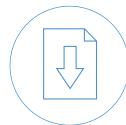




Channel Strategy: How to Grow Sales with CPQ

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In this white paper, you'll learn:

- How sales, marketing, channel relations and delivery processes shape success in the channel
- How CPQ impacts organizations in those areas with supporting data/research
- How to achieve channel and customer retention with effective CPQ implementation



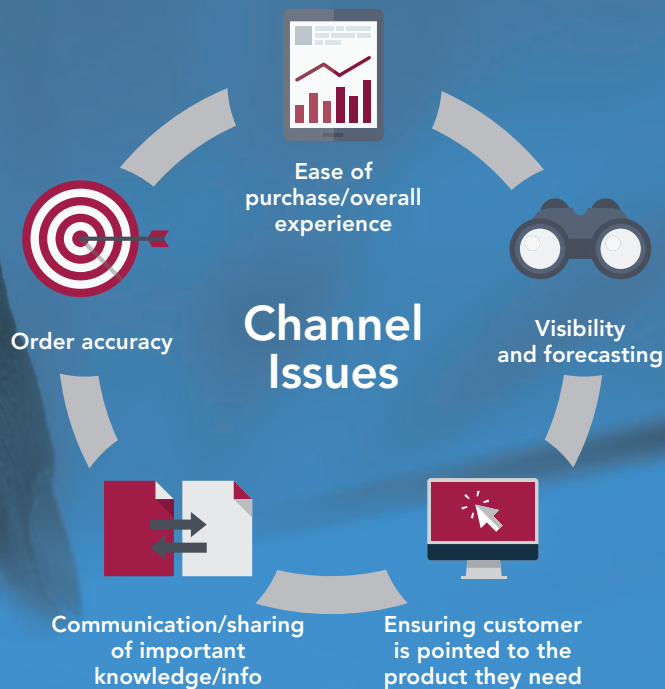
Barriers and Building Blocks: New Angles for Understanding Channel Sales


Channel Challenges

An indirect sales channel can be a lucrative revenue stream, and one that many businesses—especially manufacturers—choose to leverage. The drawback of selling via indirect channels, such as dealers, resellers and distributors, is that you are taking your company, its products and messaging, and other critical elements of the sales process and entrusting them to an outside sales team. And that can naturally create problems.

For starters, a 2015 study of B2B salespeople conducted by Corporate Visions found that “the number one factor impacting margins is the inability of salespeople to articulate value.”¹ Consider too that the second issue on that list was that sales reps often don’t even believe in the product value they are actually articulating. This problem becomes even more disconcerting when you project these revelations to an indirect sales force full of reps without immediate ties to the vendor or manufacturer and who is at least one additional step removed in knowledge of your organization and product.

That is just one example of channel challenges, of course. Generally speaking, you as the vendor must overcome the following channel issues at a higher level:





“[CPQ] isn’t the only answer to each of these focus areas, but it is the greatest common denominator within them that connects front-end processes with back-end execution.”

A Formula for Success

Taking these and other challenges into consideration, you can turn a middling or even floundering channel strategy into a successful bottom-line booster if you focus on the following channel-critical competency areas:

- **Sales.** It all starts here. You must enable channel reps to win deals, and allow them to win those deals in a manner that is comfortable to them.
- **Marketing.** Marketing isn’t just about sales-enablement. It is how you present and manage your brand and its products across all of your channels.
- **Channel relations.** How you treat your partners is key to keeping them in your camp and being the first vendor they recommend.
- **Delivery.** This is the foundation of value. If you can get the right product into the hands of the buyer built as promised and on time, you’re building credibility for repeat business.

Not so much a competency, rather a goal tied to these competencies is retention. Retaining both customers and channel reps can be boiled down to experience, which is a culmination of the other competencies being properly synchronized and executed.

Understanding Technology’s Role

These channel competencies—sales, marketing, channel relations and delivery—should not be a revelation. They are, after all, critical components of any successful business endeavor. So it should be no surprise that a successful channel strategy requires businesses to “win” in these competency areas as well, with the goal of customer and partner retention.

So how do you empower your channel sales teams to succeed in practicing these core competencies? Well, it starts with knowing what resources and tools you have at your disposal to help. A key element in channel strategy for many best-in-class organizations is configure-price-quote (CPQ) technology. It isn’t the only answer to each of these focus areas, but it is the greatest common denominator within them that connects front-end processes with back-end execution.

And the market is backing up those statements. Aberdeen broke down the numbers regarding CPQ users a little further, finding that “Best-in-Class” firms were 63% more likely to plan on increasing their CPQ deployments over the next 12 months.²

In this white paper, we’re going to show you how these businesses are utilizing CPQ, in conjunction with other business systems, to improve their execution of these competencies and overcome the challenges of channel sales.

