



INSIGHT

Oracle Finds a New Gear with Accelerated Buying Experience

Robert P. Mahowald
Henry D. Morris
Mary Wardley

Amy Konary
Carl W. Olofson

IDC OPINION

Like its large incumbent software peers, Oracle is racing to transform how it serves its customers. It has built cloud-first design principles into product development, absorbed increasingly diverse subscription revenue streams into its financial models, and refocused its sales force and channel partners on cloud opportunities on increasingly smaller companies in new geographies. But it became clear over the past few years that to really reach these companies and sell them on a new Oracle, it had to add speed to the customer engagement: faster approvals and contracting on the front end and quicker provisioning and onboarding on the fulfillment side. Findings include:

- Oracle's Accelerated Buying Experience (ABE) was developed and launched in early 2016 to address these problems, and with ABE's success, it is being expanded throughout Oracle's 25,000 strong sales force – adding speed and automation to everything Oracle sells, from professional services to hardware appliances and racks.
- The result has been a customer contracting process that is "61% faster" than before training in the program began, according to Co-CEO Mark Hurd. Faster contracting has meant quicker sales cycles, happier customers, and an Oracle enterprise sales force that can go faster and sell more.

IN THIS INSIGHT

This IDC Insight reviews and analyzes Oracle's new gear – Accelerated Buying Experience (ABE). Oracle has taken bold steps to accelerate its transition to being a provider of cloud services while still offering choice for customers that need licensed software and hardware solutions. But building the services – applications, customer experience, platform and middleware, and core compute and storage services – is only an important first step. As large IT vendors work to improve their speed to transact sales, provision new services, and onboard new users, Oracle's new Accelerated Buying Experience provides good lessons and best practices for other clients.

SITUATION OVERVIEW

Oracle has been crystallizing its thinking on a substantial company reorientation around nimble cloud selling for at least five years, as its customers' expectations changed alongside their technology shift. By 2007, Oracle had already begun rewriting the vast majority of its application software for a cloud-based environment as the Fusion portfolio. And starting in 2012, Oracle acquired a number of cloud companies, including RightNow, Eloqua, Taleo, and BlueKai, to fill pockets in its SaaS portfolio. In 2013, Oracle acquired more sophisticated hyperscale IaaS and systems management capability with

Nimbula, integration capability across heterogeneous networks with Corente, and cloud-based object and file store capability by buying the assets of Nirvanix. It brought five new datacenter locations online in Europe, Canada, and Australia, and the table was set to offer a complete portfolio of self-service public cloud services in early 2015. But as Oracle found success with its SaaS offerings and cloud revenue became more prominent in its revenue mix, it gradually came to realize that it needed to create vastly different business operations, including systems, policies, processes, and culture, to match this new cloud model and changing customer needs.

A eureka moment of sorts came in early 2015, as Oracle began to absorb the operations of MICROS, the maker of operations management software for restaurants and hotels. Whereas Oracle's traditional customer base is large and very large customers, MICROS sold to restaurants, and small operators, where the "IT professional" might be the bartender or maître d'. Oracle began to see situations where it would need paper replacements for small amounts – \$100-5,000 – and the traditional Oracle contracting practice would kick in, sometimes imposing weeks or more to get a master contract in place and check terms and conditions.

Oracle's traditional sales and contracting teams have earned a reputation: tough, thorough, and focused on detail. Like any multibillion-dollar firm, it is very oriented toward risk management: stick to the process, ensure compliance and consistency, employ layers of expertise to review, and minimize mistakes. When customers buy perpetually licensed software, there is implicit risk (of overpaying, of functional match to customer needs, of workable integrations with existing IT, on the delivery and implementation schedule, in payment timelines, etc.) associated with them, so both sides tend to negotiate heavily in order to try to find a favorable agreement.

What Is the Oracle Accelerated Buying Experience?

