Transforming
Quote-to-Cash
for business
success

BEST PRACTICES FOR IMPROVING YOUR COMPANY'S QUOTE-TO-CASH PROCESS

THE POWER OF BEING UNDERSTOOD
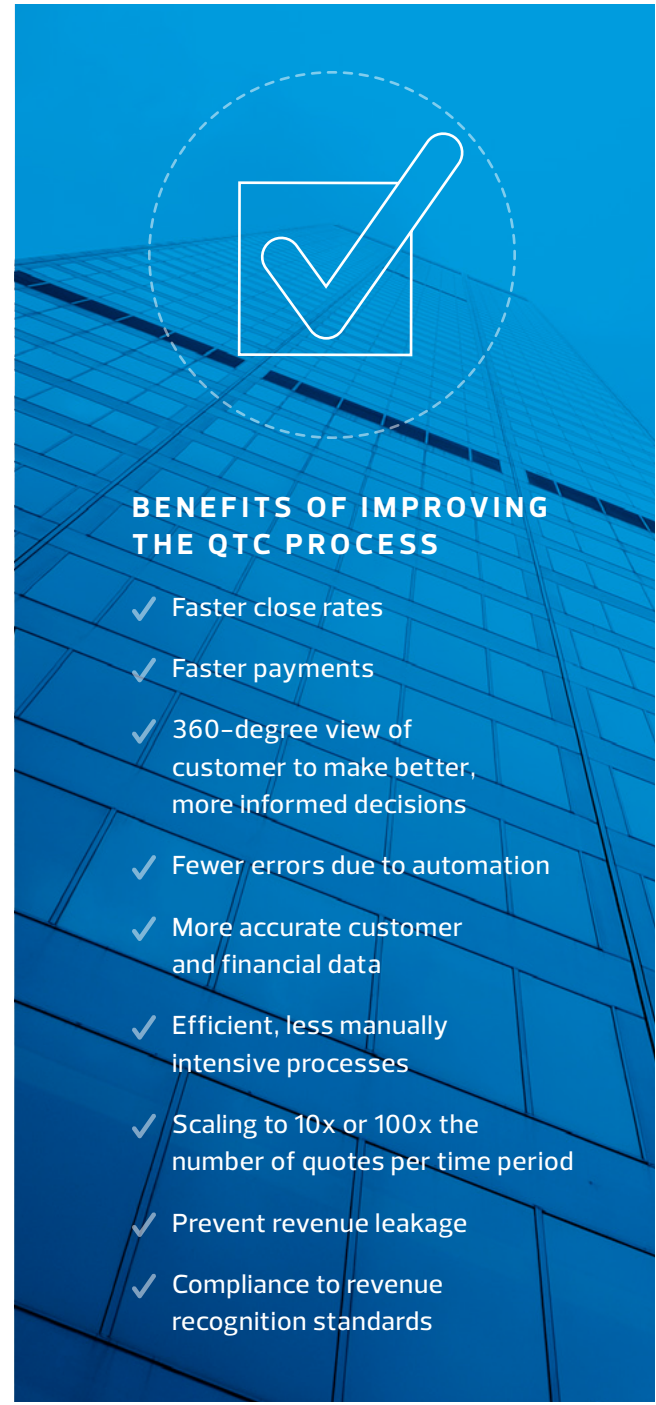AUDIT | TAX | CONSULTING

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❯ Everyone has a Quote-to-Cash (QTC) process.

But is it aligned with your business goals? Does it run efficiently? Does it comply with revenue recognition regulations? Is it scalable and automated so that you can focus on growth? Improving your QTC process can be a significant challenge as process and data cross organizations and technology systems. Designing an optimal QTC process requires skills and experience in order to scale properly and minimize rework. In this document, we share some best practices to consider for your QTC initiative.

