MGI 360™ RATINGS

MARKET RATING REPORT (MRR)

MGI Research

ARM Solutions – A Buyer's Guide May 17, 2022

SUMMARY

This MGI 360 Market Ratings Report (MRR)™ provides ratings of leading Automated Revenue Management (ARM) software suppliers, as well as strategy and product selection recommendations for organizations evaluating providers in this market. The full report summarizes MGI 360 scores of 17 leading suppliers using a quantitative rating (0 to 100) and a qualitative Analyst Outlook (Positive, Neutral or Negative). This version of the report is an officially licensed reprint that summarizes the MGI 360 Rating for BillingPlatform. The full report is available via MGI Research. Vendors whose ratings are presented in the full version of the MRR include Aptitude Software, Ayara, BillingPlatform, Chargebee, FinancialForce, Gotransverse, Maxio (formerly SaaSOptics/Chargify) Oracle, Oracle NetSuite, RecVue, RightRev, Sage Intacct, SAP, Softrax, Workday, Zone & Co., and Zuora. Ten suppliers under coverage by MGI Research but not rated are also discussed in the full report: Binary Stream, BluLogix, JustOn, LeapRev, LogiSense, Microsoft Dynamics, Rev.io, RevRec.io, Stripe, and Zoho.

This MRR is aimed at helping users make better, timelier, and more informed strategy and purchasing decisions. The MRR details growth drivers and barriers, key market segments, and major requirements for billing software solutions. It also outlines a path to evolving legacy ARM solutions and highlights strategies and best practices for success.

WHY RATE TECHNOLOGY SUPPLIERS

Business technology investment decisions are complex processes involving large amounts of money, time, and risk. As is the case with the market for monetization tools, buyers face an ever-expanding roster of suppliers. Many are well funded and covered by press and industry analysts. There is no lack of information, but the challenge for business and technology decision-makers has been to extract signal from industry noise, to separate fact from marketing hype, to get truly independent advice. Clarity is often a casualty of a well-funded technology market. Technology buyers are caught in a dilemma: spend too little time evaluating a solution and one can put a business at risk – but spend too much time and one can put budget and time-to-market at risk. The challenges buyers face in this context are significant. No executive wants to be in a situation where a long-term technological and financial commitment is made, only to realize later that the company in question is a financial sham, or that its business practices reflect a nickel-and-dime approach to customer service, or that the company strategy leads to a technological dead-end.

MGI Research introduced MGI 360 Ratings™ in 2013 to help technology buyers navigate intelligently through complex market landscapes with a uniform 0 to 100 supplier rating system. Whether applied to new purchases or to an existing solution portfolio, MGI 360 Ratings incorporate a consistent, clear supplier rating scale across five equally weighted pillars – Product, Management, Channel, Strategy, and Finance – that helps business executives and IT organizations get a head start on supplier due diligence, speed up sourcing, reduce risks, and improve supplier relationships.

KEY ISSUES FOR ARM

- What drives the business case for ARM?
- What are the emerging ARM requirements?
- What is the role of ARM in an Agile Monetization Platform (AMP)?
- What are the strategic priorities for ARM in terms of investment, human capital, supplier partnerships, and business strategy?
- What are the best practices for evaluating, adopting, and implementing ARM?
- What are the costs associated with evaluating, implementing, and operating an ARM solution?
- What are the different market segments of ARM?
- Which suppliers will emerge as leaders in ARM?

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 firms such as Gartner, Soundview and Morgan Stanley. MGI Research analysts typically bring with them over twenty 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 identify opportunities for reducing IT costs and minimizing technology risks.

MGI Research pioneered the concept of an Agile Monetization Platform (AMP)™ and hosts the Monetize events. MGI also leads Best Practices groups for finance, business, and IT executives. MGI Verified is an independent entity digitizing the reference check process (mgiverified.com).

Since its founding, MGI Research emphasized application of highly quantitative and structured methods in creating decision-support frameworks for its clients. MGI has since created a number of proprietary industry metrics, benchmarks, and indices such as the MGI 10KScore™, MGI Cloud30 Index™, MGI MarketLens™, MGI Use Case Notes™, and the MGI 360 Ratings™.

A MGI MarketLens Report™ dissects a given universe of suppliers and plots how a select group of suppliers compare using a pair of key coordinates. It sheds light on the variations among solutions in a given market, and helps prospective buyers, investors, and partners see where products align relative to core requirements.

The Use Case Note describes the ideal customer profile for a given solution. It helps prospective buyers understand the "best fit" for a product or service. The aim is to help prospective buyers quickly and confidently narrow the list of suppliers that could meet a particular use case. It is not intended to describe the entire range of possible use cases, nor is it an in-depth analysis of the supplier or solution.

MGI 360 Ratings™ are a 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.

For additional information or to schedule a confidential consultation, call +1 888 801-3644 or visit www.mgiresearch.com

ABOUT MGI 360 RATINGS

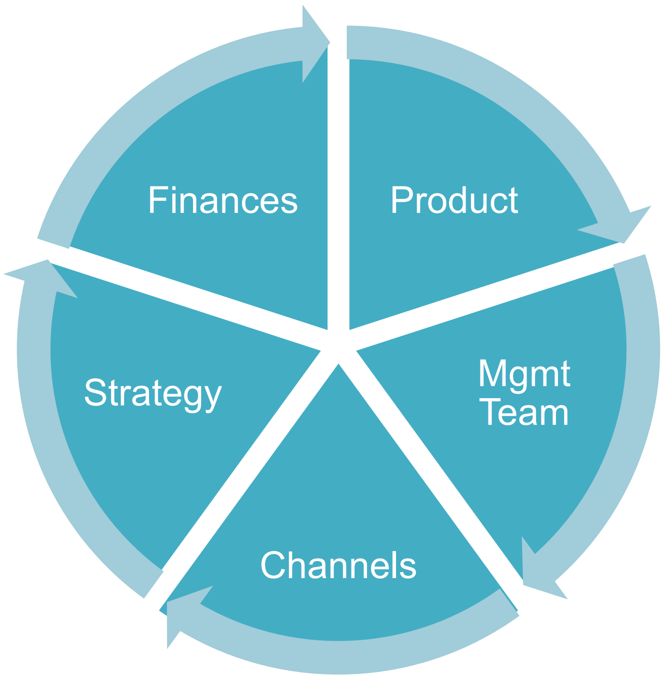

Figure 1 - MGI 360 Rating Dimensions

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 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 147 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 their market in every aspect of their business in order to command higher scores.

MGI 360 ratings are revised continuously as important developments occur.

Companies can have multiple scores – one for each market as well as a history of scores.

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. More information is available in Appendix A.

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INTRODUCTION

Business Models Reference:
B2B – Business-to-Business
B2b – Business-to-Small Business
B2C – Business-to-Consumer
B2X – Business-to-Anything

ARM software solutions help automate the accurate and timely classification, scheduling, allocation, calculation, and presentation of revenue in the appropriate periods and amounts within the accordance of global and national accounting standards and other regulatory mandates.

Revenue recognition ("rev rec") does not exist in a vacuum. It is part of the larger finance automation ecosystem. Historically, there was a rather simplistic, linear view of the process and data flow for rev rec. Sales configures the offer, prices it, quotes it, gets approval, and eventually signs a contract, resulting in an invoice and revenue flowing through general ledger towards recognition.

As companies evolved from selling boxes to selling continuous relationships, this model broke down. Suddenly business processes – including but not limited to revenue recognition – had to navigate the reality of continuous, real-time subscription changes and other complex, modern hurdles. In response, MGI introduced a different way of looking at finance automation, and specifically monetization, several years ago – called the Agile Monetization Platform or AMP. It is a reference model that identifies key functions needed for monetization and describes how interactions between different modules can mimic a living organism – a more object-oriented approach.

Rev rec or ARM is a key element of AMP, and we often talk about rev rec in the context of a full AMP framework. Once viewed as an adjunct to the general ledger of an accounting application and considered an automation tool for revenue recognition, Automated Revenue Management ("ARM") solutions have blossomed into a standalone category that meets the essential accounting needs of a growing number of industries. Contrary to conventional wisdom, the market for ARM solutions actually expanded and accelerated in growth since the adoption of new accounting standards. At the time of the arrival of ASC 606 and IFRS 15 in 2018 and 2019, many in the industry believed that corporate investment in revenue automation tools would decline after the reporting deadlines passed. Instead, as MGI Research predicted at the time, the market has in fact accelerated with more spending, more choices in the market, and more demand for ARM solutions in business and finance. The supplier's market for ARM solutions is experiencing a period of investment and innovation. New start-ups are delivering innovative solutions and attracting funding, while existing players are dedicating more investment and resources to improving their offerings. The buyer's perspective is shifting, no longer seeing ARM as a point solution to meet regulatory compliance requirements, but instead expanding into broader adoption as a method to automate and scale revenue accounting. The market is beginning to realize that ARM products are responsible for much more than simply 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 a 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 AS A KEY ELEMENT OF MONETIZATION

MGI Research considers ARM to be a key component of an overall Agile Monetization capability. The term Agile Monetization was first introduced by MGI Research in 2015 and originally evolved from a concept of ARM pioneered by MGI Research in late 2013. *In the monetization context, agility refers to the ability to create and evolve new offers by iterating rapidly, thus accelerating velocity with which a business can convert opportunities to cash.*

The monetization process reaches across the organization – from product development, marketing, sales, finance, billing, even into customer support. Monetization is not a single product but, rather, a business discipline that combines business processes, tools, and skilled human resources to create and translate market demand into revenues, profits, and competitive differentiation efficiently and effectively.
While typically sold as standalone products, ARM solutions are integrated within an organization's financials, e-commerce, and order management and provisioning systems. ARM solutions feed data into the entire prospect-to-disclosure process, with interfaces into General Ledger, Billing, Financial Reporting, Financial Close, and Forecasting systems, among others.

Architecturally, ARM/rev rec is a key component of the **Agile Monetization Platform** (**AMP**) that comprises 13 related disciplines critical to implementation of a successful monetization strategy (see Fig. 2).

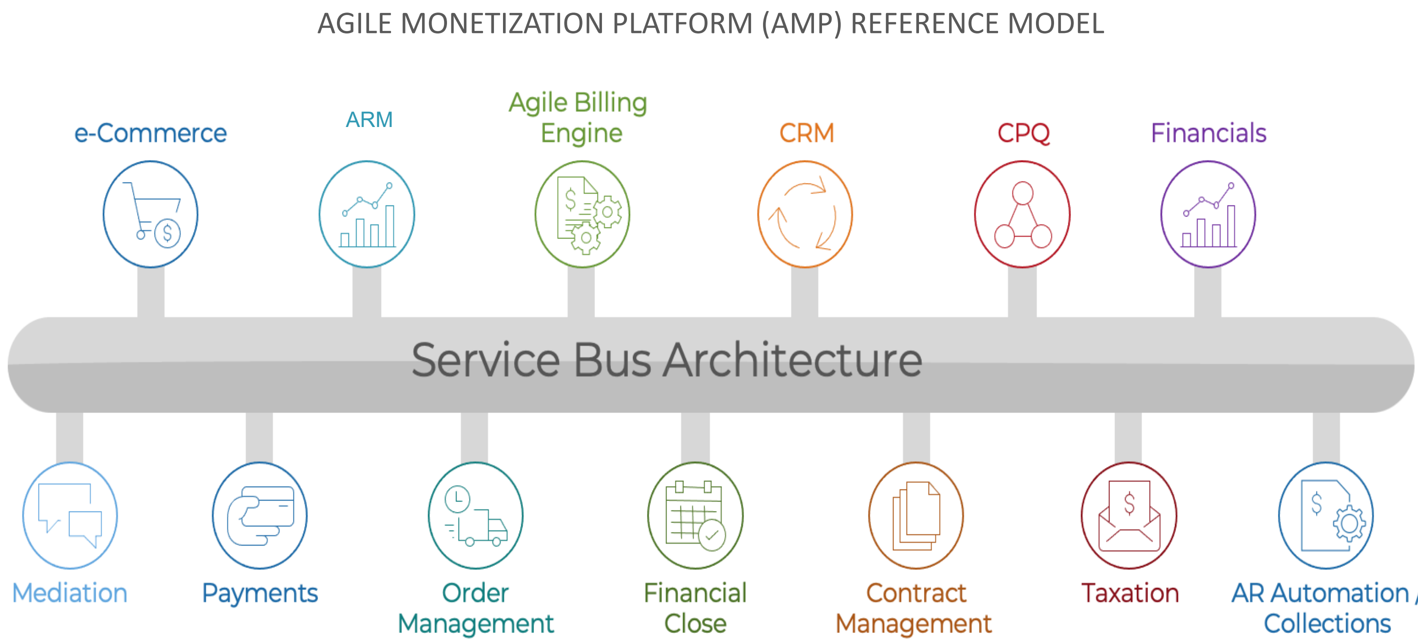


Figure 2 - MGI Research AMP Reference Framework

WHY DOES ARM MATTER?

