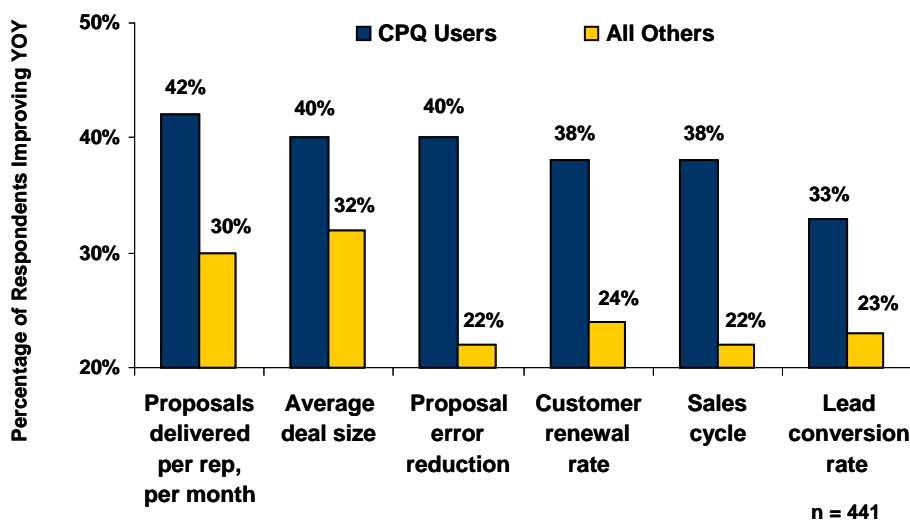


Sales Enablement Advances with Configure/Price/Quote Solutions

As sales organizations endeavor to escape the constricted economy of the 2009 recession, one of their most significant barriers is stagnant progress regarding bringing their sales cycle under control. Recent Aberdeen research published for *Inside Sales Enablement: "Let Them Drink Coffee!"* (December, 2009) reveals that not only did under-performing companies see a year-over-year increase in their sales cycle of 12%, but even the Best-in-Class, or top 20% of performers among over 500 companies surveyed, experienced a slight (1%) lengthening of their own lead-to-win timeframe. As top-performing selling teams continue searching for ways to reduce this window, as well as to increase their win/loss "batting average," the use of configure/price/quote or CPQ tools (see sidebar) holds potential promise for better sales team performance in 2010.

Aberdeen research conducted in March, 2010 for the benchmark study of 441 corporate sales teams, *Automating Lead-To-Win: Shrinking the Sales Cycle and Focusing Closers on Sealing More Deals* (May, 2010), included 37 companies currently deploying CPQ technology, and analysis shows that these organizations are realizing concrete performance advantages over other survey respondents.

Figure I: Percent of CPQ Users Improving Year-over-Year versus Other Companies



Source: Aberdeen Group, April 2010

Analyst Insight

Aberdeen's Insights provide the analyst perspective of the research as drawn from an aggregated view of the research surveys, interviews, and data analysis

Configure/Price/Quote (CPQ) Technology Defined

CPQ tools, for the purposes of Aberdeen's research, is defined as technology-enabled processes by which selling organizations manage their opportunity-to-order (or lead-to-win) methodology with automated tools that impact the speed and accuracy of developing quotes, proposals, contracts and products.

The solutions offered by vendors (Table I) help reduce bottlenecks in the overall sales process, enabling the presentation of "the right product, at the right time, at the right cost" for the customer.

Deconstructing Successful Use of CPQ Tools

As Figure 1 details, a series of Key Performance Indicators (KPIs) that Aberdeen tracks among survey respondents provides insight into how CPQ-friendly sales organizations are improving their results. This figure shows that by an average delta of 41%, more of these companies showed year-over-year improvement in numerous metrics, when compared to all other organizations.

