

Best practices for  
**MANAGING  
RECURRING  
BILLING**  
in Salesforce

**By 2020, more than 80% of software vendors will change their business model from traditional license and maintenance to subscription.**

**Gartner**

Many people will tell you we're living in a "subscription economy". While that may be truer for certain industries than for others, we are seeing more and more companies moving to a subscription-based pricing and billing model. Software and SaaS companies many seem like the best fit, but other industries appreciate the value of longer-term customer value, a more predictable revenue stream, and building a better connection with the customer-base.

Creating and managing a recurring payment system may seem complicated, but it doesn't have to be. In fact, using Salesforce, which is already your everyday tool for managing your customer relationships, is a simple way to integrate those subscriptions into your everyday office workflows.

As you structure your subscription or recurring billing in Salesforce, here are a few important considerations to manage the process seamlessly.

**By 2020, approximately 20% of Fortune 1000 companies will adopt subscription billing models.**

**MGI Research**

## Buying into the Subscription Economy

A lot has been said in recent years about the subscription economy. Especially with younger generations, there is a move towards “temporary” ownership instead of permanent, and the desire for payments that are flexible and manageable. Subscription pricing is a way to grow through delivering that flexibility and maximizing long-term customer relationships. These models are built around some combinations of pay-as-you-go, monthly subscriptions, and long-term contracts.

Companies who embark on this pricing need to be prepared for a more intimate, ongoing relationship with their customers than with traditional buy-it-and-go models. Subscription pricing brings customer expectations of responsiveness from the vendor. So, focusing on your customers is essential.

## Forego the complicated billing systems

There are many options out there meant to help you manage your billing department. Subscription or recurring billing software is often costly, complicated, and difficult to implement. They also don't always offer you the flexibility you want for your specific subscription-based pricing approach. And consider that it's a whole other system that requires employee training, technical support, licensing fees, and data security measures.

Part of the reason you're using Salesforce as your CRM is because it centralizes so much of how you interact with your customers. A single platform for your customer database with a wide variety of business applications available on the AppExchange to add functionality. By extension, adding your billing functionality to Salesforce – whether it's subscription based or not, is a good extension of one of the most powerful tools in your business.

Managing your subscriptions in Salesforce instead of an independent billing software usually means some big improvements in how you do things:

- Staff do not need to operate in multiple systems to set up customer subscriptions
- Fewer systems to support, license, and secure
- Payment data enhances the 360-degree view of your customers
- Data resides in fewer places minimizing effort, errors, and security concerns
- Closed won sales can trigger workflows of billing, provisioning, etc. in the same system

## What payment schedules do you offer your customers?

Does your payment system make it easy?

Being able to offer options and flexibility to your customers is a competitive advantage. Some traditional billing systems don't make it easy to build in different payment schedules or make changes to a current customer's payment plan. When integrating subscription payments into Salesforce, consider that you might want the flexibility to offer many different options. :



**Traditional  
monthly, weekly,  
annual payments**



**Less traditional  
bi-monthly,  
semiannual,  
biennial payments**



**One-time deposits  
against a balance**



**Payment amount  
adjustments  
from one  
installment to  
the next**



**A set number of  
payments over the  
life of the  
subscription**

## Build it with flexibility

It's all about the customer experience, and with subscription-based pricing, you'll want to offer your customers the package that best meets their needs. Many businesses create customer-facing subscription packages, but build them with the flexibility for adjustments for individual customers recurring billing schedules or amounts.

Consider that you might want to manage some or all of these possible adjustments to your subscription set up for a given client, and you'll quickly understand why you want the system you're using to be simple, flexible, and customizable.

### FLEXIBILITY THROUGH ADJUSTMENTS IN YOUR SUBSCRIPTION PACKAGES

Freemium accounts	Loyalty programs	Tiered pricing accounts
Setup charges	Free trials	One-time transactions
Per user pricing	Discounts, sales, coupons	Consumption pricing
Refunds (whole or part)	Value-based pricing	Late fees
Bundled pricing	Early renewal discounts	Regional pricing
Volume or channel discounts		

As you set up your recurring billing system, you need the flexibility to build your unique adjustments into the system and confidently run them knowing your customers are being charged the correct amount.

With the right Salesforce extension, you can set up your subscription billing to not only easily change a payment from one-time to recurring but also to pause payments; create biennial, weekly, monthly, or quarterly billing; or define the subscription length as unending, until balance paid, or based on a number of payments or a specific date. Plus, it's easy to add additional fees or build in the discount and pricing features you've created.

## Make the most of the 360° customer view

We all know the old saying that it takes more to acquire a new customer than it does to keep an existing one. That is fundamentally what's behind so much of the move to subscription-based billing. Creating long-term revenue for the foreseeable future from existing customers builds real value for an organization.

Consider also that finding opportunities to increase revenue with existing customers is often much easier than securing new business. It's easy to see how your 360° customer view can become your goldmine.



