



**CAN YOU BILL FOR THIS?
BRINGING
AGILITY
TO BILLING
WITH SUITEBILLING**



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Read Time: 12 minutes

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Billing has long been perceived to be a back-office function, a mundane and boring task. Businesses had the tendency to put a billing system in place and then promptly forget all about it. It was a financial relic that had little functional value. Price was the primary criteria for selection of a billing system and invoice generation and payments processing were the primary functions. The billing system did not get touched unless something went radically wrong with it.

Now, the convergence of cloud computing, mobile devices and the internet of things is sparking radical innovations around pricing and bundling. This trifecta is the trigger for all businesses to take a second look at billing and reevaluate its importance to the business. The preferred ownership model has fundamentally shifted from perpetual ownership and fixed-term subscription models to hybrid models that combine subscriptions, usage and one-time

transactions. This is driving how customers buy. Sellers have shifted their focus from a transaction-focused relationship with the customer to viewing it as a relationship that needs to be built and nurtured. Companies are facing pressures to launch, build and grow recurring revenue streams as a means to compete in the marketplace, build profitability and growth. This is causing business model innovation.

TABLE OF CONTENTS

1
**Cloud Billing –
Market Size and
Growth**

Page 4

2
**Simple Becomes
Complex, Quickly**

Page 5

3
**The Convergence
of Billing**

Page 6

4
**Types of
Relationship
Models**

Page 8

5
**Billing: The
Complete Picture**

Page 10

6
**Reimagine Billing
with NetSuite**

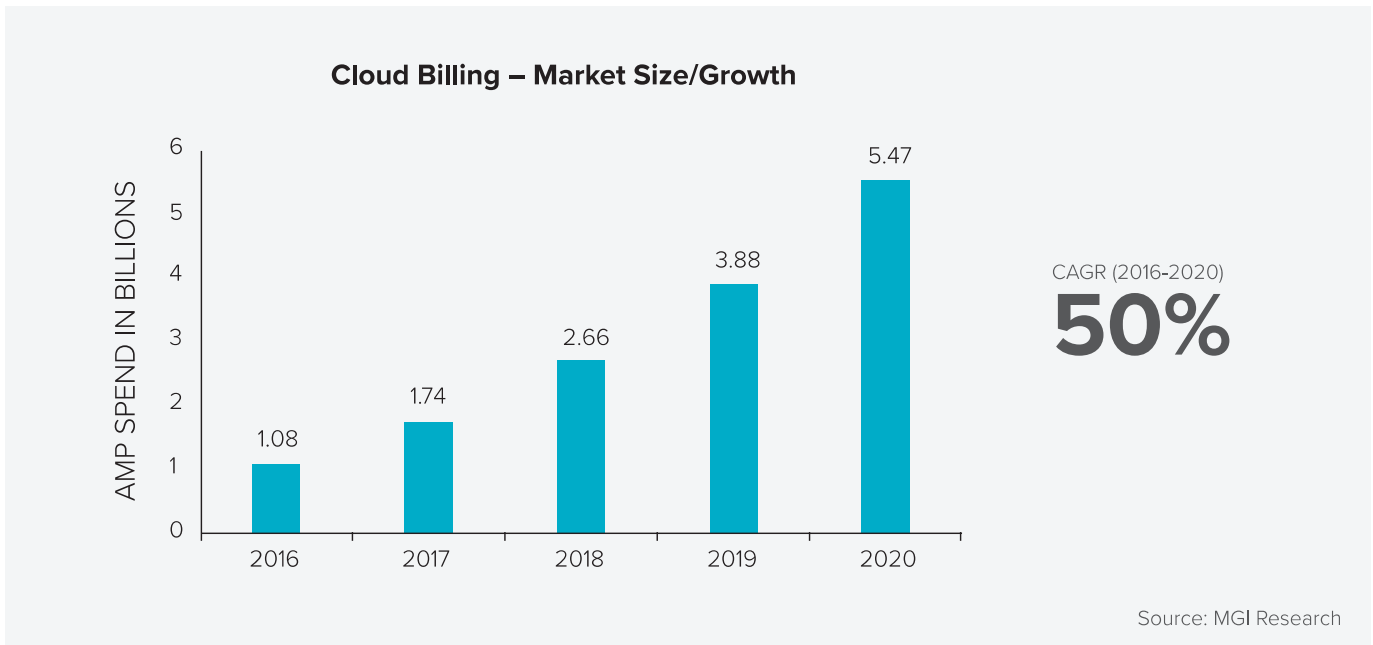
Page 12

Chapter 1

