

# Contract Management and Service-Centric Billing



## Managing a Service Business

### Service Business

#### Various Service Offers

#### A Profitable Service Business

#### SAP Innovations

A key concern for many service organizations is offering services that meet customer needs while maintaining profitability.



Selling services is a challenge. Many companies try to use existing product sales teams to sell services, obtaining mixed results.

Others don't do proactive selling at all and simply respond to customer requests without regard to cost. And when service is given away to win product sales, trying to sell the same service later on is even more difficult.

Service contracts can be structured in many different ways and with different terms and conditions. And the more contracts vary, the more difficult it is for service organizations to meet their service-level agreements (SLA) within available resource constraints and achieve profitability.

Robust financial management is also critical. Unfortunately, many financial systems are often designed to support products and lack built-in flexibility to meet service requirements. As a result, work-around and highly customized adjustments are employed that are not sustainable in the long term.

Managing service offers requires flexibility. Service contracts and products should be sold as single solutions, and a financial management system must meet the complexity of the service organization.

## Contracts, Solutions, and Financials

Service Business

**Various Service Offers**

A Profitable Service Business

SAP Innovations

Drive profitability by effectively selling and managing various types of service offers. Bundle services with products as complete solutions, and build a foundation for a long-term customer relationship. And use your financial process to better support your service business.

To profitably sell services, you need flexibility in your service contract offers and in the way you manage the complete lifecycle, including service-level compliance, contract changes, billing options, and service planning.

When selling services with products, the entire solution must meet your technical and business-scope limitations and be available as a quote or order. And like your products, your service business should be proactively sold with sales and marketing campaigns.

You also need a financial system designed for the service business with contract-based billing for all of your different types of contracts, as well as robust contract cost and profitability analysis.

SAP offers solutions for managing advanced service contracts, packaging services with products, and service-centric financials management to help your service organization grow profitably and thrive in a competitive and globalized marketplace.



## Growing a Profitable Service Business

Service Business

Various Service Offers

**A Profitable Service Business**

SAP Innovations

SAP solutions help you establish a highly differentiated and delivery-focused service organization. You can offer the most advanced and innovative contracts that set you apart from the competition. By bundling services and products, you can increase revenue. And by using a service-centric financials management solution, you can improve contract-based billing, profitability analysis, and more.

- Increase service revenue by bundling products and services
- Grow service business with flexible contract offerings
- Drive profitability using insights from your financials system to focus on high-performing offerings
- Reduce complexity and increase efficiency with a service-centric financials solution

# 76%

Higher margin where financial systems are used in business analysis for historical and forward-looking views into operational performance

Source: SAP Performance Benchmarking



## SAP Innovations

Service Business

Various Service Offers

A Profitable Service Business

### SAP Innovations

SAP solutions for selling packages and solutions use the latest configuration technology to achieve consistent offerings with the best performance. Further, innovations from SAP help manage the entire lifecycle of service contracts efficiently – from initial offer to billing and collection.

**Technology** innovations provide all of the required tools and applications for effective package and solution sales. Package configuration functionality provides an intuitive modeling environment to create predefined packages with tangible products, services, and contract items. The SAP Solution Sales Configuration application is new, robust, and scalable, and it's optimized for a bottom-up approach to simplify model maintenance and deliver better performance.

“**Big Data**” is put to work with the SAP Customer Relationship Management (SAP CRM) application powered by the SAP HANA platform. You can speed up service contract

management and service billing – especially when dealing with large numbers of complex contracts or invoice generation for consumption-based contracts.

**Analytics** solutions powered by SAP HANA, like the SAP CRM Analytics rapid-deployment solution, enable real-time reporting, giving you access to key performance indicators (KPI) for informed timely decisions.

**Mobile** apps, like the SAP Customer Financial Fact Sheet mobile app, bring profitability information to mobile devices for anywhere, anytime availability.



## Advanced Contract Management and Billing

### Solution Overview

Package and Solution Business



#### Package and Solution Business

Drive service revenue with bundled solutions containing products with complementary services; provide complete support from quotations to orders.

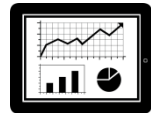
Service Contract Management



#### Service Contract Management

Achieve sustainable, long-term profitability by managing the entire lifecycle of service contracts.

