



THE ULTIMATE GUIDE TO REVENUE MANAGEMENT



APTTUS



Why You Should Read *the Ultimate Guide to Revenue Management*



In an increasingly service-based economy, growth relies on your ability to close deals—not just with new customers, within your customer base as well. To that end, you need to ensure your customers maintain a positive impression of your business once they buy, which requires excellent customer service and flawless deal execution. While organizations often invest a lot in their sales and contracting process, sometimes the invoicing, billing, renewals, and order delivery experience is overlooked, to the detriment of the customer relationship.

If you're looking to achieve operational excellence, deliver a seamless end-to-end customer experience, and earn the maximum revenue from every customer engagement, this guide is for you.

The Ultimate Guide to Revenue Management will teach you how revenue management tools can accelerate revenue velocity, eliminate errors and risk, and gain more insight into your customers. You'll also learn how these solutions help you effectively collect revenue, predict budgets, effectively manage billing and customer agreements, and achieve operational excellence.





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What is Revenue Management?

Simply put, Revenue Management is everything that occurs after a contract is signed, from invoicing, billing and order management, to rebate programs and revenue recognition. Revenue Management is a critical part of accurately and efficiently realizing revenue, and, while many of the revenue management tasks are carried out by Finance, the outcomes of revenue management impact a variety of departments—from Sales and Marketing, to Finance and Legal.

When you're doing it right, Revenue Management enables you to manage different revenue models — products, services and subscriptions — for different lines of business and your recurring revenue streams, even as contract values change over time. This in turn, enables you to be more consistent across your channels, more customer-friendly, and more efficient once deals are signed.

Why Revenue Management is Hard

Let's walk through the typical revenue management process to help illustrate all the intricate processes that need to take place once your customer signs the contract.

Once an order is created, the data within the contract must be sent to Operations for fulfillment. Fulfillment isn't just packing something and shipping it to a customer. Depending on the industry, fulfillment can be a very complex coordination of activities, including custom design and configuration, scheduling manufacturing processes, software provisioning, equipment installation, and scheduling of services teams. If customers update their orders, fulfillment becomes even harder to manage.

Simultaneously, contractual information about the billing schedules is sent to Accounting. Just like fulfillment, billing can get complicated as well. Products generally get invoiced upon shipment or installation. But services may get billed upon finishing the job, completing a certain percent of the work or hitting certain milestones. And if you sell software subscriptions, these may be invoiced based on the number of users or usage data, like number of minutes used or processed transactions. And again, if a customer has multiple orders or changes, invoices need to be coordinated so your customers don't get deluged with dozens of invoices a week.

And while you're figuring out how to fulfill orders and invoice your customers, Finance needs to figure out revenue schedules that will determine when revenue is recognized based on when products are delivered, services rendered or subscriptions are used. At this point, the invoices are sent by Finance to the customer for payment, and eventually, payment is received and recorded by Accounting.



Based on the schedules set in place, revenue is recognized, and the customer is secured until it's time to renew.

If you work with complex product and service offerings, the number of departments involved in a sale can increase as can the number of change orders that occur over time, making contract visibility much more difficult. In fact, effective Revenue Management is just about impossible without a solid contract lifecycle management solution already in place.

Four Key Processes That Comprise Revenue Management

Revenue management activities cover a wide scope, but there are four main processes you need to consider.



Order Management: Entering and Processing Orders

Once a customer has signed a contract, order management is the process of coordinating, scheduling, building, shipping, and installing the acquired products and services for your customers.

Order Management is based on the order information found inside your contracts, so it is very easy when it is integrated with a contract lifecycle management tool (CLM.) Order management historically has been managed in an enterprise resource planning (ERP) tool, but because of the importance of catching on-the-fly change to orders, and the need for order management to tie into front-end tools—like CLM—it is beginning to be managed within a CRM system, or in a dedicated order management tool.

Effective order management recognizes that no business stands still and customers can change their minds, and can catch and manage the impact of any moves, adds, changes or deletes to an order. To do it right, changes to fulfillment instructions have to be able to be validated against the contract, and the fulfillment team needs full visibility into current inventory and resources to effectively manage when the order can be filled.