Revenue recognition solutions typically provide several direct and indirect benefits. In MGI's experience, most finance organizations can achieve a positive ROI within two quarters (6 months) of adopting a solution. Most rev rec solutions are very reasonably priced in comparison with other software applications. For an annual investment between $25K – $100K, most organizations can reduce the need for multiple full-time equivalents (FTE) to half of one. For growth companies, the revenue accounting team can scale without the need for additional headcount. Depending on how efficient the accounting operation is prior to implementing a rev rec tool, it is common to see monthly and quarterly close times reduced by 1-3+ days. Spread over the course of a year, this amounts to a material positive impact on the business. CFOs and their direct reports cite the benefit of

a) having more time at the end of the month/quarter to dedicate to analysis and better/strategic support of the business, and
b) added confidence in the accuracy of the books.

Public and private company CFOs enjoy these benefits, particularly as more private company finance departments operate under similar scrutiny and audit requirements as their public company peers. Privately, CFOs who use automated rev rec tools express disbelief that they didn't adopt solutions sooner. For them, the combined financial benefits, coupled with the reduction in reporting and audit risk, are very meaningful. As one CFO said, "we expect the rest of the business to streamline their operations and automate to gain efficiencies. It doesn't make sense for the finance team to rely on 'hand-crafted' processes and ignore the tools that are available. And given the regulatory risks, it's become a must-have."

ARM: SUCCESS VS. FAILURE

Success	Failure
• Clear, accurate presentation of revenue: current, past + recurring forecast • Books closed within 2-3 days of period end • Finance becomes a scalable function – even with staffing shortages • Audits always non-qualified and on-time • High automation, minimal manual and/or Excel effort • No revenue disputes with regulators • Accounting never the cause for results re-statement • Able to simulate and rapidly execute M&A and IPO transactions • Strong Executive, Board and Investor Confidence in Financial Statements	• Low Automation, high manual and Excel effort • Period closings always late • Qualified or failed audits • Revenue Disputes with regulators • Re-Statement/Re-Classification of Revenues • Revenue and earnings forecasting challenging • Delays in modeling and executing M&A/IPO transactions • Disputes with partners and sales on commission payouts • Low Executive, Board and Investor Confidence in Financial Statements

KEY GROWTH DRIVERS AND BARRIERS

Modern finance departments are under increasing pressure to provide greater support to the business while also responding to a growing number and complexity of regulatory mandates. This comes at a time when many organizations still rely on reporting tools and processes that were designed in an era of batch processing, with expectations of speed and integration that do not match today's requirements landscape. Despite its known limitations as a production tool (e.g., data input errors, inaccurate macros, et al.), Microsoft Excel remains the dominant fallback choice within finance operations today.

One finance area in particular – revenue recognition – faced an imminent regulatory deadline that drove CFOs and finance teams to rethink current processes and invest in a new generation of finance automation tools with deeper functionality than what was traditionally offered by standard accounting packages. This regulatory change – the converged guidance issued by FASB and IASB in 2018 – combined with the increased velocity and scale of demands on finance, sparked demand for specialized solutions to automate as much of the revenue recognition effort as possible. The pressures on a modern finance department are such that tools for automating the financial close process and revenue accounting are becoming the rule, rather than the exception. Even though we are several years past the deadlines to adopt the new guidelines, many finance teams are still in the process of reworking their reporting processes, many of which were done in haste to meet the deadlines. It will be another two to three years for organizations to move from the "brute force standards adoption," which often included semi-automation or partial implementation of an ARM tool, toward full automation and a more complete embrace of automated tools.

Beyond ASC 606 compliance, many companies seek to automate manual and semi-manual processes, particularly those in which the scope and scale of the business are such that only an automated tool can provide accurate support for the business requirement.

For companies with very large-scale issues (e.g., retailers managing millions of gift cards or tens of thousands of contracts) and/or organizations with considerable complexity (e.g., a diversity of contractual arrangements with many considerations such as performance bonuses/penalties, price concessions, multi-party arrangements, subscription bundles), the need for an automated tool exists independently of past or future compliance requirements.

New tools for supporting more complex business models and pricing strategies (e.g., agile monetization platforms) make it easier for the business to support customer relationships with an order of magnitude greater complexity. To cost-effectively scale their operation, finance organizations must look to the use of off-the-shelf revenue recognition packages. The only way for finance to accurately account for these new economic relationships is through automation.

While the finance team members are the only direct users of a revenue recognition solution, the output and reports from a modern revenue recognition application are important enablers of overall business agility.

Automation takes it a step further – aiming to reduce the number of tools while increasing the amount of revenue that is processed. For some shops, this means moving from 50/50 automation/manual processing to 75-85% automation while still handling a small minority of customers and agreements via manual efforts or specialized tools designed just for those customers.

The next big step will be Intelligence. Today, it is the visionaries, or top performing companies, who use automated revenue management tools to provide a deeper level of intelligence to their business. As described in more detail below, these finance leaders use ARM tools to make critical business decisions in near real-time. Adjustments in sales quotes are made based on how the quarterly revenue is coming in. Planning the business two to four quarters into the future can be done with more confidence and precision based on the insights that come from more accurate revenue accounting. While primarily the elite CFOs and CAOs are doing this today (less than 5% of companies), this number is projected to grow to over 30% of companies in the next five years.

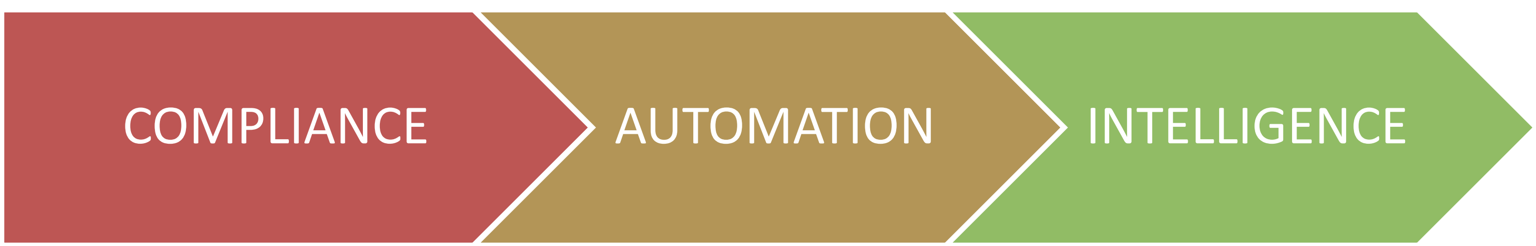
A second major trend driving ARM spend is the influx of investment into this market. Large ERP accounting vendors have recognized the market demand and are spending to improve their solutions and more aggressively market and sell their enhanced capabilities. The added investment in sales and marketing helps to expand the market as overall awareness catalyzes user adoption of ARM. Further, a group of new, innovative solutions is coming to market, stirring the imagination of finance and business leaders and opening new possibilities for finance to be a key business enabler, not just a back-office compliance and reporting function.

ARM EVOLUTION

As a discipline, ARM continues to evolve in terms of requirements, capabilities, and focus. Capabilities that were once considered advanced in Gen 1 products – like SSP tables and the ability to recognize an unbilled receivable – are now table stakes.

One area that is evolving rapidly is the concept of omni-channel ARM inputs: the ability to capture complex inputs from various sources – i.e., not just billing invoices, but payments, contracts, events, quotes, and more.

The overall focus of ARM solutions is also evolving – initially, many companies were only interested in compliance, but now the focus has shifted to utilizing revenue management automation to achieve predictable scalability. The next frontier is moving away from a reactive, rearview mirror approach and instead injecting revenue intelligence into other parts of the organization – e.g., FP&A and sales quoting. These things have become possible due to more granular web services and API-first capabilities that can be re-used in and outside of finance automation.



HOW IS ARM ADDRESSED TODAY?

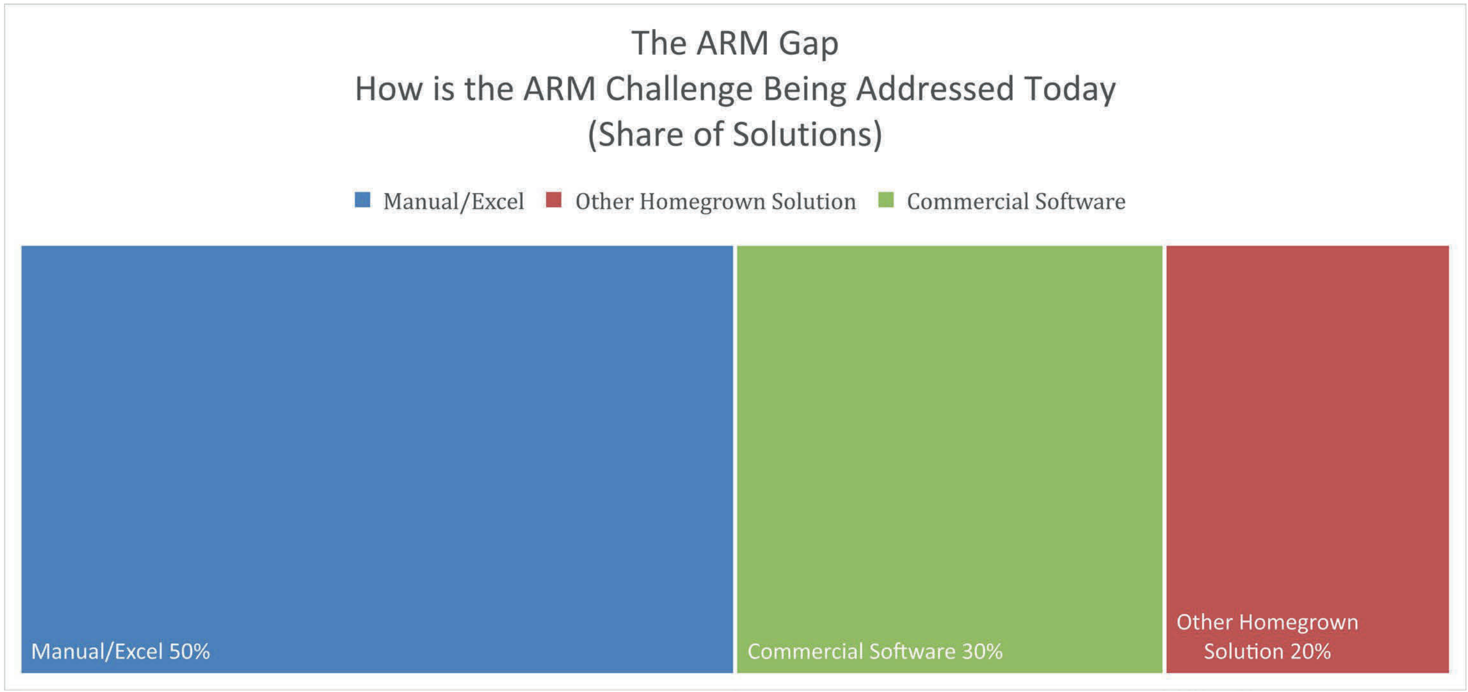


Figure 3 – How Is ARM Being Addressed Today?