Service Controlling and Accounting



#### Service Controlling and Accounting

Implement an integrated financial system for accurate billing and financial reporting.

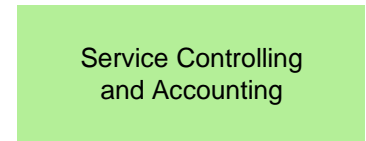
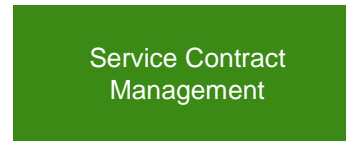
Aftermarket Service

Why SAP?

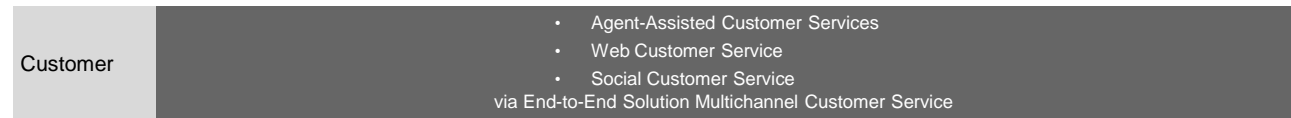
# Advanced Contract Management and Billing

## Solution Overview

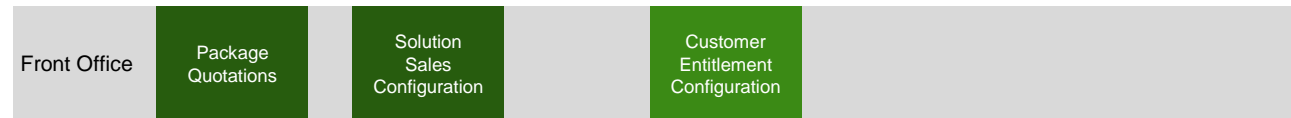
Package and Solution Business



Service Contract Management

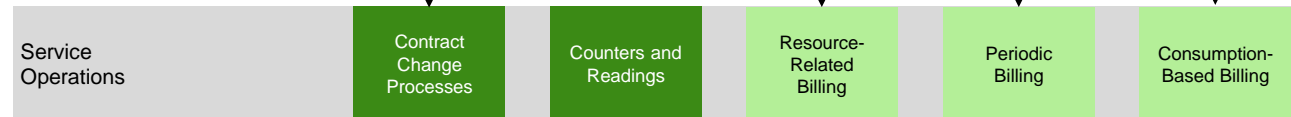
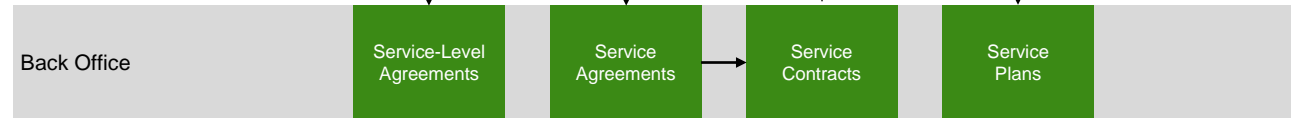


Service Controlling and Accounting



Aftermarket Service

Why SAP?



Advanced contract management and service-centric billing to manage the complete service contract lifecycle, from initial offer to financial management.



# Package and Solution Business

## Solution Overview

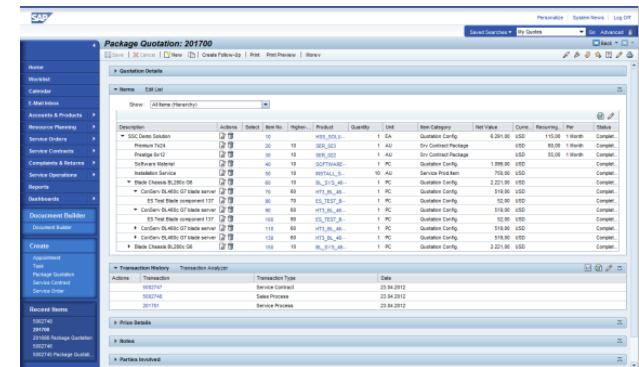
### Package and Solution Business

Capabilities

Benefits

SAP Innovations

By delivering the best solution configurations containing products and complementary services in one offer, sales teams can increase order accuracy, reduce time to quote, and drive more revenue.



