Improve Customer Lifetime Value (CLV) using SAP Billing (Hybris Billing)

Oct 25th 2018

Agenda

- Customer Life Time Value – CLV

- How can Customer Life Time Value be improved?

- Hybris Billing Solution Overview to support CLV
  - ✓ Subscription
  - ✓ Mediation
  - ✓ Charging
  - ✓ Invoicing
  - ✓ Financials

- Customer Case Studies

- Customer Journey on Hybris Billing

- Hybris Billing Deployment Options

- Questions

What is Customer Life Time Value – CLV

➢ Net present value of the future financial contributions from customers during their entire relationship with the company

➢ Every customer will have a series of revenue events in future that will impact financials

➢ CLV-based segmentation model allows to predict the most profitable group of customers

➢ Target Customers with a high CLV and low Wallet Share

➢ Segment CLV customers for selling additional services & products

➢ CLV can also help companies decide how much it is worth to retain an existing customer

➢ Increase revenue with customers by having long terms contracts and cross/up sell additional services & products

➢ Need a monetization platform that flexibly manages the recurring revenue business to take advantage of the bigger opportunity: Customer lifetime value.

Customer Life Time Value – Challenges

- ✓ Long leads times in new product/service offerings launch.
- ✓ Tracking usage for large volumes of data and providing this info to customer.
- ✓ Converting this usage data for actionable events like new offers, cross sell.
- ✓ Complex and manual file, based error prone billing processes and systems.
- ✓ Customer disputes due to inaccurate or large and complex invoices.
- ✓ Reduced cash flow due to delays in invoicing
- ✓ Poor Customer experience resulting in unhappy customers
- ✓ Bundling products and services and selling them based on usage cannot be handled by traditional ERP systems.
- ✓ Contract termination, activation, suspension, pro-ration, etc. are difficult to manage.
- ✓ Contract was activated, but the customer cannot use the product/service
- ✓ Revenue recognition issues for bundled products, pay per use, subscriptions.
- ✓ Partner Revenue sharing and collaboration is difficult.

How to overcome Challenges to Customer Life Time Value using Hybris Billing

- ➤ SAP Convergent Invoicing (CI) and SAP Flexible Solution Billing (FSB) solution help to automate and create customer friendly invoices.
- ➤ Large volumes of billable items are handled using SAP CI eliminating manual work.
- ➤ Improved cash flow & reduced DSO due to accurate and timely invoicing
- ➤ SAP Convergent Mediation(CM) can track all usage as well as service activation.
- ➤ Bundled product/service pricing and new offers with cross & up sell using SAP CRM/CC.
- ➤ Online ordering of products and services using SAP Hybris Commerce.
- ➤ Accurate Revenue accounting using SAP FICA sub ledgers & SAP RAR for Sales bundling & subscription. Use SSB (Solution Sales Billing) without FICA.
- ➤ SAP Operational Process Intelligence provides a high-level overview of the SAP Hybris Billing process and in-depth insight into the details using KPI's.
- ➤ Dispute resolution and collections using SAP FSCM.
- ➤ Enables Digital Transformation to create new opportunities for monetization.

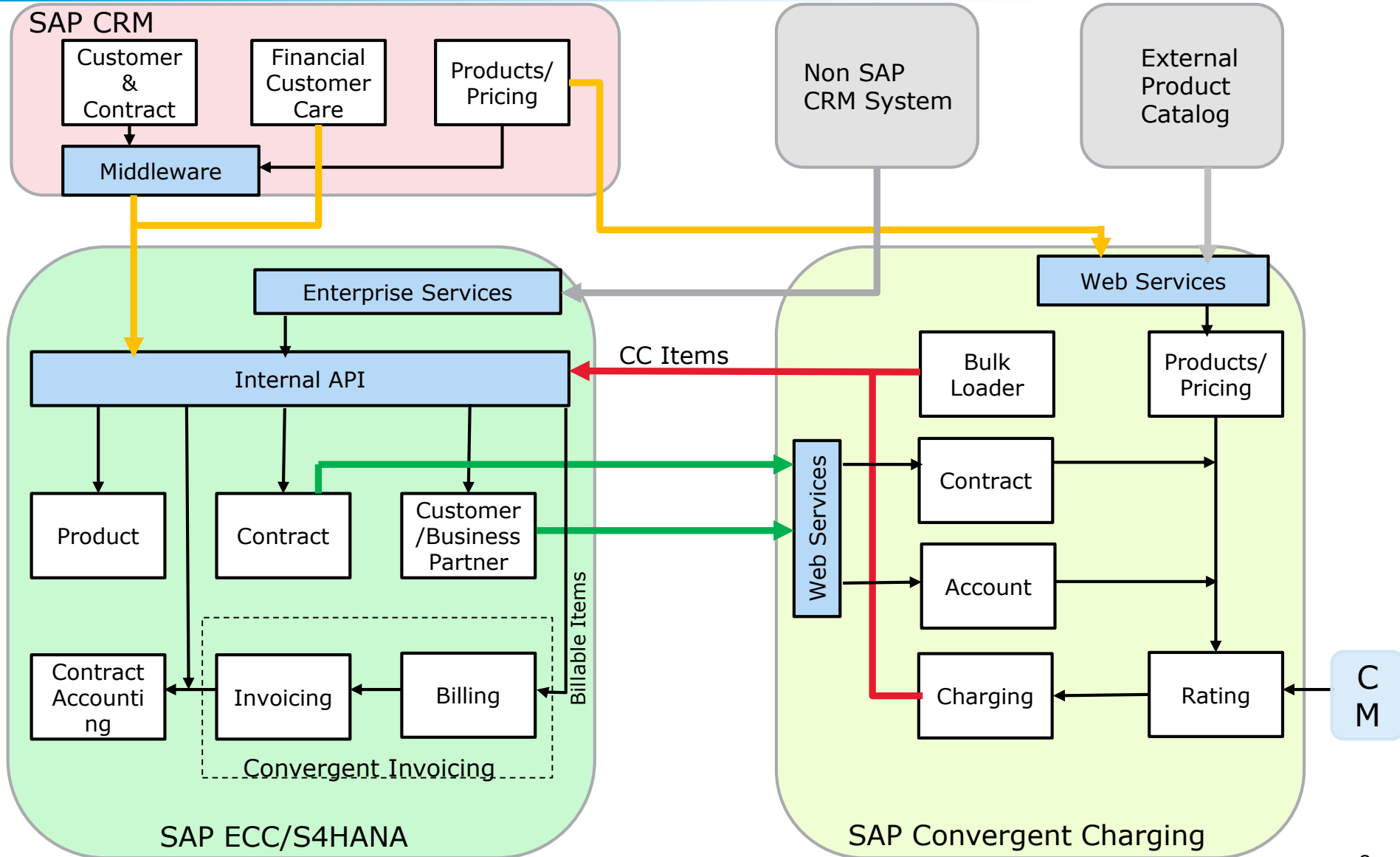# Customer Life Time Value with Hybris Billing – Benefits

