

Modernizing Lead to Cash for Sustained Profitability

Support Today's Business Models
with the Right Technology



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The Case for Modernizing Lead to Cash

Customers understand that the benefits of products and services sold via the subscription model include predictability and the sharing of risk on a purchase with the vendor. Offering this model is now table stakes for many organizations. Individual consumers are accustomed to the subscription model in their personal lives and want the same opportunity in a B2B context to extend the cost of goods or services over time, or to scale up or down on short notice without contract changes.

That expectation is spreading across industries as mixed revenue models become more prevalent. Cell phones are an example of this, where the phone itself is an amortized loan, the data plan is paid for on a subscription basis and data used beyond the subscription limit is usage-based. Then there are the adjacent services and products, such as support packages and insurance, which are billed via a flat fee. For B2B organizations to remain competitive, individual contracts within a mixed revenue model must be negotiated as part of the whole process, providing a seamless experience for customers. We assert that by 2026, over one-third of all organizations will deploy a mixed revenue model that includes subscriptions and usage pricing in addition to one-time sales as companies make adjustments to remain competitive.

Business buying trends are driven by customers and, increasingly, those trends encompass a range of digital channels. Buyers are now engaging with prospective vendors in a variety of ways, which allows businesses to meet expanding customer needs as to when, where and how they wish to buy. A majority of customer interactions now take place using digital channels such as voice, video and text instead of traditional voice calls or in-person meetings, even if the final order is placed via a self-service portal. Customers expect to be able to make changes to existing plans and orders on their own and for the impact on fulfillment and billing adjustments to be seamless, which requires inventory levels to be closely connected to quoting to ensure acceptable levels of availability. This places a premium on being able to offer comprehensive product and service catalog information within these channels as well as bundling and configuration that support direct, indirect and self-service purchases.

Organizations are recognizing that “revenue at all costs” is not sustainable, and that margin must be a key consideration when evaluating opportunities and deals. Rather than being a post-sale analysis by the finance function, the modern revenue management approach includes margin considerations at the points of sale. Different modes of delivery and

Subscription Management

Market Assertion

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fulfillment for products and services require clear knowledge of revenue recognition rules that are dependent on delivery and draw down. The goal should be to minimize the number of deals that need manual review, and to automate the review process within guardrails at



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the point of sale, such as part of the configure, price and quote (CPQ) process. Different selling channels have different costs to serve. Discounts and approvals should be managed through policies linked to corporate targets.

Businesses can build a new revenue model using the information they already have. Organizations have more data than ever and can use that data to expand their models in ways that better serve customers and the business. Shifting to mixed revenue models provides new ways to monetize and grow the business and expands the ability to use the data gathered to improve processes and provide opportunities to resell the data gathered related to the business. Achieving a modernized lead to cash process can leverage existing

back and front office systems but will require additional purpose-built tools and applications to support new processes that utilize data typically siloed across legacy applications and personal productivity tools. To ensure a seamless experience for customers, it is important to test new pricing, bundling and additional products and services prior to scaling across the enterprise.

The Fear of Transformation

Change requires a cultural shift just as much as it may new processes and technology. Organizations may struggle with the idea of how to not only sell current products in a new way, but also how to create additional revenue streams from new and complementary products and services without taking the business completely apart and putting it back together again. Going from one revenue model that has worked over a period of time to a new way of doing business requires change in people, processes and technology.

The biggest impediment to change can be inertia. A history of budget and duration overruns on large-scale projects can cause natural reticence to take on these initiatives, as can internal politics and the fear that changing strategies will become an expensive, disruptive science project that could put the business in jeopardy. Sales teams are reluctant to undertake change because of the perception that change will impact their ability to attain quotas and targets. The longer an organization puts off change, the more daunting it seems, and the anxiety surrounding the process can stall the project before it begins.

Additionally, traditional ERP and CRM platforms are not architected to support mixed revenue models. Legacy ERP software is designed to manage day-to-day back-office business activities



where products, services and pricing are relatively stable. But where physical products are part of the mix, inventory and supply chain information must be integrated into the overall modern lead to cash process. Revenue recognition and compliance with relevant accounting standards such as ASC 606 and IFRS 15 has a significant impact on margin and profitability as subscription and usage products and services proliferate. Newer generations of applications work in conjunction with existing back office and front office systems to enable effective support for revenue and pricing models that include more direct accommodation and compliance with revenue recognition standards. Billing and plan amendments may be the only touchpoint an organization has with the customer, which shifts the importance of those interactions to customer experience (CX). As a result, CRM platforms and those that work with them need to adjust interaction and relationship expectations. This may feel daunting to organizations.

Organizations Already Have What They Need to Transform

Business transformation does not need to be a rip-and-replace scenario; organizations already have the data they need. Rather than engaging in a complete overhaul, businesses



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should ask themselves how they can enhance their existing systems with a mixed business model. Complementary applications can handle complex rating and pricing at scale and work with existing financial back-office systems such as accounts receivable for integrated billing as well as dunning and collections. Modern opportunity management integrates all types of opportunities including renewals and cross sell, giving a full view of the customer life cycle.

Take a company that makes thermostats for office buildings, for example. An installed thermostat regulates temperature within the building, but it also communicates that temperature data back to the

company for analysis. Does it cost more to heat the west side of the building than the east side? Does the heating and cooling system need to be shifted to compensate? This opens an opportunity to establish an electricity management plan and usage-based service and pricing model using data the company already has.