As Oracle considered that it needed more flexibility in its contracting to better serve the new, smaller customer type, it became clear that this scenario was a parallel to the cloud challenge – small transactions, higher volume intensity, and changing expectations – and it required a fresh approach. The Oracle Accelerated Buying Experience, or ABE, is the first fruit of that thinking, with a focus on fast, simple transactions and empowering sales reps with standard options for language changes that customers frequently request.

The program goals are simple and ambitious:

- Provide customers with simple to understand and friendly terms.
- Provide a one-click buying experience so customers can easily procure.
- Route all purchases through Oracle's SaaS CPQ engine (expanded based on the company's 2013 purchase of BigMachines) to complete orders more quickly.
- Complete the order process in just a few minutes or a couple of days.
- Onboard customers quickly.

ABE emanated from Oracle's Founder and Chairman Larry Ellison and Co-CEOs Safra Catz and Mark Hurd, with work championed by Catz's Chief of staff Doug Kehring. It represents a complete revamping of Oracle's sales process – today with cloud, but soon with many other products. The program's design thinking was around making the process more customer friendly and removing speed bumps, like extraneous approval processes, redundant approvers, and inflexible terms. The goal was to "move to the middle" and provide all customers, regardless of size, with the same level of service and the terms most frequently requested so arduous negotiations would not be required. Instead, customers can order options they want, which Oracle already knows it would approve and put power in the hands of its sales force.

All these changes have enabled Oracle to automate its processes, in order to minimize manual intervention where people are required to approve or to stitch together contract terms. Oracle looked closely at its contracting language, and the vast majority of contracts contain similar language, which makes it easy to standardize. The "make it easy" component also involves providing customers with the ability to click-to-accept orders online, and speedy order processing, both on mobile and desktop platforms, just as customers have on leading e-tailers like Amazon. Like cloud, the goal is to move focus from 1:1 (custom contracts for the majority of customers, with negotiated terms) to 1:many (standardization is the rule rather than the exception).

This acceleration was enabled by Oracle's own technologies – Oracle Sales Cloud, Oracle Service Cloud, and Oracle CPQ (configure, price, quote) Cloud. The ABE project team used Oracle Sales Cloud and Oracle CPQ Cloud to run the new cloud buying process, with real-time, click-to-chat support throughout the process driven by Oracle Service Cloud. And now that ABE has been rolled out, the project team is able to quickly fine-tune and improve the purchasing process based on user feedback because the system runs on cloud applications. For example, when European customers asked for quotes in U.S. dollars rather than their home currency, Oracle's IT team made the required changes to enable the customer request within a matter of hours and launched them as part of a weekly update to Oracle CPQ Cloud.

ABE is not about removing the flexibility for proper discounting, as pricing is the one thing every customer imagines is negotiable, nor is ABE about removing flexibility on all terms and conditions. Standard term changes and discounting (from MSRP) are part of the ABE ethos, where more Oracle reps are being empowered to approve discounts and standard options, with fewer, if any, approvals required. A good example is subscription term flexibility, which in Oracle SaaS usually means 1-, 2-, and 3-year terms. Within ABE, the Oracle Direct rep can choose based on the customer scenario to offer different term options. So instead of being a fixed time from which deviation requires negotiation and approval, within ABE, "term" becomes a lever the rep can pull for better client satisfaction. The approvals process around price and term flexibility is one of the crown jewels of large software ISVs, and decentralization of these approvals to sales reps has been the number 1 change most requested by its sales force, according to Oracle.

ABE is automated in CPQ. There is a wizard-type configuration engine and a help desk staffed by the employees who used to draft contracts. This sales enablement team is on call to speed the process and assist sales reps and customers as needed. In ABE, the configuration engine manages risk as it alone generates the ultimate result (i.e., contract terms), removing the possibility of inserting one-off offline terms after the negotiation process is concluded.

For deal types that have come to expect self-service procurement with a credit card (e.g., rent a compute instance for five hours on an existing purchase order [PO]), Oracle enables self-service purchasing through the Oracle Store. The company is still instrumenting this completely self-service purchasing for all types of deals (e.g., certain municipalities need customized languages). Self-service provide single-swipe access to infrastructure and platform services. If customers purchase by credit card, the Oracle Store orders autobook and IaaS and PaaS are provisioned in minutes.

