SUBSCRIPTION BILLING SUITE

For Microsoft Dynamics 365 Business Central

Binary Stream

Glossary

Introduction	3
Subscription Billing Suite Overview	4
Modules Overview	5
The Complete Subscription Billing Process	6
A Comprehensive Quote-to-cash Process	8
Description of Quote-to-cash	9
Pricing Management	10
Contract Setup & Billing Management	11
Deferred Revenue & Expenses	12
Reporting & Forecasting	13
Solution Setup & Configuration	16
Implementation & Support	17
Common Scenarios	19

Introduction

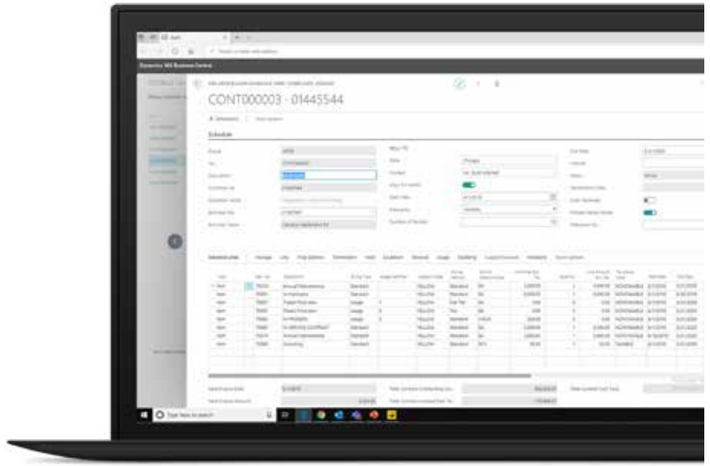
Subscription-based services are rapidly growing in different industries every day, and with them, organizations are facing billing and pricing challenges that they had never faced before. From limited support for different pricing structures to the inability to accommodate and automate recurring billing, traditional financial software is unable to support the growing needs of today's leading organizations.

The introduction of the new revenue recognition standards, IFRS 15 and ASC 606, further proved the need for a robust and comprehensive system that can consistently tackle challenging scenarios and simplify the most complex tasks.

Subscription Billing Suite

Binary Stream's Subscription Billing Suite (SBS) is a comprehensive solution to complex pricing, billing, and recognition that enables compliance with ASC 606 and IFRS 15. SBS introduces consistent and reliable automation for a wide range of pricing and billing models, and provides organizations with the flexibility necessary to succeed in a rapidly changing economy.

Aside from enabling compliance with the latest revenue recognition standards, SBS streamlines the entire quote-to-cash process at every step from billing and invoicing to reporting and forecasting. As a direct extension, Subscription Billing Suite gives organizations control of their processes and schedules at the line item level within Microsoft Dynamics 365 Business Central.



Modules Overview

Advanced Revenue and Expense Deferrals (ARED)

- Line level deferrals (straight line and event-based)
- Revenue allocation
- Reports – deferral balance, waterfall, declining balance

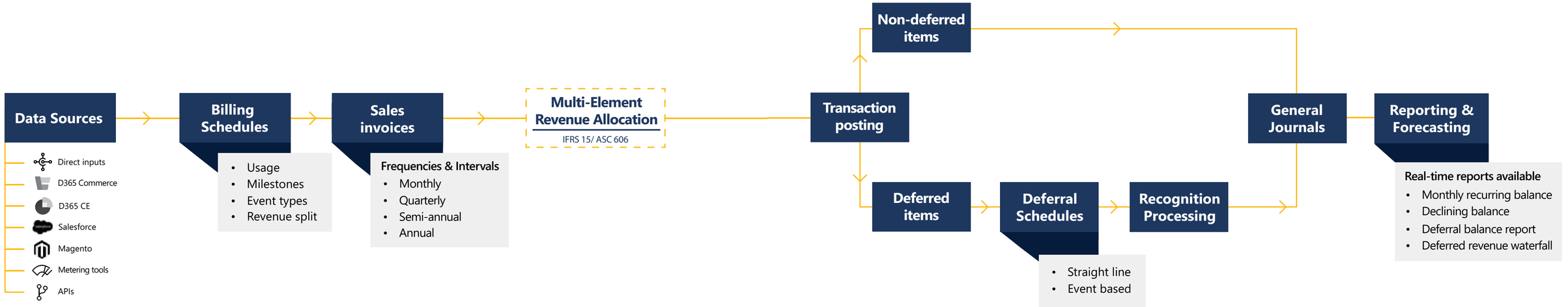
Advanced Recurring Contract Billing (ARCB)

- Complex contract management: usage-based, milestone, and revenue split
- Robust pricing models: flat, tiered, and price increases & discounts
- Flexible invoicing intervals with automatic renewals
- Real-time reporting & forecasting for monthly recurring revenue and renewals

