

## IDC MarketScape

# IDC MarketScape: Worldwide Subscription Management Applications 2019-2020 Vendor Assessment

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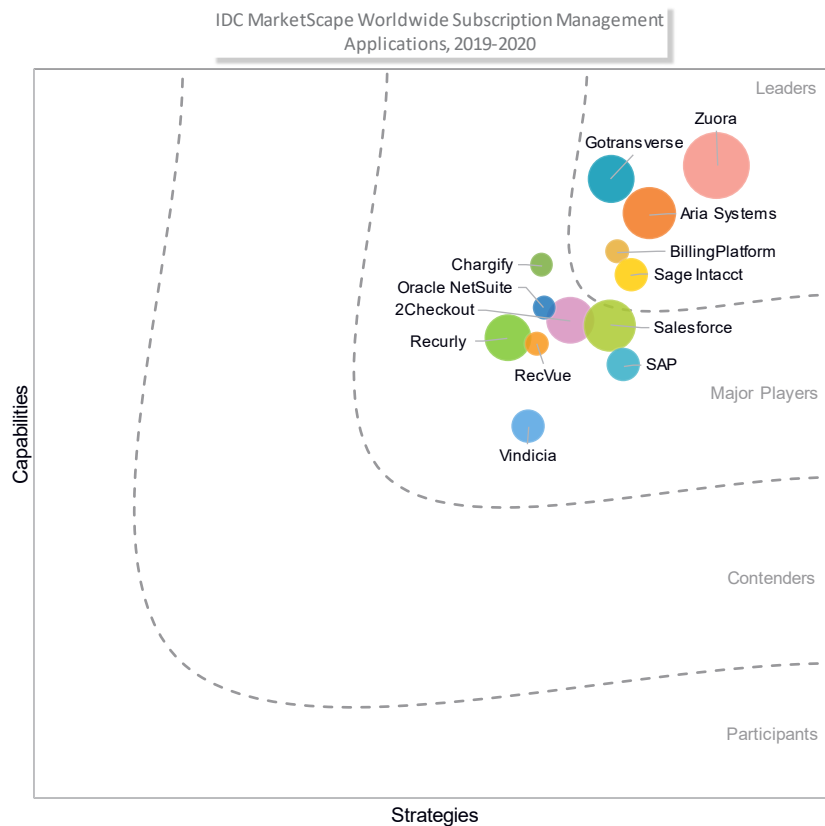
Jordan Jewell

**THIS IDC MARKETSCAPE EXCERPT FEATURES ARIA SYSTEMS**

## IDC MARKETSCAPE FIGURE

**FIGURE 1**

### IDC MarketScape Worldwide Subscription Management Applications Vendor Assessment



Source: IDC, 2019

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

## IN THIS EXCERPT

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The content for this excerpt was taken directly from IDC MarketScape: Worldwide Subscription Management Applications 2019-2020 Vendor Assessment (Doc # US44867519). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

## IDC OPINION

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### The Case for Automating Recurring Revenue

All too often, when a company sold a combination of services and/or products in a contract, it would use spreadsheets or custom coded solutions to keep track of when the combination of services and/or products was sold and delivered so that the company could keep track of the business, commitments, and delivered value. Then it could calculate when the company could recognize the proper amount of revenue on its income statement. Spreadsheets were flexible and the company could easily hire more bookkeepers to scale when needed.

However, many companies have found that this method doesn't scale efficiently or cheaply and often adds significant time and risk to their accounting closing period and compliance. This has only become more complicated with the new revenue recognition standards ASC606 and IFRS15. Worst of all, the cost of change is often huge, in terms of both the pain of amending existing contracts and offering new business and pricing models, as this causes significant friction to business flexibility and innovation. The dream of leveraging highly valuable customer data was too costly to unlock since the data was too dispersed and hard to manage.