- Engage B2C and B2B customers with a consistent experience across all touch points resulting in happy customers.
- Acquire new customers with targeted subscription offers and boost average revenue per customer.
- Lower customer churn rate with the ability to view and make changes to existing subscriptions quickly.
- Improve customer retention by making the right offers at the right time and delightful CX
- Improve productivity and decrease costs by giving service agents a single view of customers' journeys to make efficient and effective service.
- Streamline receivables and payables processes and credit management processes
- Manage payments from many sources, including down payments, payment plans etc.
- Reduce costs and complexity by using a single service control system for all the service delivery platforms
- Combine products, projects, subscriptions and usage services into a single quote and contract, and onto a single invoice, eliminating manual effort.
- Allows for revenue sharing and service fulfilment by Partners

SAP Hybris Billing Components

Subscription Order Management

Mediation

Charging

Invoicing

Digital Documents

Customer Financials
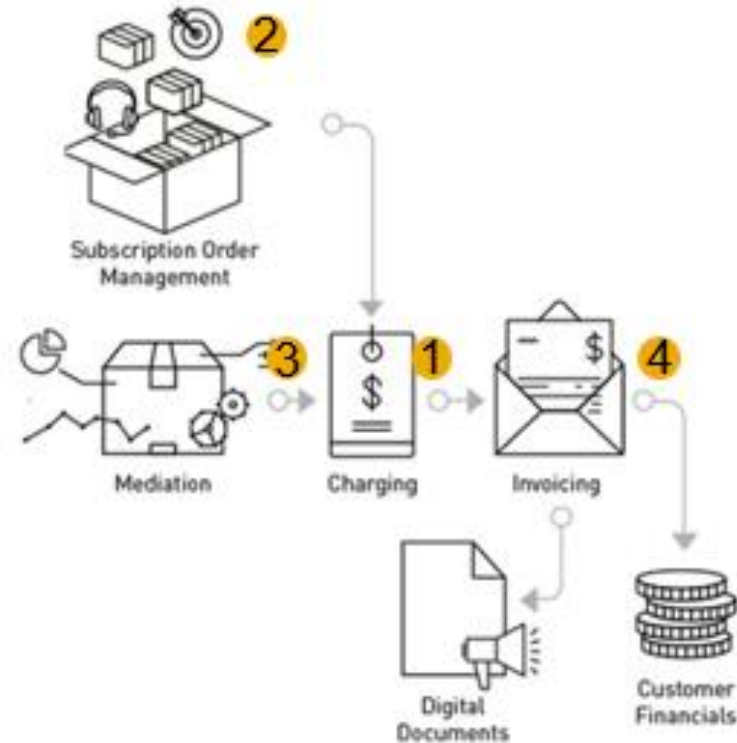
1. SAP Convergent Charging (CC): Configurable, highly-performant pricing engine which *instantiates the customer-focused pricing and subscription models*

2. SAP Subscription Order Management (SOM aka CRM): Configurable user front-end for *customer & contract entry against configured pricing and subscription models*. Uses catalog information from CC to enter data against S/4HANA's customer model

3. SAP Convergent Mediation (CM): Configurable, highly-performant mediation engine which *streamlines the collection of customer consumption data* for CC's pricing & charging processes

4. SAP Convergent Invoicing (CI): Consolidates billing info from different lines of business in a single, clear summary

Hybris Billing Solution Architecture - Typical

SAP CRM
- Customer & Contract
- Financial Customer Care
- Products/Pricing
- Middleware

Non SAP CRM System

External Product Catalog

SAP ECC/S4HANA
- Enterprise Services
- Internal API
- Product
- Contract
- Customer/Business Partner
- Contract Accounting
- Invoicing
- Billing
- Convergent Invoicing
- Billable Items

SAP Convergent Charging
- Web Services
- Bulk Loader
- Products/Pricing
- Contract
- Account
- Charging
- Rating
- CC Items
- CM

Case Study : IT Services and Solutions Leader

Company

The world's leading independent, end-to-end IT services company serving nearly 6,000 private and public sector clients in many industries in 70 countries

Implementation of Hybris Billing / BRIM for ~$2.2B hosting services LOB

Scope

Hybris Billing / BRIM components used: Convergent Mediation, Convergent Charging, Customer Relationship Management

