



CPQ BUYER'S GUIDE

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In order to create value for customers, companies strive to be more customer-oriented in their sales, because **80%** of customers buy the products they need from the company which makes purchasing as easy as possible ⁽¹⁾. This requires companies to meet customer needs with customized products, greater sales efficiency and error-free and clear quotations. Many companies have been able to respond to this need with a CPQ tool.

As the CPQ tool is still quite a new concept on the market, this guide has been created to increase companies' awareness about this tool. In this guide we briefly explain from the buyer's point of view **what a CPQ tool is**, what types of companies can benefit the most from its use, what competitive advantages it can offer, and what companies should take into account when acquiring such a tool.

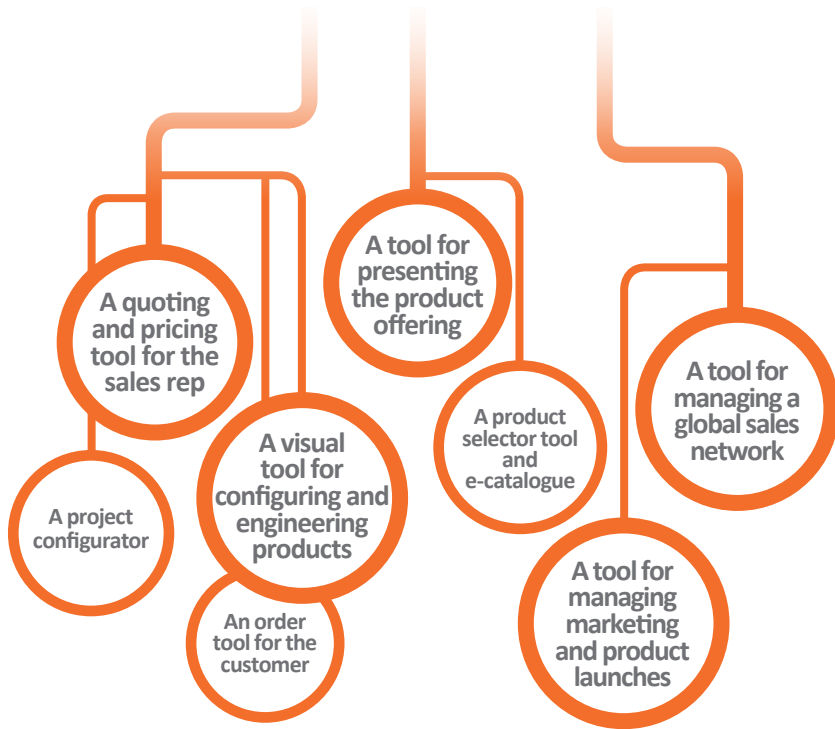
(1) source: Gartner Group 2010

WHAT IS CPQ TOOL

The term CPQ comes from the words **Configure**, **Price** and **Quote**. It refers to a software tool that helps companies sell complex and customized product and service combinations. On the basis of predefined sales selections a CPQ tool configures the product and service combination according to customer needs and prices it in real time while allowing the salesperson to offer personalized margin and discount rates. In addition, according to the configuration made the tool generates the quotation with the necessary illustrative pictures and appendixes.

The terms sales configurator or product configurator are also sometimes used for the CPQ tool. The product configurator is however a slightly more limited tool which doesn't necessarily contain quotation features.

CPQ TOOL CAN BE USED AS:

