Digital Transformation/Lead to Order

Overview of Trends, Complexity and Transformation for Lead to Order Process
Next generation trends

<table>
<thead>
<tr>
<th>Trends</th>
<th>Characteristics</th>
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| Social experience | • Everything is “Digital”  
                   • “Everybody On”  
                   • Connected Brand  
                   • Consumerization of IT  
                   • Customer / Partner Self Service |
| Cloud           | • Enabling the IT Infrastructure  
                   • Transforming the business operations  
                   • Monetizing differentiated services  
                   • Energizing collaborative communities |
| Analytics       | • Real Time tied to Execution Decisions  
                   • Data Driven Process Optimization  
                   • Cross Enterprise Analytics  
                   • Customer Experience Optimization |
| Mobility        | • Interaction vs. Input  
                   • Real Time Automation  
                   • Anywhere, Any segment, Any time  
                   • For Employees, Partners, Customers |
**Macro trends**

New trends in technology, delivery systems, financial models, and customer expectations are driving companies in every industry to reevaluate how they deliver value to their Digital Consumers.

**Key trends driving Digital Transformation**

**Evolution:**
- Phone calls
- Emails
- Web-browsing
- Apps platform

**Evolution:**
- Traditional publishing
- Social publishing
- Web 2.0
- Interaction

**Evolution:**
- Self-hosted – On-premise
- ASP/hosted
- BPO
- SOA – SaaS
- “Cloud” computing

**Evolution:**
- Basic EDI/ Sharing info
- Data/ business intelligence
- Digital asset strategies

**Evolution:**
- Dot com bust
- Global growth/BRIC
- Global recession
- Emergence from new normal

Leverage Technology to become more agile, enable innovation, create more operating efficiency, enter new markets, increase customer loyalty and gain ground against competitors.
New trends in technology, delivery systems, financial models, and consumer behaviors are driving companies to reevaluate how they invest in people, process and technologies.

13% Of the total US 2010 retail market expected to be transacted online. 
(Forrester)

80% Estimated % of traditional sales that are now influenced by digital channels. 
(Google)

94% Share captured by the top 500 online commerce companies in 2009, up from 88% in 2008. 
(Internet Retailer)

$250 Bn Forecasted US online sales by 2014, up from $155B in 2009. 
(Goldman Sachs)

100% US gov’t plans to double wireless bandwidth to support growth in mobile commerce over next 10 years. 
(WSJ)

65% Anticipated growth for mobile commerce through 2015. 
(MarketResearch.com)
How these key trends are impacting our clients

Emerging technology trends

“Big Data and Analytics”

“Social Media”

“Mobility”

“Cloud Computing”

What our clients are looking for

Cloud-enabled IT transformation

Internal business operations transformation

New products and services innovation

Channels and communities engagement and collaboration

Enterprise Agility

Changing the role of IT

Empowering the Business

Expanding the Market

Differentiating the Experience
Providing business value lenses for emerging technology

Cloud-enabled Business

- **Cloud-enabled IT Transformation**
  - 80% of overall IT spending growth until 2020 focused on cloud social, analytics and mobility (IDC)

- **Transforming Internal Business Operations**
  - 75% of IT organizations without better IT demand management will end up spending more on IT, by 2015 (Gartner)

- **Innovate for New Products and Services**
  - 20% of non-IT Global 500 companies will be cloud service providers, by 2015 (Gartner)

- **Energize Broader/ Diverse Channels Communities**
  - 77% of US CEO surveyed are changing their strategy because of customer demand (PwC, 15th CEO survey)

- **How to scale my infrastructure to match my business growth?**
- **How do I leverage cloud technologies to enhance my business processes quickly?**
- **How do I compete differently?**
  - **How do I transition my products and services into the digital age?**
- **How do I create a new service experience for my customers?**
- **How do I connect with new markets and segments?**
What is Digital Transformation?

