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Development Editor: Elizabeth Kuball

Copy Editor: Elizabeth Kuball

Acquisitions Editor: Amy Fandrei

Editorial Manager: Rev Mengle

Business Development Representative:
Kimberley Schumacher

Production Editor: Kumar Chellappan

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Introduction

Welcome to *CPQ For Dummies*, a guide for new CPQ users or those interested in becoming new users. CPQ stands for Configure, Price, Quote. It's a type of sales software allowing users to sell more effectively. After reading this book, you'll not only understand how the tool solves common pain points in many sales organizations, but also be able to convince the most stubborn skeptics of this fact.

About This Book

This book is for anyone thinking about CPQ as a potential solution for his or her business. Anyone can read this book, but it's geared toward internal sales teams, including sales leadership, IT professionals seeking more business-oriented context, or CPQ enthusiasts who want an inside look into what CPQ can offer. It shows users and potential users how they can transform a business with CPQ and immediately add incremental value.

This book discusses all kinds of features that CPQ can offer. Although the book delves into different types of CPQ tools and outlines differences where possible, certain mentioned features are not always available in each CPQ solution. I highly encourage you to explore the nitty-gritty details when you search for the right CPQ product.

Foolish Assumptions

Just to level the playing field and make sure that you understand what I'm talking about from here on out, I've made some assumptions about you:

- ✔ You know what configuration, pricing, and quoting mean at a basic level.
- ✔ You have at least a minimal level of business experience.

- ✔ You've heard of customer relationship management (CRM) and have a basic understanding of what it can do.
- ✔ A generic sales process is not something completely foreign to you.

Icons Used in This Book

Throughout the book, I use a few icons to draw your attention to certain kinds of information. Here's a guide to the icons:



When I tell you something so important that you should commit it to memory, or when I remind you of something important that I've told you before, I mark that information with the Remember icon.



When I share something that'll save you time, money, or aspirin, I mark it with the Tip icon.



When I warn you of a pitfall in the road ahead, I mark it with the Warning icon.

Chapter 1

Getting Started with CPQ

.....

In This Chapter

- ▶ Understanding what CPQ is
 - ▶ Deciding if CPQ is right for your business
 - ▶ Understanding the problems CPQ can help solve
-

Only a few decades ago, selling complex products and services efficiently was difficult and often manual. To be successful, companies needed to employ strong salespeople and spend a lot of time and resources training them on how to sell these complex offerings. Those salespeople used fairly primitive databases and other systems to record deals. And the majority of salespeople relied on spreadsheets and those who manipulated them.

Today, selling has become even more complex, and the tools used to enable selling have made leaps and bounds to match. The keys to the kingdom are the tools that offer simple and intuitive ways to expedite deals in a complex selling environment.

Luckily, various companies have developed products and systems that bridge this gap. Increasingly, sales organizations adopt these systems and watch as their revenues grow. Simultaneously, their salespeople and customers become increasingly satisfied as administrative tasks diminish and they can focus on selling and buying, respectively.

This chapter introduces you to the concept of CPQ, one of the most important tools on the front lines of selling. It defines what CPQ is, walks you through its potential advantages for your business, and shows you why it's such a powerful investment of time and money for different kinds of companies.

Defining CPQ

CPQ stands for *Configure, Price, Quote* and is an application that incorporates these three elements: configuration, pricing, and quoting. In the past, these three jobs were often performed separately and manually.

CPQ applications use business rules and constraints to enable accurate configuration that makes sense for your business. Remember those days of SKUs and codes that salespeople had to memorize when building product packages for customers? CPQ intuitively removes this component using configuration, allowing you to select products without missing out on other required or recommended solutions or product components. For example, if you purchase a cellular device, CPQ can make sure that the device aligns to your customer's rate plan.

Pricing is another key component made easy with CPQ. These applications allow you to appropriately and dynamically price items or services based upon a wide range of factors, from quantities to geographies. For example, purchasing over a certain quantity could automatically grant you access to apply a substantial discount.

CPQ also helps salespeople and leadership stay more productive with efficient quoting. This can be as simple as accurately and automatically generating a quote for the customer and as complex as triggering automated discount requests to managers that can be tracked throughout the sales cycle. For example, discounting a particular product more than 25 percent can automatically send an approval request to your VP of sales.

These are just basic examples of what CPQ does to simplify sales cycles for an organization. This guide covers these items in greater detail, but now that you have a grasp on what CPQ means, I'll delve into how you can determine if it's the right tool for your business.

Determining Whether CPQ Is Right for You



Let me start out by making one thing clear: Not every business needs CPQ. The first question that should make this obvious is whether your company has a sales-driven culture. Although marketing organizations or customer service call centers may not derive as much value from implementing a CPQ solution as a sales organization, new markets are increasingly finding value in it. More than sales culture, one of the strongest indicators in determining if CPQ is for you is your company's product offering and its complexity.

Now that that's out of the way, let's look at different kinds of factors to help you determine if you're ready for CPQ.

Business size

Do you have a three-person sales team or a massive department dedicated to selling your products? Businesses of a certain size tend to leverage CPQ more than other, smaller-scale organizations. Even still, the enterprise is not the only type of company that turns to CPQ solutions, as even small sales teams can benefit from faster and more accurate processes. Perhaps your small business just acquired another company and, with it, a new product catalog. Maybe your company is launching a new product line. A wide range of factors can determine an organization's "readiness" to bring on a CPQ application.

Product complexity

CPQ solutions are particularly relevant when purchases and product lines can encompass thousands and even millions of different permutations. Sales reps are expected to possess a working knowledge of their companies' products, and as a product catalog grows — with more add-ons, options, features, and accessories — salespeople can become overwhelmed by the sheer complexity and possible combinations.



Good candidates for CPQ are those individuals and organizations that can relate to these challenges.

Sales process sophistication

What does your sales process look like? Is it a simple cold call and deal signing? Or does it involve multiple parties, approval processes, quoting, and months of negotiation? CPQ is often used to simplify and expedite the sales process so that reps can focus more on selling and less on navigating the arduous logistics of the sales process.



For example, if you have a sales process that leverages various channels — such as partners or distributors that sell your products — CPQ can help you enable these partners and maximize revenue without needing to use disparate systems or tools.

