MGI Research

MGI 360 Ratings

The ARM Top 27: Buyer's Guide

AUGUST 15, 2024

Executive Summary

MGI 360 RATINGS™
MARKET RATING REPORT (MRR)
The Automated Revenue Management (ARM) Top 27: A Buyer's Guide

Aug 15, 2024

Executive Summary

The risks – and rewards – of buying an automated revenue management (ARM) solution are high. Make the right choice and ROI targets are achieved, finance scales efficiently . . . and no one notices. Get it wrong, and the CFO goes to jail.

The Automated Revenue Management Top 27 Buyer's Guide aims to help CFOs, finance, and IT teams understand the benefits of modern ARM solutions and make better, timelier, and more informed finance automation strategy and purchasing decisions – while mitigating the risks of getting it wrong.

This Buyer's Guide highlights current and future ARM market dynamics and provides analysis and ratings of the most consequential vendors in this space. This report also includes four MGI MarketLens™ charts: a set of proprietary lenses highlighting how solutions compare in terms of their agility, ability to handle revenue and business complexity, and support for volume, go-to-market strength, and solution strength. The MGI MarketLens helps buyers understand the relative strengths and weaknesses of solutions and gives vendors a tool for benchmarking their performance in these key areas.

Key Ratings Findings

- **Workday**, **Zuora**, and **SAP** are the three top-rated suppliers in the ARM market.
- **Workday** is the highest rated supplier in the **Enterprise** market segment.
- **Sage Intacct** is the highest rated supplier in the **Midmarket** market segment.
- **Maxio** has the most agile solution among MGI 360 Rated ARM suppliers.
- **Zuora**'s ARM solution can handle the greatest complexity and the largest volume of transactions.

ARM Vendors Under Coverage

This is an executive summary of the ARM Top 27 Buyer's Guide. The full report provides ratings and analysis on 14 suppliers of automated revenue management solutions, as well as coverage of 13 honorable mention suppliers. According to MGI Research, these are the most significant solutions and suppliers in the market today. The full report includes MGI 360 Ratings™ using a rigorous quantitative rating (scored 0-100), a letter grade based on quartile rating results, and a qualitative Analyst Outlook (Positive, Neutral, Negative) on 14 vendors, as well as Honorable Mention summary analysis on 13 additional companies. Vendors receiving full 360 Ratings and letter grades in the full version of the report are: Ayara, BillingPlatform, Certinia, Chargebee, Gotransverse, Maxio, Oracle, Oracle NetSuite, RightRev, Sage Intacct, SAP, Workday, Zone & Co., and Zuora. The 13 suppliers receiving Honorable Mention are: Aptitude Software, Binary Stream, BluLogix, JustOn, Klarity, LogiSense, OneBill, Recurly, RecVue, Rev.io, Softrax, Stripe, and Zoho. MGI Research tracks approximately 15 more vendors in this space and reserves the right to publish ratings and analyses on select vendors as deemed worthy and appropriate.

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Introduction

Once viewed as an adjunct to the general ledger of an accounting application and considered a tool for managing revenue recognition schedules and compliance, automated revenue management (ARM) is now seen as a must-have component of the modern finance organization. Many companies were first motivated to investigate revenue recognition applications to enable compliance with the adoption of ASC 606 and IFRS 15 in 2018/19. Today, demand drivers for ARM expanded beyond the need for compliance into granular revenue management at a sub-ledger level with capabilities for analysis, reporting, forecasting, - a tool that finance and other teams can use not just at period end but daily. ARM has also evolved from being an extreme niche market supplied by 2-3 specialized suppliers to a recognized software category covered by a broad range of innovative standalone suppliers, billing vendors with ARM capabilities, and financial suite vendors, many backed by significant amounts of investment capital. Buyer choice has never been wider, and MGI's research indicates customers are experiencing significant financial and business benefit. This report is the result of months of in-depth research that included hundreds of conversations with customers, accounting and audit partners, systems integrators, ARM vendors, and institutional investors.

ARM software solutions help automate accurate and timely classification, scheduling, allocation, calculation, and presentation of revenue in the appropriate periods and amounts within accordance of national and global accounting standards and other regulatory mandates. ARM is a key element of an agile monetization platform.

Since the publication of the last ARM Buyer's Guide in 2022, the market for ARM solutions has blossomed – with standalone, billing-attached, and integrated financials suite vendors all bringing out new capabilities. Business models have evolved, with more attention on usage and consumption pricing models driving demand for faster, more agile revenue automation tooling. Buyers and sellers alike are becoming better educated, sophisticated, and mature. Market leaders are characterized by their novel approaches to not only supporting one-time and recurring revenue business models, but by their abilities to manage a diversity of business models. And buyers are bringing more experience and higher expectations to the market. Finance teams that implemented a rev rec tool five or more years ago are often surprised by how rapidly some ARM solutions have progressed in terms of capability and performance. Leadership five or six years ago is no guarantee of success today. The market is beginning to realize that ARM products are responsible

Key Issues for ARM

- What is the business case for ARM?
- What are the emerging ARM requirements?
- What are the best practices for improving the automation of revenue management?
- What is the role of ARM in an Agile Monetization Platform and an organization's ability to monetize?
- What's driving demand for automated revenue management solutions?
- What are the best practices for selecting an ARM tools vendor and achieving implementation success?
- How is the market for ARM evolving?
- What will the impact of AI be on ARM solutions and revenue accounting and reporting?
- Which suppliers will emerge as the leaders in ARM?

for much more than automating accounting at the end of the month or quarter – they give finance leaders the ability to influence operational decisions in real-time as business is transacted. For the most progressive CFOs and CAOs, ARM solutions are viewed as a proactive intelligence tool that enables decision-making during the financial quarter. While some investment in ARM solutions is driven by migration from legacy systems to cloud-based tools, the bulk of the spend is net new spend for companies of all sizes as the ROI and business benefits justify significant investment in the category.

ARM Top 27 – Why These Companies?

This report focuses on the top 27 vendors in ARM and provides comprehensive MGI 360 Ratings on the top 14. In our view, today, these vendors, are among the most consequential ARM suppliers in the market and merit the attention of buyers, partners, and investors. The MGI 360 Rating methodology is quantitative in nature with a tough, non-linear grading scale. Any vendor among the 14 rated suppliers is in our view Important and Impactful, regardless of the absolute score. The criteria for inclusion include one or more of the following:

- **Market visibility:** The company has one or more of these characteristics: above-average growth, often included in longlists and shortlists of buyer evaluations, large installed base, and/or most MGI clients express interest in the company or mention them in analyst calls.

