

# Zuora: Build Your Business, Not Your Billing System

---

*A Neovise Vendor Perspective Report*

## **Introduction**

The primary objective for any business organization is to deliver value to its customers at a profit. Yet even when a company has real value to offer, there are a number of hurdles to clear in order to achieve profitability. For example, companies must not only compete to win customers, but do so while containing costs. Unfortunately costs seem to come in a never ending variety. Common categories for spending include rent, equipment, supplies, sales, marketing and many others.

There are also a number of costs that do not show up in company financial statements. Consider time to market, for one. Some companies simply take too long from business formation to first revenue. This typically means more spending and greater risk of running out of funds before reaching profitability. Other companies take too long when introducing new offerings. This leaves a greater window of opportunity for competitors to release similar or alternative offerings. Regardless of how a delay in time to market materializes, there is a high probability of reduced market share, lost revenue, higher costs and less profit.

To achieve profitability, businesses need to both capture revenue and contain costs. This *Neovise Vendor Perspective Report* discusses how one company, Zuora<sup>®</sup>, addresses each of these challenges for businesses that have subscription based revenue models.

## **Background and Challenges**

Driven by a combination of innovation, emerging customer needs and competitive forces, the business environment across all industries is undergoing constant change. What started as a best practice years ago is often replaced by a new approach that better meets today's requirements. There are also changes which are more relevant to individual industries or market segments. For subscription based businesses in particular, there are three important trends to consider.

## Trends related to subscription businesses:

- **Services versus Products** – Consumers and businesses are increasingly opting to purchase services rather than products. Benefits of services can include lower upfront costs, greater customization and better alignment of spending and consumption. Those who purchase services also avoid the costs and responsibilities associated with product ownership. For example, products often generate additional cost through storage, maintenance and upgrades.
- **Technology and Automation** – Through technology, many product offerings have been turned into pure or hybrid service offerings. Customers now have greater choice: purchase a DVD or subscribe to a music service, purchase a magazine or subscribe to a media service, purchase a software license or subscribe to an on-demand software service, purchase a server or subscribe to a cloud computing service. Keep in mind that services have traditionally been delivered with a large labor component and a correspondingly large price tag. Along with advances in technology, automation is critical for delivering new services at attractive prices.
- **Value of Information** – With growing levels of competition and increasing rates of change, businesses demand access to relevant information more than ever before. At the same time, the number of different media types has exploded. These include online magazines and journals, web logs (blogs), podcasts, webcasts and others. When the right information is available, businesses and other organizations will readily pay to access it.

The three trends described above are not acting in isolation from one another. In fact they are combining to produce entirely new service offerings. In the area of information technology this includes subscription based services like software as a service and infrastructure as a service, both viewed as cloud computing services. In the realm of media this includes traditional print media businesses which are adapting to the new realities of the digital information age. It also includes new media companies that are attempting to monetize the value of social networks and otherwise changing the rules.

## Challenges

While there is abundant opportunity for subscription based businesses, there are also challenges. Simply put, businesses need to quickly deliver new services to market with competitive costs in order to improve their overall odds of success. However, too many businesses choose paths which delay service introduction or raise the startup costs for those services. Subscription businesses like media companies and technology service providers need to be aware of and avoid these common mistakes:

- Trying to leverage legacy billing and payment systems designed for simple products
- Investing in non-core activities by trying to build capabilities which can be purchased
- Realizing the complexity of various subscription models *after* committing to the wrong solution
- Ignoring future requirements such as multiple currencies or increased scale
- Becoming locked in to a limited set of billing and payment options

## The Solution from Zuora

Zuora provides an online subscription billing and management platform, delivered via software as a service (SaaS), for companies to build, run, and operate their subscription and recurring revenue businesses. The subscription management platform allows companies to focus on top line revenue growth, operational efficiency and automation. Zuora provides this service to any business that has a subscription and/or recurring revenue model including SaaS, Web 2.0, cloud computing and traditional enterprises that offer recurring revenue products and services.

Zuora's product suite helps businesses manage the entire lifecycle of a customer subscription, including subscription orders originating from a website, a CRM application or from a channel partner. It also helps them manage subscription changes due to upgrades, renewals, cross-sells and up-sells.

