



# Winning at the “Moment of Truth”

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How sales leaders can unlock sustained profitable growth by selling more profitably on the front lines.

# Executive Summary

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B2B selling has changed forever. Buyers are fiercely independent, highly social and connected, and more educated than ever. Deals hinge on the “Moment of Truth;” the quote; the negotiation; the deal that happens on the front line.

**Is your team armed and ready to  
'take profit to the front lines?'**

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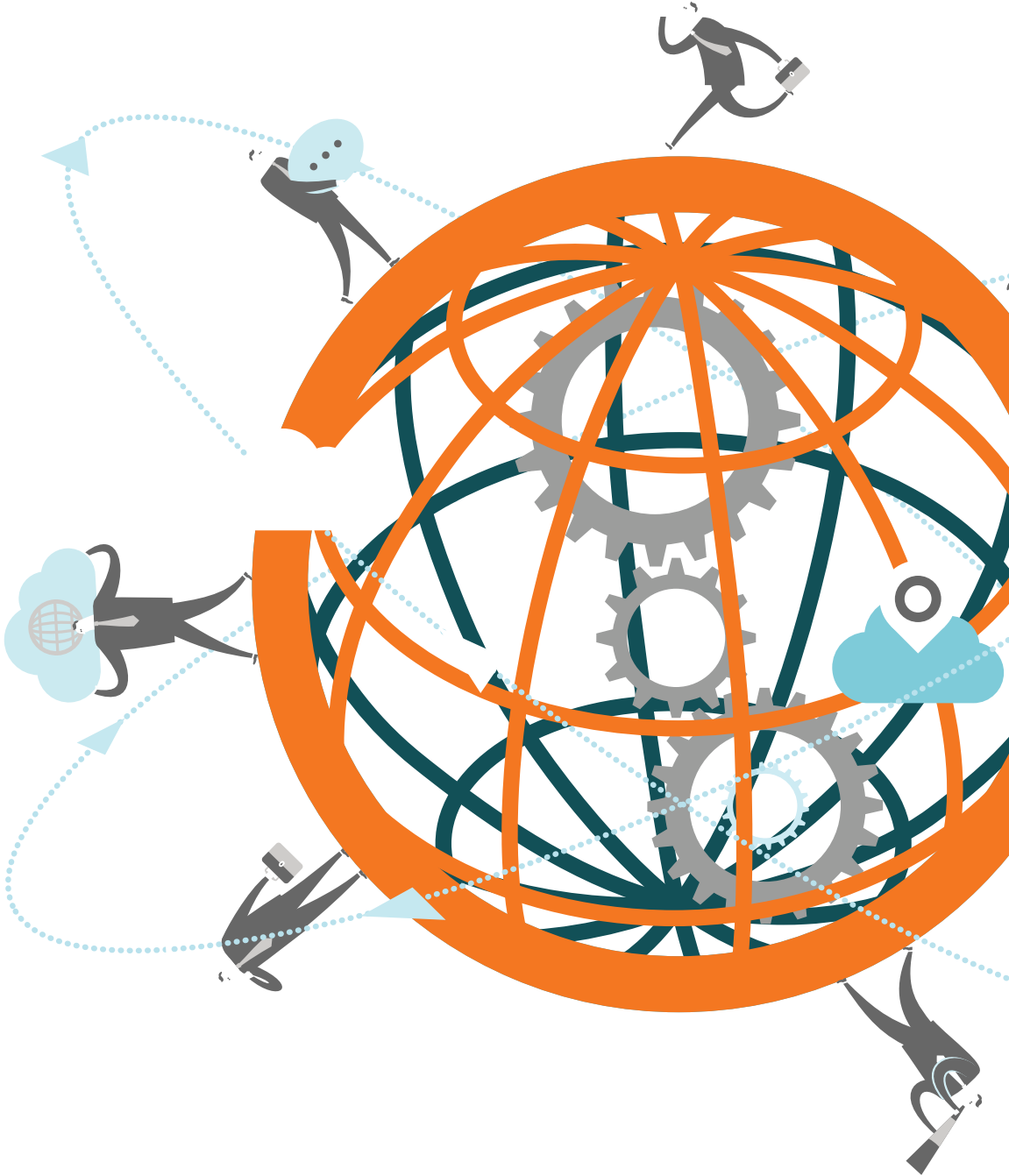
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To produce this eBook, we conducted market research with KJR Associates, including telephone interviews and quantitative surveys.