- **Innovation:** The product has unique capabilities and the potential to disrupt the market – buyers should be aware of this product/company, even if it is not a fit for them today.

- **Solution strength:** Breadth and depth of solution, support for various business models and use cases, and the supplier's ability to help customers implement and gain value from the solution.

- **Demonstrated success:** Most, but not all, vendors covered are able to provide MGI with reference customers and partners to interview. Independent of the provision (or lack thereof) of vendor references, MGI conducts its own interviews and field research on customers, partners, and investors.

There are hundreds of ARM software providers offering products that range from basic revenue recognition to advanced revenue management systems with unique capabilities and integration with other financial automation platforms. Vendors are not excluded uniquely based on size (e.g., revenue or customer count below any threshold) or willingness to participate in the research process.

Inclusion in the ARM Top 27 Buyer's Guide does not represent an endorsement or an outright recommendation to purchase a product. Conversely, exclusion of a supplier from this report is not a recommendation to exempt it from consideration. Organizations should evaluate potential suppliers on merits and on a fit to their specific use case. Organizations should refer to Ideal Customer Profile (ICP) notes and the MarketLens analysis for help in determining a list of potential suppliers to evaluate.

How to Use This Report

This report aims to help organizations evaluate their strategic options and ultimately make better, more cost-effective, and timelier purchasing and investment decisions while containing and reducing risks. It summarizes the key evaluation criteria, investment cases, project success factors, and the MGI 360 Ratings and analysis of the Top 27 suppliers of ARM solutions. The research contained in this report is not a replacement for a full due diligence effort. By utilizing this Guide, organizations can dramatically cut the time and investment needed to evaluate, source, and implement ARM solutions.

The report utilizes several structured research constructs and attributes:

- MGI 360 Ratings and Analyst Outlook
- MGI MarketLens

MGI MarketLens™ diagrams map various strengths and capabilities amongst top ARM Suppliers to help organizations narrow their selection to suppliers with the most expertise in a specific Use Case. Several types of MarketLens charts are included in this report:

Fig. 1 – Dimensions of MGI 360 Ratings

- **Go-to-Market Strength vs. Solution Strength**: How does a supplier's functional breadth and depth compare to its ability to successfully bring the product to market, scale up its adoption, and successfully grow their customer base?
- **Agility vs. Complexity**: How does an ARM product's agility compare to its ability to handle complex revenue scenarios?
- **Agility vs. Volume**: How does an ARM product's agility compare to its ability to handle large volumes of transactions?
- **Complexity vs. Volume**: How does an ARM product's ability to handle complex revenue scenarios compare to its ability to handle large volumes of transactions?

About MGI 360™ Ratings

MGI 360 Ratings™ are a comprehensive structured system for evaluating technology companies. The MGI 360 scores reflect analyst opinions based on a scale of 0 to 100, combined with an analyst outlook (Positive, Negative, or Neutral), across five key pillar scores:

- **PRODUCT**: How strong is the product's competitive position?

- **MANAGEMENT**: How competent and experienced is the management team?
- **CHANNELS**: Does the company have a sales capability and channels needed to bring products to market?
- **STRATEGY**: Does the company have a realistic view of the opportunity and a compelling strategy for success?
- **FINANCE**: Is the company growing and profitable?

Each of the five equally weighted pillar scores ranges from 0 to 20 points. Each pillar score is subdivided into numerous sub-categories – in total, over 149 criteria are combined to generate a single MGI 360 rating. We frequently emphasize that the MGI 360 scale is very demanding and companies need to be exceptional in every aspect of their business to command higher scores.

MGI Research assigns a letter grade of **A, B+, B,** or **B-** to all 360 Rated suppliers. Letter grades are assigned by dividing the 14 overall 360 Rating scores into four quartiles. The top-performing quartile receives an A grade, the second-highest rated quartile receives a B+, the third quartile receives a B, and the lowest-rated quartile of ARM suppliers receive a B-.

SPEAK TO AN ANALYST: Organizations looking for additional support in crafting an evaluation strategy and conducting an independent assessment of potential suppliers should contact MGI Research at info@mgiresearch.com.

More information about MGI 360 Ratings™ is available in **Appendix C**.

A	Workday	Zuora	SAP	Oracle NetSuite
B+	BillingPlatform	Sage Intacct	Oracle	
B	Certinia	Maxio	RightRev	
B-	Chargebee	Zone & Co	Gotransverse	Ayara
Honorable Mention	Aptitude Software Binary Stream BluLogix JustOn	Klarity LogiSense OneBill	Recurly RecVue Rev.io	Softrax Stripe Zoho

ARM Solution Selection Strategies & Best Practices

Although the risks of making the wrong choice are high, many finance and IT teams make the same, entirely avoidable evaluation mistakes. Most companies could cut evaluation times by 20-50%, shaving weeks to many months off the process and reducing the risks associated with making the wrong decision by at least 30-50%. This report offers several structured research constructs to facilitate the process of finding an appropriate ARM solution in a timely manner.

For prospective buyers, the first step in streamlining the process is to document the current and future needs of the organization in terms of desired agility, and accurately characterizing the complexity of the business and the contract and data volumes that need to be supported. Agility, Complexity, and Volume (ACV) are defined in **Appendix D** on pp. 52-54 of this report. Based on ACV requirements, the MGI MarketLens charts are a good starting point to identify suppliers that may be a suitable fit. Next, buyers can match their profile to the Ideal Customer Profile (ICP) of potential suppliers – a simple and effective way to match the respective DNA of buyer and supplier. MGI maintains ICPs for each ARM vendor covered in this report. Find MGI Research ICP Notes here or reach out to your client rep for access.

When evaluating the solutions in the market, ARM buyers face a fundamental choice. Does it make sense to acquire ARM capabilities from an integrated financial suite vendor, from a best-of-breed ARM supplier, or consider an ARM functionality from a billing/monetization vendor? Many, but not all, core financials application suites offer at least a modest level of support for basic revenue recognition. The industry leaders are highlighted in this report, and in broad terms, their capabilities are mixed. Some are market leaders (e.g., Workday), while others have significantly reduced their investment in ARM functionality. Best-of-breed solutions are particularly appropriate when the business has medium-to-high levels of complexity and volume, and when there is a desire to automate as much as possible. The billing and broader monetization vendors are ramping up their ARM functionality. There is no single "correct" approach. This is a decision requiring consideration of a) the broader technology environment and goals of finance and the business; b) the age and limitations of the current environment vs. what is available on the market today; and c) most importantly, the specific use cases in question, the acute pain points of the business today, and the direction of the business over the next three to five years.

