



From Complex Proposal to Configure-Price-Quote

An Introduction to Modern CPQ across Functions and Features



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Buyer Experience Is a Battleground

B2B proposals are a significant value-driver. They drive the sale, as well as satisfaction in the sale. The configuration, pricing, and quoting segments of the process are not mere negotiation but real communication, and it is this dual purpose that makes the B2B sales cycle such an interesting and complex process for buyers and sellers alike.

It is easy to forget how many resources are spent on proposals, much less how much is lost when proposals go awry. Some businesses expect sales people to write proposals after business hours, on personal time. They expect approvals to be verbal communications, for price lists to be printed (and occasionally outdated) documents, and so on. When the process goes awry, everyone puts out the fire, but no one consistently measures how well the process is working, or what is not working. The resources, documentation, and processes around proposals are often the dark side of SG&A.

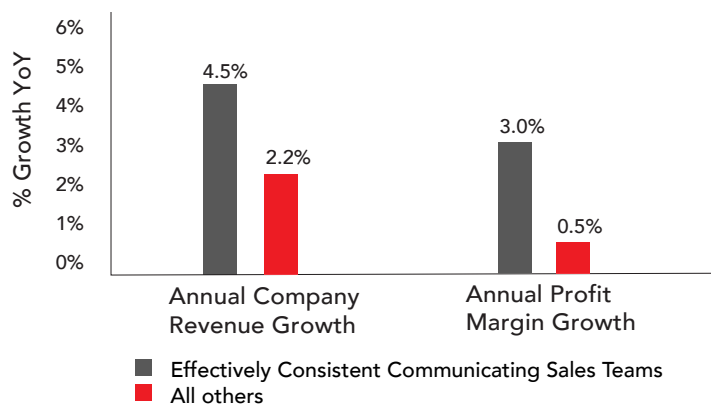
First and foremost, it is necessary for businesses to recognize the value of proposals. We live in a physical, visual world, where products are naturally given more attention

than the thoughts and planning needed to create them. And yet efficient design often means the difference between success and failure. If an app is difficult to use, as consumers we switch without hesitation to something more intuitive. We are so immersed in convenient technology that, as professionals, we now have the same expectations of business. Fact is: your buyers might be businesses, but you are selling to people who expect applications to delight them; you might be B2B, but you are selling into a B2C market. If you aren't delighting users with added functionality every three months, your sales people are swimming upstream.

B2Bs are discovering that designing better experiences can have enormous impact. One of the largest differentiators between high-performing sales teams and underperformers is captured by the ability to "maintain consistent, personalized communications with prospects and customers." But what company with outdated tools can accomplish this?

Technology is integral to achieving consistent, organized communications at scale.

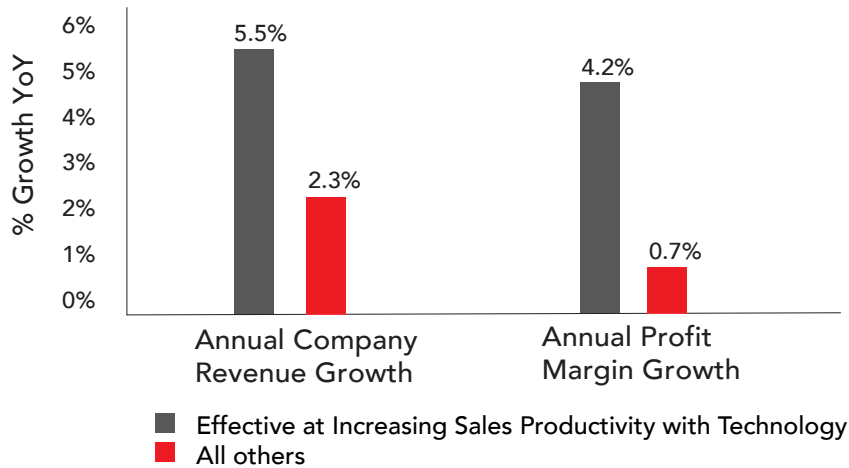
Impact of Consistent Sales Communication on Growth



n = 180

SOURCE Moravick, Andrew. "The CEO's Marketing and Sales Ops Cheat Sheet: How to See the Revenue through the Efficiencies." Aberdeen: Boston, MA, September, 2017.

Impact of Effective Sales Technology on Growth



n = 244

SOURCE Moravick, Andrew. "The CEO's Marketing and Sales Ops Cheat Sheet: How to See the Revenue through the Efficiencies." Aberdeen: Boston, MA, September, 2017.

