

VISIBILITY, INSIGHT, IMPACT: SIMPLIFYING COMPLEX SALES PROCESSES WITH CPQ

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73% of all sales organizations report price as the most common cause of lost deals.

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Few business-to-business (b2b) organizations today sell in just one way. From enterprises with different product lines to SMBs with various channel partners and resellers to aid in their expansion, there's a multitude of complexity for modern sales leaders to manage. However, configure price quote (CPQ) solutions can help sales leaders tame complexity by giving them a view across all sales channels, insight into trends and opportunities across multi-channel selling environments, and an ability to increase the impact of A-players through knowledge-sharing and guided selling. In this report, we will explore such best practices of Best-in-Class sales organizations and explain how to put them into action.

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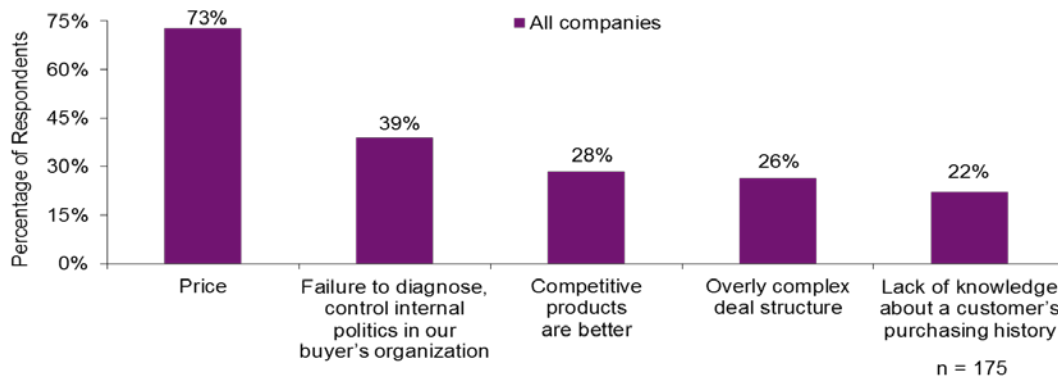
“Nothing happens until someone sells something...” Au contraire! So many things MUST happen today before someone can sell something.

From stand-alone sales teams divided across territories, industries, and even countries, to sales channels spanning a variety of brands, resellers, distributors, the modern sales environment comes with layers of complexity. In this complicated world, the simple question any sales leader must answer is, “What must happen for my sellers to be able to sell?”

This report focuses on configure price quote (CPQ) technology because its underlying value proposition (much more important than the gadgetry of it all) is in ensuring that everything is in place for any sales rep, anywhere, in any situation, to be able to sell to the best of his or her own ability. The configuration element helps to ensure that any product or service to be sold is available, compatible with buyer specifications, and deliverable on the buyer’s terms. Price management elements give guard-rails to sellers allowing them to choose between discounts, packages, and delivery options that are of mutual benefit to the business and the buyer alike. And proposal/ quote generation functions help to ensure that all materials needed to seal the deal are brand-compliant, consistent, and convenient.

The simple question any sales leader must answer is, “What must happen for my sellers to be able to sell?”

Figure 1: The Top Causes “Likely-to-Close” Sales Don’t Close – Fertile Ground for CPQ Tools



Source: Aberdeen Group, December 2015

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73% of all sales organizations report that price is the most common cause of lost deals.

In Figure 1, we see that the top two reasons sales organizations say “likely-to-close” deals don’t, are misalignment on price and mismanagement/ misdiagnosis of the buyer’s internal processes and politics. In these two sore spots for sellers, we see immediate validation for the fundamental value of CPQ tools: they enable efficient and strategic pricing and they are designed to streamline the configure and quote processes based on the needs of the buying organization.

It is extremely important to note, however, that simply standing up a CPQ platform won’t address these issues outright. That is, CPQ is no silver bullet; without the right objectives and expectations in place, organizations will fail. This is true for the simplest sales organization as well as the most complicated, multi-channel, multi-regional, multi-as-many-stressful-selling-scenarios-as-you-can-think-of business. So, what’s a sales leader to do?