Enabling a Collaborative Digital Enterprise

Digital Transformation is PwC’s point-of-view on how enterprises need to adapt their business models and operations to meet the enhanced expectations of the Digital Consumer and ecosystem.
Holistic approach to empowering digital transformation

PwC’s Transform™ framework for Digital Transformation
With Best Practice Business Processes

... Delivering 4 key Solution Focus Areas

Energizing channels / communities
Monetizing differentiated services
Transforming business operations
Enabling cloud infrastructure

... in 3 Core Service Dimensions

Strategy and Planning
Transformation Management
Technology Implementation

Holistic approach to empowering digital transformation

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Strategy and Planning
Transformation Management
Technology Implementation
Companies in the High-Tech and Other Sectors Offer a Combination of Products and Services

<table>
<thead>
<tr>
<th>Hardware/Software Continuum</th>
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<tbody>
<tr>
<td>Dumb Hardware</td>
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<tr>
<td>Smart Hardware</td>
</tr>
<tr>
<td>Bundled hardware &amp; software</td>
</tr>
<tr>
<td>Software Appliance</td>
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<tr>
<td>Pure Software</td>
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<tr>
<td>On-demand software</td>
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<tr>
<td>On-demand services</td>
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Product Value Proposition

Role of add-on services

- Embedded Services (product support)
- Standalone professional services + product maintenance/support
- Solution design, integration and deployment

Traditional operating model.
Limited capabilities around hardware/software combined revenue generation. Dependence on legacy install base data

Mature operating model.
Enhanced capabilities enable multiple revenue streams within historical/acquired operating silos

Evolutionary/adaptive operating model.
Integrated capabilities set along with extendable platform enable multiple revenue streams. Collaborative model enables ecosystem effect with partners
**Complexity and Proliferation of Business Models is Increasing Complexity in Lead to Order Operations**

<table>
<thead>
<tr>
<th>Customer Segments</th>
<th>Channels</th>
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<tbody>
<tr>
<td>Consumers</td>
<td>Direct</td>
</tr>
<tr>
<td>SMB</td>
<td>• Sales Force</td>
</tr>
<tr>
<td>Government</td>
<td>• Contact Center</td>
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<tr>
<td>Large Enterprises</td>
<td>• Website / eCommerce</td>
</tr>
<tr>
<td></td>
<td>• Mobile</td>
</tr>
<tr>
<td></td>
<td>Indirect</td>
</tr>
<tr>
<td></td>
<td>• Distributors</td>
</tr>
<tr>
<td></td>
<td>• Partner network (SI or ISVs)</td>
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<tr>
<td></td>
<td>• OEM</td>
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<td></td>
<td>• Resellers and VARS</td>
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<tr>
<td></td>
<td>• Partner programs</td>
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<table>
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<tr>
<th>Order Types</th>
<th>Revenue Drivers</th>
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<tr>
<td><strong>Lead to Stock</strong></td>
<td>• Software licenses</td>
</tr>
<tr>
<td>• SKUs/BOMs</td>
<td>• Services</td>
</tr>
<tr>
<td>• Bundles</td>
<td>• Implementation</td>
</tr>
<tr>
<td><strong>Assemble to Order</strong></td>
<td>• Term</td>
</tr>
<tr>
<td>• Solutions</td>
<td>• Training</td>
</tr>
<tr>
<td>• Services</td>
<td>• H/W, S/W Maintenance and Support</td>
</tr>
<tr>
<td><strong>Engineer to Order</strong></td>
<td>• Perpetual</td>
</tr>
<tr>
<td>• 3rd party products integration</td>
<td>• Upgrades</td>
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<tr>
<td>• Supply chain integration / visibility</td>
<td>• Tech refresh</td>
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<td></td>
<td>• Competitive trade-ins</td>
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Lead to Cash View of Symptoms and Potential Pain Points

1. Long time to market for NPI products; SKU proliferation
2. Complex configuration process; inability to cross- and up-sell
3. Long quote turnaround time
4. Manual, non-scalable pricing and discounting
5. Lack of integration with contracts
6. High percentage of non-standard pricing
7. Complex and manual order validation and processing
8. Lack of visibility through the Supply Chain
9. Complex, manual billing processes
10. Multiple, non-harmonized functional needs
11. M&A activities are complex and expensive
12. Lack of integration across systems
13. Inaccurate reporting requiring manual intervention
14. Multiple sources of truth across systems and functions/BUs

