IDC MarketScape: Worldwide Enterprise-Focused Subscription and Usage Management Applications 2022 Vendor Assessment

Mark Thomason
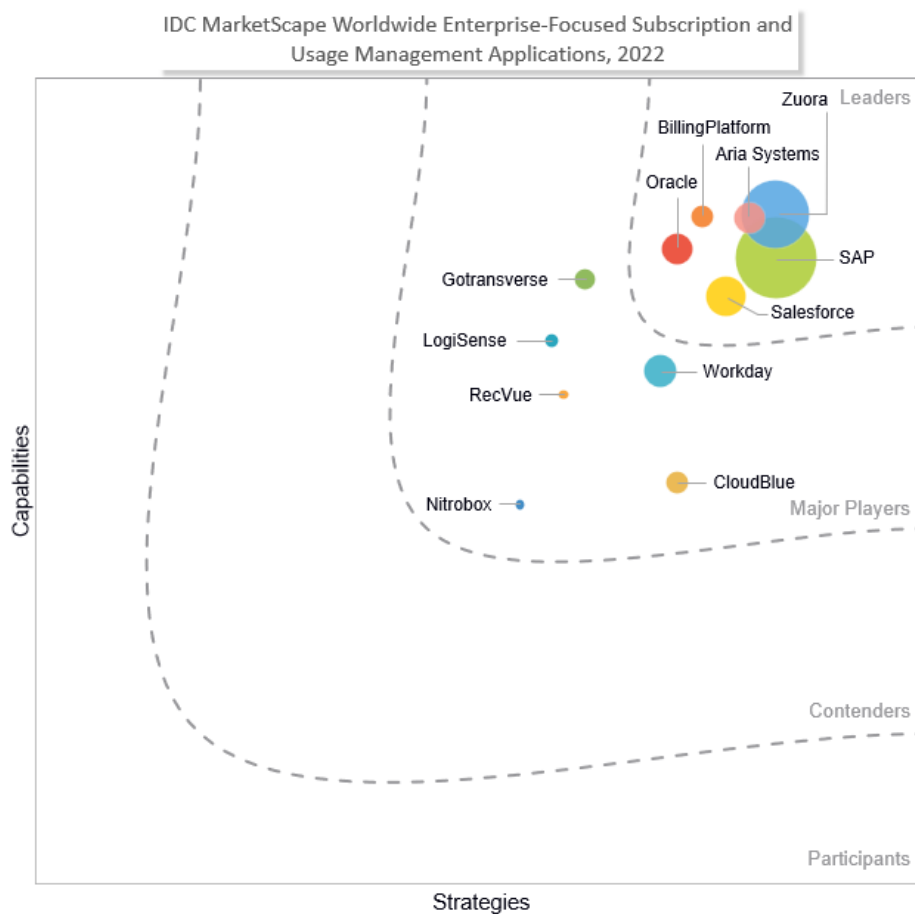
THIS IDC MARKETSCAPE EXCERPT FEATURES ARIA SYSTEMS

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Enterprise-Focused Subscription and Usage Management Applications Vendor Assessment

Source: IDC, 2022

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

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide Enterprise-Focused Subscription and Usage Management Applications 2022 Vendor Assessment (Doc # US48786022). 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

Rapid Adoption of Recurring Revenue Business Models

Since 2018, there has been a significant increase in companies evaluating and implementing a recurring business model, which includes subscription, consumption, and membership models. The main drivers have been:

- Companies offering new technology-enabled services (e.g., SaaS, data, connectivity)
- Software companies packaging their license and maintenance into a subscription (e.g., Microsoft Office365)
- Companies selling products as a recurring service (e.g., subscription box of the month)
- Companies packaging hardware, software, and/or people services into a recurring offering (hardware as a service, robots as a service, mobility as a service)
- The quest for companies (and their investors) to engineer a scalable predictable revenue stream into their business
- The COVID-19 pandemic was also a significant driver as it "zoomed" businesses and customers to use a wide range of subscription services faster
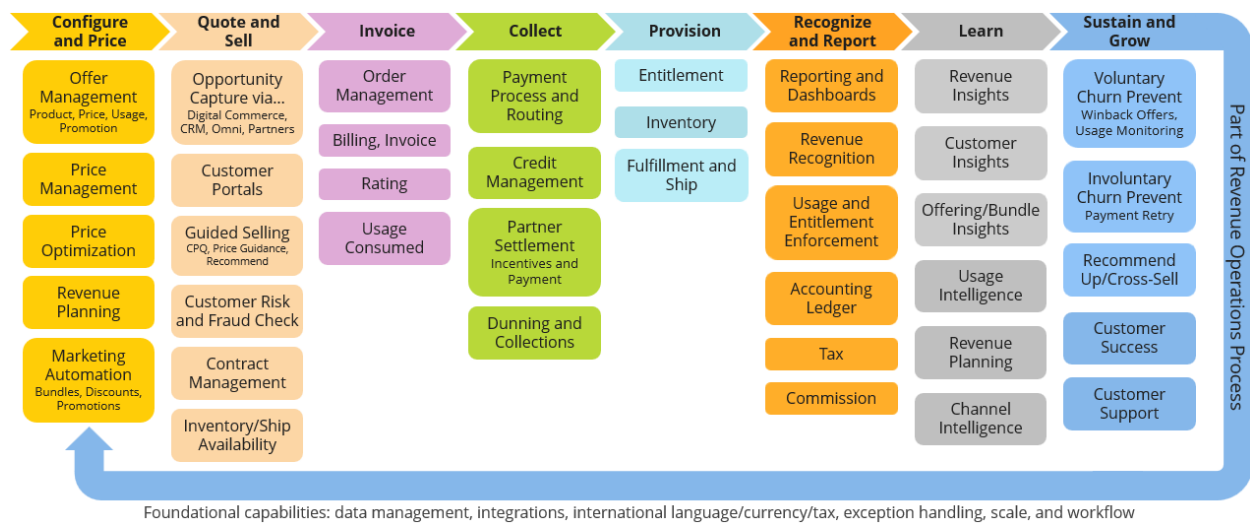
For example, the software industry is deep into its transformation from selling software as a classic perpetual license and maintenance to selling it as a recurring subscription. From *Worldwide Software Business Model (Subscription and License) Forecast, 2022-2026* (IDC #US49344622, July 2022), 65% of all software revenue was from a subscription model at the end of 2021, with just 35% of revenue coming from the classic perpetual license and maintenance model. Over the next five years, revenue from the subscription model is expected to grow at 17.9% CAGR, while revenue from the license and maintenance model is expected to decrease at 9.4% CAGR.

Orchestration of the Recurring Revenue Life Cycle

One big lesson that any company has learned from adopting and operating a recurring business model is the importance of efficiently managing all the steps in the recurring revenue management life cycle (see Figure 2). This life-cycle process is so much more than billing, as it is ultimately about keeping a customer happy so that they will renew and expand their relationship. To automate this life cycle at scale, additional functions are needed, such as manage churn/risk, collect payment, settle with partners, guide pricing and deals, understand opportunity, and manage usage data to offer new consumption models.

FIGURE 2

Recurring Revenue Management Life Cycle

Foundational capabilities: data management, integrations, international language/currency/tax, exception handling, scale, and workflow

Source: IDC, 2022

The rapid adoption and success of the recurring business model has caused many subscription and usage management applications to become a platform of applications that addresses more of the capabilities in the life cycle. Having more of the capabilities you need on one platform can significantly increase the success, efficiency, time to value, and the ability to learn and act using insights-driven workflows across the customer's life cycle to make it more intelligent and personalized.

Evolution of Subscription and Usage Management Applications and This IDC MarketScape

In this cycle of IDC MarketScape on subscription and usage management applications, we are splitting the vendors into two types: SME and enterprise-focused vendors (see the Market Definition section for segmentation), and we're adding a focus on the vendors' current ability to support the usage/consumption pricing model. From the 2022 IDC's *SaaSPath Survey* of 125 subscription billing customers, 38% of companies plan to offer consumption pricing in the next two years and 54% of them need better systems to help them track and analyze the usage data to enable the model.

The vendors in this IDC MarketScape for enterprise-focused subscription and usage management (SUM) applications are targeting enterprise-sized companies that have more complex and higher performance monetization needs. In 2021, these 12 vendors monetized over $335 billion in revenue for over 1,500 companies. The largest industries served were software/technology (29%), followed by transportation (21%), telecom (20%), and manufacturing (15%). In 2022, vendors are still replacing spreadsheets and custom billing applications 55% of the time; if your company is still using an old or manual process, you are not alone.