Solving Business Challenges with CPQ

CPQ can solve a variety of common business challenges, and I've already addressed the first one: product complexity. Product complexity is a familiar predicament that many companies grapple with. Because it's unrealistic to expect sales reps to stay knowledgeable on an entire set of products and their countless possible combinations, organizations often segment sales teams into siloed product specialists.



CPQ offers a more uniform approach: giving each rep, regardless of experience or product knowledge, the confidence to configure and quote all products quickly and easily. In this way, salespeople no longer only sell what they can speak about (meaning they no longer leave money on the table or provide customers with only a subset of what they really want).

Another common challenge is that sales reps have too many administrative and manual tasks to complete. Sales productivity is what drives a company's growth. You need your reps building relationships and closing deals, not updating spreadsheets, cobbling together complex product configurations, or waiting for their managers' approval.

Pricing correctly



Pricing errors, and getting pricing approved, are a huge headache for many organizations. First, they can tarnish a solid reputation — you have to make a good impression on your customers if you want to retain them. Plus, over time, pricing mistakes add up and eat away at time, revenue, and profit. Having to build multiple versions of the same quote takes your sales reps away from selling, leading to opportunity cost. And it wastes customers' precious time, something they can easily choose to no longer deal with. Finally, returns and refunds compound this loss of revenue and resource strain.

Fortunately, CPQ helps reps find an accurate price for complex solution combinations easily and automatically. Using CPQ, you can manually set product, service, and component prices and create business rules for certain discounts. You can also have more granular control over these discounts with CPQ, by deploying pricing guardrails for your salespeople so that you can rest easy knowing that your deals will comply with business rules and correct pricing. You either set these guardrails manually or, depending on the CPQ solution, base them on your customers' willingness to pay.



Smart CPQ, or CPQ that incorporates science-based pricing, doesn't come with every CPQ tool, but when it does, it addresses common business challenges by allowing you to put together smarter, data-driven pricing strategies. I get into this a little bit more in Chapter 4, but what this means is that various factors can (and probably should) affect pricing decisions. These factors can include geography, timing, pricing history, or market conditions. In this way, you can offer smarter, dynamically changing discounts based on real-time data, while cutting down on pricing mistakes that impact your margins.

Smart CPQ also includes intuitive approval processes for quotes and pricing that stray from standard discounting rules. In this way, companies can set automated deal approval thresholds that can significantly reduce special discount requests. This also helps ensure that quotes contain accurate pricing information in real time, and that quotes are done right the first time, so that you've mitigated risk where possible.

Quoting quickly

CPQ gives organizations the ability to put quotes together accurately and quickly. For example, using CPQ, reps are able to configure, quote, and then use templates to create a professional proposal.

On top of that, CPQ offers the automation of discount requests and pricing approvals to empower your agents to focus on selling.



If you think that quoting quickly is just a “nice-to-have,” consider this: Quoting quickly and accurately is a key method in shortening your sales cycle and increasing the rate at which reps achieve quota, in turn leading to more deals and greater revenue. It also shows your customers that you’re a pro.

In today’s competitive market, your customers are more demanding than ever. And with good reason: There are plenty of fish in the sea. Even if you’re the best at what you do, you need to be the first, not third, when delivering quotes to your clients. You don’t want customers to go looking elsewhere while you’re busy throwing together unprofessional quotes filled with errors, or waiting on your manager’s approval. Not only do you want to keep your customers’ attention (and impress them), but you also want to be the one setting the starting point for negotiations, not your competitor.



CPQ helps you get quotes out the door quickly and accurately, so that you no longer have to sacrifice quality for speed, or vice versa.

Chapter 2

Understanding CPQ's Role in the Sales Cycle

In This Chapter

- ▶ Looking at the big picture of CPQ in the sales cycle
 - ▶ Understanding the process gaps that CPQ can fill
-

Chapter 1 explains what CPQ is and the problems it can help you solve. Now that you know the basics, you're ready to understand the bigger picture and get an idea of where CPQ fits in the overall sales cycle.

First, I assume that you know a little bit about an average sales cycle, as well as how customer relationship management (CRM) tools play into it. This chapter covers this subject at a high level, with the expectation that these terms and processes are relatively familiar to you.

This chapter also identifies where CPQ sits in the overall sales cycle of a business. It shows where CRM ends and CPQ begins, as well as various features that CPQ offers in order to try to fill common process gaps that many organizations face. Finally, this chapter touches on how CPQ integration can help you bolster your sales process while simultaneously expediting it.

Where CPQ Fits in the Sales Cycle

CPQ usually resides in the critical front end of the opportunity to revenue phase of the sales cycle. *Opportunity to revenue*

refers to a phase of the overall sales process where you've already done or at least considered the following:

- ✓ Identified a lead or prospective customer
- ✓ Acknowledged the prospect's need or reason for being interested in your company
- ✓ Pinpointed a potential solution or product that your company can offer to help solve the prospect's need
- ✓ Translated this into a business opportunity, effectively kicking off the sales cycle post-lead qualification

So now that you have an opportunity, you're ready to move this customer across the finish line (opportunity to revenue) as efficiently and effectively as possible. And this is where CPQ comes in.

But wait! I know what you're thinking: "Isn't that why we spent so much money, time, and energy on CRM?" Quite frankly, the answer is both yes and no.

Picking up where CRM ends

Those familiar with CRM know that it's a fantastic tool for tracking customer relationships throughout the sales cycle, including the activities that move an opportunity through that cycle. CRM is also good at tracking those relationships even after the deal closes.

What CRM lacks is a robust mechanism that can account for complex quoting and pricing. This is where companies really find value integrating CPQ applications. For those organizations with complex product lines, services, or pricing strategies, CPQ picks up where CRM falls short. CPQ tools use business rules and constraints to generate quotes and pricing that make sense for your business (see Chapter 1). These business rules give sales teams flexibility and guidelines to sell deals faster.

Stepping in at the ideal moment

Although CRM also plays a large part in managing the sales cycle by means of activity-tracking, automation, and a central

repository of a customer's relationship to the business, CPQ steps in at the perfect moment to automate another part of the sales process. Specifically, CPQ serves to effectively automate parts of the sales process where companies find manual work and repetition slowing it down.

For example, in the opportunity to revenue cycle, CPQ steps in when an opportunity is identified and allows reps to quickly and efficiently configure quotes and proposals with the right product combinations and conditions. Sales can do this directly from the opportunity so reps don't have to build them from scratch every time. After sending the quote, CPQ helps speed up the finalized contract, taking into account business rules to ensure that proper pricing and discounting are accounted for without slowing reps down. In this way, CPQ automates nuanced complexities that CRM isn't built to handle.

