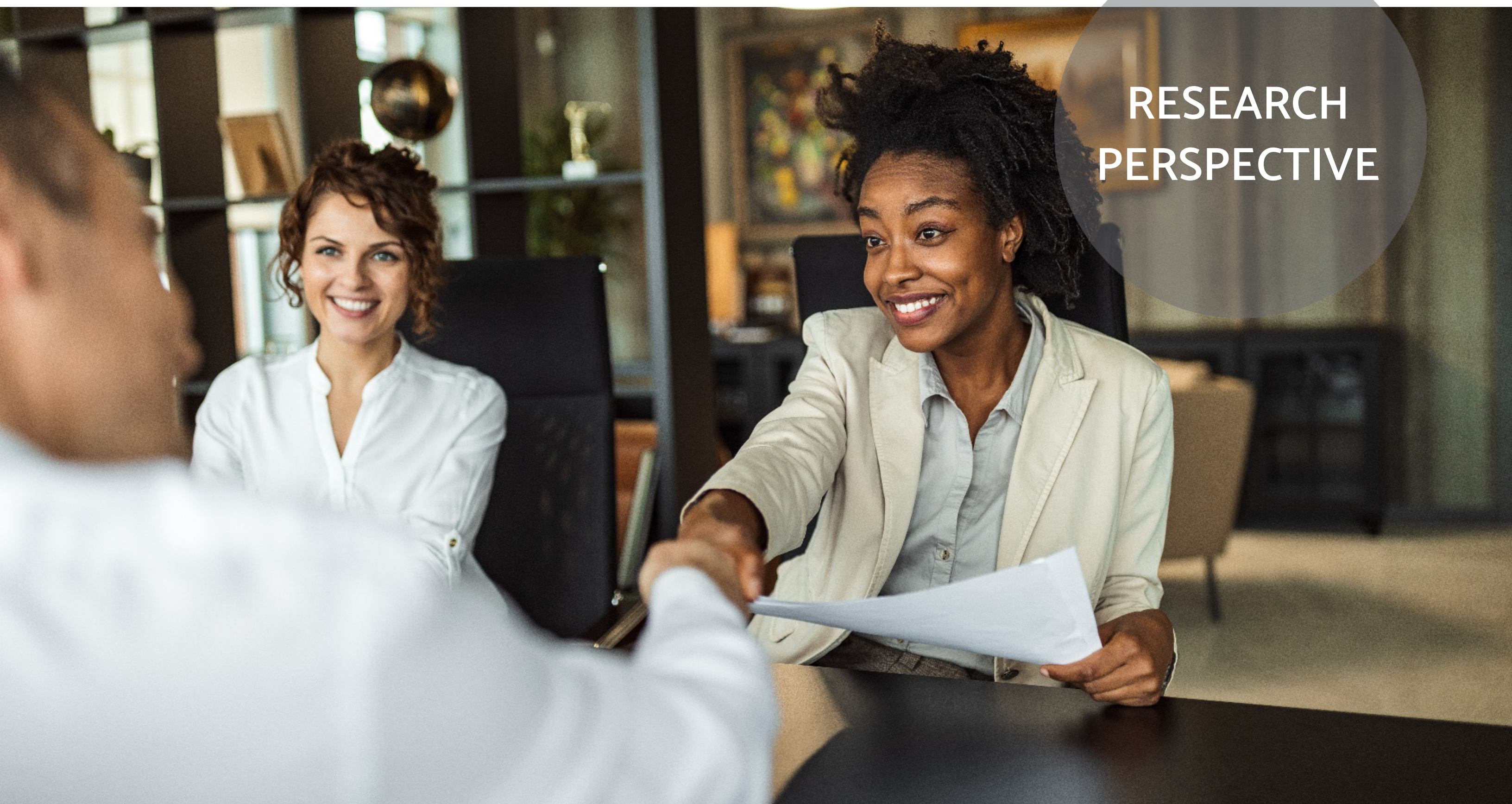
The Intelligent Revenue Operation

Using Data to Enhance the Entire Revenue Life Cycle



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Managing Revenue Instead of Sales

Organizations are increasingly realizing a singular focus on traditional sales execution is not enough to ensure growth. Shifts to subscription models and the advent of omni-channel selling mean that the old way of managing sales is transforming into managing revenue, whether the channel is direct, indirect, or e-commerce, and whether it comes from new or existing customers. The buying experience itself is a key part of the overall customer experience, critical in ensuring customer retention and leading to opportunities for expansion. While much attention has been put on using technology as an asset in the early stages of customer interaction, less attention has been paid to downstream activities such as the configure, price and quote (CPQ) and contract life cycle management (CLM) experience. This is unfortunate since friction during these stages can potentially disrupt a sale as much as a bad call or product demonstration can. A smooth, automated quoting and contract process is key to building a constructive buyer-seller relationship.

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Organizations often have mature automated processes for top-of-funnel sales activities with the ability to derive targeted insights into process performance and efficiency. Many of these sales stages are focused on prospecting, discovery, qualification and conversion of interest to active sales negotiation. But problems still arise in the quoting and contracting phase of the sales cycle. These steps often involve other teams, such as finance and legal, and include processes that are typically not yet automated. This leads to a risk of errors and delays at an equally important part of the revenue life cycle management. To ensure a smooth buying process and compliance with cross-team organizational policies, this process should be digitized and automated as much as possible to avoid errors, delays and potential re-work. If a smooth and frictionless process is not achieved, it can result in lost customers and collapsed sales.