CLOUD BILLING – MARKET SIZE AND GROWTH

Cloud billing pertains to the billing of digital and non-digital services on the cloud. Simply put, billing solutions that run in the cloud and can bill for any product, good or service in an agnostic manner. MGI Research estimates that the cloud billing market will grow from \$1.081 billion in 2016 to \$5.466 billion in 2020 at an estimated compound annual growth rate of 50 percent.

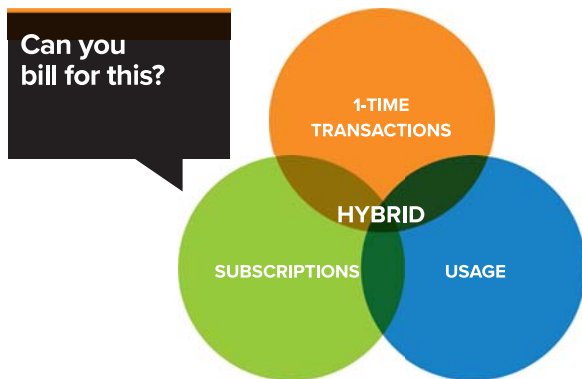
MGI analysts also estimate that in 2016 companies will spend over \$190 billion on billing—an aggregated number that includes deployment, labor, technology, services, upgrade costs and maintenance. That’s a gargantuan number for businesses to spend just on billing; it’s also a vital indicator of how the perception and valuation of billing as a business function is shifting.



Chapter 2

SIMPLE BECOMES COMPLEX, QUICKLY

The bold new universe of monetization models for businesses to sell today is best depicted by the diagram below.



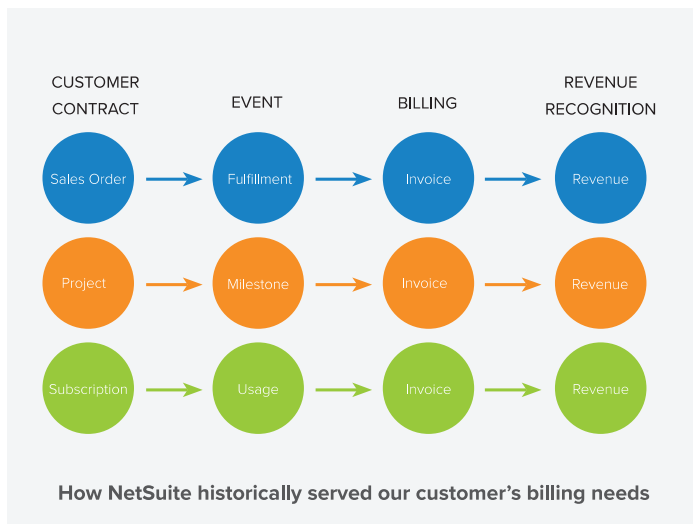
This leads to the question: “What constitutes a simple offer anymore?” What is the definition of a simple offer? Is it one-time transactions? Or, is it one-time transactions in conjunction with a fixed-term subscription? The point being, whatever your definition of simple is, it becomes complex very quickly. Your customer is increasingly discerning and demands the right offer at the right time and at the right price-point. Your competition is constantly innovating to come up with attractive offers to gain market-share. You have to keep up and before you know it, you are pressed to offer the entire gamut

of models on your offer catalog. Which begs the question, “Can you bill for this?” Can your current financial system provide billing and revenue recognition for all of these models and any combination thereof while maximizing transparency with your customer?