**Look for the “Survey Says” graphic throughout this ebook for our survey results.**

# The Profitability Gap



# The Post-Recession Executive

In the post-recession, slow-growth world that frames the new corporate reality, profitability is again king. It is no longer acceptable to grow the top line at the cost of short-term profit.



The modern public enterprise is expected to create value for shareholders by producing real returns on equity in the form of earnings per share (EPS), quarter after quarter.

At the same time, senior executive tenure has only grown shorter. The pressure to act quickly, make your mark, and take bold steps is greater than ever before.

# The CFO and Sales

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These trends have not been lost on the CFO. She tracks the company's profitability and, along with the CEO, must answer to shareholders for the company's continued profitable growth (or lack thereof).



**“The verdict is in: profitable growth is back on the agenda.”**

- Kevin Quiring, Partner, Accenture

The Chief Sales Officer (CSO) used to get a pass on profitability from the CFO by talking about pipeline growth and delivering top-line improvements. Along with Marketing, Sales has always been seen as a “black box” for reliable data.

But, as the availability and accuracy of sales metrics continues to improve, CFOs have started “putting the thumbscrews” to Sales leaders to lower costs and improve productivity. CSOs are now being asked to do more with less, reduce the cost of sales (COS), and drive revenue while growing margins.

The Accenture logo, featuring a stylized greater-than sign (>) above the word “accenture” in a bold, lowercase sans-serif font.

# Incented on Profit

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However, Sales leaders are in many cases not equipped to respond. And it is not for a lack of trying. As they test new sales methodologies, double down on their SFA investments and raise quotas, they are finding that these approaches no longer yield the improvements they need, as quickly as they need.

All the while, the CSO's compensation increasingly depends on their ability to drive consistent margin on the front line.

Based on our industry research and conversations with analysts, we believe that over the next few years, margin will be an increasingly important part of how Sales is compensated. Yet, Sales leaders have no ability to delegate profit goals out to the field, because historically it has been exceedingly difficult to measure the profitability of each deal in real time.

While **51%** of Sales leaders and **45%** of Sales managers reported being incented on Profit, less than **20%** of respondents felt confident that their team was maximizing profit on a deal-by-deal basis.

**33%**

of companies reported they are having discussions about adding a profit component to compensation.

# Widening Gap

This all points to a disconnect between the new market realities of the 21st century and a sales model that is painfully outdated.



The result is a widening profitability gap between sales management and the front line team. Even as Sales leaders must deliver consistent margins, their front line team is incentivized exclusively to close more revenue. And even those reps who have begun thinking about the profitability of their deals do not have the tools to systematically drive it.

“60% of Sales Managers are responsible for ensuring quote prices meet company goals, while only 22% felt they had the ability to impact deal profitability in the field.”

This eBook explores these issues in greater detail and considers how the modern Sales leader can respond to the new profitable growth mandate.



# The Search for Profit



# Many Ways to Fail

In the search for profit, many executives are still looking under the same old “rocks” as before. Most consider the tried and true “profit levers” such as cutting costs, developing new products, expanding capacity, hiring more sales people or growing through acquisition.



**Build a new blockbuster product.**

25% of new products are a success.

**Hire more sales people.**

Average time to train a new sales person is 6 - 8 months



**Build a new plant to produce more product**

Average time to build a new plant is 3 years.

**Acquire a company.**

25% of acquisitions succeed



The truth is that each of these works for some companies, some of the time. But each is fraught with problems, chiefly that each one takes a long time!