Proposal quality: Among the full 441 survey respondents for Aberdeen's recent [Lead-to-Win](#) research, the Best-in-Class (see sidebar) reveal an average time-to-signature - the average amount of time that transpires between the point where a contract is requested, and the time when the signature is received - of 23 days, compared with 37 days for other companies. This 61% difference can certainly be impacted by a sales team's efforts to reduce the number of contract or proposal iterations that are produced both internally and in customer-facing form, by working harder, and smarter, to avoid creating documents that include errors. One of the tenets of configure/price/quote products indeed focuses on minimizing the number of iterations for which both selling and buying teams need to transmit and review proposal/contract documentation.

Customer renewals: As reported in Aberdeen research published in [Providing a 360° View of the Customer: Better Service - Higher Sales](#) (March, 2010), Best-in-Class companies average a 91% customer retention rate, compared to 78% for Industry Average and 62% for Laggard organizations. These same top performers realize an average 6% annual increase in the net client value of their customers, compared to 2% and 9% decreases for the other maturity classes; this validates the importance of focusing on customer renewals by CPQ users, who support their customers' efficiency by avoiding time-consuming or "reinventing the wheel" pricing or quotation discussions, and by automating the process of developing the final product or service delivered.

Shorter sales cycles: With an overall average sales cycle of 4.5 months, survey respondents clearly need plenty of time to close their deals, which are typically sized in the \$250 to \$300k range. Users of CPQ solutions have been more successful than other companies in reducing these cycle times on a year-over-year basis, ostensibly because they create an easier, predictable experience for their prospects and customers to more rapidly "seal the deal." As indicated above, the time-to-signature gains achieved by using the technology in the "last mile" of the decision-making journey helps reduce the time associated with final barriers to closing business, not to mention the production and delivery of the final product.

The Lead-to-Win Best-in-Class

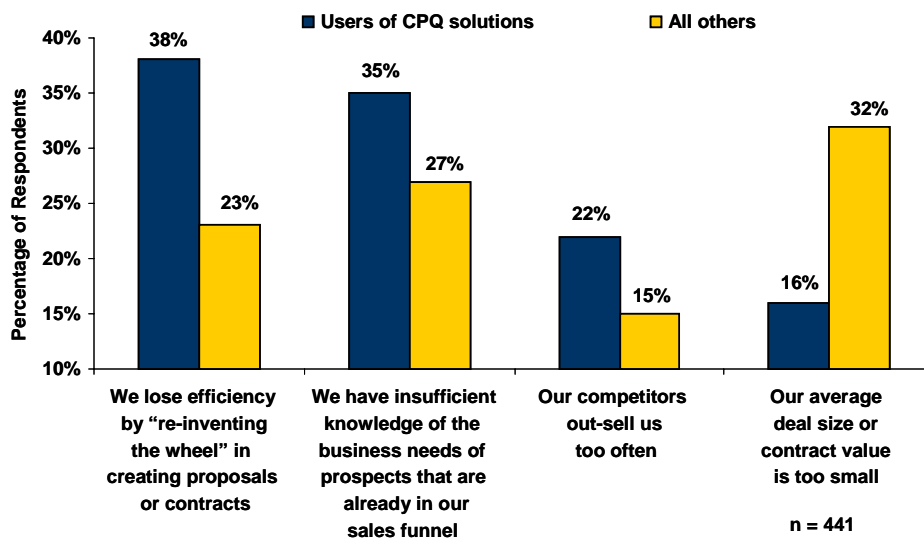
In March 2010, Aberdeen surveyed 441 end-user sales organizations to understand how the top performers among them control their sales cycle and convert more leads into closed deals. The performance metrics used to define the Best-in-Class (top 20%), Industry Average (middle 50%) and Laggard (bottom 30%) among these sales teams are:

- √ The Best-in-Class shrank their sales cycle by 8.4% on a year-over-year basis, compared to increases of 1.3% for the Industry Average and 6.7% for Laggards.
- √ Best-in-Class companies average a 44% lead conversion rate, versus 26% and 11% for Industry Average and Laggard firms.
- √ Proposal volume grew year-over-year by 9.1% for the Best-in-Class, while shrinking by 0.4% for Industry Average performers and 6.8% for Laggards.