Hybris Billing / BRIM Integration Points

- SAP ERP: SD/RRB (pre-Convergent Invoicing integration)
- SAP ERP: FI-CO
- Service Delivery Platform

Hybris Billing / BRIM Scope

- Pricing for individualized, customer B2B, Tier 1 software and computing resources
- Each customer's contract takes different categories of delivered services in a pay up-front and calculate overage manner
- Pricing for complex professional services contract not supported by SD's OOTB Resource Related Billing (RRB) functionality

- Configured process for pre-billing quantity approvals by customer account managers to ensure invoices correct first time
- Migrated from huge team of billing clerks doing menial, Excel-based tasks every month to automated process handling "you can't automate this" excuse

KPI Improvements

- Reduced from 100% manual process to completely automated process for most customers
- Productivity improvement of ~60% by reducing billing time and correctness by ensuring appropriate quantities fed into invoicing
- Reduced customer invoice rejection from 8-10 times per year to almost zero times per year

Case Study : Cloud Software Company

Company

The world's leading provider of cloud-based integrated travel and expense management services and solutions delivering an effortless experience and total transparency into spending, helping organizations of all sizes, industries and locations run better

Hybris Billing / BRIM implementation for $1B+ LOB handling B2B contracts, individual case-based pricing processing ~300K high-value transactions per month

Scope

Hybris Billing / BRIM components used: Convergent Mediation, Convergent Charging, Subscription Order Management, Convergent Invoicing

Hybris Billing/BRIM Integration Points

- Web-based Quote to Close system
- S/4HANA: FI-CA
- S/4HANA: MDG
- S/4HANA: FI
- S/4HANA: RAR
- SAP Biller Direct

Hybris Billing / BRIM Scope

- Pricing for individualized contracts with non-standard pricing for each B2B customer

- Complex integration with S/4HANA using only standard, OOTB functionality (no ABAP written) including CM's use of standard Agents and APL (no JAVA written)

- Standard customer and contract integration points between MDG, FI-CA, SOM and CC

- Standard usage processing for 15+ usage data feeds

- Standard use of Consumption Item (CIT) storage and rating processes with CI's OOTB integration with CC

- Standard use of Billable Item (BIT) processing including use of OOTB aggregation functionality onto Billing Documents and Invoicing Documents

- Standard use of FI / RAR integration for invoiced data

KPI Improvements

- Use of standard functionality expected to reduce DevOps by +75%

Case Study : Education Content Provider

Company

Providing comprehensive learning solutions to help all students achieve their maximum potential, serves as the leading source for personalized, flexible, and dynamic instruction.

Help standard "pick, pack and ship" company add digital content as part of digital transformation project

Scope

Hybris Billing / BRIM components used: CC-Import Export Connector, Convergent Charging, Customer Relationship Management, Convergent Invoicing

Hybris Billing / BRIM Integration Points

- Salesforce.com
- Service Delivery Platform
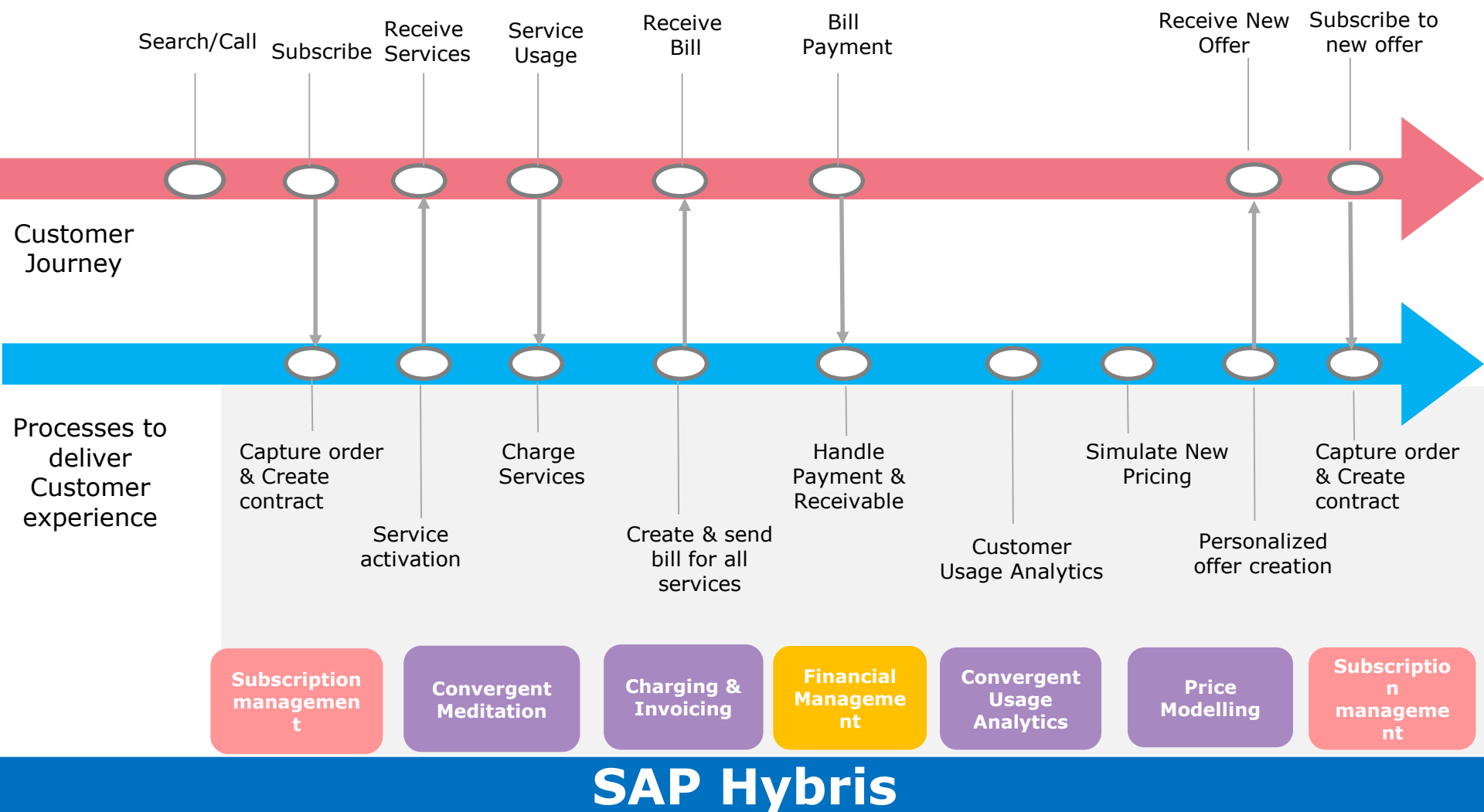- SAP ERP: FICA
- SAP ERP: FI