Billing Management: Activity related to creating and managing invoices

If order management is the back-end work that guarantees products reach your customer, billing management is the front end process of ensuring the proper invoice is sent to the customer on time, and with all the accurate information and billing terms.

While the order is being processed, order information (available in the contract) moves to your finance team so they can generate billing schedules based on the contract. And since many companies are now selling a bundle of products, services and subscriptions, it's critical that invoices clearly explain



what customers are getting billed for. TAnd if there are any changes, swaps, deletes and additions to the order, that increases the complexity of invoices.

At the end of the day, the goal for effective billing is to generate an accurate and easy-to-understand invoice. If the customer isn't able to understand the bill they won't pay. If they feel the invoice is different from what they signed, they'll need to get it resolved before paying. But if they can understand it easily, they're more likely to pay quickly, and leave with a positive impression of your company.



Revenue Recognition: Reporting revenue accurately based on what's delivered

Revenue recognition is one of the most important aspects of revenue management. Revenue recognition matters because it's so closely linked to your stock price and valuation. Recognizing more revenue at a faster clip increases the value of your business.

Because there are very specific and ever-evolving guidelines that regulate the way revenue can be recognized, accounting standards have been put in place to ensure that everyone plays fair. Errors in this process have greater consequences than lost revenue; they could potentially lead to jail time.

Revenue recognition can be a challenge, but it's much easier when Finance can automatically generate the appropriate revenue schedules for products, services and subscriptions based on your contracts and agreements. For example, a revenue schedule for a product can be automatically set up for a one-time revenue impact in month 1, while subscriptions will automatically be set up for monthly revenue impacts across 12 months. Rather than spending the end of the quarter in a conference room trying to reconcile stacks of contracts, orders and invoices, Finance can just verify if services have been rendered or products delivered, and then see how those impact the overall revenue forecast. Finance can also automatically incorporate the most up-to-date guidelines for revenue recognition and deferred or delayed revenue. They will also appreciate an automatic and easy way to set revenue recognition rules based on product, service and subscription price lists, as well as complex bundling set ups.



Rebate Management: A contracted agreement between the seller and partners or customers

The final aspect of revenue management is managing rebates that are offered to customers during the sales process. Rebates most commonly are paid out as are incentives to customers or channel partners once they meet a certain requirement—e.g. a volume, quantity, or spend level.

Rebates are a best practice for influencing partner or reseller behavior because they're low risk; the incentive is paid only once the partner or customer complies with the rebate terms. An example from



the high tech industry might be that a hardware supplier provides joint marketing dollars to distribution partners that train and certify their sales agents to effectively communicate the value proposition of a new product. In this scenario, the supplier benefits by getting its message out in the marketplace, the partner gets a bonus for following a set of criteria, and both supplier and partner gain by stimulating more sales volume.

To enable effective Rebate Management, you'll want to set up and manage all the parameters included in partner rebate arrangements. This means the ability to enter, track and reconcile the rebate forecast against the actual payments, as well as manage the types of payments and how they are calculated. You'll also want to track date- or milestone-based rebate performance to insure that your company is getting the performance level it is paying for.

Effective Revenue Management makes managing rebates easier for your partner or channel team by automating their forecasts and aligning them against sales revenue schedules

How Revenue Management Completes Quote-to-Cash

While "revenue management" is fairly broad, in the context of Quote-to-Cash, revenue management is critical for supporting multiple billing models, eliminating accounting errors, and maintaining ease-of-business once the customer signs.

To make your Revenue Management as seamless as possible, it's important to integrate this function with your contract data, so you can track contract details all the way through to order fulfillment and enable your company to keep an accurate record of the value it has earned from the deal.

Quote-to-Cash

Quote-to-Cash is the end-to-end business process between the buyer's interest in a purchase and the realization of revenue. It includes creating a quote, submitting a proposal, negotiating and managing the contract, fulfilling the order, tracking payment and managing renewals.

When it comes to Revenue Management, many companies assume ERP will take care of everything. However, even though it may store financial data, a monolithic and inflexible ERP system is not the way to handle Revenue Management. While ERP, financial systems and operational systems help you execute back-end processes and track transactions efficiently, the lack of flexibility makes it difficult for customers and partners to do business. Rigid systems can't accommodate changing business models like bundled products and services, or take extensive integration to accommodate last minute-changes that come from more customer-facing systems like CRM. Even worse, there's no single view of the customer and partner if you try to rely on these systems:

- What did customer purchase? What do they have installed?
- Which service do we need to deliver with which products? How much should we charge?



