

# 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

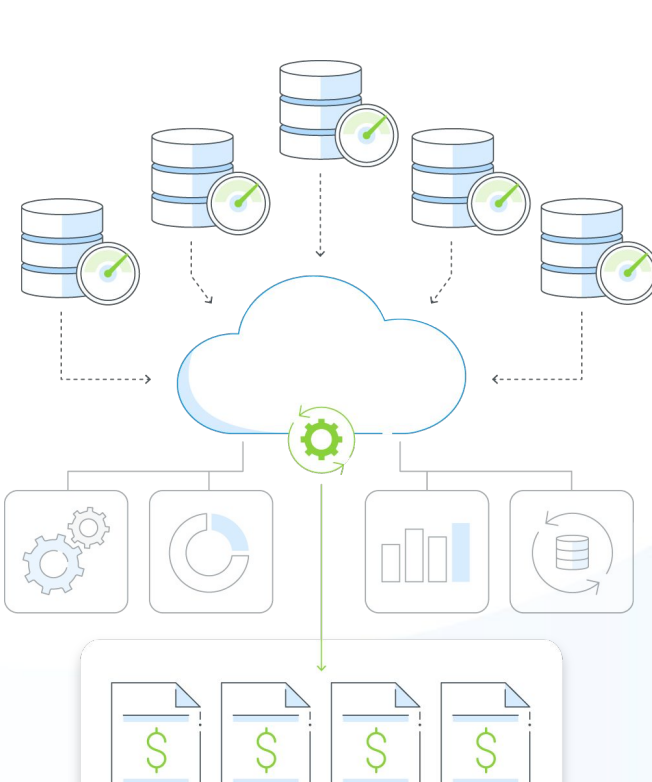
### Examples:

- **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 units (\$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

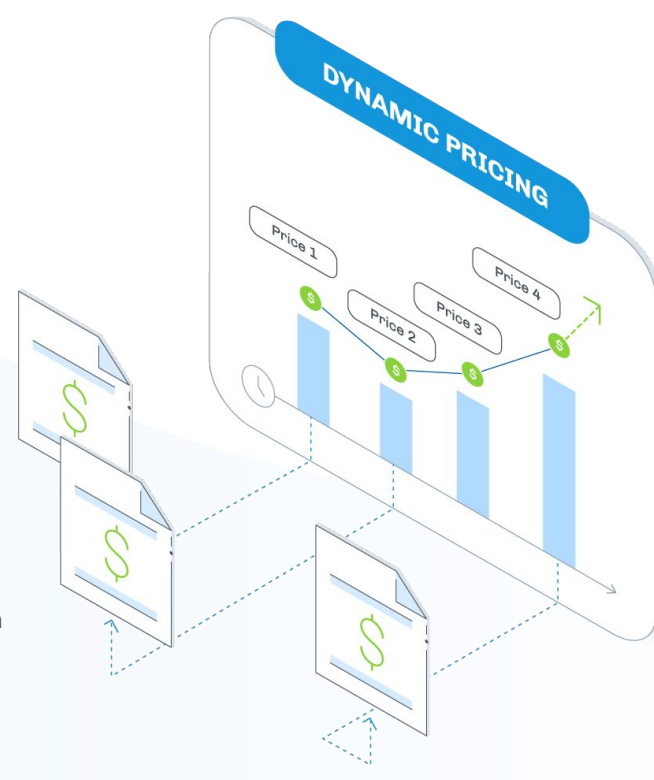
Dynamic pricing is the ability to calculate a price based on complex formulas that take multiple conditions or attributes into account - the same concept as creating formulas in Excel.

### 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 services 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.



### 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**



## 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:

- ✓ Customer gets a discounted rate for the service(s)
- ✓ Business benefits from a predictable revenue stream as well as being protected against revenue decline of underperforming accounts

### Examples:

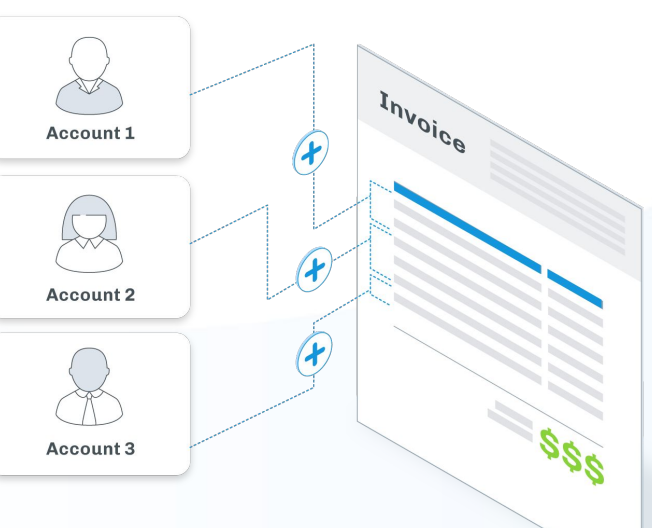
- **Prepaid annual commitment** on data usage access
- **Allotments can be tracked monthly** and if minimum is not reached, the difference is drawn down from prepaid amount
- **Hybrid commitment plus consumption** allows for a commitment on usage plus the ability to offer a discounted rate on usage if commitment is exceeded



