



CONFIGURE, PRICE,
AND QUOTE
CLOUD

Aligning Your Sales Process to Increase Speed, Accuracy, and Revenue

Achieving Measurable Success in the Inquiry-to-Order
Process

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Introduction

The process of selling, which is both an art and a science, has seen many innovations in recent years. If your sales process has not kept up with these technology advancements, it is likely that you are being outsold by more forward-thinking competitors. Have you aligned your sales process with the way customers are now buying? The web has changed the landscape, and customers now expect products and services to be configured to meet their needs, as well as fast and accurate price quotes and fulfillment. The internet provides instant search results for any products and services, along with real-time pricing information. Increased product choices and purchasing options are easily available from an expanding global market.

To maintain sales momentum and grow market share, companies must now look to new tools and technologies that can reach across industries and across sales channels. Today's successful business leaders are embracing solutions for optimizing flow, speed, and accuracy while improving efficiencies throughout all areas of their business, including sales.

How do you eliminate waste, reduce inefficiencies, and improve order accuracy? You need to investigate all areas of your sales process, including product selection and configuration, pricing, quoting, and order processing. By applying innovative thinking and Web 2.0 technology, companies can eliminate the delays and errors inherent in the cumbersome processes typically used to sell complex products and services across multiple channels. Companies must eliminate inefficiencies throughout the inquiry-to-order (ITO) process to remain agile and competitive in today's economy.

Maintaining quote and order accuracy using a manual, spreadsheet-based quote process for configurable products across multiple sales channels is a huge challenge. Such a method typically leads to high quote error rates, invalid configurations, and extensive intervention by engineering and customer service resources. Frequently, the net result is lengthy quote response times and low quote-to-order (QTO) conversion rates.

To alleviate these pain points, forward-thinking companies are increasingly turning to web-enabled sales solutions to achieve breakthrough business benefits. This white paper examines how sales process optimization contributes to establishing a customer-centric value stream, and describes several key performance indicators (KPIs) by which a company can measure the success of implementing a streamlined sales initiative and its impact on overall business performance.

“Today, 30 to 35 percent of a salesperson’s face time is spent with the customer. Salespeople spend too much time on administrating, expediting orders, arguing over receivables, and finding late shipments.”

Jack Welch, former CEO, General Electric

Value-Based Benefits of a Streamlined Sales Process

In evaluating existing processes for improvement, consider the following potential objectives and value-based benefits of a streamlined sales process:

- » Sales representatives and distributors instantly generate quotes online in the field, without support from the sales and engineering teams.
- » Every quote is generated at least 50 percent faster and with 100 percent accuracy, and quotes are converted to orders with one click.
- » Orders are submitted online and flow “hands-off” from customers or channels to the enterprise system and production environment, with no intervention.
- » Quotation costs drop 20 to 70 percent, order entry costs drop 50 to 80 percent, and fulfillment cycle times improve at least 50 percent.
- » More than 80 percent of customer service inquiries are resolved quickly through self-service over the web.
- » Up to 75 percent of printing and distribution costs for catalogs, technical bulletins, and price sheets are eliminated.

As shown in Figure 1, a streamlined sales process begins with the salesperson, distributor, or customers themselves selecting the best product fit, configuring the total solution, and generating an accurate price quote. Technology can be used to automatically generate a detailed proposal, with little work from the salesperson. The sales data should seamlessly feed into the order and fulfillment system, and ultimately into a reporting system for visibility across the organization.

