

HOW TO END MONTH-TO-MONTH SALES MADNESS VIA CPQ-DRIVEN PROFITABILITY

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Living month-to-month as a leader in the sales world can be like living paycheck-to-paycheck in the real world – stressful, uncertain, and seemingly impossible to escape. Aberdeen Group research, however, has shown that configure price quote (CPQ) technology can help to break the cycle of short-term sales uncertainty by delivering stable, long-term improvements in sales performance and profitability. In this Knowledge Brief, Aberdeen will explore and explain how CPQ makes this possible.

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Best-in-Class CPQ users average 84% attainment of annual sales goals; all other organizations only average 65%.

What Puts Sales Leaders Under a Microscope Each Month?

For the majority of sales leaders (58%) in Aberdeen’s research, “too much deal slippage month-over-month” — i.e., forecasted-to-close sales ‘slipping’ into another cycle — is the most cited pressure looming over sales operations. With sales organizations in Aberdeen’s respondent pool averaging only 65% attainment of their annual sales goals, a secondary implication of inconsistent long-term sales performance becomes apparent. Thirdly, with the majority of sales organizations (58%) now operating from a bottom-line management perspective — that is, sales goals must not only be met; they must be met within a favorable profit margin — there is a convergence of challenges painting sales leaders into a hard-to-escape corner. Monthly sales performance is scrutinized as annual sales objectives are not realized, and despite such struggles, profitability of sales operations must still be maximized.

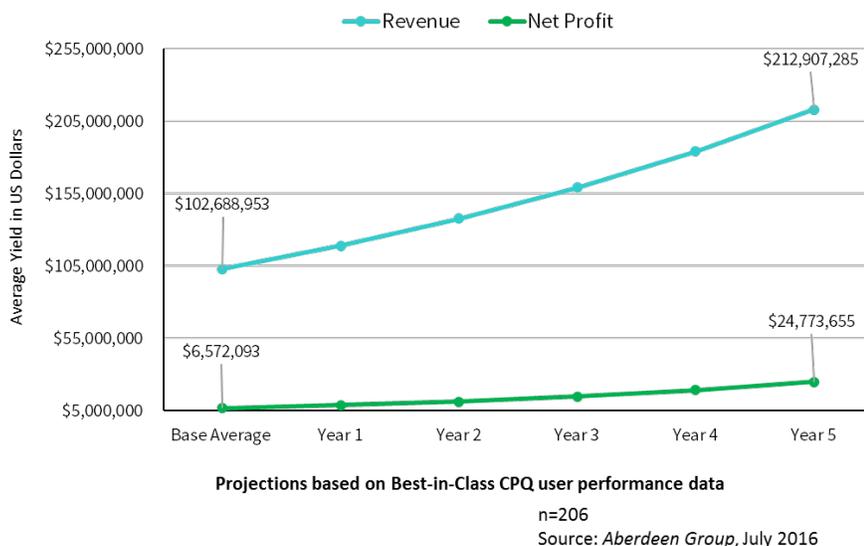
There is, however, a cohort within Aberdeen’s research that is turning the tide. These organizations exhibit more consistent sales performance, at a consistently more profitable rate, without the

hand-cuffs of month-to-month expectations. This cohort is comprised specifically of Best-in-Class organizations using configure price quote (CPQ) technology. These Best-in-Class CPQ users average 84% attainment of annual sales goals — still not perfect, but significantly better than All Others. These top performers also average a 3.9% year-over-year increase in sales profit margins. When compared to their underperforming peers, who average a 2.7% decline in profit margin year-over-year, it becomes clear that this cohort is doing something right.

In Aberdeen Group’s report, [*Powering a Profitable Sales Organization: How CPQ Cuts Costs*](#) (July 2016), Best-in-Class CPQ performance results were extrapolated over a 5-year span, as shown in Figure 1.

Related Research:
Powering a Profitable Sales Organization: How CPQ Cuts Costs (July 2016)

Figure 1: The Impact of Best-in-Class CPQ on Revenue and Net Profits Projected Over 5 Years



Generally, Figure 1 shows the impact of Best-in-Class CPQ performance on a business’s bottom line. There is a trend of stable,

75% of Best-in-Class organizations are able to generate, approve, and deliver proposals or quotes in two days or fewer for generating, approving, and delivering proposals or quotes.

profitable sales outcomes that consistently benefit the business year-over-year.

While these are excellent performance results to aspire to, understanding how to achieve them is even more important. In the next section we have broken out the quick yet critical line items for making Best-in-Class CPQ performance into long-term sales stability.

The Fundamental Elements of Long-Term Sales Success from CPQ:

→ **Reduce Difficulty & Complexity for Sellers & Buyers:**

[Putting CPQ in Play to Simplify Complicated Sales Workflows](#) (May 2016) showed that 75% of Best-in-Class organizations are able to generate, approve, and deliver proposals or quotes in two days or fewer (on average). The study showed that this is done by constructing guided workflows, distilling and testing repeatable packages, offers, or configurations, and building interfaces for sellers (and even buyers) that function with consumer-product-like ease and intuitiveness — all using CPQ. Overall, when the tool is easy to use and the insights gained from its use come with clear, simple action items, CPQ encapsulates even more of the sales process into a more consistent, manageable system (similarly to how CRM has changed sales management as a system of record).

→ **Predefine Profitability Parameters:** Best-in-Class CPQ users don't leave the profitability of their sales efforts to chance. While a more traditional sales team might be prone to have reps who will offer too high of discounts in order to win business, or sell products that might be more costly than worthwhile to actually fulfill, CPQ users can set pre-defined ranges for discounts and pre-approved product packages that conform to the targeted profit margins. If a seller needs to go outside of those parameters, a manager or product specialist can approve, deny, or amend the request. This removes the uncertainty (and cost) associated with sellers doing anything to close a deal. In addition, these guardrails can make sales seem less like the “wild west, rag-tag, revenue hunting department,” and more like a reliable,

Related Research:

[Putting CPQ in Play to Simplify Complicated Sales Workflows \(May 2016\)](#)

disciplined department of deal-makers. This can do a lot to help reduce the month-to-month oversight that is typical of more unpredictable sales teams.

- **Mitigate Unnecessary Sales Operations Risks:** Best-in-Class sales organizations are 2.2 times as effective at minimizing the number of people, functions, etc. required to develop and deliver quotes/proposals to buyers, when compared to All Others (67% vs. 31%). Along with making selling easier, this means that CPQ users also require fewer people and processes (variables that present extra opportunity for risks or losses) to execute a sale.
- **Keep Winning Teams in Place:** Aberdeen's [*Powering a Profitable Sales Organization: How CPQ Cuts Costs*](#) showed that Best-in-Class CPQ users can save \$1 million in sales rep replacement costs over 10 years, compared to costs incurred by their underperforming peers. Stemming the tide of sales rep attrition by making sales success easier is another critical step in stabilizing sales teams for the long haul. As CPQ helps to make success as a seller easier, and the likelihood of sales reps leaving lower, sales leaders can more effectively plan for the long run with a team that is securely in place for the long haul.

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Ultimately, CPQ technology helps sales leaders escape the month-to-month madness of unpredictable sales cycles and stressful uncertainties around sales goals. It does this by directly addressing otherwise uncertain elements of selling. Will the deals that close be profitable for the organization? CPQ ensures that they will. Will sellers be able to easily guide buyers to a quick and convenient solution? CPQ provides systematic support there as well. Can sales activities be more effectively measured and optimized? With CPQ, the answer is “Yes!”

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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