# The Pricing Opportunity

Leading companies are increasingly recognizing the power of pricing as a critical “profitability lever.” According to McKinsey and Company, for each 1% improvement in realized price, a company can expect to see an average of a 10% improvement to the bottom line.

“A strong commitment from top management to pricing – combined with a dedicated pricing organization – is essential to protect and boost profits in today’s slow-growth economic climate.”



Yet, most pricing projects start with the premise that pricing is an analytics problem, wherein past transactions must be sliced, diced, analyzed and reported on. That simply having this visibility into “price waterfall,” or where profit leaks as it goes from the list to the deal price, is enough to stem the bleeding.

**Adjust pricing.**



A 1% improvement in realized price yields a 10% improvement in profit.



# The Problem with Pricing

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However, the real problem isn't pricing at all, it is *profitable selling*. While on the surface this may seem like pure semantics, this often is the difference between, on the one hand just searching for pricing opportunities in an ivory tower, and on the other hand improving front line execution by arming the sales team with insights to close deals more profitably.



“Great pricing is only as good as the front line execution.”

Focusing on profitable selling recognizes that price is only one factor in ensuring your company consistently captures a fair share of the value it is delivering to customers. While pricing is critical, it is not sufficient. Price optimization is how a company identifies opportunities and sets optimized prices, while ensuring optimal profitability on a deal-by-deal basis is why.

**Let's explore...**

# Driving Profitability

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Many companies have become accustomed to looking for profit in the rear view mirror; they report on it after the fact, but have no way to drive it in real time. In today's global, hyper competitive world, this is no longer enough.



Profitability happens at the “Moment of Truth,” on a day-in-day-out, deal-by-deal, customer-by-customer basis. It is won or lost as a result of the almost constant “hand-to-hand combat” that happens on the front line.

# What is the "Moment of Truth?"

It is each time you  
ask for your  
customers' business.

For many companies, the profitability of each deal depends on a combination of small and seemingly inconsequential decisions that happen at the point of negotiation: the ship-to location; the volume discount; the terms; the fuel or service surcharge.

This is often too much for any single person to keep track of while ensuring each deal is profitable.

"For all the moments that matter in business, there is only one point when money changes hands – the point of negotiation and purchase. That's when the price you charge captures or *fails to capture* the profit you are in business to generate."

—"The Problem with Pricing"

**Deloitte.**

# Sorely Unprepared

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The multitude of factors that combine to make up a deal determine whether a deal helps your company stay in the black or pushes you closer towards the red. And while a few top sales reps seem to consistently excel at this, the majority struggle.



“One of three deals is lost due to the lack of sales preparation.”

**Sixty  
Percent**

of sales reps prepare their own quotes and over 50% of sales reps determine the price.



All too often front-line salespeople aren't equipped with the tools they need to be both efficient and effective when it counts most. Further, they are often facing a fully informed, highly prepared purchasing agent on the other side of the table.

Is your  
Sales team  
armed to  
**drive profit**  
where it happens?





# The Changing Face of B2B Sales



# From *Art* to Science

Fundamental changes in marketplace dynamics are driving a significant paradigm shift in B2B selling; there is increasing pressure for the discipline to move from an art to a science.

## So what is driving this need for change?

We have identified 3 key trends:

1. Changing buyer expectations
2. Growing buyer sophistication
3. Enterprise mobility



“Sales-oriented technologies have now made it possible to use science to increase sales performance.”

- The Future of Selling, Geoffrey James

**Inc.**



# Changing Buyer Expectations

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Buyer expectations have changed forever. The old Sales mantra “let me get back to you on that” no longer works. The consumerization of the enterprise means that customers expect a different sales experience; they want real-time answers.



“The sales experience accounts for 53% of customer loyalty...”