Larger Oracle customers using ABE can have a procurement page for ordering services within their approved service catalog, to give policy-based access to the best capability, whether built by the customer IT organization or by Oracle. Oracle is in the process of building this infrastructure, creating customer landing pages, and tying all the buying together into a private shop, with procurement driven by customer-rules-based roles and requirements.

Catz announced the changes during a March 2016 employee town hall meeting, and since then, Oracle has completed a significant retraining of its sales force. Today, all cloud transactions – new, renewal, and expansion – are expected to go through the ABE construct. As ABE ripples through all parts of the company and customers learn more about the changes, the goal by the end of FY17 is for upward of 90% of cloud deal volume to go through the ABE mechanism.

Facilitated Buying Experience

Oracle doesn't consider ABE a point-in-time program. Oracle considers ABE a reference architecture for the way it wants to do business going forward. The design in ABE led Oracle to stratify 100% of its revenue and rationalize what it could hope to process through an ambitious program like ABE in the next 12 months or so and what it could not. That second tier of more complex deals, made complex by years of interconnected product licenses and right-to-use agreements, within very large multinational corporations, will not be excepted from the process reengineering discipline Oracle is bringing to ABE but will be part of a more traditional process Oracle is calling the Facilitated Buying Experience, or FBE. Oracle plans to scrutinize even the FBE deals for continuous improvement, and as it puts framework agreements in place against which customers can order with the terms and conditions it needs, Oracle expects a continual flow of deal types to migrate into the ABE tier.

FBE deals are currently complex deals with very large customers, requiring custom language not already available as options from within the ABE system. Rather than having those customers negotiate with a salesperson, Oracle has taken people who used to build or approve contracts and moved them into negotiation roles, where their experience on what terms are acceptable from a contracting perspective, how to get it approved internally faster at Oracle, and so forth will be useful. Large firms using this FBE now negotiate with people who really know what's achievable and are more empowered to negotiate than in the past.

It's important to recognize that as Oracle changes, its customers have an opportunity to evolve as well. Large customers like Boeing, with substantial procurement teams and complex buying processes, are organized to mitigate procurement and operational risks. They may take longer to transform as they are often used to negotiating a broad range of very specific and unique terms across all transactions. This level of specificity and uniqueness should be far less relevant with the purchase of enterprise cloud services. Part of how Oracle measures success in ABE is in the level of confidence large customers gain in the improvements it has made to both the sales process and agreements. If large customers desire a lengthy negotiation over specific and unique terms, FBE will be the exception, not the rule.

Negotiations aside, all of Oracle's customers, including the company's largest, will be able to take advantage of Oracle's click-through order acceptance. "Just because customers are enabled to 'click to accept,' Oracle's revamped agreement does not mean they have opted out of or have decided to forego their own legal review," according to Oracle's Kehring. Click to accept is simply a method of order acceptance for the transactional stage of the process, and customers that choose to do so will have already interacted with the sales rep in order to validate what they are buying and under what conditions and have done their internal reviews.

Results

Phase 1 of ABE rolled out for cloud purchases after third quarter earnings in March 2016, and phase 2 for the rest of the business is rolling out through FY17, but tests run in the last quarter by Oracle indicate that customers buy more with ABE in place and are happier with the purchases. In addition:

- Catz and Hurd give ABE partial credit for a winning quarter: in its FY16 close, Oracle's cloud business revenue reached \$690 million in fourth quarter, up 66% in constant currency (CC), and it added 765 new ERM customers in the quarter (see *Oracle FY 4Q16 Earnings: Cloud Growth Continues to Exceed Expectations*, IDC #lcUS41603316, July 2016).
- In conversations with analysts after the earnings call, Catz stated that "two-thirds" of Oracle's cloud deals were processed through the program.
- Hurd stated that Oracle has shown faster processing time, by 61%, when compared with before the company implemented the accelerated buying experience.