Excel remains the market leader, although its position is beginning to erode. Still, best-in-class companies make up 80-90% of touchless revenue accounting. The dominant solution in use today is Microsoft Excel, complimented by manual work handled by members of the billing and finance teams. Given the amount of time and effort – not to mention the well-documented inaccuracies – associated with spreadsheets, this is no longer an acceptable option. The market for targeted solutions is comprised of niche revenue recognition vendors, monetization vendors who offer rev rec as a part of a broader set of Agile Monetization Platform capabilities, and standalone financials vendors introducing rev rec modules.

ARM DECISION STRATEGIES

One part of the selection process involves the packaging of the solution. ARM products can be purchased as part of a financials suite, as part of a billing solution, or as a standalone product that can be integrated into financials and billing. There is no single universally "correct" approach – it's very much a decision that takes into consideration:

a) the broader technology environment of the business,
b) existing financials and billing infrastructure, and
c) most importantly – the specific use cases in question and the most acute pain point(s) within the business.

The cost of the solution should be considered with great care. Many billing and financials vendors include ARM functionality as part of their overall solution – in effect "giving away" the rev rec component. As the 360 Ratings indicate, there is wide variety among the solutions. Just because the ARM product is "free" does not automatically indicate that it has relatively more or less value or capability than the standalone offerings.

<u>Packaging Options and Suppliers:</u>

Standalone options: These products can be deployed independently of other products sold by the vendor. Examples include Aptitude Software, Ayara, Chargebee, FinancialForce, Maxio, RightRev, Softrax, and Zuora.

Contained within a financials suite: ARM solutions are also sold as part of a financials package. Examples include FinancialForce, Oracle, Oracle NetSuite, SAP, Sage Intacct, Workday, and Zone & Co (which is built within NetSuite).

Contained within a billing solution: Finally, there are rev rec solutions contained within an agile billing solution. Examples include BillingPlatform, Gotransverse, and RecVue.

Billing vendors with ARM solutions include BluLogix, Binary Stream Software, JustOn, LeapRev, LogiSense, Microsoft Dynamics, Rev.io, RevRec.io, Stripe, and Zoho. These companies are covered in this report but did not receive a 360 Rating.

Total Addressable Market Forecast for ARM Software 2022-2026

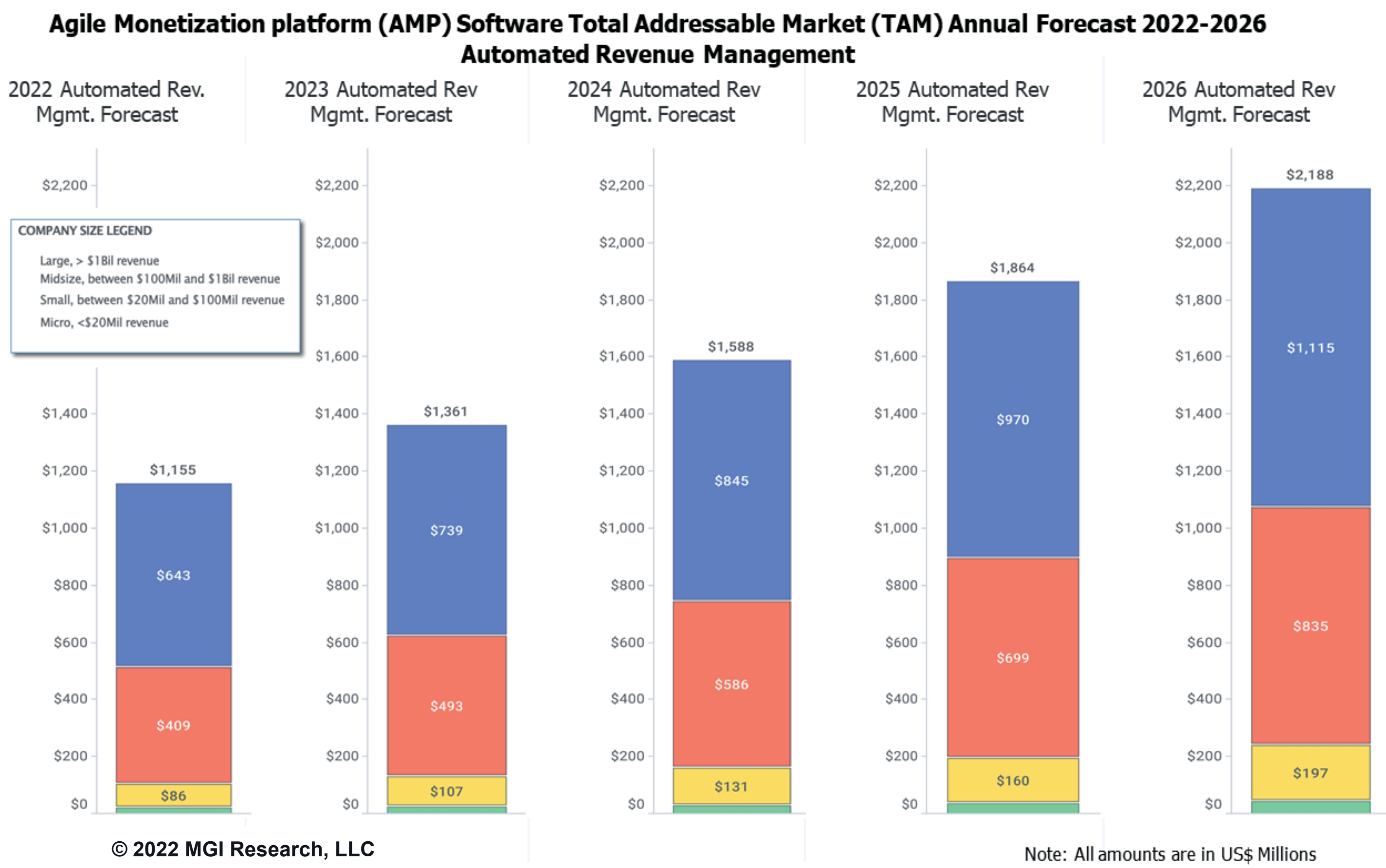


Figure 4 ARM Spending Forecast 2022-2026

FOR MORE INFORMATION

For more information, see MGI Forecasts: Automated Revenue Management (ARM) Software Global TAM Forecast 2022-2026.

MGI Research estimates that the Total Addressable Market (TAM) for cloud-based automated ARM software tools will grow from **$1.16 billion** in 2022 to **$2.19 billion** in 2026, representing a five-year Compound Annual Growth Rate (CAGR) of **17.3%**, with large and medium sized enterprises representing the majority of buyers. The total five-year spend in the cloud-based ARM market from 2022-2026 is projected at **$8.17 billion**.

MONETIZATION SOFTWARE CONTINUES TO BE A MAGNET FOR INVESTORS

ARM and Agile Monetization continue to attract interest from investors. Early-stage companies like Ayara and RightRev have raised funds, SaaSOptics attracted approximately $150 million in funding via its merger with Chargify (and subsequent rebranding as Maxio), Chargebee acquired RevLock, and Aptitude Software, which had previously acquired RevStream, also added MPP Global to its stable of billing and revenue management solutions. With numerous providers of financial applications (e.g., core financials/ERP, FP&A, and automated closing tools) in possession of strong balance sheets and lacking a modern ARM solution, M&A activity is likely to remain vibrant. The trend across the AMP disciplines is clear – suppliers are expanding their functional reach by adding more ARM capabilities, whether organically or via acquisition.

ARM SOLUTION ABILITY TO HANDLE USE CASE COMPLEXITY AND VOLUME

A two-dimensional chart that measures rev rec **volume** (x-axis) against rev rec **complexity** (y-axis) can be helpful when selecting an ARM solution. Both are measured against a scale of 0 to 100, with average lines separating the chart into four major quadrants. The color of the marker corresponds to the type of business model where a supplier has the most likely fit, with blue representing B2B, red representing B2C, and yellow representing a B2X model. The size of the marker corresponds to the MGI360 Rating (0 to 100), and shape represents the market segment (Enterprise, MidMarket, or SmallBiz) that each solution can address.

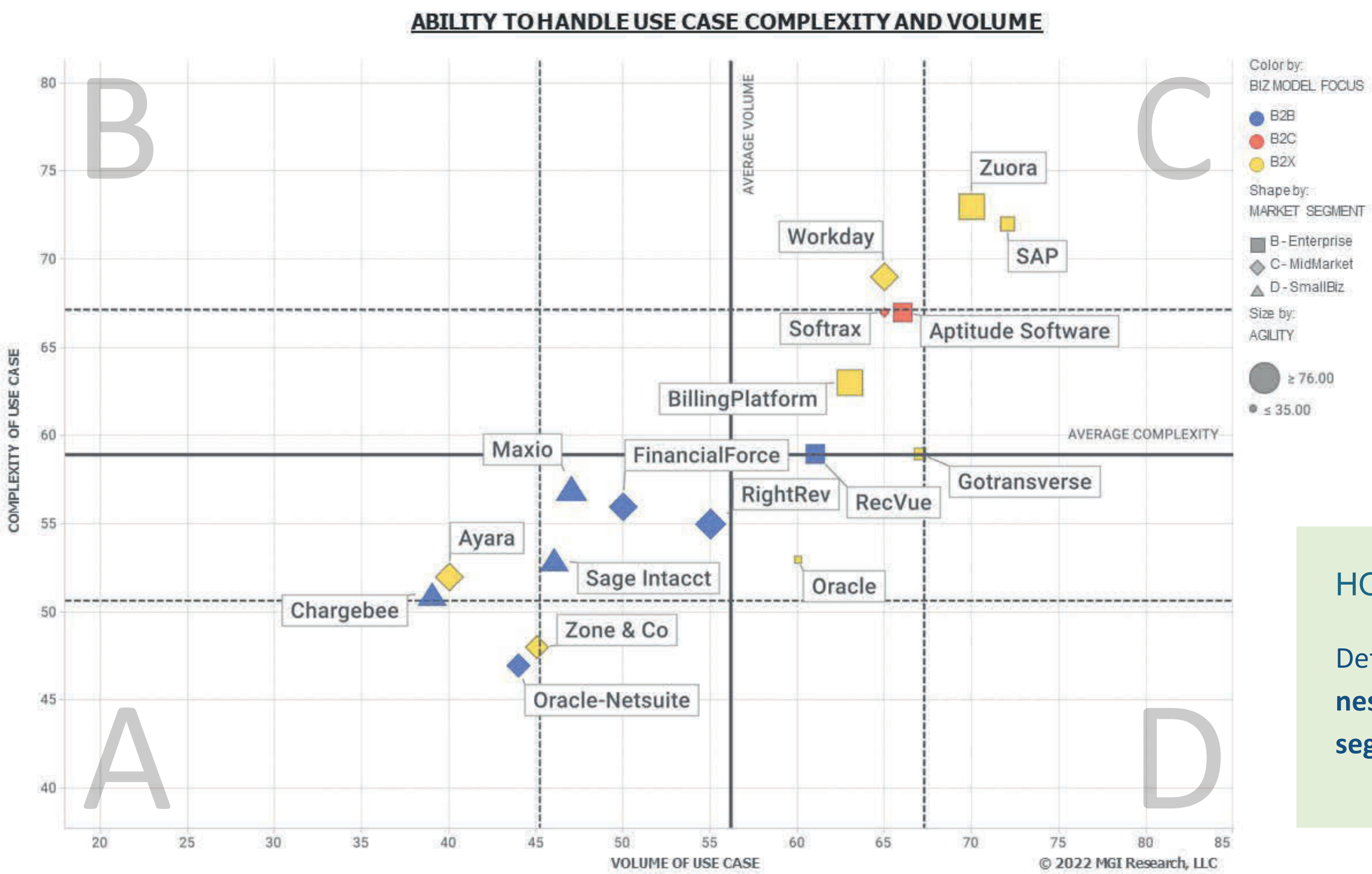


Figure 5 ARM Use Case Complexity vs. Volume

HOW DO I READ THIS CHART?