How to Improve Execution in the Four Channel Competencies

Sales

According to Aberdeen, CPQ users reduce contract/proposal generation error rates and yield better results in customer renewal and lead conversion rates by significant margins³. In order to see similar outcomes from your channel sales teams, you need to improve the following elements of channel sales, and CPQ can help you do it.

- **Consistent and transparent pricing**

Consistency will be a theme across these competencies, and it is critical when it comes to pricing. Consistent pricing, and perhaps more importantly, consistently enforced pricing, ensures your margins. It keeps sales reps within certain boundaries so there are no unpleasant surprises when orders come through.

With CPQ, you can set, enforce and automate pricing rules and structure, letting you set a minimum acceptable margin for every deal your channel reps close. In fact, CPQ users are significantly more adept than non-users in managing pricing and discounting, according to Aberdeen. The reason? The CPQ solution guides the rep through pricing logic that protects margins and allows the seller to know pricing limitations without consulting bosses or managers⁴.

- **Sales rep aptitude and effectiveness**

Whether onboarding new reps or providing reinforcement for seasoned veterans, you need to make sure your sales team has the resources it needs to communicate product insight and value to the customer. In traditional sales terms, this would mean sell sheets, playbooks, data sheets and brochures. Those are helpful and necessary. But you want a sales partner equipped to compete in the 21st century.

Guided selling, a vital function of the configuration process, delivers product knowledge to sales reps as they are walking the customer through the selection and configuration process. This doesn't just mean product specs, features and functions. It also includes prompts for upselling and cross-selling opportunities to increase the value and margin of each sales opportunity. Equally as important, guided selling through CPQ provides a proven, replicable template for successful sales that can be leveraged by any rep at any experience level.

*CPQ users outperform all others in:*⁵

- *Demonstrating product knowledge in sales process*
- *Speaking intelligently about competition and differentiators*
- *Onboarding and training new salespeople*

- **System and process integration**

Businesses use any combination of CRMs, ERP apps and other programs, depending on their needs, to help them operate more effectively. How well these systems communicate and interact with one another becomes vital in the sales process.⁶



- **Time-to-quote**

It's no secret that your ability to quote accurately and quickly greatly increases your chances of making the sale. As research shows, 75% of best-in-class organizations can internally develop and approve typical proposals, quotes or contracts in two days or less.⁸ This is, as the acronym implies, very much in CPQ's wheelhouse. In addition to faster turnaround time for quotes stemming from a more automated process, CPQ reduces (if not eliminates) quoting errors, meaning fewer quoting iterations are necessary.

Likewise, since the quotes are being pulled from a system incorporating approved pricing and configuration options, there is no longer a need to seek approvals or get confirmation on the validity of a quote. That step was accomplished when the CPQ system was built. Overall, you're not just cutting time to quote, you're increasing the frequency with which your channel sales reps can quote.

CPQ users reduce sales quote errors 2.6x more efficiently than non-adopters.⁹

Marketing

Far beyond providing sales enablement and product collateral, marketing has a much larger role to play in the success of your indirect sales initiatives (though enablement is obviously a part of that). It is the corporate marketing team's job to know what to say and how to say it, and CPQ can help them accomplish that objective.

- **Data and analytics (the past)**

Simply stated, you need to know what worked and what didn't work. And if you don't know, you need to be able to pull data and analyze it to find out. If you know what's resonating with buyers, you can change products, pricing and messaging to reflect realities of the markets you serve.

Implementing a CPQ solution helps vendors pull and aggregate data from across channels to paint a holistic picture of successes and failures. Marketing teams can then precipitate that knowledge, such as which specials are being offered and requested, effectiveness of sales incentives, feature/option popularity and other valuable information, down to all partners with actionable solutions.

- **Brand/product message**

Brand matters, and it especially matters in the channel. Once again, your product and brand credibility is being placed in someone else's hands (the channel sales rep). Just as CPQ takes pricing out of the hands of sales reps (for the most part), it can also do the same for the product message.

Top-performing organizations are 13% more likely than all others to use analytics to identify product-specific demand trends.¹⁰

Guided selling functionality will give the rep the appropriate message they should be conveying. In addition, links to pre-approved collateral pieces developed by your corporate marketing team can also be accessed via a comprehensive guided selling model. As Peter Ostrow at Aberdeen Group explains, "Centralized sales content repositories are essential in an ever more mobile, disparate selling team ..."¹¹

- **Brand/product consistency**

As with pricing in the sales competency, brand and product messaging need to be consistent across your entire channel network. Again, guided selling through CPQ will safeguard your brand from rogue reps going off-script (at least as much as technology can).

This ties back to the idea of creating easily replicable processes through guided selling that can be implemented quickly and efficiently to keep all partners on the same page. Failure to do so will likely erode brand credibility in both the eyes of your channel partners and the buyer.