Vendors reported that 79% of companies use an external systems integrator to implement an enterprise-focused SUM application, as the project affects many business applications … along with how the company operates, sells, and measures success. Moving to a recurring model is a huge

commitment and must be carefully and quickly accomplished. Therefore, look for vendors that have experience (people and technology) in your industry and have prebuilt integrations to your company's systems.

The following are new trends in enterprise-focused SUM applications:

- **Support for high-performance consumption business models:** Several vendors in this IDC MarketScape have robust features for supporting the consumption business model. These include (near) real-time usage data ingestion, rules engines for cleaning and aggregating data to a customer account, high-performance rating of the usage data, audits, and reporting.

- **Monetizing more than digital offerings:** As companies evolve and mature their recurring offerings to become their preferred business model, many are consolidating their monetization and billing process to sell additional products, hardware, and people services with their recurring offerings via one subscription and usage management application.

- **Data lake support:** Many large companies have several lines of business that are monetized by multiple systems. To get an enterprisewide perspective of company data, many companies are consolidating company data to a common data lake (e.g., Snowflake, Oracle) for analysis. Therefore, more SUM vendors are supporting live data feeds to data lakes and many are bidirectional to allow external data to be used with SUM apps.

- **Prepaid credit with consumption:** Some companies sell a mosaic of offerings that are sold individually, typically in a per-seat license, that the customer may not use often. This can make renewals difficult because the customer does not see the value. Instead, innovative companies are moving to a unified consumption/usage model across their offerings so that customers can purchase credits from the vendor and use them for applications or outcomes from a variety of offerings. This capability is enabled and managed by several vendors in this IDC MarketScape.

- **Integrated configure price quote (CPQ)/deal guidance:** Many companies are increasing the types of things they sell with subscriptions (physical products, services, warranties); therefore several vendors now offer CPQ capabilities in their application, which guides the salesperson to the right offer and price.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

The vendor list for this evaluation consists of enterprise-focused subscription and usage management vendors that meet these criteria:

- The vendors in this group are mostly focused on companies over 1,000 employees, which typically have complex offers, pricing, and billing and revenue recognition needs; need higher performance; integrate with enterprise applications; and expect high performance from customer success and support.
- The vendor has an active customer base and is reported as seen in deals by other vendors.
- The vendor meets IDC's definition for a subscription and usage management application in terms of functionality supported (see the Market Definition section for details).

ADVICE FOR TECHNOLOGY BUYERS

Every business should consider how it could offer a recurring business model. If your company is currently using spreadsheets or older custom applications for transacting recurring business models, a

subscription and usage management application will greatly enhance the success, efficiency, and agility of your recurring business model. Consider the points discussed in the sections that follow when deciding on a subscription and usage 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 intelligent 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 Table 1 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, dunning, and churn management features should be high on your list. If you plan to use the consumption model, then you will need mediation features. If you have a B2B2x model, then partner settlement will be important. Security is always a very important criteria for selecting a SaaS vendor; therefore, refer to Table 2 in the Appendix for a guide for the security certifications each vendor had at the time this document was published.

Application Intelligence and Automation

- Does the solution have a low-code/no-code solution to automate complex workflows across the recurring revenue management life cycle (e.g., graphical object tool)? Can insights be easily used to trigger intelligent workflows?

- Does the solution analyze past customer transactions and recommend upselling/cross-selling opportunities?

- Does the solution employ machine learning to identify insights in historical usage and transactional data? Can the solution import external data to enrich insights?

Management

- Does your solution have specific edition or features to enable an industry or vertical market (e.g., publishing, retail, media, entertainment)?

- 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 offering/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/offerings 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 flexible organizational hierarchies (e.g., multiple entities, business units) that can easily adapt with your business and acquisitions?
- 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?
- Can the vendor rate usage records as fast as you need?
- 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, Collections, and Payment Retry

- Does the solution have automated credit card retry with methods to avoid failed attempts? Does it have voluntary (e.g., counteroffer a cancelled subscription) and involuntary churn reduction (e.g., credit card expired or hacked) 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)?
- Can the solution stream application data to a data lake? Is the stream bidirectional to enable the application to use external insights?

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

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 2022 IDC MarketScape for enterprise-focused subscription and usage management applications.

