

# 8 subscription billing models: A finance leader's crash course.



Subscription  
Billing



Dynamics 365  
for Finance

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# Table of contents.

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03

## Understanding the modern billing model landscape.

- Why billing strategies matter. ----- 04

## The 8 essential billing models for modern businesses.

- From usage-based pricing to hybrid approaches. ----- 05

## Key considerations when selecting a billing model.

- A framework for deciding what works best. ----- 17

## Implementing billing models in Dynamics 365 Finance.

- Expanded billing functionality with Advanced Subscription Management. ----- 18

# The future of billing is flexible.

04

## Mastering modern billing models.

Money matters, so when it comes to your billing system, the primary function is to collect payments. However, the impact of your billing approach runs deeper. It shapes how customers see their relationship with you, whether they'll stick around, and if your business will thrive long-term.

With the right billing strategy, you can:

- Align pricing with how customers actually use your product or service.
- Generate stable, recurring revenue without losing flexibility.
- Scale operations without adding overhead.
- Differentiate with pricing that reflects your unique value.



But strategy isn't enough: you need the tools to put it into action. Within Microsoft Dynamics 365 Finance, many organizations start with standard billing tools. But they can often face roadblocks as their models become more complex. Usage-based pricing, tiered subscriptions, or hybrid models often require workarounds that create risk, inefficiencies, and friction. That's where the right technology makes the difference.

This booklet explores eight modern billing models—along with their benefits, challenges, and use cases—and how the right solution can help you execute each one with precision and confidence.

Discover how flexible billing, backed by the right tools, can unlock scalable growth and long-term success.



# 8 essential billing models.

05

## From fixed pricing to hybrid approaches.

### Pay-as-you-go / Usage-based billing.

#### What it is.

Customers pay only for what they consume, measured by specific usage metrics. Instead of paying a fixed fee, customers are billed according to measurable units—such as data used, transactions processed, or minutes streamed.

#### How it works.

This model tracks activity in real time and generates invoices accordingly. It is commonly used in cloud computing, telecom, utilities, and software platforms offering granular services.

**Example:** A cloud storage provider might charge per gigabyte stored or transferred, while a fintech app could bill per payment transaction.

#### Why businesses use it.

- **Scales with value delivered:** Customers pay only for what they use, making it easy to justify costs.
- **Attracts entry-level users:** Low upfront costs can help reduce barriers to entry.
- **Encourages transparency:** Usage-based pricing can build trust when paired with clear reporting.



## Challenges.

- **Revenue predictability:** Forecasting becomes more difficult when usage fluctuates.
- **Billing complexity:** Requires detailed tracking and accurate metering.
- **Customer confusion:** Without visibility into usage, invoices can lead to disputes or churn.

## Who it's right for.

- Businesses offering elastic or high-volume services.
- Companies with products tied directly to measurable customer activity.
- Organizations seeking to scale pricing with customer growth.

**Tip:** Managing usage-based billing at scale requires automated metering, real-time reporting, and flexible invoicing. With Binary Stream's Advanced Subscription Management, businesses can seamlessly integrate usage tracking into Microsoft Dynamics 365 Finance, streamlining complex billing cycles and improving billing accuracy.

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## Per-user billing.

### What it is.

Per-user billing charges customers based on the number of active users or seats associated with their account. It is a straightforward model that ties cost directly to access.

## How it works.

Customers select a plan or package, and pricing scales linearly as they add users. This model is common in SaaS platforms, collaboration tools, and enterprise software—especially those that provide individual logins or role-based access.

**Example:** A project management tool charges \$30 per user/month. A team of 10 pays \$300 per month, and adding a new team member increases the total accordingly.

## Why businesses use it.

- Simple to understand and implement.
- **Scales with team size:** Revenue grows as customer organizations grow.
- **Encourages upsell opportunities:** Adding users often leads to higher-tier features or plans.

## Challenges.

- **May limit engagement:** Customers may share logins or restrict access to control costs.
- **Doesn't reflect usage:** A passive user and a power user are billed the same.
- **Not ideal for shared-resource models:** Teams that use software collaboratively may prefer usage- or feature-based pricing.

## Who it's right for.

- B2B SaaS companies with individual user accounts.
- Platforms where user-specific access is critical (e.g., CRM, ERP, HR tools).
- Businesses with clear user-based value metrics.



**Tip:** Tracking users across contracts and ensuring accurate billing can become complex at scale—especially with multiple entities, tiers, or custom access rules. Binary Stream’s billing solutions help streamline per-user billing by integrating user data with invoicing, reporting, and forecasting tools in Microsoft Dynamics 365 Finance.