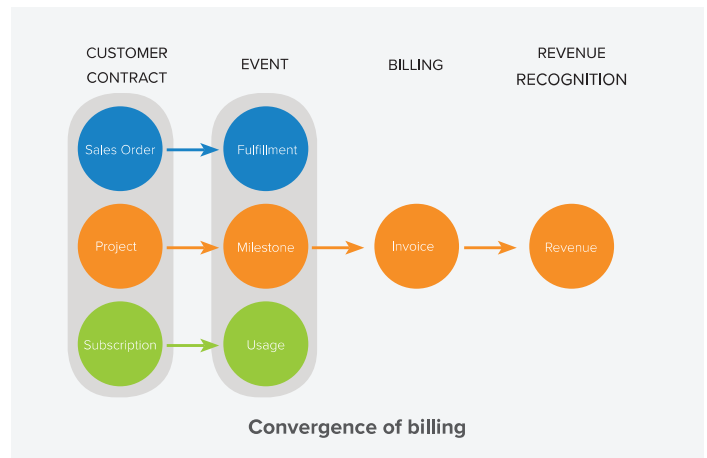
The function of billing has long been underrated and undermined as a “house-keeping” function, something that the business needs to do to keep the “lights on”. That couldn’t be further from the truth. In reality, billing is a strategic differentiator. Businesses are pressed to launch, build and grow recurring revenue streams to fully participate and profit in the marketplace today. Having an agile and nimble billing system is the difference between being able to launch those offers that will help you gain market share and retain your edge in the marketplace versus being stuck with a myopic billing system that holds you back. Have you ever had your IT department tell you to get in the line with your billing request? They might be able to deliver 65 percent of the capabilities that you need today, in 12 months. Billing, if done correctly, can take you from the back-office to the boardroom as a means to increase profitability for the company.

THE CONVERGENCE OF BILLING

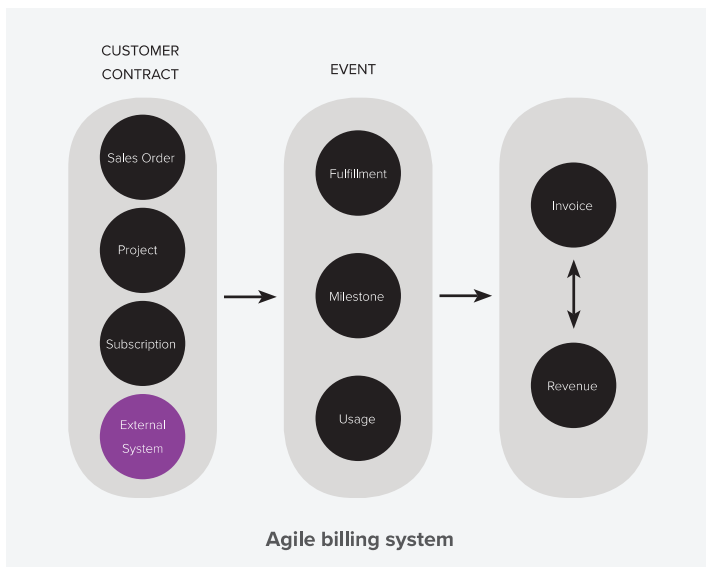
In recent times, there's been a flurry of new entrants to the cloud billing market. Not to be left behind, existing vendors are also scrambling to add cloud billing to their existing portfolio. For NetSuite, cloud billing has always been a key component of the portfolio. The diagram below depicts how NetSuite historically served our customer's billing needs. A customer contract is at the top of the orchestration sequence and it can be a sales order, a project or a subscription. The contract triggers an event or activity—which in turn could be a fulfillment event, a project milestone or usage. This event is billed for or invoiced and the process culminates with revenue recognition activity.



