

The definitive guide to flat-rate billing

Booklet

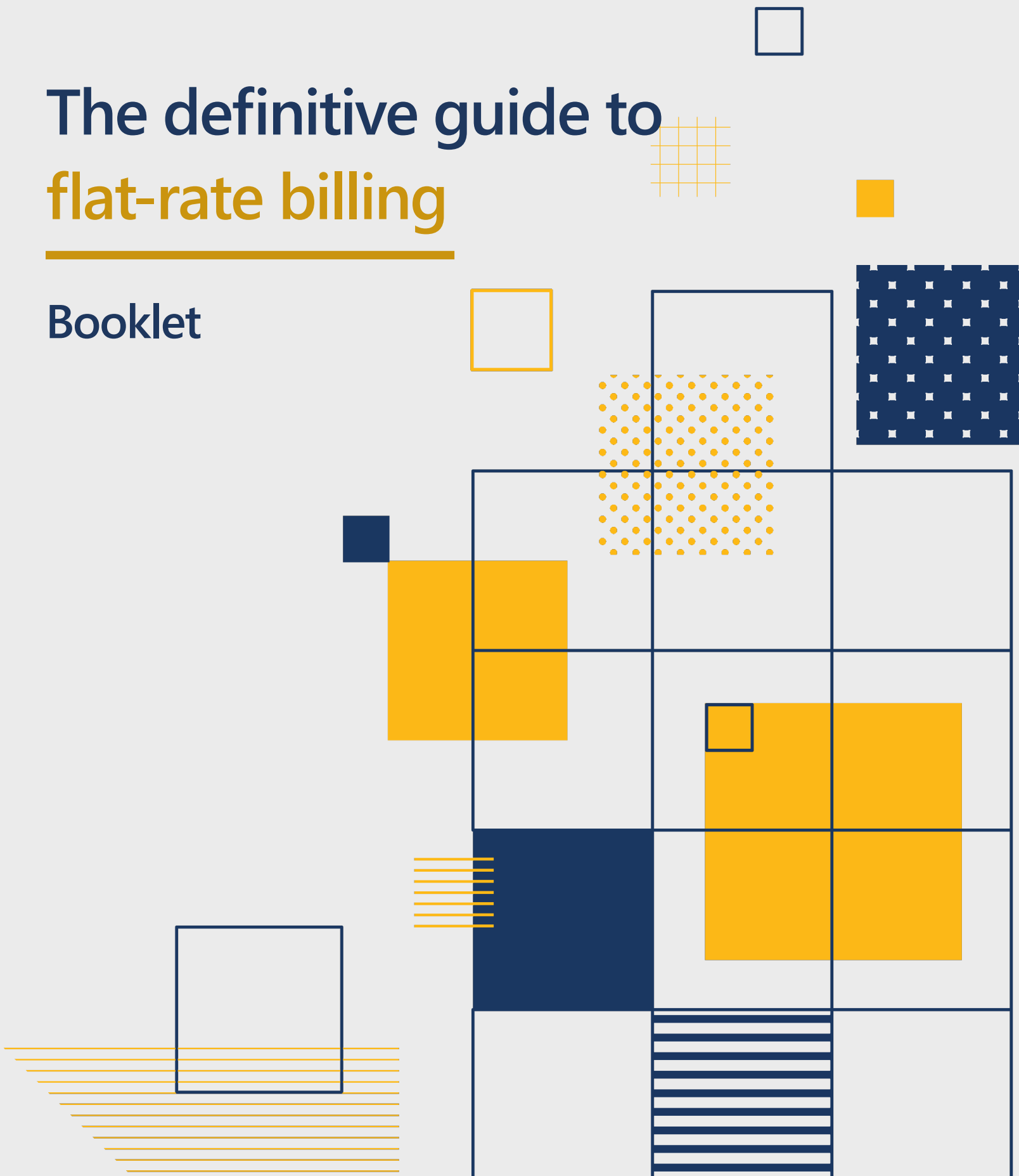


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Introduction to flat-rate billing

Flat-rate billing when used as a subscription pricing model refers to the practice of charging a single, fixed, upfront price at regular intervals for a recurring product or service. It is undeniably straightforward and an excellent tool for appealing to unique demographics or limited buyer personas.

Modern buyers tend to have plenty of flexible pricing options available to them, so a flat-rate billing model can either sink your business or make you stand out from your competitors. The key to ensuring the latter occurs is a firm grasp of your billing model and comprehensive market research; really get to know your potential customers and make sure your offering caters to their needs. The perfect strategy will require some fine-tuning and won't happen overnight.