Looking at the functionality CPQ provides

Now that you know *where* CPQ's processes fit in the big picture of selling and closing deals, let me show you some of the specific functionality that CPQ tools provide.

Solution configuration

CPQ solutions are particularly useful when complex product lines are constantly changing or growing and encompass many different product types and combinations. One reason for this is that CPQ takes your business rules and requirements and translates them into system guidance and guardrails for your reps. Quoting, approvals, and proposal generation are all built on top of a configured product catalog.

Using these guardrails, you can prevent reps from selling certain products without another product combined, like selling a cellphone without a SIM card or warranty. This also helps eliminate mistakes throughout the process and increases salespeople's confidence that they're selling everything correctly.

CPQ also allows you to build dynamic questionnaires that reps — seasoned and inexperienced alike — can ask customers as they construct the quote. In this way, the system offers only the most relevant product combinations to reps and customers, and can even recommend pertinent upsell and cross-sell opportunities.

Quoting and pricing

Quoting and pricing go hand in hand. The last thing you want is to quote a customer an incorrect price or for products that can't be sold together. Pricing, and getting pricing approved, is usually one of the major pain points of the quoting process and one of the most compelling reasons companies implement CPQ solutions.

Approval workflow

Approval workflows are also automated using CPQ. For example, you can set up your system in such a way that if a rep changes any terms and conditions on a quote, that action triggers an approval workflow that's routed to the rep's respective manager. This also goes for discounting beyond a certain level. All of this can be automated using rules aligned to your business policy, so you're still in compliance, discounts aren't eating into your margins, and bottlenecks are handled quickly and effortlessly without back-and-forth emailing or other manual efforts.

Proposal and contract

Finally, proposals and contracts, when you're at the finish line, signify the closing of the sales cycle. That signature is what you need to know you've won the opportunity. It's important that the momentum built from automating quoting doesn't fall flat at this critical moment.

Many companies find themselves scratching their heads when they get to contracts. They have to manually copy and paste all the quote information into another system or spreadsheet, losing valuable time and sacrificing data quality. CPQ helps you ensure that your finalized quotes seamlessly feed into your contract management process in a way that makes sense for you and your customers.

Bridging the Process Gap with CPQ Integration

CPQ can help solve a variety of common business challenges. It allows you to bridge the gap between critical sales systems (such as CRM and contract life cycle management [CLM] systems), thereby streamlining your end-to-end sales process. Let's take a look at some specific examples of how CPQ helps with process.

Shortening the sales life cycle

Who wants long, drawn-out sales cycles? Nobody. Sales leadership wants to see deals closing quickly and the impact to overall revenue. Sales reps also want to see the deal won as soon as possible so they can reap the benefits of their hard work. Similarly, customers prefer doing business with companies that make the procurement process, and the customer's role within it, as simple and as convenient as possible.

Sales efficiency or expediency is one of the primary drivers behind CPQ. CPQ decreases the overall time it takes to go from customer inquiry to a signed contract. This stems from a few business outcomes that CPQ enables: sales reps knowing exactly which products they can sell, increased quote velocity and accuracy due to automated approval workflows and common quoting templates, and more fine-tuned and automated control of pricing and discounts, all without waiting on management to give you the green light. The logic is built in based on your business requirements.



Speeding up the sales life cycle results in greater top-line revenue, one of the key metrics on which companies — and sales teams — are measured and compensated. It frees up the valuable time of managers, directors, and salespeople, and makes a good impression on your customers, paving the way to even more deals.

Upselling and cross-selling

It's great to be able to effectively sell products or services that customers are looking for. It's even better to sell them products or services that they didn't even know they needed.



One of the most valuable aspects of CPQ is its capability to offer upsell and cross-sell recommendations in real time, based on real data. CPQ can create links between different offerings that result in automatic suggestions for other upsell and cross-sell offers. Sales reps don't even necessarily have to know about specific products and product combinations to be able to suggest them to customers. In this way, reps effectively become more knowledgeable about how to position higher-value offers for future opportunities.

Take Amazon.com as an example. The search engine collects customer data to know that people interested in a specific purchased product are typically also likely to purchase another product. Although not standard in all CPQ offerings, a smart CPQ tool takes full advantage of segmented customer data (what enterprise customers buy versus what small businesses buy, for example) and can offer this up to your sales reps, who in turn offer these options to customers, increasing overall sales revenue.

Chapter 3

Distinguishing the Many Flavors of CPQ

In This Chapter

- ▶ Understanding the different types of CPQ
 - ▶ Identifying factors that play into each flavor
 - ▶ Making sense of native and non-native CPQ
-

Not every CPQ system is created equal — and with good reason. Every organization is different, and with it come a variety of challenges and necessities to address those challenges.

When you go shopping for anything that exists in multiple varieties, the first thing you want to know is “What makes this different from the others?” Similarly, before signing up for any particular type of CPQ tool, it’s important to know what’s out there and to make sure that it most closely aligns to what you need organizationally.

This chapter walks you through some different “flavors” of CPQ. It shows you what the typical features and factors are that play a part in this evaluation, and how to fairly compare CPQ products offered by various vendors. Finally, this chapter briefly discusses what “native versus non-native” means, why it’s a buzzword in the world of CPQ, and what it should mean for you.

Picking Your Flavor

“Picking your flavor” may sound misleading, and not because you may think I’m referring to vanilla versus chocolate. Unlike

choosing between vanilla and chocolate, distinguishing between types of CPQ is typically not a matter of preference. There are certain attributes that different businesses and CPQ tools possess that should steer your decision one way or the other. What's more, choosing an ice-cream flavor that's not for you is not anywhere near as detrimental as choosing an unsuitable CPQ system (although no one likes to eat bad ice cream).

In this section, I fill you in on some factors to keep in mind when CPQ shopping to make sure that you're in a good place to make an educated decision when you're in the CPQ market.

Constraint- versus rule-based configuration engines



Configuration is the foundational layer upon which CPQ functions. Different businesses necessitate distinct functions and processes, feeding into specific configuration requirements.

