

July 2013

Configure-Price-Quote: Best-in-Class Deployments that Speed the Sale

In the traditional business-to-business (B2B) sales cycle, a great amount of attention is paid to generating a qualified opportunity that the marketing team passes along to the front-line sellers, and to the activities that the sales rep or account manager pursues in lining up a deal worthy of winning. The stress levels commonly associated with the final days and hours of the selling period — “am I going to close this deal and make my number?” — are too often addressed by throwing discounts or extra deliverables at the situation, rather than by deploying technologies and best practices that will actually more effectively seal the deal. This Research Brief explores the efficacy of Configure-Price-Quote (CPQ) solutions, and how the most successful B2B sales teams use them to beat out the competition.

Research Brief

Aberdeen’s Research Briefs provide a detailed exploration of key findings from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

Success Defined: CPQ = Stronger Sales

Aberdeen surveyed 159 end-user organizations between January and March 2013, to learn about the processes and technologies that the strongest-performing sales organizations deploy to close deals more often, and more quickly.

Table 1: CPQ Users Out-Perform Other Companies

Sales Effectiveness Metric	CPQ Users	All Others
Percent of sales reps achieving quota	58%	46%
Overall team attainment of sales quota	56%	52%
Lead conversion rate	35%	30%
Average deal size or contract value	\$432k	\$211k
Average number of proposals, quotes, or RFP responses delivered per rep, per month	20.9 proposals/month	14.0 proposals/month
Average sales cycle	3.42 months	4.68 months
Average number of conversations or meetings per sales deal won	6.6 conversations/deal	7.1 conversations/deal

Source: Aberdeen Group, March 2013

The results, published in [Breaking the Laws of Physics: Shortening the Last Sales Mile through Workflow Automation](#) (April 2013), included data from 32 organizations currently using CPQ technologies (definition in sidebar). When

the self-reported sales performance results of these companies are compared with non-users of CPQ solutions, a wide array of key performance indicators (KPIs) as seen in Table I provide ample validation for sales teams that may be considering their own deployment of CPQ. Current adopters not only perform better around quota attainment and lead conversion efficiency metrics, but also around proposal volume, with 49% more (20.9 vs. 14.0) contracts, proposals, quotes, and RFP responses sent out to prospects and customers. While it can be argued that “more” doesn’t automatically translate into “better” performance regarding outbound proposal totals — the old “spaghetti against the wall” metaphor — the full details of the [Workflow Automation](#) report support the fact that CPQ, and other technologies referenced in Figure 4 below, also help sellers send better, more accurate, and customized proposals to their buyers. Hence, more of a good thing is always a good thing. The larger average deal size associated with CPQ users may be a self-fulfilling prophecy — CPQ tools are generally associated with more complex and expensive solutions being sold — but remains an enviable metric nonetheless.

At the bottom of Table I are two rows of metrics in which CPQ users’ results are numerically smaller than that of all other firms. While a shorter sales cycle represents an obvious advantage, the “number of conversations” metric is worth more discussion. One could legitimately argue that the more opportunities a sales rep or account manager has to speak with their buyer, the better, and indeed conventional wisdom supports the concept of “any opportunity to have a non-sales call” with a prospect. Yet, since so many contemporary sellers do battle with their calendar and focus their energies on using their selling hours as efficiently as possible, getting the deal done with fewer conversations or meetings can certainly be seen as a positive trend. This represents efficiency more than it does brevity, and also has the benefit of respecting the buyer’s time, especially if the CPQ solution is used to deliver more accurate and ready-for-signature proposals earlier in the sales process.

How to Use CPQ Effectively: Understanding the Details

With confirmation of the business benefits of using CPQ firmly determined, let’s now examine the different ways in which adopters leverage the technology, in the context of Aberdeen’s “PACE” methodology (sidebar, page 3). Figure I showcases the strategic actions that CPQ users take in order to improve overall sales effectiveness, more commonly than non-users:

- **Better understanding the customer’s needs:** no one can argue with this approach as a best business practice, but quantifying exactly how one’s buyer should be presented with the “right offer, at the right time” is a complex value proposition that is well-supported by the use of CPQ. Properly deployed, CPQ applications can be used by sales operations leaders and also individual sales reps to plug in a variety of statistics specific to their account — past purchasing behavior, legal requirements, shipment histories, and even competitive intelligence — that will help them seamlessly create a proposal or quote is far more likely to be buyer-friendly than a generic, one-size-

