Microsoft Dynamics 365

Tech Talk
Subscription Billing Overview

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Agenda

- Introduction to subscription billing
- Fundamental concepts
- Product demonstrations
- Roadmap and Q&A

Introduction to Subscription Billing in Dynamics 365 Finance

The Shift to a Subscription Economy

- Until recently, the subscription-based economy was limited to certain industries like newspaper, magazines, or health clubs.
- Today, subscription commerce is prevalent in nearly any industry, and this has been made popular through these relatively new economic trends including:
  - Member-based warehouse stores
  - Movie, music, and other digital streaming services
  - Products-as-a-service offerings
- According to Juniper Research, the subscription economy is predicted to grow by 18.5 percent year-over-year in 2022 [1].

Sources:
- 1- McKinsey & Company, 2021. Sign up now: Creating consumer—and business—value with subscriptions.

Challenges in handling subscriptions

- Revenue recognition calculations are complex. Businesses must allocate portions of billed revenue over periods of time. Selling a discreet physical product usually does not have the same accounting complexity.
- Similarly, accounting principals (ASC 606/IFRS 15) attempt to standardize the accounting for consistent company-to-company comparison. However, the rules are complex to administer. Businesses must reallocate the revenue according to different revenue streams and based on independent market values which can result in vastly different revenue treatments as compared to the invoiced event.
- Without integrated software that permits scalable and automatic accounting then businesses are forced to use offline, manual processes.

Dynamics 365 Finance helps chief financial officers tackle the subscription economy

Common Business Use Cases for Subscription Billing (1/2)

Companies with Subscriptions
- Recurring software subscription
- Physical item subscriptions
- Rental storage
- Recurring fees for equipment rentals

Companies with Milestone billing
- Equipment installation
- Service completion
- Other professional services

Companies with Usage Based Billing
- Billing based on professional service hours provided
- Billing based on consumption
- Data usage

Common Business Use Cases for Subscription Billing (2/2)

Companies that have deferrals

- Bill for an item annually but need to recognize equal amounts of revenue each month over the contract term

Companies that have accruals

- Companies that bill in arrears and need to recognize revenue before they invoice the customer

Companies that reallocate revenue

- If ASC 606, IFRS 15, or internal accounting requirements apply
- If a bundle/kit requires a further breakdown for royalties, commissions, or other internal purposes.

Subscription Billing Features Covered

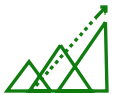- Subscription billing schedules
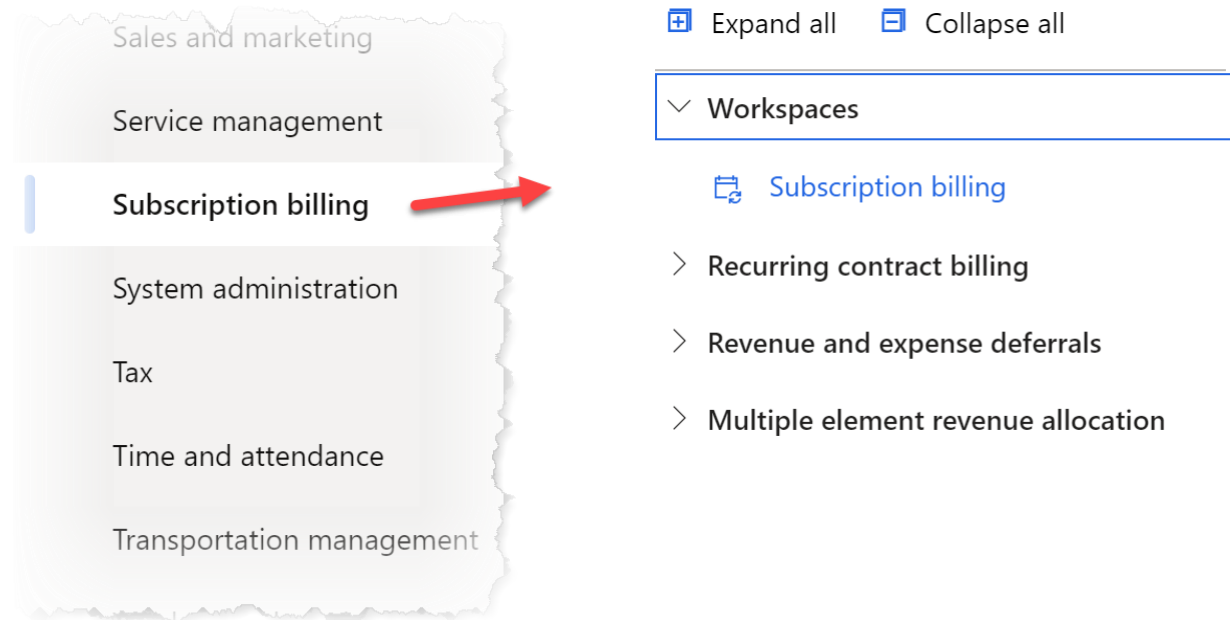- Invoicing
- Deferred revenue
- Bundles
- Accruing unbilled revenue
- Revenue reallocation