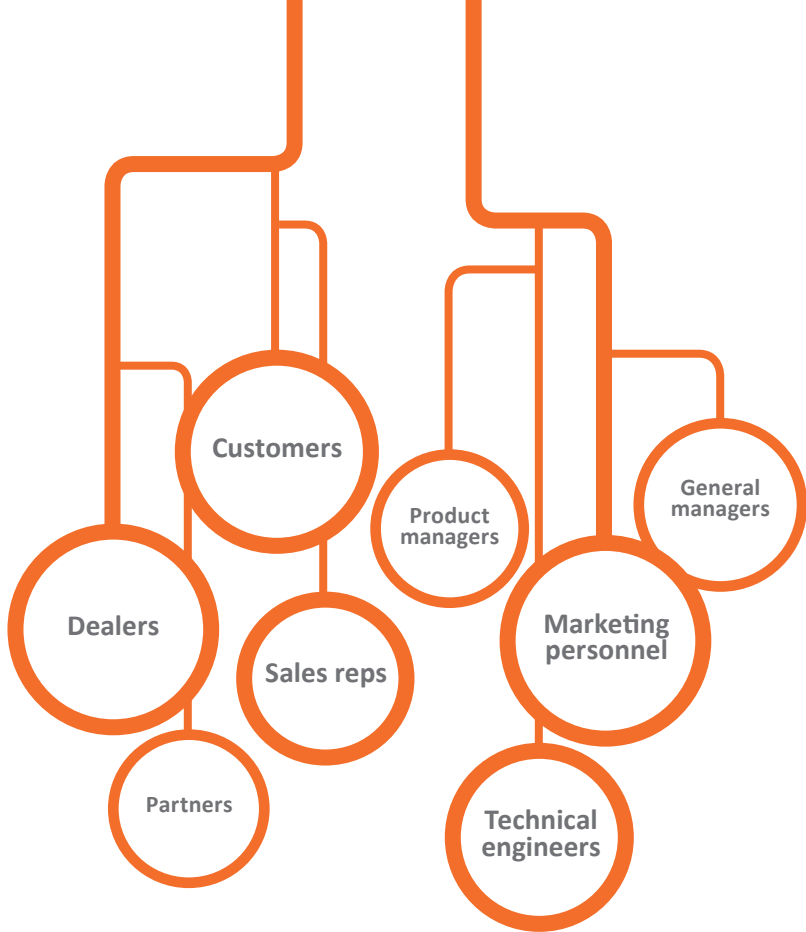


WHO NEEDS CPQ TOOL

Traditionally, selling complex products and services is a slow and multi-step process during which salespersons draw up product configuration, pricing calculations, and tender documents manually using, for example, MS Office tools. Because several people edit the previous documents over and over again on a cut-and-paste basis it causes error susceptibility and salesperson-specific variations. During the sales process the salesperson also seeks information from a variety of sources, including from the technical support, which makes the sales process even longer.

A large number of companies, however, sell, develop, and produce products and services which are tailored to the customer's needs. Forty-one percent of Finnish industrial businesses estimated that they would be increasing customization in the next few years.⁽²⁾ All of this means that there will be a growing demand in the market for a CPQ tool.

(2) source: Market-Visio 2013



WHAT BENEFITS DO I GET FROM

Better management of the sale of complex product and service offering and more effective pricing and quote processes are the key benefits of a CPQ tool. Generally companies strive to achieve a more customer-oriented approach, so that the customer's purchasing decision is made easier and quotations and deliveries better serve the customer's individual needs. These, in turn, contribute to the company's productivity and growth in sales.

RESEARCH INDICATES THE **BENEFITS OF THE CPQ TOOL** ⁽³⁾:

49% higher proposal volume

27% shorter sales cycle

26% more sales reps achieving quota

19% higher lead conversion rate

(3) source: Aberdeen Group 2013

CPQ TOOL

ENHANCED MANAGEMENT OF PRODUCT OFFERING

- Respond to customer needs more effectively
- Transparent communication
- Integrate all necessary information in tendering and ordering processes
- Eliminate business growth barriers

MORE PRODUCTIVE SALES PROCESS

- Flawless pricing and tendering documentation
- Faster sales orders
- Improved reporting and forecasting
- Freed resources

IMMEDIATE GROWTH IN SALES

- Higher proposal volume
- More sales reps achieving quote
- More convincing sales negotiations
- Decreased requirement of sales reps' technical expertise

EASY DEPLOYMENT AND USABILITY

- Turnkey delivery
- Fast payback time
- Fully customizable
- Accessible everywhere and all the time

WHAT IS CPQ TOOL PROCUREMENT PROCESS LIKE

STAGES OF THE PROCUREMENT PROCESS

Even though the steps in the CPQ tool procurement process are largely supplier and customer-specific, it requires some general measures to be taken by the customer. From the customer's point of view the procurement process for the CPQ tool traditionally consists of the spark of interest and a preliminary needs analysis, the formation of a procurement team, a supplier survey and analysis, meetings with few suppliers and seeing a possible demo. At this point the scope for needs and potential supplier selection often becomes more accurate. After selecting the supplier, contract negotiations are held and the quotation accepted.