Before embarking on a QTC effort, you should examine the challenges and opportunities associated with improving your process. Top indicators of a low-functioning QTC process include:

> Systems and data are siloed with no common platform or integration—most commonly CRM and ERP

> Manual handoffs between systems requiring manual translation

> Logins to different systems to conduct workflows creating "swivel-chairing"

> Difficulty pulling together a report across the organization

> Slow sales, billing and collection processes

> Inaccuracies in quoting and billing

> Use of spreadsheets to accomplish tasks and gain insight

> For partner-sold deals, lack of visibility into the end customer

> Intensive use of email to review and gain approvals, close business, fulfill orders and perform billing/invoicing

> Incomplete picture of customer— inability to easily see each customer's current AR balances, negotiated terms and conditions and pricing

> Misalignment of data across systems—accounts, contacts, opportunities, quotes, line items, orders, contracts, invoices are not aligned

> Revenue recognition schedules are not created or do not accurately reflect delivery of performance obligations

> Inability to efficiently and automatically handle amendments, extensions, renewals, upgrades and coterminations

If any of these indicators are present in your organization, then there's an opportunity for immediate value creation and long-term scalability.

BENEFITS OF IMPROVING THE QTC PROCESS

✓ Faster close rates

✓ Faster payments

✓ 360-degree view of customer to make better, more informed decisions

✓ Fewer errors due to automation

✓ More accurate customer and financial data

✓ Efficient, less manually intensive processes

✓ Scaling to 10x or 100x the number of quotes per time period

✓ Prevent revenue leakage

✓ Compliance to revenue recognition standards

Assessing your company's needs

Even the first step of mapping your QTC process has huge benefits. Not only can it give you a complete picture of your company's processes and help you design a better customer experience, but it can also give you a better sense of where your company is and where the most impactful improvements can be made.

Understanding your QTC destination is informed by a combination of:

> Your current state and where your organization is strong as well as where you may need help

> Industry best practices and how to best apply them

> Areas worth investing in to be innovative and best-in-class so you have a competitive advantage

> The capabilities you need to meet your business goals

EXAMINE YOUR COMPANY'S CURRENT QTC PROCESSES

Product offerings, pricing, bundling

Sales tax, currencies

Discounting, approvals

Terms (single/multi-year, subscription)

Channels (direct, partner, e-commerce)

Entitlements, assets

Contract, legal, redlines, amendments, e-signature

Contract management

Customer onboarding, sales order

Fulfillment/provisioning (activation, licenses, delivery, services delivery, time tracking)