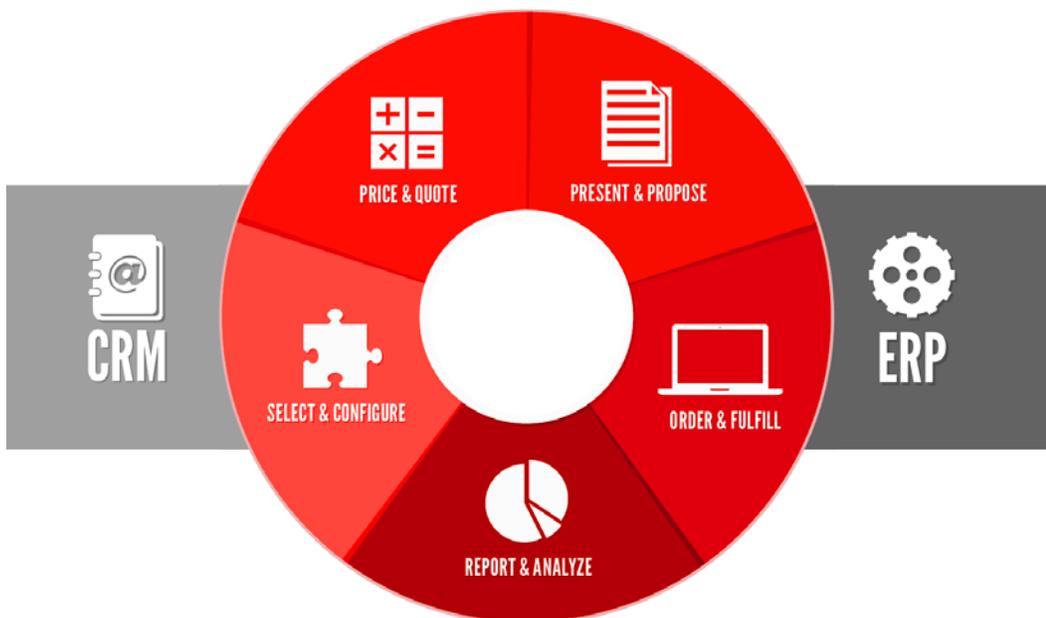


Figure 1. Streamlined sales process flow

Measuring the Effectiveness of Sales Optimization Processes

What you do not measure, you cannot improve. Managing process improvements can be especially vexing for suppliers of complex products or services, as well as for companies with large, complex sales and distribution channels. Yet, undeniably, any inefficiency at the front end of the business process, during the sales and quoting cycle, has a direct impact on the customer experience and can resonate across the entire organization—affecting quality, customer service levels, profit margins, and profitability.

Speed, cost, and quality are the most critical metrics in determining customer value. Additional metrics include customer retention and revenue growth. Sales processes are typically the least optimized of any segment in the value chain, because process innovation is often not applied to the initial stages of customer contact. Consider how the following common scenarios result in less-than-optimal performance in each of these critical sales order processing areas:

- » Inconsistent quoting and frequent pricing errors because of a lack of standardized practices and overreliance on tribal and key individual knowledge result in lost profits or dissatisfied customers.
- » Frequent proposal, stock-keeping unit, or item / bill of material and order entry errors necessitate time-consuming rework and multiple handoffs, resulting in delayed customer responses, lengthy QTO cycles, and lost business opportunities.
- » High administration and operational costs erode gross profit margins and contribute to reduced marketplace competitiveness.
- » Sales channel inaccuracies, inconsistencies, and confusion resulting from outdated print catalogs and misunderstanding of customer requirements lead to reduced sales effectiveness and lost business opportunities.
- » Applying strategic thinking and implementing an effective and efficient technology solution can help streamline the entire range of ITO processes and enable companies to realize measurable process improvements and results.

Taking a Strategic Approach to the Inquiry-to-Order Process

Only companies that can maximize speed, accuracy, and efficiency will succeed in satisfying customers, reducing costs, and enhancing margins. Achieving these goals demands a well-planned and intelligently implemented strategy, driven by the specific business model and workflow pain points, as well as strategic corporate objectives related to ROI and bottom-line benefits.

The first step should be a careful process mapping of the initial portions of the value stream. This mapping helps companies understand how each existing process step contributes to or detracts from the overall value stream. The analysis serves to identify the source of bottlenecks and waste and helps companies determine how inefficient processes can be improved to add more value. Typical processes to be mapped include all the business processes required to convert a customer inquiry into an order, such as

- » Quote and order management
- » Product selection and configuration
- » Services estimation and statement of work creation
- » Discounting and pricing approvals
- » Bill of material generation
- » Sales reporting and analytics
- » Channel and customer management

The next step is to evaluate how current systems support the current value stream. In the front-office sales process, companies only deal with information flow in the form of paper and electronic documents, including customer specifications, requests for quotes and proposals, quotes, proposal packages, drawings, and purchase orders. Thus, understanding how information systems support the value stream is critical, because the limitations of the



current systems often cause substantial waste—duplicative data entry, redundant work steps, and so on. This is different from back-office optimization, in which the material flow is crucial. Before there is an order, there is no material flow: There is only information flow.

After the current processes and systems are fully understood, the company can then design the optimal future state value stream and the systems that will support the improved processes. This requires an understanding of how new information technology—web-based software for online collaboration and information sharing, for instance—can help eliminate wasteful process steps and mistake-proof the process.

Without considering new information technology, the potential improvements are limited. An example of this is the airline check-in process. Without technology, a check-in agent would always be required, and the potential improvements would be limited to that agent's skills and training. By introducing technology, airlines now provide self-service check-in kiosks that eliminate the need for a check-in agent. Today, self-service check-in can be completed in 15 to 30 seconds, whereas the old process involved long lines and at least a one- to two-minute interaction with the agent for every passenger.

