

HP Lowers Proposal Costs With Sales Configuration

Hewlett-Packard's Enterprise Solution Partner Division sales configurator streamlined HP's pre-sales engineering and proposal generation process, reducing sales costs and improving productivity.

Core Topic

Customer Relationship Management:
Business Strategies, Technologies and
Applications for Sales

Key Issue

How will sales organizations use technology
to meet the challenges of changing internal
and external forces and business and
market dynamics?

Hewlett-Packard (HP) serves a worldwide customer base that ranges from home offices to multinational enterprises. An international provider of computing and imaging solutions and services, HP's Enterprise Solution Partner Division partners with independent software vendors (ISVs) to provide enterprise resource planning (ERP), customer relationship management (CRM) and other mission-critical business application solutions (including hardware and software) to large, global enterprise customers. The HP Enterprise Solution Partner Division markets enterprise solutions with its ISV partners through HP and partner sales channels. The HP Enterprise Solution Partner Division's sales process is very complex, because it combines software from multiple ISVs and hardware to meet unique customer needs. To manage this complexity and to reduce sales cycle time and costs, HP chose to implement a sales configurator.

Problem: Selling a joint HP/ISV solution required multiple and redundant steps that could make the sales process a tedious and manual one.

For example:

- Because each solution is customized for every prospect, preparing proposals that detailed the system requirements, hardware sizing, infrastructure architecture design and pricing traditionally required HP sales support engineers to manually create preliminary solution recommendations, diagrams and documentation.
- Preliminary information was then sent to an HP Configuration Center, which would prepare a detailed quote for the HP parts, products and services needed to support the ISV application.

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- Finally, this information was returned to the sales support engineer, who finalized the proposal and returned it to the lead salesperson for presentation to the customer.

Typically, anywhere from 17 to 33 engineering hours could be required to complete a proposal over a period of two days to a week, occasionally longer — with approximately three to five iterations before a proposal was accepted by the customer.

HP attempted to automate the engineering and proposal generation process with knowledge management systems, spreadsheets and artificial intelligence tools. However, none of these solutions could effectively manage the complexity of the hundreds of variables and rules involved in preparing a comprehensive hardware and services recommendation.

Objective: HP's Enterprise Solution Partner Division recognized the need for a unifying sales tool that would integrate its multiple-vendor environment and automate all global solution sales activities through a single interface. By addressing the challenges of solution selling with a comprehensive process that automatically mapped products and services to customer business requirements and priorities, HP hoped to consolidate and streamline the production of the following sales activities:

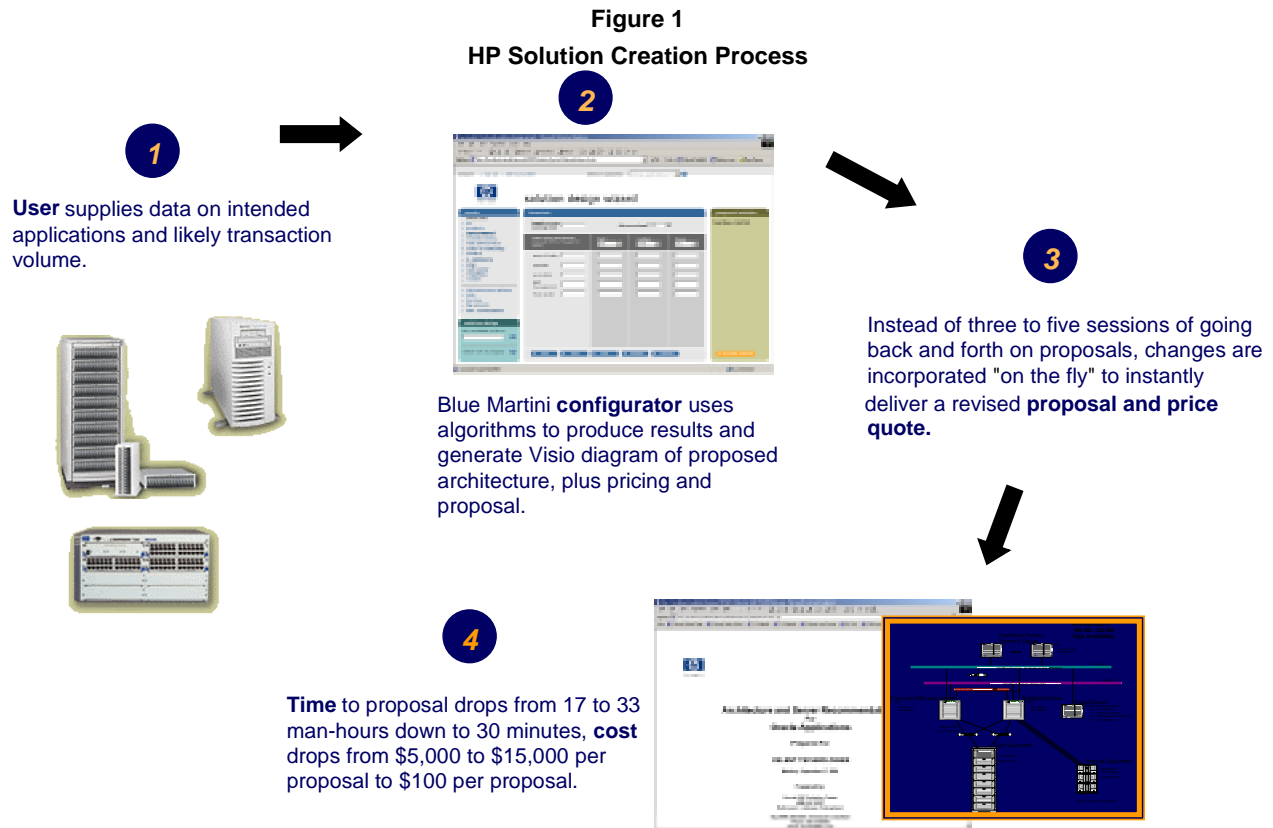
- High-level needs assessments to speed the proposal and specification preparation process
- Sales matrices to provide information about different product options and service levels
- Detailed, customized documentation to present solution summaries, diagrams and informational pricing