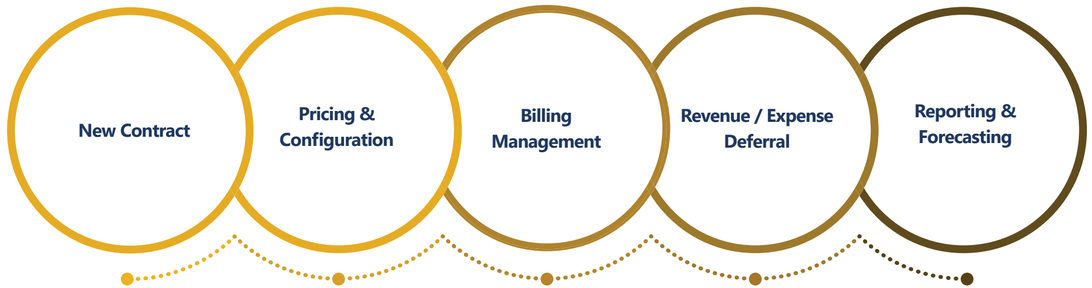
Multi-Element Revenue Allocation (MERA)

- Assist with revenue compliance for multi-performance obligation contracts (IFRS 15 & ASC 606)

The Complete Subscription Billing Process



A Comprehensive Quote-to-Cash Process



Description of Quote-to-Cash

Quote-to-cash is the integrated business sales process starting with product configuration, pricing, and quoting and continuing through the contract's lifetime and payment receipt. Rather than having siloed steps with many manual touchpoints, a comprehensive quote-to-cash process allows for information consistency and improved insight into contracts, performance, and future revenue.

With the right quote-to-cash process and a robust platform to support it, the sales process is smoother, the chance of error is lower, and customers are satisfied.

Pricing Management

Goals

- Offer clients different tiers of functionality
- Segment markets and price based on usage
- Allow custom offerings
- Maintenance and support bundles

A comprehensive system capable of accommodating different pricing structures is essential to maximizing reach and maintaining a high level of customer satisfaction. With an intelligent pricing engine capable of managing complex structures, organizations can react to market demands without straining their staff or risking the chance of error.

Usage and consumption data can be imported directly using a wide variety of data inputs to create one seamless process and eliminate bottlenecks. With accurate and timely usage recording, organizations can expect a quicker payment turnaround and customers are confident that they are billed fairly.

Subscription Billing Suite's pricing management engine also excels at handling pricing changes and adjustments at any point in a billing period with automatic pro-rating.

With the flexibility to suit so many different pricing structures, SBS allows organizations to take control of their business model with ease, and to quickly adjust to changing customer and market needs.

Subscription Billing Suite can support many pricing structures to suit your unique business model:

- Tiered & flat tiers
- Usage (metered)
- Bundled pricing
- Index-based pricing
- Evergreen
- Freemium
- Price discounts and increases
- Min/max pricing

Contract Setup & Billing Management

Goals

- Invoicing intervals
- Renewals on a recurring basis
- Hold and resume
- Adjustments
- Terminations (Cancellation w/ credit or bill remaining)

With two or three contracts, renewals are tedious, but not impossible to manage manually. Each renewal requires the same process to be done and this time-consuming and repetitive task takes accounting departments many hours that could be better spent otherwise. These manual processes are also error-prone and can result in even more time spent fixing mistakes and trying to re-win customer trust, and the problems only grow as the number of contracts to be renewed grows.

Subscription Billing Suite expands upon basic billing functionalities with much more flexible billing frequencies and parameters, and error-proof management of mid-term contract adjustments, and terminations. In addition to accommodating different billing and invoicing time intervals, SBS effectively manages event-based and milestone-based billing at the line-item level.

Billing frequencies / parameters:

- Annual
- Monthly
- Quarterly
- Semi-annually
- Milestone
- Event-based
- Revenue-split

Deferred Revenues & Expenses

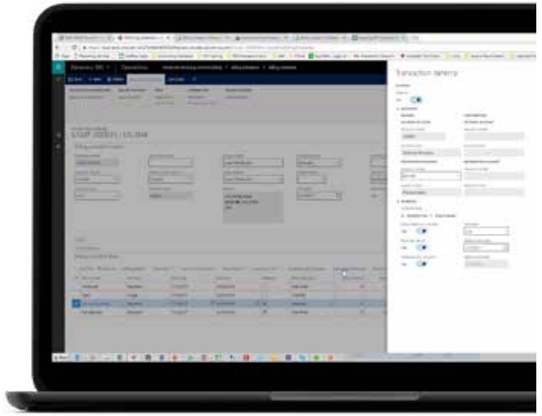
Goals

- Complying with IFRS 15 / ASC 606
- Showing profitability across different periods
- Enabling better reporting and forecasting for future periods including deferral balance, declining balance, and waterfall reports
- Quicker audit process

Subscription Billing Suite streamlines the revenue recognition process using intelligent deferral schedules and eliminates organizations' reliance on time-consuming and error-prone manual processes.