Constraint-based configuration is a type of configuration method that implements restrictions on potential product combinations or choices to enforce business policies. Constraints are technical by nature, meaning that they pertain to the system and what it allows or prevents users to do. For example, setting up your system so that reps can't sell to customers with a bad credit rating.

Rule-based configuration, on the other hand, is a configuration that leverages rule sets, intrinsic to the business, that change when business policy changes. As opposed to constraints, business rules pertain to people and policy, not necessarily a technology restriction. For example, a business rule may dictate that sales reps must perform a credit check on new customers for purchases over \$200. In this scenario, sales reps may not necessarily perform the credit check, unless there is a system constraint implemented to enforce it.

CPQ applications use business rules and constraints to create product configurations that make sense for your business. There are rule-based CPQ configuration engines, as well as constraint-based CPQ configurations engines. A general rule of thumb regarding which to choose is the following: Rule-based configuration typically leads to more complexity and

maintenance down the road. The simple reason for this is that businesses and their policies change over time. Let's look at a simple, but illustrative example of how constraints make it easier to scale with a growing business.

Company A sells ten different color pens (with matching caps).

Company B, the competitor, also sells ten different color pens with matching caps.

Company A uses rules-based configuration, which looks like this: blue pen = blue cap; red pen = red cap; and so on.

Company B, on the other hand, uses constraints-based configuration, which looks like this: cap color = pen color.

Here you can see that as both companies incorporate more pen colors into their catalogs, Company A needs to maintain and update its rules, while Company B does not.

Companies with basic product catalogs that intend to stay that way can get away with a rule-based configuration engine. Organizations with complex product catalogs that plan to grow need the flexibility of a constraint-based configuration to adapt to changing environments from a technical perspective, without having to write large rule sets to address every possible scenario in their business process. The choice between rules and constraints logic really comes down to complexity and what your company needs.

Omni-channel capabilities

Does your organization have multiple avenues through which it sells products and services? On top of your internal sales team, do you have vendors and distributors that sell your products? Maybe your customers can purchase your offerings on their smartphones, through an e-commerce platform online, and in a physical store. Perhaps you don't have this variety now, but you'd like to in the future. If any of these scenarios are true for your company, you need a CPQ tool that supports *omni-channel capabilities*.

CPQ with omni-channel support gives consumers the option to purchase your products however they'd like. If you're teaming up with partners or distributors, omni-channel

capability makes selling easier for them, meaning that they're more likely to choose you as a business partner. CPQ tools with omni channel offer partners the same benefits of automated configurations and proposals, provide better visibility into channel sales behavior, and simultaneously protect your pricing and profits. Finally, it also helps ensure that regardless of how your customers buy your product, their buying experience is consistent, high quality, and always follows the same process.

Organizational size and structure

CPQ solutions add value to organizations large and small, but the size of the business, and its strategic growth plan, play a role in determining which solution is most applicable.

Surprisingly, many large enterprise companies still largely rely on Microsoft Excel spreadsheets and email to document proposals and generate quotes. Less surprisingly, these manual processes inevitably lead to human error, data inconsistencies, and missed opportunities. Costly errors and leaving money on the table looks bad and isn't something any company should tolerate.

Not all CPQ solutions can handle large data volumes, highly complex configuration and product catalogs, or the capability to scale quickly.

Business needs

Likewise, if all you're looking for is a quoting management tool, then some CPQ products are overkill. It's important to first identify your must-haves and then search for the product that hits most, if not all, of your criteria.

Just like everything in life, each CPQ solution has pros and cons. If your business could really benefit from automating contract management, one solution may be more appropriate than another. Some CPQ products have easy integration to electronic signature applications for quick, electronic contract signing. Others have advanced guided selling capabilities to decrease onboarding time for sales teams and promote upselling and cross-selling. Whatever your business needs in the realm of CPQ, there is a good fit for you.



Some business needs can be met “out of the box” with certain CPQ solutions, while others, such as integration to other systems, may require custom development and technical expertise. Be prepared for these scenarios when you look for the right CPQ tool and make sure you ask about these nuances in advance.

Integrating or flying solo

Yet another factor to keep in mind when selecting your CPQ tool is whether you plan to integrate CPQ with other systems, and if so, which ones. Integration between CPQ and your customer relationship management (CRM) is one thing, but an integration between CPQ and a custom back-end system built in house is very different.



You need to know exactly what you plan to do with CPQ before choosing an option. If you’re trying to integrate with a highly customized tool that was built in house many years ago, you can assume that you’ll need knowledgeable developers for the implementation and maintenance of the system. If, on the other hand, you want to integrate CPQ with a widely used and recognized CRM platform such as Salesforce or Microsoft Dynamics, most mature CPQ tools will be able to do this pretty seamlessly. This requires fewer technical resources and less money. By far, the easiest option is not integrating at all and using a CPQ solution on its own. This is a rare case, however, as companies typically want their quotes, proposals, and products syncing with CRM and other CRM add-on tools seamlessly. In any scenario, take integrations and integration types into account when choosing your CPQ.

A Note on Native versus Non-Native CPQ on Salesforce CRM

When you finally do take the plunge and go CPQ shopping and Salesforce is your CRM platform, you’ll hear the terms *native* and *non-native* tossed around.

Native, or built on Salesforce, is terminology specific to CPQ tools that integrate with Salesforce CRM, which is the market-share leader in CRM. Native CPQ is an industry term that

means that a CPQ solution is built on Salesforce's Force.com platform. In other words, it is essentially built on Salesforce's code base and shares the same user interface (UI) and cloud infrastructure as your Salesforce deployment.

The greatest benefit of a native CPQ solution is that it allows you to extend the security and permissions structures already in place in Salesforce to your CPQ solution. Additionally, the UI will be instantly familiar to your end-users, which can help with adoption and ease of use.

The downside to native CPQ solutions is that they must respect the CRM platform's *governor limits* (limits to ensure that no one customer instance is monopolizing its shared resources). This is especially relevant if you intend to use CPQ for highly complex product catalogs or plan to scale your business or system significantly in the future. What this means is that having highly complex product catalogs with a lot of data that needs to be processed quickly, while also supporting large sales teams and users, can cut into CRM platform performance. This can lead to slower loading and processing. Another note to keep in mind is that if you have multiple sales channels and your distributors are not using Salesforce or have Salesforce licenses, they won't be able to access the CPQ solution you've spent so much time implementing.

