

PROCESS INNOVATION: YOUR SECRET WEAPON FOR SALES

ABSTRACT

A company's business processes are its life-blood.

As markets age, product features converge and differentiation at the product level becomes more and more difficult. At some point differentiating among vendors shifts from product attributes to which company is easier to do business with and winning on that difference relies on a company's execution of its customer facing business processes. Modern CRM technology can play an important role in helping companies improve process execution and help make them easier to do business with than their nearest competitors.

Virtually every company has to deal with multiple business processes such as the proposal process, contracting, forecasting and myriad others. Very often in tight markets, the way these customer facing business processes are executed can be one company's critical success factor and a barrier to entry for a competitor. Moreover, a company's margins will benefit from clean processes that can fulfill both a customer's product and business needs.

While there are many business processes that can be considered for improvement, this Beagle Research Executive White Paper will focus on the customer facing business processes that are closely associated with CRM and the positive role that the extended CRM suite can play in helping companies compete. Our analysis will focus on three areas where process improvement can be easily executed and is relatively inexpensive leveraging modern CRM technology:

- Product configuration, pricing and quotation (CPQ)
- Contract management
- Business forecasting

This Beagle Research Group Executive white paper is based on extensive research conducted during February 2008

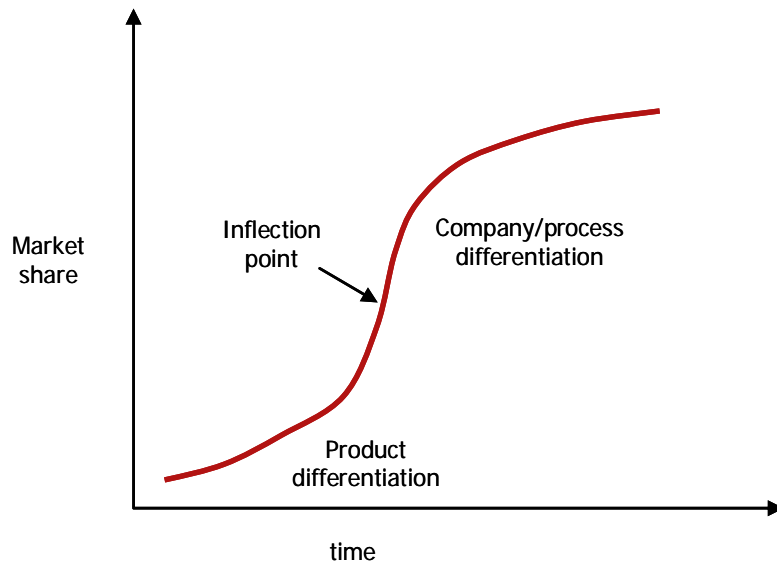
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BUSINESS CHALLENGES

There are two significant parts of a market's life cycle — the product innovation phase and the process innovation phase (Figure 1). There is no time limit on either phase and each could go on for many years. The product innovation phase is a time when vendors make rapid improvements in their products as a way to differentiate from the competition. But product innovation eventually slows and vendors either introduce new products — restarting the product innovation cycle — or they turn to process excellence as a means of out-competing rivals.

A great deal has already been written about using process excellence in back office operations for enterprise resource planning (ERP) and supply chain management (SCM) and even supplier relationship management (SRM). Such systems represent big investments that many large companies take when seeking ways to improve product development, production and product delivery processes.

Figure 1 Company differentiation throughout the product life-cycle



Source: Beagle Research Group, LLC, March 2008

In many companies that deliver technology or service products, the back end processes are rather short. For example, in a software company, there may not be a long supply chain spread over the world that needs to be synchronized to deliver products on time and at a specific price point. In his recent book, *Dealing with Darwin*, Geoffrey Moore noted that customer-facing processes offer an important opportunity for innovation and competitive differentiation.

When companies turn to process excellence they find ways to remove waste while improving margins — without increasing prices. Often process improvement benefits both the vendor and the customer. Customers reap benefits from this focus on process

in the form of reducing the friction associated with making purchases — orders are correct more of the time and there are fewer returns and field upgrades, and contracts are easier to understand because they do not include useless verbiage, for example.

