

# Build vs. Buy: The business critical checklist

What to consider before building your own  
subscription management & billing platform

**Recurly**

# Introduction

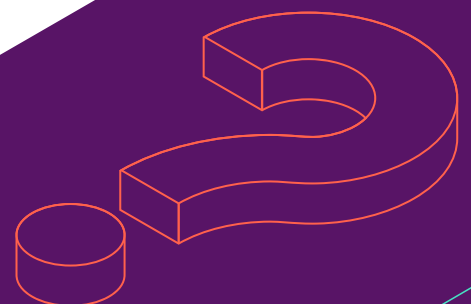
To keep the wheels of your subscription business turning, it's crucial to keep invoices, payments, plans, subscriber information, and more organized in one place with a subscription billing and management platform. The question many companies face:

## **should I build my own platform or buy one?**

This comprehensive checklist will guide your teams toward a solution that addresses your needs today and in the future. As customer needs change, competitors shift, and internal needs evolve, you'll need to ensure your system can meet your requirements and scale with your business.

### **Ask yourself the following questions:**

- Do you have the engineering resources to not only build an initial solution, but also keep it updated over time, including maintaining integrations with other systems?
- How will you handle failed payments? Do you have a strategy for which transactions to retry and when? How will you communicate with customers when transactions fail repeatedly?
- Will your business expand to new regions? What are the currency, tax, and data compliance implications of that?
- Will your marketing team want to create different plan types and experiment with promotions?
- Is one gateway enough? If your gateway fails, do you have a backup gateway strategy in place?
- Might your team want to add additional payment methods to maximize acceptance rates?

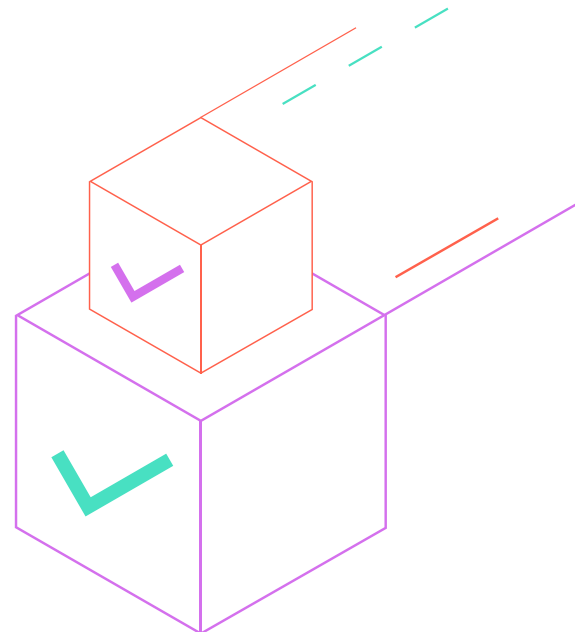


# 5 Strategic Areas for Consideration

Give this checklist to your product, customer success, security, accounting, finance, and development teams to help them understand the steps involved in building a subscription billing solution from the ground up.

To simplify requirements gathering and scoping, the checklist is divided into five strategic areas of consideration:

- 04 **Customer Experience and Plan Management** →
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- 08 **Integrations and APIs** →
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# Customer Experience and Plan Management

With subscriptions soaring in popularity over the last few years, especially in the realms of digital media and direct-to-consumer brands, consumers increasingly demand a frictionless billing and payments experience.

**To simplify requirements gathering and scoping, the checklist is divided into five strategic areas of consideration:**

## ☐ **Build an account management portal.**

Your subscribers need an easy way to manage their subscription(s), whether they want to update their billing information, upgrade or downgrade their plan, pause their subscription, or make other changes. This prevents your customer service team **from being overwhelmed with small requests** and allows them to focus on truly important issues that impact retention.

## ☐ **Determine which payment methods to offer your subscribers.**

Customers prefer multiple convenient **payment options**. Depending on where they are in the world and how technically savvy they are, they might use credit and debit cards, direct debit, PayPal, SEPA payments, Apple Pay, Google Pay, Venmo, Square Cash, and more. If you serve customers in multiple countries, you may also need to support multiple currencies. Adding some currencies and payment methods to your payment mix might require more work than others.

