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Thought Leadership Paper
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Revenue Management In Subscription-Based Organizations

The Move Toward RevOps

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Executive Summary

In January 2020, Chargebee commissioned Forrester Consulting to evaluate the billing and revenue management technology market as well as adoption levels of RevOps. Forrester conducted an online survey with 200 respondents — 150 revenue decision makers and 50 business decision makers in organizations with subscription-based revenue — to explore this topic. We found that while many decision makers understand the importance of billing and revenue management for driving long-term sustainable growth, organizations still struggle to create effective revenue programs.

KEY FINDINGS

› **Billing and revenue are crucial for driving sustainable growth.** For subscription-based organizations, creating sustainable revenue growth is the ultimate goal. Billing and revenue management can play a key role in doing this by improving data access, streamlining internal processes, finding new sales, and increasing loyalty. However, a recurring business model creates unique challenges when it comes to billing and revenue management, and many organizations are struggling to get these processes right. In fact, 90% of decision makers say their billing tools and processes need to be greatly improved.

› **Poor revenue management is leaving organizations behind.** Our study found a significant gap between those doing revenue management well and those that don't at all. Immature revenue management organizations struggle with organizational silos and outdated one-size-fits-all legacy technology like enterprise resource planning (ERP). As a result, they are at a considerable competitive disadvantage compared to their high-maturity peers.

› **Organizations are shifting to RevOps.** Organizations are beginning to look at a new way to manage revenue — RevOps — which revolves around breaking down organizational silos and managing revenue across the entire organization in a holistic way. This helps to create new opportunities, plug revenue leakage, and mitigate risks. While adoption of centralized RevOps functions is still low today (36%), it is far higher in mature revenue organizations (51%), and all mature organizations have at least some revenue operations function.

Driving Sustainable Growth In Subscription-Based Organizations

For subscription-based organizations, like most organizations, the ultimate goal is to drive long-term sustainable growth. The formula for this is simple in theory: Organizations need to find new customers, ensure the customers they have are happy, and improve internal operational efficiency. In surveying 150 revenue decision makers and 50 business decision makers at subscription-based organizations, we found that their top priorities for the coming year reflected these goals exactly: Improve CX, create net-new sales, and improve efficiency within and across departments (see Figure 1). However, this is easier said than done. Many organizations struggle with poor strategic alignment, lack of process efficiencies to identify revenue opportunities, and tools that don't scale as quickly as the teams do, preventing them from delivering on their top objectives (see Figure 2).

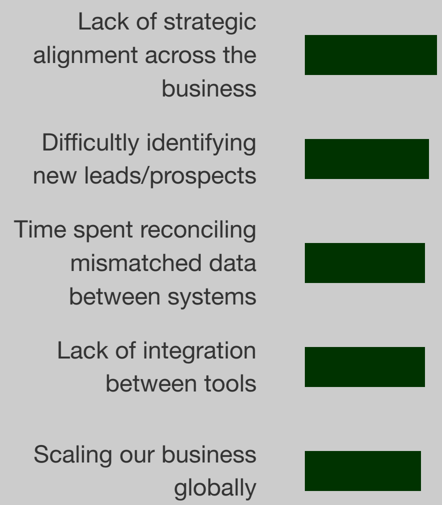
Figure 1

"What are your company's top objectives for the coming year?"

Base: 150 revenue decision makers at subscription-based businesses
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

Figure 2

"What barriers stand in the way of your company delivering on top objectives?"



Base: 150 revenue decision makers at subscription-based businesses
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

BILLING AND REVENUE MANAGEMENT ARE MORE CHALLENGING AND MORE IMPORTANT THAN EVER

Billing and revenue management are key components to any business, but especially to recurring revenue ones. Recurring revenue models can increase the frequency and the complexity of billing and revenue management. Take, for example, managing the implications of an upgrade or downgrade, a subscription pause, or cancellation. Despite this, recurring revenue organizations rarely give billing and revenue management the strategic importance they deserve. We found:

› **Ineffective revenue management tools put growth at risk.** Revenue decision makers see improving revenue management tools as a way to improve data access, streamline internal processes, find new sales, and increase loyalty (see Figure 3). Implementing effective billing and revenue management tools is a critical component to driving the long-term sustainable growth organizations so fervently seek.

› **Evolving business models make it more difficult to get billing and payments right.**[1] As businesses embrace digital in all its glory — cloud, big data analytics, the internet of things, etc. — their business models evolve too. To effectively capitalize on the new ways to offer value to customers, businesses are turning to hybrid business models that include one-time transactions, subscriptions, and usage or

Figure 3

"What are the benefits of improved revenue management technology?"