Below are overall guidelines for streamlining the evaluation and ensuring project success.

Skip the lengthy RFP – move to ICP evaluations and scripted scenarios. The typical request for proposal (RFP) process takes 2-5 months, if not longer. The information it yields is often of modest value. Suppliers tend to be overly generous in their responses regarding product capabilities, and buyers fail to provide enough precision for suppliers to determine if their product is a fit or not. Evaluation teams can shave months off the process by identifying a list of three to five suppliers to engage in dialogue. Central to this conversation should be well-defined ICPs and scripted scenarios that walk through each use case. When armed with these ICPs and use cases, buyers demonstrate their organizational commitment to the process. And from the suppliers' perspective, it is much easier for a sales team to qualify its solution as a probable contender to win the business. All parties save time and money and reach a better outcome.

Vendor viability: financial health and ownership matter. Buyers are faced with a wide variety of choices. A company that raises large sums of venture capital (and that is burning cash) may or may not be more financially viable than a self-funded competitor that is running a break-even or profitable business. Similarly, a large, publicly listed company may or may not be investing any resources into their ARM solution. A product can languish inside of a thriving large corporate parent. We're likely to see more acquisitions in the next 12-18 months, causing some level of pain for many organizations. The MGI 360 Ratings methodology analyzes company ownership, operational track record, and management, and we strongly encourage users to do the same.

Successful projects start with supplier evaluations based on well-defined requirements. Typically, this translates into defining five to ten Proof-of-Concept (POC) scenarios to measure the fit of each short-listed supplier (see above). Even the simplest implementations will find differences among the suppliers based on the level of technical proficiency and existing applications environment of the user organization. Further, it's not unusual to underestimate implementation timing and budgets; thus, having a realistic implementation plan and avoiding scope shift/creep are recommended. Faced with high growth, suppliers are resource-constrained, and projects that drift tend to get staffed by the average professional services consultants, not the best ones. Well-defined requirements and clearly communicated objectives and timeframes lead to better product evaluations and faster, more successful implementations.

Financial domain expertise from the supplier can make a difference. Revenue automation is one business area in which having a supplier with deep domain expertise can make a real difference in assisting the revenue accounting team with handling complex arrangements, high amounts of business change, and ensuring audit compliance. Bringing product and technical expertise is table stakes among suppliers. If suppliers are unable to answer key revenue accounting questions or don't understand the question during the sales process, it is highly unlikely their solution will meet the buyer's needs anytime soon. Buyers – particularly those with medium-to-high degrees of business/contractual complexity, should seek suppliers who bring a deeper level of expertise in revenue accounting – and who have strong relationships with accounting firms.

Consider ARM holistically. Many finance teams start by analyzing the reporting requirements and then work backwards. This is a sane approach and a valuable perspective to document. At the same time, it's essential to look at what is missing. Often what is currently missing is a) the ability to support certain types of sales deals (complex usage, multi-year ramp deals with additional product/service components), b) the ability to confidently forecast cash and revenue, and c) the ability to keep the sales and finance forecasts in sync. By taking a broader view, the overall success of the implementation stays on track.

Learn from early-stage innovators in this market. The past 24 months has witnessed a significant amount of innovation in this market. Startups like Ayara and RightRev (among others) are bringing fresh ideas and new approaches to how revenue automation can shift from automating a repetitive work to helping the business achieve better outcomes (higher margins, more control over quarterly results, etc.). Buyers should engage with these innovators, even if the startup's ability to service the buyer is in question. Finance teams can learn a lot – and bring new ideas into their organizations – by understanding how innovators are shaping the future of revenue automation.

A healthy supplier relationship is vital. Not only in negotiating price, but more importantly when negotiating functional requests, buyers should be wary of pushing suppliers too far. In the case of price, "free" implementations or heavily discounted fees can impact the ability of a supplier to invest in R&D (and can even impact the supplier's ability to raise investment capital). Clearly, for established software vendors, this is not necessarily the case. Particularly when it comes to requesting functional enhancements, buyers should be realistic about requests. Some enhancements may be capabilities that every customer will need. Others may be one-offs unique to the buyer – and will end up costing both the buyer and the supplier dearly as time goes by. A healthy supplier community is in everyone's best interest.

ARM Success vs. Failure

What Constitutes Success

- Accurate presentation on demand of all types of current, past, and future revenue
- Revenue accounting is complete 24-48 hours from month, quarter, year-end
- Finance organization's scalability is not tied to headcount – revenues can grow without need to add FTEs in finance
- Audits are completed on-time, on-budget without qualification
- Zero disputes or issues with regulators, auditors, partners/customers, investors
- Minimal use of spreadsheets to generate data that is reported externally
- 80%+ of revenue recognition is scheduled automatically at time of contract closing
- Simulation and execution of mergers, acquisitions, divestitures/spin-offs, and IPOs/financing events is rapid and easy
- Investors, board of directors, auditors, and executive teams are highly confident in financial statements

Warning Indicators of Failure

- Revenue forecasting requires manual effort
- Sales forecast is not connected to revenue forecast
- Sales, resellers, and finance are in a simmering skirmish/dispute over commissions and bonuses
- Modeling business events (acquisitions, mergers, divestitures, financing transactions, et al) is mostly manual and time consuming project
- Closing periods require extended hours, manual interventions, and are usually late

Key Market Trends

Pricing Trends

Pricing for ARM solutions varies widely. Standard rev rec automation for a low-complexity SaaS business can be sourced as part of an ERP package. On the surface, the cost appears to be free – however, it's not unusual for buyers to customize the financials and reporting capability. Similarly, revenue automation functionality is often bundled into billing solutions. However, as pricing models grow in complexity, data volumes increase, and the need to handle change rises, buyers need to seek more sophisticated ARM offerings. On average, the annual investment is approximately $25K to $100K. It is not unusual for higher-end solutions to price in the hundreds of thousands of dollars or more. The benefits are often surprising – giving finance teams the ability to deliver higher degrees of accuracy and timeliness without the need for added headcount or long nights producing hand-crafted reports. Buyers with moderate levels of volumes and complexity who believe "free" ARM modules provided by financials or billing vendors will meet their needs at no cost are often disappointed. A surprising finding in this research was the relatively high satisfaction levels of buyers paying over $100K annually. While commoditization of pricing is happening at the entry level, clearly ARM buyers are experiencing significant benefits that justify higher levels of annual spend on ARM. As ARM matures into an essential finance tool with an established line item in the budget, pricing for innovative ARM solutions will likely increase over time.