**Get to know
your potential
customers and
make sure your
offering caters
to their needs.**

A quick glance at the pros and cons



Straightforward



Appeal to specific demographic



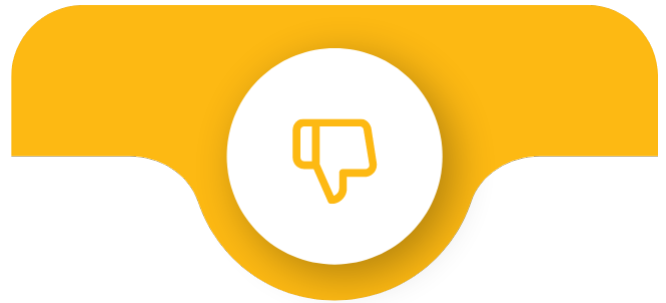
Easy revenue recognition



Prevent scope creep



Predictable



Lack of personalization



Bloated operating costs



Misaligned pricing and value



Tough pricing competition



Rushed deliverables

Understanding the **pros** of flat-rate billing



The pricing strategy is straightforward

Free of frills and extra gizmos, this is by far the easiest billing model to explain. Its simplicity appeals to traditionally minded customers.



You can appeal to a specific demographic

If you're not trying to tailor your pricing strategy to diverse buyer personas, you can simply focus on one. Companies with a single buyer persona or narrow product can allocate more resources to tasks like monetization, acquisition, and retention. Go deep, not broad.



Revenue recognition is much simpler with a flat-rate billing model

Compared to any other SaaS pricing model, this is one of your simplest options. There's no need to manage deferred revenue or revenue reallocation, unless you're using another strategy as well, like applying a discount.



Flat-rate pricing can help prevent scope creep

This is especially true for businesses that provide a service. You and your customer will be more aligned on the targets and goals of the deliverable, which will reduce the chance of a cost dispute.



Customers know what to expect and how to budget

For flat-rate pricing, customers can easily budget which allows them to feel confident with the upfront costs. Customers managing multiple projects or complex endeavours will appreciate the predictability.

Understanding the **cons** of flat-rate billing



A one-size-fits-all approach may alienate potential customers

Customers may not feel there is enough flexibility to meet all their needs. Some might seek out competitors that provide a cheaper or more personalized experience.



Large business buyers can inflate operating costs

Quality servers and good customer service are not cheap, and with a flat-rate billing model, you won't be able to gain more revenue from your customers if their usage strains your resources.



You lose the ability to align your pricing with your value metric

Because your pricing is fixed, you won't be able to make additional revenue for additional value.



Companies compete for the lowest pricing in the industry

You may feel pressure to reduce your rate to stay competitive. This can have negative impacts on your revenue.



Rushed deliverables are frequent to maximize revenue

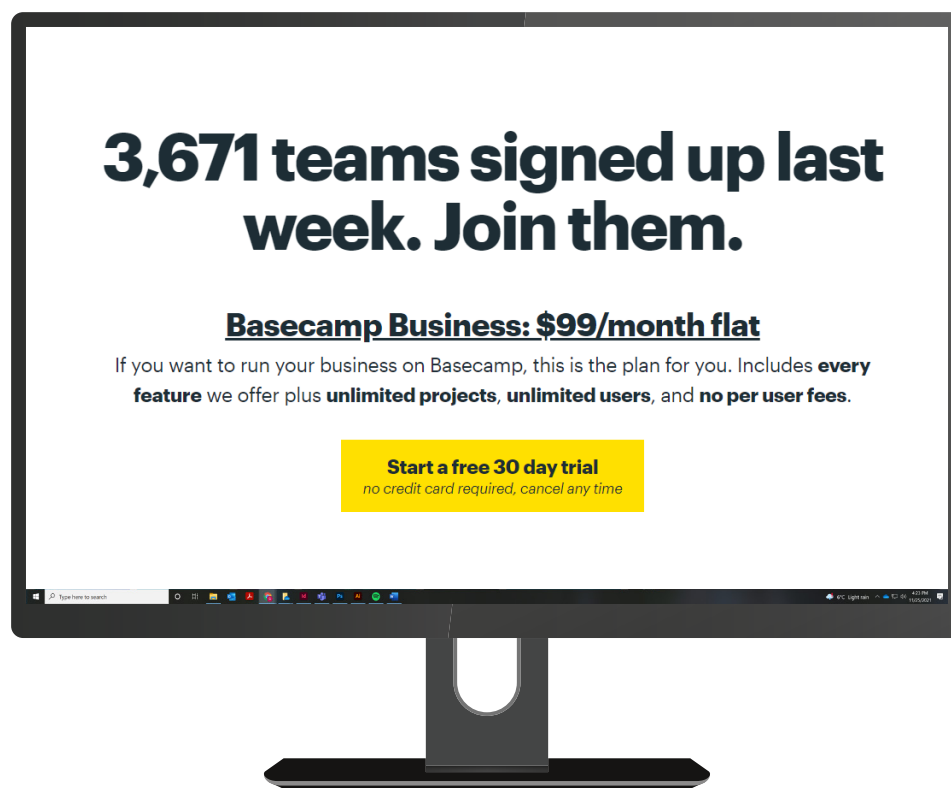
Under a flat-rate model, there can be pressure to deliver features too quickly, leading to worse product or service quality.