## ✓ Tiered billing.

### What it is.

Tiered billing offers customers predefined pricing levels based on usage thresholds or feature access. Each tier provides a set amount of value (e.g., users, storage, transactions), and pricing increases as customers move up the tiers.

### How it works.

Customers choose a tier that matches their needs. If they exceed the limits of that tier, they upgrade to the next level. This model is popular in SaaS, streaming services, and platforms that want to balance simplicity with scalability.

**Example:** A subscription service offers three plans—Basic (\$50/month for up to 100 users), Pro (\$200/month for up to 500 users), and Enterprise (\$500/month for unlimited users). Customers upgrade as their needs grow.

#### A SUBSCRIPTION SERVICE OFFERS THREE PLANS-

BASIC	\$50/month for up to 100 users
PRO	\$200/month for up to 500 users
ENTERPRISE	\$500/month for unlimited users



## Why businesses use it.

- **Predictable revenue:** Fixed tiers make forecasting easier.
- **Encourages upgrades:** Clear value differences between tiers drive customer growth.
- **Simplifies decision-making:** Easy for customers to compare and choose a plan.

## Challenges.

- **Limited flexibility:** Customers close to a tier limit may feel overcharged when forced to upgrade.
- **Requires careful tier design:** Tiers must offer compelling value at each level.
- **Not always usage-efficient:** Customers may pay for features or capacity they don't fully use.

## Who it's right for.

- SaaS providers with scalable usage or features.
- Businesses targeting small, mid-size, and enterprise segments.
- Platforms that want to upsell as customer needs grow.

**Tip:** Tiered billing works best when integrated with clear rules, upgrade paths, and reporting. Binary Stream helps organizations structure complex tiered models within Microsoft Dynamics 365 Finance—automating invoicing, handling tier transitions, and providing insights into upgrade behavior and revenue impact.



## Flat-rate billing.

### What it is.

Flat-rate billing charges a single, fixed price for access to a product or service, regardless of usage. It is one of the simplest billing models and often used to promote transparency and predictability.

## How it works.

Customers pay the same amount at regular intervals—monthly, quarterly, or annually—for continued access. There are no usage thresholds, add-ons, or upgrades; everything is included in one price.

**Example:** A digital publication charges \$25/month for unlimited access to all articles, videos, and downloads, regardless of how often the customer logs in.

## Why businesses use it.

- **Easy to market and understand:** Customers know exactly what they're paying.
- **Simplifies billing operations:** No tracking, tiering, or variable rates.
- Encourages engagement: No penalty for heavy usage.

## Challenges.

- **Limits revenue scaling:** High-usage customers may cost more to support than they pay.
- **May not suit all users:** Low-usage customers may cancel if they don't feel they're getting value.
- **Requires broad appeal:** A single plan must serve a wide range of customers.

## Who it's right for.

- Businesses with a clearly defined core offering.
- Subscription-based services with low variable costs.
- Companies focused on simplicity and accessibility.

**Tip:** Even simple billing models can create complexity at scale—especially when mixed with discounts, renewals, or bundling strategies. Binary Stream supports flat-rate billing in Dynamics 365 Finance while giving finance teams the flexibility to layer in other models as customer needs evolve.

## Feature-based billing.

### What it is.

Feature-based billing charges customers based on the set of features or capabilities they access. Higher-tier plans unlock advanced tools, integrations, or levels of support—giving customers the option to pay for the functionality they need.

### How it works.

Customers choose a plan based on the features they want. Pricing is typically structured in packages (e.g., Basic, Pro, Enterprise), with each level offering an increasing number of capabilities.

**Example:** A data analytics platform may offer core dashboards in its basic plan, while advanced modeling and API access are reserved for premium tiers.

### Why businesses use it.

- **Enables value-based pricing:** Customers pay more as they unlock more value.
- **Supports a wide customer range:** From startups to enterprises, all can find a fit.
- **Creates clear upgrade paths:** Customers can grow into more advanced plans over time.

### Challenges.

- **Feature creep:** Too many features can confuse customers or dilute plan value.
- **Requires careful packaging:** Misaligned features can stall adoption or drive churn.
- **Can complicate product development:** Features must be modular and gated by plan.



## Who it's right for.

- SaaS companies with layered functionality or integrations.
- Platforms that serve diverse customer segments.
- Businesses with a clear distinction between entry-level and advanced users.

