



# **Restructuring Legacy Business Systems to Enable Agile Pricing Strategies**



# Executive Summary

Consumers are demanding new products and services with new pricing models, such as subscriptions and pay-as-you-go. However, legacy enterprise systems are preventing companies from adopting agile billing strategies that generate new revenue streams. Rip-and-replace isn't a viable strategy for most enterprise systems, but by embracing Software-as-a-Service (SaaS) and finding the right cloud service partners, smart organizations are extending the useful life of legacy systems while promoting operational agility and scalability, finding new successes by better meeting customer needs.

## Introduction

No matter what your business, growth is fueled by increased sales which means every business needs to be poised to take advantage of new revenue streams. Whether you are selling to consumers or other businesses, the web has changed pricing and revenue rules. Customers are demanding more pay-as-you-go and fee-based products and services, and to stay competitive businesses need to adapt their offerings to new pricing models.

Unfortunately, most enterprise infrastructures aren't designed with pricing agility in mind.

Outdated, legacy business systems and workflows cannot adapt to new pricing models, which means businesses are leaving new revenue opportunities on the table. To stay competitive, companies need to be able to pivot with market needs, including optimizing pricing and revenue strategies. It's time to abandon legacy systems and stop thinking about what your infrastructure can't do and embrace a more agile strategy that focuses on what your customers actually want.



The error most companies make is they reach business decisions based on the limitations of their legacy technology. Rather than innovating and developing new offerings that meet consumer needs, businesses stop short because they can't adapt existing business processes, or they determine that upgrading current systems is too expensive. Senior management starts to rely on the IT department to dictate the growth of the business rather than allowing business decision-makers to drive digital transformation.

This legacy mentality is often a greater obstacle than the legacy systems themselves. However, by embracing cloud computing and adopting new and hybrid business systems, organizations can adapt and extend legacy systems and create a more agile infrastructure that can support new revenue models.

New a la carte and recurring revenue models are emerging in many industries and more organizations are embracing cloud technology to support agile pricing. For example:



What all these companies have in common is they have embraced a cloud platform strategy for billing and revenue management, allowing them to create new revenue models and scale their operations to handle high volume, usage-based billing.

One industry where a la carte pricing and granular services is having a huge impact is online communications and over-the-top (OTT) streaming media services. Amazon, for example, continues to add fee-based entertainment channels such as Nickhits, BritTV, BET, and PBS, which means managing subscription pricing for customers, including entertainment bundles and special pricing for Amazon Prime customers. Without an agile billing infrastructure revenue management would be impossible.

Another example of the power of agile billing for OTT media is [StarzPlay Arabia](#). StarzPlay Arabia offers video-on-demand services in the Middle East and Northern Africa to customers in 20 countries and their services are billed through regional mobile phone service carriers. That means StarzPlay needs to maintain a la carte and subscription pricing in multiple languages and currencies, as well as managing taxes, tariffs, and contracts for different countries and carriers. The only way that StarzPlay can continue to grow is by leveraging cloud-based billing systems that can accommodate new services, new partnerships, and new pricing without affecting the legacy infrastructure.



# The Limitations of Legacy Systems

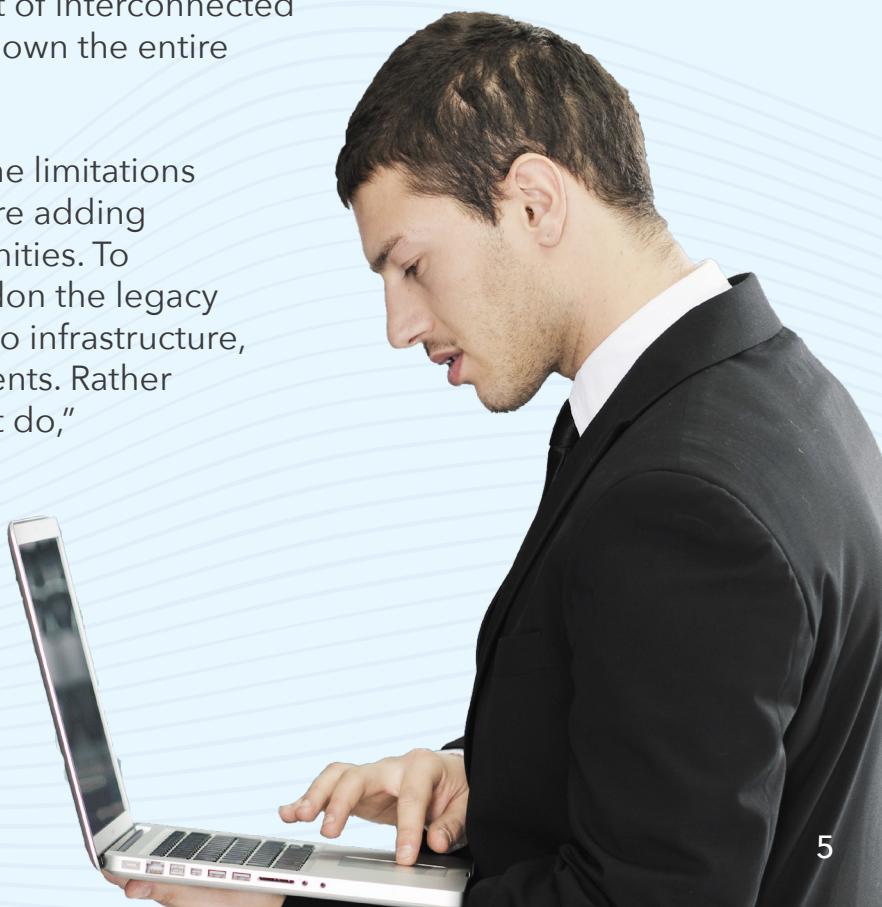
As businesses becomes more reliant on technology, legacy systems impede adaptability and growth. Operations that have evolved over time develop customized extensions and integrations to enterprise software to meet immediate business needs. Even hybrid platforms built using a combination of enterprise and cloud technology are typically structured to meet short-term needs and don't scale well or support new business models, such as pivot pricing. While it is difficult predict future opportunities and operational requirements, clearly investing in legacy technology that only yields immediate returns is a dead end.