# 60%

Fewer customer complaints when a segmentation strategy governs key decisions such as product allocation, service level, and pricing

Sell tangible products together with corresponding services in one transaction instead of having multiple offers. Improve the accuracy of the offer by using a package configuration engine for reduced complexity and predefined packages or a solution

configuration tool for highly complex and custom-tailored solutions. Once the offer is accepted by the customer, automated follow-up processes in logistics, service delivery, control, and accounting are executed.

Source: SAP Performance Benchmarking





## Sell Consistent Packaged Solutions

### Solution Overview

#### Package and Solution Business

##### Capabilities

##### Benefits

##### SAP Innovations

# 26%

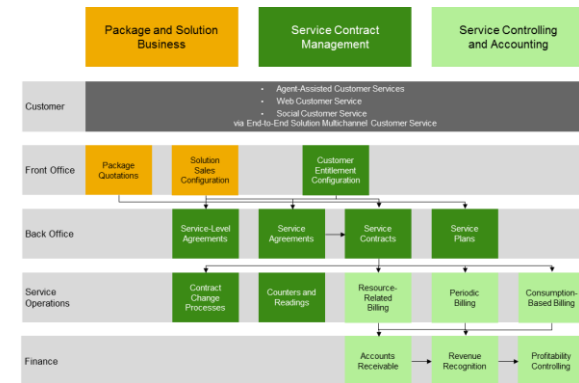
Fewer customer complaints where service representatives have accurate sold-product information to support scenarios for replacement, refurbishing, or repair

Source: SAP Performance Benchmarking

**Package quotations** are created for combinations of products, including one-time service and longer-term contract-based services, and are used to offer packaged solutions to customers.

Once a package quotation is accepted by the customer, all follow-up processes are automatically executed – from logistics and service delivery to billing and receivables.

**Solution sales configuration** provides solution configuration functionalities for sales- and service-order processes in the SAP ERP application, SAP CRM, and the SAP E-Commerce application. The optimized and scalable architecture allows you to handle more complex solution models with improved performance. Additional functionalities include configuration-model data maintenance and built-in analytics.



## Drive More Revenue with Accurate Solution Configuration

### Solution Overview

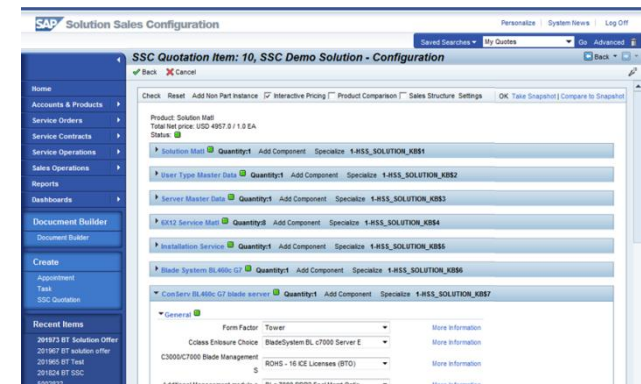
#### Package and Solution Business

Capabilities

Benefits

SAP Innovations

The package and solution business supports the complete process of modeling predefined packages or custom-tailored complex solutions, as well as order management.



# 54%

Fewer errors in sales quotes where organizations leverage analytics to gain actionable insights from sales outcomes

Source: SAP Performance Benchmarking

It provides all the functionalities needed to develop new and innovative offerings to drive profit and to enable a sustainable competitive advantage.

Enhance revenue by enabling the up-sell of components that are included as part of a package or a custom-tailored solution.

Sales teams can eliminate errors and enhance accuracy as well as the customer experience

when making bundled offers. Intuitive interfaces also help sales teams work more quickly and accurately.

And automated complex business and technical configuration rules provide consistency across all sales channels. In addition, sales teams can enjoy fast response times in the creation of package and complex solution quotations.