**Tip:** Managing feature entitlements across complex accounts and billing systems requires tight integration between product access and finance operations. Binary Stream's solutions ensure your Dynamics 365 Finance environment reflects accurate customer entitlements: you'll be able to streamline billing, renewals, and upgrades without manual reconciliation.

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## Roll-your-own / bundling.

### What it is.

Bundling allows customers to combine multiple products, services, or features into a single package—often at a discounted rate. In a roll-your-own model, customers can choose the components they want, creating a custom bundle tailored to their needs.

### How it works.

Businesses offer a menu of products or services that customers can mix and match. Pricing may follow a base rate plus add-ons or offer volume discounts as more items are included. This approach is common in telecom, media, SaaS, and manufacturing.

**Example:** A software vendor allows customers to combine CRM, analytics, and customer support modules into one subscription, with pricing adjusted based on the combination selected.





## Why businesses use it.

- **Increases average contract value:** Customers often buy more when given flexibility.
- **Improves customer satisfaction:** Buyers get exactly what they need—nothing more, nothing less.
- **Supports upselling and cross-selling:** Strategic bundling can introduce customers to additional products. Strategic bundling can introduce customers to additional products.

## Challenges.

- **Operational complexity:** Managing custom pricing and entitlements can strain systems.
- **Requires robust configuration:** Without clear rules, bundles can become inconsistent or unprofitable.
- **Can confuse customers:** Too many options may overwhelm buyers or delay decision-making.

## Who it's right for.

- Businesses with modular offerings or complementary product lines.
- Organizations seeking to differentiate through customization.
- Companies looking to increase customer lifetime value through tailored solutions.

**Tip:** Dynamic bundling requires systems that can adapt in real time—tracking what's included, applying the right pricing, and ensuring accurate billing. Binary Stream's tools for Microsoft Dynamics 365 Finance support configurable bundling strategies, giving teams the flexibility to deliver custom offerings without losing control of financial operations.



## Freemium / ad-supported.

### What it is.

Freemium models offer a basic version of a product or service at no cost, with the option to upgrade to a paid version for additional features, support, or access. Ad-supported models follow a similar path: they provide free access while monetizing through third-party advertising.

## How it works.

Customers can start using the product for free, often with limited functionality or usage caps. Over time, as their needs grow or tolerance for ads diminishes, they're encouraged to upgrade to a premium version or subscription plan.

**Example:** A cloud storage service offers 5GB for free with banner ads and limited support. Users can pay to remove ads and unlock additional storage and features.

## Why businesses use it.

- **Drives user acquisition:** Free access lowers the barrier to entry.
- **Supports viral growth:** Users are more likely to share or refer a product they didn't pay for.
- **Enables conversion funnels:** Freemium users can become paying customers over time.

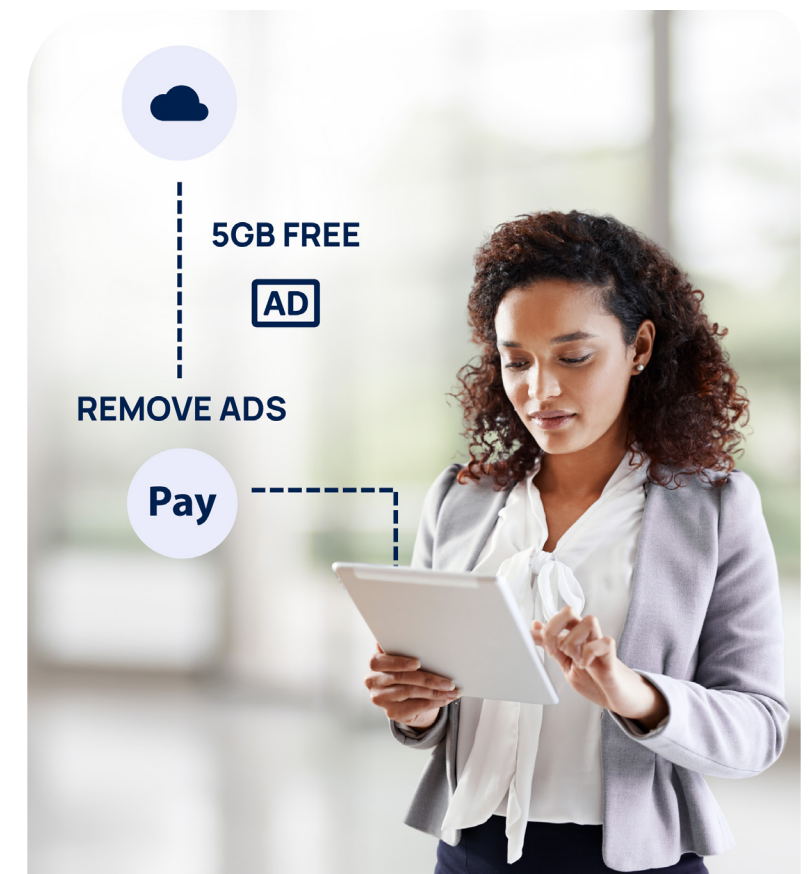
## Challenges.