This is why the latter growth differential is similar to that for effectiveness "at increasing sales productivity with technology." Companies that are effective see 5.5% annual revenue growth and 4.2% growth in profit margin, whereas companies that do not report this capability report less than half the revenue growth (2.3%) and less than a quarter the growth in profit margin (0.7%). How much is that worth to your organization over the next year? Three years?

Configure-Price-Quote (CPQ) plays a large part in productivity with regard to technology and a large part in maintaining communications if you provide complex, make-to-order products. For these companies, communications can be stymied by hang-ups in the quoting process, with buyers waiting (or not) to receive an offer.

Configure-Price-Quote (CPQ) technology automates and manages the sales cycle to maintain meaningful interactions with buyers until the deal is struck. The technology has developed since the 1980s but was until recently a privilege of only the largest orga-

nizations. Cloud has changed the game, and this technology is now available at an affordable cost to the middle market.

CPQ also tracks performance, improves budget forecasting, and controls pricing. These capabilities are already critical to business strategy and will only become moreso with time.

As ALTAVI VP of Sales and Marketing, I would like to personally thank you for downloading this guide, and I am confident this guide will help your organization determine the most appropriate next steps as you position your business for long-term, sustainable growth.

Acting in Your Best Interests, Always,

John E. Kosar III
VP of Sales and Marketing,
ALTAVI, Inc.

Who Will Benefit from this Guide?

The ALTAVI team drafted this guide with the intent to inform our target market on CPQ, B2Bs offering complex products and services, typically with a high degree of configuration during the sales process. It will also prove useful more generally, for anyone who is beginning to consider CPQ as a potential investment. Truly, any business that allows or wants to allow its customers or buyers to customize during the sales process can make a case for a CPQ.

Symptoms of Inadequate Proposal Management

If your organization suffers significant damages from one of the following, it is a positive indication that your current proposal management activities are insufficient:

- Sales people spend over one hour on complex quotes
- Order errors
- Pricing errors
- Missed cross-selling and up-selling opportunities
- Reduced brand image and customer satisfaction
- Lost orders
- Long time-to-fulfillment
- High sales rep turnover and need to retain talent
- Long ramp-up times for new reps

Without CPQ



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SOURCE: Accenture, "2015 CSO Insights Sales Performance Optimization Study."

What Is Configure-Price-Quote?

For a concrete example of how CPQ works, look at NIKEiD. Nike uses a configurator to automate the entire quote-to-cash process, enabling customers to design their shoes, starting with a shoe type and customizing color scheme and a few other superficial qualities. Not only is this a compelling service, allowing the company to reach fans of personalization like Millennials, it also drives sales through nike.com because the website provides unique capabilities that retailers and distributors, like Amazon, cannot.

The quote-to-cash system is built on deft coordination of front-end and back-end business functions. Configuration, pricing, and quoting is finished with payment directly through the website, while the order is generated and distributed to Operations for manufacture. Data from the transaction is then structured for immediate analysis by Finance, Marketing, and Operations.

It should be noted that this direct connection to customers is a standout for Nike, as traditional distribution channels involve multiple transactions, many of which are made outside the company. If Nike wants to track what designs are selling with any kind of granularity, the company



Photo Credits: GStudio Group

relying on network data will be difficult. However, all sales through NIKEiD are tracked instantly and completely.

Although NIKEiD has been an excellent example of the basic functionality of CPQ, the example breaks down for our purposes here, because self-service is not practical for many B2Bs. If a consumer designs a shoe poorly, the fallout is much less than if a business were to order the wrong machine. With deal sizes high and function critical, B2Bs need to ensure the buyer receives the right product, at the right price, and at the right time, every time.

B2Bs might not use self-service, but they frequently rely on external sales agents, and even internal sales reps will differ in how they sell and even what they prefer to sell. For B2Bs, cloud-based CPQ makes the sale more consistent and trackable across all interactions. Every rep using the CPQ provides data instantly while delivering superior experience.

But the real benefits depend on who you ask. Sales reps leverage CPQ to focus less on busy-work and more on selling; they can enjoy a more streamlined, professional purchase experience in which they focus more on the relationship than on conveying or managing information. CFOs tend to focus on pricing accuracy and transparency of the sales pipeline; COOs focus on the ability to trust orders coming from sales, on order accuracy; CMOs focus on insights coming from the buyer journey in the final stages of the sales pipeline, as well as the enhanced ability to control messaging through the sale.