Understanding the PACE of Technology-Enabled Sales Success

Much as Aberdeen’s standard “PACE” research methodology (see sidebar) is used to understand how different sub-sets of a research audience behave and perform versus one another, users of CPQ solutions report a number of differentiating business pressures, as illustrated in Figure 2.

Figure 2: Top Pressures among CPQ Users and Others Reveal Different Business Imperatives



Source: Aberdeen Group, April 2010

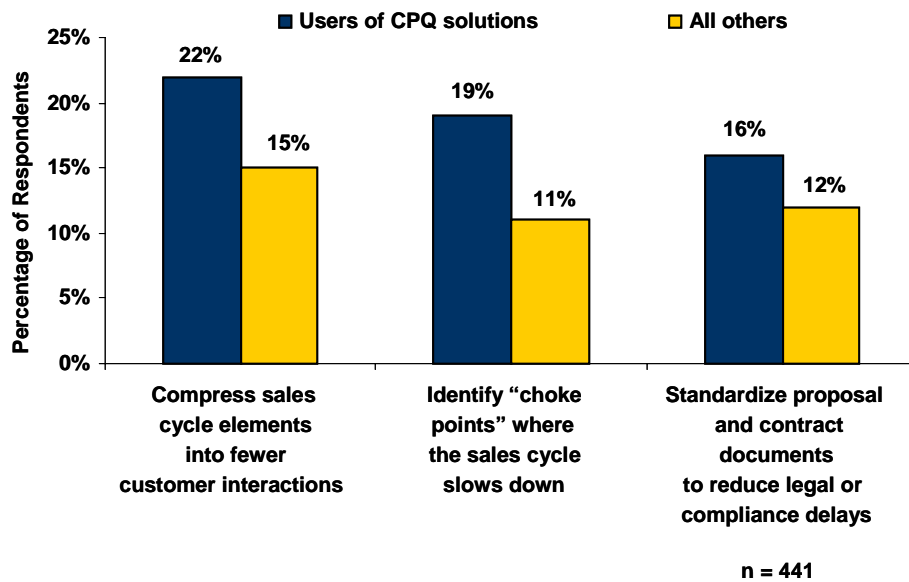
CPQ users that have adopted technology that allows for more efficient and automated processes in creating the proposals, quotes or products, are 65% more likely than other companies to recognize the efficiency issues plaguing sales teams that provide configurable products or services. They also see the value of understanding the business needs of prospects already being “romanced” but not closed, and are more sensitive to competitive pressures. The efficiency gains of CPQ use described above add measurable value to the task at hand for sales organizations, which focus on relieving these business pressures. Interestingly, non-CPQ users are twice as likely to be concerned with insufficient average deal size or contract value averages. With a typical order of \$227k versus \$519k for users of the technology, these companies understandably feel the stress of “working harder, not smarter” and can benefit from the economies of scale offered by CPQ deployments, as well as more efficiently trot out up-sell, cross-sell or other deal-enlarging features for their prospects and customers that can drive the Average Selling Price (ASP) higher – and ostensibly create more corporate profit.

Aberdeen’s PACE Methodology

Aberdeen applies a methodology to benchmark research that evaluates the business Pressures, Actions, Capabilities, and Enablers (PACE) that indicate corporate behavior in specific business processes:

- √ Pressures — external forces that impact an organization’s market position, competitiveness, or business operations.
- √ Actions — the strategic approaches that an organization takes in response to industry pressures.
- √ Capabilities — the business process competencies (process, organization, performance and knowledge management) required to execute corporate strategy.
- √ Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices.

Figure 3: Strategic Actions Undertaken by CPQ Users Target a Shorter Sales Cycle



Source: Aberdeen Group, April 2010

The strategic actions undertaken by CPQ users (Figure 3), in comparison to other companies, show significant insight into the maturity of their sales process, and these organizations’ understanding of how technology enablement of sales effectiveness can yield measurable results. Reducing customer interactions is good for all parties involved, and minimizing any stalled progress due to one-off legal reviews similarly yields a cleaner, faster experience for both buyer and seller. CPQ-enabled sales teams are, by definition, automating a process and seeking to eliminate “choke points” in the selling/closing cycle by deploying the solution. Indeed, Best-in-Class companies within this research indicate an average planned sales automation spending increase of 8% in 2010, compared with 6.5% among Industry Average and 4.7% for Laggards.