Definitions of **complexity**, **volume**, **agility**, **business model (B2B/B2b/B2C/B2X)**, and each **market segment** follow on pages 18-20.

ARM SOLUTION ABILITY TO PROVIDE AGILITY AND HANDLE COMPLEXITY

A two-dimensional chart that measures rev rec **complexity** (x-axis) against rev rec **agility** (y-axis) can be helpful when selecting an ARM solution. Both are measured against a scale of 0 to 100, with average lines separating the chart into four major quadrants. The color of the marker corresponds to the type of business model where a supplier has the most likely fit, with blue representing B2B, red representing B2C, and yellow representing a B2X model. The size of the marker corresponds to the MGI360 Rating (0 to 100), and shape represents the market segment (Enterprise, MidMarket, or SmallBiz) that each solution can address.

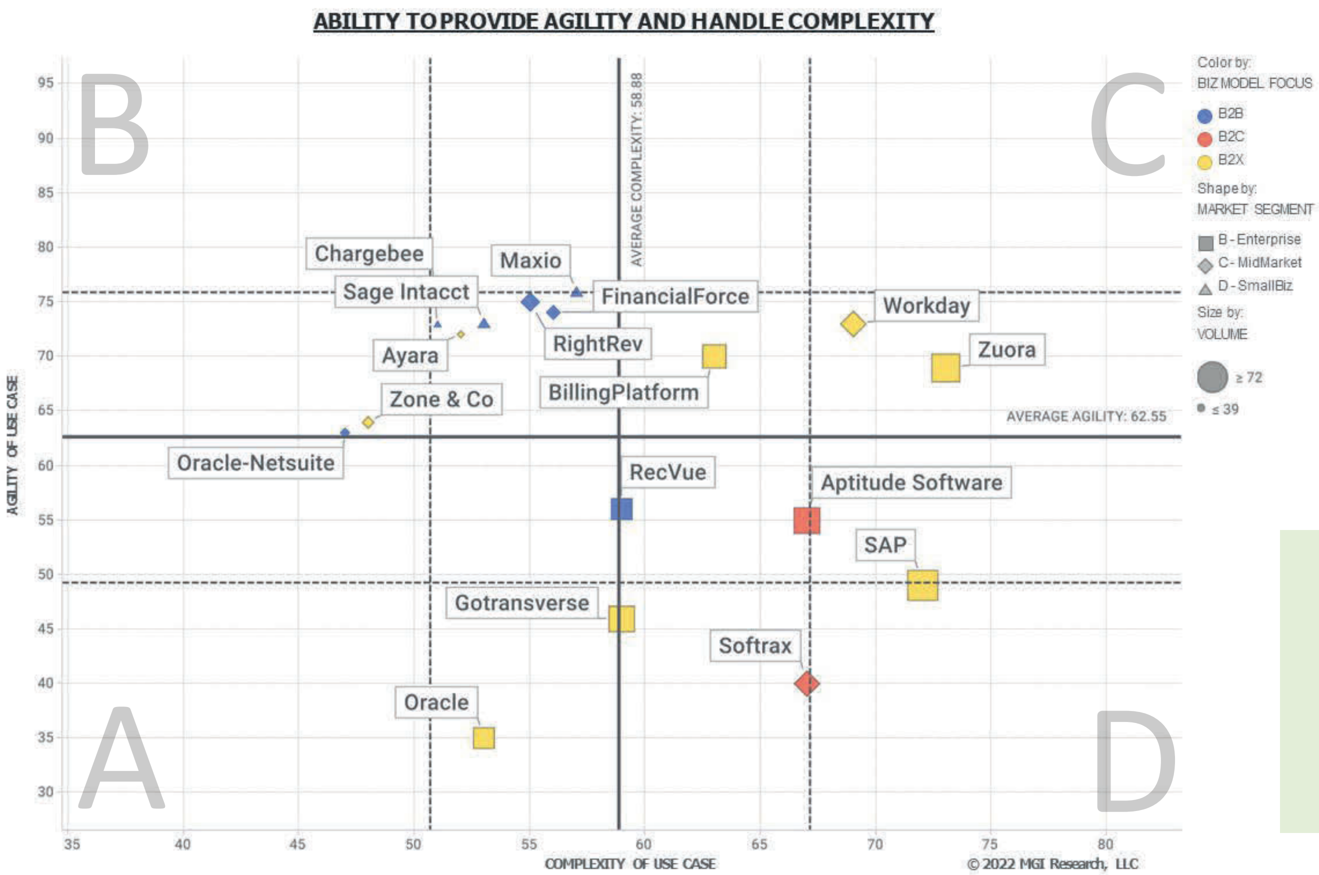


Figure 6 ARM Use Case Agility vs. Complexity

HOW DO I READ THIS CHART?

Definitions of **complexity**, **volume**, **agility**, **business model (B2B/B2b/B2C/B2X)**, and each **market segment** follow on pages 18-20.

We define the key dimensions of ARM buying decisions as follows:

- **COMPLEXITY**: How complex are the transactions, in terms of definition as well as processing? Is workflow and complex API-driven processing required? How much variability is present in recognizing revenue based on various metadata such as location of product or service and billing period within a sales cycle? Does the invoice layout vary greatly based on customer and/or product attributes or seasonal characteristics? Can the system recognize payments for the same invoice in various currencies? These are just a few examples of what is typically a long list of complex rev rec capabilities.

- **SIZE/VOLUME**: How many transactions are handled by a revenue recognition system? The requirements of a company that needs to handle a few hundred monthly transactions of any complexity are likely to be very different from a company that handles a billion transactions a day in near real-time.

- **AGILITY**: How agile is the revenue recognition system? Is it capable of incorporating new business and pricing models without reliance on IT resources? How does a rev rec system handle change? Is the deployment cycle measured in weeks or months? Does an ARM system integrate with billing, CPQ, and payments processors to automate revenue recognition, or does it necessitate manual processing?

- **BUSINESS MODEL - AREA OF STRENGTH**: End-customer focus, i.e., who is the product or service sold to: Consumer (B2C), Business (B2B), or both (B2X)? While many companies attempt to tackle both, we ultimately expect most suppliers to become more focused on either B2C or B2B. There is significant overlap in requirements between B2C and B2B billing – e.g., customer portals, multi-currency, third-party channel and marketplace support, price books, payments terms, catalog and bundling management, among others. At the same time, each area has special characteristics and distinct requirements, and each on its own represents very large market opportunities. B2C demands extreme, often real-time or quick-time scalability, ease of setup and change (agility), expertise with payment handling, and anti-fraud measures (AFM). B2B requires capabilities for abstracting complex product and service offerings, complex revenue recognition, and Volume Purchasing Agreement support, among other capabilities. A B2B-focused product can be adapted for B2C use but often at a steep price of less agility and longer implementation costs. Yet, the reverse is typically not true – adapting a B2C-focused offering to the needs of a B2B environment is often impossible.

The dividing lines between the three key market segments generally cut across volume and value of invoices, complexity of requirements, variability of pricing, invoicing, and payment models, agility, and the types of customers that an organization serves: B2B, B2C, B2b, B2X, etc., as well as the rate of change of the underlying business model.

None of these division lines is quantitatively perfect and, in practical terms, many small companies have very complex revenue recognition requirements that necessitate an Enterprise solution, while some larger firms may find that a MidMarket or even SmallBiz system may be a better fit for their divisional use than a large Enterprise solution that can support all revenue models.

The **SmallBiz Segment** represents the needs of smaller organizations or divisions of larger companies. Typically, SmallBiz requirements center on one or a small, fixed number of pricing models with small-to-medium volumes, require a rapid start-up period and no dependence on an IT organization for change. A good example of an SmallBiz requirement would be a basic fixed fee subscription model aimed at selling a digital product to consumers that pay their bills monthly via an automated credit card payment. Generally, strong SmallBiz solutions are not trivial and allow organizations to deal with a fair amount of variability in complexity and volume. Even a seemingly simple subscription business example can rapidly become complex if an organization needs to deal with rapid change in its underlying business model, with a diverse set of payment methods around the world, with volumes that grow rapidly or are highly seasonal and with significant revenue leakage or payment fraud.

The **MidMarket Segment** reflects the requirements of organizations looking to process between $100 million and $20 billion in revenues, with medium-to-high complexity and rapidly evolving multi-channel, international, and often hybrid (physical and digital) business models.

The **Enterprise Segment** extends the MidMarket requirements primarily in ability to handle very high volumes of concurrent ARM operations with volumes often exceeding billions of rating operations per hour, with explicit support for real-time revenue recognition. While telecom is the most often-cited example of Enterprise requirements, numerous industries (logistics, transportation, social media, and others) now have the same level of requirements.

Organizations should be realistic about the practical fact that, for a large enterprise, no single ARM solution can satisfy all requirements all the time in all geographies. A more effective approach is to construct a catalog of pre-approved revenue recognition solutions that can address needs of different divisions in different contexts. For example, an SmallBiz solution may be a solid fit for a division looking to rapidly introduce a $10 million per year, B2C, subscription-based offering, while an Enterprise solution may be a stronger fit in servicing a large volume of highly complex B2B customers.

The following table summarizes MGI Research coverage of the most notable billing software suppliers – both rated and not rated and organized by primary market segment.

Table 1 - ARM Suppliers' Ideal Use Cases by Primary Market Segment

SmallBiz	MidMarket	Enterprise
• Chargebee • Maxio (Chargify/SaaSOptics) • Sage Intacct	• Ayara • FinancialForce • Oracle NetSuite • RightRev • Softrax • Workday • Zone & Co.	• Aptitude Software • BillingPlatform • Gotransverse • Oracle • RecVue • SAP • Zuora

KEY FUNCTIONAL REQUIREMENTS FOR ARM

The core function of ARM software is to translate customer transactions into GAAP/IFRS recognizable revenue events that can be reported on financial statements. In this context, transactions may include – but are not limited to – invoices, cash collections, write-offs, full or partial payments, contract changes and cancellations, issuance of an invoice, execution of a contract, processing of an order, an event that may signify a completion of the full or partial obligation milestone as well as recognition of revenue under a merger, acquisition or another corporate restructuring event.

Revenue recognition, as a financial process, follows structured rules defined by global accounting bodies. When contract obligations are satisfied, revenue can be legally recognized. Rev rec is a critical part of accounting for every business, especially for those that report results to lenders, investors, shareholders and regulators.

ARM software tools have particular relevance in businesses, both public and private, whose business model includes sales of complex customer arrangements including subscriptions and hybrid transactions that include hardware, software, and services, as well as multi-year contracts with payments tied to achievement of milestones.

The requirements for ARM software tools need to include capabilities for abstracting customer revenue contracts (both explicit and implicit), have access to standardized pricing information, possess ability to reframe customer transactions into revenue events based on revenue contracts, pricing and acceptable revenue practices, as well as provide capabilities to manage revenue allocations within a spectrum of organizational complexity.

