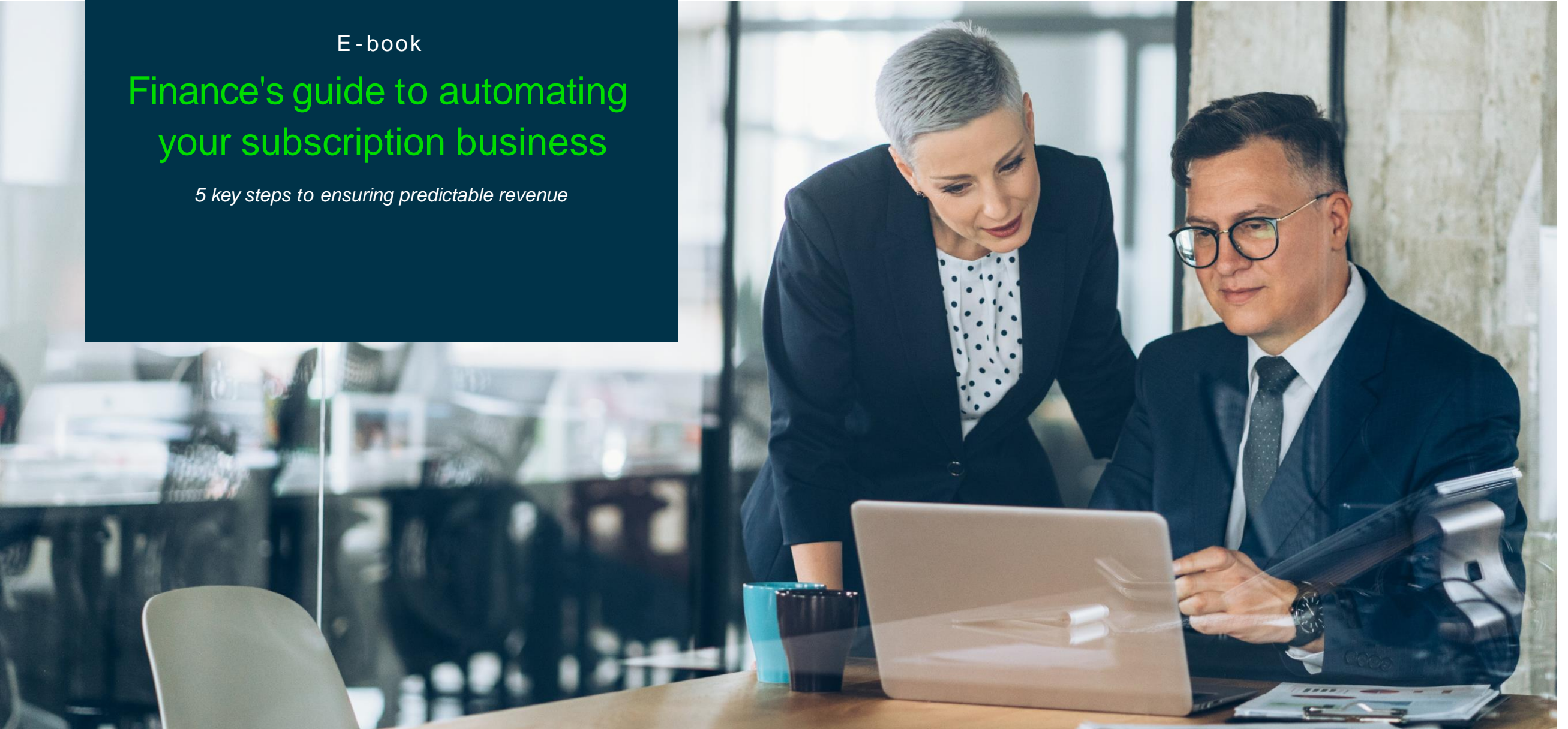E-book

# Finance's guide to automating your subscription business

*5 key steps to ensuring predictable revenue*

# Contents

*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 MYOB and Xero or legacy on-premise 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** | • Reduce under-billing<br>• Integrate quoting and billing | • Make decisions sooner<br>• Accelerate growth initiatives | • Free up cash by improving your billing-to-cash process |
| **Improvement** | +30% | +50% | +20% |

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_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 AASB15 / IFRS15 / ASC606 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 recognised and deferred revenue
- Lack of separate schedules for billing and revenue

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

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# Sage

## 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, SaaS metrics. You save time calculating, reconciling, and aggregating data. The result? Faster quote-to-cash cycles and faster period closes.

