

## **Quote-To-Order an Enterprise Strategy**

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### **Fact: Every organization prepares quotes and/or takes orders.**

All 'for profit' companies that deliver goods or services provide some form of quote to their prospects and/or create orders to fulfill a commercial agreement.

### **Fact: 9 out of 10 companies treat quoting separately from ordering.**

Most companies hold their sales teams accountable for preparing quotes while another group is responsible for processing the orders. The majority of companies do not have a clearly defined process flow that articulates the various groups and their responsibilities and relationships in preparing quotes and processing orders.

### **Fact: Quote-to-order process is the least automated and least measured area of an enterprise.**

Companies address systemization and automation in different ways. Companies that have large investments in ERP systems typically manage their ordering functions within an entry system or directly in the ERP system. They may even attempt to manage quotes via the ERP system. The result is typically a cumbersome, slow process of preparing quotes and proposals. The ERP system may contain complete product and pricing information; however it is incapable of generating a proposal or interfacing with sales-oriented systems.

A second typical solution is to prepare quotes through a Customer Relationship Management (CRM) system, which are seldom capable of generating proposals or passing the critical order data to a fulfillment system.

The third most common solution is to create a quote tool of some form. It may be a spreadsheet, database or custom-built quoting tool. The challenge becomes maintaining the integrity of the pricing and product data as many companies will have multiple tools to accommodate different product lines or market segments.

Finally, given these typical disjointed methods of creating quotes, proposals and orders, rarely can companies create metrics to measure effectiveness of quote conversions, average order size, and the cost of preparing quotes, proposals or orders.

### **Fact: Quote-to-order process impacts Revenue, Profitability and Customer Satisfaction**

The quote-to-order process is the interdependent link between top-line, bottom-line results and customer satisfaction. No other process is as critical for maximizing the value of capturing revenue in a profitable way and meeting the needs and expectations of customers. This process takes on the collective intelligence of the enterprise. Accurate quotes, proposals and ultimately orders makes the flow of all data and processes within an enterprise work smoothly and creates value for the customer, the company and the employees, and the shareholders. A quote, proposal or order that has an error, is counter productive and disruptive to all involved.

### **Revenues and profits are at stake!**

Quoting and ordering is a critical process in every company, but seldom do companies take an enterprise view of this process to comprehend all the departments and personnel that impact it. So what does it mean to have a system in place to handle quotes, proposals and orders that that are 100% accurate? It means enabling your sales channels to define customer requirements and easily provide a solution that meets their needs. It means quickly producing an accurate quotation that meets customer expectations and that the company can deliver. It means empowering your sales channels to push a good quote to an order in seconds with one click of the mouse. Having a unified quote-to-order solution in place provides your sales channels with more sales time, increases quote and order volumes, eliminates order errors and delivers on promises. To create a process flow that capitalizes on the business intelligence of the company requires focus at the executive level and effort in all areas of the process.

Company growth increases complexity and disperses business intelligence, which is exactly what is required when generating quotations and processing orders. This study is meant to analyze this problem and provide insight on strategies any company can deploy to prevent or eliminate the problem.

### **Top Line and Bottom Line Growth**

Companies in all industries go through growth cycles where sales growth accelerates, slows down or actually reduces from year to year. As companies experience these different cycles, the need to change or adapt processes is important, but often ignored.

Processes and methods that worked well yesterday in many cases become inhibitors today. Take the simple business function of generating quotations. Growth normally causes product, service and pricing changes that manifest into a long, difficult and error-prone quoting process. Most companies answer this challenge by creating quote tools in the form of spreadsheets, databases, price lists or other custom-built solutions to handle the increased complexity and volume. This approach often fails as it does not incorporate an enterprise-wide strategy on placing centralized business intelligence in the hands of its sales channels.

Conversely, when sales begin to stagnate or decline, there is often a push to provide sales tools in the form of Customer Relationship Management (CRM), Sales Force Automation (SFA) or Sales Methodology to the sales channels. Typically, the expected results never quite materialize. This occurs primarily because the expectations set during the evaluation process did not take into account all the external impacts to the sales processes. Also, the interactions with different groups outside the sales teams do not have the same priorities to increase sales.

The next logical step is to add the engineering and production expertise to the sales organization to alleviate the need for increasing the speed of the sales process. Profitability is dependent on the accuracy of the orders that enter into the production systems.