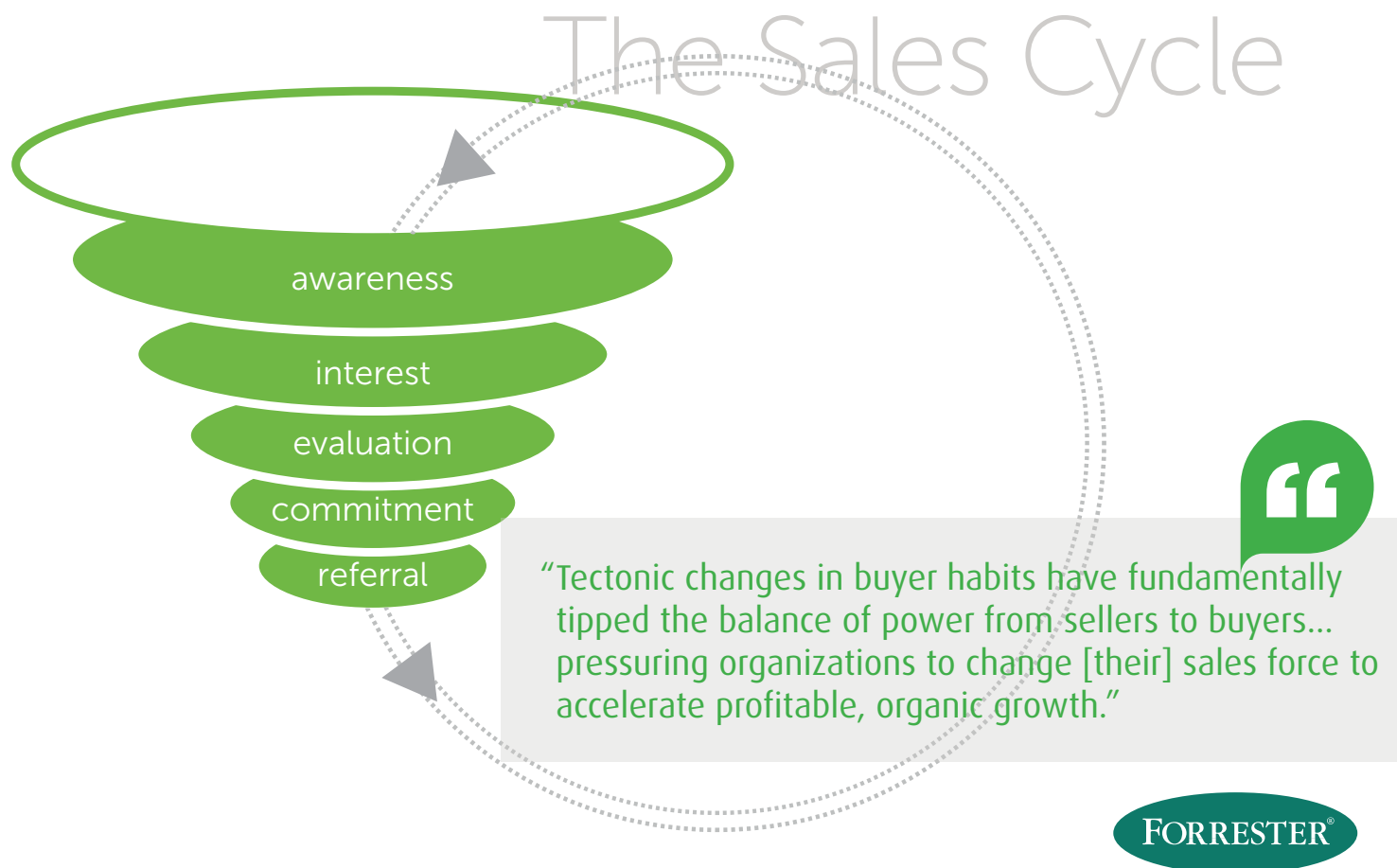


Instead, today’s salesperson is expected to “challenge” their customer with a distinct point of view. Customers increasingly look to salespeople to be experts in their business, provide real time answers, and be able to add value beyond just selling them a product.

This, coupled with globalization and widespread commoditization in many industries, means it is more important than ever that every customer touch-point leaves a positive impression and helps to differentiate you from your competition.