The subscription management applications vendors covered in this IDC MarketScape address all these issues and more. Each vendor offers a SaaS-delivered application that can automate the busy work and enable customer insights from monetization operations, which can make companies more competitive and efficient. Subscription management applications are also known as subscription billing or recurring revenue management applications, and they cover many of the key monetization functions in IDC's monetization ecosystem (refer to Figure 3).

The need for these applications has exploded over the past 20 years, as the world has seen a massive change in business models from selling widgets to selling service-driven solutions. Outside of the efficiency gains previously outlined, the main driver of the move toward subscriptions is the quest for durable recurring revenue, as starting the year off knowing how much revenue the company is likely to make is a wonderful thing that leads to higher company valuations and better financing terms. The following are some examples of how recurring business models are being implemented:

- Subscription Box Retail (StitchFix, BarkBox, etc.) that grew from \$0 to a \$12 billion segment in 16 years
- Hardware (Dell) companies packaging hardware + maintenance + software into subscriptions
- Automotive companies (Ford) offering subscriptions for a car + maintenance + insurance, infotainment, and mobility services
- Fitness companies (Peloton) offering exclusive fitness content to add value to their exercise equipment

- Construction equipment companies (Komatsu) offering subscription-based remote monitoring for their equipment

In the software industry alone, the move from selling packaged software to selling "as a service" (SaaS, PaaS, IaaS) in a subscription business model has reshaped the IT landscape, resulting in a shift of software revenue from subscriptions to be 43% of total revenue in 2019, growing at a 17.5% CAGR.

## 13 Very Capable Subscription Management Solutions

The 13 vendors covered in this IDC MarketScape represent the front-runners in the marketplace and process approximately \$112 billion of recurring revenue annually. The vendors themselves are growing quickly, at an average of 54% in 2019 and spend on average 31% of their revenue on R&D. Most of this growth comes from replacing spreadsheets and custom billing applications; so if your company is still using them, you are not alone. The marketplace for subscription management applications has over 40 vendors, therefore as a buyer, you have a lot of choice past the vendors covered in this research.

Overall, the 13 vendors receive 44% of the revenue from B2C use cases, 43% on B2B, and 13% on B2B2x. Most revenue (43%) is derived from companies making \$3 million to \$250 million. As for industries, 41% come from software/technology use cases, then 16% from services, 10% from publishing, and 10% from manufacturing and distribution.

The vendors are basically differentiated by their customer focus (simple subscriptions at high volume [B2C] to complex contracts [B2B]), their adjacent modules (configure price quote [CPQ], dunning, mediation, etc.), and whether they are a pure-play offering or part of a bigger platform (CRM, ERP).

The customers that IDC spoke with were overall very happy to be using their new subscription management application, with the significant values being automating a stressful accounting chore (especially at quarter close); enabling them to try new business/pricing models easily; being able to easily see how the business and customers are performing (dashboards and reporting); and being able to automate more of their quote-to-cash process (workflow, integration with other systems). One customer reduced its existing 13 billing systems down to one and was very happy about it!

## IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

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The vendor list for this IDC MarketScape includes the most prominent subscription management application vendors based on capabilities, market presence, and strategy. IDC did not include Oracle Monetization Cloud in this research since Oracle has indicated that its strategic direction in this space lies with Oracle Subscription Management Cloud, which was launched earlier this year and didn't fit the criteria for having enough time in market.

## ADVICE FOR TECHNOLOGY BUYERS

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Every business should consider how it could offer a recurring business model. If you are currently using spreadsheets or older custom applications for transacting recurring business models, a subscription management application will greatly enhance the efficiency and agility of your business. Consider the points discussed in the sections that follow when deciding on a subscription management application.

## Game Plan

Begin with the end in mind. Clearly define your business and pricing model requirements in terms of present and future needs. A goal should be to automate as much of the quote-to-cash process as possible for efficiency and to leverage data to make good decisions faster. Since this process is different for each company, seek guidance from systems integrators, vendors, and their implementation partners for input to create a plan to get there.