Orders that are flawed create an accelerating cost to correct as they progress through the system. If the error is not identified and corrected early, the cost of rework can create a loss for the business.

### **Customer Satisfaction**

It is much easier to keep a customer than to find a new one. For most companies, the cost of sales and the time invested in the sales cycle make it attractive to retain existing customers. Following a sale, too often customers report low satisfaction ratings making retention and growth into that account a real challenge. The most common reason is that companies do not deliver on what was promised in the sales cycle. This is a strong indication of a broken quote-to-order entry process. A manual and time intensive quote process leads to order errors that leads to mis-configured solutions delivered to customers. This begins a snowball effect that leads to reduced profits and confidence erosion, which ultimately leads to customer defections.

Understanding customer requirements and meeting those needs through quoting, proposing and delivering the goods or services that satisfy those expectations make customer retention possible and financially attractive. Both company and customer benefit from that relationship. The process is critical to success; however, speed and accuracy are required to maintain that relationship.

### **Financial Challenges**

In the quote-to-order process, one of the most significant challenges is an error due to product or service complexity that does not meet customer requirements. Costs associated with errors in the manufacturing or delivery process can easily take all the profit from the sale or worse cost significantly more to complete.

The second is the cost of sales as a percentage of revenue. This is easily quantified, however, seldom is there a clear plan to trim costs. Many companies struggle with costs of sales. Typically, the bulk of the costs are people costs that may not be clearly understood from their role and impact on the quote-to-order process.

The next group of challenges is not as easily quantified; however, they are reflected in lost or slow sales and include inaccurate quotes and proposals, inordinate amount of time to quote and errors or omissions. Quotes or proposals that are inaccurate or have the wrong company name or wrong product configuration all contribute to losing a customer before the first contract is signed. Before these types of losses even occur, there is an increased sales cost with no associated revenue or customer.

Large numbers of manufacturing companies have adopted a 'lean manufacturing' system to help eliminate waste and reduce error rates. The 'lean manufacturing' process improvement may not identify errors in the order process unless it violates standards established in the plants. Typical companies do not have the same requirements applied to the quote-to-order process that ensures there are not any errors in the orders sent to the delivery organization. Orders need to be error free upon entry into the system for the system to be cost effective, and all orders begin with a quote.

### **Quoting and Ordering Complexities**

Product or solution complexity presents a unique set of challenges both internally and to customers and prospects. The sales cycle is dramatically longer with a complex set of component parts or services that are either expensive or difficult to configure. Customer needs drive the process; however, it takes significant effort to understand and quantify the requirements.

Customers are now expecting solutions that are more complex, custom engineered or highly customized to their specific needs. This presents some difficult process challenges that rely heavily on product experts to be involved with every quote. Companies will typically involve engineers, architects, technicians, production specialists and other support roles in the sales process just to ensure they accurately understand the customer requirements and design a solution to meet those needs. Since those roles do not exist within the sales organization, a new complex interaction is required; however, the priorities have not been defined that would align the goals of the overall process. One answer is to move those roles into the sales organization, which now has substantially increased the cost of sales.

### **Automation and Tools**

Most organizations desire to improve certain areas of their sales that typically include lower cost of sales, accelerate sales, increase sales volume and order size, shorten sales cycle, reduce time to quote/propose and improve accuracy of quotes and proposals to 100%. Seldom is the quote-to-order process automated in such a way to capture and engage the business intelligence of an enterprise. The tools usually are one dimensional in nature and only function to serve a specific need such as a quote tool that will calculate a specific price for a specific configuration. What it does not provide is the matching of customer requirements to product or service configurations, generate a proposal, create an order and ultimately create a bill of materials/services that can be error free and meaningful to the delivery organization.

The advent of configuration engines has alleviated some of the challenges. However, unless companies are willing to invest in really understanding the process, those efforts will yield the same results as before, only with greater speed. Automation should be considered when defining a quote-to-order strategy and process.

### **Summary**

Commit to making your Quote-to-Order process an enterprise strategy. There is a direct correlation to top-line and bottom-line performance as well as customer satisfaction. The Quote-to-Order process is the defining link between every area of your business and it demands attention. Once a strategy is in place, assign key financial metrics to the strategy. It is at this point that applying a Quote-to-Order software solution is appropriate, and that will lead to measuring your progress.