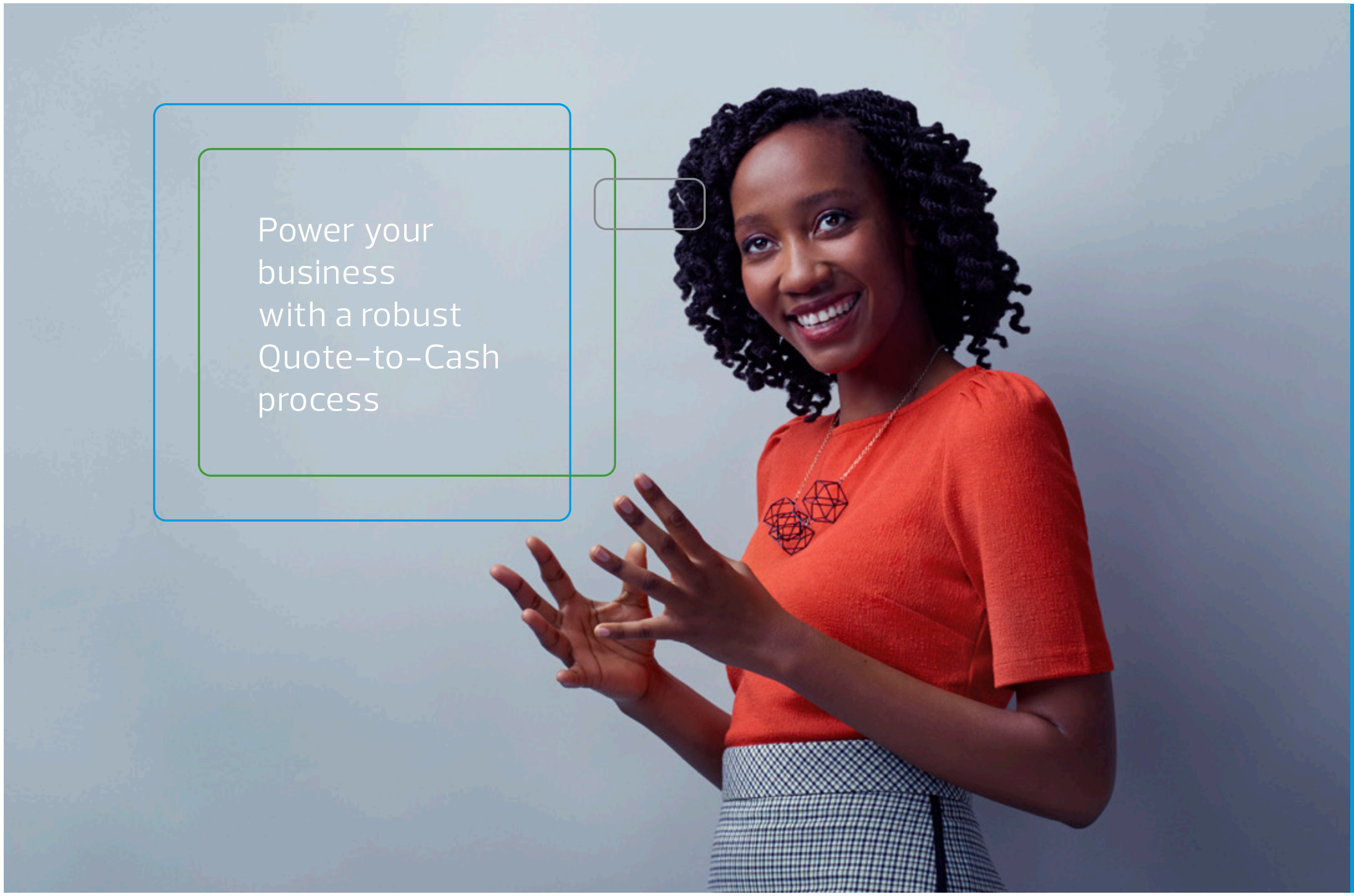

HOW TO CREATE AN EFFECTIVE QUOTE-TO-CASH PROCESS

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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Quote-to-Cash process

Quote-to-Cash (also known as Lead-to-Cash, Order-to-Revenue, Anonymous-to-Cash, or Lead-to-Revenue-Recognition) describes the customer lifecycle journey from customer acquisition to customer attrition.

This process, which we will refer to as QTC (an abbreviation for Quote-to-Cash), encapsulates your entire business and crosses multiple departments (such as sales, finance and fulfillment/delivery), IT systems and others.

