



The Definitive Guide to Modern Billing Models

Market proven strategies for advanced monetization methods

Every company has its own way to market and sell products, each with varying degrees of complexity. Often these complexities prove difficult to implement and result in delaying go-to-market plans. Having the flexibility to design and deploy offers that go beyond basic subscriptions and compliment your unique business shouldn't keep you up at night.

See how 8 key billing models can be the difference from stagnating your growth to modernizing your approach to monetization and moving your business forward.

Subscriptions

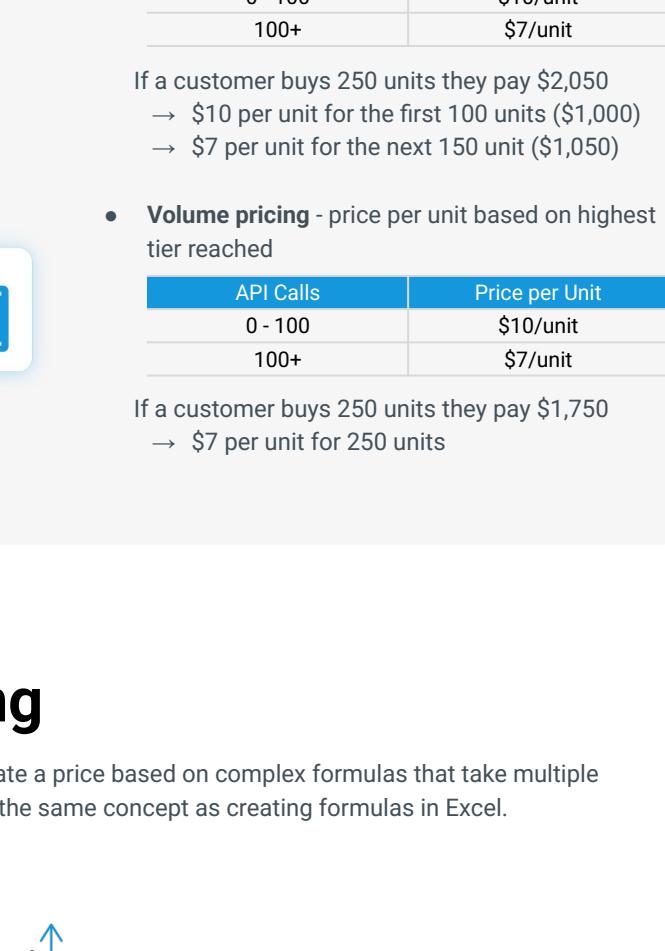
Subscription billing is a charging method that enables merchants to bill customers automatically on a fixed schedule (monthly, quarterly, annually) for a specific product or service.

Benefits:

- ✓ Sell products and services on a recurring basis, providing for a steady and predictable revenue stream
- ✓ Offer customers the ability to use these services rather than own them
- ✓ Align price to value by user type