[Precision, Perspective, and Priorities: Sales Management Gets Sophisticated Through Visibility](#)

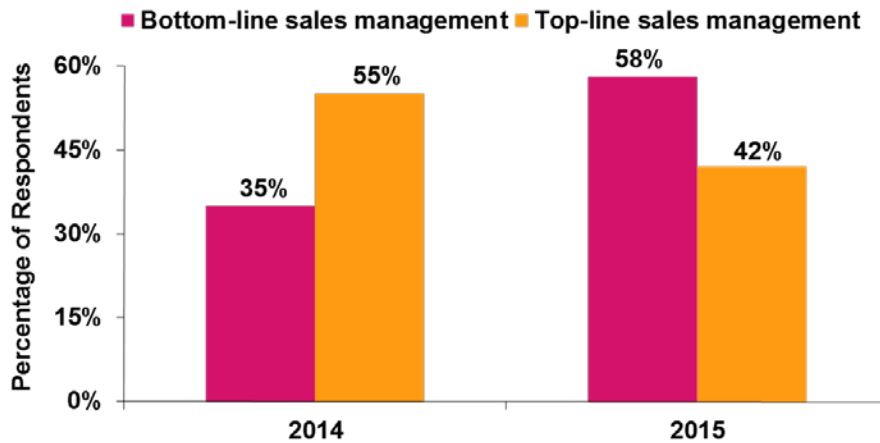
In response to today’s challenging sales environment, sales leaders have shifted their strategy from top-line, “anything for the sale” management, to bottom-line, ROI-oriented management. This approach, while admittedly more complicated, incentivizes sales leaders to delve deeper into both what contributes to closed deals, as well as the costs and challenges that come with acquiring and retaining customers. In Figure 2, we see just how drastically this shift has occurred between the end of 2014 and the end of 2015.

[Related Research:](#)

[*The Business Customer Arc: Crafting Keystones from Marketing & Sales \(May 2016\)*](#)

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**Figure 2: The End of Sales as We Know It...
The Beginning of Sales Knowing Itself**



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Source: Aberdeen Group, December 2015

The majority of today's sales leaders (58%) practice bottom-line sales management tactics.

With the majority of today's sales leaders (58%) now practicing bottom-line sales management tactics, how do these leaders account for the costs of, and returns on, sales efforts? It starts with visibility.

Looking at Best-in-Class sales organizations (defined in sidebar), Aberdeen found that 55% of these top-performing sales teams report that leadership has visibility into all customer-facing activities. Forty-eight percent of Best-in-Class sales teams further report that leadership has visibility all the way down to the content customers receive. Another 41% of top performers report using analytics to identify product-specific trends for demand. How can a single leader, or even a small team of leaders, acquire this kind of broad-reaching oversight and analytical precision? It takes systems that facilitate and measure all points of a relationship between a business and its customers.

Aberdeen's report, [*The B2B Business/ Customer Arc: Crafting Keystones from Marketing & Sales*](#) (May 2016) established that proposals or quotes issued to buyers are often the joining points – or “keystones” – of the relationship between

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The Sales Best-in-Class Defined

In October and November 2015, Aberdeen surveyed 175 end-user organizations to understand their sales best practices. The performance metrics used to define the Best-in-Class (top 20%), Industry Average (middle 50%), and Laggard (bottom 30%) among these sales teams are:

- 88% customer retention rate, vs. 75% among Industry Average, and 34% for Laggard firms
 - 8.5% average year-over-year increase in total team attainment of sales quota, vs. 0.8% for the Industry Average, and a 4.2% decrease among Laggard respondents
 - 4.3% average year-over-year increase in average deal size, vs. 3.1% and 0.4% increases for Industry Average and Laggard respondents, respectively
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businesses and their customers. CPQ technology helps to systematically engineer these keystones. It allows organizations to track when proposals/ quotes were generated and approved, what details and prices were included, and, through CRM integrations, which quotes or proposals worked and which didn't.