Organizations should transform using a phased approach. Companies using traditional sales models who have already heavily invested in ERP and CRM systems can pivot quickly to remain competitive in the omnichannel sales environment by applying new technology on top of their legacy systems. Experience can be developed via testing new pricing and revenue models as well as bundles for particular regions and/or product lines. Using scalable



applications rather than point solutions will enable faster general market deployment and time to value. Modern CPQ tools place many of the needed guardrails at the quote stage to ensure compliance with corporate policies at the point of sale rather than as post sale analysis and accounting. Integrated territory, quota planning and incentive compensation systems need to be adjusted to consider a broader team supporting revenue and the added complexity of considering omnichannel engagement. Traditional sales forecasts can be expanded to address an organization's revenue forecasting needs.

Technology and Processes to Enable Transformational Change

Business transformation can happen organically or through leadership that communicates a clear plan and provides guidance. As an organization moves from a one-time sales approach to a mixed revenue model, there needs to be a “retraining of thought” in terms of how companies think about the customer life cycle. Leadership within the organization must recognize the need to change, want to change, and guide the transformation through new processes and technology. Key stakeholders from sales, marketing, supply chain, operations, finance, legal and customer service need to be part of goal setting and planning, whether coordinated with individual team operations or by revenue operations with a broader responsibility. Transformation can be iterative and evolutionary rather than disruptive, but the process should be evaluated holistically in the front and back office. And transformation efforts should include the mining of signals and data to understand where processes can be continually improved.

Modern engagement models combine and bundle physical goods with accompanying subscription and usage-based services.

Services can also relate to monitoring usage and ensuring that customers are aware of hitting limits or triggering price changes. This enables companies to remain competitive against low-cost overseas competitors. For products bundled with services, the overall value proposition accentuates CX over pure price comparisons. We assert that, through 2026, 1 in 4 organizations will look to streamline subscription, revenue and billing operations by exploring process mining to optimize workflow and business processes to enhance the buying and customer experience.

Modernizing the revenue process is an important part of digital transformation. Revenue transformation that includes subscription and usage revenue models connects the B2B front-office and systems that support the revenue team, including CPQ capabilities, with the back-

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office supply chain management, ERP and financial accounting applications. The sales process should include relevant guardrails that are part of the revenue process rather than compliance being treated as an accounting function that happens post-sale. The customer life cycle from initial lead, through sales and on to adoption and support becomes the focus, aligning disparate teams and processes in support of achieving revenue and margin objectives.

Technology should support the most appropriate business structure and revenue models, not create constraints and limits that prevent competitiveness. To achieve the needs of a positive, seamless customer experience through all stages of the modern lead to cash process, the



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complexity of internal organization structures and multiple systems needs to be masked. Subscription pricing and other pricing models should be part of the overall revenue model to better suit customer and market needs while offering additional revenue streams. CPQ software allows sellers to produce accurate quotes for complex and configurable products, and makes the sales cycle more efficient, productive and successful. Exceptions should be minimized at all stages through the adoption of standards for quoting, pricing and contracts and timely approval processes that facilitate agility within guardrails. Integration of inventory data and order management into the sales process ensures accurate availability and profit to promise as part of the overall customer experience.

The Cost of Not Taking Action

Without action, an organization loses, or will soon lose, its competitive advantage. Stagnant companies become companies that get left behind. This is especially important to recognize for mature organizations that risk becoming obsolete or disrupted by a new entrant or competitor that is more attuned to customer needs. When an organization does not change in a changing world, it becomes open to disruption by competitors focusing on CX. A lack of action also halts growth rates and contributes to missed opportunities.

Transformation can be an overwhelming concept for many organizations, especially those that have legacy processes and products. But digital transformation and lead to cash modernization is critical for companies to continue to grow and thrive in today's dynamic business environment. Mixed revenue models allow sellers to deliver the products, pricing and service today's customers expect to find. These models are quickly becoming necessary components for how today's organizations build competitive advantage. An organization's approach will depend on how and why it has adopted new pricing and revenue models, be it



new product lines and services, extensions to existing product lines, or acquisition of a business that utilizes subscription and usage-based models.

Next Steps

Transforming the organization's revenue model does not necessarily mean a large-scale technology implementation effort. An incremental approach can take mature organizations to the next level.

- Engage senior leadership to help sponsor and drive desire for change.
- Identify key stakeholders across functional and operational teams in sales, marketing, finance, legal and customer service.
- Test market either a subset of products or service lines or focus on one particular region to develop expertise and to identify needed data that is in siloed repositories.
- Inventory existing systems and data repositories and use a test market deployment to map out data needs and new metrics.
- Focus on ensuring that technology can support the entire lead to cash process integrating lead management, CPQ and contract life cycle, inventory and order management, e-commerce and self-service portals, subscription management and billing, unified payments, fulfillment, previsioning, technical and implementation and resource management and customer support and success. Potential key points of failure will be handovers between teams that are supporting the different stages of the lead to cash process.
- Consider a dedicated approach that is capable of integrating data and process across existing teams and functions with the aim of providing a positive customer experience while being responsive to continual adjustment and change.

We recommend seeking out expertise and guidance from vendors that have experience with deploying these capabilities. Technology choices should not be based on short-term needs that cannot scale and will impede further roll-out, potentially impacting competitiveness and market share. It is crucial to partner with a third party that can identify and raise awareness of future needs.



About Ventana Research

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