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Salesforce or your chosen CRM*

CPQ

In-house

Contracts and subscriptions

Automated billing

Easy co-term add-ons

Automated revenue

Billing revenue and cash forcasting

Use a single source of truth for billing, amendments, revenue recognition, forecasting, and SaaS metrics.

*Salesforce integration is available from Sage. Integrations to other CRM's can be addressed by Akuna.

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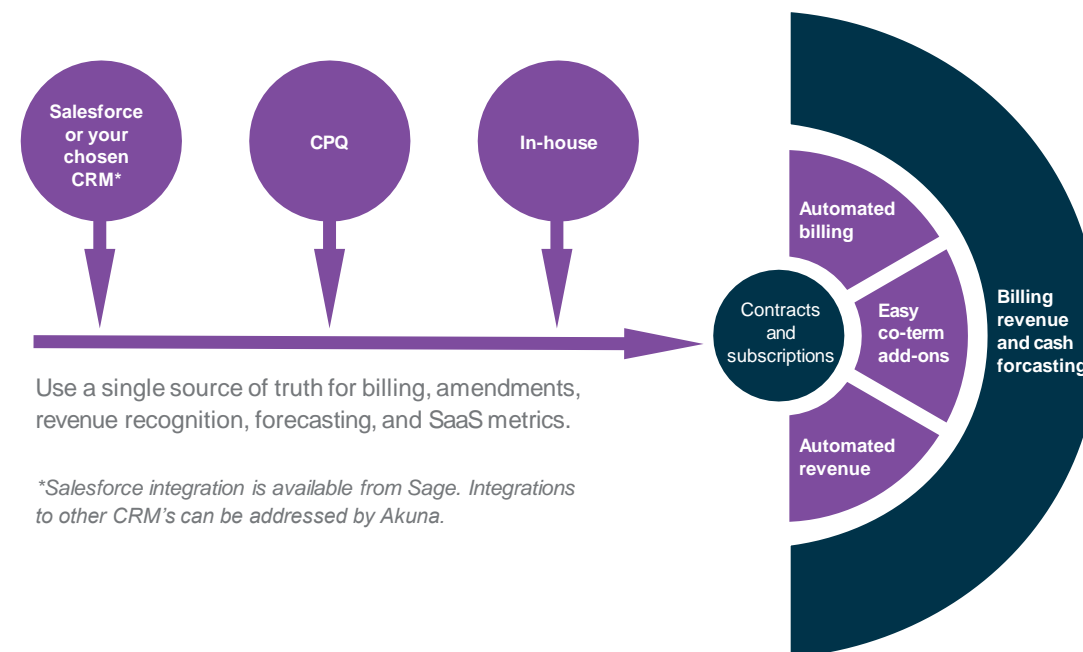
What are the 5 steps you can take to automate your subscription business?

**1** Integrate systems for Quote-to-Cash

**2** Establish contract-based billing

**3** Build end-to-end revenue management

**4** Real-time SaaS & IFRS / GAAP dashboards

**5** Forecast the future

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*Step 1: Integrate Systems for Quote-to-Cash*

**1** Unify the quote-to-cash process from Salesforce (or your CRM*) 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, Capturing events automatically in your financial solution helps issue bills faster and reduce discrepancies that delay billing and payment approvals down.

