4 Steps to Better Contract Management

Overview

Maintenance and service contract management is a critical business function for office equipment dealers today. The benefits are obvious, from the freedom to focus on core business activities and maximising staff time to generating reliable recurring revenue streams. Maintenance and service (M&S) contracts enable the growth of strong partnerships and create opportunities for future upgrades, retrofits, and new equipment or software and hardware installations.

According to a recent study by Aberdeen *Contract Management in the Quote-to-Cash Cycle*: More Revenue, Less Leakage, 83 percent of survey respondents said contract lifecycle management is "essential" or "important" to the quote-to-cash cycle.

Transitioning long-term customers to M&S contracts may require a rethinking of your business model, but, small- to medium-sized enterprises that have mastered best practices and used technology to digitise and automate their contract lifecycle management (CLM) processes have benefited significantly from this transition.

To compete in today's competitive markets, dealerships need to improve in the following areas of the contract lifecycle:

1. Quickly and efficiently creating contracts
2. Standardising contractual procedures and terms
3. Changing or eliminating poorly structured and unprofitable agreements
4. Guaranteeing precise financial reconciliation and compliance
5. Gaining visibility and control over an increasing volume of contract data
6. Automatically tracking milestones, appointments, and renewal events
7. Developing processes and timelines for negotiation and renewal
8. Fixing the bottlenecks in contract creation, negotiation, and approval
9. Automating approvals and collaboration across the contract lifecycle
10. Digitising, streamlining, and automating many of the tasks involved in the process

Here are four crucial steps to better contract management that can help you drive efficiency and profitability:

1. Standardise your contract process

Time is money, and this is as true for contract management as it is for any other part of your business. Paper-based systems are high risk and offer no way to prioritise which contracts need to be dealt with first. It's all too easy to lose valuable information in a mountain of paperwork, not to mention the lack of security in such a outdated system. Use of paper in a digital world also creates endless hours of redundant manual data entry and unnecessary mistakes, when integrated solutions could automate accurate data import into new or updated contracts.

If you've gone digital but are struggling to integrate your contract management functions with other programs, your contract process is likely rife with inefficiencies because you can't reconcile and correlate data between systems. The solution is to eliminate the paper trail and consolidate systems into a single enterprise resource planning (ERP) solution. An ERP helps prevent bottlenecks and increases efficiency. Everyone on your team has clear responsibilities for every aspect of your business including generating quotes, entering orders, and automating invoices and communications.

The system creates built-in accountability in the contract management process as well. Data that is entered once flows through the system and is dispersed to the various departments within your organisation for accuracy, optimised workflow, and increased productivity.

Standardisation and accountability in the contract management process results in four major benefits:

Stronger contracts:

Content, clauses, language, and their applications are vetted and standardised from contract to contract. This substantially reduces redundancy, as well as the risk of mistakes in the draft stage, and less-than-profitable arrangements once the contracts are in place. In addition, contract management features within an ERP solution help to foster collaboration between all stakeholders whether in the office or working remote. Finally, having contracts digitised makes it easy to search for particular language, clauses, and solutions to customer needs, further reducing the complexities of each subsequent contract.

Compliance and control:

With contract management, usage logs track data entry and improve compliance with laws and regulations, deadlines, deliveries, and payments.

Fast approvals:

Moving from paper or a non-integrated system to a fully integrated ERP solution with contract management features can substantially reduce the time for approvals. Collaborative tools keep all stakeholders apprised of developments, and ready to provide their necessary inputs and signatures.

Valuable business insights:

Increased visibility into the business enables stakeholders to maintain transactions and audit trails, analyse progress in the contract lifecycle, and refine spending and cost allocations.

2. Provide a variety of M&S packages

One size does not fit all in service contracts; individual customers have unique needs. Standardising service requests across all contracts, for example, would make otherwise lucrative accounts unprofitable. A proper contract management system contains fields to apply variables to each account, including the size and industry of the business, as well as equipment and usage. This data enables you to make informed individualised adjustments to standardised contracts.

With an ERP, the system does the work, so you can avoid hours of number crunching.