## ☐ **Figure out if you'll need to account for different billing models.**

Many companies, especially (but not exclusively) SaaS businesses, choose a **quantity-based** or **usage-based** pricing model. These billing models can incentivize subscribers to purchase items in higher quantities. They can also create a closer alignment between the costs you incur in delivering more products and services and the value your subscribers get out of those offerings.

**“Building your own custom subscription billing solution is a difficult nut to crack. Like many things that may at first appear simple, it’s anything but. If you don’t have 100% confidence in this stuff, it can play havoc with your sleep patterns. Peace of mind is worth a great deal.”**

**Percy Stilwel** – Co-founder  
Resource Guru

## ☐ **Determine your dunning strategy.**

Subscription businesses experience a 5-15% payment failure rate every month, which necessitates payment retries as well as customer communications. How will you reach out to customers when their payments fail? What messaging and cadence will you use? (Here's where the integration with your email provider comes in!).

## ☐ **Take taxes into account.**

Different tax laws can make seemingly simple subscriptions surprisingly complex. [Sales tax, VAT, and GST](#) differ based on your subscribers' locations and are constantly evolving, so it's not just about getting it right today — you must also stay compliant.

## ☐ **Build support for account upgrades/downgrades, different billing cycles, and proration.**

Billing can get complicated when customers change plans (for instance, from monthly to yearly) or upgrade/downgrade, especially in the middle of a billing cycle. But these scenarios are incredibly common, and you need to prepare for them.

## ☐ **Integrate your email system of choice.**

If building your own solution, you'll need to connect whichever email or marketing automation system you use in order to ensure your subscribers receive regular account updates and [notifications whenever there's a payment issue](#).

## ☐ **Build a coupons and promotions system.**

Offering [coupons and promotions](#) is an effective subscriber acquisition and retention strategy. Integrating these capabilities into your subscription billing platform is critical. It's important to keep in mind how coupons and promotions will be applied to both new and existing subscribers.

### **DID YOU KNOW?**

There are over 2,000 factors that can cause payments to be declined, and these declines often result in a poor customer experience. With our machine learning-based Revenue Optimization Engine, customizable dunning, and account updater feature, Recurly helps businesses recover an average of 12% of revenue each month — while keeping customers from involuntarily churning.

### **OPTIONAL**

## ☐ **Build an infrastructure to support free trials and gift cards.**

While not mandatory, most subscription companies offer some kind of trial period as well as gift card sharing. These capabilities are crucial if you want to keep up with the competition.

### **OPTIONAL**

## ☐ **Build a “pause subscription” capability.**

Customers may want to take a break from a subscription offering for any number of reasons. Rather than having them cancel, a [pause feature](#) enables them to put their subscription on pause and resume it again whenever desired, instead of having to sign up all over again.

# Privacy, Security, and Compliance

Handling sensitive payment information is a serious undertaking, especially when it comes to recurring payments. Your subscription billing platform needs to protect your subscriber data and stay compliant with all privacy and tax laws wherever you do business.

**Some steps you'll need to take include:**

- ❑ **Ensure compliance with GDPR (the General Data Protection Regulation).**

If you do business or plan to do business anywhere in the European Union, **GDPR is key.** GDPR gives consumers in the EU broad control over what happens with their data, restricts how businesses can process personal data, forces businesses to clearly outline how they use consumer data, and imposes financial penalties on companies that do not comply.

- ❑ **Make sure you obey other regional data privacy laws.**

For example, residents of California enjoy protections under the California Consumer Privacy Act (CCPA), which is based on GDPR, and similar laws apply in other countries, like Japan, Brazil, South Korea, and more. These rules are constantly evolving, so you need to keep track of new developments.