At the same time, upgrading legacy business platforms to accommodate growth is both time consuming and expensive. For most organizations, a rip-and-replace strategy is not an option since it would prove too costly and disrupt operations. Therefore, they adopt a patchwork development strategy, expanding installed systems until they have cobbled together an infrastructure that becomes impossible to maintain let alone upgrade.

Most organizations have tuned their enterprise systems to meet their unique requirements. That includes complex integrations with third-party systems used to handle activities such as CRM, sales tracking, fulfillment, billing, financials, analytics, and other business-critical functions. Any dramatic changes to the existing infrastructure could affect backend connections that, in turn, affect operations. So rather than adopting a rip and replace strategy, most organizations continue to patch and expand legacy systems, adding more connections and integrating more third-party systems.

The end result is a needlessly complex set of interconnected systems where a single failure can bring down the entire infrastructure.

Rather than making decisions based on the limitations of existing systems, smart organizations are adding solutions that can support future opportunities. To remain competitive, it's essential to abandon the legacy mindset and rethink the entire approach to infrastructure, including strategy partners and deployments. Rather than being concerned with "what we can't do," it's more important to understand what's possible and develop an agile infrastructure that can support new business and revenue models.



# Restructuring to Support Agile Pricing

To support digital transformation including new business and pricing models, organizations need to rethink and restructure business systems. They need to be able to launch new products and services and enter new markets quickly, painlessly, and cost-effectively, without disrupting existing business processes. That requires extracting and extrapolating data from legacy systems in order to automate new, cloud-based platforms that can adapt to changing business needs.

Automating business systems makes it easier to add new products, modify pricing, and test new pricing structures without disrupting operations. It also ensures accurate revenue tracking, including accurate billing and invoices. Adding automation using cloud-based technology makes back office systems extensible for fast deployment.

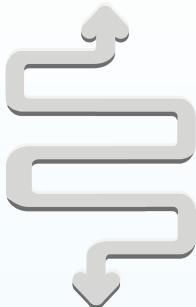
Adopting cloud computing minimizes the need to extend legacy software while reducing costs and required resources. To support agile pricing, choosing to add more cloud services rather than extending enterprise workflows creates a hybrid approach that lets you maximize pricing flexibility. You actually can extend the life and value of legacy systems by adding cloud-based rating and billing engines and revenue recognition systems.



# Harnessing the Cloud for Digital Transformation

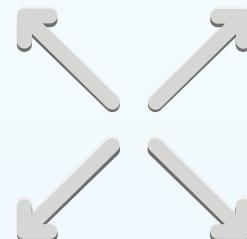
Adoption of native cloud applications is booming as more organizations look for new ways to enable digital business, including agile billing. It has been proven that cloud-based platforms can effectively replace legacy enterprise software, substantially reducing costs and resources. For example, some companies have adopted a hybrid approach to finance and revenue management by integrating cloud-based rating and billing engines and revenue recognition systems with legacy ERP systems.

There are three elements that make cloud computing compelling for digital transformation:



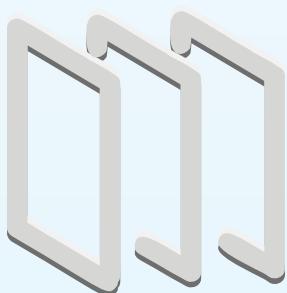
## Agility

Cloud computing simplifies adoption of new systems and new strategies without disrupting the technology stack. The cloud promotes fast deployment with minimal requirements for back end integration; it's plug-in technology.



