HOW CPQ STOPS SALES FROM CREATING IT & ENGINEERING NIGHTMARES

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Report Highlights

In this report, Aberdeen Group will explore the operational dynamic between Sales, IT, and Engineering, and explain how configure price quote (CPQ) technology can reduce conflict between these functions.

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Best-in-Class sales organizations foster a better dynamic (in terms of being less demanding) with their IT & Engineering peers. Learn how to follow their lead.

IT and Engineering Are Part of an Effective Sales Infrastructure

While sales reps often get the glory for landing big deals, credit rarely trickles down to the IT pros who maintain the technology enabling such wins, or the engineers who deliver the final end products. Moreover, sometimes big sales wins can actually create chaos for IT or Engineering if what's sold doesn't fit what can normally be delivered. Thus, the lines between these three functions are often crossed with unexpected, unintended, or just unfortunate consequences.

Looking at the top four challenges reported by sales leaders, there are some distinct ways in which they involve IT or Engineering. When sales organizations struggle with understanding buyer behaviors / historical transactions, it means an incomplete knowledge of what buyers need as well as what buyers have purchased in the past. This can result in selling the wrong solutions that aren't properly configured for customers, and the Engineering team has to swoop in and save the day with a custom deliverable.

Table 1: The Top Four Challenges Sales Leaders Face

Challenge	All Sales Leaders
Improving understanding of prospect / customer buying behaviors, including historical transactions	62%
Identifying "choke points" or friction where the sales cycle slows down	45%
Driving repeatable behavior among sales reps	45%
Improving the workflow of generating, negotiating and closing quotes, proposals or contracts	31%

Source: Aberdeen Group, December 2015

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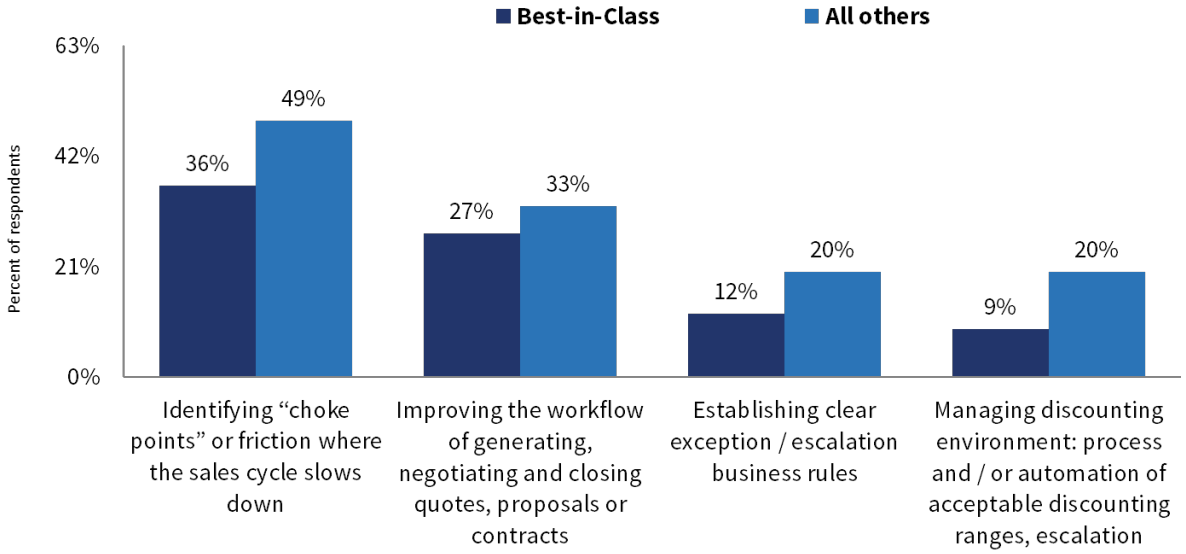
As another example, when organizations struggle with driving repeatable behavior in sales reps, that can cause problems in many areas, from improper technology use (a pain for IT professionals), to impossible to fulfill proposals (agony for Engineering). In Figure 1, however, we've flipped the script to see where Best-in-Class sales organizations (defined in sidebar page 4) report a lower degree of difficulty, compared to their peers. For the IT and Engineering crowds, this is a ray of hope suggesting that Sales can cut down on the chaos. For Sales, it's a blueprint for how to mitigate a few challenges on the path to matching Best-in-Class performance.

Best-in-Class sales organizations are 120% less likely to have difficulty managing their discounting environment.

Figure 1: What's NOT a problem for Best-in-Class Sales Teams?



