



NEWS RELEASE

Subscription Businesses Outpace S&P 500 Revenues Nearly 6X Amid Pandemic, Marking Pivotal Turning Point Across Industries

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The Subscription Economy® has grown more than 400% over the last 8.5 years, according to Zuora's latest Subscription Economy Index™

REDWOOD CITY, Calif.--(BUSINESS WIRE)-- **Zuora, Inc.**, (NYSE:ZUO) the leading subscription management platform provider, today released the latest edition of its annual **Subscription Economy Index™ (SEI)** designed to measure the collective health and growth of subscription businesses across industries including Software as a Service (SaaS), Manufacturing, Media, Publishing, Telecommunications, and for the first time since its inception in January 2012, Healthcare.

This press release features multimedia. View the full release here:

<https://www.businesswire.com/news/home/20200923005296/en/>

Overall, the SEI data reveals that subscription businesses grew revenues about 6 times faster than S&P 500 company revenues (17.8% versus 3.1%) from January 1, 2012 to June 30, 2020. (Graphic: Zuora)

The global pandemic has become a catalyst for long-term change across the business landscape, accelerating trends in

work, health, retail, education, media, manufacturing and more. Despite the subsequent economic downturn, the Subscription Economy® has maintained momentum, growing more than 400% over the last 8.5 years as businesses and consumers alike demonstrate a growing preference for access to subscription services over the ownership of products, a trend referred to as **The End of Ownership**.

In fact, subscription sign-ups are on the rise, and while S&P 500 companies saw sales contract at an annualized rate of negative 10% in Q2 2020, subscription businesses in the SEI expanded at a rate of 12%. As a result, IDC's



Worldwide Digital Transformation Spending Guide suggests that digital transformation will continue despite the challenges presented by COVID-19, with global spend on digital transformation technologies and services forecasted to grow to \$1.3 trillion in 2020.

“There’s a clear opportunity for businesses to reimagine and transform their approach to the market in order to meet customers where they are today, and ultimately provide value through positive subscriber experiences,” said **Dr. Carl Gold, Chief Data Scientist at Zuora**. “By looking at various indicators including growth, churn and discounts for the past two quarters ending in June, we can see that subscriptions models are uniquely positioned to adapt to external market demands and pressures, helping businesses embody the agility, automation capabilities and insights to make strategic, informed business decisions in any climate.”

Key findings from the SEI report underscoring the strategies and growth levers for subscription businesses include:

- Subscriber growth bounced back after initial onset of COVID-19: After a setback in Q1 2020, where net subscriber growth slowed to 3.2%, growth rates increased to 12% in Q2, surpassing rates in the second half of 2019. According to Dr. Gold, “The rapid turnaround indicates that subscription businesses were quick to pivot their approach to customers by doubling down on free trials, discounts and more. Not only did this open up a new set of customers for subscription companies across industries, but it built trust across an existing user-base.”
- Subscription businesses used discounts to retain customers: Subscribers receiving discounts grew by 10% in the first 2 quarters of 2020, while the average discount was 18% higher compared to 2019. According to Dr. Gold, “Many subscription businesses had the flexibility to rapidly shift their pricing and packaging. During any economic crisis, discounts are critical to both retaining customers and strengthening relationships to maintain long-term loyalty. Manufacturing and SaaS businesses, in particular, benefited from this approach.”
- Evergreen renewals helped subscriptions grow: In Q2 2020, subscription companies utilized evergreen renewal models more than 9X more than monthly renewal models. According to Dr. Gold, “The reliability of evergreen renewal models was likely a driving factor in the overall resilience of the businesses in the latest SEI. The Subscribed Institute **found** that for evergreen subscriptions, churn is actually 12% lower than auto-renew subscriptions.”
- While growth in revenue per account slowed for subscription businesses, it remained positive overall: Average Revenue per Account (ARPA) growth slowed from Q1 to Q2 2020 from 9% to 5%. According to Dr. Gold, “In some cases, this slow down could represent users who refrained from upgrading services in an economic downturn, in others, it could represent the short-term result of businesses offering users steeper discounts. Still, subscription spending continued to expand while sales in the non-subscription companies contracted.”

For insight into how companies across industries (SaaS, IoT, Manufacturing, Publishing, Media,

Telecommunications, Corporate Services, Healthcare) and regions (EMEA, North America, APAC) fared in the first half of 2020 ending June 30, 2020, download the full Subscription Economy Index™ (SEI) report [here](#). By downloading, you will receive information by Industry and Region on Subscription Revenue Growth, Churn Rate, Customer Base Growth Rate, Average Revenue Per Account Growth Rate, Usage Based Revenue, and Discounts.

About Zuora, Inc.

Zuora provides the leading cloud-based subscription management platform that functions as a system of record for subscription businesses across all industries. Powering the Subscription Economy®, the Zuora platform was architected specifically for dynamic, recurring subscription business models and acts as an intelligent subscription management hub that automates and orchestrates the entire subscription order-to-revenue process seamlessly across billing and revenue recognition. Zuora serves more than 1,000 companies around the world, including Box, Ford, Penske Media Corporation, Schneider Electric, Siemens, Xplornet, and Zoom. Headquartered in Silicon Valley, Zuora also operates offices around the world in the U.S., EMEA and APAC. To learn more about the Zuora platform, please visit www.zuora.com.

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Forward-Looking Statements

This press release contains forward-looking statements that involve a number of risks, uncertainties and assumptions, including but not limited to statements regarding the expected growth and trends in subscriptions, consumer buying trend expectations, the expected growth and trends in the market for subscription businesses, and the expected benefits of any such trends. Any statements that are not statements of historical fact may be deemed to be forward-looking statements, and actual results could differ materially from those stated or implied in forward-looking statements. This press release also includes market data and certain other statistical information and estimates from industry analysts and/or market research firms. Zuora believes these third party reports to be reputable, but has not independently verified the underlying data sources, methodologies or assumptions. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information.

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