Change management is extremely important to be prioritized in your game plan. Transitioning to a recurring business model can affect most departments in a company (including IT, finance, support, sales, marketing, product/R&D), change the way people work and how the business tracks performance, and impact sales incentives. IDC recommends engaging stakeholders early to set vision and get engagement to ensure personnel change is aligned with technology change timelines.

Refer to Figure 2 in the Appendix as a guide to understand the out-of-the-box capabilities of each vendor. If you are a B2C company, then integrated collections and dunning might be important. If you plan to use the consumption model, then mediation features might be important. If you have a B2B2x model, then partner settlement might be important.

Build efficient monetization systems that can continually answer ...

- What are your customers buying and how much are they utilizing it? How does this compare with other segments of customers?
- Can you get a single view of your customer's history and value across all products and channels?
- What is your customer's willingness to pay?
- Which customers are in jeopardy of not renewing and what action should be taken?

## Application Intelligence and Automation

- Does the solution have a low-code/no-code solution to automate complex workflows across billing, provisioning, dunning, and approvals (e.g., graphical object tool)?
- Does the solution analyze past customer transactions and recommend upselling/cross-selling opportunities?
- Does the solution employ machine learning to identify insights in historical data?

## Management

- Does your solution have specific edition or features to enable an industry or vertical market (e.g., publishing, retail, entertainment/OTT)?
- Can the solution easily amend a contract with new or changed items?
- Does the solution provide a high-level dashboard that shows a prioritized list of issues found and alert stakeholders automatically?
- Can the solution create auditable customer journeys?
- Does the solution support quote workflow approvals (e.g., renewal, update terms, downgrade, add-on, new subscription) or provide prebuilt integration to third-party CRM systems?
- Does the solution offer self-service portals so that end customers can log in and manage their account?

## Pricing

- Does the solution support the pricing models you need today and in the future?
- Does the solution have offer/pricing simulation capabilities to see how an offer would behave over time with a set of assumptions?
- Does the solution support A/B testing of pricing/offers based on inputs?
- Does the solution allow you to define a fully custom charge model?
- Does the solution support campaign codes (from external systems) to deliver discounts/added incentives or customer benefits?

## Billing and Invoicing

- Can the solution support accounting and payment for partner settlement and/or royalties?
- Does the solution manage payment reconciliation and chargeback management?
- Does the solution support branded quote templates and electronic delivery and signature?
- Does the solution contain tax calculation capabilities at the local jurisdiction level (e.g., city/county/state)?
- Does the solution support promotional offers, rebates, coupons, discounts, credits, and free trials?

## Performance

- What is the percentage uptime given in your SLA?
- What is your actual percentage uptime?
- How many invoices does your solution process per month?

## Security

- Is the solution certified for SSAE16 SOC 1 and SOC 2?
- Does the solution encrypt all data at least at 256-bit AES levels both in transit and at rest in the cloud?

## Accounts Receivable (AR), Collections, and Payment Retry

- Does the solution have automated credit card retry with methods to avoid failed attempts? Look for voluntary and involuntary churn reduction capabilities?
- Can services be suspended or degraded based on customized rules in the case of an overdue account?
- Can delinquent accounts be delegated to third-party collections agencies via APIs?
- Can the solution support debit card and credit card, online (PayPal), token management, and lockbox?
- Can the solution rate and bill at the speed you need?

## Revenue Recognition

- Does the solution have native ASC606/IFRS15 conformance?
- Are automatic revenue recognition capabilities life-cycle aware (i.e., automated updates based on contract changes)?
- Can the solution link sales orders, invoices, credit memos, transactions, and adjustments to revenue contract objects?

- Can the solution identify multiple performance obligations within one charge item and map to revenue recognition rules?
- Does the solution provide an amortization/waterfall schedule (e.g., future revenue)?