Hybris Billing / BRIM Scope

- Pricing for digital content bundled with physical content
- Renewal based-upon physical content's expected lifespan
- Individual, case-based, non-standard pricing for each agreement

- Large volume of custom pricing arrangements
- Integration with two SAP ERP instances for legacy and new products & service offerings
- Use of standard, OOTB integrations between Hybris Billing / BRIM components ensuring smooth operation

Improvements

- Productivity improvements due to automation of digital content delivery instead of custom, manual / automated / Excel to handle digital agreements
- Integration with shipping ensure customer contract start increased customer satisfaction

Customer Journey on Hybris Billing

Customer Journey (top row): Search/Call · Subscribe · Receive Services · Service Usage · Receive Bill · Bill Payment · Receive New Offer · Subscribe to new offer

Processes to deliver Customer experience (bottom row): Capture order & Create contract · Service activation · Charge Services · Create & send bill for all services · Handle Payment & Receivable · Customer Usage Analytics · Simulate New Pricing · Personalized offer creation · Capture order & Create contract

Subscription management	Convergent Meditation	Charging & Invoicing	Financial Management	Convergent Usage Analytics	Price Modelling	Subscription management

SAP Hybris

Legend:
- SAP CRM/Hybris Commerce
- SAP S/4 HANA/ECC

Hybris Billing Deployment Options – Convergent Invoicing/Financial Mgt. with SAP ECC/S4HANA