Basic pricing (with example)

A basic flat-rate pricing model is as straightforward as it gets when it comes to subscription billing. There's one plan made up of one price and one offering. Traditionally minded customers tend to appreciate these plans because in some respects they're easier to use than daily errands like buying groceries or pumping gas.

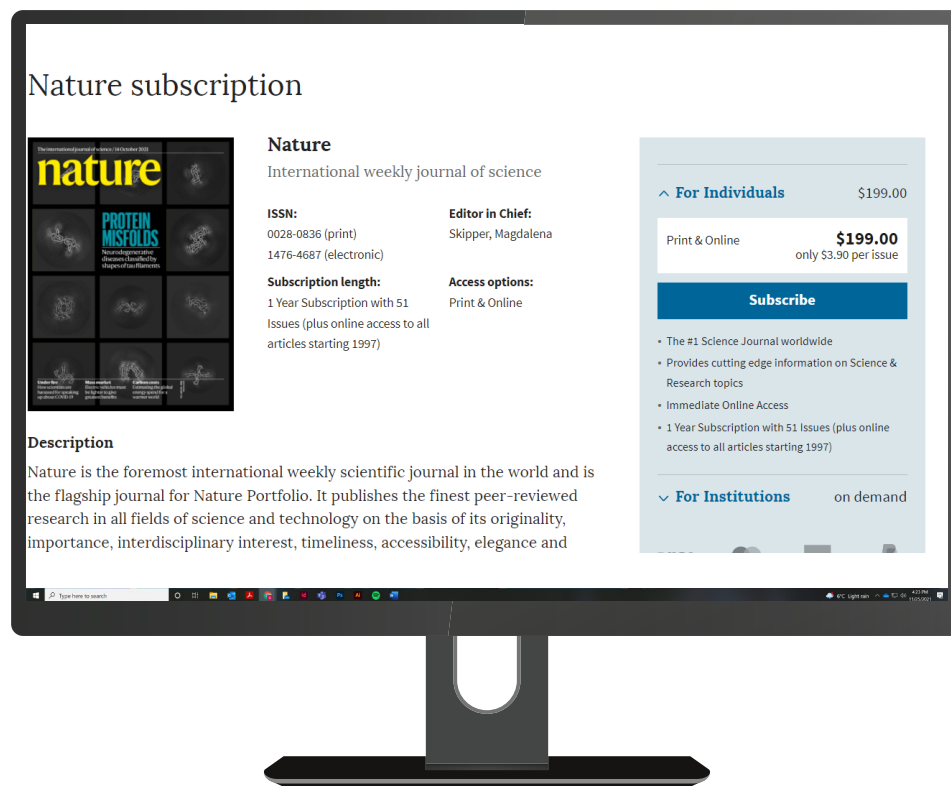
Basecamp is a project management tool specifically designed for companies with employees who work remotely. They charge a flat fee of \$99/month, which allows them to remain relevant in their industry because their competition relies on per-user billing models. Emphasizing the unlimited access to their product appeals to customers that may be already using a similar product but are looking for another option.



Membership pricing (with example)

Most people enjoy being part of the 'in' group, so framing your subscription service as a membership will allow your customers to feel special. Co-ops, societies, and online communities are common businesses that use membership fees to support operating costs while gaining revenue. This tactic works best when your offering needs to cater to only one buyer persona.