Often, *non-native* CPQ solutions come with easy-to-use plug-ins or other canned integration tools to make CRM integration pretty painless. Other solutions may not have a native back-end integration, but natively integrate to Salesforce's front end. This basically means that the user-facing day-to-day operations in CPQ will be accessible within Salesforce, also allowing quotes to sync with Salesforce opportunities and giving you access to report on these activities within Salesforce.

Whether you choose a native solution or not, you know the distinction and can make a more educated decision based on what's most important to you.

Chapter 4

Using Data Science to Guide the Sales Process

In This Chapter

- ▶ Streamlining the quoting process using pricing guidance
 - ▶ Leveraging customer data to increase profitability
 - ▶ Guiding sales reps through the process
-

Guided selling within CPQ is a way to direct users through the sales cycle. This feature calls upon various datasets — namely, your customers' data — to effectively do this. So, in essence, guided selling is similar to an experienced sales rep who knows the customer personally. It acts as a tool that can offer up the most suitable product or service to a potential buyer, based on a number of pointed questions.

This chapter shows you how organizations are increasingly turning to data science to increase their profit margins and streamline their processes. It also walks you through various other benefits that guided selling provides for sales reps and managers.

Taking Quoting to the Next Level

As you already know, quoting is a very common strain on many salespeople and organizations. Chapter 1 shows you how CPQ can help expedite quoting and get the product right, but that's not everything people look for in a CPQ solution. And luckily, it doesn't end there.

Let's take a look at what the more sophisticated and data-driven variants of CPQ can do. A smart CPQ tool takes quoting to the next level by allowing both your company and your customer to be able to afford and agree on a price. In this section, I get into some specifics around how data science and pricing guidance play into the process to turbocharge the entire quoting process.

Offer guidance

Imagine a company that has more than 5,000 SKUs (you very well may not even have to imagine this). How much more efficient would your reps be with a tool that shows them, based on customer data, such as company size, industry, and previous buying history, which of these products are most likely to appeal to said customer?

No, this isn't magic! It's data science feeding into a tool that promotes guided selling. Today, data and information are king. Certain smart CPQ solutions leverage this data effectively to make life easier for you. Guided selling gives you the ability to present a series of questions to your customers, and quickly analyze your entire product catalog based on their answers. In this way, it can identify and filter only relevant products to present to customers based on the answers to those questions.

These questions are not the ordinary ones that novice salespeople often ask, such as "Which product are you interested in?" Instead, the tool asks questions about certain priorities a buyer has or cost allowances and is configured to dynamically filter the available products as a result of these answered questions. In this way, the guided selling feature automatically provides an optimal solution to a customer, giving a new rep the confidence to sell like an experienced one from the very beginning.



This is a win-win scenario: The sales rep isn't wasting time guessing which products would be most suitable for the customer, and customers are purchasing add-ons and features that they didn't even know they needed! And in the meantime, the organization sees more won deals, and therefore, increased revenue.

Streamlining approvals and selling

Approvals are yet another key process made easy with CPQ. A major benefit of CPQ configuration is setting up an automated process for approving discounts and pricing. What does this mean for you? First, a decrease in the overall sales cycle. The approval process moves much more quickly, meaning that reps don't always have to wait for approvals to close deals if certain deal parameters are met, and, more important, customers aren't going to be looking for deals elsewhere while they're waiting for reps.

So, how does guided selling play into approvals? Well, guided selling provides options that make sense to particular customers. It also allows your reps to eliminate product options off the bat, based on a customer's budget or price range upfront, so that they aren't wasting time configuring products the customer can't afford. This not only increases salespeople's confidence in their offers and negotiation, but also automates the approval process and can even eliminate the need for it altogether.

Using Real Data to Drive Customer Satisfaction

Much like CRM systems, CPQ and guided selling tools understand the transformative value of customer data. Using this data effectively is one of the key aspects in expediting sales processes and demonstrating true value and trust in your customers' eyes. The key to earning customer trust and dollars is not just building relationships, but also providing relevant solutions that meet their expectations.

By quickly providing these appropriate solutions, guided selling boosts an organization's place among its competitors by simultaneously winning a customer's trust, building relationships, and securing repeat and renewal business.

Leveraging real-time customer data

Personalized, data-driven sales processes encourage customers not only to trust you, but also to become more comfortable with your proposals, thereby increasing your success rate. Leveraging these processes significantly decreases the total time necessary to close deals. Additionally, based on the buying behavior of others in their segment, this data allows you to sell smarter by offering up additional products to introduce to customers, at a price they can most likely agree to.

Increasing margins with dynamic pricing

So how does all of this translate into increased profit margins? You already understand that guided selling leads to customers' faith in your sales process and that you really get them.

Now let's talk about how dynamic pricing, an important complementary function to guided selling, grows profit margins. *Dynamic pricing* is a tool that establishes a logical, customer-specific price range. The tool uses customer data by looking at buying attributes, identifying those that are truly significant, categorizing the customers in groups with similar buying behavior, and then providing pricing guidance based on this complete customer picture.

This provides reps with a fact-based starting point for negotiations and the tools to make informed decisions while driving new revenue and margin. It also grows margins by showing reps hidden opportunities they may not be aware of themselves. For example, it can identify customers who are closing deals well under the baseline price for certain products that similar customers pay more for. In other words, dynamic pricing can show you where you're leaving money on the table and when you can be making more money. The most effective dynamic pricing capabilities provide real-time pricing guidance at the time of quote by leveraging data such as

geography, historical behavior, and other key attributes to determine the price the customer is willing to pay. This leads to a faster sales cycle and a happier, repeat customer.

Improving customer relationships and retention

Using guided selling and pricing guidance can also change the way your company interacts with, and is seen by, your customers. First, customers don't like having to deal with new sales reps who know nothing about their businesses and ask them mundane, predictable questions.

Guided selling allows inexperienced reps to behave like veterans, shortening their onboarding period and giving them the confidence to sell straight out of the gate. It allows them to provide the right information to the customer, talk intelligently about the product, and prepare a comprehensive offer that is relevant and priced correctly. First impressions can be critical in sales cycles, and guided selling makes sure that you start off at your best.

This, in turn, leads to improved customer relationships, trust, and retention. Customers don't want to enter a whole new procurement process. When they do their research and know that you're offering market rate pricing and that your sales cycle velocity trumps that of your competitors, doing business with you (and not your competitors) will be a no-brainer.