With the ability to recognize revenue and expenses at the line-item level, SBS provides a clear path towards compliance with IFRS 15 and ASC 606 and eliminates the uncertainty from your year-end process with audit-friendly reporting.

In addition to enabling compliance, automating the flow and recognition of unbilled and unearned revenue equips organizations with real-time deferral balance, declining balance, and waterfall reports for greater insights into their financial position.



Reporting & Forecasting

Goals

- Forecasting future growth and revenue streams
- Reporting on key
- Performance of different business units
- Cost-centre analysis

Offering subscription-based services provides organizations with an amount of data that is not common for traditional products and services. With each month, year or subscription period, there is new information that aggregates into a time series analysis of company performance.

Subscription Billing Suite is built to centralize all financial data so it is easily analyzed and transformed from unknown to actionable. With many real-time canned reports and the ability to add custom ones, SBS enables organizations to track their own unique performance measures, and confidently make the best business decisions.

Reporting & Forecasting

Monthly recurring revenue is one of the most commonly used metrics for tracking subscription commerce performance. Properly measuring and understanding MRR is key to retaining revenue momentum and being able to analyze and react to revenue declines before they escalate to become a more significant problem.

More specialized metrics can be derived from raw MRR to track specific aspects of monthly performance:

New MRR	Recurring revenue gained from new subscribers
Churned MRR	Lost recurring revenue from churned subscriptions
Expansion MRR	Recurring revenue gained from subscription upgrades
Contraction MRR	Lost recurring revenue from subscription downgrades
Net MRR	New MRR + Expansion MRR + Reactivation MRR – Churned MRR – Contraction MRR

Net MRR measured and tracked monthly can show aggregate changes and drilling down further into its individual components can help explain positive or negative trends.

SUBSCRIPTION BILLING SUITE

Reporting & Forecasting

Having an accurate and easy-to-use system to help keep track of all these metrics is essential to a sustainable success and allows you to focus on analyzing results and making the best business decisions. Binary Stream's Subscription Billing Suite (SBS) is a comprehensive solution to billing, deferrals, and recognition that streamlines the entire quote-to-cash process at every step from billing and invoicing to reporting and forecasting. Backed by Microsoft's Azure cloud and Power BI, SBS offers real-time analysis and forecasting on-the-go so you can always keep your finger on the pulse of your business.

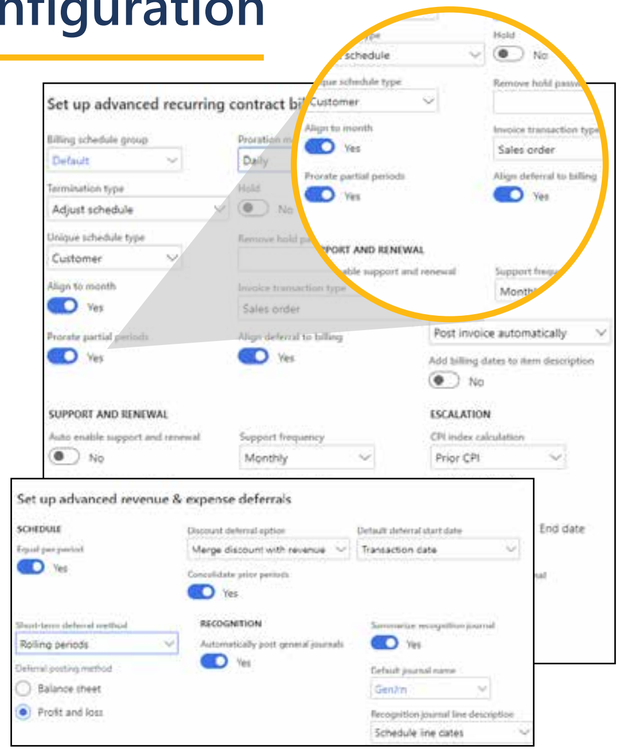
Solution Setup & Configuration

Goals

- Smooth setup process
- Flexibility and customizability
- Ability to accommodate future changes

Subscription Billing Suite is built with flexibility in mind, and can be configured to meet the specific business process that each organization follows. Complex contracts are easily managed with flexible setup options for billing frequencies, pricing structures, renewal automation, escalations, and terminations.

Revenue and expense deferrals setup is also drastically improved. Whether it is the ability to create and modify different schedule types, or automatically assigning them by item groups and categories, Subscription Billing Suite offers organizations with a much greater level of control over their recognition process.