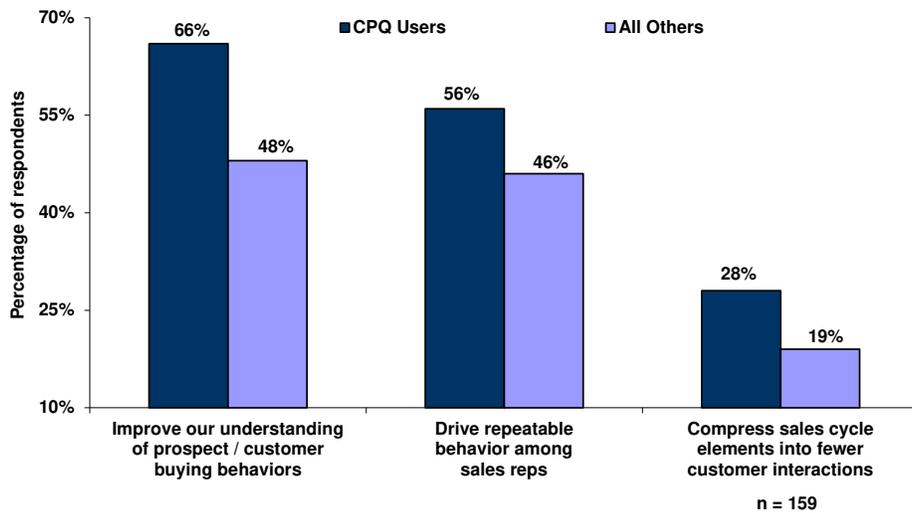
Configure-Price-Quote (CPQ) Technology Defined

CPQ tools, for the purposes of Aberdeen’s research, are defined as technology enablers with 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 most common application solutions help literally configure, price, and generate quotes for buyers of goods and services.

The solutions offered by commercial vendors 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.

fits-all template that doesn't speak to the specific needs of the prospect or customer. CPQ users are 38% more likely than other firms (66% vs. 48%) to take this strategic action, and their business results as reported above show how they accrue valuable benefits.

Figure I: Strategic Actions Taken by CPQ Users to Drive Efficiency



Source: Aberdeen Group, March 2013

- **Replicating the “A” players on the sales team** is a time-honored goal among sales leaders. It can, though, be an elusive one for their operational support team when not provided with the proper tools to objectively evaluate which winning behaviors are worth cut-and-pasting onto others. Much like the focus on customers' needs immediately above, this strategic action is a top-three choice among Best-in-Class companies within this research data set (sidebar, page 4), and is well-enabled by CPQ utilization in that the most effective documentation, processes, marketing assets, pricing constructs, and, of course, proposals, can be identified, captured, and distributed as best practices throughout the sales team.
- **Employ the “KISS” rule** by respecting the customer's time. As referenced above in support of the “number of conversations” metric in Table I, while engaging one's prospect or customer in substantive conversations is obviously a positive activity, making it easy for them to buy is even more valuable. Best-in-Class companies actually deliver fewer versions of the average quote or proposal than all other firms (2.42 vs. 2.74, a 13% delta), which ratifies the value of keeping it simple and straightforward for all stakeholders in the process.

Adding Capabilities to Support the CPQ Strategy

With these action plans in place, top-performing sales organizations execute on specific best practices — the “C” capabilities in the PACE methodology — that

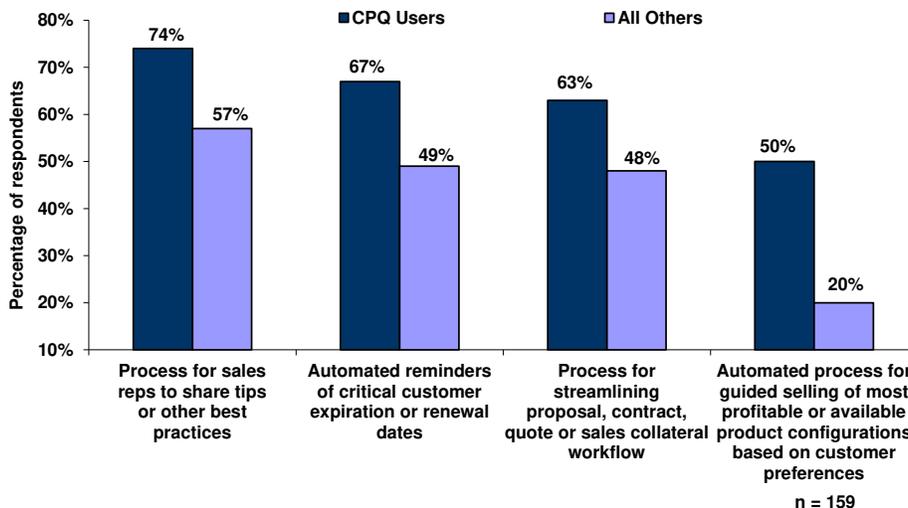
Aberdeen's PACE Methodology

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.