Forecasting

Invoicing, AR aging, collections

Coterminations, renewals, upsells
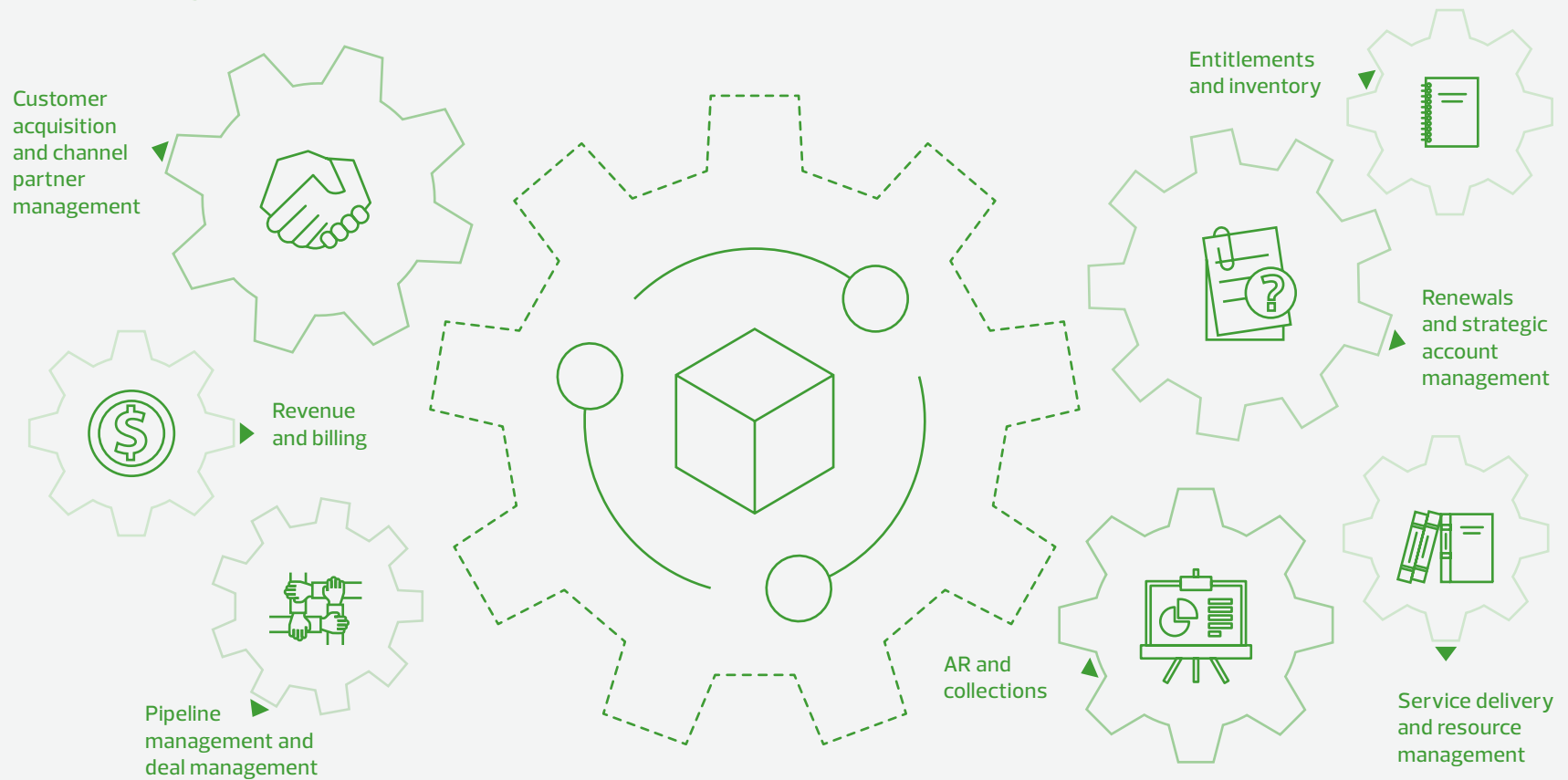
Revenue recognition and compliance

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Best practices for improving your company's QTC process

QUOTE-TO-CASH BEST PRACTICES

Customer acquisition and channel partner management

Entitlements and inventory

Renewals and strategic account management

Revenue and billing

Pipeline management and deal management

AR and collections

Service delivery and resource management

High-level best practices to consider as part of a QTC digital transformation initiative:

BUSINESS PROCESS

› Business needs are the primary drivers for technology decisions. Technology, though, is constrained by current state as well as by the technology-enabling capabilities you can access. Budget and time also play critical roles in determining the areas you can improve to give you a competitive advantage.

› Once you identify your gameplan, standardizing the marketing, sales, contract, delivery, finance and renewals process pays great dividends when it comes to scaling your business. When you can establish your core process standards, you can then automate them for maximum efficiency and scale. Exception paths become just that and so your team can focus more on addressing issues that cannot be automated and spending the rest of the time focusing on true value-added tasks.