Empowering Your Sales Agents

Your sales team is the cornerstone of your revenue. Companies invest hundreds of thousands of dollars in sales systems, tools, and sales operations departments to make sales agents as effective as possible. If you've ever worked as a sales rep, you know that unfortunately, not all your time is spent building relationships.

Whether it's spent building complex quotes, deciphering and adding to complicated spreadsheets, or waiting for their boss's approval on a discount, sales reps have to execute

laborious, manual tasks on a daily basis to get the job done. The key is to minimize the daily administrative aspects of the job to let reps focus on what they do best. Cultivating strong, lasting relationships with customers and earning their trust is what makes sales reps most effective. Their reputation and commission depend on it.

CPQ makes significant strides in empowering sales agents to sell. Of course, it goes without saying that no matter how much money you pour into slick systems and top-notch sales operations resources, sales reps inevitably have to do some work outside of relationship building. But a decrease in these peripheral activities translates into an increase in sales revenue.

Improving discount discipline

One of the ways CPQ empowers sales agents is through streamlining the discounting process. Typically, during negotiations, sales reps have to wait weeks or months running back and forth between their customer and manager. A customer threatens with a “final offer,” and the sales rep has to verify with his or her manager that the discount is acceptable, waiting around until the manager gets to it. Meanwhile, the frustrated customer has already gone to a competitor. Unfortunately, this is where companies often lose the business.



With the right CPQ solution, you can reduce the number of interactions between the rep and the customer, while often reducing administrative overhead. Science-driven pricing guidance gives sales reps a predetermined price range so that they know how low they can go from the very beginning, without having to waste the customer’s time or their manager’s. Using CPQ, managers can be at ease, knowing that their reps aren’t cutting corners or offering excessive discounts where they shouldn’t be.

If the rep does go below the acceptable price for a specific region or product, CPQ can be configured to trigger an automated approval process. Now managers can view, approve, or deny these requests in minutes or days, instead of weeks or months. Ultimately, this ensures that sales opportunities are constantly moving forward with customers, while keeping

excessive emailing and back-and-forth communication to a minimum. Not only does this translate into happier customers who find you easy to work with, but it also leads to happier reps who are quicker, are more independent, and face fewer roadblocks to sell.

In short, pricing guidance allows sales organizations to establish automatic approvals on pricing within certain ranges. This information gives reps clear parameters to avoid routing special pricing requests to managers or the deal desk and, as a result, close deals much faster.

Hitting the numbers

Guided selling enables reps to sell the entire product catalog, not just the products that they remember or those they feel most comfortable selling. This is a truly important point: Deals become bigger and much more profitable when sales can sell any number of product permutations equally efficiently.

Plus, keeping your sales team as efficient as possible and reducing their manual work leads to more selling and greater profitability. Giving reps the tools to make informed decisions that show an understanding of the buyer's journey, and accurately predicting what your customer wants, drives new revenue and margins.

To hit your numbers, you need to enable sales, while implementing elements of guidance and guardrails. It's equally important to drive value and shorten the overall sales life cycle through automation. Finally, understanding your customers and their place in the market, and solving their needs while cross-selling additional solutions, is a vital part of ensuring your company's success. The combination of guided selling and pricing guidance technology within a smart CPQ tool can be instrumental to hitting all these components and, ultimately, your revenue targets.

Chapter 5

Measuring CPQ's Impact on Revenue and Profitability

In This Chapter

- ▶ Understanding the returns on a CPQ implementation
 - ▶ Showing the proof
 - ▶ Jumping in
-

This chapter walks you through the benefits of CPQ when you've decided to go for it. More specifically, in this chapter, you learn what to expect from a return on investment (ROI) perspective, and actually get to look at some evidence to feel confident about taking the leap. The proof is in the pudding, and after reading this chapter, you'll be able to quantify the reasons why CPQ is a smart choice and even be able to articulate this to the individual in your organization who controls the purse strings.

Getting a Return on Your CPQ Investment

Implementing CPQ does require time and energy. Chances are, if you're reading this, you're already aware of that fact. First, you have to determine if you need CPQ. Then you have to do your research (like reading this book). Next, you need to decide which "flavor" of CPQ is most suitable for you, followed by planning out the steps required to implement it. Finally, you have to actually execute the implementation of CPQ within your organization and set up a plan to maintain it down the road.

As tough as all of that sounds, one of the best parts about CPQ is the ROI of this time and energy. That's ultimately the end goal of this entire project, right? It's important to get an idea of what it's costing you *not* to invest in a CPQ solution. Pretty soon, you'll start to realize how valuable and transformative jumping on the bandwagon can be. This is especially true as you start to look at certain aspects of your current situation, such as average cost per quote error (and percentage of quotes that have them), your average number of proposals per month, and your average order size.

At the end of the day, you get more out of CPQ than what you put in. This is proven time and again by data from studies of CPQ implementations held by Aberdeen, Gartner, and other research companies, some of which I illustrate in the following sections.

Boosting efficiency

I've shown you how CPQ boosts efficiency for any sales organization with complex product lines and pricing. How does this efficiency stack up?

According to Gartner (in "Configure, Price, and Quote Tools Help Redefine the Sales Experience"), the world's leading information technology research company, "90% of configure, price, and quote (CPQ) projects are driven by efficiency objectives."

In another Gartner report titled "How to Analyze Your Sales Processes on Efficiency versus Effectiveness," the research company establishes a practical foundation for evaluating sales technologies within the framework of efficiency and effectiveness.

In the report, Gartner identified CPQ as being one of the most valuable technologies to boost sales efficiency and effectiveness through guiding users to the best possible quotes for all products, pricing, and channels.