## Data Mediation

- Does the solution offer technology to analyze and intelligently aggregate customer usage data prior to consumption in rating/billing?
- Does the solution support automated/scheduled loading/ingestion of usage data into system? How frequently can this happen?

## Integration and Connectors

- Does the solution have prebuilt connectors to upstream and downstream applications (e.g., CRM, ERP)? Which vendors?
- Does the solution offer embeddable interfaces into other platforms (e.g., CRM)?

## Customer Success

- Does the company have a mature customer success team with regular touch points with tier customers? Is it email or call based?
- Do you think the vendor will be a business partner that understands your business and gives you best practices or a technology vendor that does what you ask?
- How does the company notify its customers when new capabilities or feature updates will happen? Does it ask for feedback? Does it provide advanced training?
- While the right technology can make a huge difference in the success of a company to automate its monetization needs, the great customer success department is typically the difference between a customer and a happy customer.

## VENDOR SUMMARY PROFILES

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This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

### Aria Systems

After a thorough evaluation of Aria Systems' strategies and capabilities, IDC has positioned the company in the Leaders category within the 2019-2020 IDC MarketScape for subscription management applications.

Aria Systems, a privately held company based in San Francisco, California, was established in 2002 as a pure-play subscription management company and has grown organically through the years. Aria claims a near-zero customer churn through the years.

Aria Systems focuses on complex B2B and B2B2x use cases for the enterprise and is packaged as the Aria Crescendo Monetization Platform and has add-ons for addressing revenue leakage and connectors to upstream and downstream applications and Aria System's first industry-focused solution called Aria Media and Publishing Suite. Aria Systems is unique in this IDC MarketScape for its ability to deploy on AWS or Azure to satisfy customers having a strong cloud preference.

Key attributes of the company are as follows:

- **Top 3 industries served:** Software/technology, media and publishing, telecom
- **Customers:** 100+, mostly B2B and B2B2X companies ranging from \$100 million to \$10+ billion in revenue
- **Globalization:** Has a sales and services presence in the United States, Australia, and the United Kingdom and serves customers worldwide
- **Licensing model:** Annual subscription for the platform plus usage fees depending on the type of business, typically tiered by revenue, invoices, or accounts
- **Implementation partners include:** Accenture, Aspire, ATG/Cognizant, Deloitte, Capgemini, Infosys, KPMG, Navint, Netcompany, Ntegra, PLC, Publicis, Sapient, PwC, Twin Tech, Unico, Uptima, Zorbis
- **Interesting stat/fact:** Brendan O'Brien, Aria's cofounder, was an operatic tenor before teaching himself to code in the early 1990s and the name Aria was homage to Brendan's past

### Strengths

- **Level of value delivered:** Customers highly praised Aria Systems' value for the price paid and said that the product was solid, scalable, and reported no unscheduled downtime.
- **Business model agility:** Customers cited several attributes that enabled business model agility, including the attribute-based pricing catalog, loyalty point support, near-real-time rating, and subscription change management.
- **Built for the future:** Aria Systems has several features and initiatives that make it a platform for the future, including supporting multivendor marketplaces, microservices-based architecture, no-code workflow tool, and the unique support of deployment on AWS or Azure platforms.

### Challenges

- **Implementation/integration:** Some customers didn't have great implementation experiences, citing that the implementation took much longer than expected or that the process wasn't smooth.
- **Revenue recognition:** Aria Systems was one of two vendors in this IDC MarketScape that does not support revenue recognition rules that enable ASC606/IFRS15 compliance. The company requires a third-party product to provide this functionality.
- **User interface:** Customers wanted UI improvements to make the flow more intuitive. In addition, they wanted a custom report writer that was easier to use. During briefings with Aria Systems, it claimed to be addressing these issues in an upcoming UI refresh.

### Consider Aria Systems When

- You are a large B2B or B2B2x company and need complex monetization requirements for your recurring revenue business models.

## APPENDIX

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Figure 2 shows a summary of capabilities/modules for each subscription management vendor.