# Innovations for Package and Solution Business

## Solution Overview

### Package and Solution Business

Capabilities

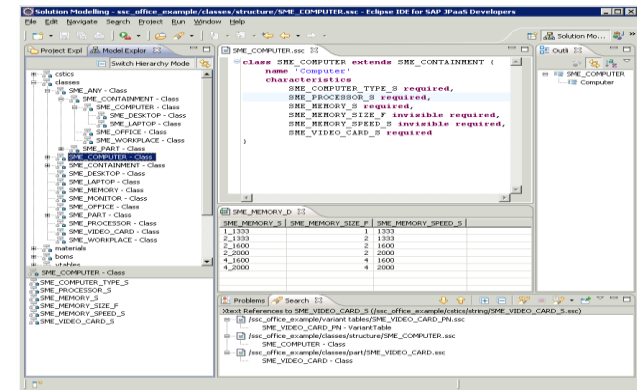
Benefits

SAP Innovations

Innovations include configuration tools and applications that support a new approach for the sales of packages and solutions.

### Technology

The package configuration engine provides an intuitive modeling environment for packages containing tangible products, services, and contract items. Components of a package can be defined as alternative, optional, or mandatory. The SAP Solution Sales Configuration application offers an eclipse-based solution modeling environment for improved productivity



and collaboration. It features a new robust and scalable solution configuration engine for optimized solution composition using a bottom-up approach.

The new concept of knowledge-base orchestration enables easier model maintenance and delivers better engine execution performance.

# Service Contract Management

Solution Overview

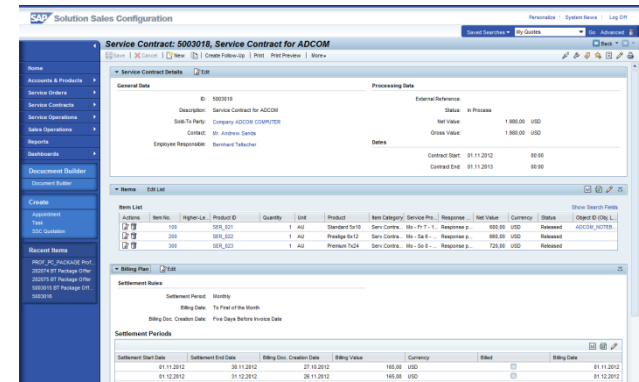
## Service Contract Management

Capabilities

Benefits

SAP Innovations

Service contract management enables companies to secure long-term relations with customers for higher recurring service revenue.



# 14%

Lower invoice error rate where billing is tightly integrated to order entry and credit through a common customer database

Source: SAP Performance Benchmarking

Service organizations can manage entire service contract lifecycles including offers, service agreements and plans, contract-change processes, service-level management, and usage-based contracts. Each can be defined with customer-specific pricing and different billing plans such as periodical, fixed-price, usage based, or a combination of billing methods.

Time, materials, and other resource usage are tracked through confirmations and available for different billing scenarios. Integrated accounting and revenue recognition supports full profitability tracking and consistency between contract management and reporting.



## Sustain Long-Term Profitability

### Solution Overview

### Service Contract Management

#### Capabilities

#### Benefits

#### SAP Innovations

# 58%

Fewer customer complaints as a percentage of orders processed for organizations that integrate order-to-service and support functions

Source: SAP Performance Benchmarking

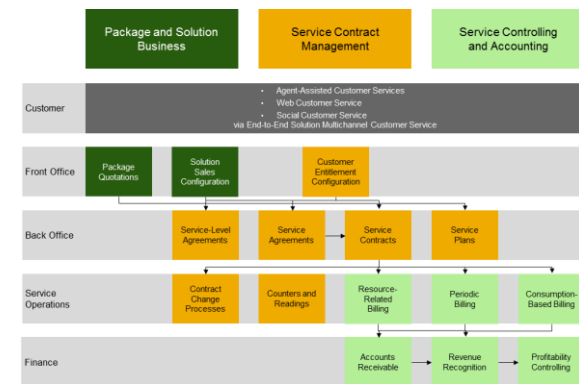
**Service contracts** represent long-term agreements with customers for entitled services, guaranteed service levels, and financial terms. SAP software supports maintenance and usage contracts, and call-off (value/quantity) scenarios.

