Overview

Each product rate plan charge has a charge model that determines how charges are calculated. Zuora Billing supports a variety of charge models, including flat fee, per unit, volume pricing, tiered, overage, tiered with overage, and overage smoothing charge model (with rolling window and rollover). A charge model is available after you have activated it on the Zuora Billing Admin Enable Charge Types / Models setting page.

Flat Fee Charge Model

Flat fee is the simplest charge model. In this model, the amount to charge is a single price (that is, a fixed amount) applied on a one-time or recurring basis. An example of a flat fee charge model would be a gym membership that costs $50 per month.

Per Unit Charge Model

With the per unit charge model, the amount to charge is expressed as a price per unit. The price is calculated based on the quantity of a service or product purchased by the customer, where the total price charged per period would be the quantity multiplied by the per-unit price. An example of a per unit charge would be a software-as-a-service vendor that charges $50 per user per month for their service.

Per unit pricing can be used with one-time, recurring, or usage charges.
Discount Charge Models

The discount charge models provide you the ability to handle discounts and promotions, as well as automatically control the duration of time the discount should be applied. Zuora product catalog supports two types of discount charge models, Discount-Fixed Amount and Discount-Percentage.

See Discount Charge Models for detail information about Discount charge model.

Volume Pricing Charge Model

With a volume pricing charge model, the price to be charged is based on the volume purchased. When setting up a volume charge model, a price table is used to define the pricing for each range of volumes, as well as the pricing rule to apply if the customer purchases a quantity that falls within the range of that tier. Each tier is defined by a starting unit, an ending unit, a list price, and a price format (which can be either flat fee or per unit).

For example, if the user purchases anywhere from 0-50 licenses, they will be charged per unit price of $120 (5 units x $120 per unit = $600). However, if the user purchases anywhere from 51 – 100 units, they will be charged a per unit price of $100 (60 units x $100 per unit = $6000).

Volume pricing models can be used with one-time, recurring, or usage charges.

Tiered Pricing Charge Model

With a tiered charge model, pricing changes progressively as the volume increases. Like the volume pricing model, the tiered pricing model uses a price table to calculate the pricing. The price table is made up of individual tiers that define a range of volumes and the pricing rule to apply if the customer purchases a quantity that falls within the range of that tier. Each tier is defined by a starting unit, an ending unit, a list price, and a price format (which can be either flat fee or per unit).

Unlike the volume model, tiered pricing cumulates all previous tiers when calculating the charge. So, if the quantity purchased falls into Tier 3, the calculation would include the pricing of (Tier 1 + Tier 2 + the remaining units in Tier 3).

The tiered pricing model can be used with one-time, recurring, or usage-based charges.

Tiered Pricing Example

For example, the tier is set up as follows:

<table>
<thead>
<tr>
<th>Tier</th>
<th>From</th>
<th>To</th>
<th>List Price</th>
<th>Price Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.00</td>
<td>5.00</td>
<td>$0.00</td>
<td>Flat Fee</td>
</tr>
<tr>
<td>2</td>
<td>5.01</td>
<td>7.00</td>
<td>$200.00</td>
<td>Flat Fee</td>
</tr>
<tr>
<td>Tier</td>
<td>From</td>
<td>To</td>
<td>List Price</td>
<td>Price Format</td>
</tr>
<tr>
<td>------</td>
<td>------</td>
<td>----</td>
<td>------------</td>
<td>--------------</td>
</tr>
<tr>
<td>3</td>
<td>7.01</td>
<td>9.00</td>
<td>$100.00</td>
<td>Flat Fee</td>
</tr>
</tbody>
</table>

Overage price of $75.00

Based on the sample tiered pricing table above, 8.5 units would fall into Tier 3 and be calculated as follows:

Tier 1: $0.00 Flat fee +
Tier 2: $200 Flat fee +
Tier 3: $100 Flat fee

Total fees = $300

**Overage Charge Model**

The overage charge model is applied only to usage-based charges. This charge model allows your customer to get a certain quantity of units for free (these are the included units). If your customer exceeds the quantity of included units, the amount used over the included units is charged on a per-unit basis based on the overage price. An example of this would be a cell phone plan, where the basic package includes up to 500 minutes, but overage is charged for any usage above 500 at $0.50 per unit.

Overage charge models are often used in conjunction with a recurring charge. For example, a cell phone plan may charge $59.99 per month (this is a recurring charge), that includes 500 minutes for free, plus $0.50 per unit (this is an overage model usage charge).

**Tiered with Overage Charge Model**

The tiered with overage charge model applies only to usage-based charges. This charge model is similar to the tiered charge model, except there is an overage charge for any units consumed above the ending units of the final tier.

**Overage Smoothing Charge Model**

Overage smoothing models are useful for avoiding spikes and troughs in usage charges in any given month. The use of smoothing models help customers avoid paying too much if their usage spikes in any one period by considering usage over multiple periods. Some smoothing models ("rolling window") carry over unused units to the next period.

See [Overage Smoothing Charge Model](https://knowledgecenter.zuora.com/BC_Subscription_Management/Product_Catalog/B_Charge_Models) for detailed information about the overage smoothing charge model, including an example of the rolling window smoothing model.