Base: 150 revenue decision makers at subscription-based businesses
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

consumption — which, in turn, make billing, payments, and revenue management more frequent, more variable, and significantly more complex. Fifty-seven percent of respondents report having lost business due to an inability to effectively or efficiently process payments.

› **Getting billing and revenue management wrong has serious consequences.** The emotional potency of the billing experience in the customer journey is evident when something goes wrong. It can lead to customers feeling frustrated, distrustful, unimportant to the business, or that the business is clumsy and mismanaged. For the business, billing improperly can also mean delays in payments, time and effort in reconciliation, and improperly reporting or recognizing revenue.

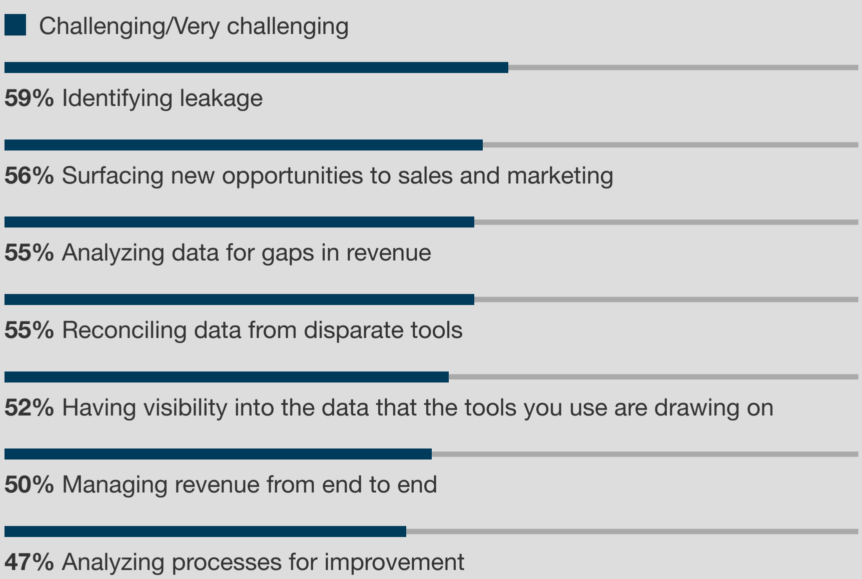
Billing And Revenue Management Are Getting More Challenging For Organizations To Manage

Many firms are struggling to keep up with the increasingly complex billing and revenue management needs of a recurring business model. Specifically, respondents cite a need for help plugging revenue leakage, identifying new opportunities, and bridging data gaps across the revenue cycle (see Figure 4). These challenges stem from two fundamental areas: tools and processes. In fact, 90% of revenue decision makers say the efficiency of their billing tools and processes needs to be greatly improved.

90% of revenue decision makers say the efficiency of their billing tools and processes needs to be greatly improved.

Figure 4

"Given current tools/technology, how challenging are each of the following tasks for your company?"



Base: 150 revenue decision makers at subscription-based businesses
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