- **The Z-Commerce Platform**, the foundation of Zuora's suite of subscription billing services, is an open web services platform, providing customers and the developer community with the tools and APIs to interoperate the Zuora suite with any operating platform.
- **Z-Billing™** is the application that allows customers to price and package their products and rate plans, manage subscriptions and change orders, and automate billing operations.
- **Z-Payments™** pre-integrates with leading payment gateways such as PayPal, Authorize.Net, CyberSource and Fidelity eFunds to automate the processing of credit card, debit card, ACH, PayPal and wire transfer transactions.
- **Z-Force™** includes a native set of Force.com objects for seamless integration with Salesforce.com to give customers a best of breed approach to managing quotes, upgrades, renewals, up-sells and cross-sells.

Media companies and technology service providers should especially take note of the Z-Commerce Platform which makes it easy for developers to monetize their cloud services by simply plugging in commerce-as-a-service with a few lines of code. With the Z-Commerce Platform, developers also get full access to a development sandbox environment, online API documentation, sample code and toolkits to get started quickly, and the Zuora Developer Network site with forums and full developer support. And Z-Commerce for Facebook makes it easy for Facebook developers to add commerce widgets directly into Facebook applications so they can start charging subscriptions and collecting payments.

## The Perspective of a Zuora Customer

In order to provide additional perspective on the solution from Zuora, Neovise interviewed Paul Walborsky, CEO of The GigaOM Network, a business media company linking the world's leading technology innovators to a global audience of prospective customers, business partners, and investors. The GigaOM Network builds communities, uniting innovators and their partners through online media, events, and research. The company also provides its content to high-profile media partners including CNN, The New York Times, BusinessWeek, Reuters and Salon.com.

During the first half of 2009, the GigaOM Network was preparing to launch a new service called GigaOM Pro. While content from existing media properties in the GigaOM Network had been free, GigaOM Pro was to be a premium service sold on an annual subscription basis. Individual subscribers would each receive an online account, exclusively for their own use. Introductory pricing was to be set at \$79 per year with a rate increase expected after the service meets its content objectives and completes its beta phase. GigaOM Pro subscriptions also needed to support enterprise and group discounts, along with other types of discounts to be determined over time.

With an in-house IT staff, an obvious approach was to evaluate the development of a home-grown solution. The team went ahead and spent time developing some of the specifications. However, they quickly realized “If the subscription is at all complicated then it doesn’t make sense to build it yourself and manage the resulting code base.” When considering the development, maintenance, enhancements and time to market costs, as well as the fact that developing subscription services is not a core competency of the business, it became clear that a do-it-yourself approach was not the best choice. Paul Walborsky summed it up well: “At this point we had no idea why we were even thinking about building it.”

“If the subscription is at all complicated then it doesn’t make sense to build it yourself and manage the resulting code base.”

Interestingly, it was one of the in-house developers who brought up the possibility of using Zuora to provide the billing and payment capabilities for GigaOM Pro. The developers required seamless integration to the broader workflow including account creation and integration with the CRM system. They took a look at the Zuora API and liked it, realizing they could easily integrate the solution. From the business perspective, Paul knew he had to “ensure that subscribers would stay within the experience of GigaOM Pro and not disrupt the ordering process right when customers were making a purchase.” Ultimately Zuora met both the technical and business requirements and was chosen as the billing and payment solution for GigaOM Pro.

The implementation was quick at just a couple of weeks, and the Zuora team was immensely helpful. According to Paul, “They helped us integrate with our CRM system and made sure we were up and running on time and with the needed functionality. They followed a very structured approach with lots of communication and daily reporting of outstanding issues. I was very impressed with this implementation process. Actually, I’ve never seen a better process on something like this. They knew what they were doing.”

GigaOM Pro was released at the end of May 2009 and uses Zuora for billing and payment. At the time of this writing, the solution had been operating successfully for about three and a half months. Importantly, the subscription purchases and corresponding revenue have also been meeting targets. Paul looked back at the experience and concluded “I like Zuora. They are a good company and business partner, and that is not always the case when you work with third parties. We made the right choice.”

**About Neovise**

Focused at the confluence of business and technology, Neovise delivers innovative and actionable assessments of vendor offerings, technologies, market developments, competitive dynamics, user challenges and other critical topics in the information technology market.

Based on decades of industry experience and ongoing market analysis, Neovise provides essential guidance to members of the IT community. Key industry players include IT leaders, business executives, software vendors, investment professionals, systems integrators, and service providers. While each of these roles has a separate focus, they all require value added information and advice in order to formulate winning strategies and make optimal decisions.

Neovise is your trusted, independent source of expertise, insight and advice that recognizes and embraces the interdependent relationships between business and technology.