



Getting Your Money's Worth from Your Configure-Price-Quote Solution: Business Benefits of CPQ

By Frank Sohn



Improving ROI with CPQ Solutions

CPQ solutions have been around for quite some time, and most customers of these solutions—industry analysts, system integrators, scholars and CPQ vendors—agree that these solutions can make a big difference to a company's bottom line.

This is great, but how does a customer determine what "Return on Investment" (ROI) they can actually achieve with a CPQ solution? Because it is one thing to be in a sales meeting and learn about all the advantages these solutions supposedly provide and it is something very different to measure the actual results a customer sees in their company to understand if they got their money's worth.

The objective of this paper is to make sure every CPQ customer can determine if they will get more money out of a CPQ solution than they invest into it. If they do, then it was worth the investment. If they don't, it was not worth it.

Note that we do not further differentiate between a great, good or satisfactory, etc. investment in this paper.

Common CPQ Benefits

Let's start by looking at common CPQ benefits before we look at how to measure them:

- **Shorter sales cycle**, because at least a part of the sales process gets automated. Some examples here are that various proposal documents are created automatically, prices are set automatically per customer and alternative products can be determined all with the "push of a button." This means instead of spending hours or days on these tasks, they can be done in minutes.
- **Fewer errors**, because CPQ solutions provide options to enter rules for product configuration, pricing, quoting, workflow and more. These rules run in the background and prevent users from entering anything that is invalid. An example here is that it is not possible to configure a product that can't be built or issue a quote that has a discount that was not approved.
- **Increased deal size**, because CPQ solutions provide cross- and up-sell capabilities. A CPQ solution will show or propose to its users these options and can increase the average deal size.
- **Increased margins**, because many CPQ solutions provide pricing guidance and pricing capabilities combined with workflow capabilities, which ensures that users receive the necessary approvals before they grant discounts.
- **Reduction or elimination of sales training**, because due to the advent of cloud-based CPQ solutions, many CPQ vendors have started making CPQ solutions more usable by having more and more information accessible to the users within the application. One example here is context-sensitive "help" or "training" videos that show a user how to go about solving a specific problem. While this does not eliminate the need for training, it can reduce the time needed. In this area, there is still considerable room for growth!
- **Support for various routes to market**, because in addition to the traditional sales team and channel partner routes to market, the e-commerce route is becoming more important. This trend has been there before but has considerably intensified during the COVID-19 pandemic.
- **Increased customer satisfaction**, because no matter in which route to market a CPQ solution is used, it always has the potential to increase customer satisfaction because it provides correct product information with the correct price at the correct time. This can be enhanced by use case, with additional capabilities as needed (for example, product visualization).

- **Simplified maintenance**, because maintaining all product configuration and pricing rules in one system instead of having it spread across many different documents, systems and people makes it simpler. Tribal knowledge and semi-documented business processes are challenges that many customers still struggle with.

Possible Effect on Customer Personnel

Note that these benefits may not include any reduction in customer personnel but may instead increase customer personnel in some areas! It is not possible to make a general statement without looking at customer-specific information.

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About Frank Sohn

Frank Sohn is an Industry Analyst and CPQ expert with 20+ years of experience in configure, price, quote; business transformation; quote-to-cash; merger and acquisition and project/program management. He has hands-on experience with maintaining CPQ

tools, teaches pricing classes and regularly meets with many different CPQ vendors, system integrators and customers. Frank has worked for large corporations as well as startups and is based in Fort Collins, Colorado.

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