After the future state process and systems have been designed, the company must develop an implementation plan, which includes selecting a sales technology solution with the power and scope to support the future state process and systems. The solution should be a virtual platform that provides in one place all the knowledge, information, and tools required by sales, channel partners, and customers. It should be scalable to accommodate business growth—whether growth occurs organically or through a merger or an acquisition. And, it should provide deep, multifaceted functionality that encompasses the entire quote, order, and product configuration cycle.

Finally, given the speed of today's business and the new channels and methods for doing business, selecting a web-enabled sales optimization solution is critical to success. Web-enabled orders have been replacing the traditional customer order tools including fax, postal mail, and phone, and this trend is expected to grow over time. Building and commissioning a web-enabled order management system sooner rather than later is becoming imperative for doing business, just as purchasing a fax machine was 30 years ago, setting up e-mail 20 years ago, and launching a website 10 years ago.

As many companies have learned with their back-office operations and fulfillment process optimization initiatives, continuing to improve speed, cost, and quality is key to remaining competitive in the fast-paced global marketplace. The biggest opportunity for further improvement is within the front-office sales processes. These processes can be streamlined by creating a web-based portal through which a company's internal and external sales force, dealers, distributors, and customers can communicate freely in real time, and product and order status information can be made available around the clock, around the world.

The decision to implement an efficient, scalable sales strategy entails much more than choosing a functionally rich, web-enabled software solution. Streamlining the sales process is about not just technology, but also a commitment to a customer-centric, value-based business transformation, with technology deployed as an enabler to standardize operational processes and improve business performance.

Strategic Steps in Implementing a Comprehensive, Optimized Sales Strategy

Here are some steps to evaluate, define, map, and implement a successful forward-thinking sales strategy and solution.

1. Map the entire sales process value stream, from initial customer inquiry to order. Include your sales channels (such as representatives and distributors, and even self-service by customers via the web), and map the flow from the customer backward. Identify waste and causes of errors.
2. Gather direct input from your customers and distributors or resellers. Get their perspective on your current service levels. Do not assume that you know how happy your customers are with your responsiveness and the quality of information you provide them. Ask them how you can improve.
3. Map your current systems and sales tools. Evaluate how well they support your current sales process and how well they support efficient information flow during the quoting, ordering, and customer service processes.
4. Consider how web technology can help you make improvements not possible in a traditional paper-based process paradigm. Design the future state value stream while considering how you can apply web technology to make radical breakthroughs in the process. Paper processing, data re-entry, and faxing are all inherent forms of waste that web technology can help eliminate. If you do not consider technology solutions, then you can only go so far in eliminating waste. It is like redesigning the airport check-in process without considering the possibility of self-service kiosks.
5. Establish a detailed project plan and project organization with clear roles and responsibilities. Make timelines and responsibilities clear to keep the project on track. Dedicate the right resources to the project, and hold frequent “checkups” with senior management to address any issues.
6. Rapidly prototype a web-based solution and iterate based on pilot user feedback. Involve key customers, distributors, sales, and engineering staff in the pilot, so that all process participants’ needs are required. Use this feedback to tailor the solution before a broad rollout.
7. After you go live, track metrics to measure success and drive continuous improvement. During the initial value stream analysis, establish baseline metrics based on the current state process so that you can accurately track the project and measure improvements over time.

Measuring the Success of a Sales Process Transformation

Establishing metrics helps companies evaluate and ensure the success of any technology-driven process improvement initiative. This includes measuring how the solution will improve the speed, accuracy, and efficiency of operating procedures. It also includes business performance metrics; for example: How will the transformation affect the business, in faster throughput, higher productivity, reduced costs, increased sales, higher profit margins, and superior customer satisfaction? How quickly will the investment pay for itself in ROI and competitive advantage?

The most significant KPIs of a successful ITO transformation include the following:

- » **Reduced lead and cycle times.** With a single cohesive system, sales personnel—as well as distributors and value-added resellers—can quickly create consistent, accurate, and cost-effective proposals, complete with supporting documentation and graphics, and accurate pricing. By granting 24/7 access and providing complete guided selling information, companies can reduce ITO cycle times by 50 to 100 percent and eliminate one to four days from the order-to-shipment cycle.
- » **Mistake-proof quoting and pricing.** With the configuration logic, pricing rules, and workflow, quote and order errors can be eliminated. This can result in 100 percent clean orders and the elimination of 80 to 90 percent of credit memos caused by pricing errors.
- » **Faster customer response time.** With all required data, including historical order information, available via a web-based portal, sales personnel can respond to customer queries in seconds or minutes, rather than hours or days.
- » **Higher fulfillment rates.** Technology-enabled automation results in quoting efficiency and fast order processing—from order to production—leading to higher throughput of finished goods.