Due to organizational and technical complexity, a strong QTC process that drives your business forward doesn't just form on its own—it's something that must be intentionally architected and created by your company. Otherwise, if the process isn't architected and managed well, your company's siloed departments, systems and processes can create friction and incompatibility points that will frustrate your customers and seriously impede your company's growth. However, if your company is intentional about understanding your QTC process, you can improve it, which will result in more recognized revenue and more cash.

Because QTC is an overarching process, everyone in your company needs to know the journey that your customers go through, and the important role that each department plays in supporting that journey. While the QTC process is unique to each company, below is a basic framework that shows how and where various departments may be involved in the QTC process. As you can see, the QTC process is a long, complex and interconnected chain, meaning if one department or technology has issues, the entire process can be affected.

WHILE EVERY COMPANY HAS A DIFFERENT QTC PROCESS, AT A HIGH LEVEL MOST COMPANIES GENERALLY HAVE THE FOLLOWING FLOW:

- High-level business function
- Part of the organization
- Software category

Lead
- Client acquisition
- Marketing
- Sales development
- Marketing automation
- CRM

Opportunity
- Sales
- Partner
- Sales
- Business development
- CRM

Quote
- Configuration
- Pricing
- Approvals
- Amendments
- Sales
- CPQ
- E-signature and redlining

Contract
- Contracts
- Customer onboarding
- Sales
- Customer success
- CRM
- CLM

Order
- Order entry
- Order submission
- Fulfillment
- CRM
- ERP
- OMS

Fulfillment
- Inventory delivery
- Customer service
- Fulfillment
- Inventory manager
- ERP
- CRM

Invoicing
- Billing
- Finance
- A/R manager
- Billing

Payment/ collection
- Payment methods
- Payment processing
- Finance
- A/R manager
- Billing
- Payment gateway

Revenue recognition
- Revenue schedules
- Finance
- CRM
- ERP
- Revrec software

Renew/upsell
- Renewal path
- Upsell path
- Sales
- Customer success
- CRM

Why companies need a strong QTC process

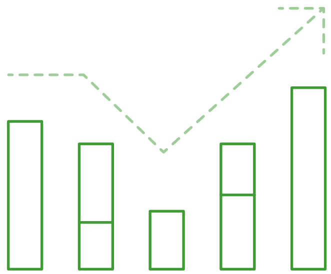
Having a strong QTC process is an incredible competitive advantage that enables you to achieve higher close rates, better collections, more accurate revenue recognition reporting and better customer data so that you can out-execute your peers.

SOME OF THE BENEFITS OF HAVING A STRONG QTC INCLUDE:

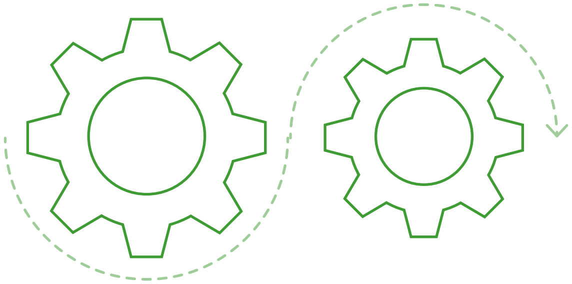
- **Improves sales conversion rates.** Optimizing and speeding the sales process often results in higher sales conversion rates. "Time kills all deals" can be minimized when you can get clear and accurate quotes out to customers quickly.

- **Faster payments.** Speeding up the order-to-payment process enables your company to receive payment earlier, increasing collections and improving cash positions that can in turn give you more of a financial advantage.

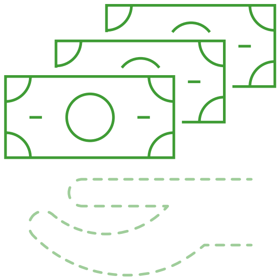
- **A 360-degree view of the customer to make better and more informed decisions.** Having your applications and data tie together gives your company a 360-degree view of your customer. This enables you to gain insight, such as which customers are your best customers and which customers are in danger of churning. With the right data, your team can also make more informed choices, like possibly cancelling big discounts on a renewal to a customer who has a large A/R balance.



- **Increases opportunities to grow your company's revenue; prevents revenue leakage.** A strong QTC process is all about identifying, operationalizing and scaling opportunities to grow revenue. It also reduces revenue leakage by minimizing issues like incorrectly applied discounts or lost opportunities for cotermination, bundling, renewal and upgrade opportunities.