help them successfully move forward with such strategic initiatives. Figure 2 showcases the process-oriented capabilities that CPQ users more aggressively adopt than companies not enabled with the technology. Supporting the “driving repeatable behavior” action above, the leading top-performer process capability — enabling team members to efficiently share best practices, with 71% of Best-in-Class, 65% of Industry Average, and 48% of Laggards reporting it in place — is aided by a CPQ environment in which product configurations, winning pricing arrangements, and successfully deployed quotes / proposals can be contributed and accessed by all team members. The act of sharing may not seem like a natural personal attribute among highly competitive, professional salespeople, but Aberdeen’s research published in [Collaborate, Listen, Contribute: How Best-in-Class Sales Teams Leverage Social Selling](#) (November 2012) showcases the business value of user-generated, give-a-penny-take-a-penny collaboration, even among quota- and President’s Club-driven sales reps. The Best-in-Class companies from this research reported a 53% adoption rate of social media sharing tools, versus 36% and 23% respectively among Industry Average and Laggard companies.

Figure 2: Process Capabilities Streamline the Sales Cycle



Source: Aberdeen Group, March 2013

Additional elements in Figure 2 reveal the best CPQ-oriented sales practices that are ratified by heavy adoption in the most successful enterprises. Seventy-one percent (71%) of the Best-in-Class use automated reminders of critical customer expiration or renewal dates that can result in CPQ-generated customer renewals as well as up- or cross-sell opportunities; only 49% of All Others do so. While 53% of all survey respondents address the proposal workflow with formal processes, 63% of CPQ users take similar action, supporting their strong performance (Table I) with protocols specifically designed to reduce friction during the crucial end-game portion of the typical sales cycle. For example, these firms are more able to pump out accurate and attractive quotes at a higher pace at month- or quarter-end, because they have more templates and approval processes already in place. Finally, the concept of “guided selling” is a new but growing concept reported by survey respondents in many of Aberdeen’s [Sales](#)

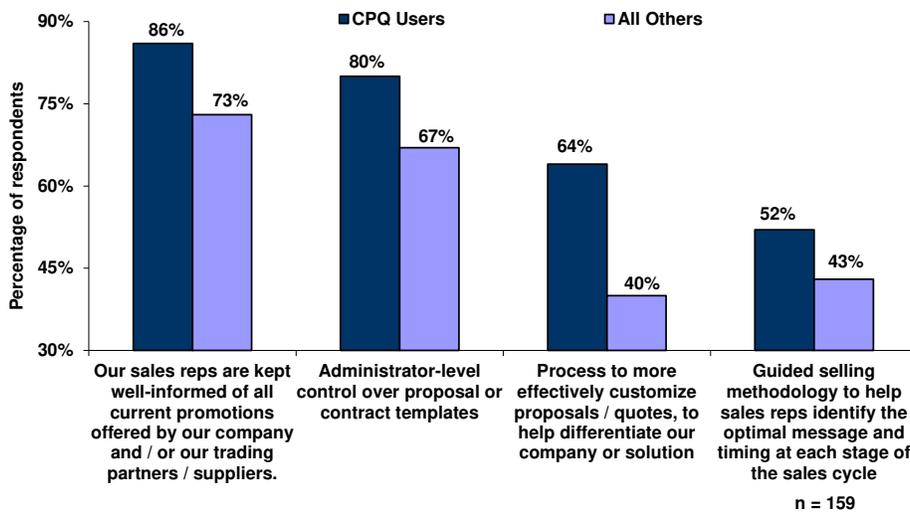
The Lead-to-Win Best-in-Class

In January through March 2013, Aberdeen surveyed 159 end-user sales organizations to understand how the top performers among them use bottom-of-funnel tools to support sales effectiveness. 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:

- √ 91% team attainment of sales quota, compared with 56% and 22% among Industry Average and Laggard firms.
- √ 87% of sales reps achieving annual quota, compared with 48% and 20% among Industry Average and Laggard firms.
- √ 6.5% year-over-year increase in team attainment of sales quota, vs. 1.2% for Industry Average companies, and an 8.8% decline among Laggards.
- √ 2.3% year-over-year improvement in (reduction of) average sales cycle; Industry Average and Laggard companies reported a 1.2% improvement and a 3.5% worsening (lengthening), respectively.