- » **Margin improvements.** Standardizing, automating, and synchronizing front-end processes can reduce selling, general, and administrative expenses by 10 to 20 percent. This, in turn, typically reduces operating costs by 1 to 5 percent of revenue and boosts operating profit by 30 to 50 percent. Margin improvements are typically achieved through faster and more accurate quote generation, automated order entry with no errors, decreased need for sales engineering support, and fewer demands on customer service resources.
- » **Revenue growth.** Automating quote follow-up and improving quote management through accurate real-time reports can increase quote conversion (hit rates) by several percent. Improved price control, up-sell, and cross-sell capabilities can increase average order value by 10 percent.

Adopters of Technology-Enabled Sales Strategies Report Dramatic Results

Streamlining sales processes by applying web-based technologies has helped many manufacturers significantly improve their quote-to-cash speed and accuracy, and has enabled them to present one face to customers, despite the complexity of their product lines or sales channels. In addition, in many cases, integration of their streamlined sales solution has enhanced the performance of their existing enterprise resource planning (ERP) systems.

Here are a few real-world examples of sales optimization results among early adopters.

A global provider of collaborative payment, invoice, and document automation solutions implemented a web-based sales platform that enables product selection and configuration, pricing and quoting management, and proposal generation capabilities, all integrated into its existing customer relationship management and ERP systems. The solution led to the following:

- » 35 percent increase in maintenance contract accuracy
- » 25 percent increase in productivity for credit control and order administration
- » 66 percent reduction in over-90-day debt over 18 months
- » 85 percent reduction in returned revenue credit to customers due to inaccurate pricing
- » A leading supplier of enterprise Voice over IP solutions was growing quickly but its Microsoft Excel-based order entry and fulfillment system was labor intensive and lacked scalability. After the company deployed a comprehensive web-based sales platform, the average quote processing time plummeted from 27 minutes to less than 10 minutes, the percentage of orders containing errors was lowered, and more than 85 percent of orders placed by reseller channels were now completed online.
- » A leading manufacturer of fluid handling systems for industrial applications realized a 50 to 70 percent reduction in quote generation time and application engineering resource utilization, while achieving 100 percent quote accuracy. Leveraging the channel management component of its streamlined sales solution to encourage online orders, the company now receives more than 80 percent of sales channel orders via the web. Because its manufacturer's representatives can configure, price, quote, and order mixers and parts completely online, these orders flow directly into the company's enterprise system and onto the shop floor without any manual processing.
- » A global network security provider replaced its homegrown quoting and configuration tool with a robust, web-based sales platform, enabling its sales teams and channel partners to generate quotes and service contract renewals, manage product configurations, and enter orders. The provider had identified 20 point solutions in its quoting, pricing, and configuration process, and its new system consolidated all those critical tools in a single integrated system. The streamlined solution enables the sales team to quote renewals, products, and services on the same quote, creating additional cross-sell and up-sell opportunities.



Conclusion

Sales optimization is a process of continuous improvement, and optimizing operations across the enterprise—including critical customer-facing sales processes—makes good business sense in both the short and long term. As an industry analyst noted, relative to targeted process improvements, such gains are not measured in mere basis points but in orders of magnitude. This is borne out by the operational and business improvement examples discussed here.

Challenged to increase earnings in difficult economic times, companies cannot rely on the market alone to drive growth. Many businesses are turning to mergers and acquisitions, global outsourcing, and penetration into high-growth global markets such as China and Eastern Europe. Depending on a company's size and market position, these growth strategies can be costly and their outcome uncertain. Optimizing and streamlining the sales process, however, presents a more cost-effective, less risky opportunity to drive out bottom-line costs and pave the way for organic top-line growth.

Gartner has observed that companies automating the configure, price, and quote process view it as a strategic priority, and can expect to grow sales by 10 percent.¹ Even a modest improvement in the perfect order rate can increase customer or partner satisfaction, increase repeat business, decrease expedites, and shrink quote-to-cash cycles. Not only are the results easy to track, but the benefits appeal to sales, marketing, finance, customer service, and—most importantly—customers.

¹ Gartner, Praveen Sengar. "Configure, Price, and Quote Tools Help Redefine the Sales Experience." July 12, 2012.



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