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DELIVERING EFFECTIVE SALES QUOTES:

IMPROVE ACCURACY, SPEED, AND MARGIN WITH A CPQ TOOL

BUSINESS CONSULTANTS

DEEP TECHNOLOGISTS

One of the key advantages of a customer relationship management (CRM) solution is better visibility into the sales pipeline—but it isn't uncommon for that enhanced visibility to expose other issues in the sales process. For example, organizations that have complex product offerings often have difficulty balancing accuracy, speed, and margin when developing and presenting sales quotes to their customers.

For organizations seeking to build upon new or evolving CRM capabilities, a configure-price-quote (CPQ) tool is a common "next step." This article explains how a CPQ tool can improve quote accuracy, speed, and margin—eliminating the balancing act that many organizations currently employ to achieve them.

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When greater visibility into the sales pipeline spotlights problems in the quoting process

Jasmine leads a sales team for Software Sales Corp. USA ("SSC"), a company whose proprietary software product requires systems integration as well as various product service entitlement options.

Over the past few years, Jasmine spearheaded her company's transition from offline worksheets to Salesforce to track the sales pipeline. SSC's leadership team appreciates having better pipeline visibility and accuracy, and Jasmine's sales team likes the added flexibility of a cloud-based CRM solution.

More recently, SSC's leadership team asked Jasmine to improve the company's quoting process. Currently, sales representatives use email to request approvals prior to presenting quotes to customers. And despite the improvements gained by implementing Salesforce, the sales team continues to have difficulties managing contracts throughout their lifecycle—including managing amendments, capitalizing on renewal contracts via net new products, and adding uplift to existing subscriptions. These issues, coupled with a relatively complex product offering that has restrictive product configuration rules, have resulted in error-prone quotes, reduced margins, and long lead times for delivering quotes to customers.

Jasmine's task represents the very real issues that sales executives experience every day. The improved visibility provided by Salesforce (or other similar systems) often shines a spotlight on previously unknown or accepted deficiencies in the sales team's operations. The question then becomes, what's next?

THE THREE KEY CHARACTERISTICS OF AN EFFECTIVE QUOTE

ACCURACY

SPEED

MARGIN

ARE OFTEN AT ODDS IF THERE IS NOT A CPQ TECHNOLOGY SOLUTION IN PLACE TO SUPPORT THE PROCESS

A CPQ tool may be the logical next step

For organizations that experience issues in the quoting process, a typical next step is to implement or improve a CPQ tool. CPQ tools allow sales organizations to configure multi-product offerings more efficiently, apply price and margin consistently, and reduce the time required to deliver quotes. This is because the tools use programmed rule sets that insert configuration and pricing logic necessary to generate accurate quotes. The three key characteristics of an effective quote—accuracy, speed, and margin—are often at odds if there is not a CPQ technology solution in place to support the process.

Quotes should be accurate. Quality assurance is at the forefront of many sales organizations' quoting processes.

Accurate quoting generally starts with training. New sales representatives often spend months becoming familiar with products through a combination of training and shadowing of more experienced representatives before they begin selling on their own. Without full familiarity of the product list and price book, new representatives are at risk of producing quotes with an incorrectly configured product offering or inaccurate price. This puts the organization in the position of having to honor the price quoted or renege on a deal and anger the customer. For organizations with complex product offerings, configurations, or pricing rules, this challenge can extend to all sales representatives, regardless of their experience level.

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Concerns about quote accuracy are a key driver for using CPQ tools, which help automate and maintain tasks that can drive greater accuracy. In the aforementioned example, a CPQ tool could allow Jasmine's team to apply pricing and configuration rules centrally rather relying on pricing sheets and training to build quotes for complex products. And rather than use email to approve quotes, sales managers could program the CPQ tool with acceptable quoting parameters, allowing them to streamline reviews and increase focus on discounts and margins.

An additional advantage of CPQ tools is centralized configuration of rules and pricing constraints. By adopting a CPQ tool tied to her CRM system, Jasmine can avoid the effort that would have been required to keep CRM product information in sync with a standalone CPQ tool. Many organizations have found that being able to centrally manage a product master within a CRM tool is an unexpected—and valuable—benefit that increases quote accuracy while also decreasing administrative effort.

Quotes should be fast. High-achieving businesses wants to provide quotes to customers as quickly as possible. For Jasmine's organization, the time required to configure a quote, approve the quote via email exchange(s), and produce and deliver documentation to a customer often takes a day or more—and that is under ideal conditions. Many quotes require multiple approvals or extensive quality-assurance review, significantly extending the time required to deliver the quote. Add in complicating factors, such as a key approver being out of the office or a high discount request, and the delivery time can stretch to weeks or even months. Each day that elapses beyond the initial request may prompt the customer to look elsewhere.