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Source: *Aberdeen Group,* July 2016

Most notably in Figure 1, Best-in-Class sales organizations are 120% less likely than All Others (9% vs. 20%) to have difficulty with managing their discounting environment particularly, the process / automation of acceptable discounting ranges and escalation of needs. In other words, these top performers are far

less troubled by having to coordinate the systems and procedures that allow sales reps to give discounts and negotiate prices. What's more, greater proficiency in this area also means less dependence on IT when it comes to managing, setting up, or troubleshooting any systems involved. Similarly, Best-in-Class sales teams are 65% less likely to be challenged by exception / escalation business rules (i.e. knowing when to pitch standard offerings that fit normal patterns, and when it's worth it to push or prioritize custom options). For Engineering, this means less time lost having to analyze and approve custom configurations proposed by sales.

Of course, these initial findings represent a hopeful pattern. They show that the Best-in-Class sales organizations have generally achieved a better dynamic (in terms of being less demanding) with their IT & Engineering peers. How and why such a dynamic is worth pursuing, however, requires a little deeper digging, so in the next two sections, we will focus on the Sales-IT and Sales-Engineering relationships individually.

Up and Out: Best-in-Class Sales Teams Avoid Dependence on IT

While IT professionals may casually dream of having technology "so easy, a sales person can maintain it," there are significant benefits to reducing the demands Sales makes on IT. According to IT research by Aberdeen Group's Jim Rapoza, "43% of businesses are challenged by the cost of IT service, the number two IT service challenge (after demand for rapid delivery of new services)." On the sales side, the majority of sales organizations (58%) now operate from a bottom-line, profit-minded point of view. Thus, having to factor in cost of IT service for configuring and maintaining sales technology is a shared problem, preferably avoided, by both IT and sales teams.

The Sales Best-in-Class Defined

In November and December 2015, Aberdeen surveyed 310 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 were:

- 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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For sales leaders cost is certainly one reason to avoid leaning on IT, but there is another reason to consider as well: time. As we see in Figure 3, the majority of Best-in-Class sales organizations (75%) are able to close the final stretch of the sales process in two days or less. To achieve this two-day-or-less level of quote/proposal preparation, speed-bumps like searching for the right contract templates, entering – or having fields populated with – the right information, securing necessary approvals, and maintaining the right tracking protocols all need to be minimized.

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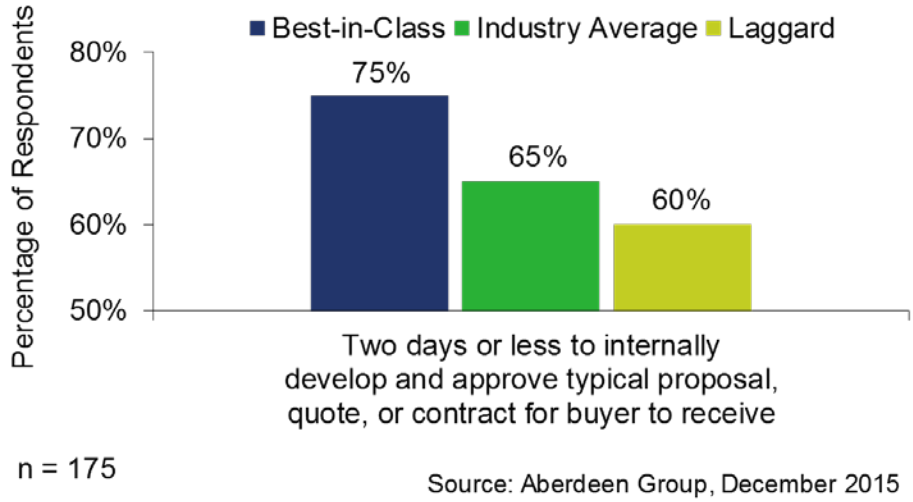
Figure 3: Best-in-Class Sales Organizations are Quick Yet Careful in Closing



Furthermore, Aberdeen's research presented in *Five Fundamentals for Building Best-in-Class CPQ Deployments* (June 2016) showed that Best-in-Class sales organizations are 32% more likely than All Others (45% vs. 34%) to have sales workflows managed by sales, with no need for coding or programming from IT. These top performers are also 57% more likely to gain strong cross-sell, up-sell, and customer loyalty benefits from designing their sales apps to function like simple, easy-to-manage consumer applications, compared to All Others (47% vs. 30%). Naturally, for initial implementations of sales technology, it's still wise to have

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Best-in-Class sales teams are 57% more likely to gain strong cross-sell, up-sell, and customer loyalty benefits from designing their sales apps to function like simple, easy-to-manage consumer applications.

the full support and oversight of IT. However, once the technology is up and running, Sales should, ideally, be out of IT's hair.