The market opportunity is the unification or convergence of billing. Businesses are now offering a *combination* of items, subscriptions and projects. This impacts all aspects of the offering and business processes. All service charges pertaining to a single customer are integrated onto a single invoice, enabling a single view for that customer. The customer gets a single invoice that lists the different products, services, bundles that he purchased over a given billing period and is able to make a single payment towards those offers. A familiar example from our everyday lives is quad play—wherein providers make a combined offer of broadband internet access, television and telephone with wireless service provisioning. This notion of convergent billing is depicted by the diagram below.



Carrying the concept of convergence even further—an agile billing system should be able to recognize any customer contract, including those that originate from an external system. It should be able to charge for any ratable event. The billing system should enforce the fundamental principle that what you bill for is also what you recognize revenue on. NetSuite has engineered a truly agile, cloud billing system that differentiates us from all the other vendors in the marketplace.



TYPES OF RELATIONSHIP MODELS

If we focus on the relationship models with the customer, we derive four fundamental models. The diagram below represents the types of relationships models that we see in the marketplace today.



The outermost circle is the realm of **transactional billing**. Your iTunes account where you might purchase Adele’s Skyfall single is an example of transactional billing, as is your purchase of a vintage Gucci handbag on eBay or a bohemian necklace on Etsy. The primary attributes associated with this domain are that the customer purchases

at will and in an ad hoc manner. There is no set frequency and the product/service could vary, as can the transaction amount.

The next circle is **subscription billing**. Your Netflix account that you use to view the latest James Bond flick, Wall Street Journal access to keep track of the latest financial and business news and a Premium LinkedIn membership that is popular with professionals when they’re recruiting for a new job opportunity—are all examples of subscription billing. The prime attributes associated with this model are that both the transaction and frequency are scheduled or pre-determined. The transaction amounts and the product/service quantities do not vary.

The third circle is **usage or metered billing**. Your AT&T or Verizon account where you are charged for data usage and text messages as per your consumption are classic examples of metering. Your water bill is generated based on your consumption of water for a given billing period. Telcos and utilities have traditionally been pioneers in metering. Other verticals are now awakening to the power of metering. This is the realm where we start to

see a significant shift in the attributes. The nature of transaction and the frequency of the transaction are scheduled. However, the transaction amount, product/service and their respective quantities all vary.

The innermost circle is a simple but extremely powerful notion that **anything can be a service**. A profound notion that you're not limited no matter what you sell or line of business that you are in. It's an opportunity to craft value added services that your customers need and are willing to pay for. Cisco has over 1,700 items or entities in its catalog ranging from services like Webex that can be subscribed to—to actual physical goods that will need to ship to their customer. This runs the entire Cisco gamut from basic networking equipment like routers all the way up to their flagship, telepresence suite. A customer can mix and match any of these 1,700 offers in any combination of transactions, subscriptions and metered models that makes sense for them.

The Internet of Things (IoT), at its essence, is the amalgamation of sensors and machines. Sensors simply calibrate—in other words, they generate data. The real value comes from gathering this data, understanding it and finally, monetizing it. Even verticals like manufacturing—that are traditionally associated with equipment and machinery—are becoming smarter due to the proliferation of IoT.

Manufacturers can now give their physical assets a digital identity by installing remote sensors in their equipment. These sensors pro-actively monitor for all components and parts and dispatch reports automatically to manufacturers and owners of equipment if tolerance thresholds are approached or exceeded. Potential equipment malfunction can be predicted and forecasted, allowing for maintenance, service visits and parts replacement all to be scheduled ahead of actual failure. Manufacturers can offer value added services that track the status, health and location of all their physical assets from the factory floor to any point in the supply chain, in real-time.