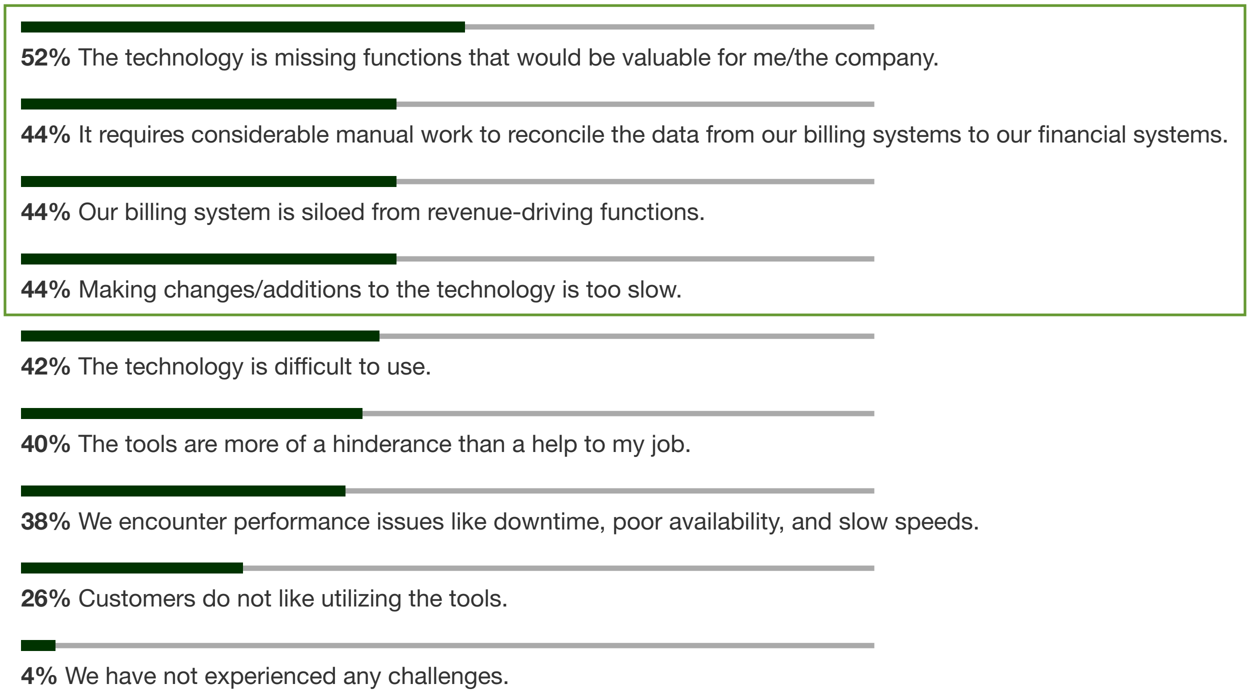
THE RISING RENAISSANCE OF BILLING AND REVENUE MANAGEMENT TECHNOLOGY

Firms are beginning to see dollars slipping through cracks in current billing and revenue management structures. For these businesses to scale, their technology and tech stacks will need to evolve alongside market expectations. Traditionally, as business requirements have changed, the technology has often lagged behind, bringing yesterday's problems into today.

- **The need for new revenue technology is clear.** Eighty-five percent of decision makers say that updated technology would help them manage revenue better. However, revenue technology, like ERP and other financial tools, has lagged other solution categories' transition to software-as-a-service (SaaS).[2] Thus, these critical tools have lagged the rest of the tech stack in terms of configurability, speed, and facilitated upgrade cycles that SaaS brings.
- **Even business users struggle with inefficient and siloed revenue management.** Our study found that many business decision makers — those who are in revenue-driving functions but are not revenue decision makers — are also frustrated with their companies' revenue management technologies. They find the technology to be slow and time-consuming to use, siloed, and missing critical capabilities (see Figure 5). It follows then that they also see the value that improved revenue management technology could bring. Almost three-quarters (73%) think improvements would lead to them being able to do their jobs better. They also see potential benefits in creating a better understanding of how revenue flows through their companies (61%), better cross-role communication (57%), and better efficiency in their departments (55%).
- **Organizations heavily rely on ERPs — perhaps to their detriment.** Many organizations look at billing and revenue management as a tactical, rather than strategic, function. They therefore rely on their enterprise resourcing planning platforms as a catch-all to cover the entirety of their revenue management technology. Over two-thirds of respondents say their organizations rely exclusively on ERP platforms for their revenue and resource planning stacks, as opposed to using a mix of best-of-breed revenue management solutions. This is despite the fact that only 11% cite ERP as the most important technology in improving revenue management. Most current ERP approaches fail to deliver the speed, flexibility, and intelligence necessary for the digital era.[3]

Figure 5

"What challenges have you experienced with your company's revenue management technology?"



Base: 150 revenue decision makers at subscription-based businesses
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

REVENUE MANAGEMENT PROCESSES ALSO NEED AN OVERHAUL

Outdated technology is not the only thing keeping organizations behind when it comes to revenue management. There are also fundamental issues in the processes and organizational structures that underly revenue management. It is quite telling that revenue decision makers rank "analyzing processing for efficiency improvements" as the most valuable use of their time.

A strategic approach to revenue management requires alignment across people, processes, and technologies. But this is rarely the case. We found:

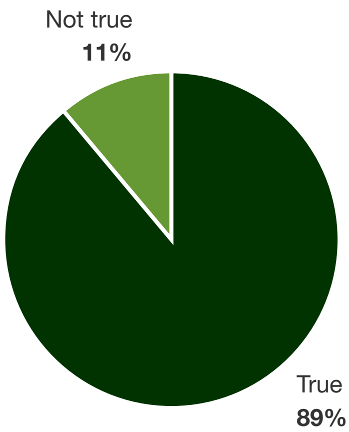
- **Misalignment starts with technology.** Eighty-nine percent of revenue decision makers say their billing systems are siloed from revenue-driving functions (see Figure 6). When revenue and billing technologies are siloed from sales and marketing technology, it makes it that much more difficult to align organizationally. This is of essential importance to organizations that use a best-of-breed approach to revenue management technology. While this approach can yield greater results, it is crucial to ensure technology is well integrated and aligned across the enterprise.
- **Revenue-driving functions are not connected.** Very few leaders report complete alignment between the groups that touch revenue, namely sales, marketing, and finance. In fact, only 6% of decision makers say their organizations have complete alignment between the three key groups driving revenue.