Not only does CPQ increase velocity and productivity at every stage of your sales cycle, but it also improves efficiency at each touch point to keep your sales pipeline moving. CPQ promotes greater efficiency through the following:

- ✔ **Generating quotes faster:** Salespeople commonly cite quoting as an extremely time-consuming task. CPQ streamlines the overall quote management process so that reps can generate quotes accurately and quickly. Combine this with automated approvals and pricing guidance, and you can bet that CPQ will show you results almost immediately and greatly enhance sales efficiency.
- ✔ **Reducing the number of interactions:** CPQ also promotes sales velocity and effectiveness by eliminating unnecessary sales activities and touch points wherever possible, while ensuring that the first time the necessary activities are done, and not the third time, is the charm. In other words, CPQ provides the right information at the right time, translating into efficiency as sales reps deliver more precise and fewer versions of the quote before winning the deal.
- ✔ **Shortening the sales cycle:** According to the Aberdeen Groups, a provider of fact-based business intelligence research, CPQ users see an average sales cycle of 3.42 months, compared to 4.68 months for non-CPQ users. This translates into a reduction of the overall sales cycle by one-third. Knocking out sales cycles more quickly means more time for more deals and increased revenue.
- ✔ **Supporting multiple sales channels:** If efficiency is what you're looking for, you should be casting a wide net. That means covering as many of your bases as possible with multiple sales channels. If you're selling your products on the web, in a store, through partners, and via direct sales, a single CPQ solution can give you everything you need to address any sales channel while promoting sales efficiency and consistency. You don't need to purchase a different application for each channel.
- ✔ **Decreasing onboarding time for new sales hires:** As your company grows, you'll have to hire more sales reps. Even if it doesn't, there is an inevitable rate of turnover within sales teams. Taking these scenarios into account, it's important to be quick and efficient in sales training and onboarding, to ensure new hires add value immediately. CPQ solutions with guided selling boost efficiency by providing new reps with accurate information, arming them with the tools to sell your entire product catalog without the expectation that they memorize each of your products.

✓ **Decreasing launch time for new products and promotions:** Just as CPQ shortens onboarding time for new hires, it also shortens the amount of time and planning needed to launch new products internally. As I've shown you, using constraints in your configuration can make this even more seamless. After you set up your product catalogs, the bulk of the work is behind you, and adding new products and promotions is a piece of cake.

If these six points illustrating just how effective CPQ is at driving organizational efficiency still aren't compelling enough to justify your investment, take a look at how CPQ affects profit margins.

Profit and revenue

Profit and revenue are what keep companies in business. They drive almost every decision and action an organization takes. That's why it's so important to retain customers and close deals quickly.

If you're one of hundreds of thousands of companies with a dense product catalog that sells a complex set of products and features, it's inevitable that you've made quoting mistakes. Compound product complexity with product lines that are constantly changing, new discounting policies, warranties, compliance issues, and delivery logistics, and you can see how easy it is to accidentally omit something critical. These mistakes may seem harmless at first, but the time and embarrassment involved add up quickly. They eat into your profit margins, take valuable time away from reps and sales leadership, damage your reputation, and slow your sales cycle.

When taking all these factors into consideration, the ROI of implementing CPQ is immediately clear. Using CPQ simplifies an otherwise convoluted business. It allows an enterprise-class company with highly complex product configurations to function much the same way as a small business with only a couple of products.

You also don't have to worry about how often your products change, because you can easily and uniformly update constraints and business rules across your organization,

simultaneously ensuring that these changes are reflected in new quotes. This is a very important element in maximizing revenue and profit, and overall ROI. With a smart CPQ specifically, pricing guidance allows you to rein in maverick discounting and maximize willingness to pay, which can significantly uplift margins and profitability.

Looking at the Evidence

Let's take a look at some numbers that prove just how effective and transformative CPQ is for businesses that implement it around the globe.

Show me the numbers

The Aberdeen Group's research brief, "Configure-Price-Quote: Best in Class Deployments That Speed the Sale," definitively shows that companies that use CPQ outperform nonusers by 105 percent! Let's take a deeper dive into some of these statistics:

- ✔ CPQ users churn out an average of 20.9 quotes in a month, as compared to 14 by nonusers.
- ✔ The average deal size reported by CPQ users is \$432,000, while their nonuser counterparts reported an average size of \$211,000.

Analyzing the data

CPQ-enabled sales reps take 27 percent less time to produce a typical quote than non-CPQ users. Plus, CPQ users deliver fewer drafts and versions of the average quote.

Let's go back to the statistic that the use of a CPQ solution increases average deal size from \$211,000 to \$432,000. Did you read that right? That is a 105% increase! The results aren't surprising when you understand that customers gravitate toward companies that make doing business easy.



In analyzing this data, it's immediately clear just how revolutionary a CPQ solution can be for the right company. Ask for more solid evidence from CPQ vendors you're browsing as well as more personal, customer experiences from other organizations that use CPQ.

Taking the Leap

By now, you should be convinced that if you suffer from the common ailments of a growing company with rapidly changing sales processes and complicated product bundles, price lists, and quoting, CPQ is the right move.

Now that you've seen what's in it for you, you can start the process of compiling a list of process and efficiency gaps within your company. Next, use this list to put together a list of strategic business objectives and prioritize them. When you've done that, align those corporate objectives with key sales enablement capabilities that you're looking for. At that point, you should have a fairly good idea of your prioritized road map and can actively compare and contrast viable CPQ solutions. I promise this sounds more daunting than it is. It's important that when you undertake a project like this, you get it right from the beginning.

That's it. You're ready to take the leap! Go for it and have some fun while you do it! Don't forget to take a look at the next chapter for more tips to keep in mind when shopping for CPQ solutions.

Chapter 6

Ten Questions to Ask Before Implementing CPQ

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In This Chapter

- ▶ Asking the right questions before signing up for CPQ
 - ▶ Understanding why these questions are important to ask
-

If you were about to buy a new car, you'd want to know the ins and outs of it. You'd ask questions about the engine, horsepower, and fuel efficiency, as well as any add-on features it comes with that differentiate it from competing makes and models. And you'd be right to do so. A car is a long-term investment that can become your pride and joy, but choosing the wrong one can also turn into an expensive, impractical headache. The same goes for CPQ. If you're reading this book because you're legitimately interested in implementing a CPQ solution, there are some questions you should be asking (either yourself or CPQ vendors) before taking the leap.

This chapter helps you think about what to ask when you do decide to go for it. It outlines a list of ten basic questions that anyone interested in CPQ should ask while shopping around, as well as some helpful ideas to keep in mind while planning for the launch. Whether you're going for a powerful, state-of-the-art CPQ solution with all the bells and whistles, or a simpler, more lightweight CPQ, this list provides some beneficial and practical tips to keep in mind that will help increase your chances for success.

What Are My Business Objectives and Priorities?

Depending on who you are and the role you play in your company, this is a question you should be either asking yourself or someone at a more strategic level who's driving this investment. Identifying priorities and objectives at the outset of a project is a very important and often overlooked exercise.