› For many companies the first areas to focus on are streamlining the following:

○ **Marketing process**—how to get more marketing qualified leads (MQL) into the funnel

○ **Sales process**—how to scale the sales qualified leads (SQL) sales process and move leads through the process

○ **Quoting process**—move quoting from taking days to minutes. Not only can you increase speed and accuracy, but automating review and approval processes can reduce email and unwanted delays

○ **Amendments**—modifying the products, terms, options like upgrades, etc. can be automated to coterminate deals, reduce manual effort and decrease the chance for misapplied changes

○ **Renewals**—the acquisition cost of a new customer is often cited as 7x the cost of renewing an existing customer. Automating the renewal process can significantly increase revenue at much less cost

○ **Partner sales optimization**—help your partners be more successful by establishing partner relationship management best practices to increase channel revenue while still giving you visibility into your end customers

○ **Upsells and cross-sells prioritization**—revenue leakage is real and many companies are "leaving money on the table." Scaling the process for upsell and cross-sell can increase revenue drastically while also creating "stickiness" with customers

○ **Invoicing process**—create clear, accurate invoices that the customer can easily understand and are aligned with the quote, which ultimately lead to greater customer satisfaction and faster collection times

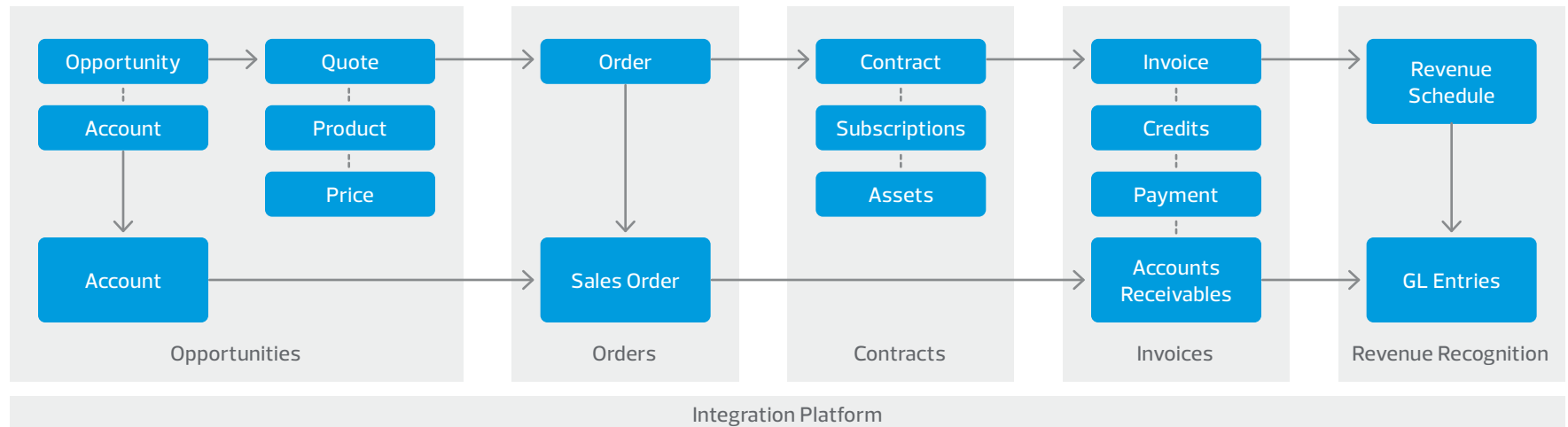# Best practices for improving your company's QTC process

DATA

> How data is structured is critical to accuracy and accessibility that serve your business needs. Proper data structure mapping must also occur across multiple systems, in particular with CRM, CPQ and ERP, the most common components within QTC. Critical data objects like accounts, contacts, opportunities, quotes, estimates, orders, line items, cases, products, pricing, invoices, payment history, deposits, cash sales, refunds, inventory, and shipping dates all must be structured properly and link up properly.

> Data mapping is extremely important. Which objects are considered the "master" or source of truth? How do the data elements flow with no manual effort? How is legacy information going to be handled and how is data integrity going to be preserved going forward? What will make security and compliance easier?