Approach: HP implemented a solution from Blue Martini Software (HP actually bought software from Cybrant, which was since purchased by Blue Martini) to help automate a labor-intensive sales process. HP began deployment of what it termed the HP "Solution Design Wizard," powered by the Blue Martini Solutions Configurator. The first Solution Design Wizard system was deployed at HP in January 2001, automating the hardware design process that supports Oracle ERP applications. By August 2001, HP had launched Blue Martini-powered Solution Design Wizards to support the sales processes of two more ISV partners. To date, HP has deployed nine instances of its Solution Design Wizards, supporting the configuration of enterprise applications from multiple leading vendors, including Microsoft and Oracle.

One of the essential criteria that HP required was seamless integration with its other sales applications and systems. HP selected Actuate's Formula One for Java to design, test,

document and maintain its sizing algorithms. It was essential for the Solutions Configurator to seamlessly integrate as a tightly coupled system to create real-time models that incorporate mathematical expressions and logical product compatibility relationships. HP also selected Microsoft Visio as the standard for diagramming and Microsoft Word for document output.

Figure 1 demonstrates how HP engineers and sales staff now use the Solution Design Wizards to prepare solution proposals for customers. HP anticipates that the Solution Design Wizards may soon be integrated into the implementation process when HP and its ISV partners begin to work on a customer order.



Source: Hewlett-Packard and Gartner Research

Results: HP has already made progress toward its goal of full automation for engineering a solution proposal. Nine Solution Design Wizards for use with enterprise application solutions have been launched during the past 12 months. The sales configurator logs more than 250 uses per month. In the past, on top of expensive engineering time, HP expected solution proposals to cost at least \$1,000 to prepare, produce and present. Today, HP estimates that the average proposal costs no more than \$100. With an expected monthly volume of 350 proposals per month, HP has already experienced a 93 percent reduction in costs. Another tangible benefit has been the increase in engineering productivity. HP estimates that staff productivity has increased between 400 percent and 800 percent.

The results to date for HP since the implementation of the Blue Martini solution are many and significant:

- Reduction of engineering hours per proposal from the 17- to 33-hour range to less than an hour
- Reduction of proposal iteration time from as much as two weeks to less than an hour
- Increase in productivity per person at an estimated 400 percent to 800 percent
- Reduced exposure of typical \$2,000 to \$4,000 pre-sales investment for proposal iterations
- Actual proposal generation costs reduced to \$100 from \$1,000.
- Actual proposal generation time reduced to 30 minutes — down from the two- to 14-day range
- Improvement of proposal quality, consistency and accuracy

The return on investment (ROI) for this approach was quick to materialize — and continues today. HP achieved ROI from its Blue Martini solution in approximately 2.5 months.

Critical Success Factors/Lessons Learned:

- HP felt that, for its sales process to be effective, its knowledge-based application investments had to be integrated into a single, streamlined workflow that is efficient and scalable. Sales tools and product information cannot be siloed; instead, all available information must be made accessible to all participants in the sales process to achieve more sales more quickly.
- Enterprises should see sales configurators as more than a tool to provide clean orders. In HP's case, it served as a knowledge management platform for product and proposal information. Now, information that helped close two or three deals can potentially close hundreds, because the Blue Martini Solutions Configurator helps scale the proposal creation distribution process with its use of critical engineering intelligence, sales information and processes.

Bottom Line: For years, configurators have been justified primarily on the basis of eliminating order errors. HP demonstrates that sales configurators can have a significant impact on reducing sales cycle time and expense, while improving sales knowledge management. Manufacturing enterprises with complex products should look beyond merely reducing order errors and seek these alternative metrics to justify sales configuration solutions.

Acronym Key

CRM	Customer relationship management
ERP	Enterprise resource planning
HP	Hewlett-Packard
ISV	Independent software vendor
ROI	Return on investment