1. NPI: Product Release Mgt
2. Configure
3. Lead/Quote
4. Pricing
5. Sales Contracts
6. Order
7. Fulfill
8. Invoice Bill Collect
9. Organization Structure and Roles
10. Operating Policies & Business Rules
11. Q2I Technology Platform
12. Reporting & Analytics
13. Data (Customer, Item, BOM, Price List)

PwC
**Lead to Order: Transforming Business Operations**

Lead to Opportunity, Quote to Order: End-to-End View*

- **NPI: Configurator Release Mgt**
- **Configure**
- **Pricing**
- **Quote**
- **Sales Contracts**
- **Q2I Operations Platform**
- **Data (Customer, Item, BOM, Price List)**
- **Operating Policies & Business Rules**
- **Reporting & Analytics**
- **Organization Structure and Roles**

*Typical initiatives and focus areas (across operating processes, systems and enabling data)*

- L2O: Structured Pipeline Management
- Quote Effectiveness Strategic Deal Management
- Quote-Contracts Integration
- Contracts Lifecycle Management
- Order Lifecycle Mgt (integrated view)
- Integrated Enterprise Portal
- Customer 360/ Customer Data Mgt
- Integrated Release Mgt
- Attribute-driven Pricing
- Pricing Waterfall Discount Mgt
- Pricing Exception Management (automated)
- Guided Selling
- Configuration Library Mgt
- Metrics: Strategic, Operations/ Functional & Execution
- Differentiated Transaction Flows

*Complex ecosystem of Customers, Partners, Sales & Support Ops; BIC characteristics include seamless user experience, robust processes and highly integrated systems enabled by high-quality data*
**Lead to Order - Process Excellence and Leading Practices**

- **Register Opportunity**
  - View Rev Rec impact & approval matrix real time

- **Draft Quote**
  - No duplicates allowed
  - Credit limit pre-established

- **Obtain Pricing & Discount Approvals**
  - Inactive SKUs archived
  - SKU quality maintained

- **Draft & Approve Contract**
  - Automated workflow
  - SMB should not require approval, and follow a scalable pricing & discounting program

- **Order Management & Fulfillment**
  - Standard T&Cs embedded
  - Changes in select T&Cs trigger approval requirements (workflow driven)
  - SMB contracting simplified with web-based click2accept solution

- **Metering Engine(s)**
- **Recurring Billings**
- **Auto Renewal triggers Opportunity**
- **Customer Order History**

**Customer Master Files**

**Product Master Files**

**Pricing & Discounting Programs**

PwC
Lead to Order - Key Performance Metrics

- Order management cost as a % of revenue
- Customer purchasing satisfaction rate (%)
- QTC cycle time
- Sales rep customer facing time (%)

- Opportunity pipeline
- Bookings to Revenue reconciliation
- Discounting stats
- Approval cycle time
- % of non standard T&Cs
- Cycle time

Register Opportunity → Draft Quote → Obtain Pricing & Discount Approvals → Draft & Approve Contract → Order Management & Fulfillment

Customer Master Files
- Customer duplicates (%)

Product Master Files
- Inactive SKUs (%)

Pricing & Discounting Programs

Metering Engine(s)
Recurring Billings
Auto Renewal triggers Opportunity
Customer Order History
Typical Impacted Metrics in a Q2C Business Transformation

PwC has executed several Q2C transformation projects for high-tech companies spanning several business models and routes to market.

Our clients have achieved step-level performance improvement on critical lifecycle metrics:

- Total Revenue: 10–15% increase
- Customer Satisfaction: 10–20% better
- Sales per Customer: 10–15% higher
- Gross Margins: 5-10% higher
- Sales Cycle Time: 25–50% faster
- Headcount Optimization: 5-10% lower
- Cross-/up-sell: 20-35% increase
- Quote-to-Order Cycle Time: 30–60% reduction
- Deal Conversion Rate: 10-15% more
- No Touch Order: 30-50% higher
- Cost of per Order: 15-20% lower
- Non-standard Pricing Approvals: 5-20% reduction
- NPI Time to Market: 10-30% reduction
- Renewals Efficiency: 10-40% increase in renewals
Lead to Cash Reference Architecture