# Growing Buyer Sophistication

Buyers are also more sophisticated and “connected” than ever before.



According to the Corporate Executive Board, on average buyers are 57% through the buying process before they engage with sales.

Many buyers have already made the necessary investments and implemented modern procurements systems that enable them to leverage Big Data to extract the best possible prices.

# Enterprise Mobility

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While buyers have continued to evolve, so has the paradigm for what it means to be a “mobile” sales rep. Over the past two years, the number of sales reps carrying an iPad has skyrocketed, with many relying on it as their primary device.



“A survey by CDW of 620 professionals who use tablets in medium and large businesses found 56 percent of users have had their tablets for a year or less.”

- “Tablets@Work”



This trend has implications far beyond productivity and work satisfaction. It enables sales reps to be truly “mobile” by putting a fundamentally different set of capabilities at their finger tips.

Mobile sales reps are no longer tethered to their laptops or hampered by their corporate firewall; they can access all of the data the enterprise makes available to them, anywhere and anytime.

# "The Traditional Sales Rep"

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As this takes place, many "traditional" B2B Sales reps have been caught flat footed. They are still functioning according to the old dynamic. The result is that for many organizations, this is what is taking place hundreds of times every day:

Sorry, it takes a while to boot up... can I get on your Wifi?

Eesh, I forgot to check how much they've spent with me so far!

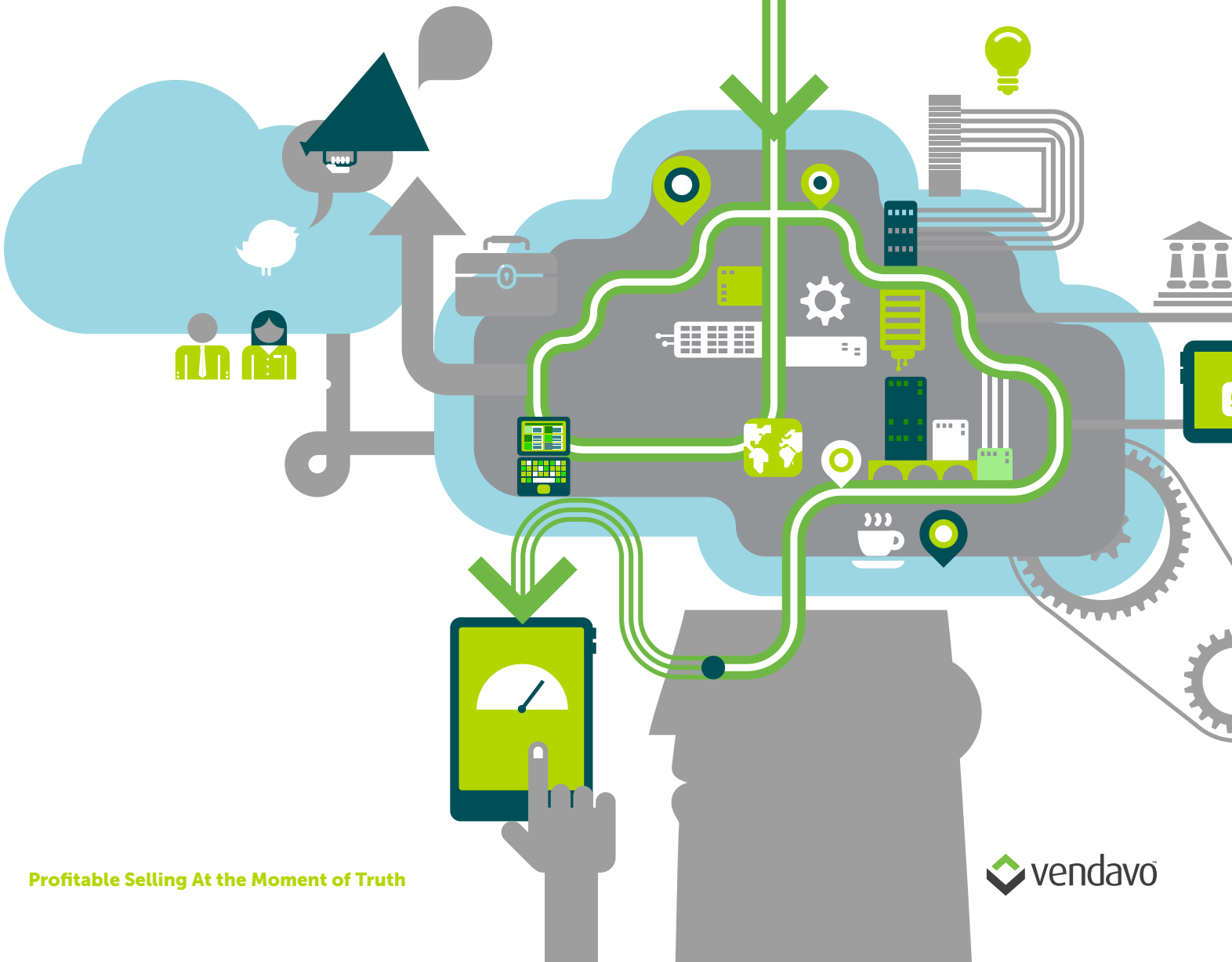
I'll need to call my deal desk for that price. I may need approval.