SAP ECC or S/4HANA

Master Data	**FI-CA**	**RAR***
Convergent Invoicing	**FI-AR**	**FSCM***
	FSB*	

Rated Usage Data Files →
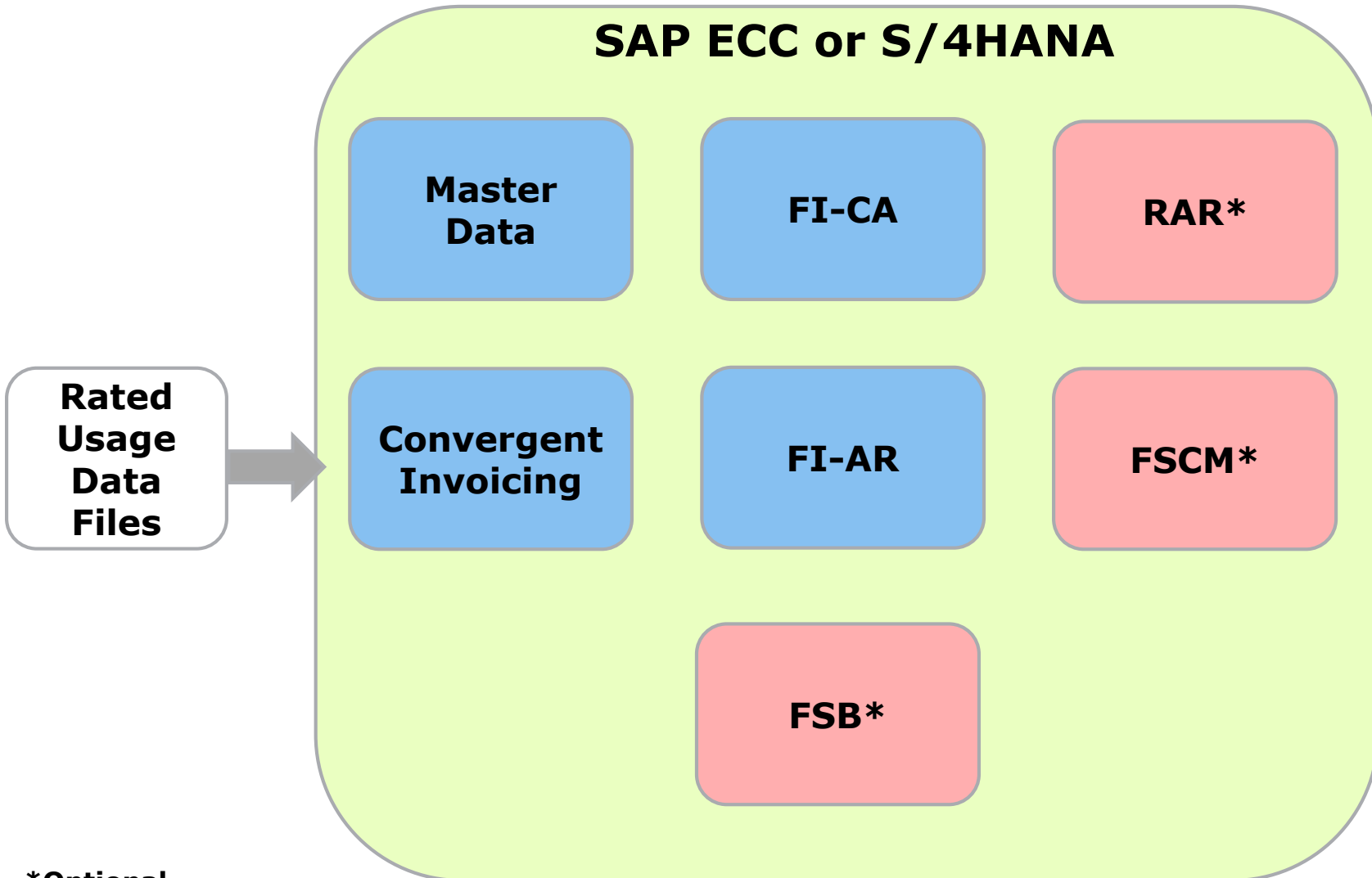
*Optional

Hybris Billing Deployment Options – Convergent Charging/Invoicing with SAP ECC/S4HANA & OPI
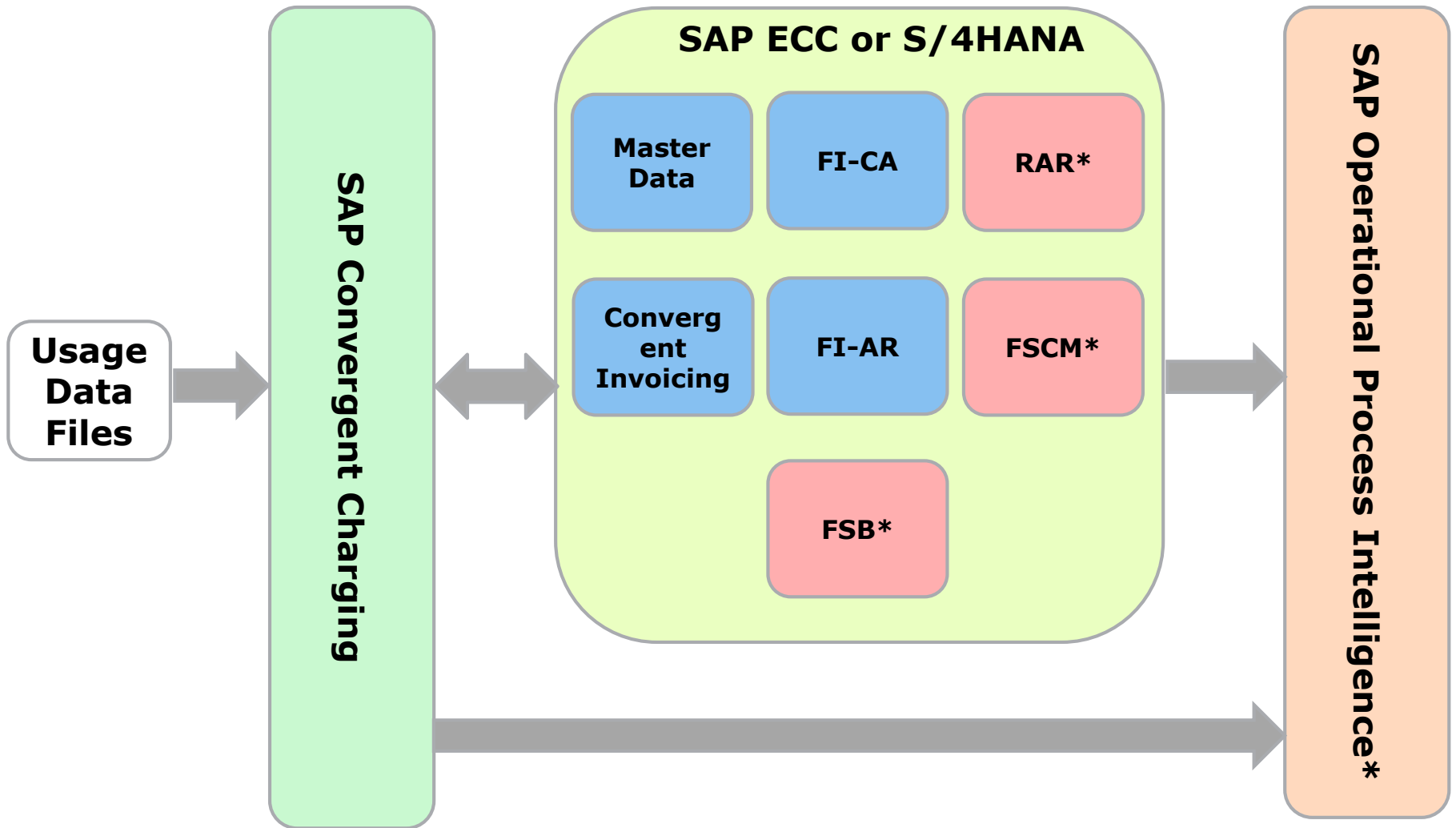
Usage Data Files

SAP Convergent Charging

SAP ECC or S/4HANA

- Master Data
- FI-CA
- RAR*
- Convergent Invoicing
- FI-AR
- FSCM*
- FSB*

SAP Operational Process Intelligence*

*Optional

Hybris Billing Deployment Options – Convergent Mediation/Charging/Invoicing with SAP ECC/S4HANA/OPI

SAP Convergent Mediation

SAP Convergent Charging

SAP ECC or S/4HANA

Master Data

FI-CA

RAR*

Convergent Invoicing

FI-AR

FSCM*

FSB*

SAP Operational Process Intelligence*

*Optional

Hybris Billing Deployment Options – Convergent Mediation/Charging/Invoicing with SAP ECC/CRM/OPI