Aria Systems, a privately held company based in San Francisco, California, was established in 2002. Aria Systems is focused on addressing complex B2B, B2C, and B2B2X use cases for large enterprise customers. Aria System's subscription and usage management offering is packaged as the Aria Cloud-based Billing and Monetization Platform. Aria Systems now has three industry-focused solutions: Aria Media and Publishing Suite, Aria for Communications (Telecom), and Aria for Marketplaces. Aria Systems recently introduced a data feed option to stream any monetization data to a data lake (e.g., Snowflake, Databricks) at near real time so that customers can analyze monetization data with other enterprise data. The company's suite of subscription-related modules can be found in the Appendix (refer to Table 1).

Key attributes of the company's subscription and usage management offerings are:

- **Application type:** Standalone application
- **Top 3 industries served:** Software/technology, telecom, media and publishing
- **Customers:** 130+, all large companies from $100 million+ in revenue
- **Globalization:** Has a sales and services presence in Germany, Spain, France, Australia, Singapore, the United States, and the United Kingdom and serves customers worldwide
- **Application languages supported out of the box:** 1
- **Prebuilt integrations to third-party applications to support subscription and usage management:** 71, including 16 payment vendors
- **Pricing/licensing model:** Annual subscription for the platform, modules, and add-ons, plus usage fees depending on the size of business, typically tiered by revenue, invoices, or accounts
- **Pace of major software updates:** Typically has six to eight planned releases per year, with a blackout period from November 1 to January 10 to avoid the holidays (Aria Systems deploys small releases outside of the scheduled release timelines as needed.)
- **Usage rating performance:** 4,000 unrated records per second, and 12,000 externally rated (pre-rated) usage records per second per client
- **Cloud infrastructure used:** Customers can have their Aria Systems instance hosted on Amazon AWS, Microsoft Azure, or Google Cloud Platform.
- **Implementation partners:** Accenture, Capgemini, Cognizant, CSC, IBM Consulting, Infosys, Larsen & Toubro Infotech Ltd (LTI), KPMG, NTT Data, Prodapt, Publicis Sapient, PwC, Tech Mahindra, Wipro, and many specialized/boutique consultancies including Certa, Cognity, MatrixIntel, Netcompany, Ntegra, ProCom Consulting, PLC, Unico, Uptima, Virtusa Polaris, Zorbis, and more

Strengths

- **Trusted partner:** Customers praised the maturity and flexibility of Aria Systems' platform (e.g., monetization models, integrations, user personas) to work in their complex enterprise environment along with the close services/support relationship to ensure the platform addresses the customer's current and near-future needs. One customer said that Aria Systems is like its business bloodstream, a critical partner in its business.
- **Business model agility:** Customers cited several attributes that enabled business model agility, including industry-focused solutions that bundle necessary capabilities, attribute-based pricing catalog, no-code workflow automation, prepaid credit support, real-time rating and mediation, and professional services that understand their industry.

- **Built for the future:** Aria Systems has the trust of its customers and several capabilities that make it a platform for their future, including dunning, data streaming, online learning, marketplace support, wide variety of integrations, microservices-based architecture, no-code workflow tool, and the support of Aria Systems' deployment on Amazon AWS, Microsoft Azure, or Google Cloud Network platforms.

Challenges

- **Consistency of customer success:** Some customers loved Aria Systems' customer success experience, but some felt ignored. At the enterprise level, customers expect consistent and proactive customer success that understands their business to help them get the most out of the offering.
- **User interface (UI):** Customers wanted UI improvements to make the flow more intuitive. Aria Systems had planned to refresh its UI in 2020, but the COVID-19 pandemic changed its priorities. Now this refresh is coming in early 2023.
- **Reporting:** Customers were unhappy with Aria Systems' reporting tool as they wanted an easier way to create custom reports using a drag/drop interface. Reporting is a key method customers use to find and export data for quick analysis. However, Aria Systems does have a real-time data streaming option that enables enterprises to stream any monetization data.

Consider Aria Systems When

Consider Aria Systems if you are a large B2B or B2B2x company that needs a robust, scalable, and resilient recurring revenue management solution that can monetize complex business models.

APPENDIX

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 and usage 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.

IDC segments the subscription and usage management application marketplace into two market segments:

- **Enterprise:** The vendor is targeting the application to an enterprise-sized customer (typically more than 1,000 employees). For example, the use case is more complex (high performance, complex contracts, channels, pricing) and the application integrates with many enterprise-class business systems and has strong revenue recognition capabilities. Customers expect high service levels from vendors at this level; therefore customer success and support must be high performance and more personal).
- **SME:** The vendor is targeting the application to a small or medium-sized company (typically less than 1,000 employees) but also likely has enterprise-sized companies that are using the application to monetize a recurring service within a business unit. The application should be easy to implement and use and have strong customer retention capabilities (payment retry, dunning, promotions).