**FIGURE 2**

**Subscription Management Product Portfolio**

Vendor	Billing	Mediation	Dunning and Collections	Analytics	CPQ Module	Revenue Recognition	Partner Settlement	Other Modules
<b>2Checkout</b>	2Subscribe, 2Bill, 2Monetize	Third party	2Subscribe and 2Monetize	2Monetize	Third party	2Bill and 2Monetize	2Partner	2Sell, 2Convert, 2Service
<b>Aria</b>	Aria Crescendo	Aria Crescendo	Aria Crescendo	Aria Crescendo	Third party	Aria Crescendo	Third party	Media and Publishing
<b>BillingPlatform</b>	BillingPlatform	BillingPlatform	BillingPlatform	BillingPlatform	Third party	BillingPlatform	Third party	
<b>Chargify</b>	Elastic Billing Engine	Chargify	Chargify	Chargify	Offer Builder (part of the platform)	Chargify	Third party	
<b>Gotransverse</b>	Billing and Invoicing	Pricing and Rating product and Mediation add-on	Billing and Invoicing	Part of core platform	CPQ add-on product	Revenue Management	"Pricing and Rating" and "Billing and Invoicing"	Tax add-on product, Premier Data Access
<b>Oracle NetSuite</b>	SuiteBilling	Third party	Dunning Letters SuiteApp	SuiteAnalytics	Third party	Advanced Revenue Management	Third party	Suite Commerce for Order Management
<b>Recurly</b>	Recurly Subscription Management	Recurly Subscription Management	Recurly Subscription Management	Recurly Analytics Not a separate module	Third party	Recurly Revenue Recognition	Third party	
<b>RecVue</b>	RecVue Billing	RecVue U2R	Third party	RecVue Insights	Third party	RecVue Revenue Recognition	Partner Payment Management	Attribute-Based Pricing
<b>Sage Intacct</b>	Contracts and Subscription Billing	Third party	Contracts and Subscription Billing	Contracts and Subscription Billing	Third party	Revenue Management	Third party	
<b>Salesforce</b>	Salesforce CPQ and Billing	Third party	Salesforce Billing	Salesforce CPQ and Billing or Einstein Analytics	Salesforce CPQ and Billing	Salesforce CPQ and Billing	Salesforce Partner Relationship Management	
<b>SAP</b>	Sales Cloud: Billing and Revenue Management	Sales Cloud: Billing and Revenue Management and Data Mediation	Sales Cloud: Billing and Revenue Management	Sales Cloud: Billing and Revenue Management	Sales Cloud: Quotes and Contracts	Sales Cloud: Billing and Revenue Management	Third party	Contract Life-Cycle Management and Entitlement Management
<b>Vindicia</b>	Subscribe	Subscribe	Subscribe and Retain	Subscribe	Third party	Subscribe	Amdocs Partner Life-Cycle Management	
<b>Zuora</b>	Zuora Billing	Zuora Billing and Workflow	Zuora Collect	Zuora Billing and Zuora RevPro	Zuora CPQ	Zuora RevPro	Third party	Zuora Application Marketplace, Zuora Subscriber Portal

Source: IDC, 2019

**Reading an IDC MarketScape Graph**

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.



Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

## IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

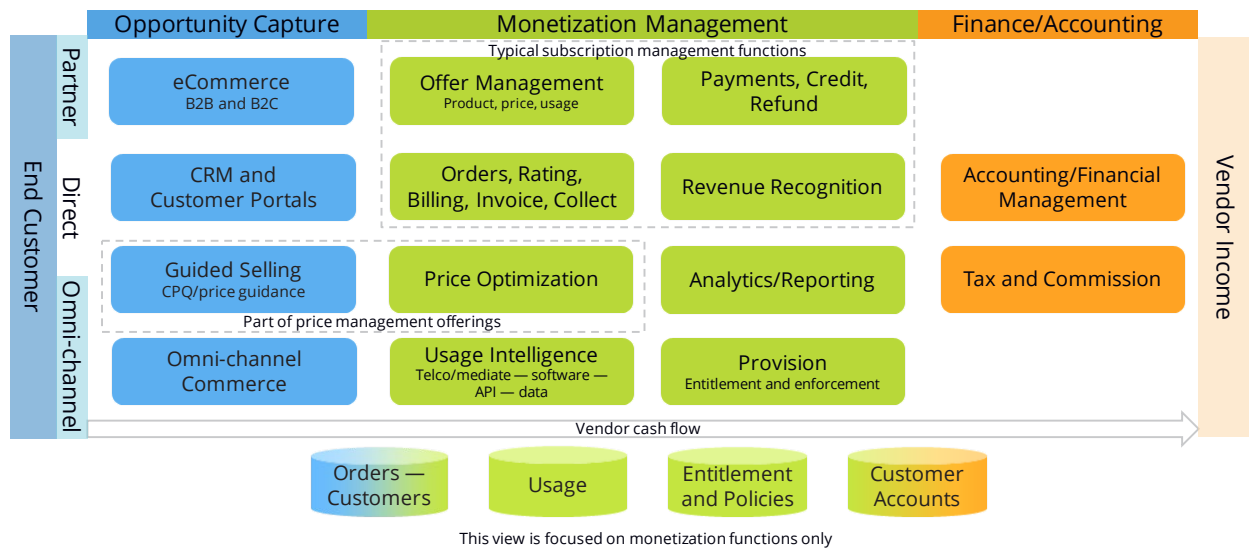
## Market Definition

Subscription management applications are software platforms that efficiently monetize recurring business and pricing models. These applications allow the creation and management of an offer, which is often the performance obligations of a contract, and includes the products/services sold, pricing model, timing, usage, and entitlement/provisioning. The pricing model can be onetime, subscription, consumption outcome, or a combination of models. The offer can be sold over any channel. The application serves as the central point for offer creation and amendments, billing, rating, invoicing, basic entitlement, payment, collections, analytics, and revenue management to calculate the correct amount of revenue to recognize based on the value delivered to the customer. Increasingly, these applications are taking on additional roles, including life-cycle pricing (promotional pricing), recommending upselling/cross-selling, data mediation (aggregate usage data), partner settlement, configure price quote (CPQ), and providing deep integration with CRM and ecommerce packages.

Subscription management is a function within IDC's monetization management ecosystem (see *The Monetization Ecosystem*, IDC #US43888119, December 2018) (see Figure 3). This ecosystem depicts the major monetization functions along with the adjacent input and output functions. These functions are within the domain of the vendor and show the cash flow from left to right. In Figure 3, the left side shows the customer-facing functions that capture opportunity and on the right side, the finance and accounting functions show the outputs of the monetization system. The four database icons at the bottom represent the repositories of important data in the monetization process.

**FIGURE 3**

**IDC's Monetization Management Ecosystem**



Source: IDC, 2019

**LEARN MORE**

**Related Research**

- *Worldwide Software License, Maintenance, and Subscription Forecast, 2019-2023* (IDC #US44435119, July 2019)
- *IDC Market Glance: Monetization Ecosystem Software, 1Q19* (IDC #US44434518, March 2019)
- *The Monetization Ecosystem* (IDC #US43888119, December 2018)

**Synopsis**

This IDC study uses the IDC MarketScope provides an assessment of vendors in the worldwide subscription management applications market. The document also provides key considerations that technology buyers should have when selecting a supplier of subscription management software.

"The market for subscription management applications is maturing nicely and has several very capable vendors," says Mark Thomason, research director for IDC's Digital Business Models and Monetization program. "These applications can increase your company's business model flexibility and revenue efficiency, which can enable an intelligent and automated quote-to-cash processes. Since they are SaaS delivered and offer prebuilt connectors, they typically only take a few months to onboard."

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