- ❑ **Stay PCI-compliant.**

Merchants are responsible for ensuring PCI compliance at different levels (L1, L2, L3, and L4) based on how many transactions they process per year and which card issuers they accept payment through: Visa, Mastercard, Discover, American Express, or JCB. Businesses must adhere to 12 requirements to remain PCI-compliant, ranging from firewall configurations to file integrity measures. You must also submit to and pass regular audits. These can initially be done through self-assessment, but once you reach a certain revenue threshold, you'll need to bring an auditor on-site to ensure credit card payments are tokenized correctly, payments are initiated properly, and so on.

## DID YOU KNOW?

Many countries now have intercountry taxes on digital services. These taxes are determined based on where consumers are located. For subscribers in the European Union, Australia, and New Zealand, Recurly automatically provides this location validation and **applies taxes appropriately.**

☐ **Meet SCA requirements as dictated by PSD2.**

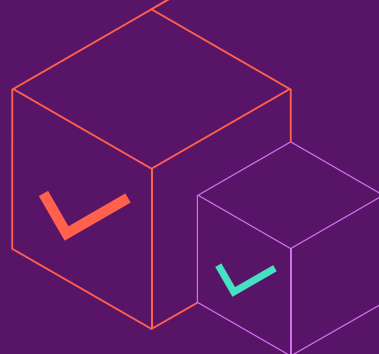
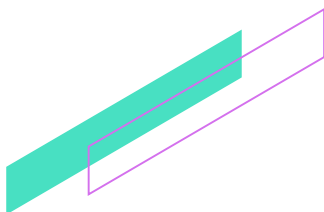
**PSD2** (Payment Services Directive 2) is a new EU regulation governing electronic and other non-cash payments. Starting December 31, 2020, card issuers will start declining payments that require Strong Customer Authentication (SCA) but that have not been authenticated via a 3D Secure (3DS) flow. This will require partnering with compliant gateways and incorporating 3DS into your checkout flows.

☐ **Add yourself to the Visa Global Registry.**

If you decide to build your own system for accepting payments, you'll need to get added to the Visa Global Registry of Service Providers to show customers that you comply with Visa's rules and other industry security standards. Find more information on [Visa's website](#).

☐ **Ensure compliance with SSAE 18.**

To comply with Sarbanes-Oxley (SOX), publicly traded companies must maintain an effective system of internal control over financial reporting (ICFR). SSAE 18 is a way for companies to attest to correct auditing of their financial records — given we're discussing subscription businesses, this means all transactions (most of which are recurring).



# Integrations and APIs

To ensure your subscription payments platform is robust, you'll need to build integrations with other systems, often using APIs.

Here are a few things to do:

## ☐ **Figure out which gateway(s) to partner with.**

There's no shortage of gateways out there, but which ones are right for you? You'll need to conduct research on your own and decide based on where your customers live, what kinds of products and services you offer, and which currencies you want to accept. Don't forget the importance of having a [backup gateway](#) in case your primary gateway goes down.

## ☐ **Build account updater functionality.**

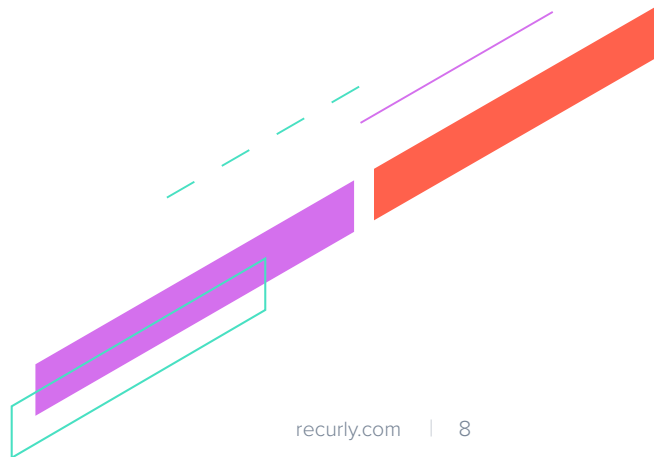
Credit and debit card details, such as card numbers and expiration dates, change every so often for every customer. Fortunately, card networks like Visa and Mastercard offer access to these details. You'll need to team up with the card networks and automatically update your subscribers' card details before their cards are charged every pay period.