- Do partners deserve a discount based on cumulative orders?

Forward-looking companies are taking Revenue Management out of ERP and trying to coordinate this information across legal, finance and operational systems and teams.

Manage the Value you Earn with an Integrated Process



CONTRACT



ERP

Payment Terms

What was ordered?
 What price was agreed upon?
 When can the order be billed?

Accounts Receivable

Revenue Schedules

Were certain milestones met?
 When can budget be recognized?

General Ledger

Delivery Terms

What was ordered?
 What's the ship date?
 Were any changes made?

Supply Chain Management

Performance Targets

Did the partner meet the goals?
 What pricing was agreed upon?
 When should they get paid?

Financial Performance Management

Five Benefits of an Effective Revenue Management Solution

Revenue management brings variety of benefits to your Finance team, your Sales Team, your customers and your partners. Here are the top five benefits a solution for revenue management offers:

1. Revenue Management Helps You Manage Cash Flow: Cash flow is the amount of cash your company has, or expects to have, on hand at any given time. Knowing—and accurately forecasting—what's coming in and out is crucial, because it determines what purchases you can make, how much you can pay your employees, what programs you can adopt, and what interest rates you can borrow money at.



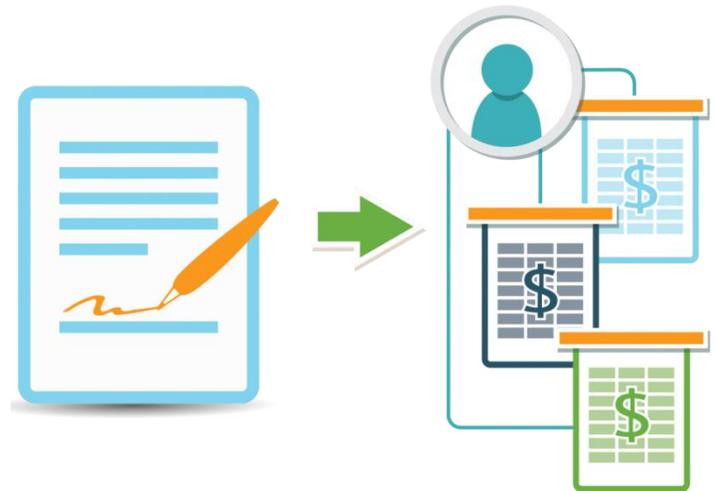
2. Revenue Management Ensures Your Billing Schedules Match Customer Expectations: Billing schedules are the forward-looking plan for invoicing your customers, which in turn, serves as the foundation for your cash flow. If you aren't punctually billing customers or collecting the correct amounts for your products, services and subscriptions, your cash flow will suffer.

3. Revenue Management Speeds Your Revenue Cycles: The revenue cycle is the plan accounting teams use to align their revenue recognition tasks with actual product and service delivery. The faster the cycle, the faster cash is in hand, and the faster you can use that revenue to grow business value.

4. Revenue Management Helps You Accurately Recognize Revenue:

Recognizing revenue can be a thorny process, but all of the information you need to ensure your company complies with these guidelines can be found in your contract data. Your contracts outline everything from order delivery and pricing to terms and milestones associated with delivery. The contract is the foundation for your billing and revenue forecast, so to accounting, getting those details captured correctly is very important.

Unfortunately, many financial professionals struggle with a lack visibility into the latest agreed-upon terms, commitments, and pricing especially when leveraging manual, spreadsheet-based processes to pull contract data and manage revenue.



5. Revenue Management Makes Your CFO's Job A Lot Easier: And a happy CFO is always a good thing. A recent survey found that a majority of financial professionals struggle with accurately projecting their company's future finances, obtaining real-time visibility across the organization, measuring the successes and failures of current business strategies, and managing financial risk.

All of these are significant challenges, but what really keeps your CFO up at night is if your revenue is recognized correctly. If you recognize revenue incorrectly, or if you can't justify how you've recognized revenue, you run the risk of having to issue a restatement. Restatements are very public mistakes that have a real and significant impact on your stock price and can land a CFO in handcuffs, but they can be avoided with an effective and integrated Revenue Management process.