› **Lack of alignment can hurt development.** In a well-structured organization, all revenue-driving teams will depend heavily on each other to succeed. Nearly three-quarters of our respondents (71%) report that their teams' growth depends on the support of other teams and that interdependence causes a delay in scale. With better alignment, relying on other teams for growth would be less of a hindrance.

Figure 6

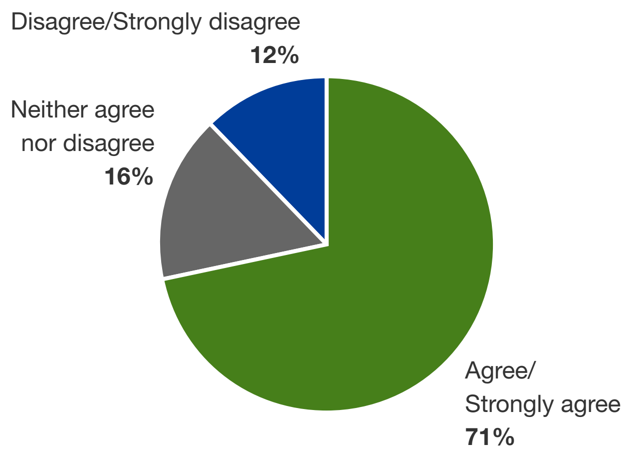
To what extent is the following true:

"Our billing system is siloed from revenue-driving functions."

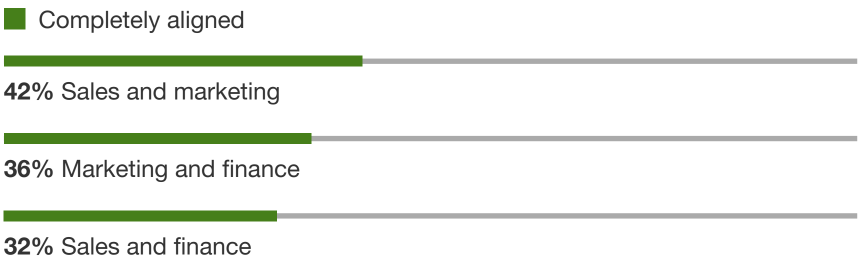


To what extent do you agree or disagree:

"My team's growth is so dependent on the support of other teams, and the interdependence causes a delay in scale."



"How would you rate your company's revenue operations alignment between each of the following groups?"

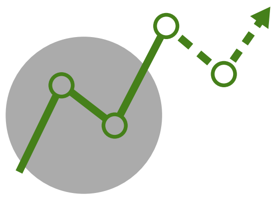


Only 6% have complete alignment between all three groups.

Base: 200 revenue (150) and business (50) decision makers at subscription-based businesses
Note: Percentages may not total 100 because of rounding.
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

Building A Mature Revenue Management Program

To examine what makes an effective revenue management organization, Forrester broke out organizations into three equal "maturity" groups and compared the differences between those with high and low maturity. These maturity groups were based on key attributes of revenue management technology and processes (see Appendix D). High-maturity firms have powerful and consistent technology that allows them to be more agile and efficient. Examining the deltas between revenue management leaders and laggards revealed fascinating differences:



› **High-maturity firms prioritize revenue-driving tasks.** One of the key differences we found between high- and low-maturity orgs was the way revenue decision makers spend their time. High-maturity firms focus far more on improving internal processes, finding new revenue, and shoring up revenue leakage and billing. Low-maturity firms spend less time in these areas and instead are more likely to spend time troubleshooting internal systems or reconciling records across systems (see Figure 7).

