ACCELERATING LEAD TO CASH TO REKINDLE PROFITABLE GROWTH

NEW ECONOMIC ORDER DRIVES NEED FOR DISCIPLINE AND INTEGRATION
Enhancing the lead-to-cash process can significantly impact what matters in the emerging environment: strong customer relationships and disciplined profitable growth.
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Global competition will continue to grow, notwithstanding setbacks resulting from tectonic shifts in the economic landscape. For some time to come, demand will be difficult to forecast, and likewise the supply of materials; well-worn planning processes will work no more. Commodity, shorter product life-cycles, and consolidation will spur the need for flexibility and catalyze new business relationships. Customers are gaining power thanks to new social networking capabilities.

While some companies are focused on near-term survival, others are shifting their attention to becoming a “clear enterprise” – improving insight, efficiency, and flexibility – while getting into position to profit once the dust settles. As these firms look to the future, they are revisiting core processes such as lead-to-cash, which encompasses sales and marketing planning, sales pipeline management, and order handling. Enhancing this vital process can significantly impact what matters in the emerging environment: strong customer relationships and disciplined profitable growth.

A Return to Past Principles – But Not to Old Approaches

But claiming that the response is just a return to basics – paying attention to customers and concentrating on productivity – is too simplistic. What’s called for goes well beyond basics – to process innovation, integration, and a willingness to harness the power of software tools that have evolved profoundly. Solutions are now available to integrate the lead-to-cash process with the supply chain, back-office accounting, and more. The companies that succeed in the new order will make use of these new tools to creatively accelerate their lead-to-cash process. They will achieve the agility necessary to enhance the customer experience, trump the competition, and revitalize profitable growth.

The current economic tumult is not just another phase of the business cycle: fundamental changes are taking place in global marketplaces. While the future will bring less financial leverage and more regulation, forces are at work beyond those caused by the credit crisis.
The motivations to accelerate the lead-to-cash process are driven by concerns that are commonly shared by firms grappling with issues in the new economic environment. Requirements include ensuring adequate account coverage, enabling consistent execution across selling channels, improving predictability of the pipeline, and enabling fulfillment of the perfect order.

The first steps toward accelerating the lead-to-cash process involve improving visibility, collaboration, alignment, and execution within the end-to-end process. In particular, companies should adopt best practices in lead-to-cash components – taking a strategic approach to marketing and sales planning, establishing collaborative pipeline management, and implementing perfect-order processing.

A Strategic Approach to Marketing and Sales Planning

Companies today often face poor alignment between strategy and execution in the marketing and sales arenas. While firms may invest heavily in initially well-considered marketing programs, they are often unable to monitor the impact of these investments. They fail to leverage the campaigns to understand their opportunities more deeply, or they do not complement marketing efforts by leveraging social media to gain greater customer insights. The upshot is that firms have inadequate coverage of key customer segments, weak sales pipelines, channel conflict, and missed revenue opportunities.

Companies can address these issues by taking a strategic approach to go-to-market planning, thereby improving metrics including campaign performance and market share. A key element of the best-practice approach includes streamlined, closed-loop campaign execution and measurement. In particular, you should first automate the various campaign types (such as multiwave and multichannel campaigns), building on an understanding of the complete end-to-end campaign process to enable scheduled and real-time reactions to customer responses. Moreover,
by monitoring campaign outcomes, you can gain market insights, continually refine your approach, and improve marketing ROI.

Collaborative Pipeline Management

Lately, many companies are facing disappointing business outcomes despite large outlays devoted to their sales efforts. There is a lack of visibility into the pipeline and deals in progress, risking loss of key accounts to competitors and inattention to stalled deals. With limited insights into costs and appropriate pricing practices, companies often discount excessively. What’s more, they often fail to ascertain the creditworthiness of potential customers in early stages of the sales cycle. Strong attention to credit management can help ensure that a pipeline that seemingly meets sales targets is not at risk of a high level of days sales outstanding down the line.

By enhancing transparency throughout the sales cycle for direct and indirect channels, companies can establish clear boundaries for sales staffers, achieve consistent execution, and respond rapidly to changing market and deal conditions. Moreover, by ensuring better-qualified leads and monitoring pipeline performance, companies can shorten the sales cycle, improve pipeline predictability, and enhance win-loss ratios.