In terms of the capabilities that users of configure/price/quote solutions deploy to support overall sales effectiveness, Figures 4 illustrates a number of best practices that these companies are using to reach their goals faster than other organizations; these trends also mirror Best-in-Class performance (see sidebar).

These capabilities focus on the organizational management and processes that Best-in-Class companies recognize as vital to shrinking their sales cycle. Organizations committed to sales performance management understand the importance of using metrics to evaluate individual and team behavior and accomplishments; CPQ use and its incumbent efficiency gains can be used as KPIs toward this goal. The simple automation of reminding sales teams of customer contract expiration or renewal dates, too, is a process more valued by CPQ-enabled companies that can proactively contact a customer,

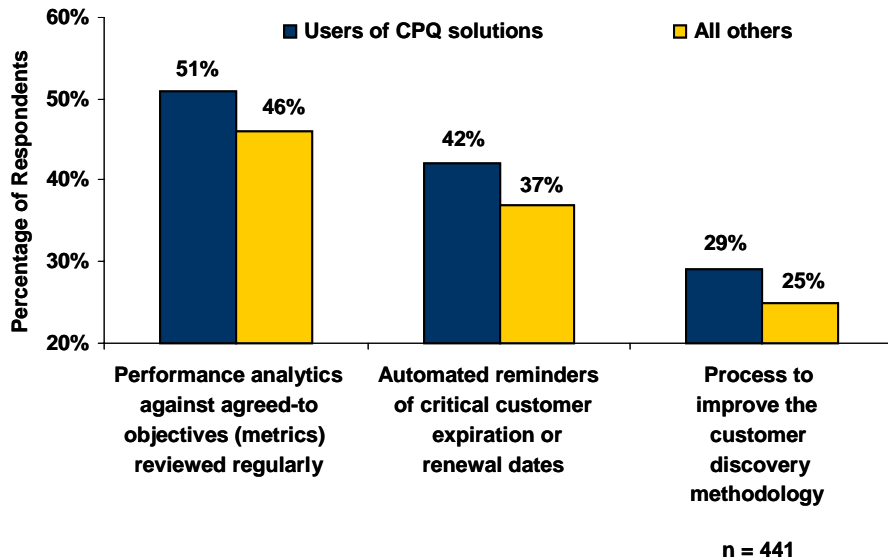
Best-in-Class Capabilities

The Best-in-Class among 441 Lead-to-Win survey respondents deploy a number of capabilities more frequently than other companies:

- ✓ Performance analytics: 62% vs. 46%
- ✓ Customer discovery process: 31% vs. 26%

beat their competition to any relevant deadlines, and rapidly configure a re-order or extension of their product/service delivery. Understanding a customer’s needs, finally, is supported by CPQ solutions that include a data entry modality that not only helps capture this information vital to a successful sale, but also promotes the best practice of promoting better listening among sales reps eager to close their deal.

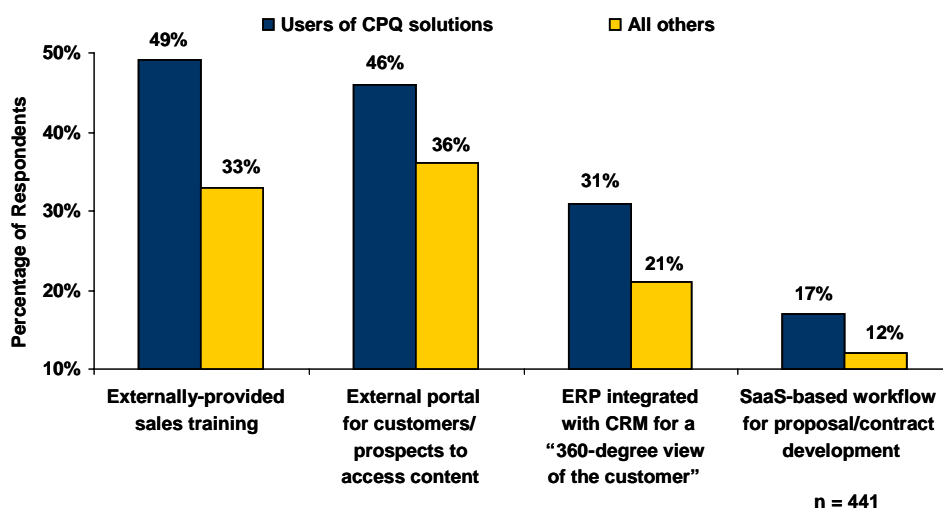
Figure 4: Capabilities Pave the Way Toward More Efficient Selling