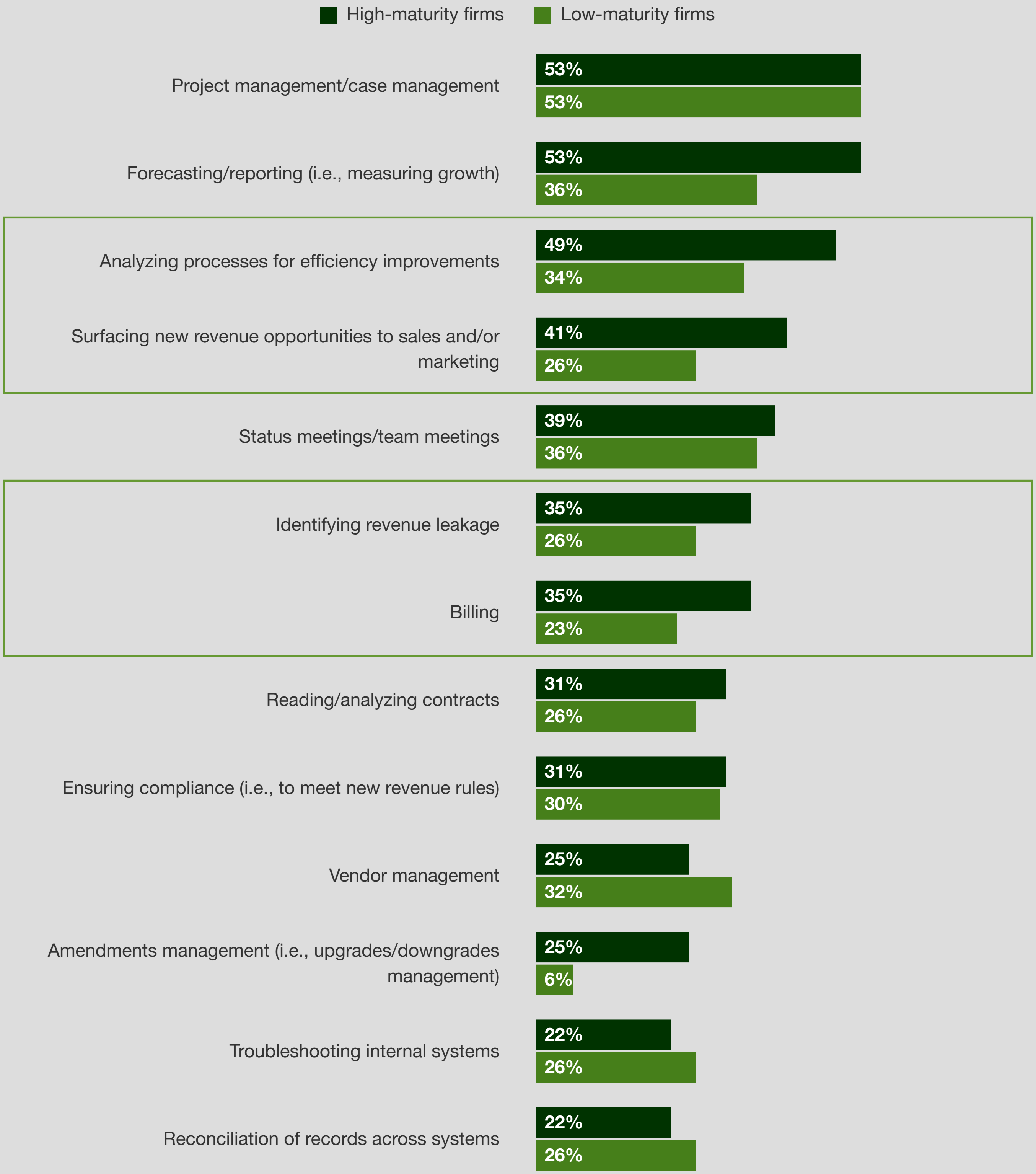
› **Setting better priorities leads to fewer challenges.** While there is still room to improve among all revenue teams, high-maturity orgs are far less likely to experience the key technology and process challenges that are holding so many organizations back (see Figure 8). Unsurprisingly, this means that that they experience far fewer negative effects of their revenue management strategies. Low-maturity organizations are more than twice as likely to lose business due to poor payment processing. They are also more than three times as likely to lack an end-to-end view of how revenue is managed and lack the data needed to understand why customers complete or abandon sales (see Figure 9).

› **High-maturity firms know the strategic value of revenue management technology.** Perhaps the most important difference between high- and low-maturity revenue teams is not the results they are seeing today, but their understanding of how revenue management can improve their organizations going forward. Respondents at high-maturity organizations are nearly twice as likely to name improved process improvements across departments as a benefit of improved revenue management technology. Low-maturity firms, on the other hand, focus more on simply improving efficiencies *within* departments. This difference in view is key to understanding what puts high-maturity firms ahead today and what will keep them ahead tomorrow.

