



The Financial Impact of Selecting the Wrong Configure Price Quote (CPQ) Solution

Selecting the Right CPQ Solution is Critical to a Stronger ROI.

The CPQ vendor ecosystem is enormous with dozens of solutions offering many different features and price points. Customers must navigate through this market loaded with new providers, tentative alliances, partnerships, and often exaggerated, one-size-fits-all solutions. CPQ touches so many facets of an organization so properly vetting your vendor is crucial. Selecting the wrong CPQ product can have a deep financial impact and lead to highly-visible and costly project failures. This paper underscores the importance of selecting the right CPQ solution using the experiences of three customers that ultimately made the wrong choice.

THE BUSINESS BENEFITS OF A CPQ SOLUTION

Most customers turn to CPQ solutions to automate configuration and quote generation so they can sell more efficiently and with far more control. Oracle CPQ goes beyond these benefits to impact revenue and financial savings as well.

Financial Control-

Ensuring sophisticated financial governance of the organization is impossible without adequate control over pricing, discounting, contracting and revenue projections. One of the primary benefits of CPQ is the assurance that pricing and discounting behaviors are aligned with company strategies. Regarding financial control, in particular, a key point to look for in a CPQ solution should include the ability to easily provide sales staff with latest pricing and guidance on discounting to prevent margin erosion. Be sure to enable your sales staff with visualized deal metrics within the transaction itself, including optimal price determination, price score, average selling price, price comparison scatterplots, last price paid, and other deal comparison analytics. On the contract management topic, look for the ability to automate and standardize contract management and renewals including routing contracts for approvals and storing contracts with accounts or opportunities plus easily generating service and support renewals. These CPQ functions allow management of sales behaviors to provide the organization with financial controls.

Sales Efficiency-

A key benefit of any CPQ solution is helping sales increase cross-sell and upsell opportunities. The best CPQ solutions in this regard include sophisticated product guidance and visual deal metrics such as optimal price determination, average selling price, and price comparison. In addition, CPQ should support promotions, enforce compensation rules, and automated work flows for approvals. To speed quote-to-cash, choose a solution that can span product lines, perform at scale and work in any country, language, or currency. Operations teams will also be more efficient if they can perform configuration without IT involvement.

Organizational Efficiency-

Deal governance aims to ensure that every order entering the back-end system is strategically acceptable. Unfortunately, most companies achieve this via a series of clumsy steps or homegrown tools that significantly reduce staff efficiency. An effective CPQ solution automates approvals with workflows that account for every user group necessary to the quoting process (legal, finance, transportation logistics and so on). All of these groups must collaborate to quickly develop quotes that

Financial Impact of CPQ

Sample metrics from Oracle CPQ customers:

- 30% reduction in quote cycle time.
- Up to 5% reduction in operating costs.
- 10%-20% in SG&A costs.
- 2% improvement in the organization's full bottom line.

are right the first time, eliminating inherent delays in consideration cycles, review, and approvals.

Order Management –

Accuracy from CPQ progression to ERP is critical. There must be a seamless handover from the CPQ solution to the back-end system that incorporates all required business processes. Automating the complete *Quote to Order* cycle frees up ERP teams to focus on optimizing foundational processes such as managing orders, manufacturing, fulfillment, invoices, and payments. So, select a CPQ solution that integrates with a range of financial systems and is backed by an organization with extensive experience in supporting these systems.

CASE STUDY #1: TIME WASTED BY SELECTING THE WRONG CPQ PARTNER

Summary: *A leading manufacturer for the leisure industry spent 2 years negotiating and project planning with a competitive CPQ solution before calling in Oracle representatives – Oracle reps were able to get their CPQ implementation ramped up within 30 days.*

This customer began their CPQ selection process in 2015 investigating a total of five CPQ vendors. During the selection process, Oracle was chosen for overall functionality and helped the customer to develop a CPQ business case and ROI model. The final selection was based purely on solution cost using initial license pricing rather than overall ROI so the selection went to a niche vendor with the lowest cost.

The ensuing implementation project with the selected vendor was a frustrating two-year journey negotiating scope reductions, pricing adjustments and attempts that failed to address the customer's primary business needs. It became apparent that the vendor did not have the abilities required and could not stand behind the original price or scope presented. In 2017, Oracle came back to help guide the customer forward. Oracle CPQ was selected and within 30 days contracts were concluded and implementation had ramped up.

Using the original ROI model, the customer was able to quantify the two years tinkering with original vendor selection. The financial impact was an estimated net loss of over \$19M in profits and savings as shown in the table below.

Impact	2016	2017	Total
Margin Growth: Eliminating Errors & Cross Selling	\$2.2M	\$3.3M	\$5.6M
Margin Growth: Better Quote Management	\$3.4M	\$4.5M	\$7.9M
Sales Efficiency Gains	\$2.3M	\$3.4M	\$5.6M
Total Benefits	\$7.9M	\$11.2M	\$19.1M

The customer believes these figures are conservative as they do not account for lost opportunities such as missed up-sells or cross-sells. As an example, this customer discovered that in particular scenarios, sales teams were recommending third-party add-ons rather than their own higher margin product simply out of convenience. With Oracle CPQ implemented, the sales process now guides them in these scenarios recommending specific products. The result is a simpler process with higher margins.

The true costs of selecting the wrong CPQ Solution – From actual customer reports:

A Communications Company

Cost: \$7.5 million dollars USD direct spend, 36 months lost opportunity time and countless staff hours.

An IT Technology Provider

Cost: 40 months lost opportunity cost, 200 staff months wasted plus careers ended for executive staff.

An Industrial Manufacturer

Cost: 18 months lost time due to a failed pilot project plus efforts of 72 staff months.