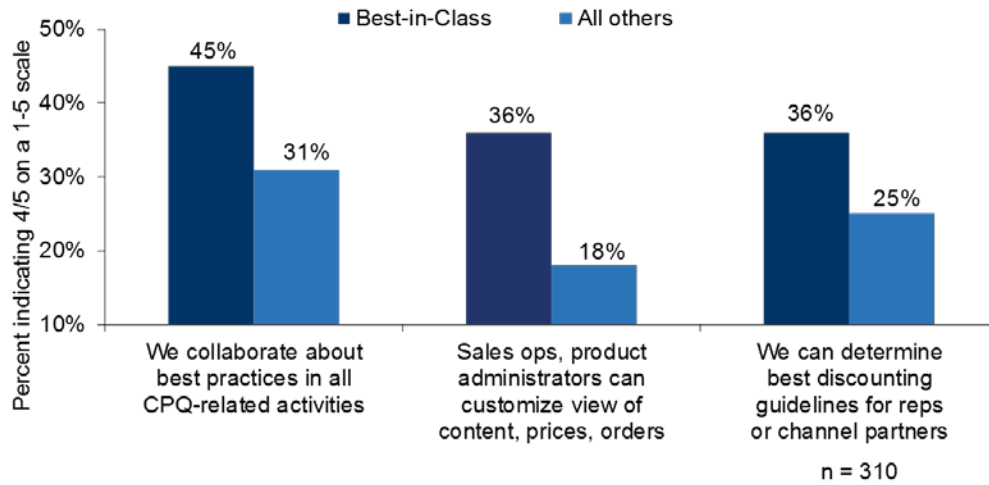
Now, while this may be standard in a typical, single-unit sales organization, CPQ portals can be extended out into sales channels (no matter how many an organization may have) and record everything in a scalable manner. If a corporate-branded proposal template sent out by channel sales reps at a company under a different name shows spikes in rejections, for example, a leader can make a quick decision, based on that trend, to allow channel partners to customize proposal or quote templates as needed. Conversely, if channel sellers are producing customized packages that yield a higher profitability than what corporate sales teams typically do, that best practice from outside the organization can easily be brought in. In this way, CPQ can serve as a backbone for precise, clear, and actionable visibility into all relevant sales activities.

Insight Eliminates Ambiguity and Mitigates Risk: Ensuring Swift Sales Action Through CPQ

In this report, we started with visibility for a reason. For sales leaders, it's the key to knowing what's going on. Insight, the next level of focus, means understanding contextually what all the "goings-on" in sales actually mean for the business. What you don't know can hurt you, or, at the very least, it can prevent you from realizing your full potential. This is especially true for sales teams, and it is why CPQ is critical for mapping what buyer and seller behaviors mean, what pricing packages convey, and how closely offerings match the needs of buyers.

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Figure 3: CPQ Insights Breed Effectiveness in Best-in-Class Sales Organizations



Source: Aberdeen Group, December 2015

Best-in-Class sales teams are 45% more likely to be effective at collaborating on CPQ-related activities.

In Figure 3, we see how insight translates to competency in Best-in-Class organizations. Respondents were asked to rate their effectiveness on a 1-5 scale, with “4” meaning effective, and “5” meaning very effective. Statistically, this tells us that Best-in-Class sales teams are 45% more likely to be effective at collaborating for CPQ-related activities, compared to All Others (45% vs. 31%). The Best-in-Class report twice the level of effectiveness at allowing sales operations and product administrators to customize content, price, and order views within sales platforms (36% vs. 18%). The Best-in-Class are also 44% more likely to be effective at determining the best discounting guidelines for reps or channel partners (36% vs. 25%).

What do these trends mean in practice? Essentially, there are correlations between high sales performance and using CPQ technology to foster and distribute relevant insights across the organization. However, what’s also worth noting is that these results come with an assumed level of difficulty. For more than a third of any cohort (Best-in-Class or otherwise) to achieve these capabilities means that these are, at the very least, emerging competitive advantages. Thus, in CPQ best-practice collaboration, there is a notable propensity to turn the platform into a

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learning machine – a way to see what works best, and share those best practices at scale. Having sales ops and product admins empowered to customize views in sales platforms like CPQ or CRM means that they can see the big picture for programs and products to craft the most relevant selling experiences for all those responsible for closing deals. Finally, in terms of programmatic discounting, not only for standard sales reps but channel partners as well, we see a capacity to give full latitude for all parties to discount as needed within the best parameters for the business.

