

E-book

# Finance's Guide to Automating Your Subscription Business

The 5 key steps to ensuring predictable revenue

Sage



Why you should read this e-book

# Accelerate the quote-to-cash cycle and create time for strategic reporting

With the subscription economy you're focusing on longer-term customer relationships vs. transactions. And that means downstream complexity with billing, revenue recognition, forecasting, and SaaS metrics. Still struggling to manage these processes in QuickBooks or legacy on-premises financial systems? Companies like yours have moved their subscription businesses to automated billing and financials—and achieved meaningful improvements like these:

Goals	Cut Quote-to-Cash Cycle Time	Accelerate Monthly Close	Improve Cash Flow
Benefits	<ul style="list-style-type: none"><li>• Reduce under-billing</li><li>• Integrate quoting and billing</li></ul>	<ul style="list-style-type: none"><li>• Make decisions sooner</li><li>• Accelerate growth initiatives</li></ul>	<ul style="list-style-type: none"><li>• Free up cash by improving your billing-to-cash processes</li></ul>
Improvement	+30%	+50%	+20%

Why is automating your subscription business so difficult?

# Order-centric financials do not scale in a subscription revenue world

Order-centric financial solutions were built to support product-centric models, not subscription businesses with long-term customer relationships. Their limitations include:

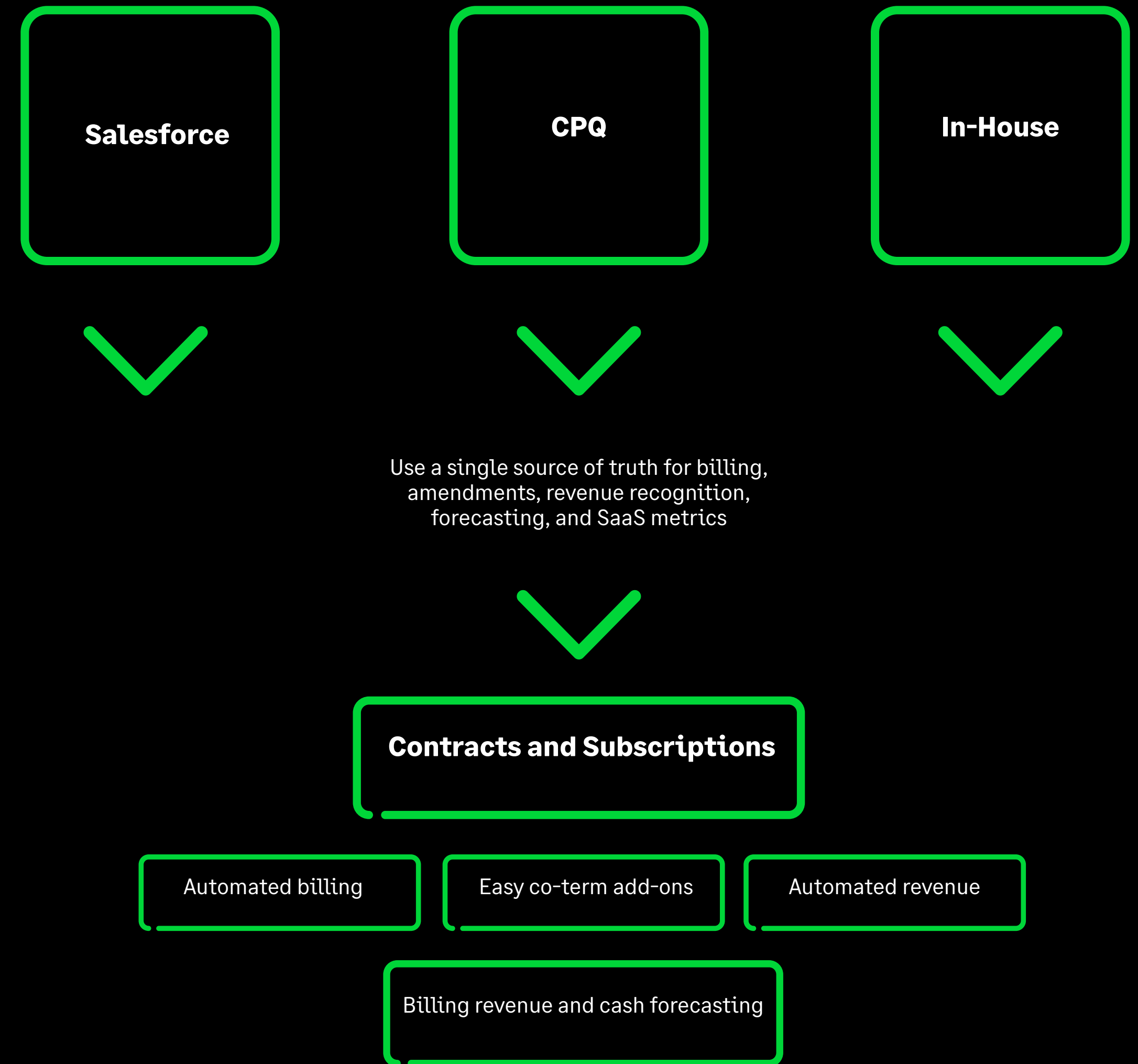
- A fragmented customer lifecycle across separate orders for upsells, down-sells, and renewals
- Lack of ASC 606 tracking for performance obligations over the customer's lifetime
- Complex tracking and forecasting of revenue streams, including inability to see unbilled, billed, and paid billing across both recognized and deferred revenue
- Lack separate schedules for billing and revenue