CPQ tools can provide significant benefits for sales organizations that struggle with producing quotes in a short period of time. A CPQ tool can be programmed to focus attention on certain cases—for example, approvals that fall outside of margin thresholds or special pricing requests—allowing most other quotes to get "out the door" faster, thus accelerating closing and increasing revenue. A low-touch, high-speed quoting process with adequate risk management capabilities also enables sales representatives to focus on value selling rather than order taking.

Consider a multi-product quote that exceeds $1 million, with a margin of less than 20 percent. The sales representative must send the quote for Quality Assurance approval regardless of its size. But because this quote exceeds $1 million in revenue, a regional sales vice president must approve it. And because it exceeds $500,000 in revenue and has a margin below 20 percent, the national sales vice president must also approve it. This scenario requires three separate approval emails. A CPQ tool configured to apply the approval process workflow would automatically route the quote to each required approver and alternate approvers should one of the designated parties be out of the office.

Beyond the time spent approving quotes, the sales representative also has to convert pricing and terms into a formal document that he or she can present to the customer. CPQ tools include pre-configured quote templates with customer-specific branding. This can expedite quote generation, while reducing the potential for errors that can occur during manual generation. Sales representatives can include or exclude as much information as is relevant, while using the CRM system as a central repository of all quote templates. Additionally, automating quote generation increases efficiency; for example, allowing management to update the standard terms, conditions, or addendums that are often included with quotes.

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Quotes should guarantee margin. By definition, the sales organization exists to generate sales that produce revenue. The greater the margin is on a particular sale, the greater the revenue and the profit. Jasmine's issues related to margin control stem from three areas: margin approval, the QA role in reviewing margin per quote, and the customer-lifecycle process not recognizing margin.

Quality assurance is a necessary step for managing margin control on quotes. When margin control is integrated properly with a CPQ tool, then quotes that don't meet margin thresholds can be automatically routed to the right individual for approval—reducing time-consuming activities.

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An even bigger concern for organizations like Jasmine's sales organization, though, is a lack of structure around renewal opportunities, subscriptions, and the ability to uplift product margins through renewal contracts. Organizations without a formal renewal process often find themselves losing contracts to competitors through unintentional lapses on contract renewals. CPQ tools offer a number of features for managing margin more effectively through the client lifecycle. Quote, contract, subscription, and asset features provide the ability to manage all existing service contracts through a single customer contract. Sales representatives can view and manage all existing subscriptions and assets, making it easier to manage amendments and renewals. Additionally, a CPQ tool allows representatives to preserve pre-negotiated customer-level pricing for future quotes and orders.

For example, a client is under contract for 36 months. The contract includes multiple bundled-subscription products resulting in a monthly bill of $15,000. A CPQ tool would provide the ability to easily amend the existing contract in month 12 to include an additional bundle of products, increasing the monthly total to $16,000 while still allowing for the new products to "co-term" with the existing contract when that contract reaches month 36. The same contract could also be configured to notify a sales representative 120 days before expiration to begin the renewal process and avoid a potential lapse.

Additionally, sales management can encode pre-determined uplift to products on renewal, helping to guarantee margin against inflation or rising production costs. And in the situation where a product line will no longer be available, sales managers can identify the applicable replacement or product upgrade to include in the renewal opportunity.

Delivering what's next—profitable sales growth

For many companies, the first step to improving customer and sales insight and boosting sales effectiveness is to adopt a CRM solution like Salesforce. Integrating a CPQ tool can accelerate the benefits—helping to increase margins, reduce process inefficiencies, and scale sales and operations. A CPQ tool can also help a business make hard decisions at the fulcrum of profitability and eliminate the balancing act that has been necessary among accuracy, speed, and margin. The resulting increases in efficiency and customer satisfaction provide a powerful boost to the sales organization—and a clearer path toward profitable growth.

About West Monroe Partners

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Kevin is a principal consultant within the Customer Experience practice with particular focus on CPQ and billing solutions involving Salesforce CPQ. Prior to joining West Monroe Partners, Kevin was a Senior Consultant with Etherios and was responsible for Salesforce project management and delivery as part of a Platinum Salesforce.com Service Provider. Kevin has over 5 years of experience leading successful delivery of large-scale customer facing solutions and has spent the last 2 years focusing on Salesforce CPQ solutions across multiple industries.

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