**Whether it's CRM, e-signing, customer payments, provisioning or other systems, Akuna can help you automate your unique Quote-to-Cash cycle.**

*Sage Intacct provides deep Salesforce integration. Akuna has strong experience integrating Intacct with other CRM's.



METRICS AND BUSINESS INSIGHT
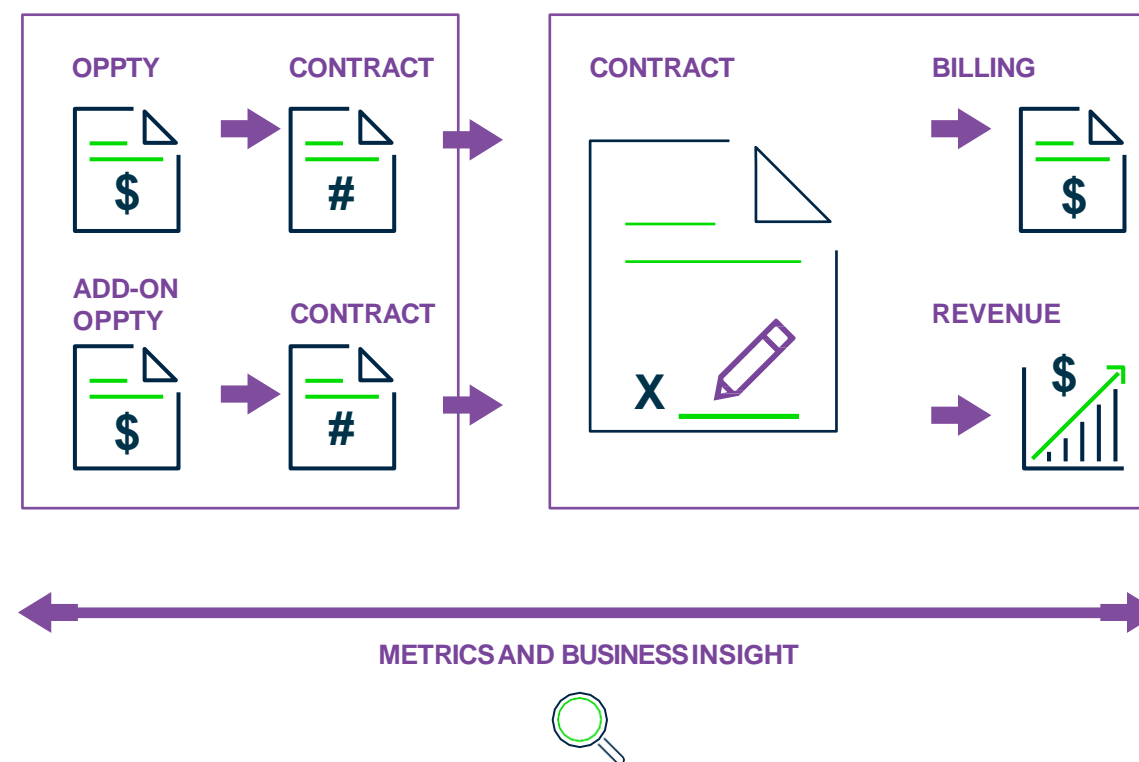
*Step 2: Establish contract-based billing*

**2** 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 multiple disparate 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
- Quality based
  - Tiered
  - Range
- Time and materials
- And more