What Should You Look for in a Revenue Management Solution?

As you begin to mature your revenue management process, it's important to adopt a solution that can meet your needs today, scale with you as you grow, and work with your other internal systems. Here are some things you should consider as you evaluate solutions.

Must-Have Feature: Contract Visibility for Revenue Protection

Why Do You Need It?

- Automates process from contract to order invoice
- Creates better renewals based on assets, contract terms, agreed-upon pricing and purchase history
- Syncs orders & invoices with the latest contract terms
- Gives you insight into revenue from products, services and subscriptions
- Ties revenue schedules to fiscal structure of contracts
- Provides early visibility into inflight order changes

Must-Have Feature: Global Scalability for Revenue Assurance

Why Do You Need It?

- Enables you to quickly create, model, and launch complex revenue management programs
- Rapidly deploys updates to rebates, orders, invoices, etc.
- Robust integration APIs to synchronize information across systems – from opportunity to invoice
- Single platform to manage complex global programs

Must-Have Feature: Simplified Management

Why Do You Need It?

- Auto-generates revenue schedules based on contract terms
- Manages revenue processes for products, services and subscriptions
- Enables Excel format for measuring revenues, rebates, renewals and more
- Enables you to adhere to corporate and financial guidelines
- Processes orders, renewals, and invoices wherever and however you want



The ROI of Revenue Management

- **Increased Revenue over Customer Lifetime**
- **Lower Rebate Expenses**
- **More Accurate Forecasts**
- **Reduced Invoice Errors**
- **Higher Contract Renewal Rates**
- **Lower Administrative Costs**
- **Stronger Compliance Management**

What Apttus Customers Have Experienced

- One customer was losing one to two points of renewal revenue — which amounted to about \$100 million each year — because they didn't enforce increase clauses. Something that seemed very simple had serious consequences.
- Another business told us that for every 1 billion dollars of business that didn't renew, 10 billion dollars of new business pipeline had to be created to replace it.
- A third company had a revenue management team of just 10 individuals in charge of \$4.6 billion global revenue. By utilizing the Apttus revenue solution, they were able to take on a 30% increase in both revenue and transaction growth without having to add to their headcount.
- When you consider that these are just two of the places effective management helps, you can see that there's actually a lot of opportunity to see your return on investment from doing it right.



Summary

Revenue Management, part of a full Quote-to-Cash footprint, addresses critical revenue processes that occur after customers have signed an initial sales contract, including order management, billing, revenue recognition and rebates. By providing visibility into contract detail – including agreed-upon prices, milestones and expiration dates – automated Revenue Management ensures that businesses can accurately fulfill orders, pay appropriate incentives to partners and intelligently renew contracts.



About Quote-to-Cash

Quote-to-Cash is the vital business process that connects a customer’s interest in a purchase to the realization of revenue. It includes creating a quote, responding to RFXs, submitting a proposal, negotiating and managing a contract, fulfilling orders, recognizing revenue, ensuring compliance and tracking payments – all within visible and controlled workflow. Quote-to-Cash solutions include Configure-Price-Quote (CPQ), Contract Lifecycle Management (CLM), and Revenue Management applications.

Quote-to-Cash is the single link between top-line results, bottom-line results and customer satisfaction. No other process is as critical for maximizing the value of capturing revenue in a profitable way as well as meeting the needs of customer sales requests. This process relies on the collective intelligence of the enterprise. The impact of accurate quotes, proposals, contracts and orders make the flow of all data and processes within an enterprise work smoothly, thus creating value for enterprises and their customers.



About Apttus

Apttus, the category-defining Quote-to-Cash software company, drives the vital business process between the buyer’s interest in a purchase and the realization of revenue. Apttus is delivered on the Salesforce1 Platform, the world’s most trusted and comprehensive cloud delivery infrastructure. Applications include Configure-Price-Quote (CPQ), Renewals, Contract Management and Revenue Management. Additionally, Apttus’ patent pending X-Autho technology enables Microsoft Office to be a user-interface with full interaction and control between Salesforce™ and Microsoft Office. Apttus is based in San Mateo, California, with additional offices in London, UK, Bozeman, Montana and Ahmedabad, India. For more information visit: www.apttus.com