I wish I knew how often this customer actually buys!

Let me get back to you on that.

I don't know if I should hold the line on this price or discount...

# Profitable Selling at the "Moment of Truth"



# The Opportunity

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The changes outlined in this eBook present a unique opportunity for Sales leaders to garner a competitive advantage for their organization by equipping their sales team to be able to uniquely respond to these new selling dynamics.

Imagine if salespeople had access to sales history, customer performance, deal metrics, and optimal target prices while in front of the customer? What if they could easily generate dynamic quotes, knowing exactly how profitable they were? And what if they were armed to confidently defend the pricing and terms, and quickly get special price requests approved?



Getting optimized prices to the front line team on average yields a greater than 2x margin lift over analytics or price selling alone.

-Based on Vendavo's experience from over 300 customer implementations.



# The Profitable Selling Team

To accomplish this, you will need to build a Profitable Selling Team. **This team needs to include: Finance, Marketing and Sales.**



**Finance's** role is to set profitability objectives and monitor progress.

**Marketing's** role is a function of the product or pricing manager continuously analyzing deal execution to identify opportunities and setting optimized target prices.

Lastly, the role of **Sales** is to execute effectively on the front line by closing faster, winning more and boosting margins on every deal.

Together, the Profitable Selling Team enables you to align all of the necessary stakeholders around the common objective of driving profitable growth by empowering the front line team to sell more profitably at the "Moment of Truth."

Over  
**25%**

of sales reps have a profit or margin component as part of compensation.

# The Profitable Selling Team

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# The Solution

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The good news is that Sales leaders can now rely on enterprise profitability solutions to enable the Profitable Selling Team on a common platform.

Vendavo offers several solutions that enable Sales leaders to drive profitable selling. In concert with the Enterprise Profitability Suite, Vendavo Sales Negotiator for iPad arms Sales teams with deal guidance and price approval management at the point of negotiation to improve margins on every deal.



“Pricing management vendors are retooling their solutions to help sales managers and frontline salespeople to make better pricing and quoting decisions.”

William Band, Lead CRM Analyst, CRM TechRadar Q1 2013

FORRESTER®

# "The Profitable Sales Rep"

By implementing a profitable selling solution, you can turn every sales rep into a "profitable sales rep."

Wow, they spent \$2M the last 2 quarters!

The deal is profitable even with this discount and I only need 1 level of approval.

I should be able to give you a 15% discount on this product. I just submitted it to my manager for approval.

I just need to open my iPad.

I can check the price on that right now.

I wonder if my competitor makes it look this easy!

# Request a Demo

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If you're interested in empowering your front line team to sell more profitably, let us show you how!

[Click here to request a demo.](#)