## Scalability

Since you are outsourcing computing and storage capacity you buy what you need when you need, which makes cloud capacity readily scalable. The ability to grow quickly to accommodate new customers and new markets without delays from having to install new hardware and software is a true competitive advantage.



## Integration

Integrating third-party systems is an essential part of digital transformation. Not all cloud solutions integrate well with legacy solutions, so if you are merging systems, it's important to find the cloud solutions that can fit in with the rest of your technology stack.

Of the many advantages cloud computing offers, easy, extensible integration is critical. The cloud is decentralized by design, so different business operations need to come together to share data and interdependencies. The question then becomes how to approach cloud integration.

## 1. Connectors

Most cloud applications offer prebuilt connectors for popular integrations with third-party applications. These are typically the easiest to use and fastest to set up.

## 2. APIs

RESTful APIs use HTTP requests to transfer data between programs. They can transfer data to any third-party application but are typically designed for IT and other like groups to implement.

## 3. Enterprise Service Bus (ESB)

Large enterprise companies often invest in an ESB to integrate multiple different applications from various vendors. If your company uses an ESB, you will likely use it to transfer data from your legacy systems to your new cloud applications. ESB technology can be expensive and is often price prohibitive to smaller companies.

## 4. Manual Data Transfer

If all else fails, you can manually transfer data between programs. They can transfer data to any third-party application but are typically designed for IT and other like groups to implement.

Working with partners that offer open development strategies and provide integration tools simplifies things. Cloud partnerships not only make it easier to integrate third-party solutions, but they facilitate infrastructure scalability and promote business agility as well.

# Embracing Agile Billing

Managing billing can be a significant obstacle to business growth. Back-end financials tend to be rigid when they need to be more adaptable and agile to support new revenue models and pivot pricing. Billing systems are typically structured for lower volumes and individual purchases. As business models become more complex and embrace subscription billing and recurring revenue models, billing volume tends to increase dramatically. And with expansion into international markets the level of complexity increases to accommodate exchanges, tariffs, taxes, and other factors. The greater the complexity the more potential points of failure.

Agile billing requires supporting more sophisticated revenue models, such as subscriptions and usage-based billing. Subscription billing, for example, no longer just means annual billing at a fixed rate. It has evolved to include annual fees and usage-based charges for digital services and other add-ons, i.e., more complex billing. While these new billing models give customers more options and more control, they also provide vendors with more opportunities to cross sell, upsell, and increase value per customer while reducing churn.

Automated, agile billing also improves cash flow. It ensures more timely and accurate invoices, and it simplifies revenue recognition. It also simplifies account management. Unpaid invoices pose a bigger problem with recurring revenue models and automating billing systems keep better track of delinquent accounts.

Better integration via cloud-based solutions makes billing easier and financials more accurate. It also provides the additional data and analytics to promote better customer experience. Monitoring consumer behavior with real-time billing and usage processing enables more detailed invoicing and more powerful reporting. Using the cloud for data gathering and automation provides deeper insight while manual processing and errors that result in customer dissatisfaction.

## Conclusion:

Agility, scalability, and integration are essential for business growth, and to embrace new business strategies such as agile pricing, legacy systems have to give way to more nimble applications powered by cloud-based solutions.

Even though legacy applications have been fine tuned to power specific workflows and processes, continuing to maintain them is a losing strategy. The future lies in the cloud, but cloud migration doesn't mean you have to disassemble legacy systems. With the right cloud-based technology and, more importantly, the right integration partners, you can expand operations and embrace new strategies, such as agile pricing.

# Intelligent Billing Improves Billing and Enables New Pricing Models

To demonstrate the power of agile pricing and billing, let's consider the case of one service company that was able to scale its operation with new revenue streams.

Ytel was using a cloud communications platform with a proprietary API that allows customers to build their own marketing campaigns. The API can handle billions of messages at a time, but the billing system couldn't scale with demand. Billing was unable to handle variables such as carrier surcharges, volume discounts, estimated tax, and prepaid usage. In fact, because the internal developer team at Ytel couldn't scale the system the company was leaking revenue. Since the system was unable to track invoices and payments, they were giving away services. One customer accumulated more than \$100,000 in unpaid services.

Once Ytel identified the deficiencies in its order-to-cash process, they adopted Gotransverse native cloud agile billing system. Right away they were able to:

- Automate billing and revenue recognition
- Accurately calculate charges using usage-based billing
- Offer volume discounts and mixed service billing
- Add estimated taxes as part of service estimates
- Automate collections at all transaction volumes, including dunning
- Integrate with their back-office platform, NetSuite

Ytel also was able to add new revenue models such as tracking and charging prepaid accounts, including alerting customers when their usage credit became low. Gotransverse also was able to automate volume discounts and mixed billing down to individual service units. Ytel plans to experiment with other pricing models, such as tiered usage, using Gotransverse.

## Need More Information?

Want to schedule a brief call to speak to a billing expert? Fill out a quick form and we'll follow up with you to learn more.



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