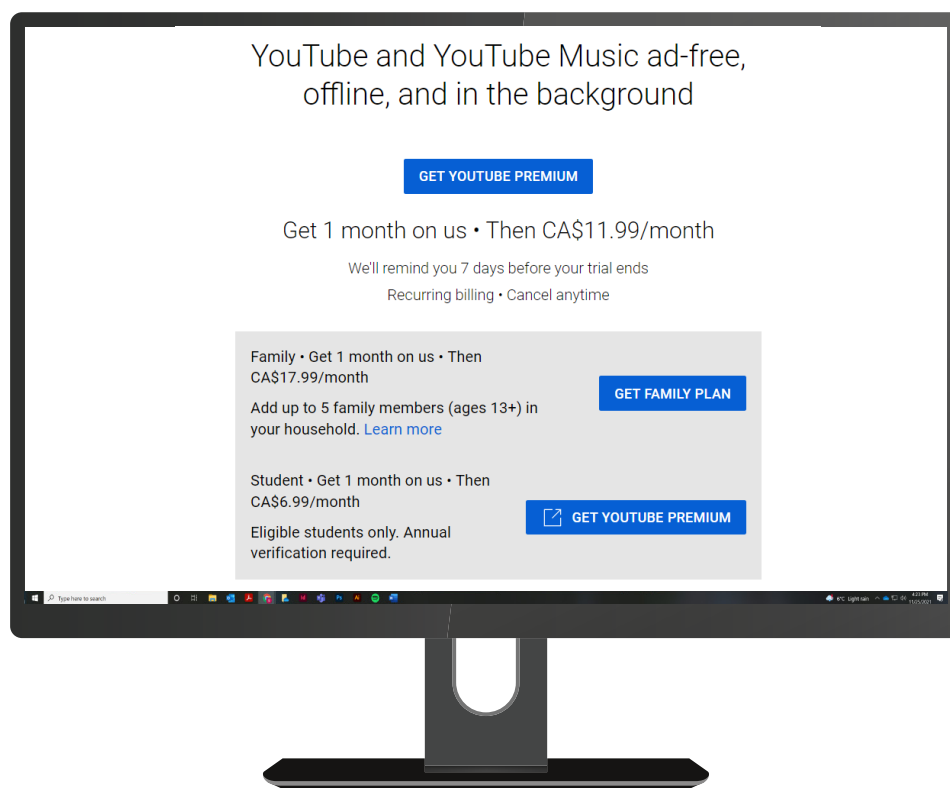
Nature is a scientific journal with a strong reputation for cutting edge publications and high standards for peer-reviewed research. They offer a flat rate subscription for individuals or institutions to receive weekly issues for one year. These registrants also gain access to over twenty years of previous issues if their subscription is active, which is highly valuable to their target demographic—researchers.



Targeted discount rates (with example)

YouTube Premium, originally known as YouTube Red, charges a flat fee of \$11.99/month, but they also offer discounts for students and families. Families of up to five people pay \$17.99/month and students pay \$6.99/month.

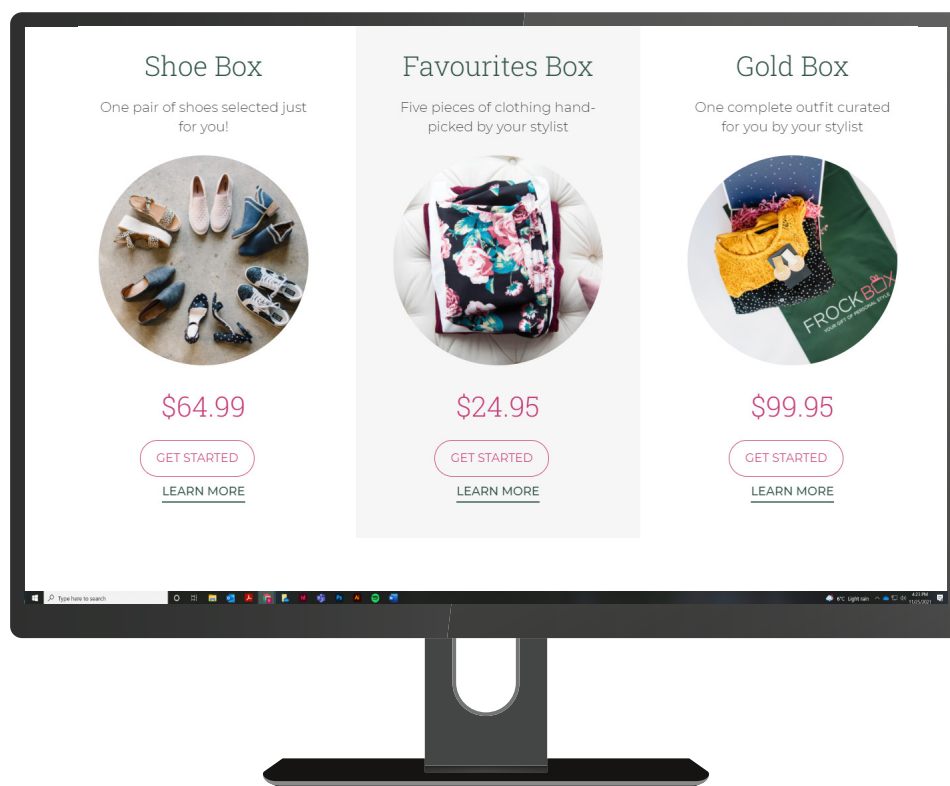
These limited discounts are a smart move because they target demographics that maybe cannot afford the basic flat rate now but will ultimately grow out of their current financial situation (e.x. children, students, etc.). If done correctly, you will see good retention and loyalty from customers who started with the discounted rate because they will be familiar with your product and appreciate that they were able to access it earlier than your competition.