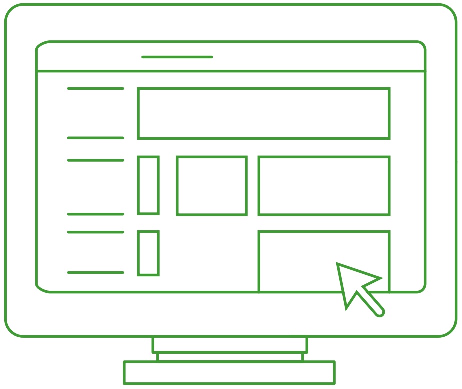


- **Efficiency and scale.** Automating the process helps maximize efficiency and scale. The more automated the process, the easier it is to go from generating a quote in days to hours to minutes. Such scalability isn't possible, for example, if your approval cycles are done manually through email. Does senior management really need to approve minor discounts? Setting up thresholds where higher risk quotes require different levels of approval minimize back-and-forth inefficient email communication. And with features like quote configurators, the automation actually makes your quotes more accurate and standardized.



- **Proper revenue recognition ensures compliance and strong financials.** Correctly addressing revenue recognition ensures compliance with standards such as ASC 606. Fast-growing companies must be able to generate a correct valuation to participate in mergers and acquisitions or to go public. Revenue recognition also correctly models revenue and costs during delivery of performance obligations to the customer, giving you true data on revenue and profitability to make business decisions.

- **Cost efficiency that goes straight to the bottom line.** Improvements like an integration between CRM and ERP allow team members to simply view the data they need in the primary application they are using without having to log in to a separate system. In addition, end-users receive the information they want on-demand and without having to learn and juggle multiple systems. This can be powerful to have, for example, when an account manager can instantly see a customer's order history, payment history and balances before going into a meeting. Knowing inventory and expected ship dates can set accurate customer expectations and increase CSAT. Having readily accessible data can also enable future improvements like automatic workflows that are triggered, for instance, when a customer's late payments reach a certain threshold, allowing your team to focus on higher value activities.



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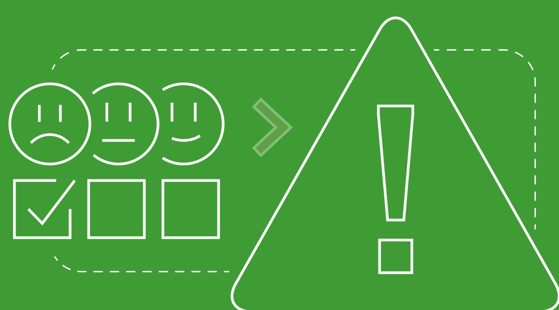
7 WARNING SIGNS OF A SUBOPTIMAL QTC PROCESS

1 Anything less than a 360-degree view of the customer—siloed systems that require a spreadsheet to pull together everything

2 Disconnected systems that don't talk to each other seamlessly, requiring translation

3 Inefficient (and potentially adversarial) review and approval processes in deal structures



4 Inflexibility of systems to enable new business opportunities (i.e., move to subscription billing)

5 Process bottlenecks that slow the speed of invoicing and collections

6 Revenue leakage—lost opportunities to prevent churn, renew, upsell. Is your company putting your best foot forward on ways to retain customers?

7 Quotes, contracts, billing and invoices deliver a poor experience (errors, invoices poorly structured)

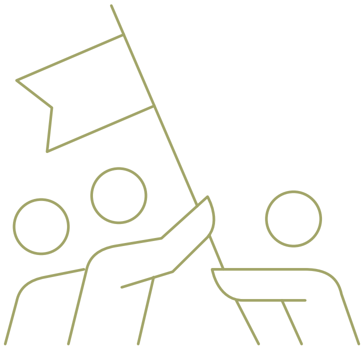
Additional items to consider in any QTC initiative

QTC often focuses on sales, quoting, orders and financial systems, but there are additional items that are crucial to a successful process and should be considered as part of any QTC initiative. These include:

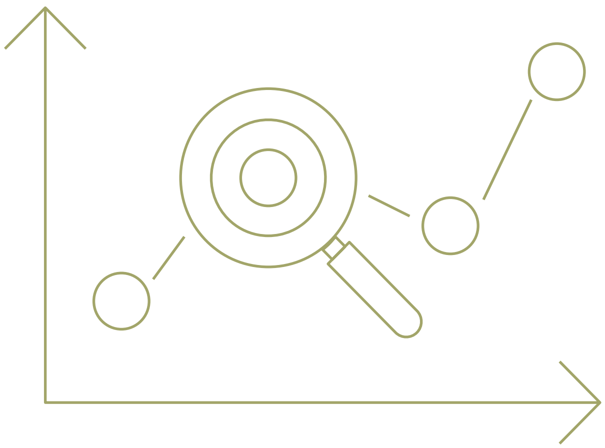
- Revenue recognition
- Customer success
- Customer metrics

- **Revenue recognition.** One might think that booking and receiving payment are the primary revenue objectives. However, this is incorrect from both a financial and compliance perspective. Revenue recognition rules are defined by generally accepted accounting principles (GAAP) in which revenue can be "counted" as valid. An order may have been placed and your company may have even received payment, but your company cannot recognize the revenue until you actually deliver your performance obligation. This is a key distinction when accurately measuring the performance of a business, directly affecting the valuation of a company to the correct amount for paying taxes. Even on a single deal you might have different ways to recognize revenue: how you recognize revenue when a product is shipped is different from how you recognize the two years of monthly support. ASC 606 compliance standards formalize this process.

- **Customer success.** When optimizing the QTC process, one of the most important—and often overlooked—considerations is how to optimize customer experience because that directly affects customer retention and collections. To improve the customer experience, every interaction a company has with a customer has to be identified and considered—from how the company sends sales quotes or invoices or provides payment options to how the company delivers the purchased value. Successful companies optimize customer experience at scale, digitally transforming the experience through modern, more scalable automated services.



- **Customer metrics.** Nearly every organization looks to maximize total customer value (TCV) and customer lifetime value (CLV). Critical parts of the customer lifecycle are being able to minimize churn, increase the likelihood of renewal and grow the customer relationship with cross and up-sell. A successful QTC process plays a critical role in maximizing these metrics. And companies must look at the entire customer journey to make it as optimized as possible. Looking at it in siloed pieces will likely result in a disconnected, inefficient process.



Business factors to consider when designing a QTC process

To design an effective QTC process, it's important to have a detailed plan and best practices expertise in all applicable areas. These include:

- Business process
- Regulatory compliance
- Application systems

DESIGN
Industry best practices
Best practices processes
Application design
Automation
System and IT architechture
Data design
Financial best practices
Regulatory requirements

- Financial controls
- Data architecture
- Metrics

TYPICAL APPROACH TO QTC STRATEGY

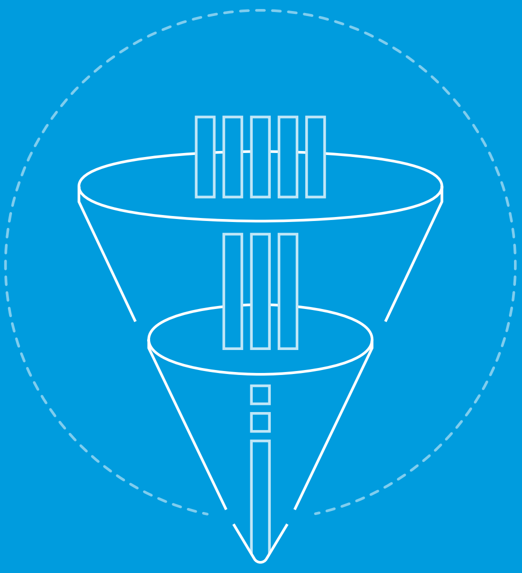
- **Assessment:**
  - Business goals and long-term vision
  - Current state key performance indicators (KPIs) compared to industry norms and best practices
  - Process (business process)
  - Technology (applications, data, systems/IT)

- **Technology road map to desired state:**
  - Strategic business goals
  - Key performance indicators
  - Industry best practices

- **Readiness and planning:**
  - Current state versus future state
  - Skills and execution requirements
  - Initiative/project phases, budgets, timelines
  - Go-live planning
  - Migration planning
  - Change management

- **Project phase 1:**
  - Minimum viable product—requirements met for a usable initial release

- **Project phase 2+:**
  - Follow-on phases as part of overall road map



When planning, it's crucial to consider the entire QTC process and not any one part in isolation. Although often siloed by organization and systems, the QTC process has many interdependencies that need to be considered before expending the considerable resources to change any one part. Performing an assessment as well as creating a design and road map provide a strong blueprint to make improvements over time.