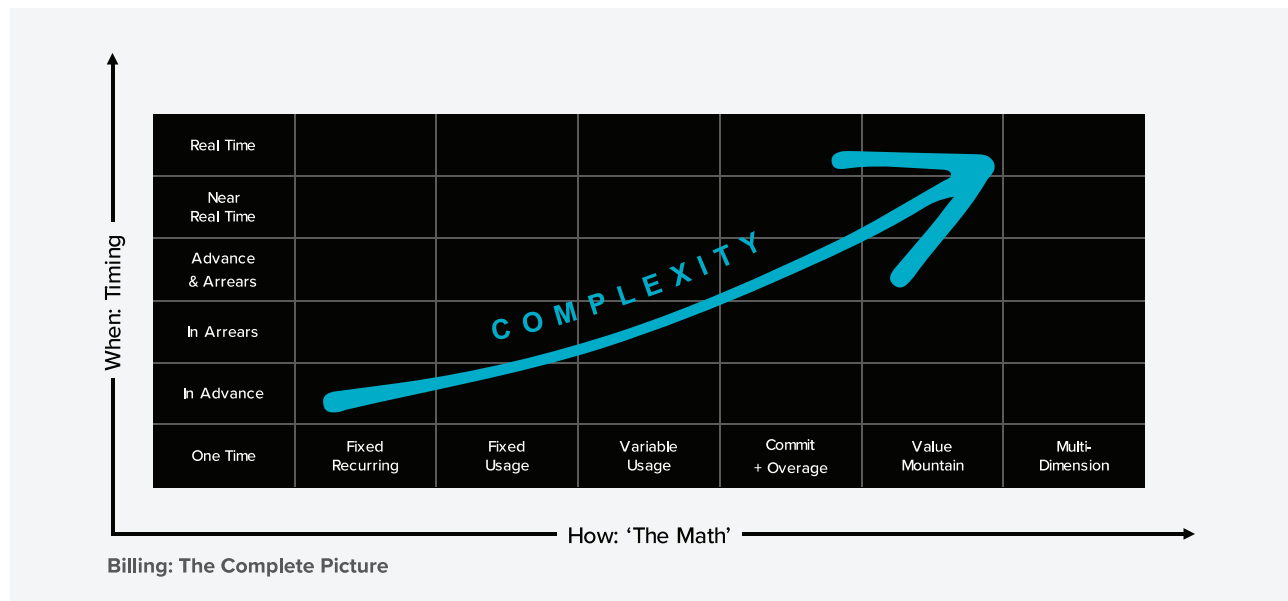
Chapter 5

BILLING: THE COMPLETE PICTURE

We've discussed the customer relationship models. We have not talked about the timing and the math. In other words, how and when is billing and rating done?

In the diagram below, the Y-axis represents the timing—as in when the costing is done in relation to the event. The X-axis represents the math or the computation methodology. An important point to note is that though this draws as a linear scale, the incremental level of complexity and sophistication needed to go up to the next level is by no means linear.