Per-product pricing (with example)

Similar to the feature-based billing model, this strategy offers a fixed price for each product or service offered by the same company. Businesses that have only one buyer persona, appeal to a niche audience, and sell a limited line of products or select services may benefit from using this model. By building in some choice, this strategy helps to counter the con of a one-size-fits-all approach and may generate more revenue if customers subscribe to more than one offering.

Frock Box is a clothing subscription service where stylists will put together a package of clothes or shoes for the customer based on their style profile. The service is priced at a flat fee depending on the subscription box. Since products from the different boxes can ultimately be mixed and matched to create different ensembles, customers are guided towards subscribing to more than one option or seeing the most expensive box as a good deal.



Revenue recognition for flat-rate billing

Flat-rate billing results in the most straightforward accounting out of all the different SaaS pricing models. Understanding the process of revenue recognition is crucial to remain compliant with accounting standards like ASC 606 and IFRS 15. Unless you're offering a discount or blending pricing strategies not discussed in this article, you shouldn't need to handle deferred revenue.



Just like in traditional accounting, after your service or product has been delivered you can recognize the revenue immediately. A powerful billing solution can help you to manage your subscription service by automating annual or monthly fees and bill customers without complications. Additionally, as your customer base and offerings grow, you might find that you need the flexibility to incorporate more advanced billing strategies or different options. Having a system already in place to handle complex accounting will save you time and money as your operations scale. You can also benefit from insights from churn rates and MRR reports to track key metrics.

Managing the complexity of flat-rate billing

It perhaps comes as no surprise that companies will not implement flat-rate billing effectively if they rush it. Here are the three critical elements of the billing model that will aid your growth journey.

The 3 critical elements of your flat-rate billing strategy

1. Transparent pricing

Potential buyers should be able to quickly absorb the ins and outs of your pricing with a flat-rate model and appreciate the added transparency as a sign of trust. You're telegraphing that you say what you mean and mean what you say, which can enable smooth management of the customer journey and give your business a competitive advantage.

2. Target audience

One of the most strategic ways to implement flat-rate billing is to apply it when you're trying to target one buyer persona or a niche demographic. Before choosing your billing model, make sure to complete comprehensive market research to understand your potential customers, your competitors and the current state of the industry.

3. Predictable revenue

A powerful recurring billing solution is indispensable to streamlining your subscription service. Predictable revenue and straightforward forecasting will enable you to make data-driven decisions and proactively manage cash flow. With the right system you can automate revenue recognition and reporting, remain compliant with accounting standards like ASC 606 and IFRS 15, eliminate errors, and gain the flexibility to add new elements to your billing without creating an administrative nightmare.

Introducing Subscription Billing Suite

A comprehensive solution for billing, deferrals, and recognition that streamlines the entire quote to cash process at every step from billing and invoicing to reporting and forecasting. It provides consistent and reliable invoicing for a wide range of pricing models and allows you to take control of your pricing and billing schedules at the line-item level within Microsoft Dynamics 365 for Finance and Operations, Microsoft Dynamics 365 Business Central, and Microsoft Dynamics GP.

What our customers say

“ Wonderful, wonderful, wonderful. A joy to work with Binary Stream. Everyone was super helpful and positive, which had a big impact on the success of the implementation.



“ What makes Binary Stream different from other software companies we have worked with is their ability to truly listen to customer input and enhance their subscription solution to meet those needs.



“ Since I have come on board, Subscription Billing Suite has paid for itself more than once over. Having this solution to help us manage over 10,000 deferred contracts is an essential part of our financial processing.



“ I've long been a fan of Dynamics, and Subscription Billing Suite met and exceeded every feature of our previous solution. However, the factor that made this project a success is having a partner who augmented our internal integration efforts.





Start your subscription billing journey today

Learn more by reading our complete guide to subscription management, offering insights into billing models, pricing page psychology, and plenty more.

[Discover more](#)