ARM tools are also required to be able to integrate with various input data sources and provide transparent revenue reporting and reconciliation as well as upstream integration capabilities with General Ledger systems. More modern ARM systems are also largely cloud-based and support a broad range of APIs to enable a modern finance organization to create new capabilities through integration with other systems – in sales (CPQ), billing, collections, contract management, and FP&A (Financial Planning and Analysis).

For high-volume revenue recognition, the concept of data mediation plays a significant role in the finance organization's ability to rapidly consolidate, normalize, and classify data from a variety of heterogenous and often incompatible data sources. Increasingly, organizations are seeking to evolve their usage of ARM tools from once per reporting cycle to a much more continuous pattern of use – something that increasingly reflects the continuity of changes prevalent in subscription-based customer relationships.

Lastly, ARM tools differentiate themselves through their ability to handle change effectively and through ergonomics of their interfaces – i.e., the ability to manage the tool without having to rely on an IT organization.

Some of the key requirements of ARM tools include (but are not limited to):

1. Ability to automate the basic 5-step revenue recognition process based on ASC 606 and IFRS 15:

    a. Identify Revenue Contract
    b. Identify Performance Obligations
    c. Determine the Transaction Price
    d. Allocate Transaction Price
    e. Recognize Revenue

    In this context, an ARM tool must have core capabilities to handle Standalone Selling Prices (SSP) and Fair Value calculation engine

2. Ability to abstract revenue contracts based on actual contracts, invoices, and other inputs – both explicit and implicit
3. Ability to maintain revenue classification rules
4. Ability to manage deferred revenue
5. Ability to handle unbilled receivables
6. Ability to recognize revenue based on a non-cancellable contract
7. Ability to calculate revenue impact based on contract changes/amendments
8. Ability to handle contract cancellations, including refunds and penalties
9. Ability to handle changes to contract pricing
10. Ability to handle changes to contract term (e.g., monthly to annual)
11. Ability to handle write-downs, bad debts, bankruptcies

12. Ability to handle a variety of pricing method combinations and bundles: recurring subscriptions, one-time charges, usage, outcome pricing models, cost-plus, etc.
13. Ability to handle revenue recognition for a broad spectrum of bundling options: products, services, purchase commitments, volume purchasing agreements
14. Ability to provide highly granular revenue recognition down to a portion of a line item on an invoice
15. Ability to handle a variety of customer transaction sources, e.g., invoices, contracts, orders, milestone events, etc.
16. Ability to handle tax-separate and tax-included (VAT) calculations
17. Ability to recognize revenue from milestone-based projects
18. Ability to deal with variable consideration
19. Ability to deal with multiple books both on a standalone and consolidated basis
20. Ability to handle unbilled receivables
21. Ability to handle contract modifications – i.e., to reschedule revenue and/or handle adjustments mid-contract
22. Ability to deal with contract changes and revenue restatements
23. Ability to handle revenue recognition for overages of usage-based billing
24. Ability to handle revenue recognition based on post-paid and pre-paid billing attributes
25. Ability to handle revenue recognition based on equity-based ownership
26. Ability to handle revenue management in a channel-based sales organization
27. Ability to handle revenue recognition in a buy-now-pay-later (BNPL) context
28. Ability to handle revenue recognition in a seller-financed context
29. Ability to manage multiple books and multiple standards
30. Ability to handle revenue recognition for global businesses
31. Ability to handle revenue recognition for companies with divisional organization, including majority- and minority-owned divisions and joint ventures
32. Ability to provide robust and transparent revenue reporting
33. Ability to support inputs into revenue forecasting and FP&A
34. Ability to integrate tracking of fulfillment for contract performance obligations
35. Ability to provide detailed preview of revenue changes
36. Ability to feed revenue changes into general ledger system
37. Ability to include attachments for any manual entries
38. Ability to handle Approval Workflows
39. Full Auditability for all entries, changes, overrides
40. Ability to support versioning

ARM SOLUTION SELECTION STRATEGIES AND SELECT BEST PRACTICES

We generally recommend that organizations start their monetization assessment by cataloging their revenue recognition requirements in terms of transaction volumes, complexity, agility, time-to-market requirements, and business model target requirements (B2C/B2B et. al.). Our research emphasizes that rather than focusing on a solution with the most number of features, organizations should focus on systems that match their requirements' sweet spot. Every product has a sustainable use case (see the MGI 360 Ratings) and capabilities that extend beyond the actual sweet spot.

SOLUTION SOURCING RECOMMENDATIONS: KEY TAKEAWAYS FOR POTENTIAL BUYERS

Skip the lengthy RFP – move to use case evaluations and scripted scenarios

The typical RFP (request for proposal) process takes 6-8 weeks, and often 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 one to months off of the process by identifying a list of three to five suppliers to engage in dialog. Central to this conversation should be well-defined use-cases and scripted scenarios that walk through each use case. Armed with these 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, 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.

Learn from the early-stage innovators in this market

The past 24 months has witnessed a significant amount of innovation in this market. Start-ups 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.). Buyer should engage with these innovators, even if the start-ups 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.

MGI 360 RATINGS SUMMARY

ARM SUPPLIERS GO-TO-MARKET STRENGTHS VS. SOLUTION STRENGTHS

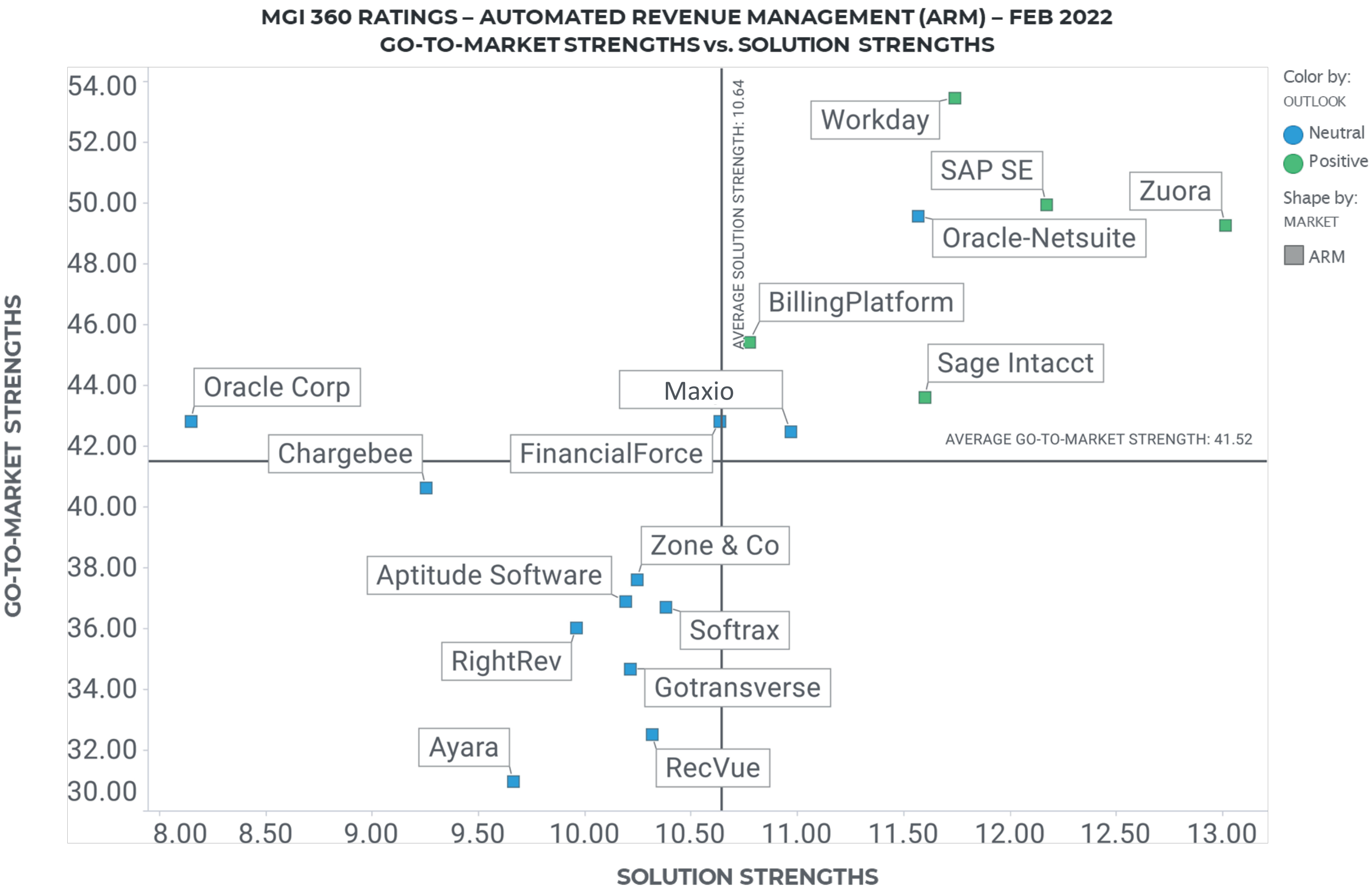


Figure 7 ARM Go-to-Market Strengths vs. Solution Strengths

To summarize our overall take on this market, we created a two-dimensional chart that plots Solution Strengths (or the Product pillar rating) vs. Go-to-Market Strengths (a composite ranking of the Management, Channel, Strategy and Finance pillars). There are four companies with the highest rating scores that have pulled away from the rest – Workday, Zuora, SAP and Oracle NetSuite. They are followed by Sage Intacct, BillingPlatform, FinancialForce and Maxio (SaaSOptics/Chargify).

ARM SUPPLIERS UNDER COVERAGE

Supplier Name	MGI 360 Rated in ARM?	Standalone	Finance System Extension	Billing System Extension	SmallBiz	MidMarket	Enterprise
Aptitude Software	Yes	✓			✓	✓	✓
Ayara	Yes	✓			✓	✓	✓
BillingPlatform	Yes	✓		✓		✓	✓
Binary Stream	No	✓		✓	✓	✓	
BluLogix	No			✓		✓	✓
Chargebee	Yes	✓			✓		
FinancialForce	Yes	✓	✓		✓	✓	✓
Gotransverse	Yes			✓		✓	✓
JustOn	No			✓	✓	✓	
LeapRev	No	✓			✓	✓	
LogiSense	No			✓		✓	✓
Maxio	Yes	✓		✓	✓	✓	
Microsoft Dynamics	No		✓		✓		
Oracle NetSuite	Yes		✓	✓	✓	✓	
Oracle Corp	Yes		✓			✓	✓
RecVue	Yes	✓		✓		✓	✓
Rev.io	No			✓	✓	✓	
RevRec.io	No	✓			✓		
RightRev	Yes	✓			✓	✓	✓
Sage Intacct	Yes		✓		✓		
SAP SE	Yes		✓			✓	✓
Softrax	Yes	✓			✓	✓	✓
Stripe	No			✓	✓		
Workday	Yes		✓			✓	✓
Zone & Co.	Yes		✓	✓	✓		
Zoho	No		✓		✓	✓	
Zuora	Yes	✓		✓	✓	✓	✓

CURRENT MGI 360 RATINGS

We currently track over 27 suppliers in the ARM space and publish MGI 360 ratings on the top 17 products (see Figure 8 below). The solid vertical line on the right-hand side of the chart represents the current mean MGI 360 Rating, with the dotted lines on either side representing +/- 1 standard deviation. Scale is 0 to 100.

