition
 - For anything invoiced quarterly, annually or other than monthly basis, the files should be split to cover each month
 - Easy to split into realized and deferred revenue on accounting



CONNECTIVITY

CONNECTIVITY

Connectivity, or data transfer, is needed to keep subscription data updated across systems.

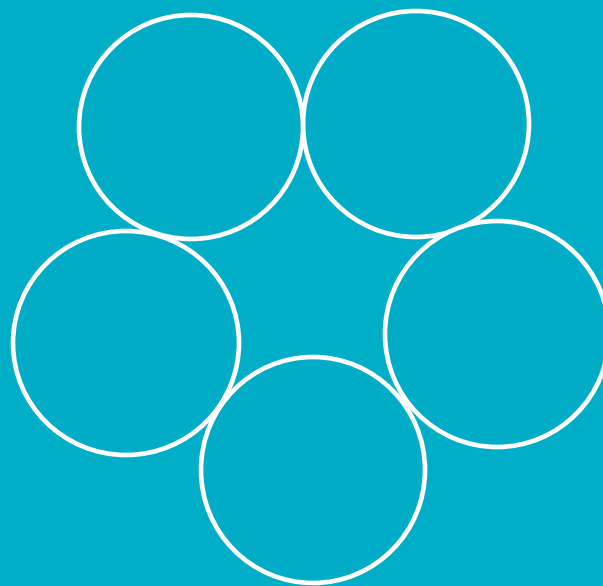
This could include:

- CRM software like HubSpot, Salesforce, Pipedrive or D365 CRM
- ERP systems like SAP, Netsuite, MS Business Central, Odoo, Infor Cloudsuite
- Financial software like D365, NetSuite, Xero or SAP
- PSP software like Stripe or Nets
- E-invoicing software like Maventa, Opus Capita, Apix,
- Usage data from your SaaS platform
- Locale specific products like Avalara for sales tax handling

USAGE DATA MANAGEMENT

- The process of reading the data and modifying it to match billing requirements is called **data mediation**.
- Often the **focus on usage data is on billing**—"What data is needed for billing purposes?"
- But don't forget **transparency**. You should **offer customers sufficient information** to validate the invoice, say a breakdown of usage.
- Data mediation is obviously easier with a single source and data with limited variability.
- The occasional changes in data structures can pose a challenge.
- Several data sources, high transaction volume or rich data* mandates more sophisticated data mediation processes.

*usage data streams contain information to be reported to customers with formats that subscription management software doesn't usually support







BUILD IT OR BUY IT

BUILD IT OR BUY IT

- Startups with a manageable customer count (with a manageable userbase as well as simple pricing plans) opt for manual processes.
- It probably involves some combination of a CRM, along with spreadsheets, emails, calendar reminders, and whatever payment processor is in place.
- It wasn't unusual for SaaS companies to then consider **building the capabilities** in-house.
- This probably has changed with more companies relying on purpose-built software when complexity grows.
- **Established SaaS** companies have a different decision to make—when to **upgrade from existing systems** to a tool flexible enough to serve future needs.