Businesses with high customer satisfaction scores provide a variety of service and support packages to meet their individual customers' needs while calibrating offerings to their own required levels of profitability. This often includes tiered support programs and corresponding pricing levels to create fair pricing with optimised margins.

In these M&S contract arrangements, customers choose complete service and support packages, which provide them with predictable expenses and confidence in trouble-free operations. In return, your business gets the stable and recurring revenue streams with flexible distribution that allows you to focus on delivering your core business value.

While these tiered service and support contracts simplify doing business, a percentage of your customers may still want the option for hourly or per-service pricing for onsite calls. Think of reactive maintenance and support as a learning experience for your customers that don't opt in to an M&S contract. In one year, you will be able to demonstrate that paying by the hour or service was a gamble, and the cost of an M&S contract is a small price to pay for the assurance it provides.

3. Continually monitor contracts and performance

M&S contracts are not "set it and forget it" arrangements. These contracts should be written with the flexibility to correct course when necessary for you or the customer. An ERP solution with contract management features doesn't simply support contract creation; it supports every phase of the contract lifecycle from deadlines to renegotiations. The solution enables ongoing monitoring by keeping service and contract data all in one location, generating contract profitability reports, and automating preventative maintenance calls.

On an equipment level, contract management solutions track serialised equipment on job sites, generate profitability reports by equipment model and system numbers, and ensure that service technicians are fully optimising their time. Unprofitable equipment that would have otherwise been a long-term drain on your margins can quickly be taken out of circulation.

All this data is essential, whether you have to manually extract it from separate systems or automatically generate it from an integrated ERP solution.

Contract management makes everyone more efficient and enables you to operate your business with a streamlined staff. In an ERP solution equipped with contract management, system alerts keep administrators and executives apprised of milestones before they come up. There is no need for your team to maintain tickler files or to search spreadsheets each week for upcoming maintenance visits. In addition, there is no need for sales and executive teams to make concessions to customers after missing a scheduled visit.

4. Be proactive with contract management

Proactive monitoring in a flexible contract arrangement allows you to protect your business from loss and address customers' unforeseen needs and concerns as they come up. To provide value for your customers, you can streamline regular check-ins or inspections, enabling you to:

- Keep customers apprised of their equipment usage and performance

- Maintain customer satisfaction with the relationship and the level of service

- Perform any necessary maintenance or repairs

- Prevent major breakdowns and system downtime

- Enable service technicians to assess state of the equipment (e.g. quarterly basis like a business QBR)

- Facilitate replacement of non-profitable equipment when warranties expire

An ERP with contract management can be set to automatically launch renewal steps in advance of contract expirations, allowing your team to prepare effectively, rather than being caught off guard. Waiting until the last minute to reach out to customers before a contract expires means you are leaving money on the table. The process is similar for the expiration and replacement dates for individual equipment warranties.

When launching the renewal process, all the relevant contract performance data is accessible to the contract reviewer , providing complete context for the renewal negotiations. Purchase orders, supplier emails, pricing schedules, and repairs all provide the necessary data to renew the contract with higher expected margins. Piles of paper could never do that!

Using an ERP with contract management to monitor contracts, your team can analyse process efficiency, adjust on the fly, and measure performance at scheduled intervals. Proactive contract management reduces the contractual risks of fixed prices, which are high for vendors and office equipment dealers, and cost prices, which lower the risk but mean potentially lower margins as well. Analysis functions permit you to view revenue and profitability for each contract, as well as averages for types of accounts. You can also examine which contractual terms are not being met by the other parties, and which contracts may not be advisable to renew.

An ERP solution with advanced contract management features can help you easily implement these four steps to improve your contracts, streamline your sales process, and increase customer satisfaction. The ERP system blends contract management with business solutions and supplier integrations to provide your business with a single, end-to-end management solution.

Not only does contract management simplify and automate tasks and reduce risks and missed opportunities, it also enables your business to operate with a more streamlined staff of specialised professionals, rather than administrative multitaskers.

Contact us today to find out how an ERP like e-automate gives you the critical contract information you need to fight shrinking margins, beat out your competition, and grow your business.