Every stakeholder might define the value of a facilitated buyer-seller relationship differently, but each does see value both in terms of benefit to the business and in the information they receive, information that will help them steer the organization in the right direction, in a direction that is aligned with buyers.

With CPQ



SOURCE Southern States, LLC, an ALTAVI client.

CPQ: Key Metrics

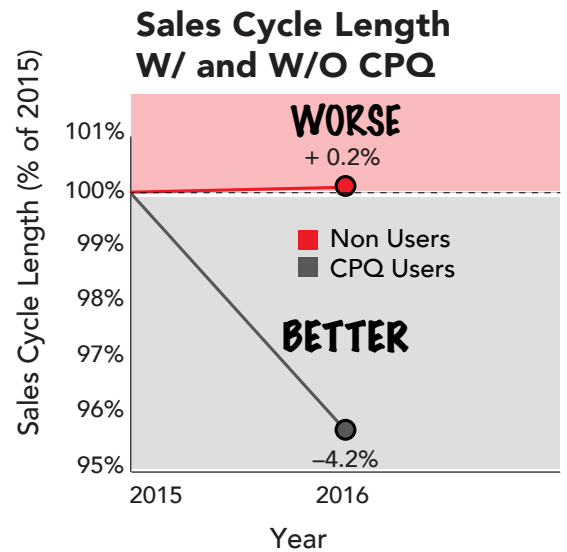
If sales reps are only spending one-third of their time selling, you know there is not only something wrong, there is also a significant opportunity. Onerous processes, manual and in many cases double data entry, and complex Line-of-Business (LOB) silos that have developed over the years damage B2Bs more than first meets the eye.

How do we know? We look at what happens when organizations leverage CPQ and compare these with organizations without the technology. Comparing these two groups yields critical insight into a broad range of benefits, from shorter sales cycles to increased employee retention.

Some benefits are expected. When we look at how the sales cycle performs, year-over-year, we see a baseline of slight increase: without CPQ, the average is 0.2% growth every year. If you have a 100-day cycle, this would mean it would take you a couple more hours to close, every year. If you had CPQ, however, on average you would shorten the cycle by 4.2 days!

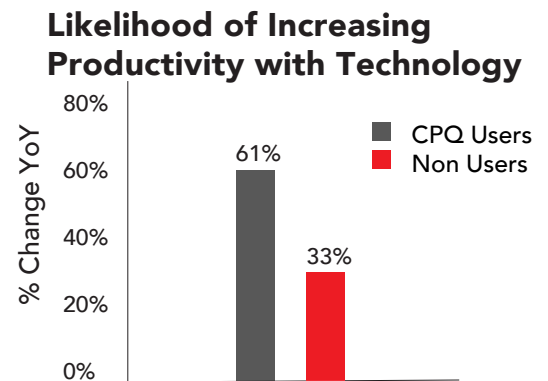
No surprise here; the tool automates manual processes and greatly facilitates quoting! Configuration processes alone can be reduced by 75% or more, as was the case with one ALTAVI client.

In addition to its primary function, CPQ drives other less-obvious metrics, as well.



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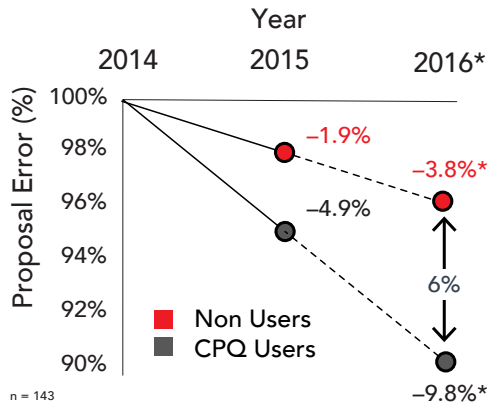
SOURCE Moravick, Andrew. "Solving for Sales Friction: 3 Emerging Technologies that Are Changing the Game." Aberdeen: Boston, MA, June, 2017.



n = 218

SOURCE Moravick, Andrew. "Unlocking Competitive Sales Advantages with CPQ." Aberdeen: Boston, MA, March, 2017.

Proposal Error Rate W/ and W/O CPQ

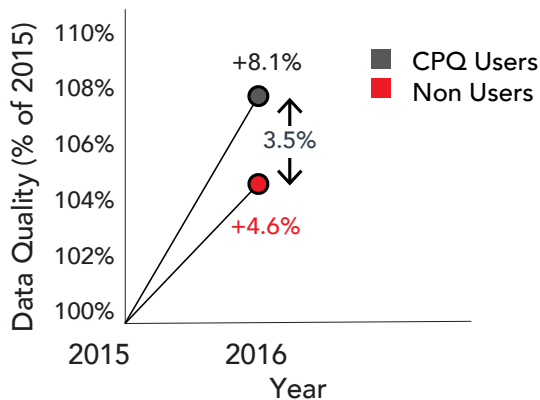


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SOURCE Moravick, Andrew. Visibility, Insight, Impact: Simplifying Complex Sales Processes with CPQ." Aberdeen: Boston, MA, May, 2016.