## ☐ **Build an integration with your accounting system.**

Whether you use NetSuite, QuickBooks Online, Xero, or another accounting software solution, integrating it with your subscription management platform is key to making all the numbers that affect your business run together..

### **DID YOU KNOW?**

Recurly [integrates](#) with over 16 gateways, three accounting systems, and several ERP, CRM, and SSO platforms, so your subscriber data can be used in almost any application.





☐ **Build an integration with your CRM platform.**

CRM tools such as Salesforce are crucial for keeping track of all sorts of account information, so you'll need to make sure subscriber data flows into your CRM.

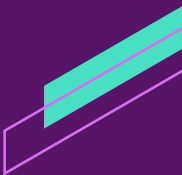
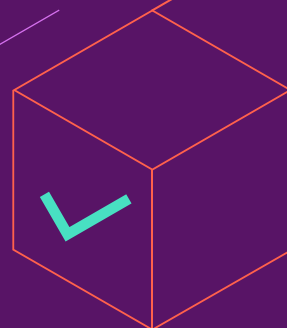
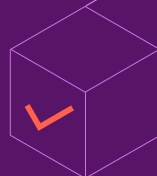
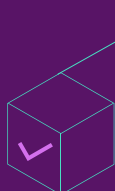
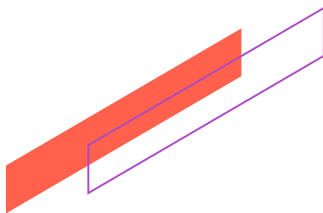
☐ **Build an integration with your ERP platform.**

For accurate recognition of recurring revenue, connect your subscription billing solution to your ERP.

OPTIONAL

☐ **Build an integration with your SSO platform.**

Not all companies use an SSO (single sign-on) service, such as Okta. But if you do, it's imperative that you integrate your subscription billing platform with your SSO provider of choice to ensure sensitive customer data stays secure and that only the right people within your organization can access it.



# Internal Requirements and Planning

Every subscription business is different. Before building a subscription billing platform, you'll need to take a close look at your business — both where it is today and where it will be in the future — and create a plan accordingly.

**You should:**

☐ **Take a close look at your business metrics.**

What's your current ARPU (average revenue per user)? How many customers do you have today, and what are your growth objectives? What do your [subscriber retention numbers](#) look like? How many plans do you offer? All of this information and more will help you understand how to build a platform that will work for you.

☐ **Determine your retry logic strategy.**

Every time you retry a failed transaction, it costs you money. That's why creating a data-driven strategy around when and how you retry transactions matters.

☐ **Calculate your current involuntary churn rate and determine your targets.**

Every subscription company deals with involuntary churn due to failed payments; the [average is 5-15% per month](#). It's crucial that you calculate your current involuntary churn rate from the outset and determine the performance of your subscription billing management platform over time. Ideally you'll want to make changes and bring this rate down moving forward through smart retry and dunning strategies.

## DID YOU KNOW?

Recurly uses machine learning based on over a decade's worth of transaction data to intelligently craft a retry schedule for failed transactions. This means less time and money wasted on fruitless retries — and higher revenues from payment success.

## ☐ Put together an experimentation plan for different pricing schemes.

The plans that work well for your business today won't stay optimal forever, especially as competitors, technology, and consumer tastes shift. By creating a way to A/B test different pricing plans, you'll be able to stay ahead of the curve and offer subscribers compelling price points and plans at all times.

## ☐ Build an internal dashboard.

A subscription billing platform should help your business grow by providing you with insights into how your subscriptions and business are performing. You'll want to build a dashboard that helps you track things like the performance of different plans, the impact of experiments, subscriber trends, and much more.

