

Rethinking CPQ in the Age of Recurring Revenue

How a lead-to-revenue architecture meets the needs of the modern contract

By Sean Joyce, EVP, Technology & Strategy, Navint



The shift to a recurring revenue model has introduced several new and complex challenges for businesses: billing proration from contract changes or upgrades; continuous introduction of new product and pricing structures; and integration between enterprise resource planning (ERP) and customer relationship management (CRM) platforms. Taken together, these issues highlight the dynamic nature of the modern contract – and the need for sales and finance functions to evolve.

Challenge: An ongoing and evolving sales process

Past

Each sale was a linear transaction with a clear beginning and end.

In a traditional sales model, businesses used a configure price quote (CPQ) tool to configure equipment and other hard good orders linearly. By and large, the contract was static. If a customer wanted to purchase additional products or services, he or she would have to begin the process anew.

Present

A sale is the beginning of an ongoing, evolving relationship.

Today the process is much more fluid. Organizations aim to establish a long-term, ongoing relationship with the client, as opposed to completing a single transaction. The recurring revenue model is meant to capitalize on this new customer dynamic by offering multiple ways to price and package goods, as well simplified processing for account upgrades, changes or new users. At the same time, it introduces complexity within the sales and billing process – and the relationship between these two functions.

Challenge: Discrepancies between sales and billing processes

Past

The sales process was supported by a standard configure price quote (CPQ) solution.

The dynamic nature of the modern contract means that the sales process does not end with the signing of a contract. Nor is billing a simple and straightforward process. Instead, today's solution must support complex billing calculations during the quoting process, as well as enable contract alterations, such as upgrades, add-ons and swaps.

Present

The process has been extended to CPQ + I (invoice) A (amend).

The problem? Most CPQ tools don't provide the ability to perform traditional back-office capabilities, like billing and payments. Likewise, most legacy billing applications lack the functionality to be incorporated into the sales process. Thus, most organizations are forced to rely on two or more different tools, which often leads to discrepancies between the sales and billing processes in terms of contract dates, costs, discounts, credits or proration. As a result, many businesses have mismatched financial statements and unbalanced books as contracts and orders don't align with bills and invoices.

Challenge: Integration between Sales and Finance

Past

Sales and Finance were distinct, and largely independent, functions.

As the line between sales and finance continues to blur, traditional tools, like CPQ, which cater to the front office, and billing applications, which support the back end, fall short of current business needs. The process and technology silos between sales and finance must be broken.

Present

A fluid customer relationship requires integration between these two units, as well as a clear handoff between them.

While there is complexity in the integration of these functions, the real issue that many businesses are struggling with is identifying precisely where and when the sales process ends and the finance organization picks up. A clear and orderly handoff is absolutely essential to ensuring alignment between these two functions.



Lead-to-revenue architecture:

Three attributes of a modern sales and finance organization

Given that the recurring revenue model has changed how people and businesses buy everything from vehicles and electronic equipment to fashion and furniture, it's important for businesses to be able to support this new need. Organizations must have both the technology and process to support such a shift by adopting a lead-to-revenue architecture that marries modern front-end sales functionality with flexible back-end billing processes.

Navint connects extensive business advisory and ERP experience with deep technical and implementation capabilities, to help clients modernize their lead-to-revenue operations across the front and back office. Our CPQ & Billing capabilities are:

dynamic

A modern CPQ & Billing solution must support sales as ongoing relationships – not one-and-done transactions. At the same time, the tool must be flexible enough to support the customer no matter where he or she falls on the continuum, from a premium subscriber with constantly changing add-on services or upgrades, to a more traditional sales model.

unifying

The recurring revenue model requires organizations to manage increasingly complex billing calculations, as well as invoicing. While many companies use two different tools or vendors to perform these services, the overarching CPQ & Billing solution should serve as an orchestrator, defining a process that outlines specifically where one function picks up and the other leaves off.

consumer-centric

At the end of the day, any revenue model, but particularly the recurring revenue model, is tied to customer satisfaction. A Quote-to-Cash solution must be designed to simplify the customer experience and reduce friction with the end user. While this process is incredibly complex for businesses, the experience should be nearly effortless for the consumer – the technology invisible.

Next steps:

How to adopt a lead-to-revenue architecture in your business

01

Define organizational priorities

What is the effect of Recurring Revenue models on organizational strategy?

02

Identify core technology anchors

How do you leverage technology to drive organizational priorities?

03

Deliver iterative value

How do Recurring Revenue models influence your business processes?

04

Unify the lead-to-revenue process

How do you drive Recurring Revenue strategies within your organization?

About Navint

Navint is an advisory and technology services firm that enables enterprise organizations to drive growth and operational efficiency throughout the lead-to-revenue lifecycle. We deploy modern solutions that connect deep strategy and process expertise with technologies across the front and back office to help enable new levels of flexibility, efficiency and customer centricity. Strategically-led, operationally-minded and technology-supported, we support engagements across a wide variety of partners and platforms, including Salesforce, to design and implement a comprehensive approach for CRM, CPQ, CLM, Billing and ERP.

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