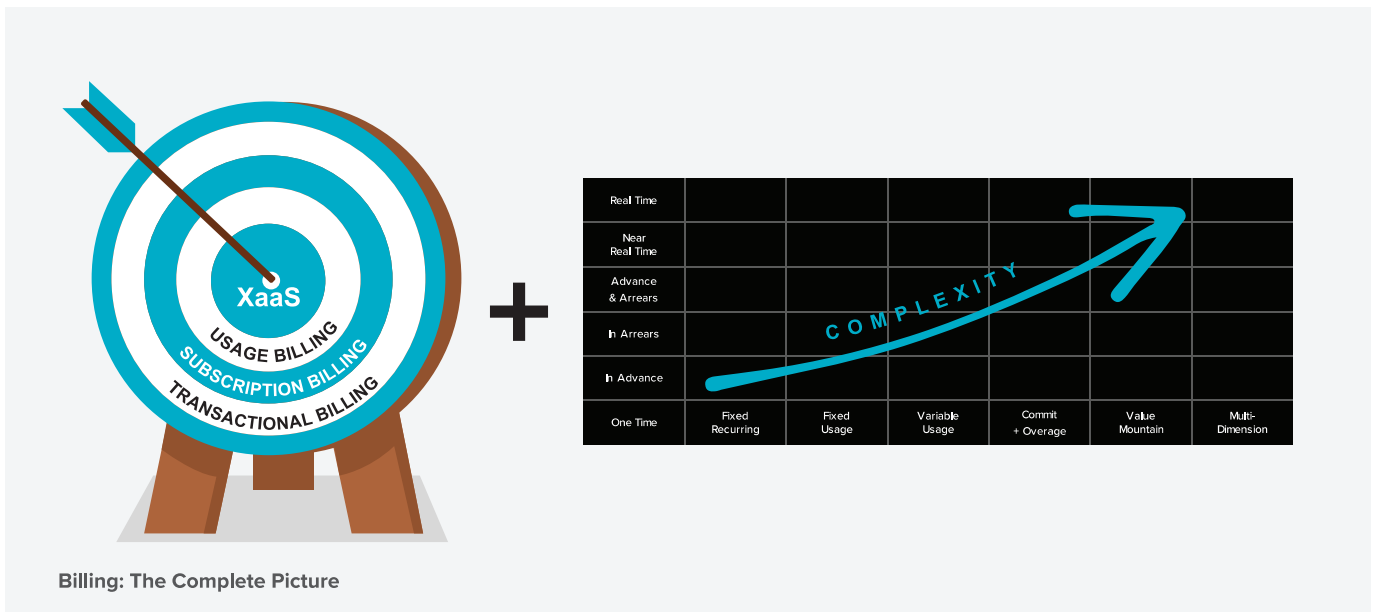
At the apex of the Y-axis is real-time. As the verbiage indicates here, there is no latency between the occurrence of the event and costing for the event. At the tip of the X-axis is multi-dimension. A telco example that we are all too familiar with in our personal lives for multi-dimension is where the provider computes charges based on day of week (weekday/weekend), time of day (peak/off-peak), distance (local, national, international) and duration.



Traditional ERP systems excel at doing billing for linear transactions or anything with a cost of goods component—a physical entity or an item. They are also limited to the One-Time compartment on this chart and are hard-pressed to serve other classifications as you move away from the origin.

To put the entire billing puzzle together, we need to look at both the relationship models and the timing and math. As the finale to the billing conundrum, we add in the notion of scale and that begins to reveal the true magnitude of billing.

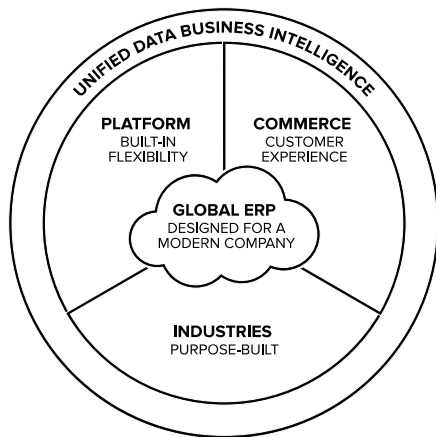
Now if billing alone were not a complex enough puzzle, revenue recognition standards are in flux. New standards have been defined that come into effect at the end of 2016. The models that we've discussed compound the complexities associated with the rigor of revenue management for companies. For example, the relationship between transactions in a subscription are shared. In many cases, the revenue event comes first and the transaction event comes later. In some cases, there is no transaction at all. The risk of non-compliance is real and that risk has both time and cost components.