Guardrails for Sales: Ensuring that Nothing is Quoted that Can't Be Engineered

"*Sorry Bob, you're going to have to put your honeymoon on hold. Over-eager Eddy in sales just sold a $1 million package of square peg widgets, and we need you to make it work for the buyer's round-hole infrastructure in time for delivery*."

The example sounds silly, until the square pegs are your organization's engines, vehicles, platforms, or products, and the round holes are the factories, regions, technology infrastructures, or environments where what was sold actually has to work. Sales wins, however, do not mean Engineering agonies at Best-in-Class companies. For one, Aberdeen Group research shows that Best-in-Class sales organizations are twice as likely as All Others (36% vs. 18%) to give sales ops, product admins, or engineers direct control and customization capabilities to manage what materials, prices, and order packages/ configurations sales reps can see/ offer up. With this kind of control, Engineering can approve normal, easy-to-deliver configurations in advance, and only be pinged for custom orders when such rare occurrences do arise.

On the engineering side, there is a balanced level of shared insight and control. From Aberdeen Group's Engineering & Manufacturing practice, findings show that engineers at leading (top 30% in terms of performance) large enterprises are 49% more likely to regularly solicit customer feedback to inform the next phase of design iterations / offerings, compared to their average peers (79% vs. 53%). These findings also show that these leading large enterprise engineering teams are 95% more likely to include all organizational stakeholders (including sales) on design / product

➔ Related Research:

Visibility, Insight, Impact: Simplifying Complex Sales Processes with CPQ, *(May 2016)*

iteration decisions, compared to their average peers (74% vs. 38%).

The key here is that in regular review / update periods, sales and engineering meet, plan, and make room for each other to have a say right then and there. This allows for pre-defined criteria and configurations to be set and agreed upon, so that there are no surprises or "sellers gone rogue" when sales activity ramps up.

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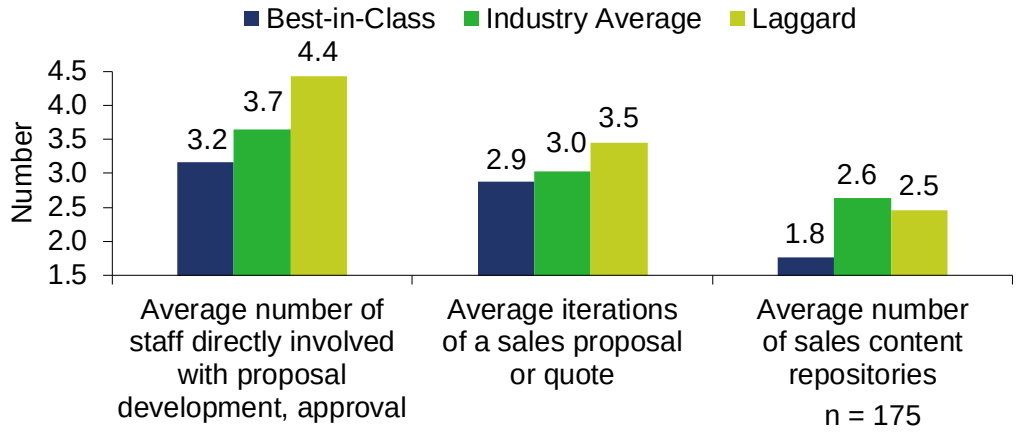
Figure 4: Best-in-Class Sales Organizations Operate with Minimal Oversight



Source: Aberdeen Group, December 2015

What does this principle look like in action? In short, it resembles the differential we see in Figure 4, whereby Best-in-Class organizations, on average, only have three staff members involved in proposal development and approval; all other organizations skew towards four or more. From engineering's perspective, if the three staff members involved are the sales rep, an account manager, and a sales manager, that's one less day-to-day drain on the engineers. After all, time spent approving sales is time not spent in production.