These limitations force finance departments to use spreadsheets, which do not scale and are error prone.

How can you automate your subscription business?

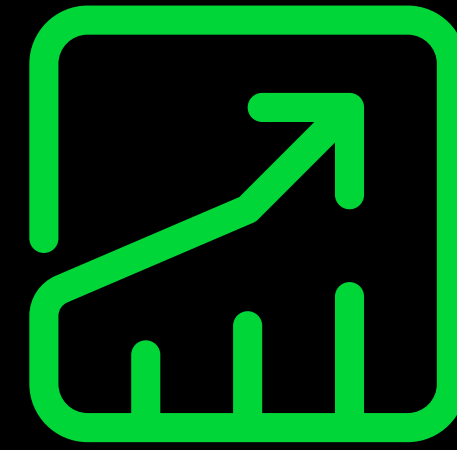
# One system of record across the customer lifecycle changes the game

Say goodbye to spreadsheets. A contract-based financial solution provides one system of record to manage and automate billing, revenue recognition, forecasting, and SaaS metrics. You save time calculating, reconciling, and aggregating data. The result? Faster quote-to-cash cycles and faster period closes.



The 5 steps

# What are the 5 steps you can take to automate your subscription business?



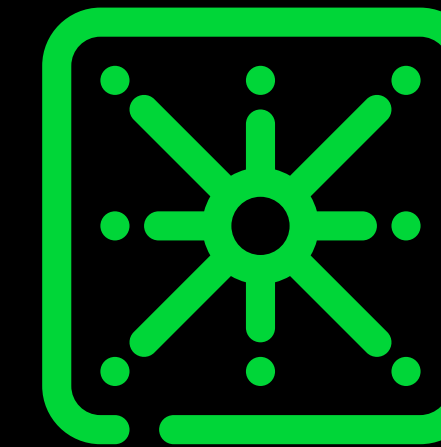
5. Forecast the future



4. Create real-time SaaS and GAAP dashboards



3. Build end-to-end revenue management



2. Establish contract-based billing



1. Integrate systems for Quote-to-Cash

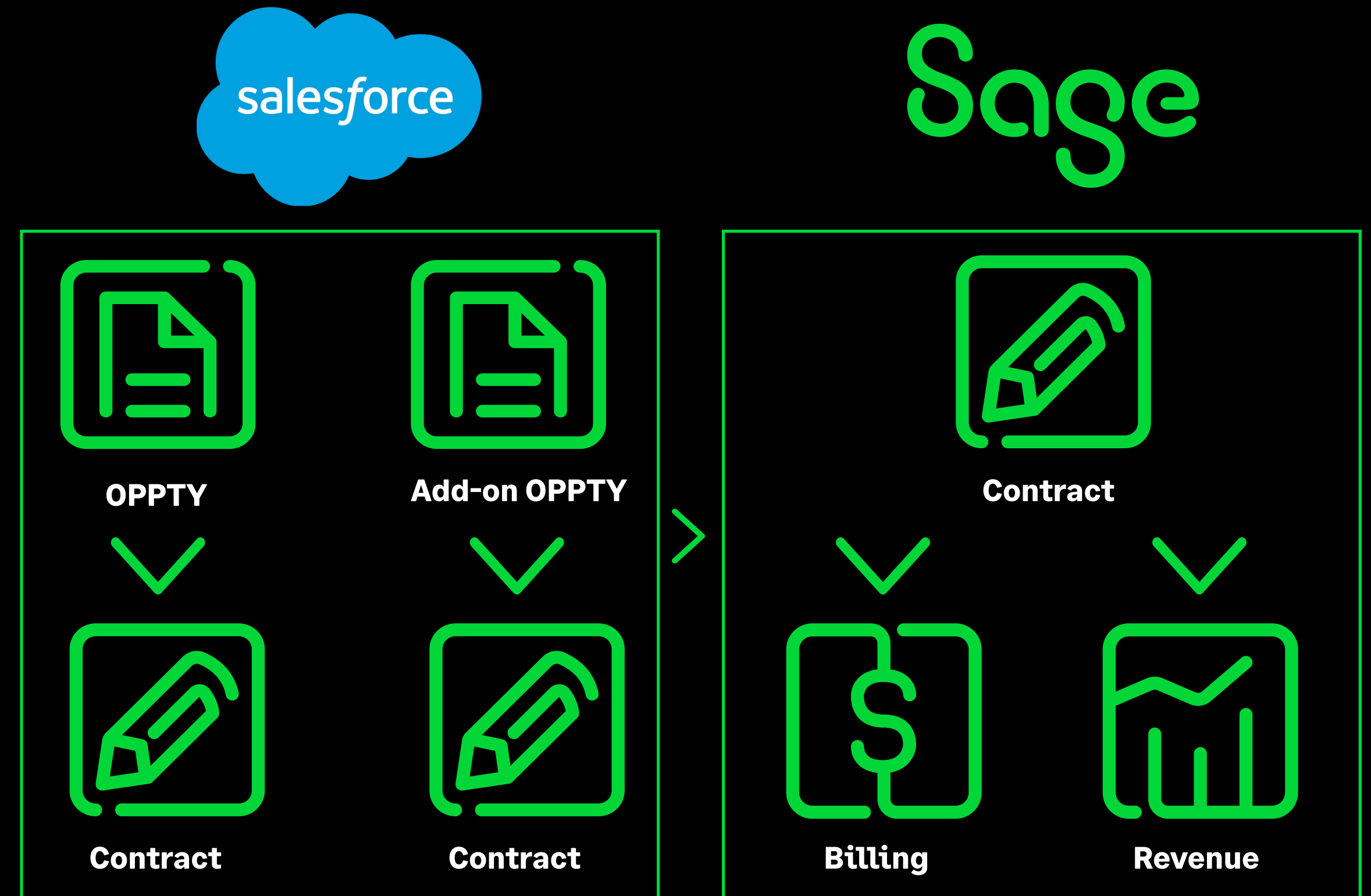
## Step 1: Integrate systems for quote-to-Cash

# Unify the quote-to-cash process from Salesforce to your financials

Contracts move through the lifecycle:

- Prospects (opportunity)
- Customers (contracts, add-on opportunities)
- Billing
- Revenue

What's more, they also undergo renewals, upgrades, downgrades, and cancellations. Capturing events automatically in your financial solution helps issue bills faster and reduce discrepancies that delay billing and payment approvals.



## Step 2: Establish contract-based billing

# Drive billing from the Contract Master

With billing that's automatically and directly driven from the contract master in your financial solution, you achieve important advantages across various pricing methods and billing approaches:

Finance control over billing cycles

- Less wasted time reconciling systems
- Easy drill-down to billing details, budget-to-actuals comparisons, and ad hoc analysis
- Set it and forget—recurring billing is automatic
- Position yourself for unified billing

## Types of Billing Flexibility

### Pricing Methods

- Fixed price
- Quantity based
  - Tiered
  - Range
- Time and materials

### Billing Approaches

- One-time
- In advance
- Installments
- Every invoice

### Step 3: Build end-to-end revenue management

# Manage a single revenue stream

The transition to the new revenue recognition standard of ASC 606 is coming, with the 2019 deadline for private companies. For many organizations, these new ways of managing revenue looms as an overwhelming burden. Cobbling together Excel spreadsheets and managing complex calculations won't scale as you grow. By contrast, automating a single revenue stream throughout the customer lifecycle saves you hours of painstaking calculations and reconciliations—not to mention expensive resources.