Subscription and usage management are functions within IDC's monetization management ecosystem (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. The left side of the graphic shows the customer-facing functions that capture opportunity. On the right side, the finance and accounting functions show outputs of the monetization system (see Figure 3).

FIGURE 3

IDC's Monetization Ecosystem
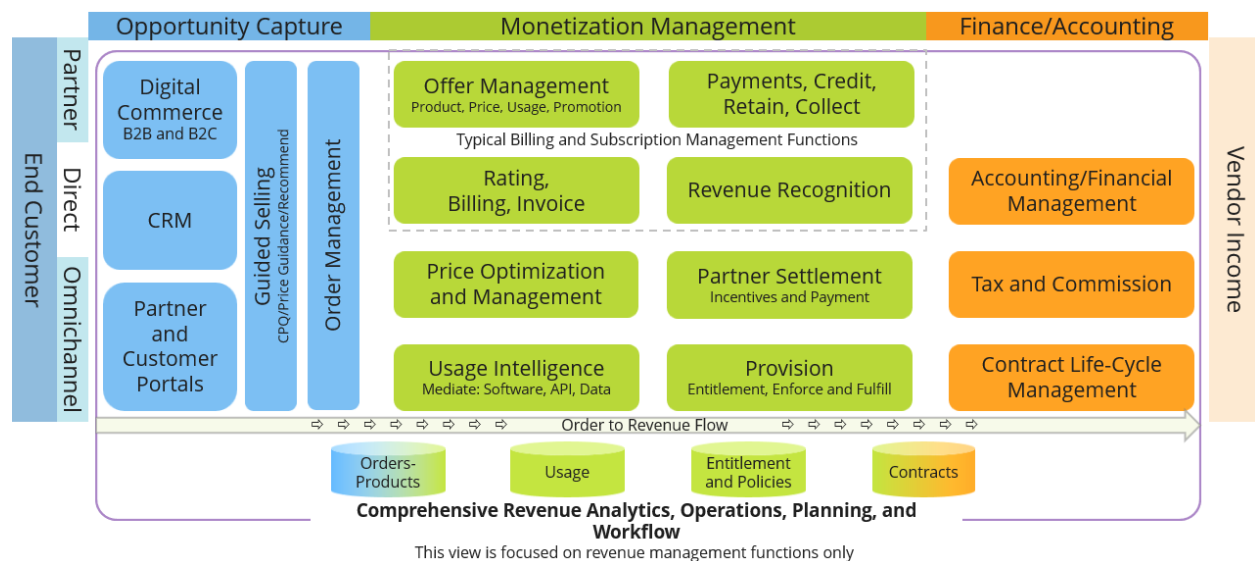
Source: IDC, 2022

LEARN MORE

Related Research

- *Worldwide Software Business Model (Subscription and License) Forecast, 2022-2026* (IDC #US49344622, July 2022)
- *IDC PlanScape: Future of Digital Innovation – Implementing a Consumption Pricing Model* (IDC #US47821022, June 2022)
- *What Are the Issues Companies Face When Considering a Consumption Pricing Model?* (IDC #US48549222, June 2022)
- *Which Subscription Metrics Are the Best Indicators for Health in a SaaS Business?* (IDC #US48908422, March 2022)
- *IDC Market Glance: Monetization Ecosystem Software, 4Q21* (IDC #US47142521, December 2021)
- *The Monetization Ecosystem – 2021 Edition* (IDC #US46247921, June 2021)

Synopsis

This IDC study uses the IDC MarketScape model to provide an assessment of vendors in the worldwide subscription and usage management applications market. The document also provides key considerations that technology buyers should have when selecting a supplier of subscription and usage management software for their company.

"As enterprise-sized companies standardize on the recurring business model, they will need the robust and high-performance capabilities in enterprise-focused subscription and usage management applications, says Mark Thomason, research director for IDC's Digital Business Models and Monetization program. "These applications will increase your company's business model flexibility and revenue efficiency, which enable intelligent and automated quote-to-cash processes."

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

Global Headquarters

140 Kendrick Street
Building B
Needham, MA 02494
USA
508.872.8200
Twitter: @IDC
blogs.idc.com
www.idc.com