

TURNING DATA INTO DOLLARS

The Art & Science Of Revenue Automation
Under ASC 606



CPQ



CONNOR
GROUP

Introduction

As business trailblazers, we like it when we have all the information at our fingertips and can get a clear view of revenue and financial performance. But as business grows, so does the difficulty of managing and tracking revenue.

“Let’s automate this process,” says every business leader. It sounds like an easy task, but we know it’s more complicated than simple workflow. Companies are often surprised by the variety and amount of data necessary to automate revenue. Just to capture all the variables, your operations team has to break the process down into pieces and define the data needed for each portion of their decision making.

Sound complex and difficult? It is. Not to worry - Salesforce and Connor Group have teamed up to shed light on what it takes to streamline revenue processes under the new ASC 606 accounting standard.

Table of Contents

Introduction	3
What’s Up With ASC 606?	4
The Unyielding Need For Data	5
Why Is Data So Difficult?	6
Start With CPQ	7
Clean, Consistent Data	8
Control	9
Native Reporting	10
What’s Next?	11
All In The Family	12



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What's up With ASC 606?

Companies have a vested interest in getting revenue automation right—the time it takes to recognize revenue can affect how quickly you close a deal, business decisions and the effort behind implementing them, as well as how quickly you compensate your sales teams for selling your services. At such an important part in the lifecycle, it pays to remove any and all bottlenecks.

And unlike any other time in recent history, we're seeing an outside force that has companies scrambling to do this quickly—the ASC 606 accounting standard.

ASC 606 fundamentally changes the way businesses recognize revenue as well as compensate their sales teams. Public and private companies across all industries have to essentially take on a new, principles-based approach which puts a strong emphasis on deal structures and the contracts businesses have with their customers.



The Unyielding Need for Data

Consider this scenario:

A software company groups orders based on the same customer and sales opportunity. This is deemed to be one contract under ASC 606 for contract price allocation and revenue recognition. The company starts revenue recognition on the later of software fulfillment or go-live.

Even in this simple scenario, there are at least 4 decision points here that affect how they track data and report on revenue:

- Are the orders from the same customer?
- Are the orders coming from the same sales opportunity?
- When was the software fulfilled?
- When did the client go-live?

Companies often derive this information from various sources including CRM, ERP, emails, phone calls, contracts, etc.



Why is Data so Difficult?

In order to develop that automated solution of your dreams, you have to dig just a bit deeper and recognize that data is messy:

Data Doesn't Exist

Often times, the data we need does not exist in any system. Common examples include acceptance criteria or terms that are defined and recorded in the physical contract and manually monitored by members of the accounting or revenue team.

Data Isn't Structured

In this case, the data is captured but not in a structured, defined fashion or it is not structured appropriately. This includes using freeform text fields to capture information (e.g. opportunity ID, contract ID, etc.). This unstructured data is often inconsistent or in a form that is not useable by revenue systems.

Data Is Inaccurate

Lastly, the data exists and is structured, but is often inaccurate. A simple example here may be dates—these are structured data fields, but can be captured incorrectly due to user-error.

Understanding your data challenges is one of the biggest steps you can take on the revenue automation journey. So pay attention to your data needs and try to anticipate the challenges that come with them.



Start With CPQ

So, how do we get from point A. wanting to automate revenue amidst messy data, to point B. flipping the switch on a solution that keeps the revenue machine humming under ASC 606? Focus on your data; and start with one of the most key technologies – CPQ, or Configure, Price, Quote software.

When you automate the process between sales opportunity and deal close, as CPQ does, you create the foundation for your next generation revenue operation.

For Finance, CPQ automation provides benefits threefold:

- Complete, Consistent, and Clean Data
- Control
- Native, Flexible Reporting



Start With CPQ: Complete, Clean, Consistent Data

As mentioned earlier in this e-book, we face a big challenge with inaccurate, unstructured, and even non-existent data. With the right CPQ, you are able to address all these challenges at once. The software can also help you automate the flow of said data and push it downstream to financial tools.

CPQ directly captures the primary attributes of deal structures. Thus, it becomes critical in giving Finance access to the information they need to report quickly under ASC 606. With the right CPQ software, you will also be able to streamline tasks that slow down the process like multi-tiered approvals and contract modifications.



Start With CPQ: Control

Having control around how sales structures deals is a must. Not only that, but implementing such rules should be easy. We're talking point-and-click easy across approvals, discounts, product bundling, workflow, etc. This is the best way you can drive sound deal structures without losing efficiency or time.

CPQ provides this level of control. At the same time, it still gives your colleagues in Sales the flexibility they need to sell and generate more revenue their way. Everyone wins.



Start With CPQ: Native Reporting

No, it's not a unicorn. You can have your CPQ and report on it in the same place, too.

Being able to slice and dice data is more important than ever before. It's the crux of revenue recognition, as you need to segment data for new financial disclosure, determine standalone selling price (SSP) for performance obligations, and more. Therefore, the right CPQ solution should provide native reporting on sales data as well as data about the customer integrated seamlessly with CRM.



What Next?

Here are a few key steps to help you be the trailblazer for your organization moving forward:

Step 1: Start with defining your use-cases. Recall the scenario we discussed at the beginning of this e-book. What real scenarios can you identify within your business? What can you anticipate as your business grows?

Step 2: With these use-cases, determine the specific rules being applied for revenue recognition. This is often the hardest part of the job. But if it's done right, implementation becomes easier.

Step 3: Define the exact master data and transactional data you need to support the accounting and rules you have defined.

Step 4: Perform a gap analysis between the data you need and the data that exists. Recall the data challenges we outlined earlier. Where do your data needs fit along that spectrum?

Step 5: Fill your data gaps!

Good news! This approach is where the science kicks in and thus you can expect to achieve clearly defined outcomes. At the same time, you can apply artful thinking to meet your goals. Creative tactics like the following may help you get to where you need to go:

- Using data proxies (data that may not exactly match what is needed, but closely approximates the need). For example, a company may not capture a go-live date, but invoices for professional services shortly after go-live; so it can use this data as a proxy.
- Adding new procedures to fix data quality or capture additional data.



All in the Family

One last thing about ASC 606 and CPQ: this is a phenomenon that spans beyond your office walls, affecting IT and Sales in the process. In the past we could get away with working in silos. But with a challenge that involves next gen technology and changing how we go to market as well as how we sell, it pays to get our sister teams involved in the process.

In this day and age, all departments have a stake in how their company generates and reports on revenue. We here at Salesforce and Connor Group encourage you to blaze your trail, break down silos, turn your entire organization into a revenue machine that works as one, using a single platform for success.



About Salesforce CPQ

Salesforce CPQ is our own native CPQ solution that enables you to create and deliver quotes directly from Sales Cloud. See how you can streamline data flows, improve deal structures, and leverage the full amount of customer data for revenue intelligence, all from the world's #1 CRM platform. Find out more [here](#).

About The Connor Group

Connor Group provides advisory services to assist high-growth and technology companies with Technical Accounting, Financial Operations, IPO Services, and M&A Services. Connor Group has helped hundreds of companies navigate the complexities around revenue recognition and has delivered more than 40,000 hours on ASC 606 projects to date. Find out more [here](#).



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