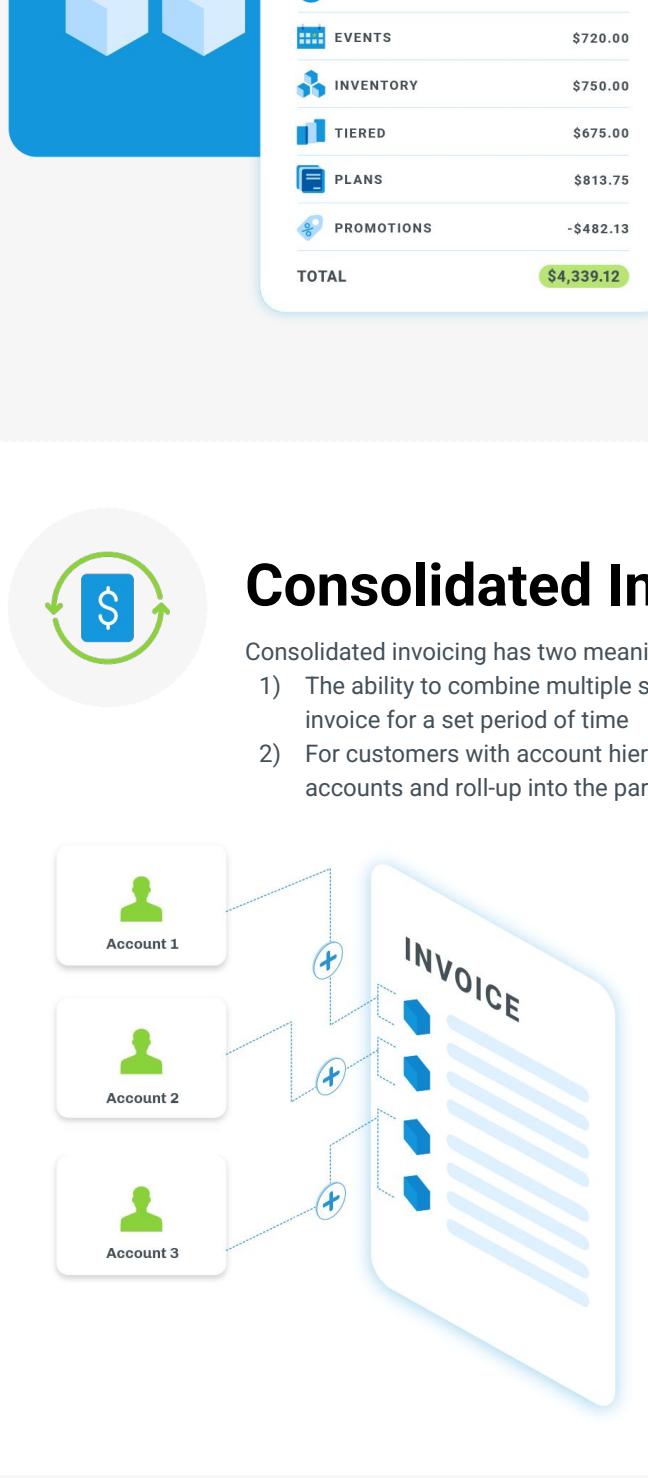
Examples:

- **Subscription plus overage** - charge a subscription fee for a set amount of usage and if usage is exceeded, charge for additional usage
- **Freemium** - offer a service for free, after a set time, automatically generate subscription fee or offer a service for free (i.e., download 5 articles) before requiring sign-up
- **User type** - charge different subscription fees based on user type (admin, power, casual)



Consumption

Consumption-based billing is the ability to rate and bill based on the usage of a product – clicks, API calls, downloads, seats, text messages, minutes, bandwidth, water or electricity usage. Also known as metered billing or pay-as-you-go pricing.



Benefits:

- ✓ Lower price of entry could be a competitive advantage
- ✓ Generate additional revenue on top of basic subscriptions
- ✓ Customers pay only for what they use

Examples:

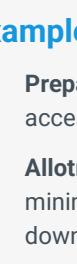
- **Tiered-pricing** - price per unit based on range

API Calls	Price per Unit
0 - 100	\$10/unit
100+	\$7/unit

If a customer buys 250 units they pay \$2,050
→ \$10 per unit for the first 100 units (\$1,000)
→ \$7 per unit for the next 150 unit (\$1,050)
- **Volume pricing** - price per unit based on highest tier reached

API Calls	Price per Unit
0 - 100	\$10/unit
100+	\$7/unit

If a customer buys 250 units they pay \$1,750
→ \$7 per unit for 250 units



Dynamic Pricing

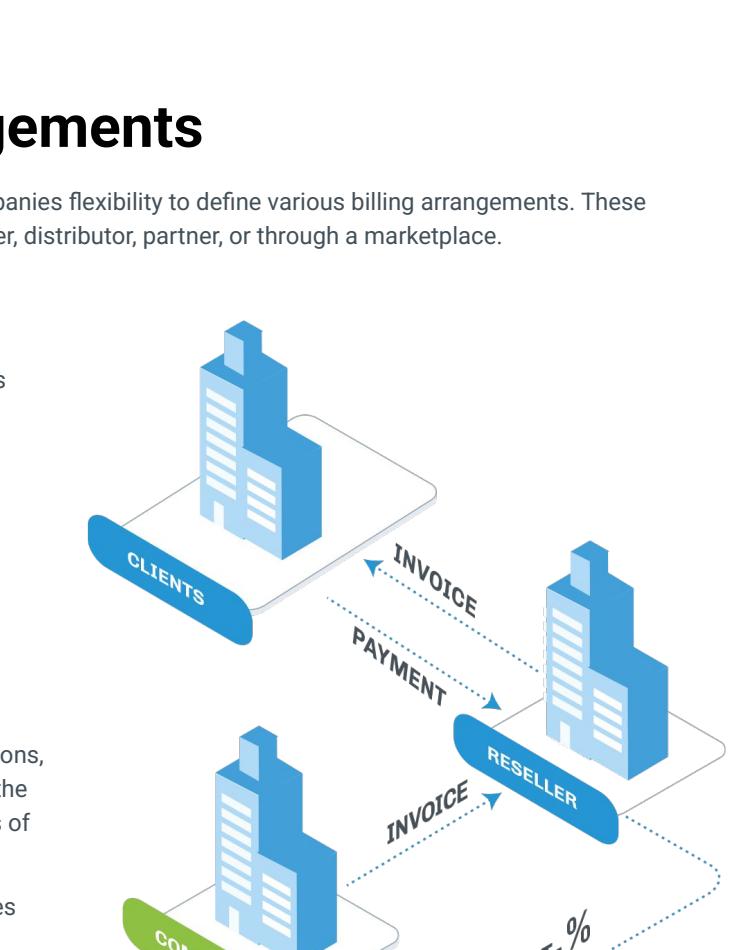
Dynamic pricing is the ability to calculate a price based on complex formulas that take multiple conditions or attributes into account - the same concept as creating formulas in Excel.