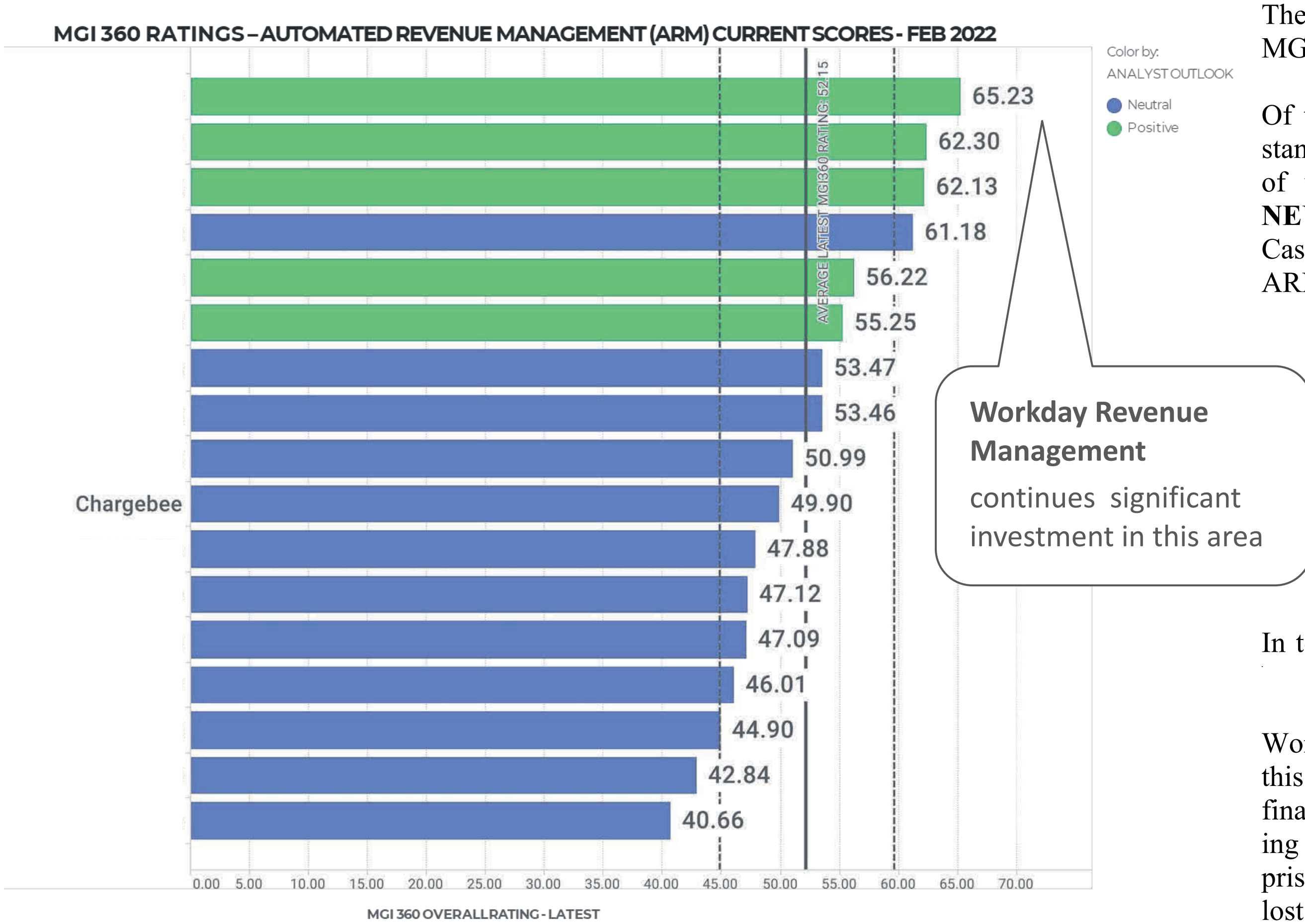


Figure 8 - Current MGI 360 Ratings for ARM Suppliers

The latest batch of ARM ratings covers 17 suppliers. Overall MGI 360 Ratings scores range from 41 to 65.

Of these, five have a **POSITIVE** outlook – meaning these stand out in terms of capability, company background, breadth of use cases and quality of references – and 12 have **NEUTRAL** references – or can perform well in their core Use Cases. Five major trends have shaped recent changes to the ARM market:

- ARM space has grown significantly
- There are numerous new entrants
- Increasing capital investment inflows
- More experienced management teams
- Expansion of channels and partnerships

In terms of overall scores, four companies lead this space – **Workday**, **Zuora**, **SAP** and **Oracle NetSuite**.

Workday has been a consistently strong overall performer in this space with a good balance between product, management, financial strengths, channels, and strategy. They are continuing to invest heavily in this area. SAP has been the quiet surprise in this rating process, while Oracle NetSuite has actually lost some of its competitive position – not because of any active changes to the product, but because very little happened to the product while the competition was busy innovating.

FOCUS ON PRODUCT

The Product component score focuses on product functional and operational capabilities, maturity, competitiveness in its primary market, and the breadth and depth of its ecosystem. The solid vertical line on the right-hand side of the chart represents the current mean MGI 360 Rating, with the dotted lines on either side representing +/- 1 standard deviation. Scale is 0 to 20.

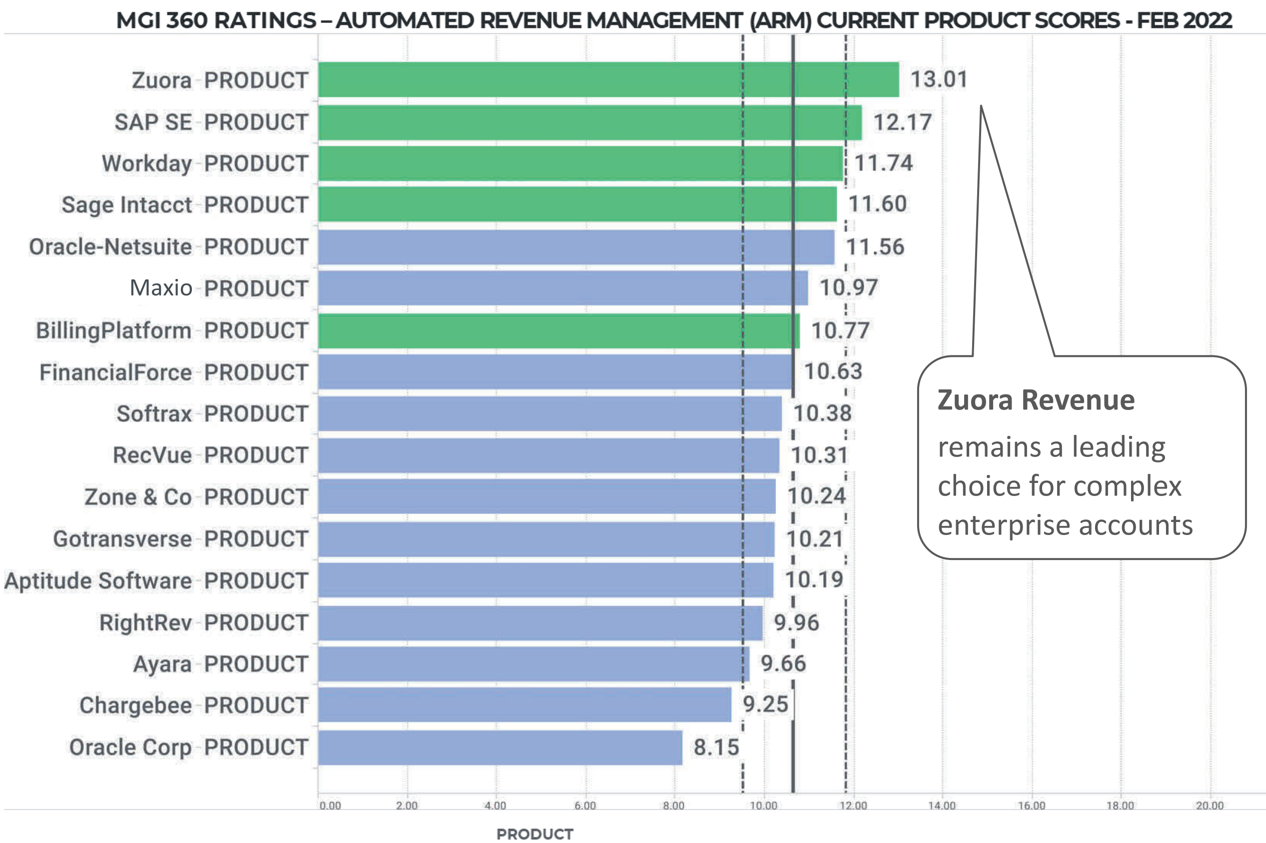


Figure 9 - MGI 360 Product Scores

The following three key trends are affecting scores in the Product category:

• Meaningful innovation beyond baseline SSP capabilities
• Companies not keeping up with R&D investment lost competitive position
• Emergence of distinct market segments: Enterprise vs. SmallBiz/MidMarket and Platform-Centric vs. Standalone

Zuora retains the top Product score in ARM. Zuora Revenue is a very serious contender for enterprises with robust channels, complex contracts, multiple currencies, etc. However, this does not mean that it is the only possible solution to every use case. **SAP**, **Workday**, and **Sage Intacct** have their own distinct use cases, as do other solutions on this list and beyond. Organizations evaluating ARM solutions should ask potential suppliers about their top use cases, have in-depth conversations, and check references prior to a field trial. It may save a considerable amount of time for both buyer and supplier.

FOCUS ON MANAGEMENT

The Management dimension looks at team completeness, experience, and track record – among numerous other factors. The solid vertical line on the right-hand side of the chart represents the current mean MGI 360 Rating, with the dotted lines on either side representing +/- 1 standard deviation. Scale is 0 to 20.