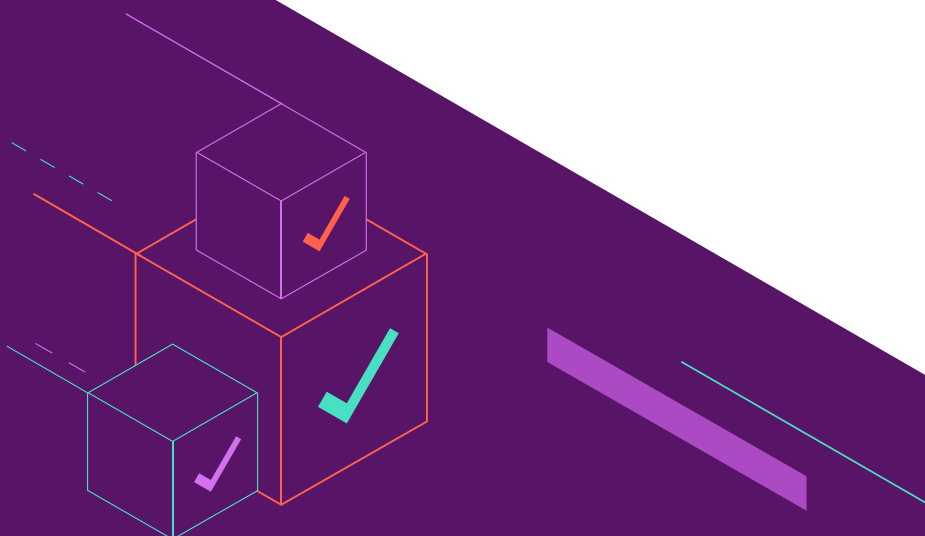
**“Recurly gives us peace of mind knowing that our billing is taken care of efficiently and accurately. This lets us focus our energy on our product — our core business — which ultimately makes us more competitive.”**

**Keith McGill** – Director of IT  
ShipStation

### OPTIONAL

## ☐ Build a method for detecting and addressing fraud.

As ecommerce explodes in popularity, so do the costs and risks of fraud. In fact, according to Javelin Research, fraud- and chargeback-related expenses account for 13-20% of merchants' operating budgets. To combat cybercrime, it's critical that you build or integrate with a fraud prevention solution and protect your business.



# Development and Resources

Building your own billing and payments platform — and keeping it running as the years go by — will take a significant amount of time and effort. It's also not an inexpensive endeavor.

Here are some action steps:

## ☐ **Allocate developer resources.**

You'll need to make sure you have adequate developer resources to build your platform. Keep these roles in mind:

- **Product Manager**  
Average US base salary as of 2022: [\\$120,141](#)
- **Software Developer**  
Average US base salary as of 2022: [\\$111,184](#)
- **QA Engineer**  
Average US base salary as of 2022: [\\$89,827](#)

Based on our estimates, it will take one developer approximately a year to build an initial MVP. Think about which projects you'll need to de-prioritize and/or how much additional headcount you'll need to get the job done.

### **DID YOU KNOW?**

IT projects frequently cost more time and money than expected. According to an [article](#) in CIO discussing the total cost of ownership for enterprise software, "maintenance & support is an ongoing cost and is often much greater than the initial build cost over the lifetime of the product."