The QTC solution set

While every organization is different, a streamlined QTC process requires best-of-breed technologies to deliver on business outcomes. These technologies boost efficiency, enable differentiated business capabilities and comply with financial and regulatory requirements.

Opportunity Management → Operations Management → Customer Management → Performance Management → Financial Reporting

CRITICAL BUSINESS FUNCTIONS

SALES & SALES OPERATIONS

- Customer Acquisition (Net New, Cross-Sells)
- Channel Partner Management
- Sales Opportunity Management
- Quote to Close

CUSTOMER SUCCESS

- Contract Lifecycle Management
- Order Management and Delivery
- Customer Onboarding and Success
- Renewals, Upsell and Cross-sell

FINANCE, ACCOUNTING

- Billing, Credits, AR Cash Collection
- FP&A and Management Reporting
- Accounting & Financial Reporting (GL/ME)
- Revenue Recognition

ENABLING TECHNOLOGIES

CRM	Customer Relationship Management
PRM	Partner Relationship Management
CPQ	Configure, Price, Quote
CLM	E-sign Contract Lifecycle
CX	Customer Service & Portals
Middleware	Integration
ERP	Enterprise Resource Planning
BI	Business Intelligence
Billing	Invoicing & Billing System
RevRec	Revenue Recognition Software

CRITICAL CONSIDERATIONS

DATA

- Customer 360 Master Data Management
- Product Catalog/ SKU / Bundle Rationalization

PROCESS DEFINITION & REFINEMENT

- Pricing, Discounting, Approvals, Contract Terms
- Contract Modifications, Amendments, Coterminations, Renewals
- Onboarding, Provisioning, Order Fulfillment, Entitlements

SYSTEM AUTOMATION

- Direct, B2B, B2C, Partner, Add-Ons, Upgrades, Swaps, Downgrades, Cancellations, Renewals

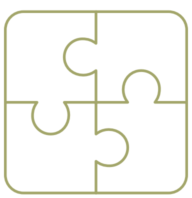
REPORTING

- Forecasting and Demand Planning
- Invoice and Revenue Recognition
- Compliance (606 & 842)

ADVANTAGES OF A STRONG QTC ARCHITECTURE

- **Having centralized data creates a 360-degree view of the customer.** There's no one solution that can perform all the application functions needed for a strong QTC process at scale, however through proper architecture choices, data and process can be seamless and consolidated. Salesforce Sales Cloud, Service Cloud, CPQ, Pardot, Experience Cloud, Field Service and Billing are all on the same platform with the same underlying database that provides one consolidated view. A full development framework as well as the AppExchange enable customizability and extensibility. Similarly, ERP solutions like NetSuite have a full range of capabilities that handle many parts of the QTC process. Integrating best-of-breed technologies and creating a data architecture that spans systems can give you a full picture of your client base and help you make the best decisions to grow your business.

- **IT consolidation reduces the cost of maintenance and reduces technical debt.** The stronger the platform the more it can be leveraged to add on more capabilities as needs arise. Because most systems have robust APIs, customers can choose between the conveniences of a single platform versus the benefits of "best of breed." Depending upon business requirements, the application and data stack can be customized to meet the business's competitive needs.



- **Suite solutions have the added benefit of license and training consolidation.** Applications from the same provider can provide cost advantages (like fewer licenses), more "single pane of glass" opportunities and seamless interfaces that require less maintenance and training. While suite solutions provide full capabilities, some situations call for "best of breed" for certain components that can often be integrated through middleware or programmatic API calls.

Almost all modern applications are cloud-based, which provides a huge advantage over on-premises or custom-built solutions. Cloud-based solutions are constantly improving, adding industry best practices capabilities every release. The sweet spot is being able to take advantage of new capabilities being added to the platform as part of the subscription license while customizing the parts that are particular to your organization or that give you a particular competitive advantage. The advantages of a cloud solution are reduction in overall IT costs, investment and risks, faster time to market and continual improvements as part of the subscription.

Once you have a scalable QTC architecture in place, not only will it pay off in easier administration, but it will also provide your company with a flexible, best practices infrastructure that can respond better to planned and unplanned changes in the future.

Ready to get started?

With RSM's tailored implementation, your organization can be efficient at scale. Contact our team of QTC-experienced advisors to help take your QTC process to the next level.

CONTACT US

LEARN MORE

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