Quote to Cash Processes

Opportunity Management
- Register Deal
  - Create Deal Object
  - Deal Review and Disposition
  - Deal Conversion to Opportunity
- Manage Opportunity
  - Opportunity Creation
  - Opportunity Sales Stage Advancement
  - Opportunity Selling
  - Opportunity Conversion to Quote

Solution Design & Pricing
- Manage Quote Object
  - Quote Creation
  - Quote Status Advancement
  - Quote Conversion to Order
  - Quote Archiving
  - Available to Promise
- Solving
  - Initiation of the Configuration
  - Creation of a Configuration
  - Addition of the Configuration to the Quote
  - Joint Solution Design
- Present Quote
  - Print Quote
  - Rate and Finalize Quote
  - Generate Quote

Order Management
- Manage Price & Discount
  - Apply List Price
  - Apply Discounts
  - Generate Final Price for Quote
  - Profitability and Margins Management
  - Contract Review/Development
- Order Management
  - Capture Order
  - Validate Order
  - Book Order
  - Manage Order
  - Manage Change Orders

Order Fulfillment
- Order Management
- Product Delivery
  - Prepare Product
  - Deliver Product
  - Install
  - Activate/Deploy

Invoicing & Rev Mgmt
- Invoicing & Rev Mgmt
  - Billing & Payments
  - Credit & Collections
  - Revenue Management
  - Indirect Tax

Enabling Process & Data

Metrics and Analytics
- Predictive Analytics
- Operational Insights
- Throughput Analysis
- Reporting Platforms

Business Models/Scenarios
- Business Models/Scenarios
  - New-to-Growth
  - New-to-Company
  - New to Quote to Cash Operations

Usage Set Up & Maintenance
- Product Licensing Setup
- Offerings Entitlement
- Capacity & Duration Entitlement

Product Release Management Process
- New Product Introduction
  - Product Lifecycle Mgmt
  - Configuration Rules Management
  - Product Roadmap Management
  - Configuration Library Management
  - Catalog Setup & Maintenance
  - BOM Management (SKU)

Pricing Data Management
- Pricing Data Management
  - Discounting Rules Definition
  - GTM Offering Price Definition and Selling
  - Pricing Administration
  - Pricing Data Publication and Distribution
  - Pricing Treatment Rules

Customer Experience Management
- Customer Experience Management
  - Organization Structure
  - Account Teams
  - Contract Attribute Repository
  - Dashboards
  - Documentation Consistency
  - Quality of Service

Compliance
- Compliance
  - Audit Setup
  - Export Compliance Setup

Policies
- Policies
  - Revenue Policies
  - Tax Treatment Policies
  - Booking Policy
  - Global Order Requirements Policy

Partner Management
- Partner Management
  - Partner Program Definition
  - Partner Recruitment Strategy
  - Retail GTM

Contract Management Process
- Contract Management Process
  - Contract Creation
  - Contract Renewal, Amendment, Termination
  - Contract Repository Creation and Maintenance
  - Strategic Deal Desk

Sales & Operations Planning
- Sales & Operations Planning
  - Sales Forecasting
  - Operations Forecasting
  - SAP/SCM Processes

Master Data Management
- Master Data Management
  - Customer Data Management
  - Partner Data Management
  - Item Master Management

Manufacturing Data Management
- Manufacturing Data Management
  - Item Creation
  - BOM Creation
  - Engineering Change Orders
  - Production Data
A segmented transaction flow constitutes the core of the sales operations processes leading to a cost-effective channel enablement.

**Major Business Capabilities**
- Strategic deal desk and pursuit teams
- Transactional deal desk
- Segmented pricing strategy with set approvals for direct and channel deals (attribute-base pricing, pricing waterfall, price list management, promotions)
- Exception management
- No-touch order submission and verification
- Automated leads assignment
- Deal registration
- Sales contracts integration (including ELA/ESA)
- Quote and Order lifecycle management
- Guided selling and configuration library management
- Centralized Quoting operation team
- Rule-based configurator with solution selling capabilities
- Unified user experience with single point of entry for Juniper and Partner users
- End-to-end Order status visibility