The advantages of a unified revenue stream:

## Old ERP

- Concept of Recurring Revenue
- Renewals

## Subscription billing only

- GL
- Budget vs. actual

## One Revenue Stream across Billing and Financials

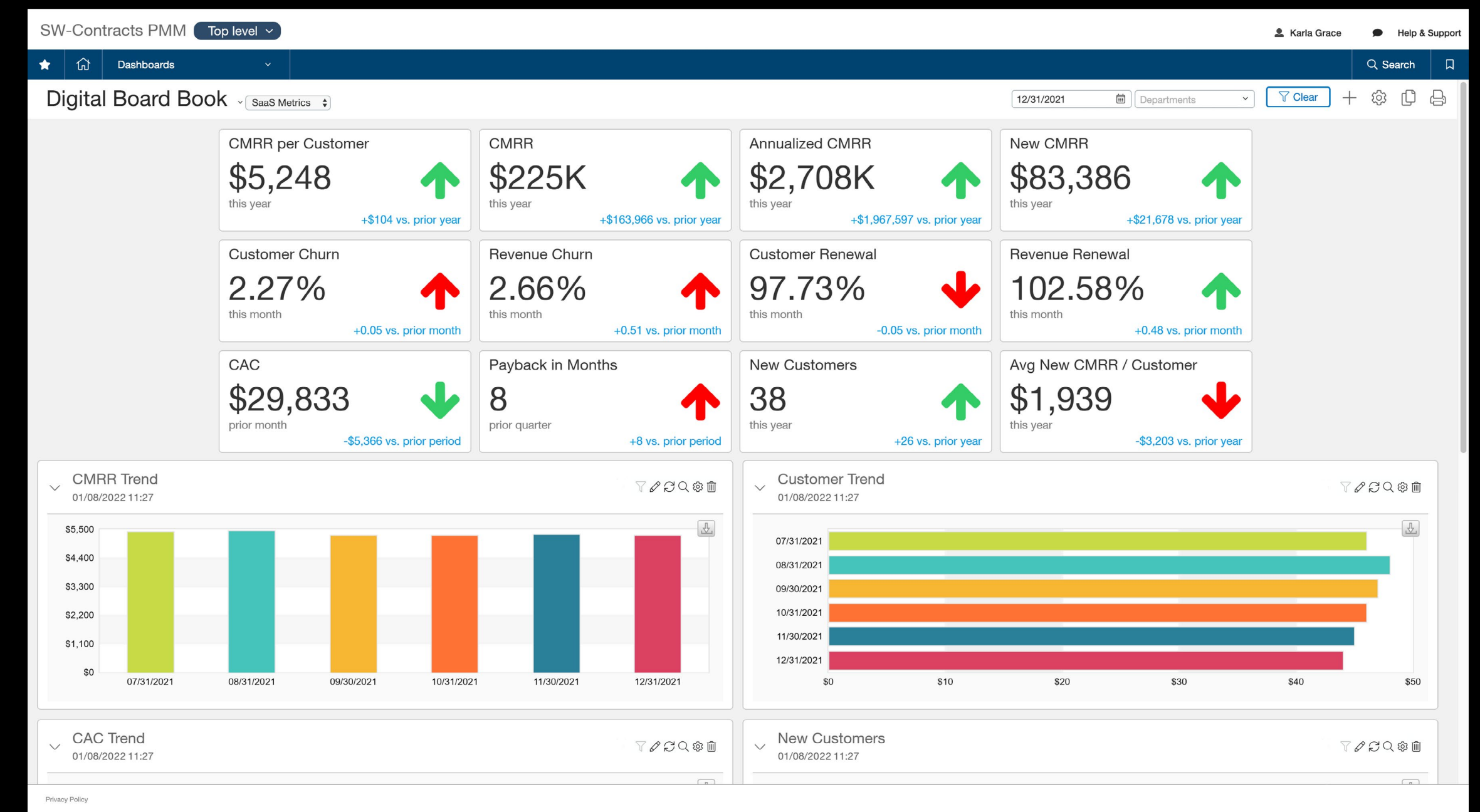
- Fully integrated contracts, billing, revenue recognition, collections, and GL
- Automatic alignment of billing and expense amortization
- Separate billing and revenue recognition schedules
- Automatic re-evaluation for additional purchases and changes
- Easily know where you stand and predict the future



## Step 4: Create real-time SaaS and GAAP dashboards

# One subscription lifecycle drives GAAP and SaaS metrics

The ability to provide strategic insights is where you can add the greatest value to your organization and contribute to its growth. A single source of truth across the subscription lifecycle—coupled with robust reporting tools and the ability to slice and dice your data—lets you get real-time GAAP and SaaS metrics in seconds vs. hours. Cut the time you need to prepare for your next major meeting—instead, dive in, understand the data, and provide strategic advice.