**Service-level agreements** define specific response times or service windows (service contact times) with customers. Prices vary depending on agreed levels.

Using **service agreements**, companies can define conditions, such as prices and releasable products, for single customers or groups of authorized customers.

**Service plans** are used to schedule and plan preventive services that occur at certain time- or counter-based intervals, such as regular maintenance.

The process of **customer entitlement verification** enables customers to receive entitled services under warranty or individual contracts.



Contract administrators use **contract change processes**, like contract renewals or extensions, to execute single or mass contract changes in a simplified and guided way.



# Integrate Offer, Contract, Billing, and Accounting

## Solution Overview

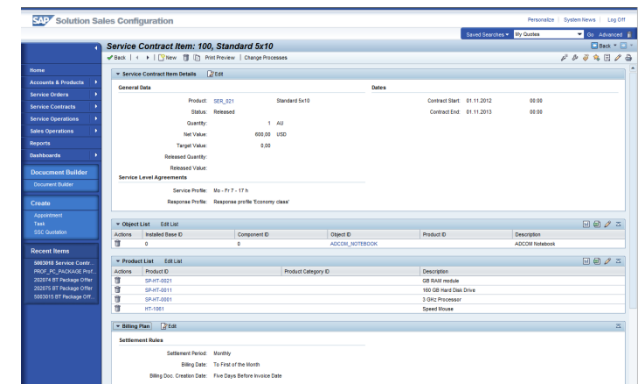
### Service Contract Management

Capabilities

Benefits

SAP Innovations

Integration of complex offers, contract management, billing, and accounting provides a holistic and consistent view across the service organization to reduce cost and drive revenue.



# 19%

Fewer days sales outstanding where CRM systems integrate within the contract-to-cash cycle to enable real-time tracking of fulfillment and receivables

Source: SAP Performance Benchmarking

Service contract management can deliver accurate and timely billing as well as transparent service reporting.

A central 360-degree view of all aspects of a service contract, including customized prices, bill plans, and related orders as well as SLAs, enables full transparency to the business.

Service organizations can increase service revenue by maximizing opportunities to sell new service contracts or renew existing contracts.

A complete view of contracts also provides an understanding of where time and effort is spent and avoids revenue leakage or unprofitable work.

By defining terms and conditions, companies also gain a clear understanding about their contractual obligations, like service levels and entitlements.

Companies can benefit from the flexibility of different contract types, allowing innovation with new service offerings while still fulfilling all legal and statutory requirements.



# Innovations for Service Contract Management

Solution Overview

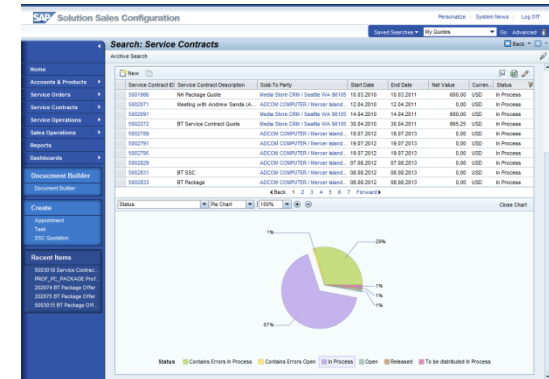
## Service Contract Management

Capabilities

Benefits

SAP Innovations

Service contract management provides all facets for fast and efficient processing of all contract-related tasks.



# 53%

Of organizations report a big gap between the availability of Big Data and their ability to analyze it for insights

Source: SAP Performance Benchmarking

## Big Data

SAP CRM helps speed up service contract management processes – even for managing a large number of complex contracts.

## Analytics

Service analytics powered by SAP HANA provide deep insight into the complete service contract lifecycle including service-level compliance, service contract revenue, cost, and profitability.

## Technology

Web services offer the flexibility to extend an application’s functionalities. For instance, service contracts are part of standard Web service-enabled business objects to support specific business processes without extensive coding or complex integration.



## Service Controlling and Accounting

### Solution Overview

### Service Controlling and Accounting

Capabilities

Benefits

SAP Innovations

SAP solutions for service controlling and accounting help companies bill services accurately and on time. Service profitability can be analyzed in real time to make informed decisions.