> How and who will access data may have significant consequences in design. Today, you may wish to give employees full customer 360-degree access to information to better service customers. However, you also must consider the scenario where customers are able to access their own data—to maintain their information and view their relationship to your company. This becomes even more important with increased privacy regulations like GDPR that require the ability for customers to view and change their own data. In addition, customers today expect more self-service options than they have in the past.

DATA ELEMENTS TO CONSIDER IN QUOTE-TO-CASH

Opportunities: Opportunity → Quote; Account; Product; Price; Account → Sales Order

Orders: Order → Sales Order

Contracts: Contract; Subscriptions; Assets

Invoices: Invoice; Credits; Payment; Accounts Receivables

Revenue Recognition: Revenue Schedule → GL Entries

Integration Platform

Best practices for improving your company's QTC process

APPLICATION

> Focus on simple, scalable designs and do not overcomplicate with complex rules. For example, for approvals, keep the process simple and automate the main paths. Automating too many exception paths often creates technical debt. Handling some exceptions through good processes and training enables faster time to market and less technical debt, and also results in less complexity and more flexibility for a company.

> Integrate Salesforce and ERP— this is often the first integration and does wonders in terms of automating the closed won —> customer onboarding—> order entry process. In addition, an integration provides information back to the CRM solution, usually the order number, invoice, payment, credit balance and more, providing a full 360–degree view of the customer.

FINANCIAL

> Customers view the invoicing and payment process as part of the overall experience. Incorrect invoices, unclear bills, even the look and feel of payment portal pages are all part of the customer experience. Improving this process from a customer–centric view also improves collections.

> Scalable financial controls are critical to operational efficiency and accuracy. Creating the right policies and procedures and enabling (and enforcing) them through applications help scale so that manual and error–prone work is minimized. In addition, CFO and controllers should create the appropriate dashboards to gain visibility into their business to root out problem areas and to optimize. Some of these KPIs include:

- ○ Average days delinquent (ADD)
- ○ Accounts Receivable turnover ratio
- ○ Days sales outstanding
- ○ Operating cycle
- ○ Outstanding invoices
- ○ Time from booking order to collecting payment
- ○ Renewal rates
- ○ Retention/Churn
- ○ ARR, TCV, etc.

Reports should provide insight into accounting standards, financial statements and operational metrics.

REGULATORY

> Most companies have growth plans that include an eventual "exit," of course noting that often an "exit" is just the beginning of the next phase of the business, such as going public or receiving private equity funding. Revenue recognition compliance (usually ASC 606) puts the proper controls in place. It's cheaper in the long run to tighten up revenue recognition controls, creating a clear segregation of duties between sales and finance. Operating your business properly and efficiently are critical requirements for potential investors or to participate in any other financial–related transaction.

> Recognizing revenue starts from how you set up your quotes and orders, so that you can seamlessly map revenue as you meet your performance obligations. Generating proper revenue schedules after each close won (including on amendments and coterminations) ensures accurate financial modeling and lets you seamlessly adhere to ASC 606 and related compliance requirements.

Ready to get started?

At least a high-level plan should be established so that you can benchmark at minimum where you are and where you need to be. Having a clear picture of your road map will help you plan a path, including identifying opportunities to make the right investments. For instance, perhaps the finance department is finally upgrading from QuickBooks to NetSuite, which might be an opportune time to re-evaluate your QTC process to find "low-hanging fruit" that will help you on your roadmap.

In today's componentized, cloud-based world, it's often recommended to take a phased approach during execution, which delivers value quickly and mitigates risk. After defining the roadmap and phases, the approach should be iterative—as you accomplish each phase, you re-evaluate and improve the plan and take advantage of the knowledge you've gained to create even more value. But having an overall road map is critical to ensuring that your investments are targeted, impactful and minimize the need for rework. Formally evaluating your current state and having a robust plan to drive your QTC transformation is often the best place to start. If you need further assistance or would like to know more about RSM's Rapid Assessment, contact us.

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