In short, CPQ-gleaned insights are not only used to support standard, in-house sellers; instead, all CPQ-users, channel sellers, distribution partners, and beyond, can make fast, informed, and consistent decisions. Call it, “insight on demand” if you like, but this value provided through CPQ truly does extend the utility of insights to all the various arteries as sales organization may have.

Maximizing the Impact of CPQ Across the Enterprise

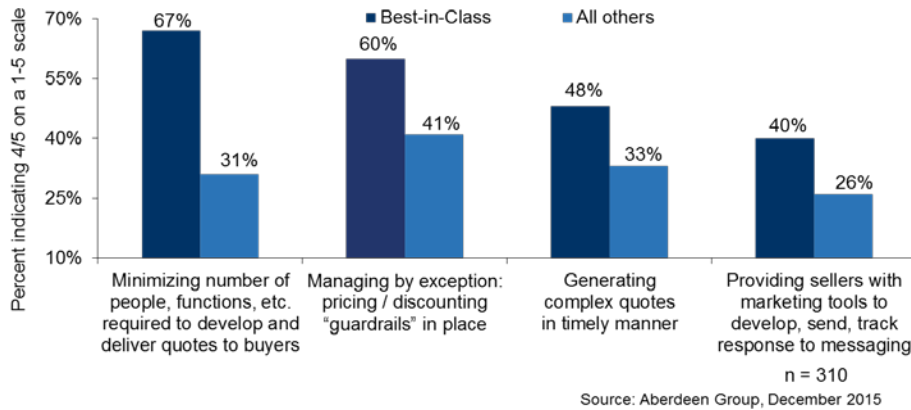
As noted earlier, the majority of sales organizations now operate with a bottom-line, ROI-driven point of view. This perspective, of course, doesn’t just mean identifying areas of high return. Instead, the ideal pursuit of this outlook is to open the floodgates on profitable performance metrics and aggressively outperform past benchmarks, as well as any present competition.

So what do the Best-in-Class do when it comes to CPQ that allows them to outpace their peers? Again, it’s not just the use of a given technology or solution; it’s also focusing on the critical skills and competencies that such technology enables. In Figure 4, we see specific areas where top performers create a virtuous cycle of improvement. The refinement of these skills helps organizations better compete and succeed across multi-channel selling initiatives, and in turn, the success breeds more insight for further improved performance.

Related Research:

Maximizing the Sales Technology Ecosystem with Best-in-Class CPQ Deployments (December 2015)

Figure 4: CPQ-Enabled Efficiencies of Best-in-Class Sales Teams



60% of Best-in-Class organizations “manage by exception” with pricing and discounting guardrails in place.

Perhaps most noteworthy in Figure 4 is the fact that the Best-in-Class have 2.2 times the level of reported effectiveness for minimizing the number of people and functions required to deliver quotes to buyers (67% vs. 31%). Naturally, in a distributed channel sales environment, there are inevitably going to be more people involved. However, even small changes here can have a big impact. If, for every rep (channel partner, reseller, in-house, etc.) it takes an approval from engineering, an approval from sales ops, and an approval from the fulfillment department, that’s four total people whose time and effort must be dedicated for a single quote or proposal. What’s worse, as sales headcount numbers go up, approver headcount often stays the same. Thus, you can have thousands of sellers depending on a team as small as ten to twenty specialists. Ultimately, choke-points arise and delays ensue. By minimizing any and all unnecessary steps, Best-in-Class organizations avoid obstacles to closed deals.

Best-in-Class sales teams are 2.2 times as effective at minimizing the number of people, functions, etc., required to generate a quote or proposal.