Benefits:

- ✓ Unlimited flexibility in pricing & packaging
- ✓ Offer exact pricing that is fair and logical

Examples:

- **Rates that are determined by multiple attributes** such as referencing a lookup table
- **Configurable Early Termination Fees** - 50% of remaining balance
- **Ability to carry over/roll over unused revenue commitments** from previous billing periods
- **Revenue Share** - reseller gets defined percentage of all sales sold
- **Parking Garage** - demand based pricing - rate based on capacity at time of entry
- **Utilities** - usage rate based on time of day



Hybrid Pricing

Hybrid pricing gives companies the ability to charge for both physical and digital goods.



Invoice	
SCHEDULING	\$1,000.00
ONE-TIME	\$487.50
RECURRING	\$375.00
USAGE	\$0.00
EVENTS	\$720.00
INVENTORY	\$750.00
TIERED	\$675.00
PLANS	\$813.75
PROMOTIONS	-\$482.13
TOTAL	\$4,339.12

Benefits:

- ✓ Combine one-time, consumption-based and a la carte pricing models to create differentiated packages and bundles
- ✓ Hybrid pricing models provides the best of subscription and usage-based pricing models - subscriptions provide predictability of revenue while usage/consumption provides upside

Example:

- **Cell Phone Bundle**
 - One-time charge - purchase of phone
 - Monthly charge - monthly service fee + overage
 - Annual maintenance charge



Consolidated Invoicing

Consolidated invoicing has two meanings:

- 1) The ability to combine multiple subscriptions or purchases from a customer onto a single invoice for a set period of time

- 2) For customers with account hierarchies, the ability to consolidate invoices from multiple child accounts and roll-up into the parent account



Benefits:

- ✓ Easy access to parent/child relationships within a company to see total sales, profits, churn etc. across the company in one place

Examples:

- **Combine multiple subscriptions and service charges onto one invoice** - one-time flat fee for signing up for service plus subscription charges for network access, cloud storage and data analytics

- **Multi-tiered hierarchy** - roll-up billing from multiple child accounts to parent account



Revenue commitments

Revenue commitments is the ability to allow customers to pay a flat rate for a set amount of usage (regardless is used in full or not) for a discounted rate.

Benefits:

- ✓ Incent customer to use more products and services as a way to increase revenue, loyalty and as a way to convert prospects to customers

Examples:

- **Prepaid annual commitment** on data usage access

- **Allotments can be tracked monthly** and if minimum is not reached, the difference is drawn down from prepaid amount

- **Hybrid commitment plus consumption** allows for a discounted rate on usage plus the ability to offer a discounted rate on usage if commitment is exceeded

- **Discounts** - offer customers a voucher that draws down against the amount. Apply flexible effective date/time, set expiration date or no expiration date.

- **Credits** - allows customers to buy credits for a service that they can draw down over a period of time

Prepaid Credits

Prepaid credits provides the ability to offer customers and prospects a pre-paid balance for a specific period of time.

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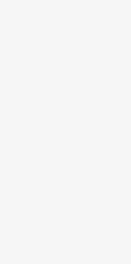
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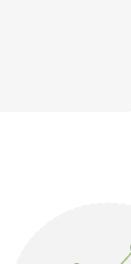
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