A More Efficient Process and Better Customer Experience Can Increas the Bottom Line

Today's chief financial officer (CFO) has to be focused on all aspects of the business, and that means the office of the CFO also has to embrace its new mandate as the office of customer experience. While it is true that finance already influences customer interactions — as they are responsible for invoicing, payment acceptance and collections, among other customerfacing functions — their expanded responsibilities of driving business outcomes are more directly tied to a better customer experience.

As new business models emerge, especially e-commerce initiatives, CFOs need to understand customer trends, such as retention rates and product preferences, to spearhead growth.

Many of the challenges surrounding the customer experience can be traced to a lack of data and information, which creates process inefficiencies in the lead-to-cash process.

Data and application silos create process bottlenecks — from lead generation to revenue management— which can negatively influence the customer experience. Modern lead-to-cash solutions automate all aspects of the sales cycle and make internal processes more efficient.

Ultimately, the customer experience supports the bottom line, which is why the office of the CFO and the finance team need to be deeply invested in removing roadblocks that hamper effective and efficient communication.

While a smooth lead-to-cash process can boost customer sentiment, it is also about maximizing revenue. Companies miss opportunities when sales representatives sell the wrong products or services, or fail to successfully identify new or enhanced offerings that may fit clients' needs.

Companies also want to prevent revenue leakage, which comes in many forms, including lost opportunities to upgrade or discount a product or service. The CFO and finance team need to be in position to stop this behavior before it happens.

This white paper will explore the current challenges of the lead-to-cash process, the connection between customer experience and cash flow, and how modern senior finance professionals can ease friction and break down barriers.

Challenges to Effective Lead-To-Cash Management

Many organizations still rely on siloed systems and processes that don't provide insight into how leads will ultimately generate revenue, obstructing better lead-to-cash management.

"If you put yourself in the seat of the CFO — the person making financial decisions that impact the entire organization — you're at a disadvantage if you don't have a 360-degree view of where spending is taking place," said Derik Quinn, a managing director in Huron's enterprise solutions and analytics business. Without that information, it is difficult to determine what parts of the process are working, and which are slowing the lead-to-cash cycle.

Another drawback to siloed systems is that there is limited data to help forecast how new business and monetization models, products, geographies or other forces will potentially disrupt cash flow. This data is critical to business outcomes since the modern CFO is moving beyond traditional accounting duties to become a strategic business partner.

Forward-looking companies are looking at new business models, such as building recurring revenue streams through subscription-based models, and the data to inform those decisions. This requires more collaboration between the finance, sales and marketing functions to understand how the decisions of one will impact the other functions, and profitability and future growth opportunities.

An additional challenge to driving new monetization models is that finance is typically a downstream function. Finance likely knows the result of a transaction, such as product purchased and payment terms, but they don't necessarily have visibility into how the customer wanted to purchase the product or service. In the case of a monetization model, it would be difficult for the finance team to drive, or be part of, the shift to a new model, because they lack insights.

The challenges become more complex as finance teams utilize multiple spreadsheets and manual processes in lieu of automation. This can lead to errors and delays in applying data to make informed business decisions.

Senior finance executives are invested in improving the customer experience, but they often have limited access to real-time metrics from the sales, marketing, operations and procurement functions that impact user sentiment. "It is about reducing revenue leakage," Quinn said. "If you don't have data about renewal rates and performance of specific products or services, you're leaving money on the table."

Understanding the Customer-Cash Connection

Senior finance professionals need a complete view of the customer journey to accurately predict cash flow and to gain a better understanding of the customer experience. Metrics such as renewal rates, product trends and geographic analysis help the CFO and finance team gauge the impact of decisions on the customer life cycle.

This is particularly important as organizations move from a transaction mindset to a more holistic view of the customer journey. Cloud-based platforms can provide a significant benefit in their ability to bring in data from the same systems that are being leveraged by sales and marketing.

Visibility into the lead-to-cash cycle is essential to optimizing cash management. "If you understand where the bottlenecks are occurring, you can better understand what could be impeding your cash flow and take the necessary steps to address the issues," Quinn said.

Lead generation and marketing effectiveness trends impact the entire supply chain. For example, a company could see an increase in sales from a successful product promotion, but that could also impact procurement having to source additional parts to produce the end product. If there is a delay in preparing finished pieces to sell, that can negatively affect cash flow. Money will be going out to pay for the additional parts, but payments won't be flowing in from consumers.

Technology Spotlight:

How Lead-To-Cash Automation Enables Better Customer Experiences

Ian Dunckel, Senior Director, Product Marketing,CPQ & Billing, Salesforce

When sales and finance are disconnected, it can lead to interruptions in the lead-to-cash process. And every step in the lead-to-cash process affects the customer experience.