A High Tech Manufacturer

Cost: Tremendous time invested to maintain the system and the quoting solution was still ineffective and not accurate.

CASE STUDY #2: SELECTING THE WRONG MARKET LEADER

Summary: A leader in power generation products selected the CPQ vendor they believed had market-leading functionality only to discover over a two year period that the vendor was unable to accommodate the level of complexity required.

Analysts' reports tend to recommend a limited set of CPQ vendors for large complex use cases. And while high-level product evaluations may show that the solutions are very similar in overall functionality, not all CPQ vendors can deliver real value at scale. Global companies with thousands of products distributed across different divisions, geographies, currencies, approval chains all with complex routings and BOMS, quickly discover the outer limits of less capable solutions.

A large global manufacturer of products in the power generation market found themselves in this situation after selecting what was considered a "market leader" based on price and functionality. However, as they began implementation of the product at a global scale, they quickly discovered its limitations. This manufacturer, with the products they provide and the customers they serve, had complex requirements – leading to every aspect of every deal needing to be reviewed and documented. Two years into a limited scale pilot project, the customer determined that the solution would not meet their needs. Every order continued to require manual vetting. Continued expansion of the implementation was not going to improve the solution. This customer reached out to Oracle and began their transition to Oracle CPQ. Due to the sheer size of the organization, switching all divisions and products will take time. Meanwhile, this organization bears the costs the failed pilot project and continues to pay support and maintenance for the first product until the transition is complete.

The total financial impact of this experience has been enormous as the table below shows.

Impact		Costs
Length of implementation	2 years	
External Consulting	6 resources – Yr1 4 resources Yr2	\$2.5M
Internal Resources	8 FTEs for 2 years	\$2.2M
License Costs	Fees and Support paid to the other vendor	?
Opportunity Costs	Lost opportunity, benefits from missing functionality, etc.	\$2M to \$4M
Total Cost		\$6.5M to \$8M

As this table shows, having some type of CPQ may be better than nothing at all! But in consideration of this customer's desire to reach the full revenue and savings potential of CPQ, much of this can be viewed as a very expensive and timely pilot project.



"Oracle Configure, Price, and Quote Cloud helped transform our sales processes—allowing Flowserve to sell more effectively and efficiently while delivering a superior customer experience. There is nothing on the market today that compares to Oracle CPQ Cloud's functionality."

Director of IT, Global Customer-Facing, Supply Chain and Quality Applications
Flowserve Corporation

"An order of 100 lines would take an hour to enter and book; now we can do it in less than 10 minutes."

Quotation CPQ Program Director
Schneider Electric

CASE STUDY #3: COST OF RUNNING HOMEGROWN TOOLS

Summary: Multi-national IT technology provider rapidly grew through acquisitions and market expansions and discovered that the homegrown solution used for quoting and configurations was expensive and harmful to overall efficiency. Oracle CPQ was used to replace multiple legacy infrastructure tools and streamline the sales process.

Organizations experiencing rapid growth often prioritize incorporating new acquisitions into legacy systems. This solves short-term problems but often makes long-term strategies more complex to execute. The customer in this case study had multiple siloed legacy configurators spread across different product lines as a result of several acquisitions. To prepare a single quote, sales staff had to spend an inordinate amount of time navigating from system to system, gathering configuration data that needed to be manually compiled. Because of the complexity and difficulty, quotes took a long time to prepare and did not fully consider up-sells and cross-sell opportunities. Quoting time had become a competitive handicap.

For this \$5B company, their homegrown solution was a huge burden on their organization spreading across many functional areas. To launch a new product or change a pricing model took months of work from numerous teams to get the legacy configurators ready. Speed to market had become a product handicap.

Not only was speed to market a compelling issue, the hidden cost of maintenance and support of the inefficient legacy infrastructure was an additional burden on this company. To evaluate their next steps, this customer calculated the costs involved with supporting the homegrown version of configuration and quoting processes. The result was estimated at a staggering \$17M/yr. This is a prime example of how a proper CPQ solution can immediately benefit the bottom line to the business.

Impact		Costs
IT Resources	13 resources @ 6 Systems	\$1.8M
Internal Support	24 resources @ 6 Systems 4 resources @ central office	\$3.1M
Maintenance	18 resources @ 6 Systems 3 resources @ central office	\$2.9M
License Costs	Fees and Support paid to legacy system vendors	\$9.2M
Total Cost		\$17.0M Annually

WHAT TO DO TO REPAIR A FAILED CPQ IMPLEMENTATION

Drawing the line and calling a CPQ project a failure is a difficult and painful decision to make. For dozens of businesses that found themselves in this position, Oracle has helped to pick up the pieces and get back on track towards a successful CPQ deployment. Based on these experiences, Oracle can offer a proven methodology that delivers a clear path forward. The preferred starting point is organizing a comprehensive two-day workshop called a “Breakthrough Opportunity Analysis” (BOA).

The purpose of the BOA workshop is to map your current processes and supporting systems, to provide a holistic understanding of the business process flow, identify opportunities for improvement, and engage all organizational functions associated with sales processes. Oracle has led hundreds of these workshops to work through many different transformational challenges with other organizations. The goal of a BOA workshop is to help organizations to build a sensible, supportable business case based on industry standards, best practices and existing customer reference cases. The BOA can help give you a clear path forward – allowing you to pick up the pieces of a failed project.

Get back on the right CPQ track with a Business Opportunity Analysis from Oracle. Contact your sales representative for more information.

Helpful Links

[Breakthrough Opportunity Analysis \(BOA\) Video](#)

[Gartner Positions Oracle CPQ Cloud as a Leader](#)

[Oracle CPQ Cloud Web Site](#)

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