* 2017 is a projection based on the YoY rate from 2015-2016.

Data Quality W/ and W/O CPQ



n = 218

SOURCE Moravick, Andrew. "Unlocking Competitive Sales Advantages with CPQ." Aberdeen: Boston, MA, March, 2017.

Productivity rises not only within the sales cycle and supporting activities, but also in a more general ability to leverage technology for productivity gains. This ability is correlated with significant gains in profitability and revenues, as evinced by a chart from the introduction to this paper. The connection is not as obvious and requires explanation.

CPQ is cross-functional, meaning the activities it represents occur across multiple business functions, primarily Operations and Sales. Communications around quoting require back-end configuration and pricing from Operations and front-end customer-facing activities. CPQ links back-end ERP systems with front-end CRM to manage quoting. This link benefits users of both systems, as engineers receive fewer errors, and sales reps do not need to try to be engineers.

Automated data entry, real-time pricing, and guided selling features smartly reduce errors across the organization. Rework is reduced in Operations while the precision of budget forecasting and pricing control increases in Finance, driving significant benefits for the COO and CFO as they find a reliable partner in Sales.

Integration adds real value to CRM too. Sales people want to use CPQ because it makes quoting easier and faster. When CPQ is embedded within CRM (recommended), CPQ incentivizes sales reps to learn how to operate the CRM. One ALTAVI client jumped from 20% adoption of Salesforce.com to 80% after integrating CPQ for this very reason.

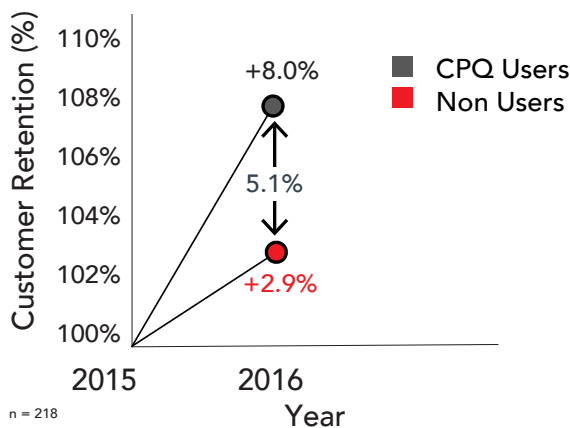
Benefits to proposal error rate and data quality are therefore directly related to CPQ with indirect improvements coming from CRM and a generally higher proficiency in utilizing technology. Productivity gains and a better ability to track and analyze sales data drive adaptiveness and growth.

An added benefit is also seen in terms of both buyer and seller retention. CPQ users enjoy better employee retention and reduced turnover of Sales people. Buyers are also more likely to stick and stay. By giving buyers and sellers a supportive, intuitive platform, CPQ promotes loyalty, showing how the last legs of the purchase journey are now the first segment of the buyer experience.

In closing, it is important to note that these figures focus on long-term gains, on Year-over-Year (YoY) improvements rather than before-and-after. Initial impact is often greater than a few percentage points, as a couple of statistics taken from ALTAVI's own experience have shown.

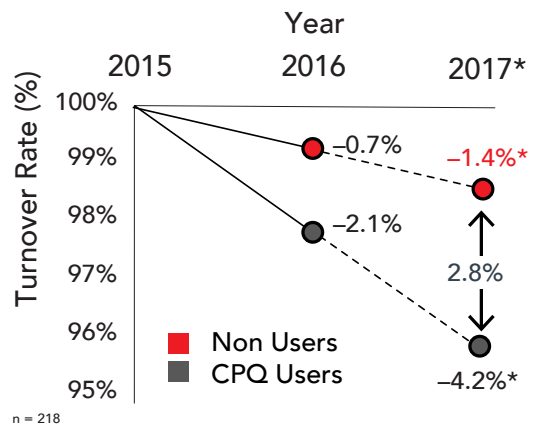
But initial impact is not an accurate way to predict likely impact on your business. Impact varies widely and depends on context. Direct impact is best understood on a case-by-case basis. To approximate the immediate impact of CPQ on your business performance, it is advisable to speak to an experienced CPQ specialist that understands your business, not only your industry.