Subscription Billing Module

· 3 submodules in 1

· Submodules work in tandem or use only the submodule you need

Sales and marketing

Service management

Subscription billing

System administration

Tax

Time and attendance

Transportation management

Expand all   Collapse all

Workspaces

Subscription billing

Recurring contract billing

Revenue and expense deferrals

Multiple element revenue allocation

Enable the Functionality

· Starting with 10.0.25, Subscription billing, is enabled through 4 feature elements as follows:

· The revenue recognition feature as part of the General ledger is not compatible and must be disabled first.

Data sources

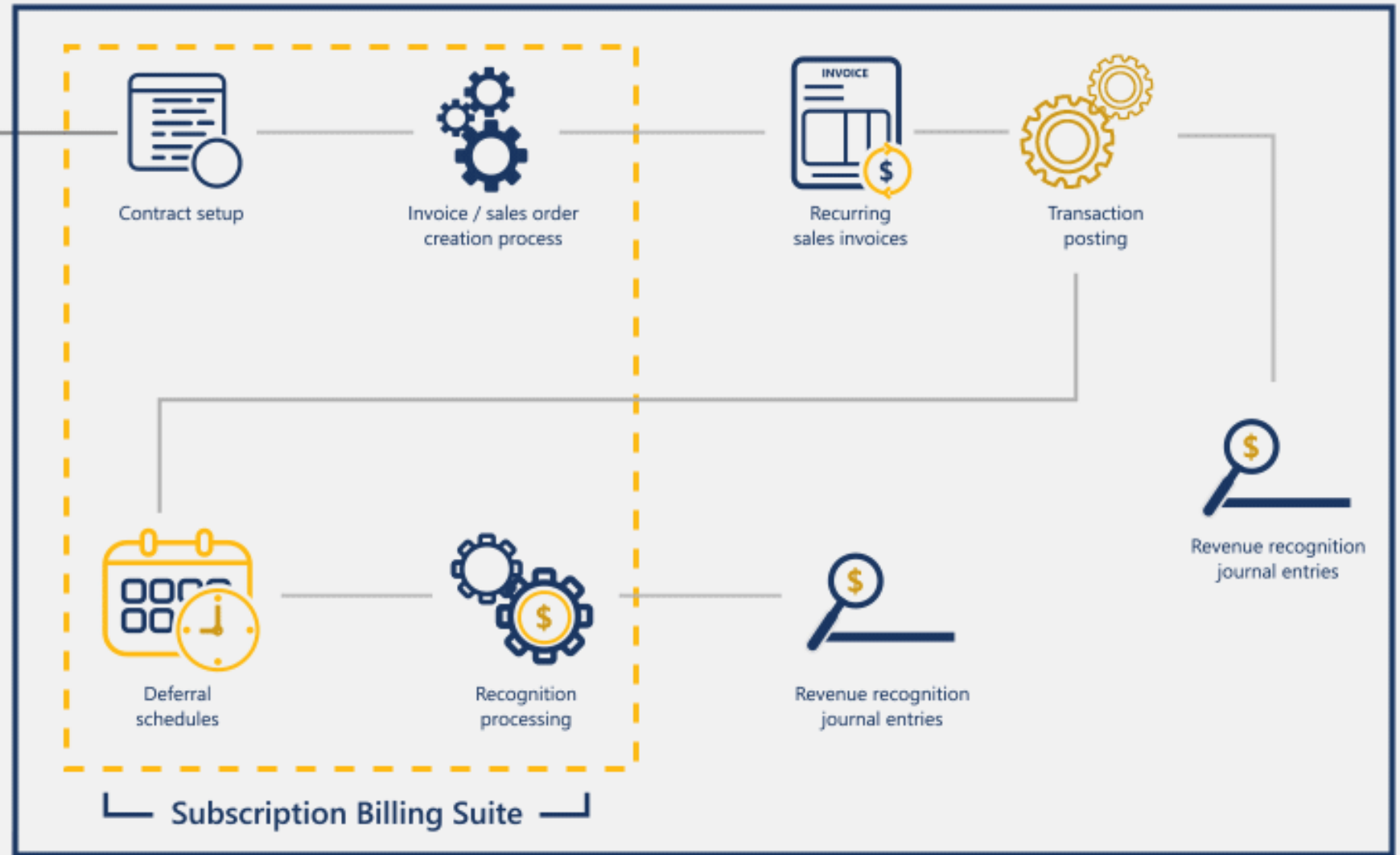- Contract
- Direct inputs
- D365 Retail
- D365 Sales
- Salesforce
- Magento
- Metering tools