Automation and digitization of the CPQ and Contract process also supports the seamless incorporation of terms, order details and prices. Many organizations sell via subscription or usage business models with an omni-channel approach. By automating configuration, fulfillment, billing and invoicing, organizations can improve the customer experience by reducing potential mistakes and errors in the transfer of this information post sale. In addition, a digitized approach supports analysis of current processes and activities to support a continuous feedback loop that can identify areas for improvement in the CPQ and CLM processes. As with top-of-funnel best practices, this intelligence can also be used to analyze such metrics as time taken at each point in the quote and contract stage, delays from the approval process, size and frequency of price discounts from list, or quantity and type of common adjustments from standard terms. A prospective customer's first impression is a lasting one, so these well-known challenges or unmet expectations can result in failure of the current sale or a sale lost to another vendor. Even if the sale is successfully completed, such snags can impact an organization's reputation and put the customer relationship on shaky footing.

There are tools available to optimize these crucial phases, but our research leads us to assert that by 2024, fewer than 1 in ten organizations will deploy an automated and integrated CPQ and CLM systems, reducing their competitiveness and resulting in poor initial customer experience. A recognized obstacle is the need to work across teams. Effectively automating this part of the business will require stakeholder alignment across sales, product and operational departments. With a more integrated process, supported by technology, an organization can reduce the adverse impact of many of these issues.

Characteristics of an Effective CPQ Process

Organizations will find that success is achieved by putting into place processes—supported by technology—that align the sales, product marketing, finance and legal teams. This will optimize the CPQ process.

Sales must understand what good engagement looks like. After all, a bad deal can be worse than no deal at all. Further, the finance team provides the guardrails by way of centrally maintained pricing rules and configurations that are embedded into the CPQ application. Configurations should be linked directly to pricing, with initial or list pricing as the only basis of any discount. Then, any adjustments to pricing should be subject to approval processes that comply with organizational policies, typically with each increased level of discount requiring approval at a more-senior level of management.

In addition, organizations are shifting to more dynamic packaging and bundling of their existing products and stock keeping units (SKUs). Sales representatives need the ability to quickly put together a deal, but the organization also needs to avoid the uncontrolled growth of SKUs resulting from custom combinations for each solution offering. With an intelligence layer unifying the CPQ and CLM process, organizations can identify trends in their most common and profitable product and SKU combinations, potentially reducing the overall product catalog. This simplifies offerings for the sales team and enables higher velocity in selling processes since custom products and SKUs become the exception, not the rule. Manual spreadsheets cannot provide the control necessary for this process to be smooth and error-free. The overall aim is to ensure that flexibility in pricing is available, but in a way that complies with company objectives and policies. This will benefit everyone, including the customer.

Technology to Automate Contracting

Contract negotiations are a critical moment in the sales continuum. This phase is potentially fraught, especially because many buyers think of it as adversarial, with winners and losers. A protracted process or error-prone quotes can reinforce these customer perceptions at precisely the wrong time. That alone can cause a sale to fail, regardless of market fit.

Proposals that advance with faulty terms, give-away pricing, or get-out clauses risk slowing negotiations, contract walk-backs and protracted red-lining. To mitigate these risks, the process by which an accepted quote becomes a draft contract can be streamlined by digitization. Unique elements of a sale can be merged with templates reflecting standard terms and conditions, creating a reliable draft as the basis of the approval and amendment process.

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The draft can be further filtered by type or category, effectively eliminating many of the manual elements required to assemble and validate the contract. This will not only reduce the window between quote and contract, but will free up time for the legal team to handle more value-added activities. A dedicated application of resources can increase the number of deals that can be processed at any one time, which is critical at quarter end and year end when the push is on.

Once the process is fully digital, the contract terms are more easily shared among provisioning, onboarding, and fulfillment teams and systems. Likewise, information can be automatically transferred to billing, where subscription management systems can apply additional automation to set up account and invoicing details.

Key Benefits of Intelligent Revenue Life Cycle Management

Organizations that automate and digitize CPQ and CLM systems will see a number of benefits. Once digital sales and contract information is available for analysis it will allow managers to improve and enhance existing processes. Historical CPQ and contract management data can be used to establish which parts of the process are working, and which take too much time or result in errors, rejection or remedial corrective actions.

Conversely, patterns of success reflected in the data can then define what a smooth process should look like. The inherent benchmarks can establish expected duration between stages, and can be further analyzed to identify delays and create alerts for those deals that are unduly impeded. Management and operations can then spot the delays in-process, proactively review, and provide assistance or take remedial action. This data can also be used to better understand buyer responses to changes in terms and pricing so that operations teams can identify when and where discounts are truly needed. They can then make targeted adjustments to process or policy, such as how discount bands are created and applied.

Customer experience is important to the entire revenue life cycle, and first impressions have a strong impact on the overall customer relationship. It is therefore critical for organizations to recognize that the CPQ process is a key part of sales. Manual systems are too often disconnected or poorly executed, and even if the sale is won, an extended and contentious CPQ and CLM process can start the relationship on the wrong footing.

We recommend that all selling organizations examine their existing processes and focus not just on early steps, but beyond to configure, price and quote and contract management. Consider options in the market that will make sales-improvement investments really pay off. As they say: You never get a second chance to make a good first impression.

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