### **Add payment history to your customer data**

By adding your subscription payment process in Salesforce, you also retain the customer's complete payment history. This includes total sales to date, refunds, declined transactions, account standing, and future recurring payments. The information is available in real-time to everyone in your organization who needs it.

### **Create more meaningful reports**

The more comprehensive the data you use to build reports, the more you can do with them. Adding subscription and payment data to reporting gives insight into key metrics like subscription growth, churn, understanding customer buying habits, forecasting and more. Salesforce is already equipped with dashboards and reports that help you drive your business. The addition of subscription data makes them even more meaningful.

### **Equip your sales and marketing teams**

Both your sales and marketing teams can use the payment data in conjunction with other customer information to improve how they manage individual customers or how they structure future subscription options.

### **Predict and prevent customer churn**

Understanding how, why, and when you lose or fail to renew a customer is an important part of every business. For many companies, they look to data to spot trends that help them define those important customer milestones. Subscription and payment data are important to that analysis and can help businesses predict when customers are most likely to leave, and adopt best practices to prevent it. In some instances it may be as simple as adjustments to the subscription model for a customer, while others may require more comprehensive marketing efforts. Regardless, the better the data, the better your ability to predict a customer's next move, and the better your odds of increasing their LTV for your company.



## How subscription-billing balances your cost of customer acquisition

Your customer acquisition costs (CAC) can be simplified into a ratio of your costs to acquire your new customers to how many new customers there are.

$$\text{CAC} = \frac{\text{Total costs for acquiring your new customers (everything from marketing, sales, etc)}}{\text{Total number of new customers}}$$

This number can be very complex depending on how many variables you want to consider, however, even a simplified version will give you a sense of the costs to acquire a new customer.

The next important number to know is the long-term value (LTV) of a customer. When you have customers on a subscription-based billing pattern, it's easier to understand and predict the LTV.

### The relationship between CAC and LTV

Ometria, a UK-based marketing automation provider, sums up the relationship between CAC and LTV perfectly.

LTV:CAC

Less than 1:1	You're on the road to oblivion, and fast
1:1	You're losing money from every acquisition
3:1	The perfect level. You have a thriving business and a solid business model.
4:1	Great news, but you're under investing and could be growing faster. Start more aggressive campaigns to acquire customers and bring your ratio closer to 3:1.



## Using Salesforce data to manage your subscriptions

Every level of the organization can access information, including your subscription payment data, inside Salesforce. As part of the 360° view of your customers, it's a valuable asset to retain and secure more customers. Here are two scenarios to consider.

### Brian the salesman

Brian uses Salesforce almost all day, every day, to manage his customer interactions and data. His company recently started managing their payment process in Salesforce and he now has access to payment history for all his clients.

He was preparing to reach out for a 6-month review with one of his new customers. Before his meeting, he reviewed their payment history and saw that their last two payments were delayed because of invalid payment information. The customer service notes show changes to payment details for both months.

Brian suspects the new customer might be having cash flow problems, but he wants to keep them as a customer. Before meeting with them, he considers some options for adjustments to their subscription that might help them make their payment each month.

After meeting with the client, Brian agrees to assign a 6-month "early renewal" discount when the customer committed to another year on their subscription. He easily made these adjustments in Salesforce along with his notes directly in the customer's account. Brian's knowledge of the customer's payment history and the ability to make payment adjustments meant he retained a customer and the customer appreciated the flexibility Brian could offer.



### **Candace the marketing manager**

Candace is a big fan of customer analytics as a tool to evaluate and manage her company's marketing campaigns. She started more effectively using payment data as part of her analysis when her company integrated accepting payment directly into Salesforce. The payment data provided some valuable insight into how their customers make their purchasing decisions and their payment preferences.

The payment data in Salesforce helped Candace identify that customers who started on their free trial were more likely to take advantage of their bundled pricing subscription package when they did sign up for paid services. Because the information was in Salesforce, Candace could cross reference the trend with different customer segments, and noticed that one of their target industries was a strong exception to the rule. In fact, this industry was predominantly signing up for a pay-as-you-go subscription package instead. Candace and her sales team considered this further and realized that this specific industry was struggling economically, and the pay-as-you-go subscriptions, while giving them less by way of service, was preferred because they could easily choose to downsize in the future.

Candace's company preferred as many customers on the bundled pricing subscription package as possible because it meant their customers were using more of their services, it gave them a better understanding of the long-term value of a customer, and created better opportunities to build stronger customer relationships. So, her team created a special promotion for this industry which allowed them to sign up for the bundled subscription, giving them access to all their services, but structured it in a pay-as-you-go pricing model for a 12-month period. These adjustments were easily made to the billing process in Salesforce, and a workflow was created to follow up with these companies near the end of their 12-month promotion. The special promotion was a direct result of Candace's access to comprehensive payment data in Salesforce, and helped her company customize their marketing approach to an industry.

## Ramp up your customer service

Much of the subscription pricing trend is about accommodating the customer demand for flexibility. According to a study by NewVoiceMedia, businesses in the U.S. lose an estimated \$62 billion per year because of poor customer experiences.