- **Monetization can be slow:** Many users may never convert or generate ad revenue.
- **Requires scalable infrastructure:** Supporting a large free user base can strain resources.
- **Can devalue the premium offering:** If the free version is "good enough," upgrades may lag.

## Who it's right for.

- High-volume B2C platforms with low marginal delivery costs.
- Products with natural upgrade paths or clear feature gaps between free and paid.
- Businesses focused on rapid growth and brand awareness.

**Tip:** Managing freemium or ad-supported models within enterprise billing systems can be tricky, especially when users shift tiers or combine with other billing strategies. Binary Stream's solutions integrate seamlessly with Dynamics 365 Finance to help organizations track usage, conversions, and revenue while managing hybrid billing structures behind the scenes.





## Hybrid billing.

15

### What it is.

Hybrid billing combines elements from multiple billing models—such as usage-based pricing layered on top of a flat-rate subscription, or bundling mixed with feature-based access. It gives businesses the flexibility to tailor pricing to different customer needs, markets, or product lines.

### How it works.

Organizations design a custom billing approach by blending two or more models. For example, a software platform might charge a monthly base fee, include a bundle of standard features, and bill separately for overages or premium add-ons.

**Example:** A cybersecurity provider offers a \$200/month base plan that includes 500 endpoint scans. Customers pay an additional \$0.50 per scan beyond the included amount.

### Why businesses use it.

- **Maximizes revenue opportunities:** Aligns pricing with both baseline access and variable usage.
- **Adapts to diverse customer needs:** Supports SMBs and enterprises with the same product.
- **Creates pricing flexibility:** Enables experimentation and refinement of go-to-market strategies.



## Challenges.

- **Can get complex fast:** Mixing models increases billing, compliance, and reporting complexity.
- **Requires strong systems:** Manual processes struggle to keep up with hybrid logic.
- **Harder to explain:** Pricing must be clearly communicated to avoid customer confusion.

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# Choosing the right model.

## A quick framework to guide your strategy.

There's no one-size-fits-all approach to billing. The right model depends on your product, customer base, growth goals, and operational capabilities. Whether you're scaling a SaaS platform or managing multi-entity services, choosing a model that aligns billing with value delivery is key to sustainable growth.

### Model selection guide.

Billing model.	Best for.	Common in.
Pay-as-you-go / usage.	Variable usage, metered services.	Cloud infrastructure, APIs.
Per-user.	Scalable user-based platforms.	SaaS, productivity tools.
Tiered.	Gradual feature/value increases across customer segments.	CRM, email marketing.
Flat-rate.	Simple offerings, predictable usage.	Media, digital subscriptions.
Feature-based.	Distinct value tiers, modular tools.	Analytics platforms, ERP.
Roll-your-own / bundling.	Broad product catalog, custom needs.	Telecom, software suites.
Freemium / ad-supported.	High volume, low marginal costs.	Consumer apps, marketplaces.
Hybrid.	Complex use cases, mixed revenue streams.	Enterprise SaaS, fintech.

# Modern billing needs modern tools.

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## Turn Dynamics 365 Finance into a billing powerhouse with ASM.

As billing models evolve, finance teams need tools that go beyond the basics. Binary Stream's Advanced Subscription Management (ASM) extends Microsoft Dynamics 365 Finance to support the flexibility, automation, and compliance today's billing strategies demand.

### See the impact for yourself.

- ✓ **Support any billing model.** Run flat-rate, usage-based, tiered, hybrid, and more—all within a single system.
- ✓ **Automate complex billing cycles.** Handle proration, metering, and multi-element invoicing with ease.
- ✓ **Stay compliant.** Automate revenue recognition and stay aligned with ASC 606 and IFRS 15.
- ✓ **Improve customer experiences.** Offer clear invoicing, flexible billing terms, and unified billing across services.
- ✓ **Gain real-time insights.** Track billing performance and forecast revenue with model-specific analytics.

## Ready to transform your subscription revenue management?

Get in touch