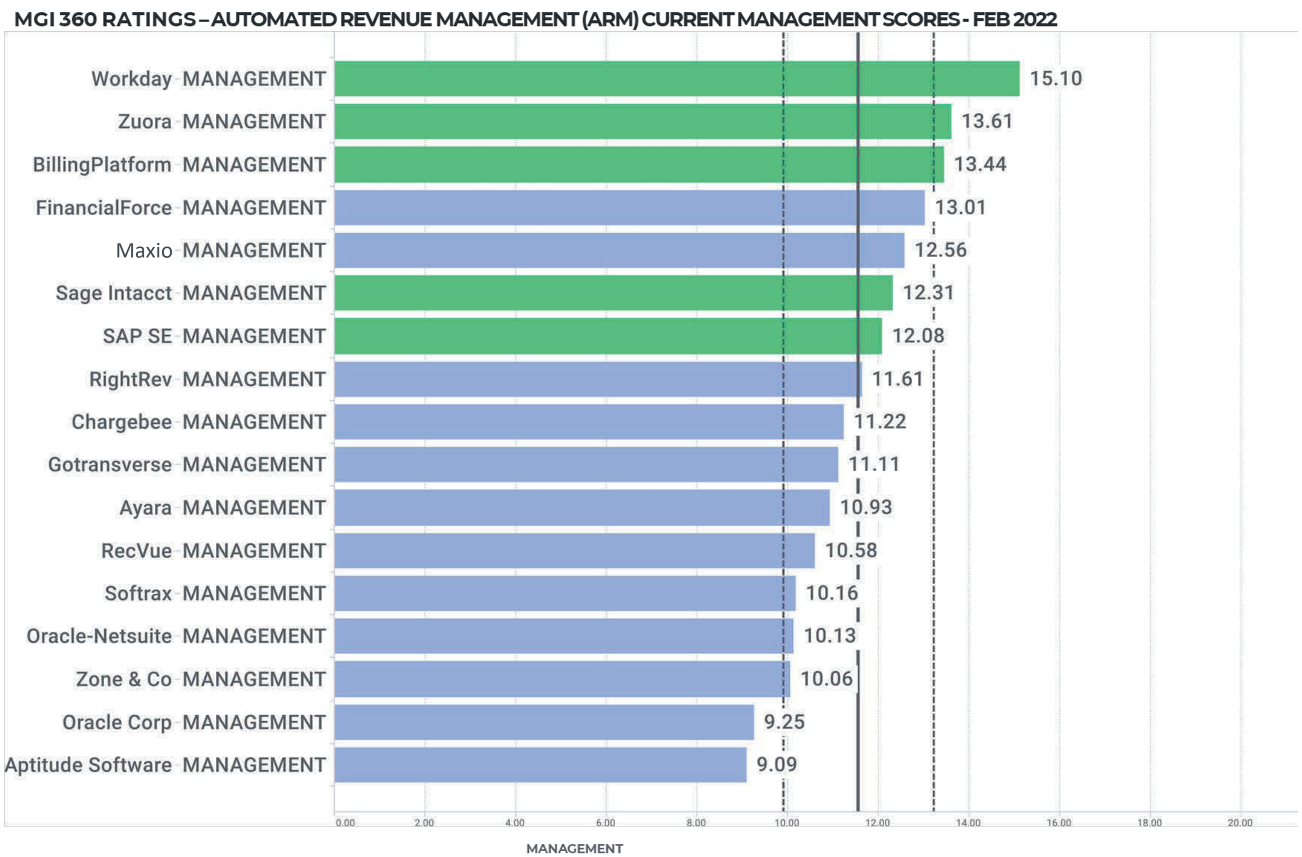


Figure 10 – MGI 360 Management Scores

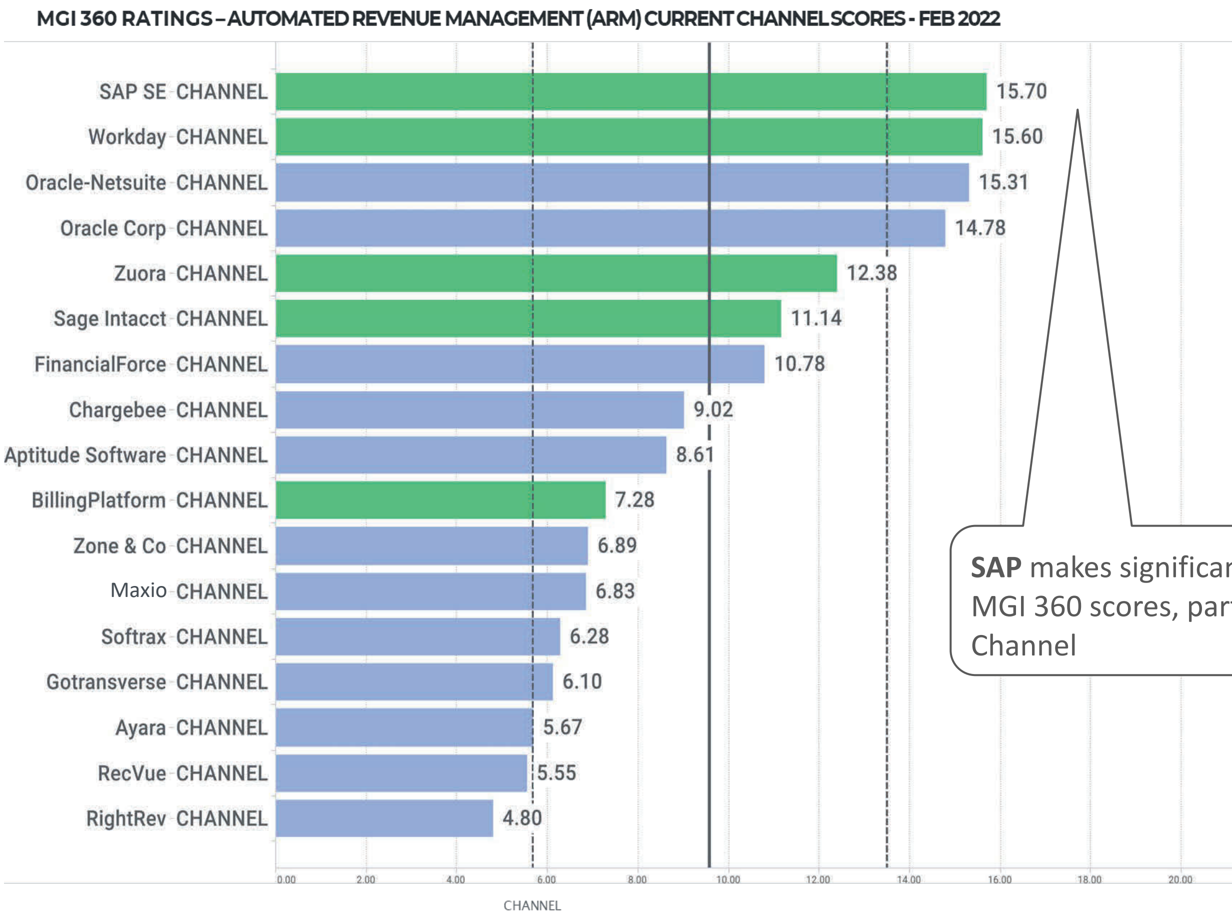
MANAGEMENT SCORES

• Relevant management experience and execution remain key to supplier success.

Four companies lead in Management scores – **Workday**, **Zuora**, **BillingPlatform**, and **FinancialForce**. Much of what sets them apart comes down to execution and focus. Sourcing talent has been a challenge in tech generally – and in monetization software specifically. Buyers should get to know their supplier teams – after all, the average software contract lasts longer than the average marriage.

FOCUS ON CHANNEL

The Channel dimension looks at channel breadth, depth, and productivity, among other factors. The solid vertical line on the right-hand side of the chart represents the current mean MGI 360 Rating, with the dotted lines on either side representing +/- 1 standard deviation. Scale is 0 to 20.



CHANNEL SCORES

The Channels stack ranking did not surprise significantly – companies with large sales organizations, broad geographic and vertical industry coverage, and breadth and depth of partnerships (namely **SAP**, **Workday**, **Oracle NetSuite**, and **Oracle**) dominate the top scores in this area.

A number of companies are building out third-party sales relationships, especially with accounting firms and GSIs.

Figure 11 – MGI 360 Channel Scores

FOCUS ON STRATEGY

The Strategy dimension aims to assess the viability of the go-to-market plan. The solid vertical line on the right-hand side of the chart represents the current mean MGI 360 Rating, with the dotted lines on either side representing +/- 1 standard deviation. Scale is 0 to 20.

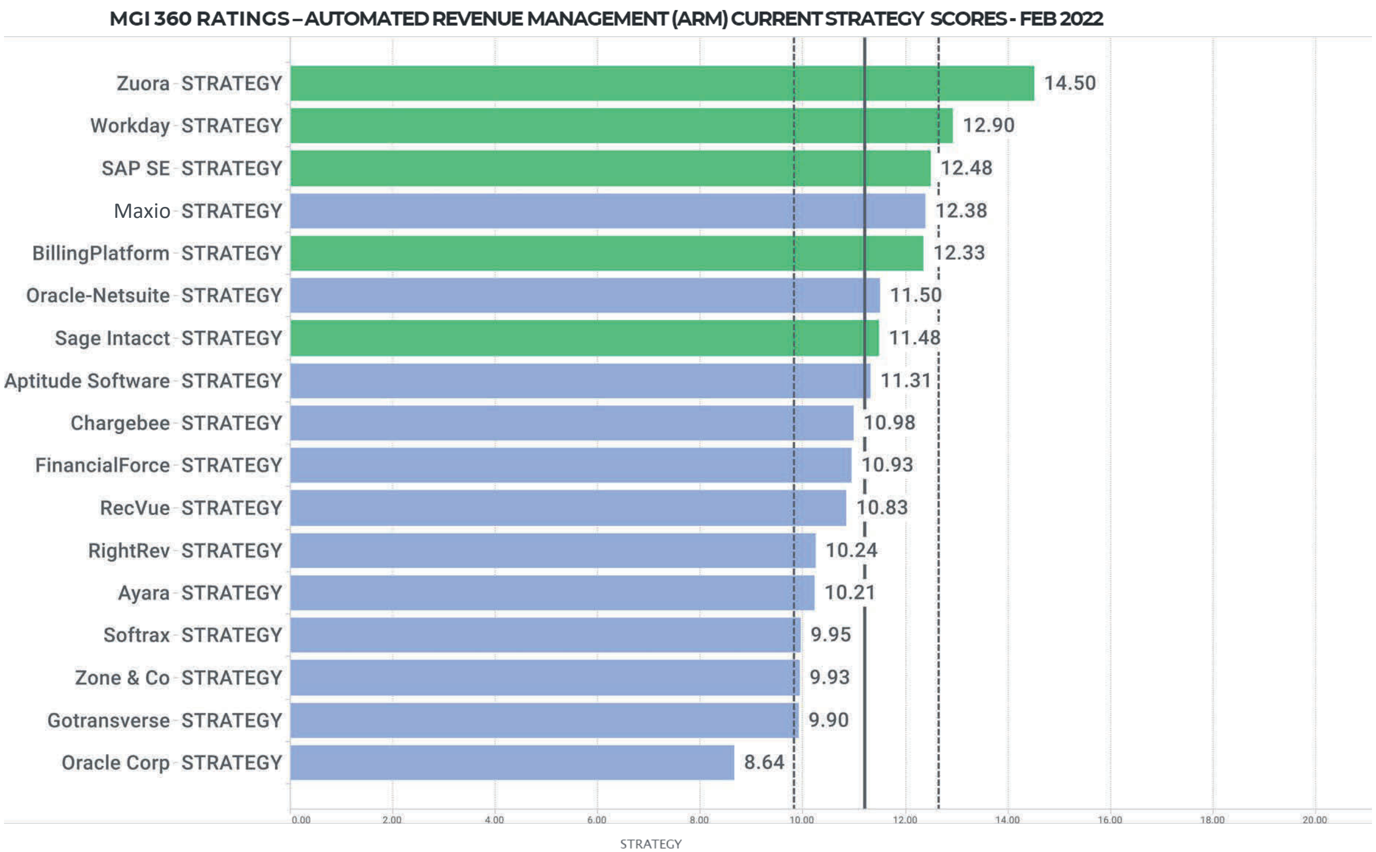


Figure 12 – MGI 360 Strategy Scores

STRATEGY FOCUS

Zuora, **Workday**, and **SAP** lead in the Strategy pillar.

Zuora has expanded its vision in the ARM space – in functionality as well as in market reach. Meanwhile, **Workday** has been very consistent in this space.

SAP came in from behind and renewed its focus on very complex use cases. It has both eliminated distractions and sharpened its marketing strategy.

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FOCUS ON FINANCE

The Finance dimension aims to assess the economic condition and financial performance of each supplier. Factors such as revenue growth, revenue quality, retention, and profitability play important but not exclusive roles in scoring the Finance dimension. The solid vertical line on the right-hand side of the chart represents the current mean MGI 360 Rating, with the dotted lines on either side representing +/- 1 standard deviation. Scale is 0 to 20.