Only after this should the detailed project plan be drawn up and detailed requirement specifications be made. The customer must also send all necessary product information to the supplier, from which the supplier, the customer, or both together, model the customer's product offering and build the CPQ tool with the possible integration. Finally, the finished

tool is tested. When the product data changes, the CPQ tool must also be updated by either the supplier or the customer.

THE DURATION OF THE PROCUREMENT PROCESS

Traditionally, the process from searching a prospective supplier to the finished tool deployment can take from few months to around a year. The length of the procurement and deployment process depends greatly on what the tool is being used for, the complexity of the customer's business processes and the product family to be modeled and the extent of the integrations to be implemented.

PRICING OPTIONS

Generally, in addition to the purchase price, a CPQ tool is priced either with a larger software license or in the form of a monthly smaller SaaS service fee. In the case that the customer chooses a software license, the CPQ tool is managed in the customer's own server environment. When buying the SaaS service, the CPQ tool can be used in either the supplier's or a third party's server environment, which frees the customer from the responsibility for maintaining the server environment.

HOW DO I SUCCEED

SUPPORT FROM VARIOUS ORGANIZATIONS

Because the use of the CPQ tool often affects sales, IT, engineering, marketing and order management organizations, every organization's commitment and contribution in the planning stage is important. In this way the most pertinent product, engineering and sales information can be taken advantage of and the final tool will match the correct user needs.

INCLUSION OF KEY SALES SELECTIONS AND EASE OF USE

The purpose of the CPQ tool is to streamline and simplify the sales process of otherwise complex product and service offering, not make it more complicated. Although using the CPQ tool may sometimes be a balancing act between functionality and simplicity, it is reasonable to include only the key sales selections and product features in the tool and leave out the rarest exceptions completely.

TIPS FOR INTANGIBLE COMMODITIES

In addition to the traditional physical products and spare parts, the CPQ tool should also include the often high margin product-related intangible commodities such as warranty, delivery practices, consulting and other services. Only when these are taken into account is the configuration holistic and comprehensive.

IN THE PROCUREMENT OF CPQ TOOL

THE ABILITY TO PERFORM COMPLEX CONFIGURATIONS

It is important to choose the CPQ tool which is able to solve complex configurations. In this way the salesperson can be confident that the tool's reported configuration or price actually reflects reality.

THE MOST IMPORTANT SYSTEM INTEGRATIONS

Only the most important system integrations should be carried out first so that the CPQ tool's delivery process will be shortened and the customer gets return on investment faster. It is wise to perform less critical system integrations later.

THE IMPORTANCE OF MAINTENANCE AND THE ROLE OF INFORMATION MANAGEMENT

Product master data changes constantly with new product features, updated prices, components or suppliers. For this reason it is crucial to ensure that these changes require as few changes as possible in the CPQ tool. Even though it is important to include the company's information management when procuring the CPQ tool, their role should be considered carefully. It is wise to take into consideration the maintenance of the CPQ tool so that sales are not constantly dependent on the contribution of information management.

SUMMIUM CPQ

Summium is a genuine CPQ tool developed by Wapice Ltd in close collaboration with leading industrial companies already from the year 2000. Today there are thousands of satisfied Summium users around the world. The customer base is made up of both small and large businesses, operating for example in mechanical engineering, process, electronics and electrotechnical industries, as well as companies in the service sector. These are, among others, ABB, Elkamo, Kalustetukku, Prima Power, Vacon and Westwood.





Established in 1999, Wapice Ltd is a leading technology partner for industrial businesses. We do software subcontracting and customized and branded systems for industrial companies. Our business is divided into three sections which are Embedded Systems, Industrial Systems and Business Solutions. We employ around 300 software and electronics experts. We are ISO 9001:2008 certified and an AAA-rated company.



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