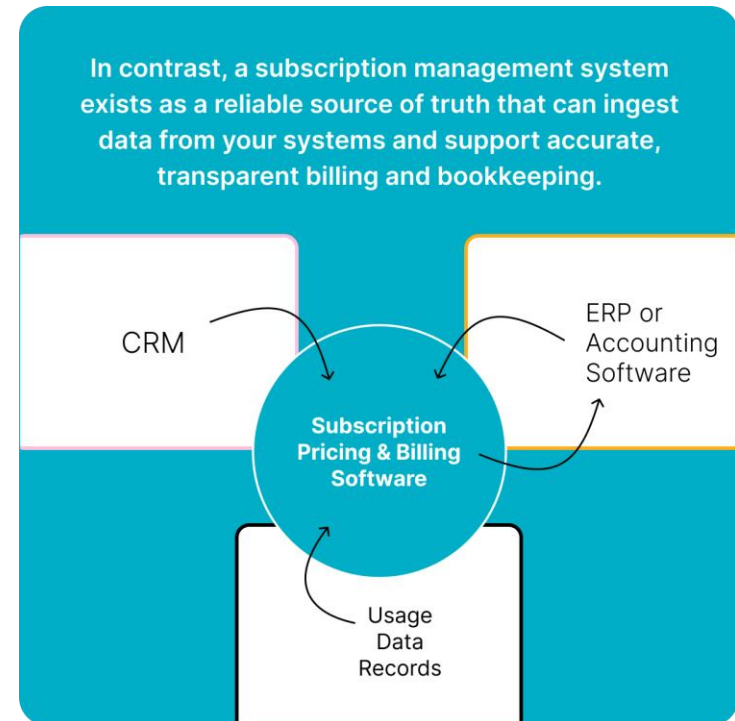
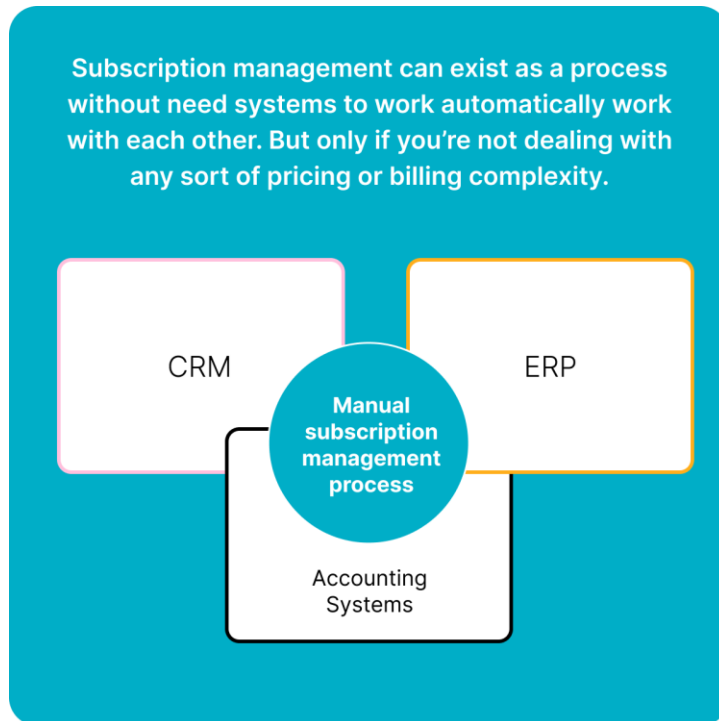
YOU ARE NOT ALONE.

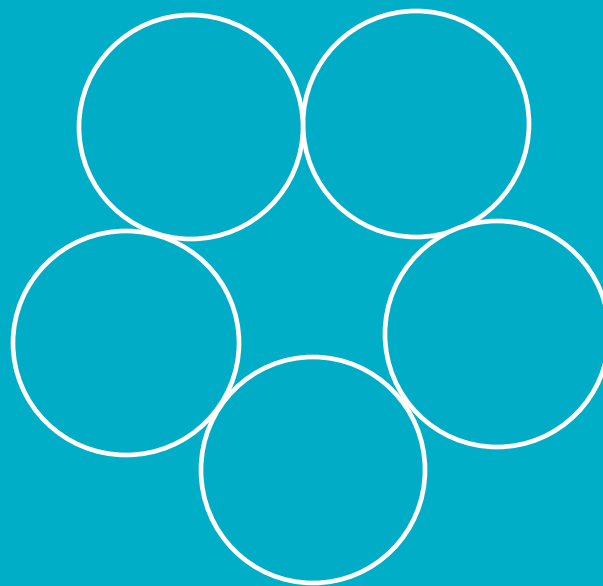
Most SaaS companies follow one of these tactics to operate their pricing and billing:

Approach	Example	Why It Work	Why It Doesn't
Excel spreadsheets 	Collect data of new entitlements and service usage to spreadsheets. Consolidate billing data to factor in how volume affects pricing. Update any changes to fees. Split invoices as agreed. Provide for billing.	Flexibility to price and bill as required for winning and keeping customers.	Leads to errors causing revenue leakage and dissatisfied customers.
In-house tools 	Collect data on of new entitlements and service usage to a database. Earlier, e.g., in-house SQL database systems and procedures or RPA tools. Lately, e.g., Azure/ AWS cloud and low-code processes to mediate data and process raw billing data for verification.	Low investment to deliver quick improvements compared to manual processes.	Business professionals find difficult to operate. Requires constant development and maintenance resource with also the risk of knowledge loss.
Customized extensions 	The existing CRM, CPQ, ITSM, ERP, or FINANCIAL tools often offer basic elements related to services pricing or billing processes. If the system platform also contains process automation tools, partners may offer to build e.g., a CPQ extension, some billing data mediation, or enhancements to the inadequate recurring billing functionality.	Can utilize data within the current system. Trained development resources readily available, and likely an existing integration partner.	Extensions often hinder overall solution upgrades and new versions.
Subscription billing tools 	Subscription billing tools handle most subscription business pricing and billing requirements well as long as the usage-related elements are limited and there are no dependencies across contracts/ subscriptions.	Likely to address the specific limited problem area sufficiently, particularly if end-customer billing expectations are not a primary focus.	Weaknesses related to supporting pricing exceptions and improving the entire customer pricing, billing and accounting process.

YOUR COMPLEXITY DEMANDS MORE

The “as-a-service” business model is so popular now that CRMs and ERPs are introducing basic subscription management features. Enterprise SaaS companies often can’t take advantage of it as it’s only a slight improvement on manual processes.

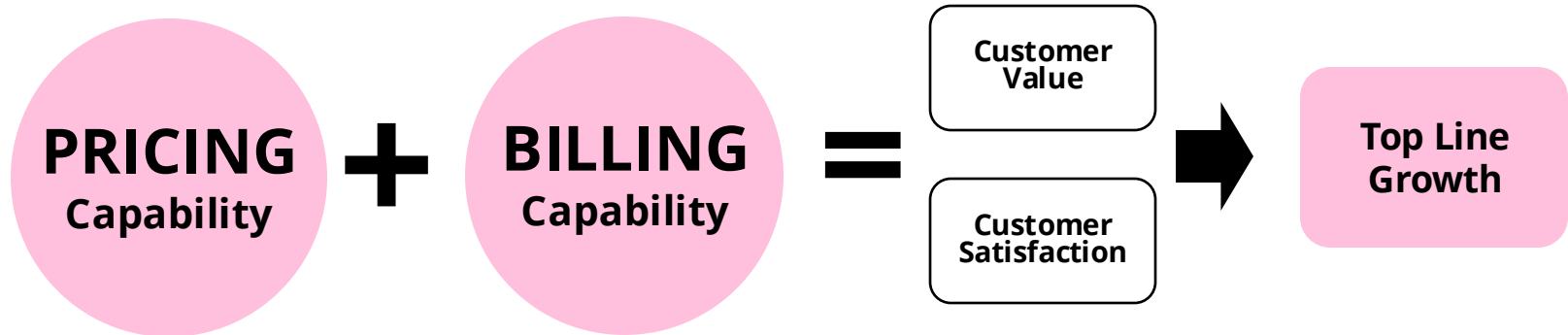




PRICING AND BILLING AUTOMATION

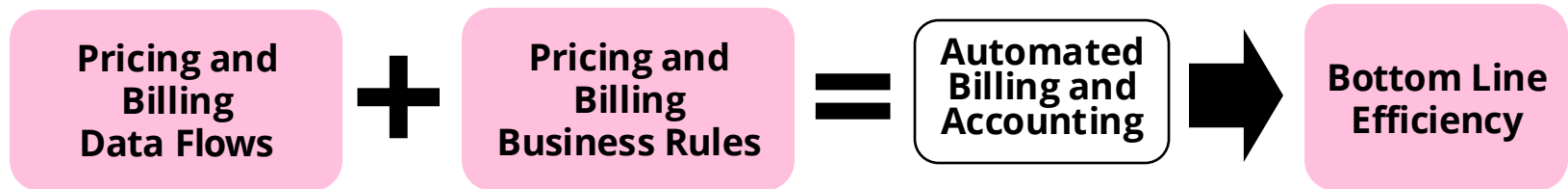
UNLOCKING A BUSINESS ADVANTAGE

Pricing and billing capabilities enhance customer value and satisfaction, driving competitiveness and top-line growth.