Source: Aberdeen Group, April 2010

In addition to CPQ, what other sales automation technologies or services are used by these organizations? Figure 5 details a selection of enablers for which the use exceeds that of other companies.

Figure 5: Additional Enablers Used to Enhance CPQ’s Benefits



Source: Aberdeen Group, April 2010

In recent Aberdeen research published in February, 2010, [Sales Intelligence: Preparing for Smarter Selling](#), companies taking advantage of externally-provided sales training saw an average 58% team attainment of quota, compared to 42% for other companies. Forty-nine percent (49%) of trained sales staff also met their annual quota, versus 38% of other companies. The use of technologies such as configure/price/quote tools can easily be embedded in both formal, instructor-led training for sales teams. Reinforcing this capability with ongoing content keeps sales reps, and managers, refreshed about how to most efficiently hit their numbers.

Using external-facing sales portals accessed by prospects/customers pays off for users within this research data set. These organizations experience slight year-over-year gains in the percentage of their sales reps achieving quota, compared to an average decrease of 4.5% among non-portal users. A secure, easy-to-use internet portal is a natural repository for CPQ-produced contracts, proposals and RFP responses, as well.

CPQ solutions that seamlessly tap into holistic “360-degree customer view” databases ensure that both the simple details on a sales agreement, as well as an organization’s understanding of various buyer business units and organizational structures, are plugged into the language and details of a well-designed, rapidly-delivered proposal or contract.

Conclusion

It is not difficult to look at any sales representative, who starts from scratch every time he or she needs to create a proposal, quote or contract, and wonder why such manual activity is still considered acceptable in any contemporary business selling environment. Sales teams adopting CPQ technologies recognize this relatively straightforward premise, and as such are yielding better business results as a consequence of their investment. Ongoing Aberdeen lead-to-win research will continue to examine how enabling technologies and business best practices differ among the various levels of sales performers within this data set.

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

Fast Facts: Configure/Price/Quote Users

Sales teams deploying CPQ solutions:

- √ Are 23% more likely than non-users to employ at least one Full-Time Equivalent (FTE) staff member to handle proposal generation and RFP responses
- √ Report a planned 2010 sales technology increase at a 66% rate, compared with 46% for non-users
- √ Require a far higher average annual quota per sales rep: \$1.55M versus \$1.05 for other companies, but use CPQ tools to...
- √ Create 80% more proposals per rep, per month, than non-users; and pay their sales reps 18% more

Related Research

[Sales Mobility: Quotas Untethered;](#)
November 2010

[Sales Training: Deploying Knowledge,
Process and Technology to Consistently
Hit Quota;](#) September 2010

[Sales Performance Management: Getting
Everyone on the Same Page;](#) August,
2010

[Sales Forecasting: Analytics to the
Rescue!;](#) June 2010

[Optimizing Lead-To-Win: Shrinking the
Sales Cycle and Focusing Closers on
Sealing More Deals;](#) May 2010

[Providing a 360° View of the Customer -
Better Service - Higher Sales;](#) March,
2010

[Sales Intelligence: Preparing for Smarter
Selling;](#) February, 2010

[Inside Sales Enablement: "Let Them Drink
Coffee!";](#) December 2009

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