Channel Relations

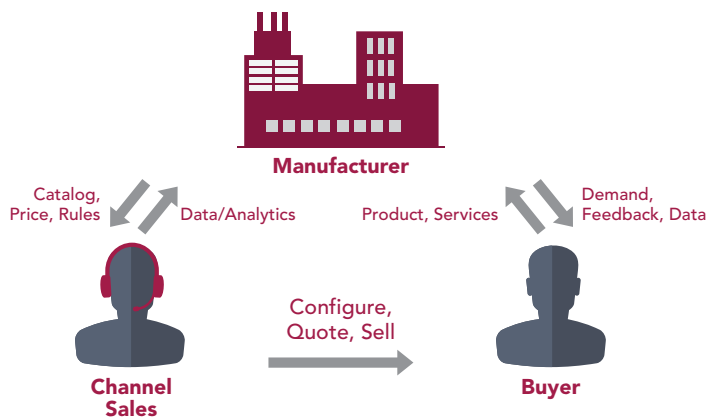
Setting aside the customer element of your relationship for a minute, how you interact with your channel on a one-to-one basis is incredibly important. How are you helping each other win? Here's how businesses are using CPQ to facilitate productive relationships.

- **Communication**

Any healthy relationship starts with communication. In fact, we've actually addressed this point in some of the previous sections, specifically in regards to guided selling. Yes, it isn't communication in a traditional sense, but with every sales cycle, your brand message is being communicated and reinforced to the sales reps via guided selling.



Channel Sales Relationships



In a more traditional format, having an integrated CPQ-sales portal system will greatly enhance your ability to communicate directly with channel reps. The sales portal is an excellent place to provide product updates, sales tips, collateral updates, new pricing options, etc. to your channel teams. This keeps you top of mind to the sales rep and keeps them engaged with your organization, which could ultimately lead to them bringing more opportunities your way.

- **Collaboration**

Engagement with your channel network shouldn't just be one-way. Dealers are justifiably protective of their sales data, but the security assurances provided through CPQ should allow them to feel comfortable enough to release critical sales info to you, the vendor. As discussed in the marketing section above, this allows you to analyze data that will help you improve their ability to sell more. It's a team-share concept that, if ran through a CPQ solution, should protect the dealer's data and, in turn, will provide more opportunities for them down the road.

Delivery

You can get everything else right, but if you don't ultimately deliver what the buyer wants and needs by the time you or your channel partner promise it, all that hard work is for nothing. This is where front-end and back-end processes are bridged together—or at least should be—and it's where CPQ can have a major impact.

- **Visibility (the present and future)**

Visibility into channel activity is the key to being proactive as opposed to reactive when it comes to delivery. You don't want to be caught off guard in regards to supply or production when an unexpectedly large order comes in. CPQ can provide insights into your channel sales pipelines so you can prepare accordingly on the back end. As mentioned before, your relationship with your channel partners will be critical in getting access to this data.

- **Engineering: getting the product right**

Product configuration may seem like a front-end process, and that is where the action ultimately takes place, but it is built upon rules set by the product engineers. This is where CPQ bridges that gap between front- and back-end. If product configuration rules are set up correctly, you are minimizing the risk that you will have to go back to your channel partner and tell them you can't build the product as it was quoted. This can lead to cancelled orders and will undoubtedly sour both the customer and partner on doing business with you in the future.

However, if the configuration rules are set correctly, you'll be building and delivering exactly what was promised to the customer. When integrated with ERP technology on the back-end, CPQ users saw a markedly greater improvement in complete and on-time delivery than those without an integrated sales technology ecosystem.¹²



Achieving Retention

Experience Is Everything

A positive experience at the point of sale makes both the partner and the buyer happy, making both more likely to generate business for your company in the future. The genesis of that experience starts with you, the vendor. The

sales, marketing, relationship and delivery mechanisms and processes you put in place will impact your channel network and eventually cascade down to the customer level.

CPQ is a big part of shaping that experience. CPQ users in an Aberdeen study were seeing a +3.9% year-over-year change in customer renewal rates. Those that weren't using CPQ? They were seeing a negative (-0.6%) change year-over-year.¹³

That is the goal. Dealers want to do business with vendors that are, quite simply, easy to do business with, and customers are the same way. Create a better buying experience for both, and you'll create recurring revenue for yourself.

Year-Over-Year
Customer Renewal Rate

With CPQ:

+3.9%

Without CPQ:

-0.6%

About the Author

During his 20 years in the Specialty Vehicle industry, Larry Schenavar oversaw business technology implementation and upkeep in direct and indirect sales channels as a business analyst, IT director and CIO. He currently serves as a Senior Industry Consultant for Cincom Systems.

About Cincom

Cincom is a global enterprise software company with a legacy of innovation dating back to its founding in 1968. Our software helps organizations improve the way they do business, from complex product and service configuration and quoting (CPQ) to ERP and CRM integration, as well as business management applications that connect both front- and back-end operations. In other words, we build solutions to overcome challenges in your most critical processes. To learn more about Cincom, visit us on the Web at www.cincom.com.



Want to see how CPQ can work for you?

Request a Demo

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