Effectiveness research studies. This refers to either software wizards or established protocols that help sellers understand more precisely what to say, present, or suggest at each pre-identified point in the typical sales cycle. While the Best-in-Class out-adopt All Others in this process capability by a 40% to 26% margin, CPQ users report a 50% rate that is well-suited to the technology. Whether wizard-driven or informally supported by “tribal knowledge” regarding which customer profiles are associated with specific products bought, it is always more efficient for a sales rep or account manager to not have to guess about what their buyer is looking for.

Figure 3: CPQ-Friendly Knowledge Management and Organizational Capabilities — Better Guarantees of Faster, Profitable Sales Deals



Source: Aberdeen Group, March 2013

In Figure 3, additional helpful business capabilities are explored that are more heavily adopted by users of configure-price -quote technology solutions. The first item, internal communications about corporate deals and promotions, is a business best practice easier said than done. For example, there are thousands of manufacturers that sell their physical products predominantly through indirect sales channel partners, often in a large variety of geographic territories and across multiple time zones. If a well-intentioned corporate marketing or product manager creates a short-term pricing discount or bundle purchasing promotion that goes live on a Monday, how can all the disparate sellers know on Tuesday that their local customers are expecting a different price than the regular retail rate? Within a CPQ system — preferably one that is cloud-based for easy and universal 24/7 access by all stakeholders — the promotions can be instantly loaded and automatically integrated into every rep’s and partner’s current deals. This provides the customer with quicker access to better offers, and avoids embarrassing discussions or even deal losses at the end of a hard-fought sales cycle.

The additional capability around administrator-level control of contract or proposal templates similarly supports this approach, with most companies and

Fast Facts: CPQ Users

CPQ users within Aberdeen’s research out-performed other companies on a year-over-year basis around key sales performance metrics:

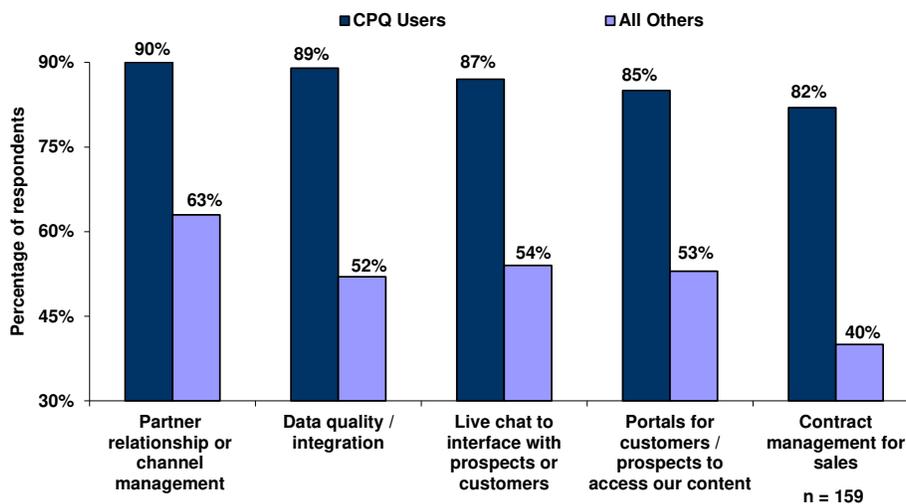
- √ 3.3% increase in the number of proposals, quotes, contracts, or RFP responses sent out, per rep, per month, compared with a 0.8% decline among non-users.
- √ 2.0% improvement in the overall lead conversion rate, vs. a 2.1% decline.

especially CPQ users avoiding the time-waste of “reinventing the wheel” when repeatedly selling the same product or service. Add to this the integration of a selling firm’s competitive intelligence — see Aberdeen’s [Sales Intelligence: What B2B Sellers Need To Know Before the Call](#) (June 2012) — into the CPQ platform, and tailoring an effective quote or proposal that capitalizes on a company’s unique selling proposition becomes easy. It can make the difference between a won or lost deal, based on solution differentiation that fits a buyer’s sweet spot like a glove, offered at exactly the right time to make it as easy as possible for them to say “yes.”

