

# Addressing the Challenge of Discount Management in the Channel

## Business Problem

---

Are your price discounts generating the results that you want? Are your discounts higher than projected? Special pricing is supposed to increase your close rate on deals, but is it generating the results you expect? Visibility into discounts, how they are used and who is using them can help to create more effective discounts and can identify training and support that will help partners minimize their use of discounting to win a deal. This is only possible with complete visibility and control over the channel opportunity management process from quote to shipment.

In direct sales, there is increasing awareness of the need to automate the management of the configuration, pricing and quoting process in order to increase revenues. Gartner indicates that significant drivers for adoption of automated systems include “Increase(ing) the integrity and accuracy of quote-to-order capture processes to improve administrative efficiencies by reducing cycle times and sales orders that incur costs and order rework, and increase(ing) average deal profitability and size by successfully recommending products for the optimal price.” And predicts “by 2014, comprehensive, integrated automation of configure, price and quote (CPQ) processes will help companies grow sales by 5%.”

While quote to order works for direct sales, visibility is needed all the way from quote to shipment for the channel. However, many conventional CPQ systems concentrate only on the needs of the direct sales organizations, despite the need to create and validate custom configuration, special pricing and discounts for channel sales. As a result, channel operations managers experience frustration and increased costs with labor-intensive, manual validation, exception handling and calculation of discount claims. Channel ops managers want to be able to manage quotes like opportunities. They need to know when the deal closes and what discounts were used to win the business. Concerns range from over-paying on discounts and special pricing to having to hold high reserves to cover inaccurate discount calculations to lacking an audit trail for discount adjustments.

## Business Solution: Discount Management for the Channel

---

Channelinsight and BigMachines have partnered to create a pre-integrated, cloud-based solution that empowers enterprises to fully automate closed loop control in the discount management process, maximizing the return on discount pricing policies in the channel from quote to ship.

The solution leverages Channelinsight's Lead to Ship™ functionality in tandem with BigMachines configuration, pricing and quoting capabilities (CPQ) to automatically close the loop from configuration to quote to shipment. Quote, shipment and opportunity status are visible in the familiar Salesforce application. This visibility results in increased sales, reduced use of discounting, improved management of opportunities being fulfilled through the channel and faster and more accurate partner payments.

**Channelinsight**

## Addressing the Challenge of Discount Management in the Channel (continued)

Companies benefit from the partnership by using the BigMachines cloud-based selling platform, integrated with Salesforce, to help their sales teams and channel partners generate quotes, select and manage product configurations, automate renewal contracts, and enter orders. Channelinsight Discount Manager, in conjunction with the Channel Sales Manager platform, collects and standardizes detailed POS data from distributors and reseller partners, validates discounts against quotes issued from BigMachines, and calculates net price and partner payments, reducing the time spent manually processing discount claims. This closes the discount management loop in the channel.

Automating the channel discount management process and powering the process with validated discount information will

**Increase sales and revenues:** Armed with this knowledge channel executives can identify the special pricing and discounts that are most effective and drive effective discount pricing strategy by basing decisions on historic and real-time discounting activity. More effective discounts means more closed deals and increased sales revenue.

**Reduce over-discounting:** Understanding partner trends towards discount use means that partners receive the training and support needed to sell without relying on discounting, reducing over-usage of costly discount programs.

**Pay sales team and partner incentives on net price:** Closing the loop on the channel discount management process also provides critical value in that decisions can be made on calculated net price (actual selling price) of products and services sold. Using net price, instead of catalog price, for calculation of partner incentives, increases payment accuracy and partner trust and most importantly reduces discounting. Basing payment of sales commissions on net price strategically aligns discount policy with corporate strategy. And, logically, it follows that true margin analysis is only possible with net revenue established by net price.

**Reduce operational inefficiencies:** Eliminate labor-intensive manual processing and exception handling by automating the reconciliation of channel sales results with outstanding quotes.

As a result of implementing this solution companies can expect to reduce their cost of processing discounts by more than 50 percent and ensure that partners are in compliance with their discount process.

---

<sup>1</sup>Gartner, 3 June 2011, MarketScope for Configuration, Price, Quote Application Suites, 2011, Dunne and Alvarez