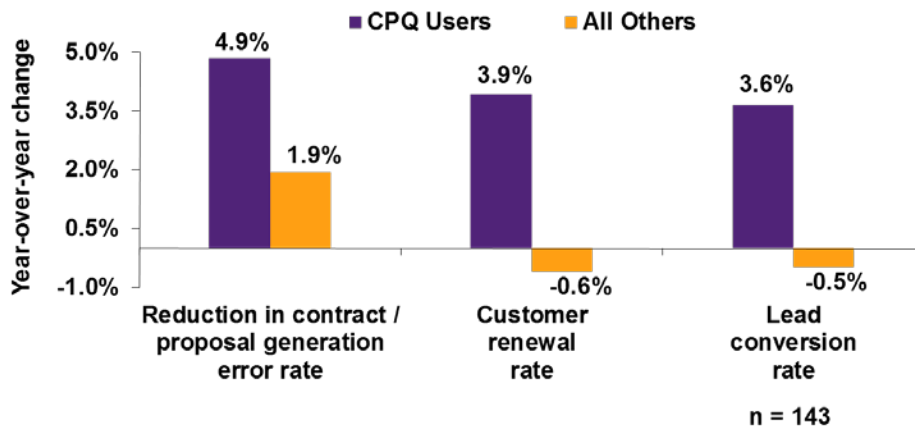
Similarly, we also see 60% of Best-in-Class organizations reporting that they “manage by exception” with pricing and discounting guardrails. Essentially, this means aggregating common configurations, prices, and packages so that only new or unusual quotes require approvals. In this way organizations reduce the amount of “reinventing the wheel” taking place in the sales process. If a configuration, discount, or price fits within the parameters of

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previous deals, it's good to go. This opens the door to generating quotes or proposals within minutes without any fuss or friction – a capability which has been affirmed as a reality in Aberdeen's conversations with CPQ users.

At this point, though, the question any critical sales leader should have is, "Do these best practices actually pay off?" The short answer is yes, but in Figure 5, we get a more conclusive glimpse into how.

Figure 5: Cutting Costly Errors, Keeping Customers, and Converting Leads – CPQ Benefits from Start to Finish & Back Again



Source: Aberdeen Group, December 2015

In Figure 5, we see that year-over-year, organizations using CPQ reduce the amount of errors that occur in contracts, proposals, or quotes at 1.6 times the rate of non-users (4.9% vs. 1.9%). Over an extended channel sales environment, this error reduction is significant since it means that adding more sales people does not lead to more costly errors. Similarly, as CPQ users increase customer retention rates by 3.9% year-over-year, while non-users actually increase customer attrition by 0.6%, we see acquisition cost mitigation (as customers are generally cheaper to keep than to replace).

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Key Takeaways:

As we've highlighted in this report, configure price quote solutions provide sales leaders with a means to win with simplicity. Through the visibility provided by CPQ, sales leaders can have quick, easy insight into what's working best where, and what needs fixing. From CPQ-gleaned insights, sales leaders can systematically roll out best practices, and structure communications with buyers to be comfortable, convenient, and compelling. Ultimately, the impact of these efforts on the business can help create a virtuous cycle of improved performance. To make the most of the points outlined in this report, remember:

- **Translate visibility into profitability.** The majority of sales leaders now manage from a bottom-line, ROI-driven approach. Use CPQ technology to gain visibility into sales activities in order to identify areas of maximum profit.
- **Eliminate risk and ambiguity with insight.** The Best-in-Class are 44% more likely to be effective at determining the best discounting guidelines for reps or channel partners (36% vs. 25%). This is just one example of how CPQ gleaned insights can produce business-guiding insights.
- **Maximize the impact of repeatable sales successes.** The Best-in-Class report 2.2 times the level of effectiveness when it comes minimizing the number of moving parts required to deliver quotes to buyers. This cuts costs and increases efficiency. Use CPQ to identify and optimize such drivers of extended competitive advantage.

For more information on this or other research topics, please visit www.aberdeen.com.

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Related Research

[The B2B Business/ Customer Arc: Crafting Keystones from Marketing & Sales](#) (May 2016)

[Marketing/ Sales Alignment 2016: Who is Agile Enough to Win](#); March 2016

[It's All About Those Skills: Best-in-Class Sales Competencies That Support CPQ Deployments](#); March 2016

[Maximizing the Sales Technology Ecosystem with Best-in-Class CPQ Deployments](#) (December 2015)

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About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Boston, MA.

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