Getting Technical: CPQ Enhanced by Additional Best-in-Class Enablers

CPQ is not the only technology solution deployed by Best-in-Class sales teams, of course. Contemporary sales operations departments invest in a wide variety of enablers (see Figure 4 below) that complement this bottom-of-funnel application and, ideally, are integrated into the customer relationship management (CRM) platform that represents the holistic customer management system of record, so they can all “talk to each other” and access the same prospect, customer, and account records.

Figure 4: Technology Enablers Worth Integrating with CPQ



Source: Aberdeen Group, March 2013

Partner relationship management (PRM) / channel sales

enablement solutions help companies motivate their franchisees, resellers, and dealers to sell more of their products than those of other providers by simply making it easier to represent their solutions. As showcased in Aberdeen’s [Partner Relationship Management: Channeling Better Sales Results](#) (March 2012), PRM technologies more effectively remove barriers from channel deals closing by providing better marketing, forecasting, promotional, and technical support to disparate sellers through an easily accessed, online platform. When the benefits of CPQ are added to the channel sales

Fast Facts: Best-in-Class

Best-in-Class organizations within Aberdeen’s research lead other firms in terms of minimizing:

- √ The number of content repositories where sales staffers need to look for assets and messaging; 80% limit the number to two or fewer, vs. 56% of All Others, who lead the Best-in-Class, 40% to 20%, in reporting three or more repositories that currently exist.
- √ The percentage of forecasted wins – “sure thing deals” that are eventually lost – with a 19% rate, compared with 21% among Industry Average, and 30% among Laggard firms.
- √ The number of quotes that do not result in deals: the Best-in-Class close 52% of their proposals, quotes or RFP responses, which is 44% higher than the 36% close rate among All Others.

management mix, specifically focused on more efficiently generating winning proposals, creating business value becomes even more strongly supported by partners.

Data quality and integration enablers such as master data management (MDM) and customer data integration (CDI) initiatives are often deployed by companies that have come to realize that they own “multiple versions of the truth.” Demographic and firmographic customer information often sit in disparate data silos such as marketing automation, CRM, contact center, help desk, or back-office applications. The fastest way to slow down a bottom-of-funnel sales deal is to send the contract, proposal, or RFP response to the wrong person or address; even earlier-stage sales are hampered by inaccurate customer or prospecting databases that are not cleaned or normalized aggressively. In other words, sales teams should avoid becoming their own worst enemy due to dirty data.

Live chat may more commonly be associated with consumer web sites, but Aberdeen research conducted for the upcoming “*Rich Media for Sales and Marketing: Facts Tell, but Stories Sell*” highlights the B2B advantages of this engaging communications device as well. Business users of live chat report higher rates, than non-users, of sales teams accepting marketing-generated leads at the top of the sales funnel, and closing them — for larger deal sizes, as well — at the bottom. Remember that live chat need not be limited to consumer-like interfaces — “click here to speak with a live rep!” — but are also integrated into a number of social communications platforms, collaboration sites, and **customer portals** or “deal rooms” as described in [*Sales Content Management: How the Best-in-Class Deploy Portals...and More Room to Seal the Deal*](#) (May 2013).

Sales contract management is another key technology enabler highlighted in [*Breaking the Laws of Physics: Shortening the Last Sales Mile through Workflow Automation*](#) (April 2013). In contrast to the perhaps better-known “buy-side” contract management solutions used by procurement or purchasing staff to ensure the best price and legal compliance, sell-side sales contract management (sidebar) is used by business development teams to automate and enable faster, more accurate production and delivery of approved contracts to a company’s prospects or customers. End-users maintain and grow their customer base by automating the process of timely contract extensions, revisions, and completions. Additionally, they understand the value of keeping their closers and account managers focused on relationship management, communications, and revenue production; and help standardize the interactions and behaviors between sellers and buyers.

Often integrated into the CPQ deployment — indeed, many solution providers blend the two offerings into one — contract management users waste less time and buyer goodwill, post-sale, on amendments to their contracts, while underperforming sales teams expend significantly more, and unnecessary, effort repairing flawed contracts. This increases the likelihood of “getting it right the first time” with a pre-approved, responsible, logical contract that meets the customer’s needs right from the start of the last selling mile. Much as Table I

Sales Contract Management Technology Defined

Sales contract management is defined, for the purposes of Aberdeen’s research, as a technology-enabled process by which a selling organization is able to create, store, manage, and revise proposals and contracts. In contrast to “buy-side” contract management solutions used by procurement or purchasing staff to ensure the best price and legal compliance, “sell-side” contract management is used by sales teams to automate and enable faster, more accurate production and delivery of approved contracts to a company’s prospects or customers.