## 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 subscriptions charges for network access, cloud storage and data analytics
- **Multi-tiered hierarchy** - roll-up billing from multiple child accounts to parent account



## Partner Arrangements

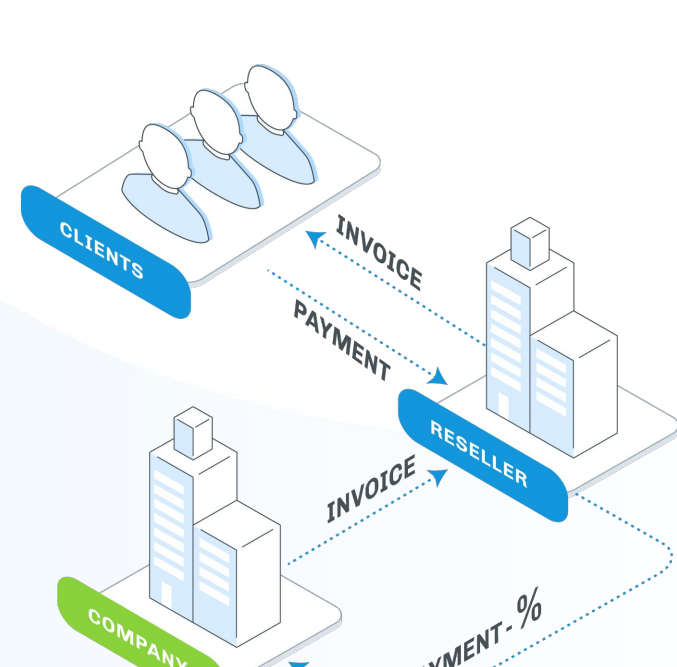
Partner arrangements provide companies flexibility to define various billing arrangements. These arrangements could be with a reseller, distributor, partner, or through a marketplace.

### Benefits:

- ✓ Utilize partners as another channel to sell products and services to increase revenue potential and automatically settle commission
- ✓ Bill on Behalf Model
- ✓ Marketplace Model

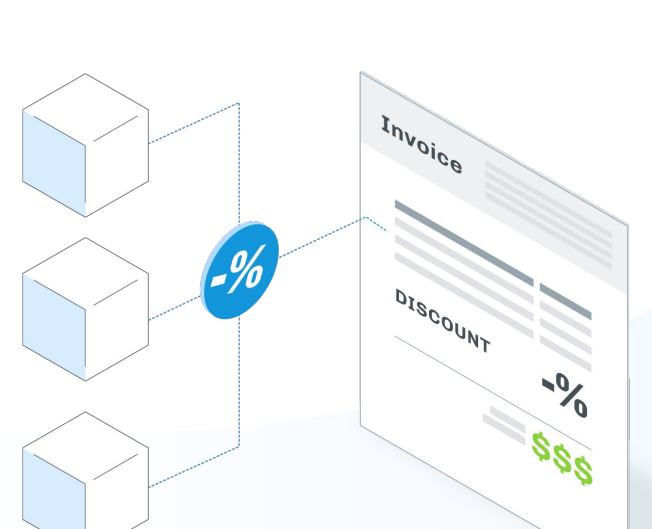
### Examples:

- **Use channel partner to resell** services, extended warranties, etc.
- **Marketplace** - aggregate buyer and seller transactions, matching exact transactions from the buy-side to the sell-side and collect only the difference, regardless of when the transaction was invoiced
- **Commission** - Generate AP Journal entries for sales agents



## Prepaid Credits

Prepaid credits provides the ability to offer customers and prospects a prepaid balance for a specific product or service valued with a specific monetary value and the ability to draw down over time.



### Benefits:

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

### Examples:

- **Promotions** - offer customers a voucher that draws down against the amount. Apply flexible effective dates - one-time use, set expiration date or no expiration date.
- **Discounts** - offer customers either fixed \$\$\$ amount off, % off or a formula-based calculation for purchasing voucher
- **Credits** - Allows customers to buy credits for a service that they can draw down over a period of time



Interested in learning how to solve your complex monetization challenges?

Contact us for a free consulting session

[contact@billingplatform.com](mailto:contact@billingplatform.com)