The following report is a featured chapter in **Monetization A-Z**, an executive guide created to help business and finance leaders navigate the increasingly complex agile monetization landscape.

Zuora's Tien Tzuo on Modern Monetization

A conversation with Tien Tzuo, CEO and Founder of Zuora

INTRODUCTION

Monetization is an idea at the heart of what it means to be a business. It is the focus of many conversations around modern business models, especially in industries where the shift from selling standalone products to offering connected services has become the norm – often with recurring, usage-based, or hybrid revenue models. The modern business landscape requires companies to adapt their value-capture strategies to generate revenue effectively and monetize their offerings strategically, in line with changing customer and market demand. It also requires companies to pivot that strategy quickly and rapidly implement new models.

Tien Tzuo is the founder, chairman, and CEO of Zuora, Inc. He founded the company in 2007 after serving as Chief Marketing Officer and later Chief Strategy Officer at Salesforce.

Tzuo coined the term "Subscription Economy." He also wrote the book on it – in 2018, he published *Subscribed: Why the Subscription Model Will Be Your Company's Future – And What to Do About It.*

BUILDING LONG-TERM RELATIONSHIPS

Until recently, the majority of monetization was characterized by a one-time transaction – a simple asset transfer. Today, post-shift to the Subscription Economy, monetization is about capturing value from a recurring, long-term relationship.

In the context of modern business models, monetization has become one of the most crucial components of fostering long-term relationships with customers. Companies must focus on creating ongoing value and ensuring customer satisfaction to maintain (and ideally grow) these relationships. This will always involve offering additional services, providing exceptional customer support, and continuous improvement of products and services, but increasingly this means **giving customers more ways to consume and pay for the value they deliver.**

MOVING BEYOND SUBSCRIPTION MODELS

As game-changing as digital subscription services have been for many industries, a modern approach to monetization requires companies to move beyond a simple or static subscription model in order to meet changing market demands and the increasingly diverse preferences of the modern customer. It's equally important that companies remember that monetization encompasses the entire process of taking created value to market and generating revenue from that value – meaning all the models, strategies, customer touchpoints, and supporting operations. The emerging challenge (and opportunity) for modern businesses is to figure out how to use monetization to translate their innovation and value into stronger customer relationships and recurring, sustainable revenue growth.

ADOPTING A DYNAMIC, MIXED-MODEL APPROACH

Modern monetization is about finding the best way to address demand and customer needs while maximizing revenue potential from a given market. Doing this requires a business model with a comprehensive monetization strategy that includes a mix of monetization models (a range of revenue models, packaging options, and prices) as well as the ability to adjust these models as demand and customer needs evolve. Tzuo refers to this type of dynamic, mixed-model approach as **total monetization**. Ultimately, companies must be able to recognize and respond to changing demand, offering flexibility in how services are consumed – which impacts every aspect of monetization from offering design through revenue recognition.

Tien Tzuo: "The traditional way to approach monetization is through a product-centric and supply-driven mindset. One party has supply, puts a price on the supply, and puts that supply into the channel. The amount charged for that specific supply will change over time, but the broader monetization model and overarching approach does not. But with a customer-centric mindset and a demand-driven approach to monetization, the questions become: What do customers actually want? How would they prefer to purchase and consume this value? It turns out that every customer wants something a little different. A one-size-fits-all approach won't cut it.

Modern businesses need to come up with a much, much greater number of pricing and packaging options within the offerings they bring to market, and thus support multiple monetization models simultaneously. On top of that, they must recognize that demand and customers' needs constantly change. They want to flex back and forth. This is why usage-based models are really coming to the fore as a part of the monetization mix. Because it's a great way to give customers flexibility – and let

4. Where does Generative AI fit into total monetization?

Everyone will have to leverage Generative AI. I have a lot of conversations with technology CEOs where they're saying, "I'm looking at the cost structure of Generative AI – if I don't do anything, my gross margins will go from 80% to 60%. How do I really understand the value delivered by Gen AI and make sure I'm capturing that value?", which leads directly into consumption-based models.

Consumption-based models are going to be very important for companies that want to capitalize on Generative AI and translate the value delivered. That's monetization: translating value into revenue. –TT

them change how much they consume over time. Total monetization describes a strategy to meet demand and monetize to the maximum capability (in a way that is good for you, and your customers).

When we started Zuora way in the beginning, we had a decision to make. Should we cater to B2C companies and cater to B2B companies? We looked at our customers and realized it's just not that simple. There are plenty of SaaS companies that do a product-led growth motion that starts with individuals, e.g., LinkedIn, Evernote, and Zoom.

The *New York Times* has a healthy B2B business where they sell licenses to entire schools or entire companies. They sometimes geo-fence it into that specific location. An innovation that's out there as a free service is a great thing: it grows the market for that product or service by about ten times. Most companies will eventually be both a B2C company and a B2B company over the course of their growth models. For Zuora, it was important to blend these models all together and give the customers the most flexibility."