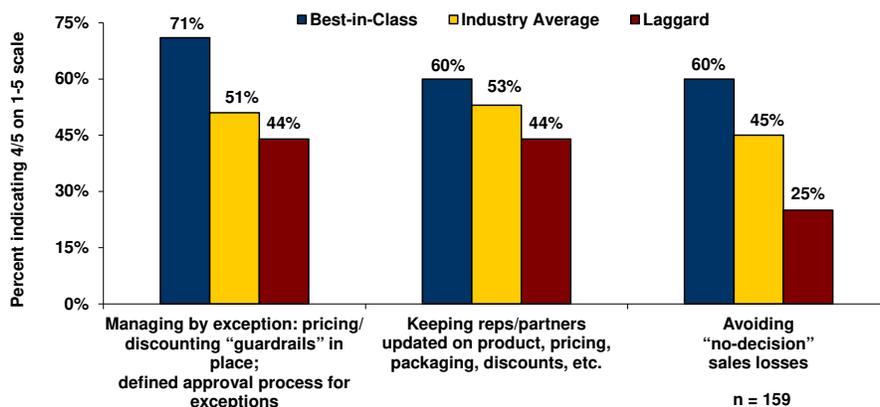
above compares sales performance results of CPQ users with non-adopters, the current Aberdeen research also shows sales contract management-enabled firms out-performing others in terms of team attainment of sales quota (64% vs. 46%), percentage of reps achieving annual quota (62% vs. 46%), lead conversion rate (36% vs. 30%), proposal volume (18.2 vs. 16.6 outbound proposals per rep, per month), and sales cycle (3.46 vs. 4.56 months).

Conclusion: Supporting a Deeper Commitment to Sales Excellence

In addition to the performance statistics, actions, capabilities, and enablers more aggressively deployed by CPQ users than non-equipped firms, these companies round out their investments and best practices in other ways:

- They employ 48% more human resources (2.66 vs. 1.8 full-time equivalents) to support proposal development and RFP response activities, meaning they don't just buy software; they are committed to using it to achieve superior results.
- It takes them 27% less time (4.9 vs. 3.6 hours) to produce a typical quote or proposal. CPQ enables exactly this time savings: with the average company shipping 16.9 quotes per rep, per month — 28.3 for the Best-in-Class — think about the number of newly found selling hours your team would appreciate receiving, if enabled by an automated technology that enables more time closing deals, and less time performing administrative functions.
- Average sales rep quota is 2.2% higher (\$1.014M vs. \$992k), meaning that CPQ-enables sales managers both provide more for, and expect more from, their individual contributors.

Figure 5: Best Practices in Sales Proposal Management



Source: Aberdeen Group, March 2013

Ultimately, sales teams and their leaders want to emulate the abilities of Best-in-Class firms to more efficiently drive both revenue and margin (Figure 5). Configure-Price-Quote technologies add a crucial layer of automation, time

savings, collaboration, and visibility that allow the best sellers to use their time and capabilities most effectively: for sourcing, nurturing, and closing B2B business that yields win-win-win results for themselves, their companies, and especially their customers.

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

Related Research	
<i>Breaking the Laws of Physics: Shortening the Last Sales Mile Through Workflow Automation</i> ; April 2013	<i>Train, Coach, Reinforce: Best Practices in Maximizing Sales Productivity</i> ; October 2012
<i>CRM 2013: Generating Business Value throughout the Enterprise</i> ; April 2013	<i>Better Sales Forecasting Through Process and Technology: No Crystal Ball Required</i> ; July 2012
<i>Motivate, Incent, Compensate, Enable: Sales Performance Management Best Practices</i> ; January 2013	<i>Sales Intelligence: What B2B Sellers Need To Know Before the Call</i> ; June 2012
<i>CRM 2013: Manufacturing Success through Mobilized, Integrated, and Flexible Deployments</i> ; January 2013	<i>Partner Relationship Management: Channeling Better Sales Results</i> ; March 2012
<i>Collaborate, Listen, Contribute: How Best-in-Class Sales Teams Leverage Social Selling</i> ; November 2012	<i>Sales Mobility: How Best-in-Class Remote Sellers Are Replacing “See” with “Do”</i> ; March 2012
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