Oracle is measuring success in its new efforts in many ways. There is the increased revenue, which Oracle attributes in part to sales reps who can get back to selling and meeting customer needs more quickly; there is the 61% faster processing time cited by Hurd; and there are the testimonials from Oracle customers that ABE is making Oracle an easier company to do business with. Oracle's perspective is that the company has reimagined the process with customer success as the starting point, and all efforts lead to this outcome.

For ABE and FBE specifically, Oracle measures how effective it is at automating more of the manual portions of the buying process, improved cycle time from initiation to acceptance, and the feedback they both receive and solicit from customers and sales reps. But Oracle plans to continually iterate its process algorithms and terms engine because it believes it saves both parties extensive time and money that can be reinvested for higher purposes and results in a much better initial experience between companies that serves as the basis for a long-term partnership to follow.

FUTURE OUTLOOK

There has been an industrywide shift toward simplification, transparency, and rationalization of traditional licensing practices to better support customer's migration to cloud services and the increasing prevalence of hybrid environments.

For Oracle, ABE and FBE are about making the changes – culturally, philosophically, and system and process wise – to adjust and meet the needs of customers:

- Oracle has about 15,000 internal users on CPQ, and every cloud salesperson around the world has been trained on the ABE and that's their first path for selling cloud services.
- In the next few quarters, Oracle expects to expand ABE and FBE to all of its transaction types, including license, hardware, and consulting transactions, as well as to enable partners to take advantage of more standard options.
- Oracle continues hiring trained direct sales and channel resellers that understand fast selling, and Oracle continues to focus on improving the customer buying and provisioning process – two important steps to better customer satisfaction and faster cycles.
- Oracle is also looking at its extensive channel and field sales organizations, assessing how to fit service-type transactions, including point-in-time and ongoing consulting transactions, license transactions, and system transactions, into this automated process.
- As part of the fulfillment process and customer ownership experience, Oracle also plans to vastly improve how it cares for customers, especially its cloud customers, as the company rolls out phase 2 of ABE. Among the improvements on the radar is possibly giving users the ability to do a virtual SOS like Amazon concierge and get immediate help, without having to go through a separate trouble-ticketing process with Oracle support.

Oracle has characterized 2016 as "phase 1" of its operational transformation, with a focus on improving the sales and contracting process. Oracle is also focusing on improving the ongoing experience, "reimagining the caring of the customer" starting from the post-booking process through the renewal – the success with the implementation, monitoring the adoption of certain features and functions at user firms, identifying at-risk clients, and creating more of an online customer journey for the buying, fulfillment, and retention process.

Change starts at the top and trickles down, but at Oracle, ABE has reached the entire organization in record time. Oracle will continue messaging ABE as well as customer success in its current first quarter to ingrain its commitment to the customer into the work practices of everybody in the field and across the entire organization. For Oracle, ABE goes beyond selling to customers. It accelerates customer success and serves as a model for accelerating customer success throughout the customer journey. ABE and FBE are important developments that should overcome challenges with the procurement of technology solutions, leading to greater adoption of Oracle products in the midmarket and improved customer satisfaction and loyalty among Oracle's larger customers.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

Global Headquarters

5 Speen Street
Framingham, MA 01701
USA
508.872.8200
Twitter: @IDC
idc-community.com
www.idc.com

Copyright Notice

This IDC research document was published as part of an IDC continuous intelligence service, providing written research, analyst interactions, telebriefings, and conferences. Visit www.idc.com to learn more about IDC subscription and consulting services. To view a list of IDC offices worldwide, visit www.idc.com/offices. Please contact the IDC Hotline at 800.343.4952, ext. 7988 (or +1.508.988.7988) or sales@idc.com for information on applying the price of this document toward the purchase of an IDC service or for information on additional copies or web rights.

Copyright 2016 IDC. Reproduction is forbidden unless authorized. All rights reserved.