ARM Attracts Investors & Strategic Partners

As a software category, ARM continues to attract investment and industry attention. Standalone vendors like RightRev are receiving positive support from investors. A new breed of monetization vendors that promise integrated quoting, billing, and revenue recognition functionality have attracted considerable venture support, and all but a select few of the established financials suite vendors who also offer ARM modules are recipients of internal funding and resources. Notably, payments giant Stripe and billing vendor Recurly both acquired ARM startups in the past 24 months. Past questions regarding the viability of ARM as a standalone market are being answered by the size, growth, and clear benefits delivered by ARM.

Table Stakes Functionality

Most, if not all, rev rec solutions today can manage subscription and recurring revenue arrangements. The challenges are at the edges – e.g., finance teams managing subscription and usage pricing models and in need of a highly agile solution that does not require IT involvement or a dedicated administrative resource. Users should expect the following common functionality from suppliers today:

Must Have:

- Ability to model and support the ASC606 / IFRS15 5-step process
- SSP calculation
- Revenue and expense allocation
- Ability to abstract/model revenue contracts, obligations, conditions, timing
- Ability to handle unbilled receivables
- Ability to handle revenue events from different sources - billing, quotes, orders, contracts, manual, etc.

- Subscriptions revenue support
- Usage Revenue Support
- Management/Scheduling of Deferred Revenue Balance Sheet Items
- Separate tax from revenue
- Full waterfall reporting with reconciliation between the cash, billing, and revenue views
- Change management support with full audit trail

Important:

- Professional Services/Milestone Revenue Management
- Bring your own reporting
- Ability to run as a full subledger
- Multi-support: support for multi-entity, multi-books accounting
- Ramp deals and discounting

Profile of Leading Finance Organizations

24-48 hour monthly close: the continuous revenue close is essentially here. Leading finance teams can produce a 95%+ accurate revenue picture within one to two days of the month- or quarter-end. Most organizations interviewed for this report cited at least a 25-50% reduction in closing time. A contributing factor frequently cited by finance leaders is the use of ARM tools on a more frequent cadence, typically a weekly or even daily basis.

AI in ARM

To-date, most of the efforts for applying AI to ARM have largely translated into demonstrations of varying sophistication. However, nearly every vendor covered in this report is working on some form of AI augmentation to their solution. Some are experimenting with AI-based SSP calculators, while others are looking at ways to detect anomalous events in revenue. The concept of fully automated revenue management tool based on generative AI is not beyond possible, it is only a matter of time before there will be a successful demonstration of a tool that can ingest a textual description of revenue management rules and proceed to process revenue events, while classifying and scheduling revenue transactions and managing deferred revenue balances. Making this work will, in our view, be less than half the battle. Applying it practically, engendering trust with finance teams, auditors, and regulators – that may still be some meaningful distance away, if ever. Finance operations require near absolute precision and auditability – places where Gen AI today still requires a lot of work as its strength tends to be in text and image handling. Applying Gen AI at the core of revenue recognition will likely remain an attractive target and a big challenge, but making use of Gen AI at the margins of rev rec is a practical idea whose time has come. There are numerous contexts where Gen AI components can help train, explain, retrieve information, and spotlight differences and unusual outcomes. Machine learning is also getting a second look, especially in terms of being able to help finance teams save time, increase precision, reduce errors, and mitigate risks. One company that is helping to automate the revenue accounting process – but not selling a revenue recognition application – is Klarity. It is an example of how AI can be applied to interrogate unstructured contract data and match it to revenue accounting processes. Klarity is an add-on to an ARM tool, and an application of AI that merits investigation.

Is 100% Revenue Automation Aspirational?

In a perfect world, every audit would be unqualified, and reporting would be instantaneous and error free. Alas, even the AI-promoters have yet to make such declarations. Similarly, the goal of completely automating revenue accounting remains aspirational. Compared to just two years ago, more finance teams are reaching 60-75% of automation, and in some cases, it reaches above 80%.

Areas of Opportunity & Unmet Needs

- **Integration:** Lack of Contract Lifecycle Management (CLM) integration is a massive gap and an opportunity for ARM, CLM, and even billing vendors. Excellence in revenue accounting is based on the ability to extract critical contract data contained within agreements, sales, and partnership contracts. While more and more companies are adopting contract repositories, few CLM systems make the data contained within each contract programmatically accessible. Digitally accessing contract data (even the revenue data contained within proposals) and connecting it with revenue automation tools and analytics will improve operations and outcomes for finance teams – and enable the sharing of forecasted and current cash and revenue with the business. Mediation can help.

- **Mediation:** A growing number of ARM vendors are offering some form of mediation as part of their solution. Mediation – the process of collecting, aggregating, cleaning, and converting data from multiple disparate data sources into the format(s) compatible with the ARM solution – will become table stakes for leading solutions in the next two to three years. Unlike batch ETL tools, mediation typically can handle quick-time and real-time requirements. As the diversity, volume, and timing of revenue events (usage, one-time, recurring, complex bundles, etc.) increases, financial data mediation will increasingly become a standard tool for ARM and finance teams.

- **Complex pricing structures**, such as:

- Consumption and usage-based pricing structures
- Ratable billing schedules/milestone and percentage of completion

As complexity builds in contractual agreements, the revenue recognition effort also grows. Usage and consumption-based pricing tend to generate significant volumes of data that require mediation and place particular strain on revenue recognition. Rigid ARM solutions (typically older products) struggle to handle the potent equation of complex pricing models, especially usage/consumption, high data volumes, and moderate to high degrees of change.

- **Leasing and ASC 842 support:** While the adoption of ASC 606 spurred functional enhancements to rev rec tools and led users to push for more automation, the introduction of ASC 842, which requires companies to be more transparent with financial information associated with operating leases, has not resulted in a similar burst of new functionality. Where possible, this report highlights the ARM solutions currently supporting ASC 842 and lease reporting.

- **Complex SSP Determinations Still a Challenge:** Automating Standalone Selling Prices (SSP – the price at which a vendor would sell a good or service separately to a customer) remains challenging for some ARM vendors, particularly the older, less agile solutions. Some products deliver an SSP calculation engine, while others essentially force the user to write custom code or revert to spreadsheets to manually determine SSPs.