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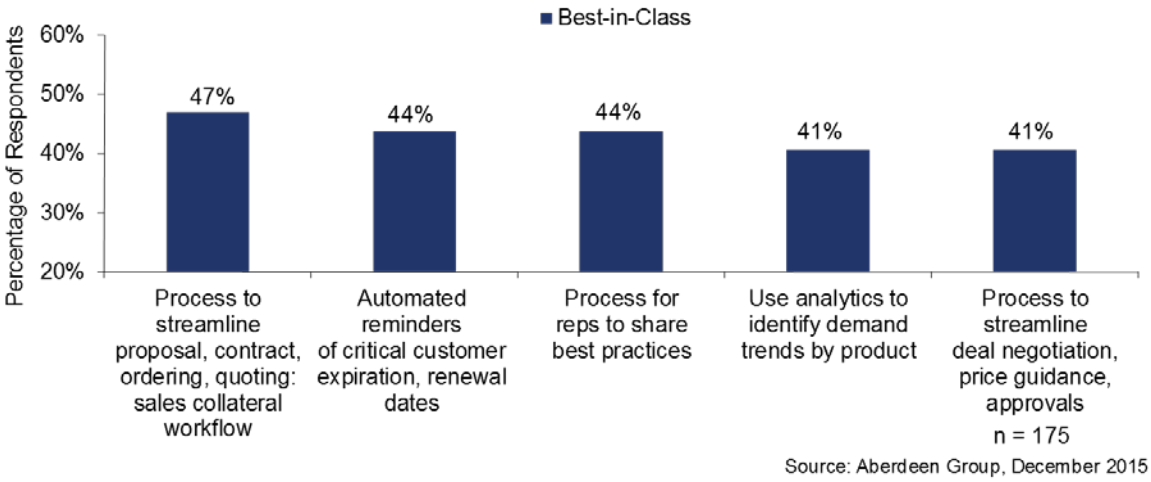
Peace of Mind for All Parties: How CPQ Connects the Dots for Sales, IT, & Engineering

Thus far we've covered the connections between Sales, IT, and Engineering. At a foundational level, these connections must be understood to fully grasp the impact of configure price quote (CPQ) technology on this three-way dynamic. From a management and operations perspective, the self-serve capabilities and easy configuration of CPQ platforms is intended to directly lighten Sales' load on IT. These configurations set up by Sales also systematically ensure no sold project lands in engineering's lap without prior approval or notice.

Digging directly into the patterns of CPQ users, specifically, we can further understand how the technology not only benefits Sales, but IT and Engineering as well.

Figure 5: Best Practices Behind Best-in-Class CPQ Deployments



Source: Aberdeen Group, December 2015

In Figure 5, we see a few of the fundamental processes that, for those preparing to deploy CPQ, help to ensure that the technology delivers utility. What's more, these processes, amplified by CPQ platforms, can form a virtuous cycle. For the 41% of Best-in-Class CPQ users who exploit analytics to identify demand trends by product directly from the CPQ platform, those insights can quickly be worked to re-customize or reprioritize popular or best-fit product configurations or packages directly within sales workflows. The impact on engineering, of course, is that they can prepare to produce such deliverables more swiftly and at scale in advance.

41% of Best-in-Class CPQ users exploit analytics to identify demand trends by product.

On IT's side, with 41% of Best-in-Class CPQ users reporting a process for reps to share best practices, we see a pattern for self-service and knowledge sharing that further lifts the load on IT. Sales reps who may encounter technical challenges can use these knowledge-sharing processes to aid each other when challenges arise. Moreover, with easy-to-use interfaces, many CPQ platforms also help to mitigate the likelihood of technical problems in the first place.

With processes that ease the demands and agonies exerted on IT and Engineering from Sales, other CPQ processes, like streamlining contract, quote, proposal development, and quickening deal negotiation ramp up sales effectiveness in the right way. Sales reps are not only faster and more effective in their sales roles; they're better and more in-line with the operationally acceptable interactions with IT and engineering.

Best-in-Class CPQ users are 2.2 times more effective, compared to All Others, at reducing the amount of resources and personnel required to deliver quotes or proposals.

Aberdeen Group's *Powering a Profitable Sales Organization: How CPQ Cuts Costs* (August 2016) showed that such Best-in-Class CPQ users enjoy nearly a five-fold greater year-over-year increase in profit margins; cutting inefficiencies between other departments is a strong contributing factor to this performance. Reinforcing this connection, the study also showed that Best-in-Class CPQ

users are 2.2 times more effective, compared to All Others, at reducing the amount of resources and personnel required to deliver quotes or proposals.

Conclusion:

Sales success should not be connected to IT or Engineering stress. CPQ technology helps to maximize the best-case dynamics between Sales, IT, and Engineering so that the strengths of all three functions do not weaken the others. While CPQ may be a solution that primarily benefits Sales, it does carry clear benefits for IT and Engineering as well. If a case needs to be made for CPQ, Aberdeen has a wealth of research for sales leaders to make such a case, but with the factors outlined in this report, it is now possible for IT and engineering to have their own agenda to serve in securing CPQ.

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

Related Research

Powering a Profitable Sales Organization: How CPQ Cuts Costs (August 2016),

Five Fundamentals for Building Best-in-Class CPQ Deployments (June 2016)

Visibility, Insight, Impact: Simplifying Complex Sales Processes with CPQ (May 2016)

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

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