Perfect-Order Processing

Increasingly, customer satisfaction and loyalty are dependent on how well a company handles orders. Despite excellent products and services, well-run marketing programs, and strong sales performance, companies often fail in this crucial area. They are unable to make product availability commitments to customers and spend precious resources expediting shipments and addressing disputes. Lapses in back-office integration lead to a higher cost of sales – as well as an adverse impact on the balance sheet due to excessive inventory and receivables levels.

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Companies following the best practices of perfect-order processing achieve strategically relevant improvements to performance. For example, SAP has found1 that:

- By consistently monitoring order management metrics such as order accuracy and back orders, companies are able to resolve order-related disputes 40% faster.
- Companies with integrated billing, order entry, and credit management have on average 25% fewer invoice errors.

Limits to Best-Practice Value

By pursuing best practices encompassing sales and marketing planning, collaborative pipeline management, and perfect-order processing, companies can boost the performance of their lead-to-cash process and achieve crucial customer satisfaction benefits and performance improvements. These best practices can facilitate the alignment of marketing and sales channels to make use of limited resources. But despite their value, the implementation of these best practices alone is insufficient to address the complete set of competitive challenges in the emerging reality. Broader process integration is essential.

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THE NEED FOR BROADER INTEGRATION
OVERCOMING “SILOS,” ALIGNING WITH HIGH-LEVEL STRATEGY

By pursuing best practices from planning through execution of the lead-to-cash process, companies can measurably improve performance and make gains against the competition. Nonetheless, you may thwart your long-term progress by not stepping back to consider the bigger picture.

Sales and marketing, pipeline management, and order handling – the key components of the lead-to-cash process – are all pieces in a larger puzzle. More precisely, these subprocesses are often functions within a company, independently managed by organizations with specific objectives such as achieving sales targets, improving marketing ROI, and increasing on-time product delivery. Left unchecked, these groups tend to focus wholeheartedly on their individual objectives, heedless of the impact of their actions on overall company performance. Often, reward systems inadvertently encourage this behavior. This can bring about a classic case of local optima. If these organizations pursue only the best practices applicable to their own group, they might end up achieving superb perfect-order rates – but triggering excessive inventory, for example.

The Pitfalls of Point Solutions

And things can get worse. In global firms, far-flung subsidiaries and joint ventures have their own sales departments, marketing divisions, and order-handling groups that are often empowered to procure point solutions that support localized goals. They may tend to focus on the wrong metrics – associated with subprocesses defined by software boundaries – rather than outcomes defined by end-to-end, customer-facing processes. And unless top management steps in with a broader mandate, these numerous bespoke solutions can lead to process fragmentation and substantial added costs.

Achieving Process Innovation and Quick Time to Value

To be sure, companies can attain some success by achieving best practices in marketing and sales planning, collaborative pipeline management, and perfect-order processing – even with these one-off solutions. The key to this approach is to establish high-level metrics that are aligned with business strategy and to integrate the components of the end-to-end, lead-to-cash process.

But there are two problems with this approach. First, combining these discrete solutions to enable integrated processes is difficult and time consuming, as data definitions and implicit business processes are inherently unique to each application. Second, custom integration is never as good as built-in integration: the limitations will necessarily cause missed opportunities and added costs.

With lead-to-cash solutions designed from the ground up to incorporate robust integration, you can more easily achieve the quick time to value that’s crucial for success in the new environment. Moreover, your company is positioned to achieve an advanced level of innovation with comprehensive processes that overlay the core lead-to-cash components. These overlay processes are described in Figure 1.

Leveraging Response-Driven Performance Analytics

Closed-loop analyses of enterprise data can be used in a myriad of ways throughout the lead-to-cash process to improve sales-cycle transparency and help turn insights into action. Such analyses are highly dependent on integration of front- and back-office systems to present data that is consistent and meaningful.

Companies can implement applications for pipeline performance management, real-time offer management, and mar-
Marketing campaign performance reporting that use current data from systems managing orders, financial data, and so forth. Such information facilitates a 360-degree view of the customer across all touch points, helps monitor performance against targets, and provides consistency at the point of deal negotiation. By implementing dashboards that can present up-to-date information integrated from a variety of sources, managers can make decisions that support appropriate adaptation to changing conditions and maintain the focus on strategic objectives.