"Companies need to ensure a superior customer experience from lead to renewal, and technology can help reduce a lot of the friction," said Dunckel. "A customer can have a great experience early in the process and encounter problems after the deal closed. For example, due to manual entry a company might send an invoice with errors, or because of multiple business models, a customer may receive many separate invoices for one deal. A single platform and common data model fuels automation that streamlines the end-to-end process for the customer."

Automation is essential to streamlining the quote process, which can be cumbersome when managed manually. Automation can establish rules to move the quote through the process faster, said Dunckel. "For example, a 10% discount on certain products might be automatically approved, as it has a minimal impact on profitability, while more significant discounts are routed for review."

Automation not only gets quotes through the process quicker — which helps the sales team and enhances the customer experience — it provides better data, communications and analytics.

Contracts today are more flexible, so it is important to capture the details to ensure that they are within the guidelines, and if not, that they are reviewed before the deal is finalized, said Dunckel. "Modern contracts are living, breathing documents. The salesperson may offer 50-day payment terms to get the deal done, when the standard is 30 days, but there needs to be an understanding of how that will impact cash flow," Dunckel said.

The Evolution of the CFO's Role in the Lead-To-Cash Process

The CFO is focused on profitability, including understanding where the company is investing across all areas of the business and how those investments are performing. If the company is investing heavily in marketing a certain product, for example, the modern CFO is measuring the impact.

The modern CFO is driven to improve business outcomes and is moving into an advisory role with stakeholders throughout the organization. "The CFO should be analyzing trends to see if a different pricing structure would have impacted profitability," Quinn said.

This visibility gives the CFO the opportunity to better advise on pricing models, discounting, packaging and even deal structuring, according to Ian Dunckel, senior director of product marketing for Salesforce CPQ & Billing. "Finance understands the cashflow and revenue implications of every deal, so it can advise on quoting guardrails that will ensure Sales can meet customer needs while staying focused on the company's key objectives, such as, maximizing profitability, accelerating cash collection, or prioritizing growth."

Whether your organization manufactures a product or sells a service, it takes time for an investment in raw materials or employee brainpower to flow back into your company as cash.

For example, the finance team needs to analyze the impact of adding more humans for exceptions and the revenue impact versus increasing automation and removing the human factor. Most companies are reluctant to automate out of fear it will increase risk or have an adverse impact to the business. "What I often advise clients to do is start with the lowest risk," Dunckel said. Data will tell you where that low risk is, and you can automate and measure.

Take a hard look at every step of your invoice process and eliminate redundant or unnecessary steps that might slow down the payment cycle. Senior finance professionals should develop some order-to-cash key performance indicators (KPIs) that align with overall business goals.

Metrics that modern quote-to-cash systems can improve:

- Total order-to-cash process cost as a percentage of revenue
- Total order-to-cash process cost per order-to-cash full-time equivalent (FTE)
- Days sales outstanding (DSO)
- Operating cycle
- Metrics surrounding outstanding invoices, including average days delinquent (ADD) and accounts receivable turnover ratio
- Time from booking an order to collecting payment

Over time you can adjust these metrics to track what is truly driving your current business strategy.

"For example, one goal may be to get a customer through the quoting process in a certain period of time," Quinn said. "When the organization isn't hitting the mark, you can examine what is slowing the process down and address the roadblocks."

The CFO is positioned to understand how automation can speed the order-to-cash process as they have interactions with nearly every business function and department. In the example above, automation can help ease the burden of manually reviewing each quote. Automation can identify quotes where the risk is low, discount is low or revenue impact is low and move those through the workflow without human intervention. This frees up the workforce to handle the more complex, high-value quotes and tasks.

The ultimate goal of the CFO is to ensure that salespeople are selling the right product or service at the right time to the right customer.

Conclusion

CFOs monitor the financial health of a company, but that responsibility goes beyond accounting and reporting functions to understanding and driving business innovation.

The lead-to-revenue cycle is complex, but is closely tied to profitability of the entire organization. The senior finance professional has the pulse on broad business objectives. They are directly involved in areas such as mergers and acquisitions (M&A) activity and strategic business planning to understand how they will impact the customer experience and the order-to-cash cycle.

The role of the CFO is to ease barriers that can impede the process and ensure a great customer experience that will drive growth. CFOs have to bridge some of the internal divides as they work toward that objective.

By breaking down barriers within the orderto- cash process that encompasses the entire customer life cycle, CFOs can ensure that the next business model or new revenue streams are contributing to the bottom line.

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