The understanding that the right revenue management technology can mean a holistic connected ecosystem between all revenue-touching departments is crucial in building a modern revenue management strategy. This is one of the fundamental tenets in moving toward a new revenue management ideal: RevOps.

Figure 7

"Which of the following tasks/activities take up the majority of your time from week to week?" (Top five ranked)



Base: 150 revenue decision makers at subscription-based businesses
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

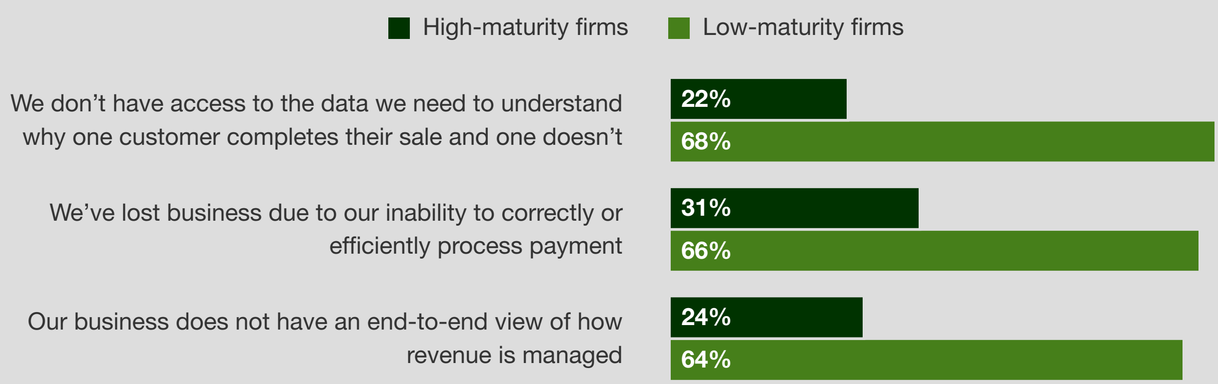
Figure 8

“Given current tools/technology, how challenging are each of the following tasks for your company?” (Showing “Challenging”/“Very challenging”)

Base: 150 revenue decision makers at subscription-based businesses
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

Figure 9

“To what extent do you agree or disagree with the following statements?” (Showing “Agree”/“Completely agree”)



Base: 150 revenue decision makers at subscription-based businesses
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

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THE MOVE TO REVOPS

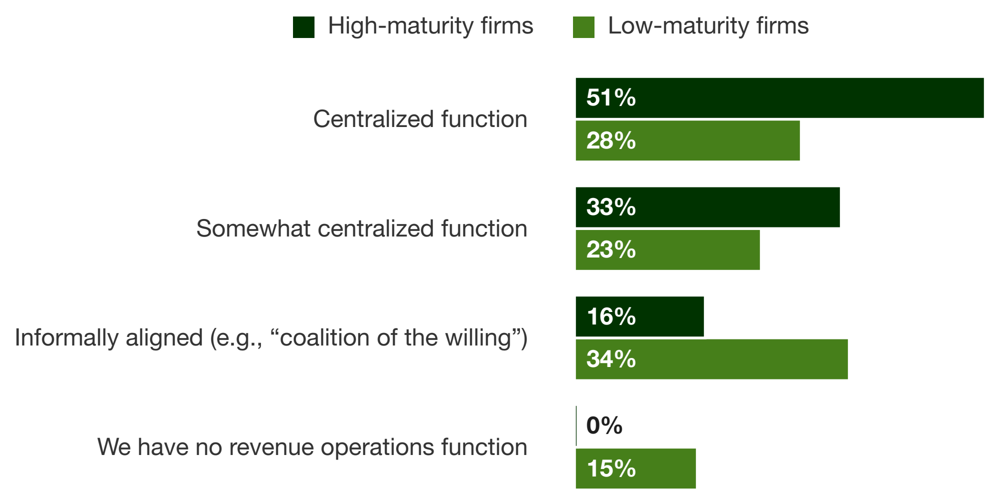
Modern organizations have begun to rethink the way they are approaching revenue management by adopting formalized “RevOps” functions, defined as follows:

RevOps is all operations associated with revenue. It requires the cross-functional alignment of sales, marketing, customer success, and, increasingly, the finance organization. The operations associated with revenue include, but aren’t limited to, discovering opportunities, mitigating risks, and streamlining operations.

RevOps is still an emerging concept, and awareness is growing. High-maturity organizations are moving to this model at a much higher rate, although still nearly half have not yet created a fully centralized RevOps function (see Figure 10). Even informal RevOps functions drive benefits to the organization. In our study, the organizations with centralized RevOps functions reaped the highest rewards, but those with informal RevOps functions still saw more benefits than those with none at all.