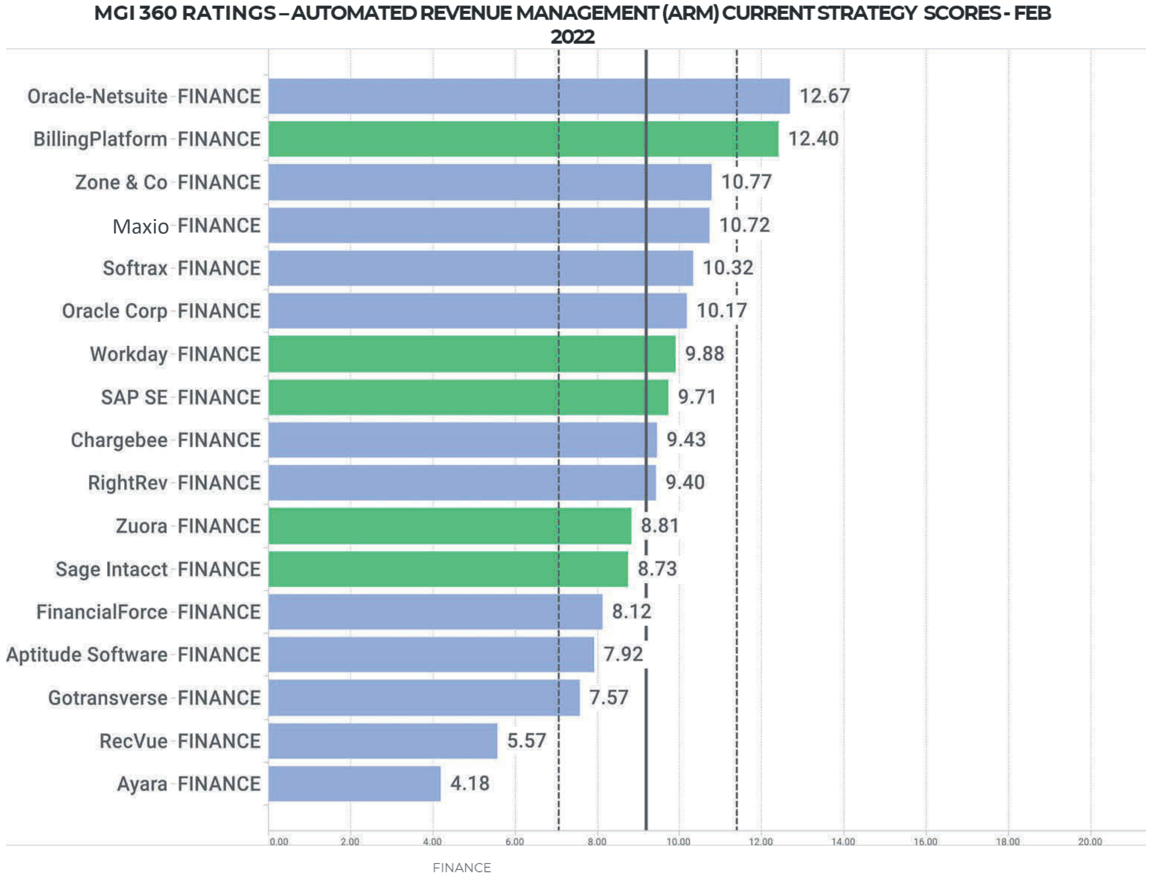


Figure 13 – MGI 360 Finance Scores

FINANCE FOCUS

Not unlike the Channel dimension, Finance is dominated by larger companies who can consistently improve their profitability YoY.

Oracle NetSuite and **BillingPlatform** are the clear front-runners in this space, with NetSuite partner **Zone & Co.** and **Maxio**, the offspring of SaaSOptics and Chargify's recent merger, not far behind.

ARM SUPPLIER SPOTLIGHT

Aside from specific, ideal use cases that are cited in the MGI 360 Ratings (see pages 35-68), a broader categorization of ARM suppliers (see below) highlights five areas where suppliers have particular strength or a unique capability – either through active investment or through company and product DNA. We chose to spot-light five key areas of strength – Innovation, SME, Enterprise, Finance, and Billing.

Innovation	SME Focus	Enterprise Focus	Finance Focus	Billing Focus
• Ayara	• FinancialForce	• Aptitude	• FinancialForce	• BillingPlatform
• BillingPlatform	• SaaSOptics	• SAP	• Sage Intacct	• Gotransverse
• Chargebee	• Sage Intacct	• Workday	• Workday	• RecVue
• RightRev	• Zone & Co	• Zuora		
• Zuora				

For example, Workday, Sage Intacct, and FinancialForce all stand out for their strength in deep and seamless integration within the Finance ecosystem. Zuora, RightRev, Chargebee, BillingPlatform, and Ayara stand out for their focus on innovation and vision in pushing the envelope of key ARM concepts.

RATINGS OF INDIVIDUAL SUPPLIERS: BILLINGPLATFORM PART I

Company: BillingPlatform	Score: 56
Outlook: POSITIVE	

Summary: We initiate coverage of BillingPlatform in the Automated Revenue Management (ARM) market with an MGI 360 Rating of 56 and a POSITIVE Analyst Outlook. BillingPlatform is making significant progress in its efforts to become a multi-product company by leveraging its modern, metadata-driven model. BillingPlatform handles a wide range of contract relationships (subscription, physical and digital goods, services, events, etc.) with a sophisticated UX, shrewdly separating the Rev Rec rules from the rest of the product catalog. Customers praise the product capabilities, while there is work to be done on the "fit and finish" component of its delivery. The company and product stand out in their ability to understand, model, and deliver simple to sophisticated functionality that is relatively fast and easy to both implement and manage.

Ideal Use Case: Fast-growing, mid-to-large B2B and B2C enterprises ($100M – $1B+) seeking a highly configurable ARM solution that can handle modest to highly complex contractual relationships and accounting scenarios as part of a broader monetization platform.

Company Description: BillingPlatform is an extensible and configurable metadata-based platform for Agile Monetization. Company technology enables customers to model their business and quickly adopt any change. The product lineup addresses many of the pillar disciplines of Agile Monetization Platforms such as billing, revenue management, collections, CPQ, catalog and pricing management, among others. With roots in telecom billing, it has expanded into a broad set of industries such as high tech, media, transportation, and energy. The company has received several rounds of financing and has a very strong track record of organizational growth and execution.

Additional Notes:

- Architecturally modern and elegant solution with multiple components for billing, rev rec, collections, quoting, et al.
- Growing ARM technology and product management team are propelling the company beyond billing
- Building stream of rev rec-only customers
- Company is well-funded with a strong management team and steadily improving execution in marketing, partnerships, and product, as well as a broadening base of customers across industry verticals

Product Name:	Revenue Recognition	
Sample Customers:	DirecTV, N-Able, Valmont	
Revenue:	$17+ million	*MGI est.*
Profitable	No	*MGI est.*
Growth Rate	80%	*MGI est.*
Market Cap:	Private	
Founded:	2012	
HQ:	Centennial, Colorado	
Primary Competitors:	Aptitude, Gotransverse, Oracle NetSuite, RecVue, Zuora	

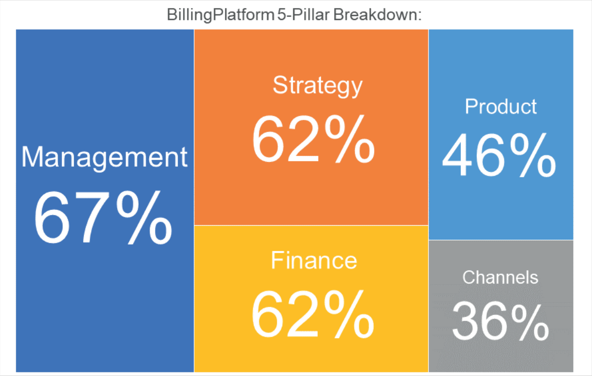
	BillingPlatform	Peer Average
Product	54%	54%
Management	67%	58%
Channels	36%	48%
Strategy	62%	55%
Finance	62%	47%
Total Rating	56%	52%

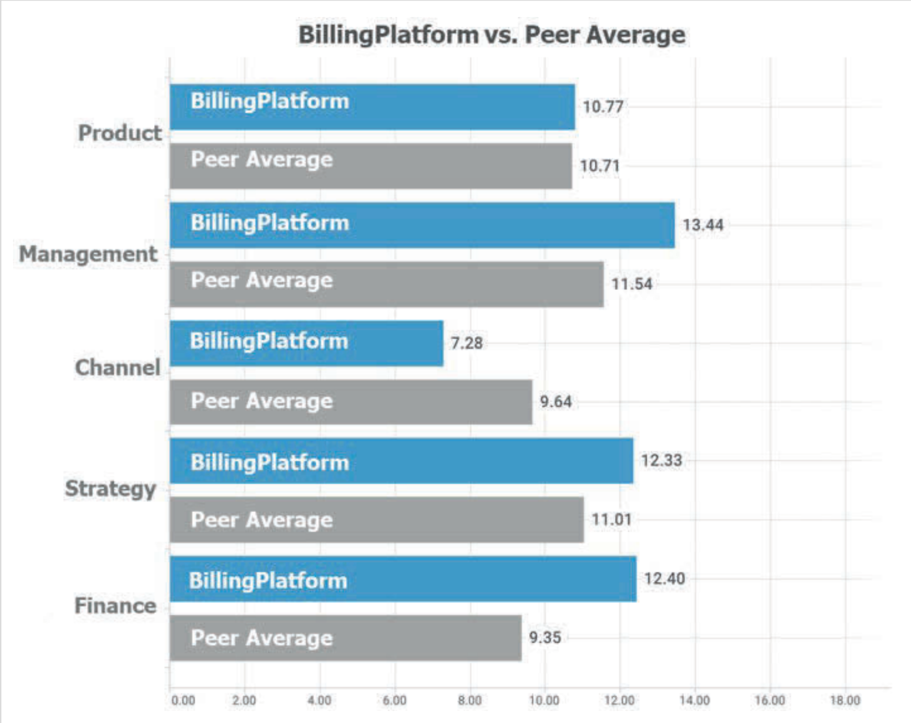
RATINGS OF INDIVIDUAL SUPPLIERS: BILLINGPLATFORM PART II

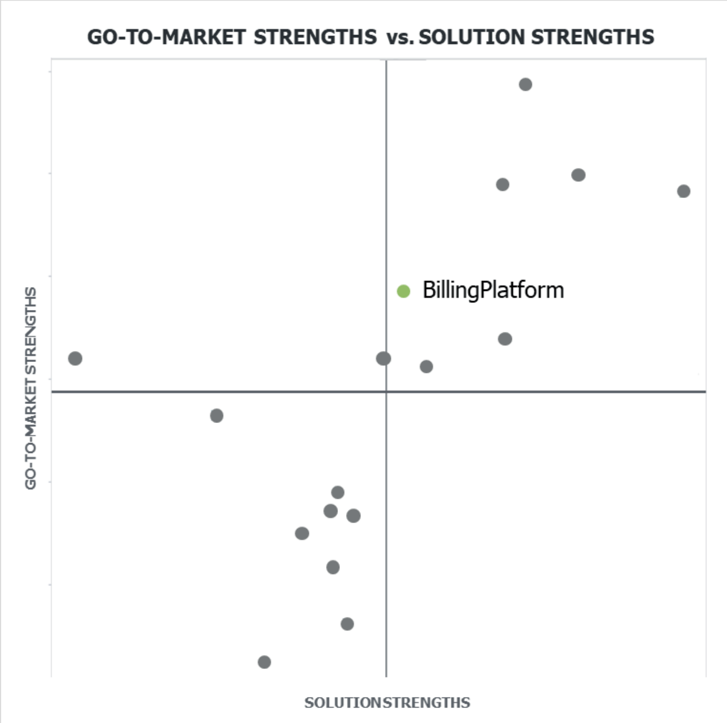
BillingPlatform scores above Peer Average in Product, Management, Strategy, and Finance. It scores below Peer Average in Channels.

The Peer Average is a historical composite mean of all companies rated in ARM by MGI Research, including the 17 companies rated in this report.

BillingPlatform's strongest pillar is **Management** (13.44), while its weakest pillar is **Channels** (7.28).







APPENDIX – 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 imposes 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 Finances 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 Ratings 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 inputs 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.

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.