Customer Retention W/ and W/O CPQ



n = 218
 SOURCE Moravick, Andrew. "Unlocking Competitive Sales Advantages with CPQ." Aberdeen: Boston, MA, March, 2017.

Turnover Rate W/ and W/O CPQ



n = 218
 SOURCE Moravick, Andrew. "Unlocking Competitive Sales Advantages with CPQ." Aberdeen: Boston, MA, March, 2017.
 * 2017 is a projection based on the YoY rate from 2015-2016.

Approaching the Market

This features list begins with structural issues and proceeds to some of the highest-value capabilities to consider during the initial stage of your search. ALTAVI recommends a top-down, epic-level analysis. Determine capabilities that will filter out most vendors first before digging into details. This Agile approach eliminates guesswork and saves valuable time.

Cloud

With over 50% of new large-enterprise application integrations being cloud-based and smaller companies even further ahead, the cloud is already a benchmark. In fact, the cloud is the primary driver behind the CPQ market, creating a particular competitive advantage in the mid-market enabling pay-per-use fee schedules and causing rich, sophisticated software to become available to everyone instantly. If your proposal manager is on-premise software or strung together by Word Processors, Excel Spreadsheets, etc., then there is likely a far better solution in the cloud.

Integration between CRM and ERP

One of the primary value-drivers of CPQ is its ability to integrate back-end processes with customer-facing activities, in systems terms, ERP with CRM. True integration between these applications can require significant customization, and even after significant work still lack some core functionality, so the first feature to consider is integration. If there is a CPQ designed to integrate your ERP with your CRM, this is your first candidate. Businesses not using an ERP should prioritize CPQ native to their CRM.

Security

Security is a critical issue, which should be addressed with sophisticated, frequently updated software. In most cases, CPQ will be embedded within larger platforms, such as CRM or ERP, resulting in advanced protection.

End-to-End CPQ Solution

B2B Sales can rely on both direct and indirect channels, requiring a complete CPQ function that integrates internal and external data for comprehensive sales intelligence.

Marketing-Driven Prices

The advantage of CRM-driven CPQs is integration with advanced segmentation controls to deliver controlled pricing strategies and enable rich, data-driven experimentation.

Guided Selling

This is an ALTAVI favorite. Guided Selling brings critical information and structure to the sales person to influence the transaction in the way that is best for the deal. Guided selling reduces ramp-up times for new sales reps and enables organizational learning.

Configuration Engine

ALTAVI divides the market into CPQs that are best for simple product catalogues and bundling versus those for configuration. Powerful configuration engines are a standout.

In Closing...

On behalf of the entire ALTAVI team, I sincerely thank you for wading through this material! If you have identified CPQ as a potentially valuable tool for your organization, you are not alone. Within the last year, consensus around technology has shifted significantly: more than half of middle market executives approach technology investments for strategic value. The timing around selection and integrating new tools to drive growth is critical.

With so many options, our professional opinion is that you need help, help to sort through the options and get a product up and running. If you do not choose ALTAVI, we suggest you seek out an experienced organization that has integrated CPQ with multiple industries.

We want you to hire ALTAVI, so that we can help you choose the right CPQ product for your organization. We are ideally positioned with the experience, vision, and talent required to map your business process onto Sales Enablement Tools. ALTAVI has served businesses from lower middle market to multiple Fortune 100s to the delight of all stakeholders.

Acting in Your Best Interests, Always,



John E. Kosar, III
VP of Sales and Marketing,
ALTAVI, Inc.



About ALTAVI

Since 2013, ALTAVI has helped companies ranging from small business up to multiple Fortune 100s elevate sales operations to support long-term, sustainable growth.

A B2B sales operations consultancy, ALTAVI bridges the gap between business strategy and sales execution. The company consults, recommends structure and process, implements software, integrates systems, and systematizes sales process improvement. These activities increase coordination between voice of customer and core business strategy. The executive experience of its consultants drive success.

ALTAVI's capabilities are organized into two divisions: Consulting and Implementation. Each unit is capable of working independently and collaboratively with clients, sharing knowledge, expertise, and building a vision for future growth within sales and in cross-functional processes integrating Marketing, Operations, Finance, and Legal. Sample success metrics include:

- Improved forecast accuracy
- Reduced sales administration
- Accelerated Quote-to-Cash
- Faster Sales Process Improvement
- Connected, consolidated activities
- Facilitated up- and cross-selling
- More satisfying buyer experience

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