Figure 10

“Which option best describes your company’s revenue operations today?”



Base: 200 revenue (150) and business (50) decision makers at subscription-based businesses
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

A move to RevOps allows organizations to break down organizational silos and drive strategic alignment across revenue-driving functions. The organizations that have created a formalized RevOps function have found significant benefits in key areas for driving long-term sustainable organizational growth. These high-maturity companies have moved beyond tactically managing revenue leakage and identifying holes in their revenue management, enabling them to be more strategic about implementing scalable, efficient RevOps functions. Through improved RevOps functions, organizations have been able to bridge data gaps, improve efficiency, and increase customer loyalty and sales (see Figure 11).That is, the alignment that RevOps brings about empowers organizations to use their data better, make smarter decisions, move faster, win more business, and better retain the business they have.

Figure 11

"What challenges have you experienced with your company's revenue management technology?"

Base: 69 revenue and business decision makers at organizations with a centralized RevOps function
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

Key Recommendations

Each part of the organization, from marketing to sales to finance, is aligned on its goal for driving revenue. But they're not aligned on nearly anything else. For recurring revenue companies especially, their people, processes, and technologies must be in sync to earn the renewal at the end of every billing cycle and grow the relationship in ways that benefit both the customer and the business.

Forrester's in-depth survey of revenue management decision makers yielded several important recommendations:

Evangelize the RevOps concept in your org. RevOps still isn't very well understood as a term or a concept. But it won't be that way for long. Just as DevOps has taken hold in development organizations, RevOps will soon be a commonplace term, especially in recurring revenue businesses.

Get started, even informally. Your business will see the benefits of RevOps even if it's an informal, noncentralized function. Only about half of the high-maturity revenue management group in our study have centralized RevOps, which means you can still be a successful revenue management organization even with an only somewhat centralized function. But you need something: No high-maturity firms had no RevOps function whatsoever.

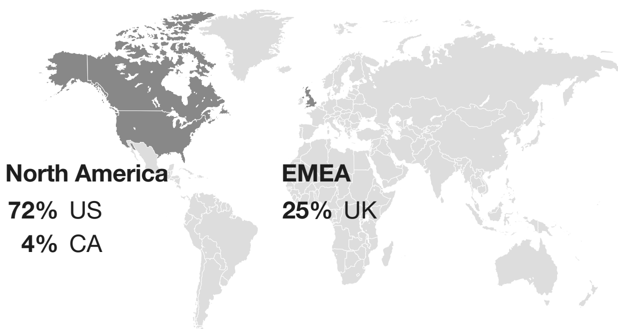
Give billing and revenue management technology decisions the strategic weight they deserve. Billing and revenue management technology are well overdue for the type of attention that marketing and sales technologies have received for their impact on revenue and customer experiences. Get billing wrong, and your customer trust is at risk and your cashflow will be impacted. Especially in subscription businesses, these technologies have the power to transform recurring customer relationships and determine the businesses appetite for continued innovation.

Appendix A: Methodology

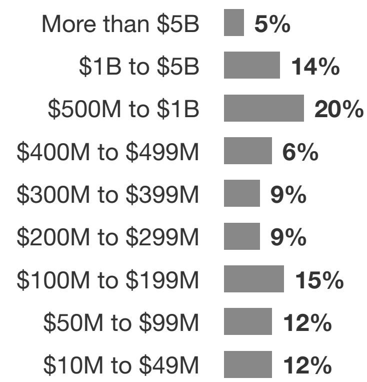
In this study, Forrester conducted an online survey of 150 revenue decision makers and 50 business decision makers in North America and Europe to evaluate revenue management at subscription-based organizations. Questions provided to the participants asked about their current billing and revenue management practices and how they believed they would evolve in the future. Respondents were offered a small monetary incentive as a thank you for time spent on the survey. The study began in December 2019 and was completed in January 2020.