Tien Tzuo believes modern monetization requires an increased focus on revenue models, go-to-market packaging, and flexibility at scale. These three pillars are essential for companies implementing the dynamic, mixed-model approach needed to adapt to market changes, increase customer satisfaction, and ensure recurring growth.

REVENUE MODELS AND PRICING STRATEGIES

Pricing is a critical component of any monetization strategy. In today's context, successful monetization involves a deep understanding of the customer and the value provided. Traditional revenue models, typically described as one-time transactions,

are being replaced by more customer-centric structures (like subscription models) that better support ongoing value delivery. But many modern business models actually contain multiple revenue models, meaning a combination of recurring, one-time, and usage-based.

Tien Tzuo: "In the past 12-24 months, there have been a lot more conversations about usage-based revenue models – something that certainly could be driven by AI in the technology sector. In the manufacturing sector, it can be driven by IoT. The media sector is a laggard in this regard: a *New York Times* subscriber, for example, can't put a credit card down for $20 and then consume that $20 through a number of articles over time (often referred to as pre-paid drawdown)."

REFLECTING CUSTOMER VALUE

Monetization describes a holistic plan to bring value to market, usually as a service or as a product-service mix, and then convert that value into revenue (and hopefully growth). Executives should be asking themselves three questions to assess their understanding of that value and how to monetize it in a customer-centric way:

1. Do I truly understand the unique value I'm creating for my customers?
2. What is the customer's preferred way of measuring that value?
3. Are my pricing (and packaging) models reflective of the value I'm creating?

Tien Tzuo: "It's important to look at monetization in a holistic, and end-to-end way – not just writing a model and price on a whiteboard and calling it a day. Engineers need to figure out how to measure value. This leads into metering, then into mediation, and finally how to capture all that data (and the corresponding cash)."

FIVE FAST QUESTIONS WITH TIEN TZUO

5. Who's going to pay for AI? Technology companies want to price up for it. The poor customers, - their budgets are remaining the same. Where's the money going to come from?

I think it's like anything else. Ultimately, if there is value being created, you can always monetize value. If you're looking at generative AI features that are not actually helping people be more efficient or be more productive, then there's no value. The examples that I'm hearing, certainly that we're experiencing, is with the right Generative AI features, employees can be 3x, 4x, 5x more productive. That's a lot of value to go around. –TT

The revenue team needs to be able to sit down with KPMG, PWC, or EY and the auditors and recognize the revenue (i.e., the value that their customers have consumed)."

CONTINUOUS VALUE ASSESSMENT

Monetization should also be seen as an ongoing process rather than a static one. Companies need to continuously assess and adjust their monetization models and pricing strategies to ensure they are aligned with the customer data and feedback they are collecting. This requires a deep understanding of desired outcomes and preferences, as well as the ability to adapt quickly to market changes.

Tien Tzuo: "Very few companies understand how much of their product is being used, or if they do, it's done with a purely feature-set mindset. Engineers usually measure which features are being used and how many clicks it takes to accomplish a task. To measure the actual value, companies should ask if they are helping their customers close their books faster, if they are helping them launch products faster, if they are helping them grow faster, and if they are reducing the number of billing errors. Those are the outcomes that really matter to the customer."

GO-TO-MARKET PACKAGING

Packaging refers to the way products and services (i.e., value) are taken to market and presented to customers. Effective packaging strategies involve creating different offerings to cater to diverse customer needs and preferences. This allows companies to tailor value in a way that meets specific requirements and enhances customer satisfaction and loyalty.

THE POWER OF PRICE METRICS

In addition to the underlying revenue model (e.g., recurring, usage-based, one-time, ad-supported, etc.), companies also need to think about the different price metrics they can apply on top of their revenue models to create different offerings, such as: price per seat/user, price per unit (e.g., per gigabyte or per CPU cycle), or price per

activity. Applying the right or varied price metrics ensures the way value is captured is best linked to the value perceived by the customer, making it more likely to meet their expectations and needs.

CREATING DIVERSE OFFERINGS

A key aspect of packaging is recognizing that not all customers want or are enticed by the same things. Different customers have varying levels of demand and willingness to pay. There are many different levers companies can pull to personalize their offerings for specific customers. This is where strategies like bundling/unbundling, tiers, freemium vs. premium, ramp contracts, discounts, promotions, and free trials can all come into play.

FLEXIBILITY AT SCALE

If the past half a decade has proven anything, it's that flexibility is crucial. Companies must be able to adapt their monetization strategies quickly in response to market shifts, technological advancements, and changing customer preferences. This includes being able to modify pricing models, offer new packages, and integrate new technologies seamlessly.

ADAPTING TO MARKET CHANGES

In a dynamic market, companies must be agile and responsive. Flexibility allows businesses to adjust their strategies to capitalize on new opportunities and address emerging challenges. This might involve launching new product packages, adjusting pricing models, or adopting new sales motions to meet evolving customer needs. A total monetization approach is a continuous process that should enable companies to evolve how they monetize with demand.