Chapter 6

REIMAGINE BILLING WITH NETSUITE

At NetSuite, innovation is at the core of what we do and how we build. Billing is not a side-show or a siloed offering. We believe that billing belongs at the nucleus of your business. NetSuite’s unified billing framework underpins the entire suite. No matter what NetSuite offering you’re considering for your business—whether it’s ERP, Commerce, PSA or CRM—they share the same, powerful, activity-based billing framework.



NetSuite provides a nimble and sophisticated solution that offers unparalleled control and flexibility over billing and revenue management processes. SuiteBilling is a centralized and future-proof framework that supports the universe of monetization models and allows our customers to be nimble,

innovate rapidly and profit in today’s marketplace. It is the first and only comprehensive cloud solution in the market today, that synchronizes complex processes from order to billing to revenue recognition all within one system.

SuiteBilling is truly *agnostic* of any customer contract and event. It is engineered to synchronize billing and revenue recognition thereby enforcing the crucial discipline that what you bill for is exactly what you recognize revenue on. It provides all of the aforementioned capabilities in addition to supporting the entire spectrum of business models and accelerating time to market. Finally, it provides a transparent billing experience for your customer.

SuiteBilling encompasses four components:

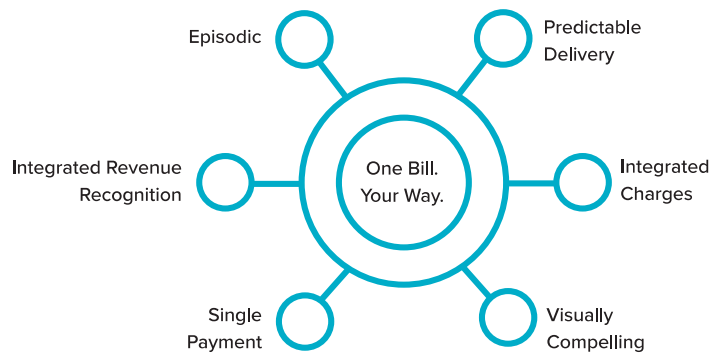
- **SuiteBilling Core** provides a unified framework to connect transactions, subscriptions and projects to the billing engine, with seamless flow to core financials.
- **Subscription Billing** allows for the creation and management of subscriptions with full integration to advanced revenue management.

- **Advanced Subscription Billing** allows for the creation and management of complex, value-based (usage) subscriptions with full integration to advanced revenue management.
- **Advanced Rating** allows for the creation and management of complex rating models, often coupled with high volume transactions.

SuiteBilling offers three prime benefits to the customer. First, it enables you to launch innovative offers to the marketplace that help you retain and grow market share and accelerate your time to market for new offers. With NetSuite, you have unprecedented control and flexibility over products and pricing that drives an international, top-of-its-class product catalog. Second, it elevates the customer experience by enhancing transparency with the customer and focusing on value delivered versus the cost. Finally, it minimizes the risk of revenue recognition noncompliance by offering a billing framework that supports new accounting principles. Open and automated processes for revenue recognition provide time efficiencies and minimize revenue alignment costs and errors.

With NetSuite, your customer gets one bill designed *their* way. The customer sees one bill for all their services with you. We think of that bill as an episode in your relationship with the customer. It is delivered at a date that your customer determines, and is presented in a fashion where there is context for the

data in conjunction with compelling analytics. Your customer can make a single payment towards all charges and all of this is integrated and underpinned by our advanced revenue recognition engine.



“With SuiteBilling, we’re giving our customers a next-generation solution to win in the marketplace today and future-proof their business for change tomorrow,” said NetSuite President and Chief Operating Officer Jim McGeever.

The NetSuite universe of customers ranges from small to midsize companies, to ones that have grown and gone public and all the way to the Fortune 500. Our customers are some of the most disruptive in the marketplace today and they already have these innovative business models in place. They require a system that can handle their pace of growth and change, and they are already doing this on NetSuite.

Sell anything. Configure, bill and recognize with agility and accuracy. Are you ready for SuiteBilling?

 **NETSUITE** | #1 Cloud ERP