## ❑ Allocate upkeep and upgrade costs.

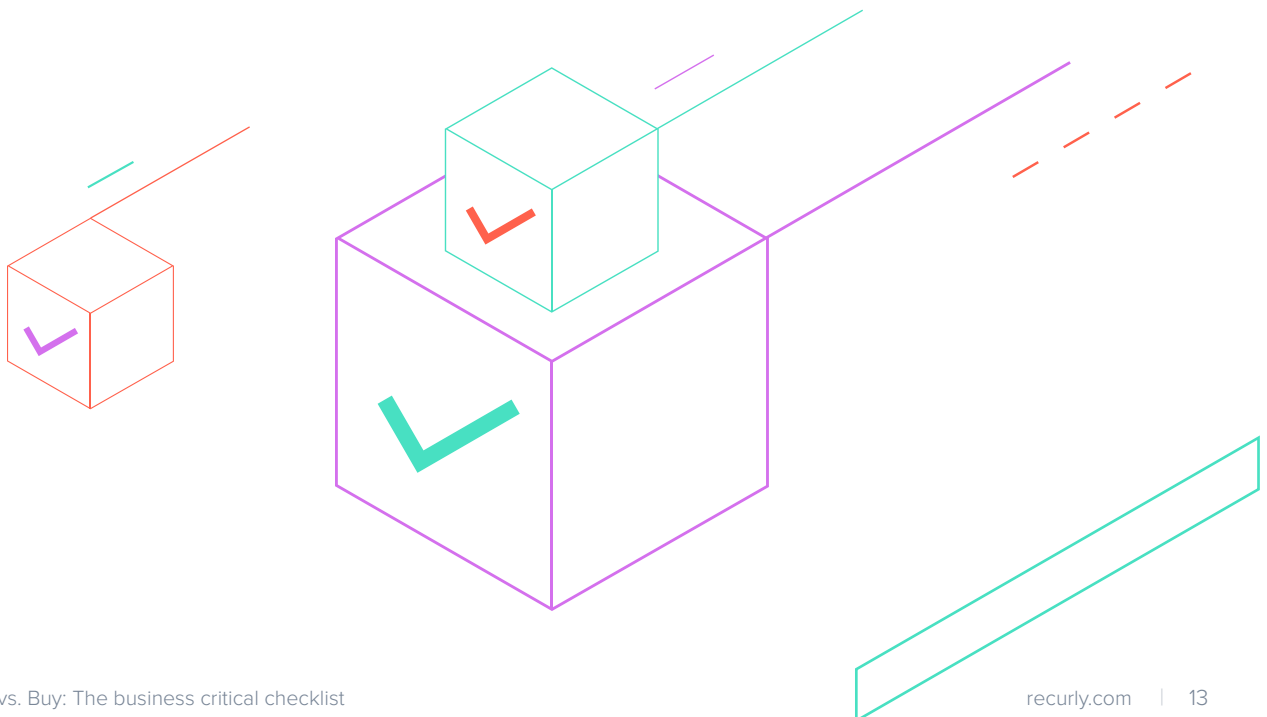
It's crucial to account for the expenses required to keep your subscription billing management platform up-to-date as time goes on. Internal resources will be required to ensure the platform is patched against the latest security threats, meets the latest compliance standards, integrates with third party systems, and continues to meet subscribers' — and the business' — needs. You will also need to make sure to have contingency plans and processes in place in case gateways go down, system outages you can't control occur, or updates go wrong. The more developers focused on keeping your platform running, the less available they will be to work on your core product(s).

## ❑ Put together a realistic timeline.

It would be ideal to have your subscription billing and management platform up next week, but especially if you're building one from scratch, that's not going to happen. Use this checklist as a guide or consider using a [prebuilt subscription billing platform](#).

**“We’ve talked to many people who try to build an in-house billing and subscription management solution. In that case, you have to spend lots of engineering cycles against it. For a growing company like Codecademy, Recurly does an excellent job handling all the complicated parts of billing and subscription management, so we can focus on our users.”**

**Dan Layfield** – Growth Product Manager, Codecademy



# Conclusion

The advantages of a subscription billing model are clear — lower customer acquisition costs, better customer retention, and a more predictable revenue stream. But building your own subscription billing platform involves expending a lot of time, effort, and money. On the other hand, partnering with an industry expert could help you get up and running in a fraction of the time and for far less expense.