In many markets including technology and software, telecommunications and financial services, process innovation is becoming an important area and emerging front office companies are filling important niches that improve process execution.

Adding process improvement applications to existing business processes need not be an expensive or technically demanding job. Many of the process improvement applications on the market today come pre-integrated with core CRM applications such as Salesforce SFA through the Force.com platform. Pre-integration along with on-demand availability and low cost are strong arguments for many organizations to consider differentiation through process improvement.

THE CONFIGURE-PRICE-QUOTE PROCESS

Early stage companies are more likely to sell a lot of custom products in part because at their stage of corporate evolution they are taking input from the market place to define their products and services. However, as products standardize, customers come to expect a higher level of standardization in process execution as well. For products that are available “off the shelf” customers expect automatic and competent vendor interactions i.e. customer-facing business processes.

This standardization tends to constrain margins that companies previously received on customized products. One approach to maintain margins is to lower overhead by removing as much potential for error and rework as possible from the sales-order-delivery process.

In a standardized product environment, a mistake in an order can be costly. Vendors are often faced with the unenviable task of having to explain to customers that to complete an order with missing items they must add cost. And even if the customer accepts the additional cost, the vendor may have to send an expensive field technician on-site to install a component, often without being able to pass on the cost of the site visit.

Standardization is also complicated by mergers and acquisitions in which multiple product lines and sales teams come together to sell a unified product set. The merger is in some ways an exaggerated example of the situation faced whenever a new salesperson is brought on-board. In companies that sell products with big bills of materials and paper or spreadsheet based catalogs, it takes a long time for new sales people to get up to speed with the “system”. Sales teams that hire frequently or have to incorporate sales people and product lines acquired in a merger can find this a daunting challenge.

Quoting and pricing issues also affect the sales process in more mature companies. For example, there is increasing pressure on executives coming from boards of directors and shareholders to standardize discount policies and to monitor and manage that process. Often early stage companies manage discounts through email between the sales representative and the sales manager — an ad hoc process that is wide open to abuse.

Without a system to manage the discount policies the sales process can be subject to unnecessary delay and sales representatives may take liberties with discounting.

Worse still is the fact that the whole process can only be audited with great difficulty, if at all, so many companies have no idea what they may be losing through inappropriate discounting.

A good CPQ system can meet all of these challenges by automating the input and management of core product information, by providing workflow and audit trails for the whole configuration to quotation process and by placing checks and balances on discounting.

THE CONTRACTS PROCESS

In the discussion of process standardization, contracts simply represent the opposite end of a long continuum that starts with the configuration. Ironically, many of the same people affected in the CPQ process are also affected by contracts — sales people and their managers. However, the contracting process has the potential to impact others in the company as well. For example, the general counsel's office is a prime target but so is the CFO, especially when trying to close a financial reporting period.

Surprisingly, many companies that automate the CPQ end of the process still generate contracts manually or nearly so. As a practical matter, the same technology approaches that ensure that all relevant components get included in a configuration can be used to ensure a contract is well defined. Since the contracting process can extend a sales process at times when both parties wish to conclude an agreement, it makes good sense to use appropriate automation at this end of the process chain as well.

Vendors of contract management systems recognize that there are a limited number of permutations to a company's contracts and even of specific clauses. A contract management system enables users to set up a contract template in which all of the options are available — though not necessarily shown to the user.

For example, a vendor's standard positions on a contract issue may be the default and a user without legal training could generate a satisfactory standard agreement without involving the legal staff. In many cases though, a company will have fallback positions for many issues where customers could conceivably require different terms. Although the company might prefer its default position, contracts management systems enable legal experts to configure these alternative positions — with business rules for their use — to guide the user.

A contract management system may include any or all of these five parts and some vendors may specialize in one or more, but not all.

1. User interface — For generating specific contracts from a company's template agreements. A set of rules guides the user through a process that results in a clean document suitable for presentation to the customer. Useful features include one click simple document creation, automatic faxing when a document is completed, electronic signature capture and storage and retrieval via a specialized library or repository.
2. Contract authorship — This module enables a contracts expert to set up agreement templates and the rules that will govern the agreement. Various vendors approach this in different ways, some preferring a customized text editor while others rely on standard word processors such as Microsoft Word. Either way, integration with popular email, appointments schedulers and word processing applications is

prized. Useful features include the ability to import third party agreements, a standard clause library, version control and audit trails.