## Step 5: Forecast the future

# Rely on one source for accurate billing, cash, and revenue forecasts

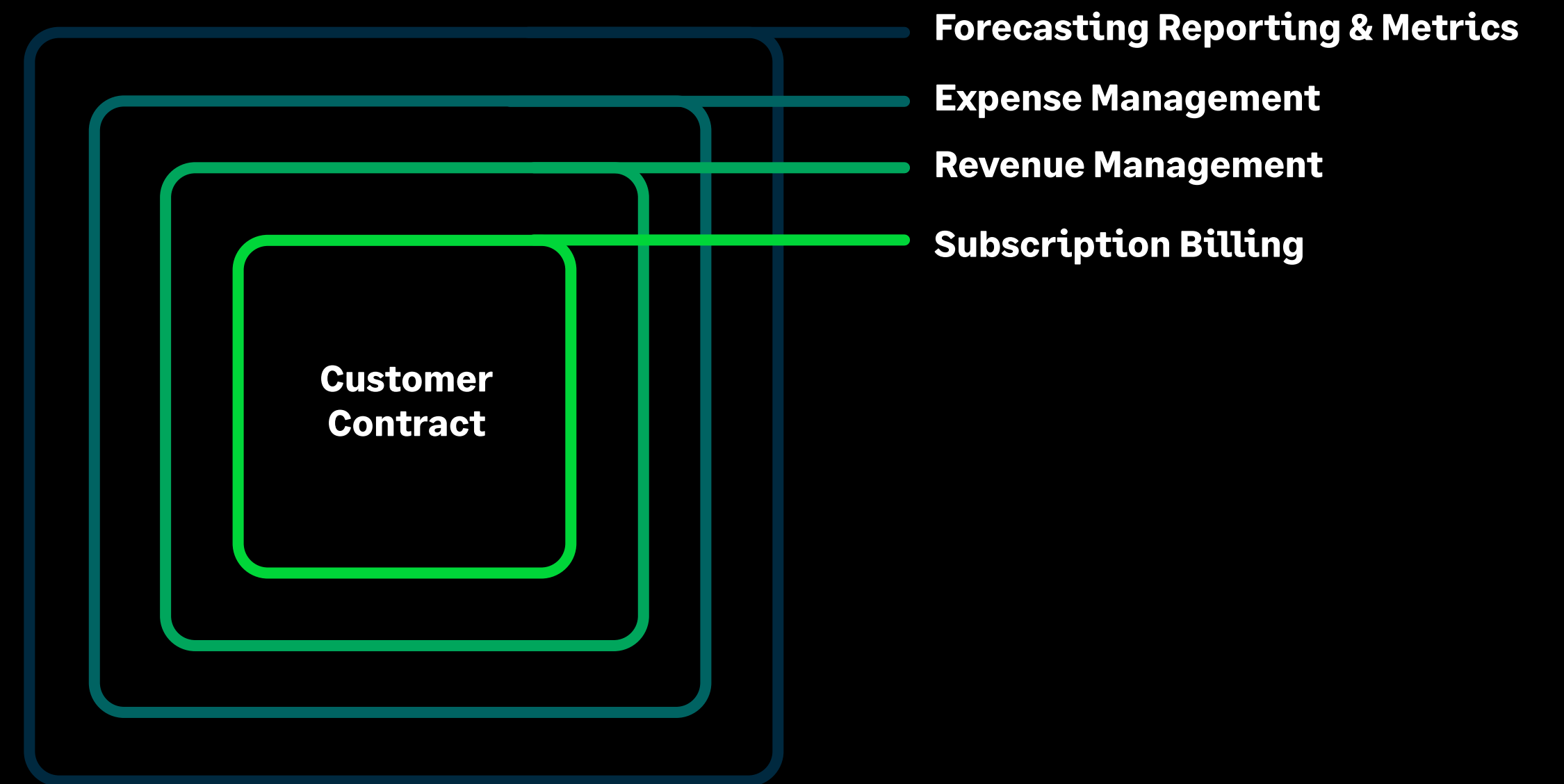
When everything you need to forecast is in one place and derived from the contract master, it's easy to automate forecasting and see cash, revenue, and billing from the original sale as well as upsells, downsells, and renewals. Stop wasting time manually reconciling and updating spreadsheets to generate financials and get your forecasts with just a couple of clicks to inform decisions.