SAP Convergent Mediation

SAP Convergent Charging

SAP ECC or S/4HANA

- **Master Data**
- **FI-CA**
- **RAR***
- **Convergent Invoicing**
- **FI-AR**
- **FSCM***

SAP CRM

- **Master Data**
- **Contract**
- **Order**
- **SSB***

SAP Operational Process Intelligence*
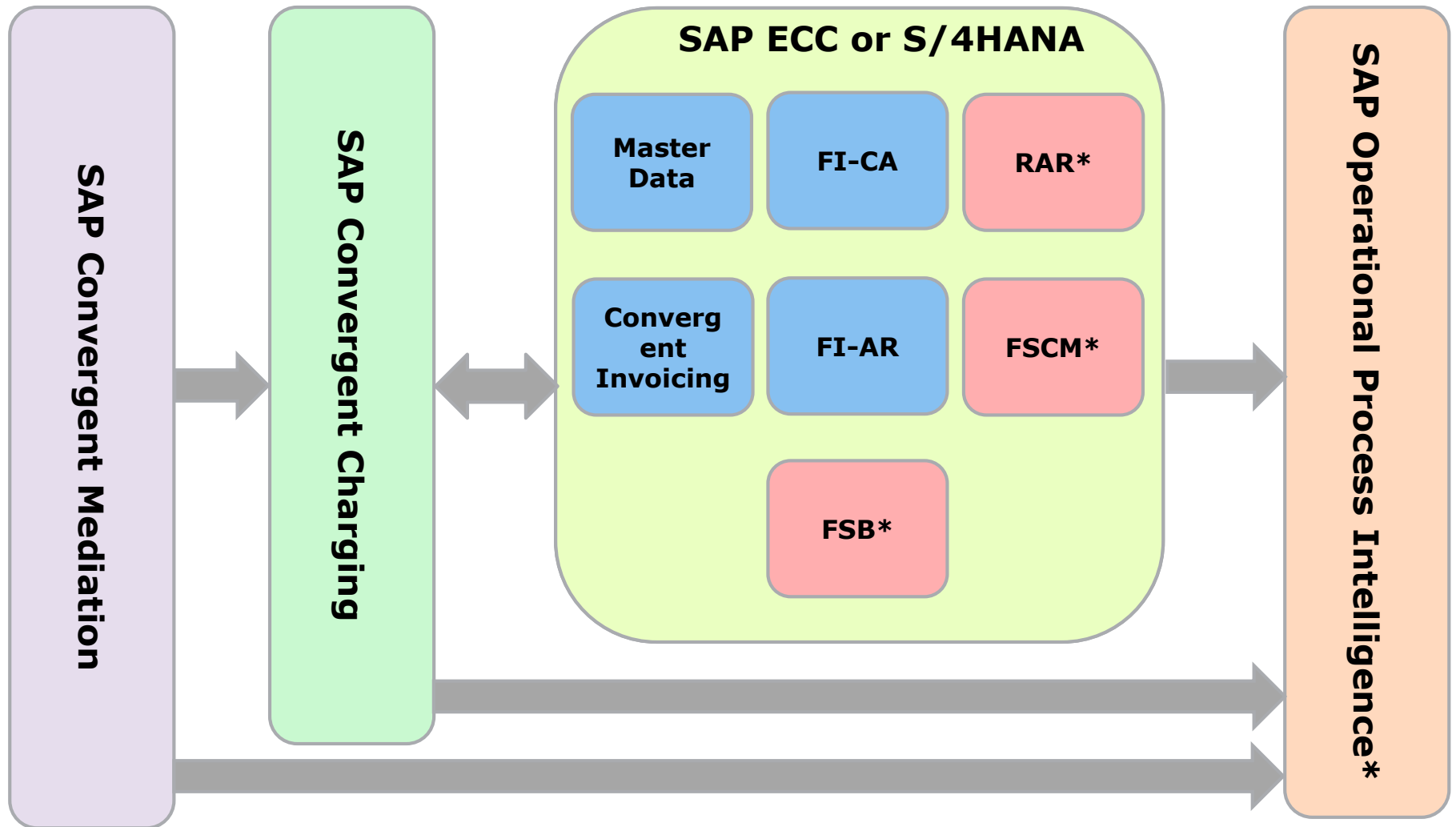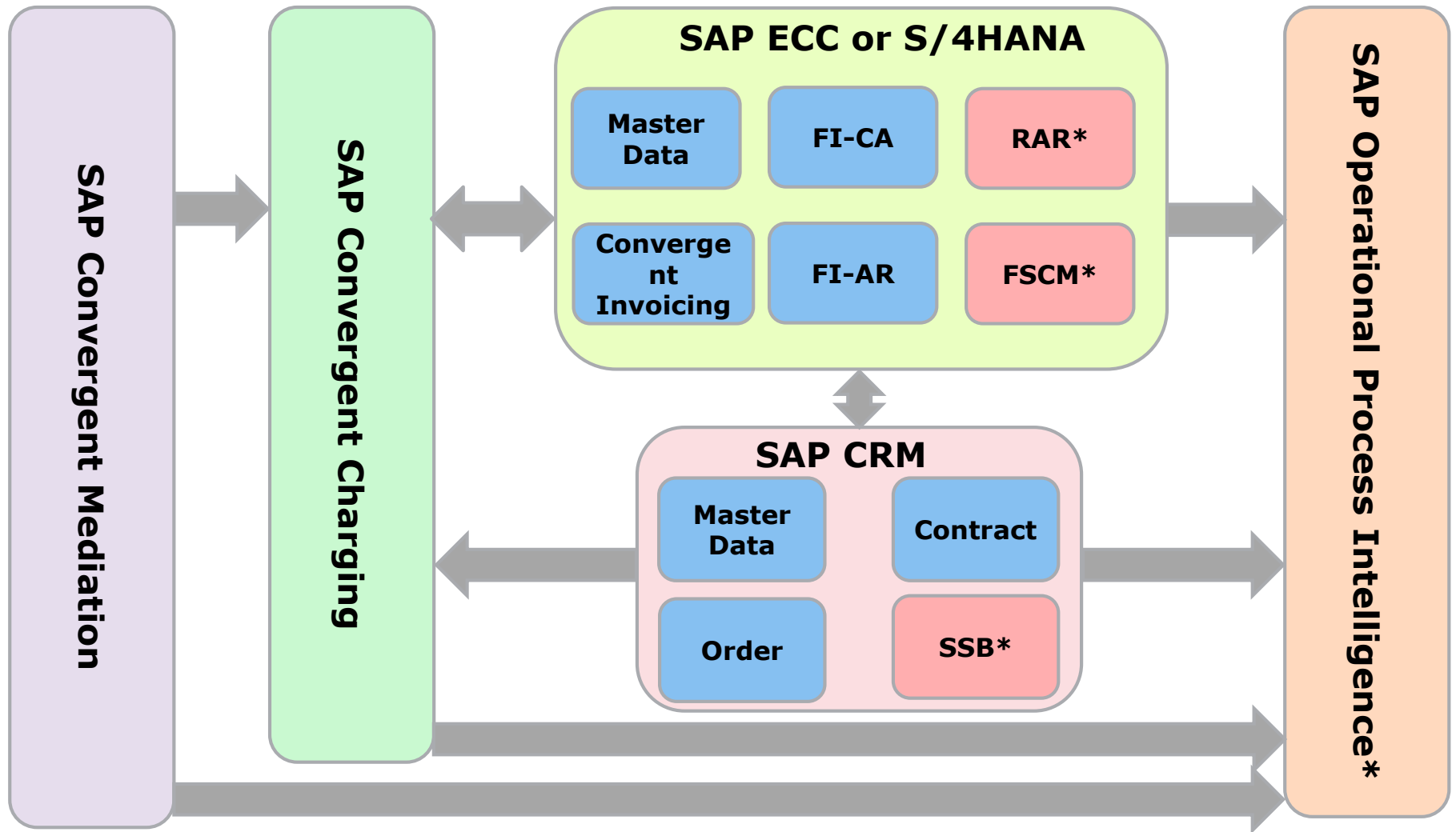
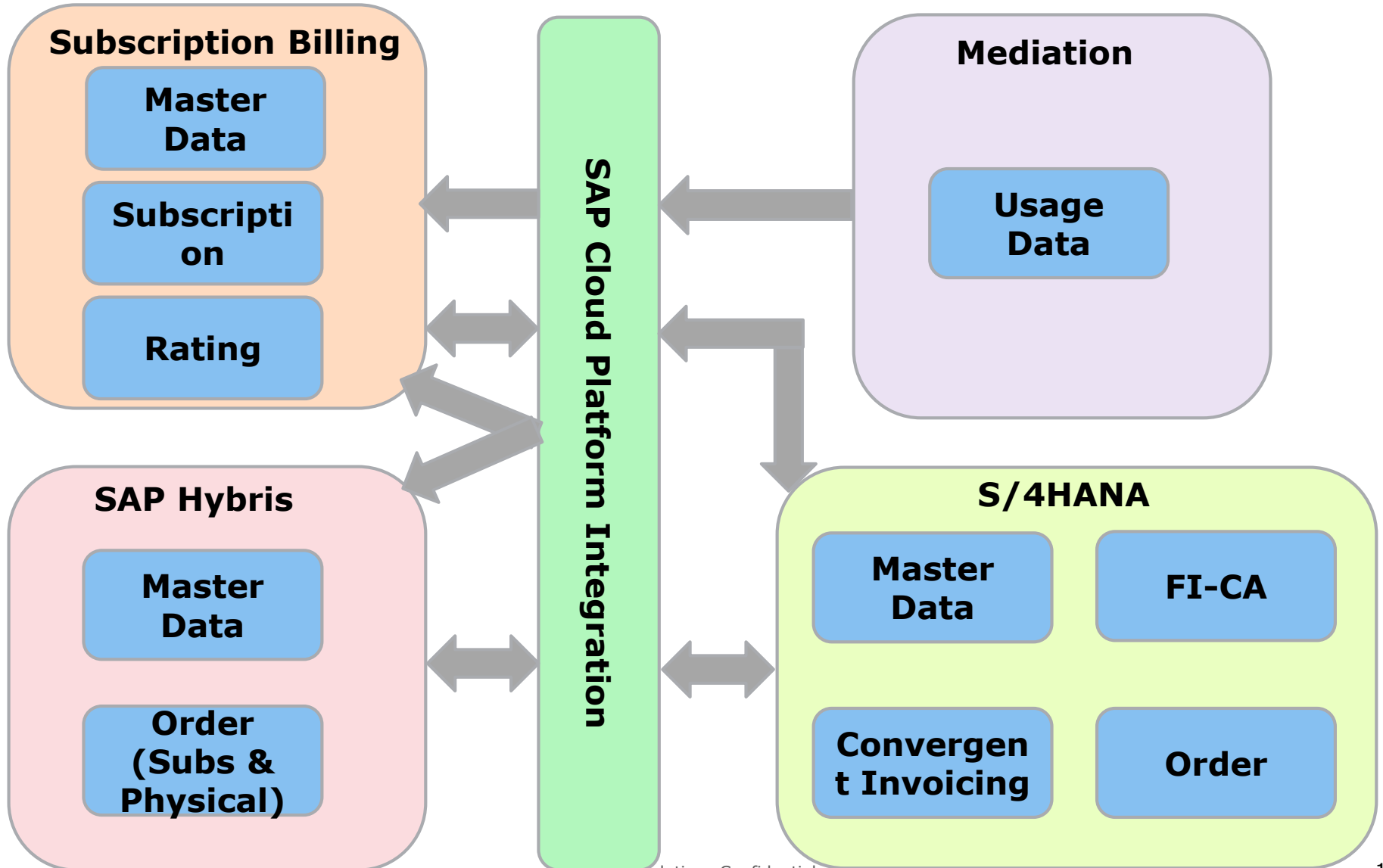***Optional**