3. Contract compliance — Supporting storage and retrieval as well as searching documents for rapid analysis of phrases used. Dashboards, workflow and reporting can be useful here as well as in other modules.
4. Signature management — Digital signature enablement and management reduces the time it takes to conclude agreements and eliminates many non-automated steps such as printing, faxing, and parcel delivery so that all parties can reduce administrative loads and concentrate on the business at hand.
5. Analytics — Used to uncover information in the other modules as well as to perform what-if analysis.

IMPROVING THE ACCURACY AND PRECISION OF THE BUSINESS FORECAST

At first blush, forecasting may not seem to logically fit into the same process improvement concept as CPQ and contract management but that could be due to our limited conception of what a forecast is.

Very often the idea of forecasting is limited to the experiences of sales people and their managers in trying to accurately predict the revenue that will accrue within a given reporting period. However, revenue forecasting is really only a subset of overall business forecasting, which in the case of manufactured goods, especially, can be very intricate. For example, business forecasting often affects the CFO, divisional general managers, product and brand managers as well as the entire supply chain.

The forecasting process is much different for companies that deliver configured or manufactured products rather than goods that can be mass produced such as software distribution packs or services. Manufacturers, especially those with global supply chains, must have the ability to deconstruct quotes into component quantities and their associated prices, and convey that information correctly to suppliers to ensure availability of parts and to lock in pricing. Moreover, each component involved in any configuration has such attributes as availability, lead time and price — and many prices are based on volume agreements. Getting the forecast right is essential to ensuring product delivery when promised and to fulfilling commitments up and down the supply chain.

Manufacturing companies that work with direct and indirect sales forces as well as extended supply chains are vulnerable to even small variances from forecasts. It is very important for these companies to understand quantities, prices and any special promises or circumstances so a forecast must be more inclusive than a simple dollar amount and a probability of close.

Traditional forecasting, especially using manual spreadsheets is a distributed affair. Individuals prepare their forecasts, each of which carries its own potential for error, and companies roll them up to higher levels, which effectively compound the potential for error. In addition, spreadsheet based forecasting is complicated and large companies may only be able to roll up their forecasts infrequently — a few times per year in some cases. For manufacturers, infrequent forecasting leaves many of them exposed to error and ties up capital in excess inventory.

Using a centralized forecasting facility into which all forecasters directly contribute their forecasts and their incremental changes — instead of a traditional roll up approach — can remove much of the error potential and provide managers earlier insight into changes in forecasts and thereby provide more time to analyze and correct for changes throughout the supply chain.

Centralized forecasting can be delivered as an on-demand utility making forecasting tools available to all users with access to the Internet. Modern forecasting tools give companies better access to information resulting in greater visibility into their business leading to greater accuracy and precision for both the supply chain and the customer.

PRODUCT CONFIGURATION, QUOTES AND PROPOSALS SOLUTIONS

BIGMACHINES — CONFIGURE, PRICE, PROPOSE (CPP) SOLUTION

BigMachines offers a suite of on-demand products that streamline the inquiry-to-order process. The suite enables companies to reduce the number of process steps and therefore the potential for error in building configurations, pricing them and generating accurate quotations. The improved accuracy and precision goes hand in hand with lower costs because automation eliminates duplication of effort such as redundant data entry, and ensures that configurations are accurate and include all necessary and recommended components and services. BigMachines' customers cluster in industrial, medical, software, and hi-tech markets where complex products are offered with many different pricing options and proposal outputs.

FIREPOND — A SINGLE APPLICATION FOR CONFIGURATION, PRICING AND QUOTATION

Over a period that covers two decades, Firepond has developed and refined its technology for supporting the integrated configure-price-quote process. As a fully multi-tenant SaaS application already integrated with Salesforce.com, Firepond CPQ On-Demand gives sales professionals a range of functionality that assists them in quickly generating correctly priced configurations for product lines with a large number of components. Firepond CPQ OnDemand integrates workflow to eliminate or greatly reduce the bottle necks associated with approvals — such as discounting — and audit trails to support Sarbanes-Oxley and similar compliance regimes. Business rules associated with on-line price books make it possible for novices to correctly and accurately configure and price customer solutions.