Appendix B: Demographics

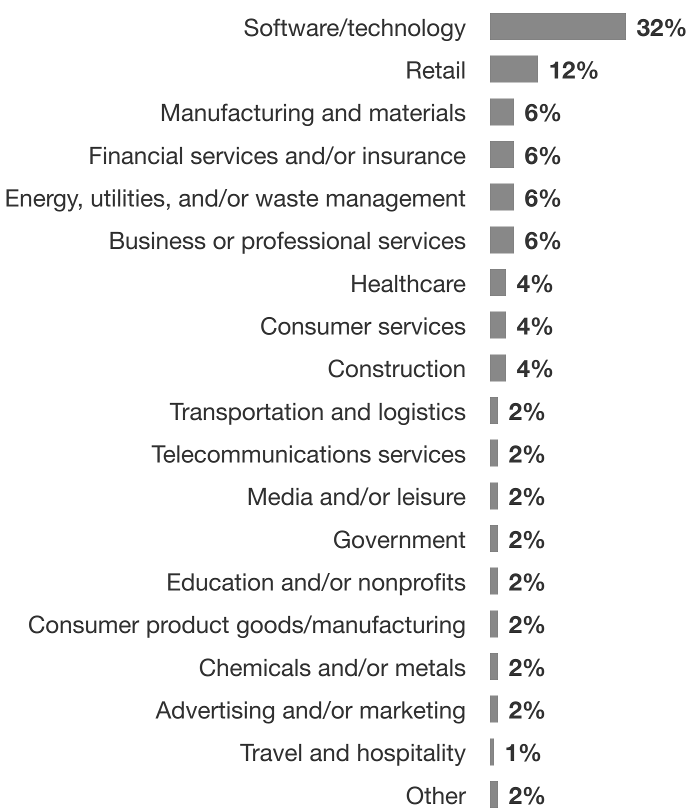
GEOGRAPHY



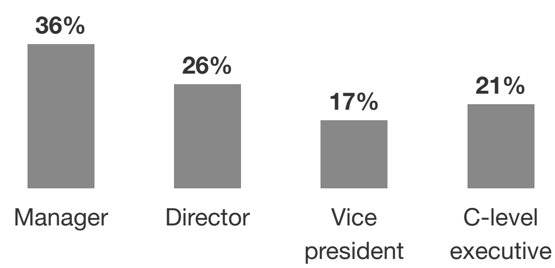
ANNUAL REVENUE



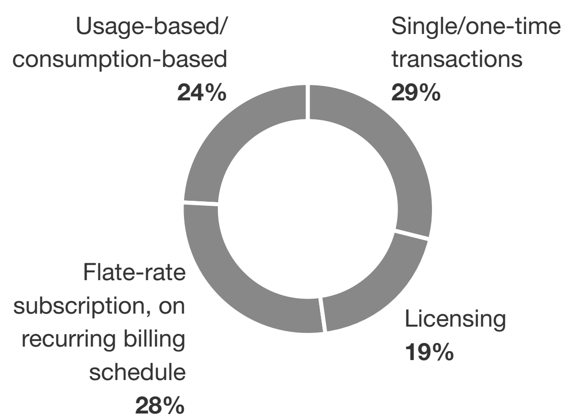
INDUSTRY



RESPONDENT LEVEL



"What portion of your company's revenue today is made using the following revenue models?"



Base: 200 revenue (150) and business (50) decision makers at subscription-based businesses
Note: Percentages may not total 100 because of rounding.
Source: A commissioned study conducted by Forrester Consulting on behalf of Chargebee, January 2020

Appendix C: Endnotes

[1] Source: "Now Tech: Recurring Customer And Billing Management, Q4 2019," Forrester Research, Inc., October 11, 2019.

[2] Source: "The Global SaaS Landscape, 2019 To 2022: Some Categories Grow, While Some Reach Saturation," Forrester Research, Inc., December 30, 2019.

[3] Source: "Look Beyond ERP: Introducing The DOP," Forrester Research, Inc., October 8, 2019.

Appendix D: Maturity Definition

Maturity Definition

- Maturity is based on nine key attributes.
- Respondents rated themselves on a 1-to-5 scale for each of these attributes (Q19).
- These 1-to-5 scores were added together (for negative attributes, scores were inverted) to create an overall maturity score. Higher scores relate to higher maturity. Respondents were broken into three maturity groups based on these scores.
- For the purpose of this project, we are focusing on the low-maturity and high-maturity organizations.

Key Attributes
We have an API through which we can manage all basic recurring billing functionalities
Our developers warn against touching our billing infrastructure unless absolutely necessary.
It requires considerable manual work to reconcile the data from our billing systems to our financial systems
We encounter performance issues like downtime, poor availability, and slow seeds from our billing platform
Our billing infrastructure is filled with spaghetti code
Our billing system manages mid-cycle billing changes efficiently
Our efficiency of our billing tools and processes needs to be greatly improved
We have control over our plan and pricing configurations and are able to test them at will
Our billing system is siloed from revenue-driving functions

Breaking out maturity groups based on aggregate score