The Business Case For ARM

Justifying investment in ARM is typically based on a number of financial, compliance, and overall business factors. Organizations with a modern ARM tool consistently report the following results/improvements in their finance operation and overall business results:

- Financial close times are often reduced by several days or more, depending on where an organization is starting. Most companies with an ARM tool report revenue closing times of 2-3 days, with some closing within 24 hours. ARM tools are now standard for finance teams that seek a continuous close type of operation. In addition, they free up valuable time for finance to get closer to the business and serve as a trusted partner.

- Finance teams become more scalable – many references and MGI clients report being able to consistently grow revenues 15-25%+ without having to add headcount. While 100% automation of rev rec is still aspirational, leading companies are reaching 75-85%+ levels of automation – even with highly complex contractual arrangements that change over time.

- Automating revenue recognition often results in shorter audit times and lower overall audit costs. At a minimum – both the finance team and auditors have a higher degree of confidence in the numbers.

- The ability to support regulatory compliance is often viewed as the primary investment justification for ARM spending. While compliance is a key factor in favor of building the ROI case, it is by far not the only consideration.

- With proper automation, financial accuracy increases and overall confidence in the numbers rises. Sales and finance save time when there is agreement and confidence in the numbers, finance and the business are able to forecast cash and revenues more accurately, making it easy to manage growth, and most importantly, investors have more confidence in the company. Stronger investor faith in financial reporting is an intangible that contributes to above-average valuations. Conversely, a loss of investor trust in financial statements is both quantifiable and punitive.

- Increased confidence and timely access to revenue data improves the organization's ability to accurately calculate and pay sales and partnership commissions – making it easier to attract and retain high-quality sales talent and key business relationships that are tied to revenue.

- Finance becomes an enabler – not a barrier – to growth. One company actively discouraged sales reps from selling large, complex ramp deals because its legacy financials/rev rec package was unable to handle the revenue accounting, which would end up being maintained manually. Not only was this time-intensive, it made reporting and audit extremely unpleasant. Consequently, sales reps avoided selling certain deals and lost business. With a new rev rec tool in place, the finance team was able to completely automate complex ramp and usage deals – resulting in higher customer satisfaction, increased competitiveness, and an improved relationship between sales and finance. As the CFO stated, "we've shifted from being the department of "no" to the department of "go."

Automated Revenue Management: Budget, Resources, Timeframe & Risk

The ARM software market is modest in scale but growing rapidly. Between 2024 and 2026, the market for public, cloud-based ARM software is expected to grow from approximately **$1.6 billion** in 2024 to nearly **$2.2 billion** in 2026, representing a CAGR of **17.4%** per year.

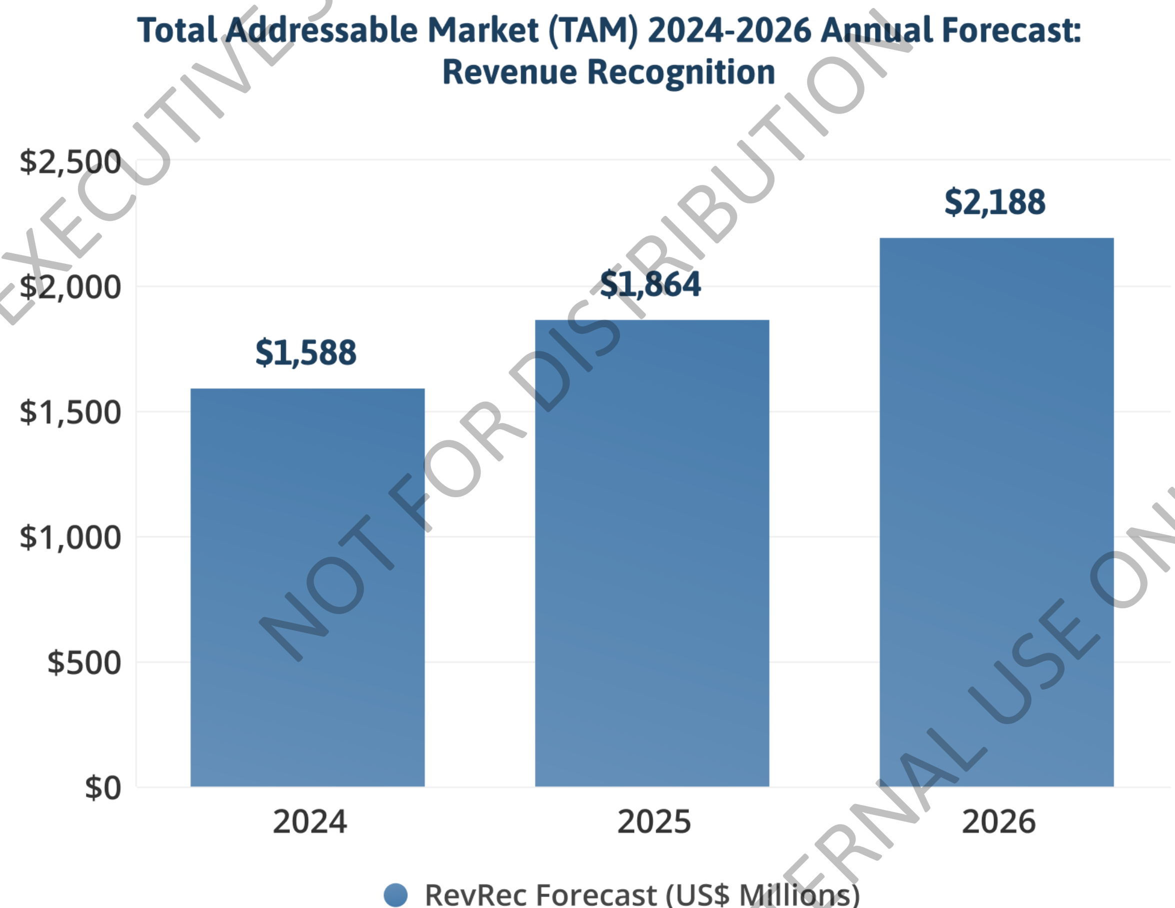


Fig. 2 – ARM Total Addressable Market 2022-2026

A key driver of adoption includes increasing monetization complexity requirements to support not only recurring subscription revenues but also high-volume and real-time, pre-paid and post-paid, usage-based and outcome-based charges, as well as an increasing share of product bundling, especially in tech companies selling a complex mix of physical and digital products, subscription contracts, training, and lease financing.