Contract setup

Invoice / sales order creation process

Recurring sales invoices

Transaction posting

Deferral schedules

Recognition processing

Revenue recognition journal entries

Revenue recognition journal entries

Subscription Billing Suite

Dynamics 365 Finance

Fundamental Subscription Billing Concepts

Recurring Billing Variations

- Multiple subscription billing variations fulfilled through application of these 3 main billing schedule concepts:
  - **Frequency of billing**
    - Recurring billing by week, month, etc.
    - One-time billing
    - Automatic contract renewals
  - **Pricing**
    - Billing based on standard trade agreements
    - Custom pricing and tiered pricing
    - Price escalations
  - **Type of item**
    - Usage-based
    - Milestone-based
    - Standard items

Pricing Methods & Options

- Pricing Methods
  - Standard Pricing from base Dynamics 365 F&O
  - Flat Pricing
  - Tiered Pricing
- Advanced Pricing Options
  - Free Quantities
  - Min/Max billing amounts and quantities

Additional Pricing Capabilities

- Users only pay for overages
  - Free Quantity
- Take or Pay Contracts
  - Contractual terms and conditions may require minimum billing even with no/lite usage
- Have price escalations, either dollar amount, percentage, or CPI
  - Escalation Functionality
- Provide Free Trials or temporary discounts
  - Discount functionality

Item Types

- Standard Items
- Usage Items
  - Consumption Items
  - Reading Items
  - Usage Data Entities
- Milestone Items
  - Percentage Allocation
  - Variable Amount
  - Percentage of Completion

- Professional Service Providers
  - Bill based on hours of service provided
- Training Service Providers
  - Bill based on training service providers
- Advertising Agencies
  - Bill based on number social media views or ad clicks
- Learning Management System (LMS) Providers
  - Billing based on LMS SKUs consumed
- Utility Companies
  - Using meter readings to bill the change in meter reading in a period
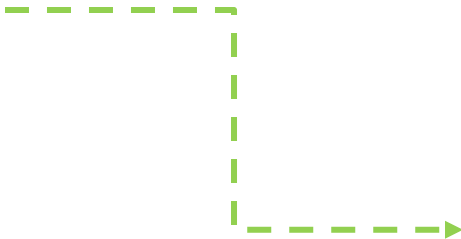
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- Milestone Items
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- Professional Service Providers
  - Billing for project work on a milestone or percentage of completion basis
- Event Hosting Companies
  - Bill as training or other events occur

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- Usage Items
  - Consumption
  - Reading

- Milestone Items
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  - Percentage of Completion

- Software industry
  - Recurring software subscription
- Physical Item Subscriptions
  - Equipment rentals
- Insurance
  - Recurring payments for insurance premiums
- Support agreements
  - Nearly any industry

Product Demonstrations

Microsoft Dynamics 365

Overview Demo

Microsoft Dynamics 365

Bundling Demo

Roadmap

Subscription billing roadmap

Future

Quotation enhancements	Project Ops integration	Split billing	Self service customer contract	eCommerce & credit card processing enhancements	Billing service

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Reporting, insights and analytics

Revenue and expense deferrals

Enhanced recurring billing

Complex price management – consumption, tiered, etc.

Microsoft

Questions ?

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Thank you