

## Configuration, Pricing and Quoting: One Is Better Than Three

As b-to-b solutions become more complex, the need to automate configuration, pricing and quoting (CPQ) processes becomes critical

CPQ applications offer a number of potential benefits, including greater accuracy and better discounting control

Applications can be programmed to help sales reps and channel partners identify potential upsell or cross-sell opportunities

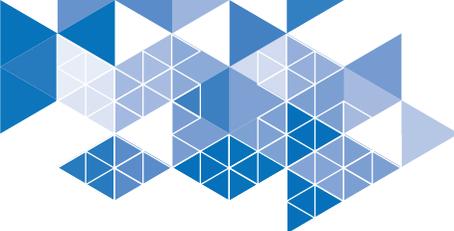
“All for one, one for all,” is the rallying cry of the inseparable comrades Athos, Porthos and Aramis in the Alexandre Dumas novel *The Three Musketeers*. Throughout the story, Cardinal Richelieu sends his guards to menace or capture the musketeers and their friend d’Artagnan, only to be foiled by their indomitable courage and teamwork.

In the world of b-to-b sales technology, a powerful new trio has emerged from combining the jobs of configuration, pricing and quoting (CPQ) into a single application. Traditionally handled separately – and often via manual techniques – these processes have caused much pain for sales reps and leaders alike. In this brief, we describe integrated CPQ applications and their potential benefits.

### What Is a CPQ Application?

In short, CPQ applications create rules-and-constraints-based product configurations, associate configurations with current approved pricing models and enable sales reps to quickly and easily create quotes and proposals. The three processes are integrated and interdependent, but each retains its own functionality:

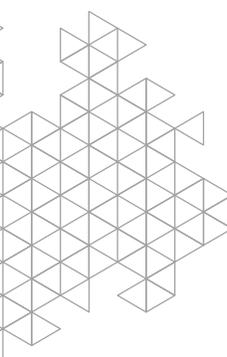
- **Configuration.** A relational database aligns buyers’ infrastructure or requirements to product or solution components that need to be included in the configuration, so that the proper components are shipped. The application produces configurations that can be easily understood by end users instead of a complex list of un-descriptive material codes.
- **Pricing.** The application allows centralized control of the creation and publication of the standard price list that must be followed when developing proposals. Making price changes no longer requires that the full price list be replaced, and the list can be modified without impacting current proposals.
- **Quoting.** Sales reps can use the application to create quotes based on configuration options; through integration with the sales force automation (SFA) platform, each quote can be attached to an opportunity. During negotiations, embedded workflows within the CPQ application allow reps to send discount requests to their managers that can be tracked for response time and adherence to internal compliance processes.

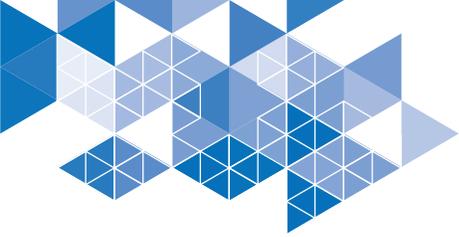


# Research Brief

## Pinpointing the Benefits

The automated creation of configurations, a central access point for price lists, and generating quotes via a CPQ application have a number of distinct benefits, including:

- **Reduction of configuration errors.** When sales reps create manual configurations or rely on a sales engineer to create them, sometimes repeatedly for the same opportunity, human error is inevitable. CPQ applications enable reps to create configurations through an easy-to-use interface that presents solutions in simpler, non-technical formats. Automating this process protects companies from costly mistakes that arise from configuring complex products and solutions with spreadsheets.
  - **Pricing protection.** Price lists in static forms can be downloaded to hard drives and used even after new pricing and discounts have been published. A CPQ application creates a secure, centralized tool pricing managers can use to update and change price lists, set time limits on offers and ensure bundled solutions contain all necessary components. Modifications no longer need technical support, but can be done directly by pricing managers. For global organizations, pricing can be created in local currency. For products whose prices can be discounted based on volume or when sold with other offerings, the discounted prices can be applied at the point of configuration.
  - **Consistent proposals.** CPQ applications allow reps to create fully branded proposals that include executive summaries, marketing collateral, total cost of ownership data and ROI calculations along with the quote. Branded templates ensure that a consistent format is used, and terms and conditions are included to inform the buyer about what is being purchased and avoid misunderstandings about items such as payment terms and invoicing.
  - **Upsell opportunities.** When companies load configuration data into a CPQ application, links can be created between different offerings that result in automatic suggestions of upsell and cross-sell offers. As an added benefit, upsell and cross-sell options also increase reps' knowledge about how to position higher-value offers for future opportunities.
  - **Margins and discounts.** Sales reps typically focus on revenue, and do not have the time or knowledge to determine the margin for each opportunity. Exacerbating the problem, first-line managers sometimes approve discounts that result in subpar margins. CPQ applications take the guesswork out of margin control by creating workflows that control how much discount can be applied to each product or solution component, and specify at what level in the sales organization specific discounts can be approved. With the ability to integrate this application into the SFA platform, sending discount requests is simple and trackable within each opportunity.
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- **Sales productivity.** What is more valuable: A sales rep in the office creating spreadsheet quotes, or one who is out in the field meeting with prospects and customers? Sales reps can use the CPQ application to create configurations with simple checkboxes or drag-and-drop user interfaces with automated intelligence so that reps need to know only the solution or product name instead of searching for every material line item needed for the buyer's infrastructure. Formatted templates remove the need to constantly re-create proposals, and the ability to request discount and pricing approvals through an automated process managed via the SFA system also means less time in the office for sales reps and more time creating new opportunities.
- **Channel support.** Channel partners often gravitate toward suppliers that make it easier for them to sell products and solutions. CPQ applications offer partners the benefits of automated configurations and proposals while protecting supplier pricing and margins.

## The Sirius Decision

The return on investment for a CPQ application is based primarily on enabling sales reps and partners to reduce the time they spend creating configurations, searching for pricing and generating quotes, so that they can close deals faster and spend more time in the field. Factor in the reduction in the amount of products that sellers need to deliver at no cost due to human error, increased margins gained from better discounting controls, and the ability to respond faster to buyers with pricing and proposals, and the investment in a CPQ application clearly becomes worthy of consideration.