**twitch**

*Paramount+*

**ShipStation**

**sling**  
TELEVISION

**WJWPLAYER**

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C O R A

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**fubo**<sup>TV</sup>

**BARK BOX**

**canary**

**SHOWTIME**

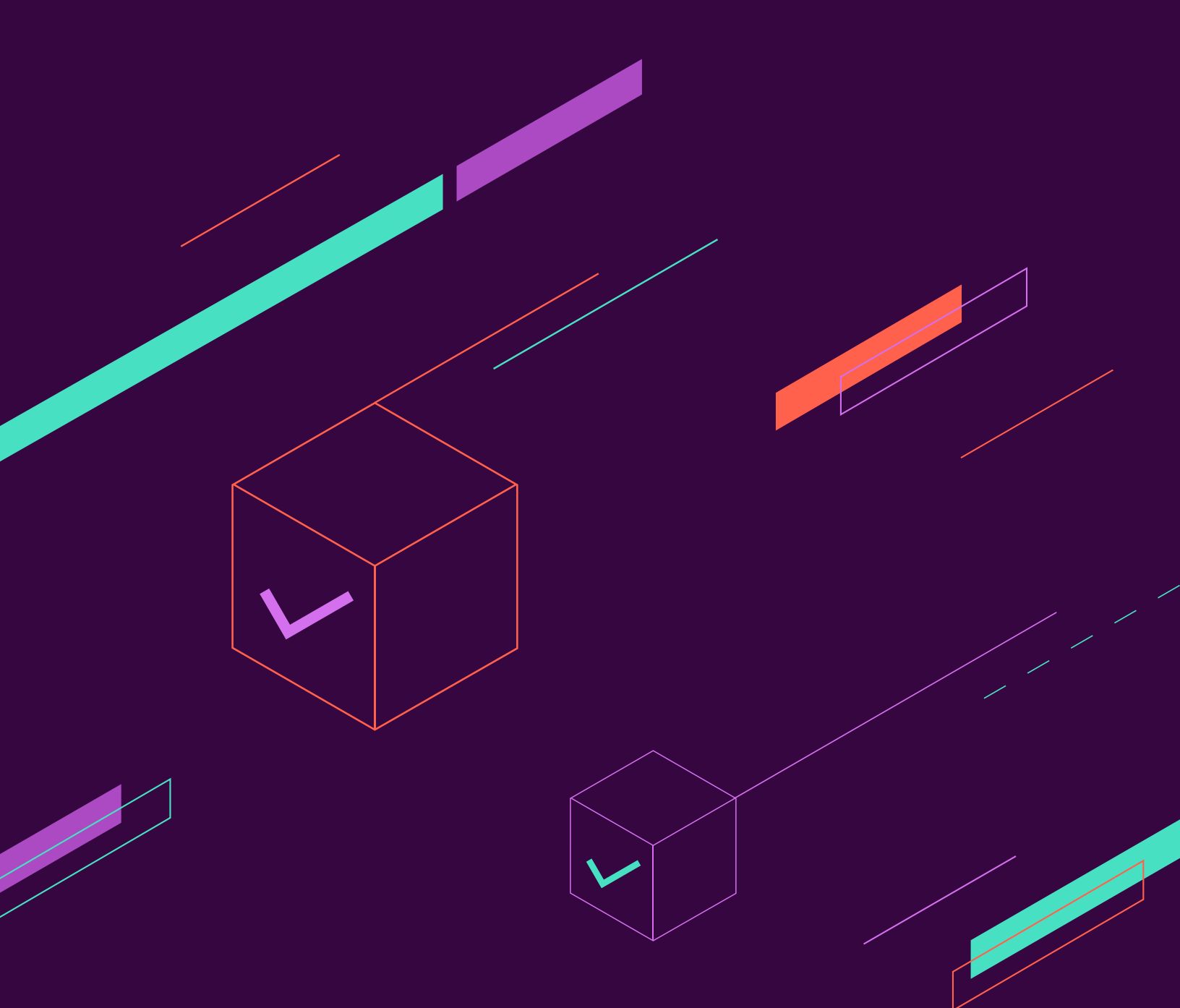
**insightly**

**LiveChat**

**STARZ**

**Recurly** is a subscription billing platform built from the start to meet the needs of businesses with recurring revenue. Thousands of companies worldwide use Recurly to manage all aspects of their billing and subscription management, so they can focus more time and energy on building the best products and services for their customers.

**Book my demo**



**Recurly**

**The subscription platform  
powering possibilities.**