**Billing Approaches**

- One-time
- In advanced
- Installments
- Every invoice
- And more
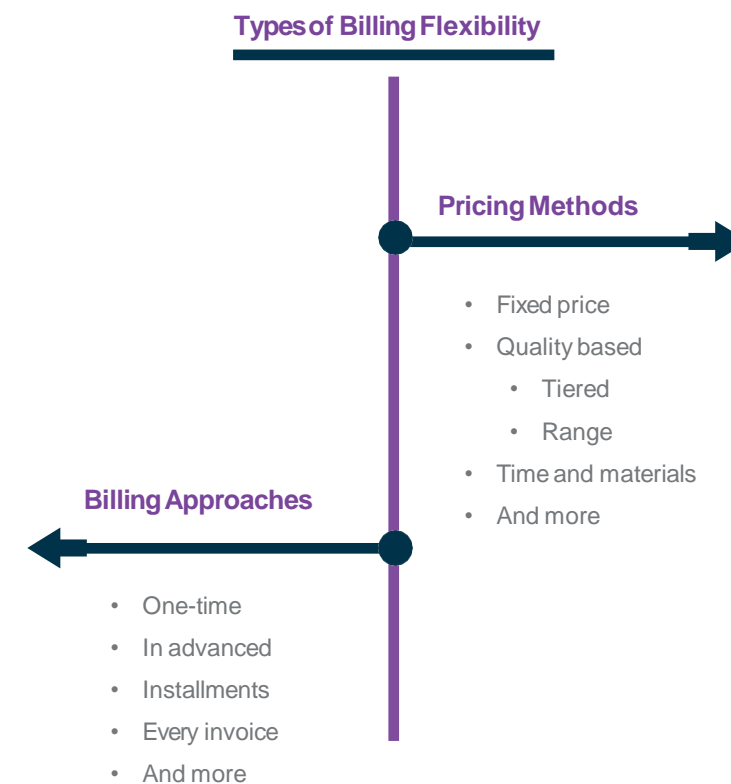
## Step 3: Build end-to-end revenue management

**3** Manage a single revenue stream

As you grow and expand, you are required to comply with complex accounting standards such as IFRS or GAAP. Multi-national groups often have to comply with more than one accounting standard.

For many organisations, 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 reconciliation not to mention expensive resources.

**The advantages of a unified revenue stream:**

**Old ERP**
- Concept of recurring revenue
- Renewals

**Subscription-billing**
- GL
- Budget v action

**One Revenue Stream across Billing and Financials**
- Fully integrated contracts, billing, revenue recognition, collections, and GL
- Automatic alignment of billing and expense amortisation
- Separate billing and revenue recognition schedules
- Automatic re-evaluation for additional purchases and changes
- Easily know where you stand and predict the future

**4** One subscription lifecycle drives IFRS, GAAP and SaaS metrics management

The ability to provide strategic insights is where you can add the greatest value to your organisation 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 IFRS, 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.

- SaaS KPIs
- CMRR waterfall
- CAC trend
- CMRR analysis
- New customers trend
- Customer churn trend
- Customer count analysis
- And more

## Step 5: Forecast the Future

**5** 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; its 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.

- **Forecast billings, revenue and cashflow for 5 years.**

- **Automatically adjust for planned price changes.**

Contract Forecast - All Types — Customize | Graph | View | Print | Process & store | Email | Add to dashboard | Memorize | Export