Many finance and technology organizations are challenged in properly budgeting for an ARM implementation and purchase. ARM products are often included as components of an overall finance/ERP suite and may appear to be "free," but even the bundled solutions command significant implementation efforts and resources. Implementation timeframes can also vary significantly, from a few weeks to a year plus, and at times include significant involvement of outside audit firms to review and vet the revenue classification and recognition process and workflow.

The cost of standalone ARM solutions can vary from "free" (for bundled captive to ERP suite options) to mid-priced ($25-$75K per year) standalone solutions that address the needs of growth-stage companies to multi-million-dollar annual commitments that fund product licenses, premium or ultra-premium support, and in some cases include committed on-site resources to ensure success. Ultimately the cost itself, while important, should be viewed in the context of a 3–4-year ROI as well as in terms of how an ARM tool enables an organization to achieve its strategic outcomes, e.g., IPO, fundraising, M&A, etc.

ARM solutions tend to have an asymmetric impact on companies. Generally, if an ARM tool works properly, few will notice, but if a company is not able to produce an accurate GAAP/IFRS compliant picture of its revenue performance or if the revenue is misstated, the negative fallout can be dramatic, up to and including legal penalties and criminal charges for company executive leadership, as well as a severe impact on the company credibility and capacity to fundraise, transact and partner. ARM tools need to help companies meet key objectives of accuracy and timelines as well as continuous improvement in granularity, forecast accuracy, and transparency. ARM tools can have a direct impact on the credibility and trust that companies have with their investors, regulators, employees, customers and partners.

For more information, see MGI Forecasts:
ARM Total Addressable Market (TAM) Forecast 2022-2026

MGI MarketLens™: Solution vs. Go-to-Market Strength

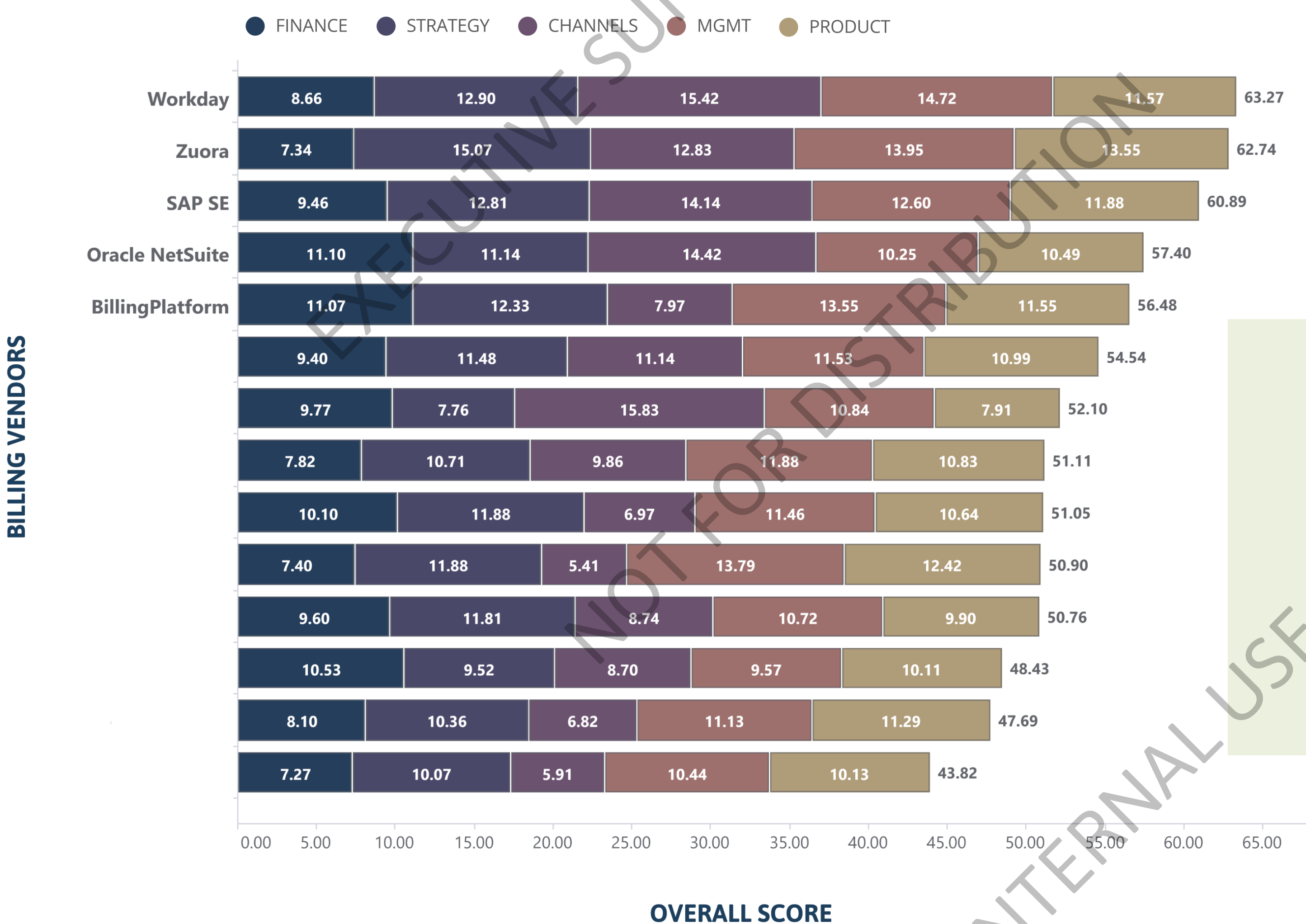
This MarketLens measures **solution strength** (product score) on the x-axis against **go-to-market strength** (a composite of the management, channel, strategy, and finance scores) on the y-axis:

For more about how to read MGI MarketLens™ charts and how go-to-market strength, solution strength, and market segment are calculated, visit **Appendix D** on pp. 52-54.

Fig. 3 – ARM Solution vs. Go-to-Market Strength

Overall MGI 360 Ratings for ARM

The 14 MGI 360 Rated ARM suppliers are listed below from highest to lowest **overall** score. The scale is from 0 to 100.