Tien Tzuo: "In the last few years, companies have had to withstand a pandemic, a recession, a boom, and the introduction of Gen AI. Change is happening fast. Even if a technology infrastructure is fantastic on day one, if it gets stale fast and is too hard to change, it just doesn't work."

IMPORTANCE OF TECHNOLOGY INFRASTRUCTURE

Having the right technology infrastructure is essential for supporting flexibility when it comes to monetization. Traditional CRM, ERP, and CPQ systems from the last 30-50 years were not built for dynamism and recurring relationships. Modern businesses require technology infrastructures that support flexibility and agility, allowing for quick changes and continuous improvement. Automation plays a key role in this, enabling companies to scale their operations and respond to new challenges efficiently.

Tien Tzuo: "Legacy systems know how to add a new product once or twice a year, or how to offer an occasional 20% discount instead of the scheduled 10% off. Now, reps might say they want the pricing model to be completely different, or they want to roll up usage across multiple sites, or they want a rollover model, or the customer wants to be able to buy third-party, etc. Having the right technology infrastructure is very important."

THE END-TO-END INTEGRATION EDGE

In the past, engineering, sales, and accounting rarely had need to interact around the topic of monetization. Today, they must all be coordinated. An innovative, new offering may be possible to achieve on the engineering side, but there's no point attempting it if the finance department doesn't know how to recognize the revenue. This process is very complex, and when it is not executed well, it can be responsible for introducing friction into the larger monetization strategy. If revenue isn't recognized efficiently or correctly, the business is exposed to additional risk.

Tien Tzuo: "A monetization ecosystem should be able to process revenue, handle consumption-based models with built-in metering, handle quoting, provisioning, and other customer-facing processes, and make it all work in a unified way. Some organizations tackle usage-based billing from an engineering point of view, not realizing that the biggest hurdle is the revenue team. Revenue can't be recognized until the service obligation has been met.

When is the service obligation met? Is it based on the time of year, how the service is packaged, or the price? It sounds easy to say customers can 'just use it as they go,' but there's more to it than that. 99% of Amazon revenue is not based on a credit card. It's based on large AWS customer contracts that are negotiated over multiple years."

PEOPLE AND PROCESS AGILITY

In addition to technology, there is a significant change in both the people and the process side of businesses. Especially in the go-to-market organization, the selling organization, and the servicing organization, agility is crucial. In industries like automotive, service centers are becoming more important than sales floors because they are where the ongoing relationship – and therefore the revenue – lies. In software and technology, unifying sales and customer success into a single team is becoming common practice. At scale, the majority of revenues come from existing customers. Companies need to make sure they are servicing them well, but that can be a challenge when the customer's needs are constantly changing.

Tien Tzuo: "There's a people side and then there's a process side. The number one thing for process is automation. Without automation, companies just have people absorbing these changes, and it's difficult to know what's going on. Mistakes happen, leading to friction and inability to scale. The most important thing is automating monetization into a future-proof technology infrastructure. Whatever the future throws at you can change fast."

CONCLUSION

A modern approach to monetization should be grounded in a dynamic, mixed-model approach to better meet the "total" demand in a given market. A focus on revenue models, go-to-market packaging, and flexibility at scale are essential for companies to thrive today. Companies like Zuora exemplify this approach through offering a range of options, rather than a single product; aligning their services with future-state needs; and offering integrated pricing and payment, revenue recognition, and consumption billing tools that can support dynamic business and monetization models.

By focusing on customer-centric models, continuous engagement, and the agility needed to adapt quickly to changes in the market, modern businesses can ensure they remain competitive and capable of meeting the evolving demands of their customers. This holistic approach to monetization not only enhances revenue potential but also builds stronger, more resilient relationships with customers.

Tien Tzuo: "Zuora feels like we are the only company 100% aligned to that future-state today. That's why we went into revenue recognition, advanced usage billing, payments, and acquired **Zephr** for dynamic offers: together, our complete monetization suite helps companies put the right offer in front of the right customer at the right time. Then it bills for it, and automatically recognizes the revenue."

Modern monetization requires a strategic, comprehensive, and ongoing process that centers on a deep understanding of customer value, captures that value through diverse monetization models, and maintains the organizational flexibility to adapt to change. Treating monetization as a holistic, end-to-end process allows companies to develop effective strategies that drive growth and ensure long-term success.

This report is featured in Monetization A-Z, the who's who of thought leaders and high-performing brands throughout the quote-to-cash landscape. This definitive executive guide serves the needs of decision makers across a spectrum of industries, business models, and company sizes. CEOs, finance, business, sales, legal, and IT executives rely on its content to learn from trusted sources, get inspired by new ideas, and engage in a conversation with well-known brands as well as rising stars.