Hybris Billing Deployment Options – Convergent Mediation/Charging/Invoicing with SAP ECC/CRM/Hybris Commerce/OPI

SAP Convergent Mediation

SAP Convergent Charging

SAP ECC or S/4HANA

Master Data	FI-CA	RAR*
Convergent Invoicing	FI-AR	FSCM*

Hybris Commerce

Master Data	Contract
	Order

SAP CRM

Master Data	Contract
Order	SSB*

SAP Operational Process Intelligence*
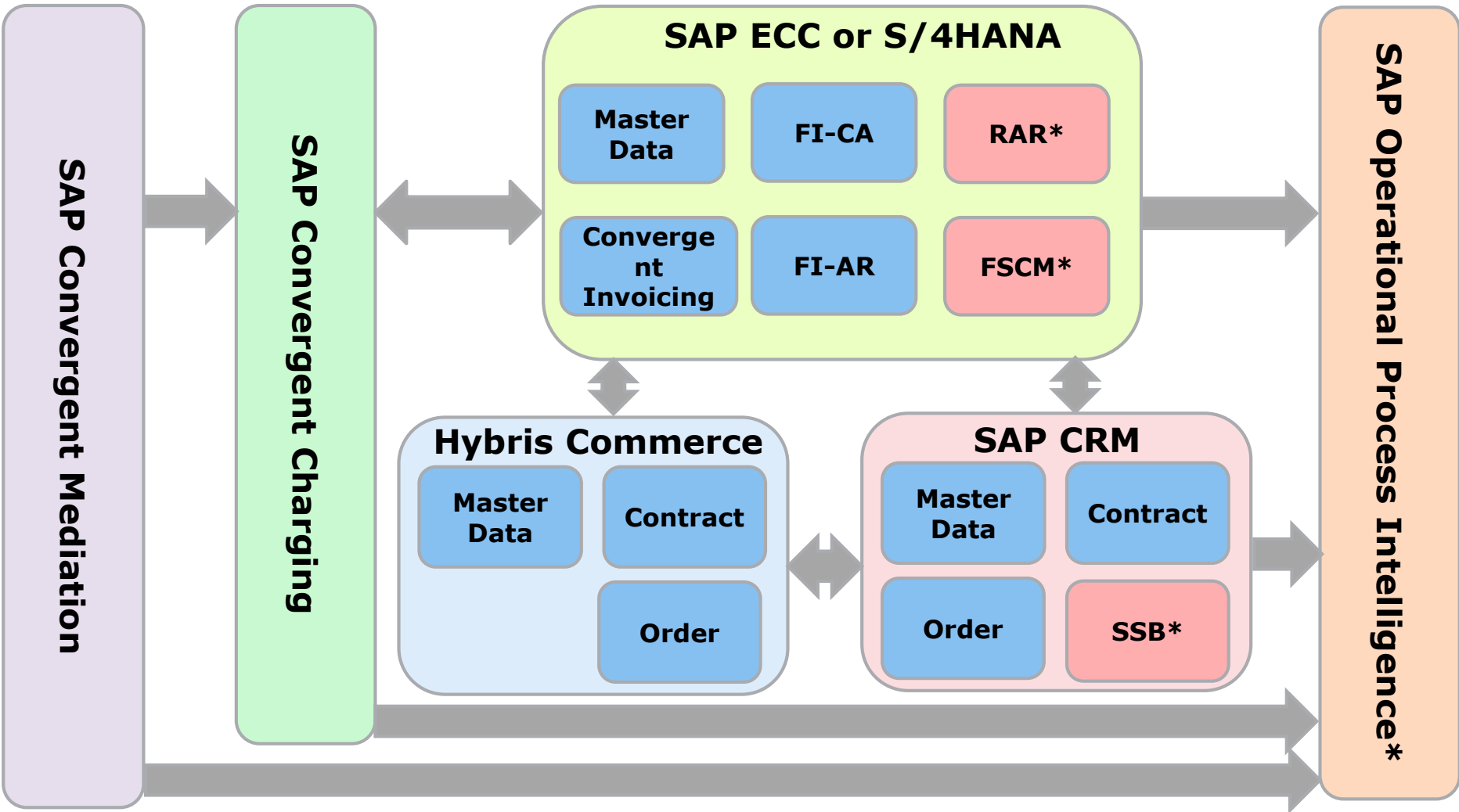
*Optional

Hybris Billing Deployment Options – SAP Revenue Cloud

Subscription Billing
- Master Data
- Subscription
- Rating

SAP Cloud Platform Integration

Mediation
- Usage Data

SAP Hybris
- Master Data
- Order (Subs & Physical)

S/4HANA
- Master Data
- FI-CA
- Convergent Invoicing
- Order

Thank You

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