6 Reasons to Outsource Your Recurring Billing Solution
Introduction

Subscription businesses have often been referred to as the holy grail of business because of the recurring revenue generated from customers. However managing day-to-day billing transactions can be daunting for business owners who typically resort to building their own billing solution. The better approach is to choose a recurring billing management service.

Here are 6 reasons why outsourcing your recurring billing management might be a better solution.
1. **You Don’t Want the Responsibility of Storing Credit Card Numbers**

   Often times companies are unfamiliar with the protocols necessary to protect sensitive customer information. Maintaining PCI Compliance (industry compliance standard to store credit card info) is time consuming, costly and can introduce risk to your organization. This can easily be minimized by working with an outside billing solution that holds PCI Level 1 Certification.

2. **Employee Retention**

   Building a homegrown subscription billing solution isn’t easy, and if you choose to do it yourself you are going to need talented engineers and a fair amount of man hours to build the minimal functionality not mention the ongoing maintenance required to evolve with the industry. Engineers typically want to work on the company’s core products, not billing. Engineers often turnover after spending 36 months in the “billing department”. When you outsource your subscription billing to a recurring billing service, you’ll dramatically reduce your total cost of ownership in each of these core areas:

   - Engineering Development Time
   - Ongoing Engineering Management and Maintenance
   - Customer Service and Support
   - Recruiting and Training to get new (replacement) employees up to speed
3. **Flexibility and Total Cost of Ownership**

Businesses that build their own homegrown billing system often devote many hours of development time and financial resources integrating with a payment gateway and automating billing processes time and resources that likely could’ve have been spent elsewhere. Let’s not forget to mention all the trial and error to ensure the billing process works as intended.

Every payment gateway is designed to handle onetime transactions. Some gateways like PayPal and Authorize.Net offer basic recurring billing or subscription billing functionality, and while they generally work for simple recurring billing integrations, they barely address the complexities of subscription billing.

Business owners face many complex pain points in handling day-to-day billing and related customer issues that come along with subscription billing. Unlike payment gateway solutions, a recurring billing management solution lets you handle billing changes elegantly.

4. **Customer Upgrades, Downgrades and Billing Cycle Changes**

If you build it yourself, you need to be sure to handle the sophisticated workflows that come with Recurring revenue streams. Customers should be able to upgrade and downgrade between plans easily, with automated proration calculations and customer communications. Most businesses prefer to offer multiple subscription plans. It’s good practice to create a ‘migration path’ from an easy, no risk trial to the plan with the maximum expected lifetime value. This is great business practice, but the billing intricacies are nontrivial.

Let’s start with proration, it means prorating the current month’s charge against the current payment — this can get complicated quickly once you also factor in trial periods. If your customers decide it’s too much and want to downgrade, you might want to wait until the end of the current billing cycle — now you’re tracking state. These simple tasks can take months to build on your own; Recurly gracefully handles these situations with a single API call.
5. **Failed Payments**

Recurring billing APIs typically leave you in the dark when a payment fails. On average, 5-10% of your payments will fail every month due to changed credit card numbers, expiration dates, and accounts overdrawn. (The longer the billing cycle, the higher the failure rate.) As part of offering a subscription service, you need to follow up with these subscribers to keep their billing information accurate.

Billing solutions often provide account updater services to check with major networks for updates to credit card information. They also offer card recycling logic that helps optimize credit card retries as well as automated communication to cardholders to ask for their participation in updating their profile. Billing solutions like Recurly have already optimized for reducing your failed payments and can help you recover lost revenue.

6. **Account Management Console for Customer Support**

Subscriptions come with customer support requirements. This is a commonly underestimated cost, and a billing service makes it much easier to manage without building out expensive custom solutions. Your customer service dept. can view subscription information, issue credits & refunds, and more. Any change made will be pushed back to your web application with our Push Notifications and REST API.
Conclusion

A variety of advantages exist for outsourcing your recurring billing management needs. From features and support to security and maintenance, companies can focus on their core business, while leaving the billing experts to innovate and pass on that innovation without worry.

Looking to outsource your billing solution? SCHEDULE A DEMO
Recurly provides enterprise-class recurring billing management for thousands of subscription-based businesses worldwide.

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