# 25%

Fewer overdue accounts receivable for organizations that integrate order-to-service and support functions

Source: SAP Performance Benchmarking

Service billing supports traditional and innovative business models through flexible options including one-time, periodic, resource-related, fixed-price, and consumption-based billing – or any combination.

Integration with financial accounting helps track complete billing and payment flow to enable timely service payments.

Recognition of service-related revenue enforces compliance and allows comparison of actual revenue against budget targets.

Costs and revenue are captured, aggregated, and tracked in real time to enable up-to-date service profitability analysis and profit-driven service management.





## Manage Service Profitability

### Solution Overview

### Service Controlling and Accounting

#### Capabilities

#### Benefits

#### SAP Innovations

# 34%

Higher margin where cost accounting systems support multidimensional cost analysis including product, location, and predefined activities

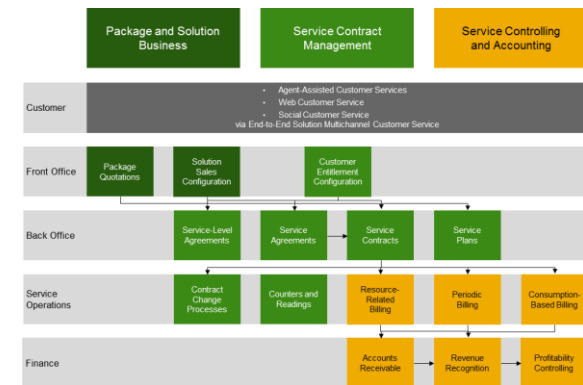
Source: SAP Performance Benchmarking

**Resource-related billing** enables you to invoice for services delivered based on working hours or used service parts.

Service contract fees are typically charged using **periodic billing**, while **consumption-based billing** enables new business models like pay-per-use.

In **accounts receivables**, you can manage customer accounting information and the complete payment flow. And **revenue recognition** accurately determines the accounting period in which service-related revenue and costs are recognized.

**Profitability controlling** allows for an accurate allocation of costs and revenue according to their actual origin and reason. It collects cost and revenue information and allows for any aggregation or analytical view on profitability-related KPIs.



## Improved Time-to-Cash and Service Profitability

### Solution Overview

### Service Controlling and Accounting

Capabilities

### Benefits

SAP Innovations

Improve your financial performance by reducing days sales outstanding and manage your service profitability with real-time monitoring and control.



# 24%

Fewer days sales outstanding where service reps have accurate sold-product information to support scenarios for replacement, refurbishing, and repair

Source: SAP Performance Benchmarking

Service controlling and accounting is tightly integrated into service contract management and service processing. It connects billing and payment with service delivery and enables you to implement any business model for billing of services and solutions. Timely invoicing services accurately reduce the delay between efforts and customer payments, and also improve liquidity.

The proper allocation of costs and revenue to service contract origins and periods is the prerequisite for accurate profitability reporting and analysis driven by real-time KPIs.

Service executives and managers use these KPIs to streamline their service business, to move it from a cost center to a profit center, and to make it a significant contributor to the company's overall profitability.



## Innovations for Service Controlling and Accounting

### Solution Overview

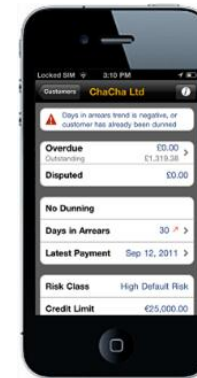
#### Service Controlling and Accounting

Capabilities

Benefits

**SAP Innovations**

Innovations from SAP help bring your service billing, accounting, and analytics to the next level.



# 68%

Greater ability to use Big Data for organizations with a well-defined enterprise-wide high performance analytics strategy

Source: SAP Performance Benchmarking

#### Big Data

SAP CRM helps you speed up your service billing processes. It is especially effective for invoice generation based on Big Data like consumption-based billing.

#### Analytics

Analytical solutions powered by SAP HANA like the SAP CRM rapid-deployment solution enable real-time reporting, giving you access to KPIs for sound, timely decisions.