| ▼Subtotal name | 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 |
|---|---|---|---|---|---|---|---|---|
| ▼Billing | | | | | | | | |
| | 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 |
| | 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 |
| ▼Payment | | | | | | | | |
| | 25,000.00 | | | | | | 0.00 | 25,000.00 |
| | 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 |
| ▼Revenue | | | | | | | | |
| | 2,083.35 | 2,083.35 | 2,083.35 | 2,083.35 | 2,083.35 | 2,083.33 | 12,499.92 | 25,000.00 |
| | 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 | 152,083.36 | 152,083.35 | 152,083.35 | 152,083.35 | 152,083.35 | 152,083.33 | 912,499.92 | 1,825,000.00 |
| Sum Total | 502,083.36 | 402,083.35 | 452,083.35 | 502,083.35 | 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 AASB15 / IFRS15 / ASC606R is to help you better understand and report on 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.
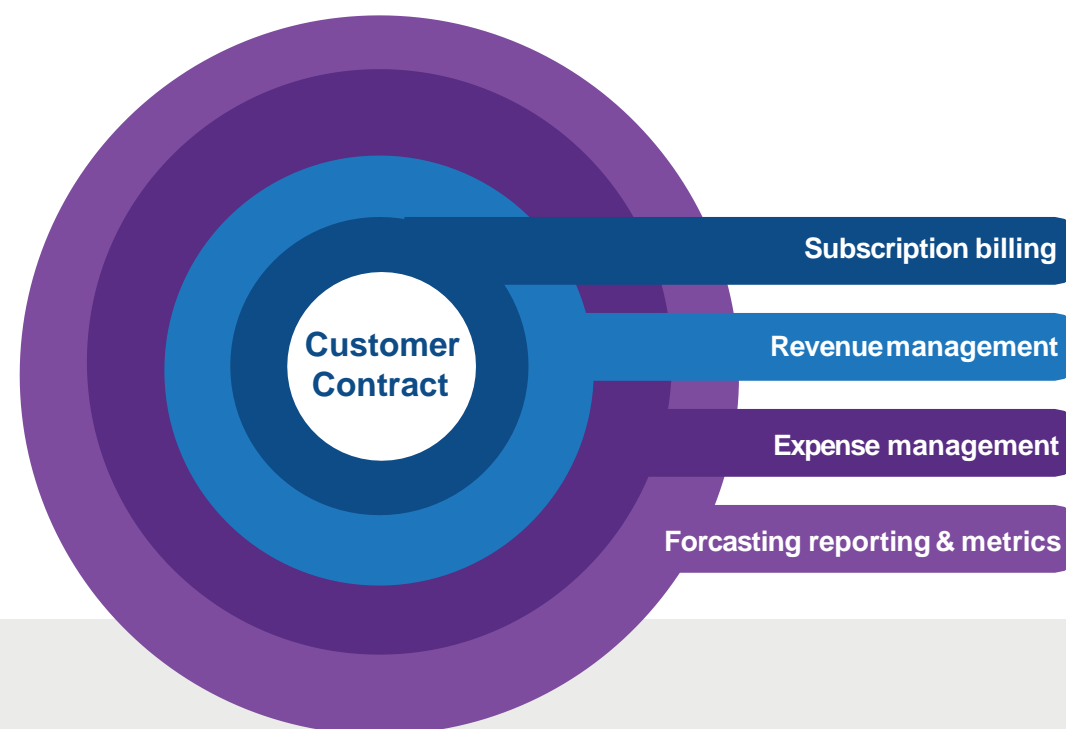
**Sage Intacct let you track and manage your customers performance obligations throughout the lifecycle.**

**Customer Contract**

**Subscription billing**

**Revenue management**

**Expense management**

**Forcasting reporting & metrics**

AKUNA SOLUTIONS

## 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. IFRS / GAAP 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 percent
- Consolidated five entities and reduced the close to five days

**Business Impacts**
- Reduced billing leakage by 2 percent
- Improved gross margin by 1 percent
- Increased revenue 75 percent, while G&A only grew 5 percent
- 30 percent faster quote to cash cycle

" We are shifting effort from 80% bookkeeping and transactional-focus to 80% analytics and business-focused. "

Lisa Schulz
Controller
Jobvite

## 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 percent
- Smarter decisions led to an additional $3 million 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
Verimatrix

"

# About Sage Intacct

Sage Intacct is the innovation and customer satisfaction leader in cloud financial management. Bringing cloud computing to finance and accounting, Sage Intacct's innovative and award-winning applications are the #1 cloud accounting software and financial management solutions for customer satisfaction. In use by organisations from startups to public companies, Sage Intacct is designed to improve company performance and make finance more productive. Hundreds of leading CPA firms and value-added resellers also offer Sage Intacct to their clients. The Sage Intacct system includes accounting, cash management, purchasing, vendor management, financial consolidation, revenue recognition, subscription billing, contract management, project accounting, fund accounting, inventory management, and financial reporting applications, all delivered through the cloud. Sage Intacct is an entity of Sage.

**For more information, visit www.akunasolutions.com**

2 Top Rated Awards in the Accounting
& Budgeting and ERP categories

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