Implementation & Support

Goals

- Smooth implementation
- Alignment with business process
- Lack of errors
- Customizability and up to date software

Our implementation consultants work with organizations to help them meet their business process needs, achieve long-term improvement and measurable results. We know that a well-conducted managed discovery and implementation process can be the deciding factor in whether a organization meets its digital transformation goals or not. We rely on over 20 years of experience and hundreds of completed projects to blend our innovative solutions with industry-leading best practices to deliver the right results and help organizations achieve sustainable growth.

Following an implementation, a knowledgeable support team can ensure that the initial success is sustained through changes to an organization's needs. Our support teams bring a wealth of knowledge covering different industries and business models; and complement it with a positive attitude and excellent communication.

By 2022, 53% of all software revenue will be generated from a subscription model.

Digitalist Magazine

Common Scenarios

Pricing for line items and contracts:

Subscription Billing Suite is capable of managing different flexible pricing models within an individual contract at the line level. A common scenario for software, hosting, and telecom companies is having multiple charges within an individual contract covering the one-time costs of equipment, the recurring charges for subscription, and metered or tiered charges for data usage. SBS is capable of managing any number of line items all with different pricing models and billing schedules to avoid the need for multiple contracts and lower the chances of error.

Flat pricing model:
A company's pricing model can be as simple as "sign up for our membership/services for as low as $49 a month". This is a very common example of a recurring billing contract with a monthly subscription charge. SBS automates the recurring billing and simplifies the schedule set up process to eliminate any complexity that you can face while setting this up. However, while it is easy to communicate and set up, the flat price model can be limiting as only customers who find the service desirable at the set price would subscribe to it.

Common Scenarios

Metered / usage-based pricing:
Metered pricing is a type of usage-based pricing that is dependent on the customer's use of a specific service or product. The classic example of this is utilities. Water and electricity suppliers price their services and bill their customers based on a metered usage amount. However, metering is a very common scenario for cloud hosting and data warehousing companies, too.

An excellent fit for usage-based pricing is telecommunications companies offering minutes of data usage or call time. Telecom companies often need to combine usage-based and flat pricing into one contract which can be complex and error-prone. With Subscription Billing Suite, pricing models can be configured at the line item-level, making this a much easier process.

Common Scenarios

Milestone Billing:
For milestone-based billing, SBS can create schedules preconfigured with the anticipated dates for each milestone to be used for any particular contract. These can include dates such as contract signings, construction starts, a final hold-back, or any other number of events. At each of these milestones, a different percentage of total non-recurring revenue can be billed (e.g. 25% at signing, 35% at construction start … etc.)

Milestones	1	2	3	4
Billing %	25%	35%	20%	20%

Above is an example of a non-recurring milestone billing with unequal charges, but any combination of milestones and billing percentages is possible with Subscription Billing Suite.

Tiered Pricing and Volume Discounts:
Tiered pricing is a common strategy for creating consumption incentives for customers through volume-based discounts. While the out-of-the-box ERP is capable of managing basic volume discounts, it cannot handle tiered pricing where a certain threshold must be met before progressing to the next tier and potentially lower price.

Offerings with a measurable consumption such as data storage, number of transactions, and quantity of goods purchased all are valid candidates for this pricing structure.

What Our Customers Say About Us

"What makes Binary Stream different from other software companies we have worked with is their ability to truly listen to customer input and enhance their subscription solution to meet those needs.

Eivind Hesjadalen – CFO
eZ Systems

"When we were searching for a solution, we knew exactly what we wanted and Binary Stream was extremely accommodating and able to share the same vision with us using their Subscription Billing Suite.

Tara Schultz – Controller
Wire One Communications

"Binary Stream's Subscription Suite exceeded every feature of our previous solution to help us achieve a seamless integration.

Michael A. Scocca – Controller
Pink OTC Markets

"Subscription Billing Suite helps us manage over 10,000 deferred contracts, and is an essential part of our financial processing!

Paul Fortson – Dir. of Financial Systems
BT Conferencing

About Binary Stream

Our Microsoft Dynamics ERP solutions are designed to simplify your various accounting procedures for Multi-Entity Management, Subscription Billing, Property Management, and more. These enterprise-grade ERP add-ons work seamlessly with your Dynamics ecosystem to help your organization improve productivity and propel growth.

We are an award-winning non-selling Microsoft Gold Certified ISV with 20+ years of experience creating scalable solutions for over 1900 customers across 30+ countries in the finance, healthcare, hospitality, real estate, manufacturing and software industries.

Start enhancing your on-premise or cloud-based Microsoft Dynamics 365 platform to do more with Binary Stream. Ask your ERP service provider for more information or visit binarystream.com to learn more.

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