Subtotal name	Customer ID	Customer Name	Contract ID	Item Name	Contract Line Drill Down	2018/01-2018/03	2018/04-2018/06	2018/07-2018/09	2018/10-2018/12	2019/01-2019/03	2019/04-2019/06	Future Forecast	Total Forecasted Value
<b>Billing</b>													
	C-00080	Knowledgebase Marketing	K-00045	Subscription	957	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	900,000.00	1,800,000.00
	C-00080	Knowledgebase Marketing	K-00045	Implementation	958	25,000.00						0.00	25,000.00
Sum for Billing						175,000.00	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	900,000.00	1,825,000.00
<b>Payment</b>													
	C-00080	Knowledgebase Marketing	K-00045	Implementation	958	25,000.00						0.00	25,000.00
	C-00080	Knowledgebase Marketing	K-00045	Subscription	957	150,000.00	100,000.00	150,000.00	200,000.00	150,000.00	100,000.00	950,000.00	1,800,000.00
Sum for Payment						175,000.00	100,000.00	150,000.00	200,000.00	150,000.00	100,000.00	950,000.00	1,825,000.00
<b>Revenue</b>													
	C-00080	Knowledgebase Marketing	K-00045	Implementation	958	2,083.35	2,083.35	2,083.35	2,083.35	2,083.35	2,083.33	12,499.92	25,000.00
	C-00080	Knowledgebase Marketing	K-00045	Subscription	957	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	900,000.00	1,800,000.00
Sum for Revenue						152,083.35	152,083.35	152,083.35	152,083.35	152,083.35	152,083.33	912,499.92	1,825,000.00
Sum Total						502,083.35	402,083.35	452,083.35	602,083.35	452,083.35	402,083.33	2,762,499.92	5,475,000.00

## Conclusion

# Understand your entire financial relationship with the customer

The intent of ASC 606 is to help you better understand your financial relationships with customers. By driving business processes from the contract, you accurately track all performance obligations and manage them across the lifecycle. That central location for the customer relationship simplifies downstream revenue recognition, billing, and expense management. It also helps you manage renewals and track key metrics like customer churn, profitability, and more. You're ready to measure—and enhance—customer success.



Contracts let you track and manage your customer's performance obligations throughout the lifecycle.

## Real- Life Success

# Jobvite decreases quote-to-cash time by 30%

This leader in the next wave of recruitment innovation with Continuous Candidate Engagement was manually entering orders and reconciling upsells and renewals to the original order. ASC-606 compliance was also a growing requirement. With Sage Intacct Contracts for Subscription Billing and Revenue Management, the company achieved:

### Process Improvements

- Improved quote-to-cash processing time by 30%
- Consolidated 5 entities and reduced the close to 5 days

### Business Impacts

- Reduced billing leakage by 2%
- Improved gross margin by 1%
- Increased revenue 75%, while G&A only grew 5%

30% Faster Quote-to-Cash Cycle



**“We are shifting effort from 80% bookkeeping and transactional focus to 80% analytics and business focused.”**

~Lisa Schulz, Controller

## Real- Life Success

# Verimatrix increases cash flow by \$10M

This fast-growing leader in securing and enhancing revenue for network-connected devices and services wanted to raise additional capital to fund its expansion. Aiming to handle complex orders and grow internationally, it selected Sage Intacct for its native integration with Salesforce and CPQ, strong consolidations capabilities, and complete automation of the subscription and revenue lifecycle. That translated into:

### Process Improvements

- Automated subscription billing
- Reduced DSO from 120 days to 65 days
- Reduced the close from 21 days to 5 days
- Consolidated 12 international entities in real time
- Created monthly executive reporting on key metrics

### Business Impacts

- Grew customer count by 40%
- Smarter decisions led to an additional \$3M in adjusted EBITDA
- Generated \$10M of operating cash flow
- Maintained the same finance team while improving staff productivity

**“With Sage Intacct,  
we are able to  
predict the future.”**

~Michael Mincieli, SVP, Finance