If your service is not flexible, quick, and courteous, customers are willing to walk away. Some may even take a bad experience further with poor reviews or sharing their negative experience on social media. Contrast that with the actions of a happy customer with a good experience who is more likely to turn into a repeat customer or recommend a friend.

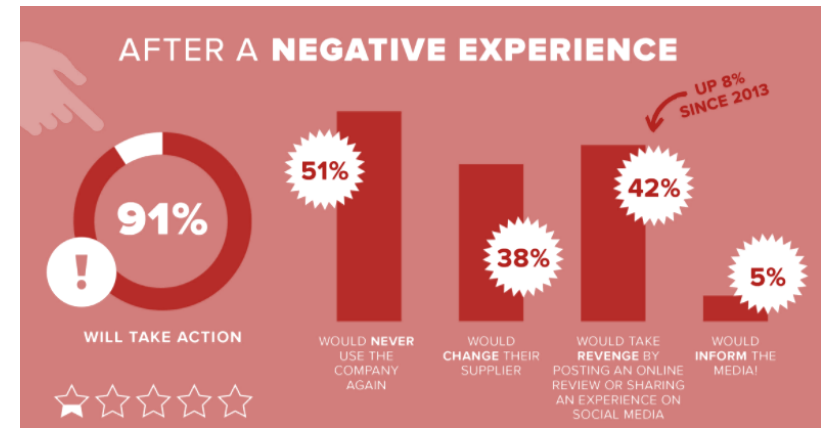
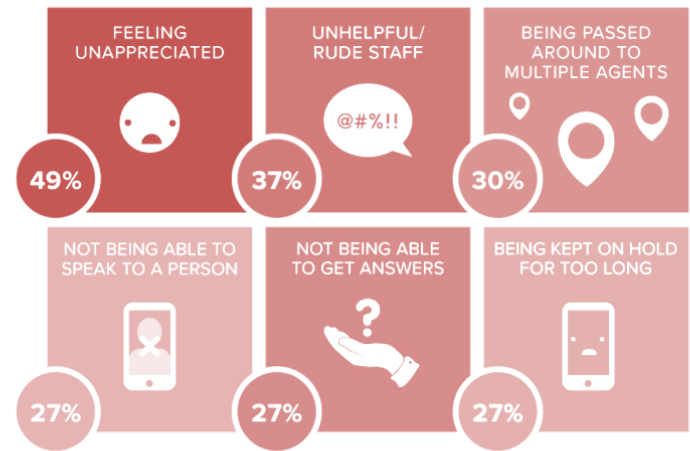
Forrester reports that 72% of businesses identified improving the customer experience as their top priority. They cite slow tech management as one of the biggest stumbling blocks for improving their customer service.

***“A customer-obsessed operating model requires your technology infrastructure to evolve at the customer’s pace. To respond, firms must build a flexible technology architecture that continually adapts to changing customer expectations with the capability to deliver new sources of customer value through advanced data analytics and machine learning.”*** says the Forrester report.

Salesforce is a powerful tool for your marketing operation and can give you the flexibility to respond to your customers’ needs. Expanding it to include your subscription-based payments also means you can deliver the flexibility at the time of payment and renewal.

Your customer service team has access to account history in Salesforce, which gives them the information they need to make informed decisions about how to manage a customer request. Changing the subscription plan or making adjustments is accessible immediately inside the system.

## REASONS FOR SWITCHING



## Automate renewals and office workflows

How much time do you and your team spend on the following tasks? Maybe you don't do them at all.

- Renewal notifications
- Updating customer billing information
- Request for updated payment information
- Customer self-serve payments

Adding automation and custom workflows into Salesforce will make processing and managing your subscriptions easier.

### Salesforce automation tools for your subscriptions

Automation can be as simple as notifications to customers, or your sales team, when a subscription is coming up for renewal, notice of an auto-renewal, or notice of failed credit card or payment so they can be addressed immediately. They can also be more complex like automating refunds, initiating marketing campaigns based on the status of a customer's subscription, to automated reporting.

Salesforce has powerful automation tools, and because your subscriptions are managed in Salesforce, you can use those tools to create automation in your subscription process. Automation means fewer errors, fewer resources, and positive impacts on your bottom line.

### Efficient and seamless workflows

Workflows are part of the effective use of Salesforce. By integrating your subscription billing into your CRM, you can use the flexibility to customize workflows based on the customer experience or a team member role. Many of the large, subscription payment software systems offer less flexibility and control of your workflows.

## About Chargent

Chargent Payment Processing for Salesforce is a lightweight payments and billing application that lives 100% inside of Salesforce, and can add recurring or installment payments to any business process. With Chargent, you manage your customer subscription payments and recurring billing on the same Salesforce screen where you manage their contact information and other details.

Available as an easy-to-install add-on, Chargent has been deployed in hundreds of organizations since 2009 and comes with pre-built integrations to more than 30 different payment gateways. It's easy to customize to fit to your specific business needs. Get started today. Visit [www.appfrontier.com](http://www.appfrontier.com) to sign up for a 30-day free trial.