**Value-Driven Actions**

“Value-driven actions” concentrate on aligning resources and focusing activity on satisfying the most valuable customers – and these initiatives also depend on high-quality data. One example of value-
driven action is territory alignment. In the current environment, companies are rethinking the deployment of sales forces across territories. The sales force represents a substantial expense, and effective deployment can be crucial to advancing profitability. Business solutions enabling territory alignment need to draw data from customer accounts, product information systems, and many other sources. And deployment of new territories requires accurate updates across these data sources to foster improved performance and customer relationships.

Other examples of value-driven actions include integrating supply planning with manufacturing and transportation network design, profitable-to-promise, price and margin management, and opportunity management. Each of these processes can support substantial enhancements to revenue and margins. The outcomes are dependent on gathering data from a variety of sources, understanding the value of specific customers and segments, and triggering actions throughout the enterprise and with partners.

Enabling Sales Productivity

Improving sales productivity is essential for profitable growth: freeing sales staffers’ time to focus on selling improves revenue and enhances the customer experience. In most organizations, this is a significant opportunity, since salespeople often spend too much time locating inventory to expedite orders, resolving customer credit issues, and collecting payments.

To this point, firms must think well beyond the boundaries of the sales organization to address productivity. With processes enabled by integrated systems, collaboration can be improved, while many specific tasks such as order handling, receivables, and others can be shifted to those who have the requisite expertise. Also, providing customers with guided, interactive product configuration and direct access to product catalog data can shorten response times and lead to increased sales.

Facilitating Multichannel Selling

To deliver a uniform brand message and enhance the customer experience, companies need to deliver a consistent, satisfying buying experience across every channel. Firms need to collaborate well with partners to ensure high performance, process uniformity, and message consistency – no matter which sales channel a customer prefers.

You can facilitate multichannel selling by making inventory information externally available for end-to-end order track and trace, and by providing the flexibility to make order changes in all channels and at every step of the order cycle. Market development funds can support product co-marketing and co-branding. Aligning with partners is particularly important for first-rate multichannel selling.

Implementation of multichannel selling requires systems that span the breadth of the enterprise – and facilitate solid interactions with customers and partners. You can implement best-in-class multichannel selling processes only with strong underlying systems integration and processes that are designed to deliver high performance and consistency from the customers’ perspective.

Through its integration with CRM, the lead-to-cash process can be linked to a broader set of company processes, such as establishing forecasts, managing logistics, reducing receivables, streamlining product development, and improving service.
Lead to cash is the primary foundation among a company’s processes for enabling profitable growth. To succeed, a system that enables lead-to-cash processes needs to be linked to a vast array of data typically managed in a company’s customer relationship management (CRM) solution, encompassing customer and pipeline data, marketing campaigns, and more. Such a system also needs to be linked to a broader range of enterprise data and processes, including inventory, receivables, and pricing. Moreover, the lead-to-cash process needs to build on collaboration with partners to help you gain market insights, manage inventory, and handle order transactions.

Through its integration with CRM, the lead-to-cash process can be linked to a broader set of company processes, such as establishing forecasts, managing logistics, reducing receivables, streamlining product development, and improving service. By continuously innovating end-to-end processes, companies can build on lead-to-cash activities to achieve a sustainable advantage in the postcrisis world.

**Supporting Lead to Cash with SAP® Software**

The SAP® Customer Relationship Management (SAP CRM) application is integrated with the full array of SAP solutions covering financials, procurement, supply chain management, and many other areas. The comprehensive functionality of SAP Business Suite software – including the SAP CRM and SAP ERP applications and more – plays a key role in enhancing the performance of lead-to-cash and other processes throughout the enterprise.

The advanced lead-to-cash functionalities of SAP CRM are broad and deep. The software supports marketing campaigns, order management, real-time offer management, supply chain management, back-office integration to facilitate financial closing, and more. In addition, the processes supported by SAP CRM are integrated with business intelligence solutions, which empower users to make effective, informed decisions by using advanced analytics and data visualization.

**Find Out More**

To learn more about how SAP can help your company accelerate lead-to-cash processes to rekindle profitable growth, call your SAP representative today or visit us on the Web at [www.sap.com](http://www.sap.com).