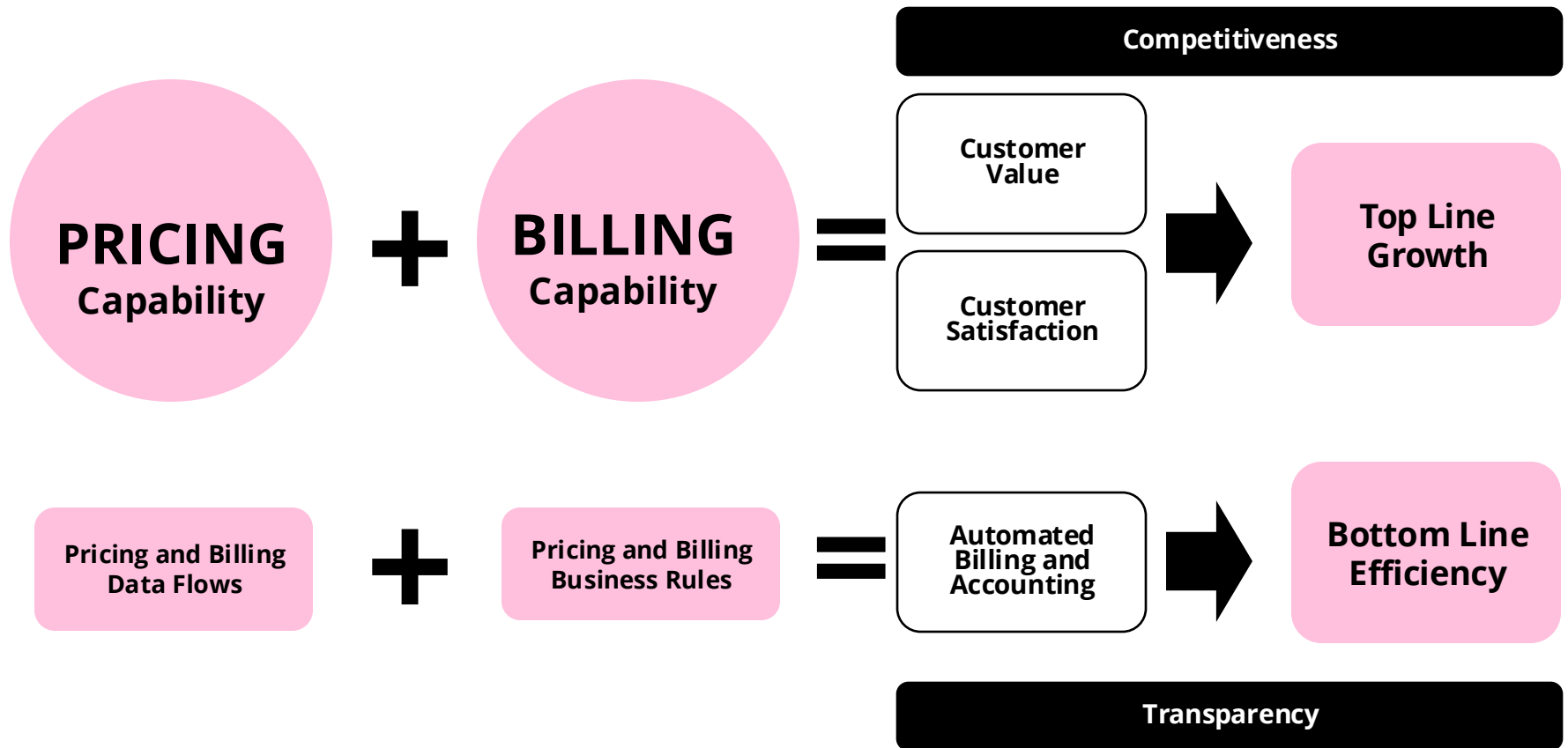


DATA-DRIVEN AUTOMATION IS A SUPERPOWER.

Pricing and billing capabilities not only enhance customer value and satisfaction, driving competitiveness and top-line growth, but **when described by data-driven business rule management, they lead to automated billing and accounting**, yielding bottom-line efficiency for a comprehensive business advantage.



THIS IS HOW THE EQUATION WORKS:



**THANK YOU FOR READING OUR
SAAS SUBSCRIPTION MANAGEMENT PLAYBOOK!**

ANY QUESTIONS?

EMAIL US AT SALES@GOODSIGN.COM

OR BOOK A DEMO HERE!