#### Mobile

Mobile apps like the SAP Customer Financial Fact Sheet mobile app bring profitability information on mobile devices and make it available anywhere, anytime.



## Aftermarket Service Value Map

### Solution Overview

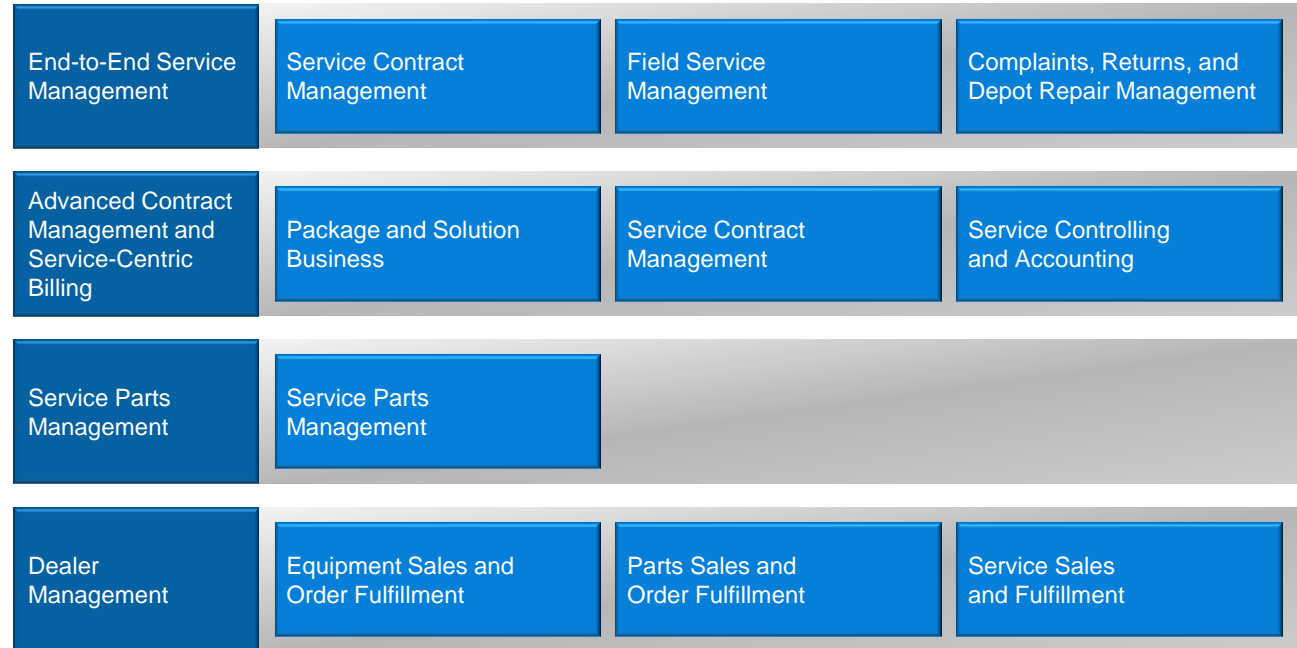
Package and Solution Business

Service Contract Management

Service Controlling and Accounting

### Aftermarket Service

Why SAP?



Advanced contract management and service-centric billing to manage the complete service contract lifecycle, from initial offer to financial management.



## Why SAP?

Solution Overview

Package and Solution  
Business

Service Contract  
Management

Service Controlling and  
Accounting

Aftermarket Service

**Why SAP?**

Advanced contract management solutions help companies generate additional revenue by selling complete and consistent solutions instead of offering products and services separately. Service-centric billing solutions complete the process cycle by taking care of proper and fully integrated service controlling and accounting.

### **Tightly Integrated, Comprehensive Solution**

Achieve operational excellence by managing complex package and solution offerings and contracts – as well as billing, controlling, and accounting solutions – in an integrated manner. This enables a holistic, consistent view across the organization and reduces administrative efforts and costs.

### **Best-of-Breed Configuration Tools**

Enable new business opportunities by leveraging innovative configuration engines combining products and services revenue streams.

### **Breakthrough Innovations**

Harness the power of **cloud computing**, **mobile access**, and intuitive **analytics** to manage the entire contract-to-cash process.



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