Being able to clearly outline what you're trying to accomplish with CPQ and the underlying drivers for why you're in the market will prove invaluable when choosing the right CPQ solution. If you don't know where to begin, listen to common challenges you hear from your sales teams.

If your product catalog is barely three pages long and all you're really looking for is a quoting engine that can automate a handful of quote-specific processes, you should be looking at lighter CPQ solutions, or maybe not even a full-fledged CPQ product at all. There are quote management systems out there that may be cheaper and make more sense for you. On the other hand, your priority may be a new system that can grow internationally with your highly complex product lines and pricing structures broken out by territory. On top of that, your boss also may want to ensure that this system and the data within it is automatically syncing to your CRM opportunities, quotes, and contracts, to cut down on manual data entry. In this case, you probably need to invest in a more robust CPQ system.

In either scenario, there's something out there that makes sense for you. Just make sure going into it that you know exactly what your "must haves" are versus your "nice to haves."

Who Is the CPQ Solution Designed For?

This question is one of the first that you should ask CPQ reps when looking around. The basic intent of it is to identify if the system is created with a business user in mind, such as a

sales rep. You probably don't want a CPQ tool that is geared toward technical users. I know that you have fantastic IT staff, but they probably already have enough on their plate.



CPQ solutions created for more technical users are typically more challenging to work with, and come with the added costs of complex configurations, code, and IT maintenance and intervention every time you release a new product.

Does This CPQ Solution Integrate with My CRM and/or Back-End System?

Take an inventory of all the systems you'd need your CPQ solution to integrate with and verify that they play nicely together — or at the very least, that it's technically feasible to integrate them. When you've figured that out, talk to technical experts to see how much it will cost you.

It's important to realize that some CPQ tools don't make integration easy, especially when you're looking at integration to highly customized custom back-end systems. When you talk to the techies, do some quick math to see what the implementation will cost you after all your integrations. The last thing you want to do is invest time, energy, and money in a CPQ tool, only to find out midway through your implementation that you've run out of budget before actually setting it up properly.

What's the Cost?

I've already started talking about budget, so I'm going to go with the momentum and mention a few key points that are probably rather intuitive.

Just as with anything else, don't live beyond your means. Sure, that one CPQ option sounds really cool and you're positive it can solve every problem imaginable. But if it seems cost prohibitive, it probably is. And unless it has a critical piece of functionality that you absolutely need, there's no reason to go

big or go home. Make sure you take into account the various costs that you'll incur during your CPQ implementation (and post-implementation) before signing the deal.



These guys create systems that help you sell and upsell more effectively. They're probably pretty good at it themselves.

How Well Does It Scale?

Scaling is a buzzword in the tech industry that refers to how well a system or process can handle or accommodate growth in proportion to its capability. Different CPQ systems have varying degrees of scaling capabilities. It's pretty simple: The more scalable and flexible the system is, the lower your maintenance cost will be down the road.

More specific issues that can give you insight into a CPQ tool's scalability are whether it's native to a platform, its processing speeds, as well as its limitations and capabilities relative to complex product pricing and bundling. Part of this question also rests on soul searching within your own organization. Scaling is relative, and one CPQ tool's capabilities may work for others but not for you.

Is It Mobile Compatible?

This question may not be necessary for every CPQ shopper. But in this day and age, and especially when looking at field sales, salespeople are everywhere. And it's not just reps. Managers and company leadership also want visibility into sales activities and product information wherever they are and on any device. It's worth asking what your potential CPQ solution offers in terms of mobile capability.

Does It Support Multiple Channels?

Some CPQ solutions offer omni-channel support. If you only have one avenue by which you sell, this question is probably meaningless for you. But you may want to look into leveraging

other channels to address a larger share of a growing market. And maybe that's in your long-term plan. Whether you do it now or plan to do it someday, finding a CPQ solution that can extend to multiple channels in an effective and consistent way is valuable.

Does Native Matter?

The Force.com platform is a growing force (pun intended) in the CRM marketplace. Many customers already leveraging the platform want a CPQ solution that is built on the same platform to take advantage of shared permissions, security, and user interface (UI). There is worthy logic in the argument, but also know that native CPQ solutions have disadvantages. Be sure you look into the pros and cons before drinking the Kool-Aid.

How Important Are Guided Selling and Price Guidance to My Organization?

Guided selling (the ability to dynamically guide sales reps through the motions of the sales process using customer data) and *pricing guidance* (the ability to provide data-driven price recommendations at the time of quote) are valuable investments. They allow you to more effectively upsell and cross-sell, keep sales ramp-up time and hand-holding to a minimum, and more easily determine willingness to pay, while improving customer retention. This is something that basically every organization can benefit from because it can help increase both revenue and margins. Having said that, not all CPQ solutions have this feature and it may not be something critical for you. You need to identify your priorities and ask about the cost.

How Intuitive Is the CPQ Tool?

At the end of the day, a system is just a system. That's not to discredit all the powerful advantages of CPQ; it's just to say that you can spend all the money and time in the world

building the perfect CPQ solution for your business, but it's the people behind the system that you need to use it in order to make it work.



Adoption is a key element in any successful implementation. This is critical before and during implementation. Adoption rates are higher with systems that are more intuitive and easy to use. New systems can be scary, and you want to make sure that they require minimal training before proving to be truly effective.

Learn how CPQ increases quoting accuracy, improves revenue and margins, and expedites sales cycles

CPQ solutions give businesses the power to close more deals faster and more profitably. By leveraging guided selling and pricing guidance to deliver quicker and more accurate quoting, CPQ streamlines the sales cycle so that sales reps focus less on administrative tasks and more on selling.

- **Understand CPQ** — Learn what CPQ is and how it can make a huge impact on an organization
- **Leverage big data** — Apply guided selling and pricing guidance inside CPQ to sell more effectively and keep customers happy
- **Learn what you need for success** — Investigate some questions and points to keep in mind when selecting the right CPQ tool

Jon Paz, an IT consultant, works with enterprise clients to deliver world-class solutions to perplexing business challenges. He has also worked as an editor and enjoys treading the line between writer and problem solver. Jon is an avid traveler, adventurous eater, and hardcore language learner.




Open the book and find:

- What CPQ is and how it can increase revenue and profitability
- How to know if CPQ is right for your business
- How to use data to better serve both customers and your business objectives

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