Highest Overall Rating: Workday

Top 5 Overall Ratings:

1. Workday
2. Zuora
3. SAP
4. Oracle NetSuite
5. BillingPlatform

Positive Outlook: Workday, Zuora

Fig. 7 – MGI 360 total scores

APPENDIX A – Glossary

AGILE MONETIZATION PLATFORM: MGI Research is credited with having created the concept of an Agile Monetization Platform. This concept is comprised of processes, tools, and human resources and describes the business enablement of monetization. Monetization is defined as how market demand is created and then translated into revenues, profits, and business differentiation. A core process that is supported by the AMP concept is P2D – Prospect to Disclosure. Historically, the Quote to Cash process was viewed as the essential element of monetization. Today, the serial notion of Quote to Cash no longer accurately captures the continuous and multi-faceted nature of how an enterprise monetizes. Within AMP, there are twelve areas that are commonly supported by business applications. Contract Lifecycle Management is one of these product areas. As packaged solutions mature, it is expected that software vendors will evolve towards offering more comprehensive packages that encompass more than one AMP product discipline, a trend that has already begun.

AUTOMATED REVENUE MANAGEMENT: A solution that helps automate the accurate and timely classification, scheduling, allocation, calculation, and presentation of revenue in the appropriate periods and amounts within the accordance of accounting standards and other regulatory mandates.

GICS®: Global Industry Classification Standard: an industry taxonomy created by MSCI and S&P; it organizes all major public companies into 11 sectors, 24 industry groups, 69 industries and 158 sub-industries; this is the taxonomy used in this TAM report

ICB: Industry Classification Benchmark: an industry taxonomy developed by Dow Jones and FTSE; it organizes markets into 11 industries, divided into 20 super-sectors, further divided into 45 sectors, which then contain 173 subsectors

MEDIATION: The process of collecting, aggregating, cleaning, and converting data from multiple disparate data sources into the format(s) compatible with the ARM solution.

NAICS: North American Industry Classification Standard: an industry taxonomy used in the United States, Canada, and Mexico; it organizes businesses by type of economic activity

TRBC: The Refinitiv Business Classification: an industry taxonomy created by Thomson Reuters; it organizes businesses according to their market impact

APPENDIX B – About MGI Research

MGI Research is a vendor agnostic research and advisory firm serving business, finance, and IT executives, technology leaders, and institutional investors. The firm was founded in 2008 by a group of senior analysts and executives from Gartner, Soundview, and Morgan Stanley. MGI Research analysts bring with them over 25 years of tech industry experience as IT and/or supplier executives, Wall Street professionals, management consultants, or academics. Through its research, ratings, advisory engagements, industry studies, and conferences, MGI Research helps clients make informed and timely strategy choices, optimize core business processes, manage supplier evaluations, and improve monetization capabilities.

MGI Research pioneered the concept of an Agile Monetization Platform (AMP)™ and hosts the Monetize forums and Monetize conferences. MGI also leads Best Practices groups for finance, business, and IT executives. MGI's sister company, MGI Verified, is an independent entity that helps accelerate B2B sales by digitizing the reference check process.

MGI Research emphasizes application of highly quantitative and structured methods in creating decision-support frameworks for its clients. MGI produces a number of proprietary industry metrics, benchmarks, and indices such as the MGI MarketLens™, MGI Use Case Notes™, MGI Cloud30 Index™, and MGI 360 Ratings™. MGI Research also maintains a proprietary market forecasting analytics model and publishes bottom-up Total Addressable Market (TAM) Forecasts.

MGI MarketLens™ reports dissect a given universe of suppliers and plot how a select group of suppliers compare using a pair of key coordinates. They shed light on the variations among solutions in a given market, and help prospective buyers, investors, and partners see where products align relative to core requirements.

MGI 360 Ratings™ are comprehensive, quantitative analysis of a vendor/solution. Using a scale of 0-100, suppliers and solutions are assessed in five areas – Product, Management, Channels, Strategy, and Finance – and assigned an analyst outlook (Positive, Neutral, or Negative).

The best ideas happen at *The Margin* – sign up for the MGI Research newsletter here.

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For additional information, call +1 888 801-3644 or visit www.mgiresearch.com.

APPENDIX C – About MGI 360 Ratings

MGI 360 Ratings is a comprehensive company evaluation and rating methodology that scores companies on a scale of 1 to 100 (100=Best) in a specific market. Additionally, analysts assign an outlook for each company:

- Positive - we expect company prospects to improve
- Negative - we expect company prospects to decline
- Neutral - we expect company prospects to remain unchanged
- Under Review – no opinion is formed as of yet

MGI 360 Ratings and analyst outlook are compiled for a specific market. When we rate a sufficient number of companies in a given market, we publish a Market Rating Report to reflect peer group average scores.

MGI 360 Ratings impose the same evaluation standard on each rated company - public or private, large or small; all are held to the same exact standard. Although ratings are comparable across markets to an extent, the numerical scores provided by MGI 360 are the most applicable within a given market. The overall score is comprised of five equally weighted major categories that account for up to 20 points in the following areas:

- **Product** – Product Breadth and Depth / Implementation/Support
- **Management** – Management Team / Board of Directors / Overall Company Talent
- **Strategy** – Strategy and Marketing
- **Channel** – Sales and Distribution Channels
- **Finance** – Financial Health

A company with a high score in each category will be a firm whose products are positioned to dominate their sector, whose management has the relevant experience and track record for success, whose strategy is scalable and realistic, that has the sales channels with the right focus and size to generate success in the marketplace, and which is sufficiently healthy financially to support its customers, invest into products, and withstand economic adversity.

Each of five major categories is divided into five to seven subcategories and then into three to 10 inputs. In total, over 147 unique data points comprise the overall MGI 360 Rating score. In addition to referencing the overall rating, users should consider the individual category ratings as well. For example, users making a tactical purchase may be less concerned with the Finance score and more interested in comparing Product scores. Conversely, for a strategic purchase in which considerable internal resources will be dedicated, users may place more emphasis on the financial viability and management team with the understanding that the user will be working collaboratively with the supplier to craft a unique solution, thereby rendering the current product rating less meaningful to the decision criteria.

The ratings process is highly structured and curated by MGI Research senior analysts. The MGI 360 Rating team typically interviews supplier company management and, in some cases, reaches board members and/or key investors as part of the process. During these interviews, MGI analysts follow a highly structured set of standard questions, with the answers then translated into specific scores in each evaluation area. The ratings team also interviews customers and partners and solicits input from a variety of industry sources not provided by the supplier. The MGI 360 Ratings teams are comprised of analysts with a high level of experience in technology business and typically with a prior track record of at least 20+ years as an IT practitioner, industry analyst, or an IT executive.