CONTRACT MANAGEMENT SOLUTIONS

APTUS — A FULL FEATURED ON-DEMAND CONTRACT MANAGEMENT SOLUTION

Apttus is built on Force.com and sits inside salesforce.com's data center which is managed by salesforce.com. Apttus provides end to end lifecycle management and makes it as easy as possible for organizations to streamline their proposal and contract management process. The company spent great effort to build a contracts tool that uses Microsoft Word which interacts with Salesforce.com. On top of that platform, Apttus provides the five essentials for the contracts process including contract authoring, versioning and approval processes secure archiving, compliance, analytics and signature

management. Apttus integrates with popular office productivity software packages for email, calendar and word processing. A full range of dashboards, workflow and reports ensures that users can not only generate and deliver agreements but also manage their production, use and archive. Apttus leverages all of salesforce.com's platform capability including integration, performance, internationalization and SLAs

ECHOSIGN — IMPROVING THE LAST STEP - GETTING THE SIGNATURE

EchoSign is a sophisticated and easy to use tool for securely capturing signatures. Users register for the EchoSign service and thereafter are able to receive and approve agreements from any outside source –recipients do not need an EchoSign account to approve or sign an agreement.

The EchoSign process involves three basic steps:

1. Upload either electronic copy or fax a hard copy (if you require a written signature), enter the email address for the recipient and send.
2. Recipients receive a PDF copy of the original which they can electronically sign or print, sign, and re-fax to EchoSign.
3. All participants are emailed fully signed agreements back.

EchoSign for Salesforce delivers seamlessly integrated on demand contract management for sell side contracts, allowing Salesforce users to send a contract directly from a Salesforce account and track the real-time status of all contracts. In addition, users can create a dashboard to measure the percent of agreements closed, contract close time, unsigned agreements, and agreements by sender.

FORECASTING SOLUTIONS

RIGHT90 — BEYOND REVENUE FORECASTING

Right90 provides an on-demand business forecasting solution for companies that manufacture or configure products with multiple permutations. With Right90, companies move beyond sales opportunity pipeline snapshots to granular SKU-level forecasts that detail what needs to be built and delivered, and when. This granularity gives greater insight into orders that benefits several groups. For sales managers, insight provides greater accountability and accuracy in the forecast; for suppliers, insight enables them to line up their own suppliers and schedule more cost efficient production; for company managers, insight into the forecast enables the company to better manage its cash and inventory. Right90 enables companies to consolidate and review their forecasts more frequently thereby enabling them to more frequently identify changes in prices and quantities. This early warning helps executives better manage to plan and avoid unforeseen disruptions.

CONCLUSIONS

For a long time in CRM, business process has taken a back seat to traditional sales and marketing for numerous reasons. Fundamental market changes are reshaping how customers interact with vendors and customers are increasingly finding that they have greater leverage. For these reasons, Beagle Research believes that one of the next growth areas in front office computing will be in enhancing customer facing business processes.

We believe that companies that are early adopters of technologies that streamline their customer facing business processes will gain a competitive advantage over their later adopting competitors. Therefore, the early and successful incorporation of process improvement solutions will form a barrier to entry for later adopters. In markets where customer recruitment is a zero-sum game, making a company easier to do business with will significantly enhance its market position.

This paper examined technologies that improve processes in three major customer facing areas which we believe will have significant impact for vendors who adopt their approaches — configuration, pricing and quotation; contract generation and management; and business forecasting. No doubt other areas exist. These three areas represent a large end-to-end business process and we believe many companies will find that they have need for more than one of these solutions.

All of the solutions described here have the further advantage of being pre-integrated with Salesforce.com's platform, Force.com. Compliance with this standard will give companies in Salesforce's large customer base numerous options when considering how best to improve their businesses.

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Beagle Research Group is a consulting and market research organization focused on emerging technologies and companies that will have an important impact on the way business is conducted in the years ahead. Our work is based on professional standards of quantitative and qualitative research which informs all of our publications.



**264 Greenbrook Drive
Stoughton, MA 02072
781-297-0066**

www.BeagleResearch.com