The 360 Ratings process is continuous, and we update the results on an ongoing basis as new information about a supplier company becomes available. A company that operates in several markets is likely to have individual ratings for each market covered by MGI Research. Companies can have multiple scores – one for each market, as well as a history of scores.

MGI 360 Ratings help organizations make more informed purchasing and strategy decisions for new and existing technology suppliers, minimize risks, save money, and save time. MGI 360 provides concrete scores that clearly demonstrate differences among suppliers.

MGI 360 rating system is comprehensive but is not meant to be a predictor of company solvency, liquidity, absence of accounting fraud, or stock performance. It is not under any circumstances a recommendation or an offering to buy any securities of any supplier reviewed, nor is it an endorsement. Rating research includes but is not limited to interviews with company executives, customers, investors, partners, competitors, product demos, site visits, etc. All MGI 360 Ratings undergo highly critical internal peer reviews.

APPENDIX D – About MGI MarketLens™ Charts

The ARM market is highly fragmented – while some solutions may look similar on the surface, they address completely different use cases and buyer personas. MGI MarketLens™ charts shed light on the variations among solutions in each market by plotting and comparing a group of suppliers using a pair of key coordinates. They help prospective buyers, investors, and partners see where products align relative to core requirements. There are four types of MGI MarketLens™ charts:

Solution Strength vs. Go-to-Market Strength (p. 18)

- Solution Strength represents a supplier's Product score, while Go-to-Market Strength is a composite of the supplier's Management, Channels, Strategy, and Finance scores.
- Solution strength is measured on a scale of 0 to 20, while the go-to-market strength is on a scale of 0-80.
- The color of the marker corresponds to the MGI analyst outlook, with green representing a positive outlook and blue representing a neutral outlook.
- The size of the marker corresponds to the overall MGI 360 Rating, and shape represents the market segment (Hyperscale, Enterprise, MidMarket, or SmallBiz) each solution can address.

Complexity vs. Agility (p. 19)

- Complexity refers to a solution's ability to handle complex use cases, while agility refers to the agility of the ARM solution itself.
- Both complexity and agility are measured against a scale of 0 to 100, with average lines separating the chart into four major quadrants.
- The shape of the marker corresponds to the market segment, with square representing Hyperscale, circle representing Enterprise, diamond representing MidMarket, and triangle representing SmallBiz.
- The size of the marker corresponds to the MGI 360 Rating, and shade of blue represents volume, with darker blue indicating a solution can process higher volumes.

Volume vs. Agility (p. 20)

- Both volume and agility are measured against a scale of 0 to 100, with average lines separating the chart into four major quadrants.
- The shape of the marker corresponds to the market segment, with square representing Hyperscale, circle representing Enterprise, diamond representing MidMarket, and triangle representing SmallBiz.
- The size of the marker corresponds to the MGI 360 Rating, and shade of blue represents complexity, with darker blue indicating a solution that can handle higher complexity use cases.

Complexity vs. Volume (p. 21)

- Complexity refers to a solution's ability to handle complex use cases, while volume refers to the volume of transactions an ARM solution can handle.
- Both complexity and volume are measured against a scale of 0 to 100, with average lines separating the chart into four major quadrants.
- The shape of the marker corresponds to the market segment, with square representing Hyperscale, circle representing Enterprise, diamond representing MidMarket, and triangle representing SmallBiz.
- The size of the marker corresponds to the MGI 360 Rating, and shade of blue represents agility, with darker blue indicating a solution that can process changes and implementations more quickly.

MGI Research defines **agility**, **complexity**, and **volume** as follows:

AGILITY: ARM Agility describes the flexibility to quickly configure the ARM system to handle new revenue contract scenarios and data sources as well as introduce and manage changes as dictated by market conditions. It is also measured by the ability to effect most changes through configuration steps undertaken by finance and business professionals. Lack of agility results in long closing cycles and loss of confidence in the financial reporting system. ARM Agility is measured by analyzing the answers to questions such as:

- How fast are changes in business practices reflected within the revenue recognition system?
- Is the revenue recognition system capable of incorporating handling of new types of business and pricing models without reliance on IT resources?
- How does a rev rec system handle change?
- Is the deployment cycle measured in hours, days, weeks, or months?
- Does an ARM system integrate with billing, contract and order management systems, sales quoting, and financial systems to automate revenue recognition, or does it necessitate manual loading and processing of batch data?

COMPLEXITY: MGI assigns a relative score of ARM Complexity on a scale of 0 to 100 to what is the most likely (not the most complex) use case a supplier can tackle with ease. The ARM Complexity measurement is synthesized based on numerous factors including but not limited to the following requirements:

- How complex are the revenue contracts and transactions, e.g., how many variables, data sources, and acceptance conditions affect ability to recognize revenue?
- How much systems change is there in the business – how often do contracts get modified, extensions added, new transactions initiated?
- Is the product mix physical, digital, or hybrid? How homogeneous is the revenue mix?
- Is the product mix largely standard, subject to detailed configuration, or very custom?

- Are there multiple incompatible systems for sales management, CPQ, contract management, order management, and general ledger?
- Is the data feed into the revenue recognition system sourced from disparate systems with variance in data syntax and semantics?
- Is workflow and complex API-driven processing required?
- Is event-based revenue recognition required?
- Is multi-currency handling a requirement?

These are just a few examples from a long list of complex ARM capabilities.

VOLUME: MGI measures ARM Volume in terms of a typical number of revenue input transactions handled per month. Number of revenue input transactions (RIT) is a cumulative monthly figure and is not the same metric as number of invoices or number of sales transactions or number of revenue and balance sheet transactions recorded. If a company processes revenue input transactions in real time, the RIT monthly average would typically be used. There are now multiple user scenarios where RITs are counted at hundreds of thousands per second with the high-water mark around 450K transactions per second – clearly pushing against practical hyper-scaling limits of many, but not all, cloud hosting providers.

We classify ARM Volume in terms of three major categories of revenue transaction volume:

- **HyperScale:** >1 million revenue transactions per day or >30 million per month
- **Enterprise:** 100K – 1 million revenue transactions per day or 3–30 million per month
- **MidMarket:** 1K – 100K revenue transactions per day or 30K – 3 million per month
- **SmallBiz:** <1K revenue transactions per day or <30K per month

For more information about MGI MarketLens charts, visit [mgiresearch.com/tag/marketlens.](mgiresearch.com/tag/marketlens)