

How to quickly and successfully offer product variants with SAP CPQ, CLM as well as S/4 and C/4

# Configure, Price and Quote



Tender preparation for products with many variants is time-consuming and prone to errors. CPQ applications accelerate the process and ensure high levels of security.

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**T**ender preparation for complex products, especially in B2B companies, is a time-consuming and error-prone process, as sales staff can confirm from their own everyday experiences. For example, let's imagine ordering a laptop including accessories for a company. Sales teams have to consider many different aspects, like: Why does the customer need this computer? Which components are essential, which are just nice to have? Does the customer also want software, and if so, which functionalities and for which business department? Does the customer also want services like support or guarantee (extension)?

As a general rule, you could say that the more variants a product has and/or the more complex a product is, the more challenging tender preparation becomes for sales teams as they have to consider numerous extensive pricing and configuration options. It is becoming painfully clear that such an offer cannot be prepared manually anymore, and yet, most companies still work with Excel-based pricing lists. Data have to be copied into the offer, leading to expensive errors in the offer itself or in the ordering process later on.



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Furthermore, regardless of how complex an offer may be, it has to be sent to customers as fast as possible. It's not just about the best price, however; it's also about efficiency. The more precise the of-

fer is, the more customers will opt for it over competitors' products. In brief: If you're late and your offer is riddled with errors, no customer will choose your product or service.

## Guided selling

The solution are so-called CPQ applications. The abbreviation stands for 'Configure, Price and Quote', perfectly describing what these systems are supposed to do: They are designed to enable quick and secure tender preparation for products and services with many variants, thus facilitating a cumbersome task for sales teams.

Important functionalities of CPQ systems include workflow-based tender preparation; selection and configuration of products; pricing of products (also considering customer-specific discounts); filing of customer-specific agreements; options for up-selling and cross-selling offers; tender preparation and negotiation; and collaboration tools, for example for internal approval of offers.

CPQ solutions consequently address urgent challenges in sales and distributi-

on teams. Not surprising, then, that analyst firm Gartner predicts a bright future for this market segment. In their 'Magic Quadrant' on CPQ products, Gartner analysts predicted in October 2019 that the market would grow 15 percent year over year. Focal points will be manufacturing, the service sector, and the communications and media industry.

According to Gartner, the main reasons for implementing a CPQ system are tender preparation (73 percent of respondents); increasing productivity of sales teams (63 percent); as well as replacing an existing legacy system or process (58 percent).

With SAP CPQ, SAP offers a suitable solution. SAP CPQ is an independent application designed for seamless integration with cloud-based customer experience and e-commerce platform C/4HANA as well as next-generation ERP system S/4HANA. SAP CPQ can also be used in non-SAP environments, however.

### Lead to Cash

CPQ solutions are key to optimizing the Lead-to-Cash process – starting with the first contact between company and customer, and ending with successfully

closing the contract and delivering on the order. Leveraging SAP C/4HANA, the entire process takes place on one single platform based on integrated applications. Customer contacts and leads are managed and updated in C/4. The CRM suite consists of the Marketing Cloud, the Commerce Cloud for personalized shopping experiences across all customer touchpoints, the Sales Cloud for supporting consumers along the entire customer journey, as well as SAP Service Cloud and SAP Customer Data Cloud. SAP CPQ is part of the Sales Cloud product family, but it is still an independent application.

The customer data needed for tender preparation are transferred to SAP CPQ. The application takes care of every step of tender preparation, from product selection and configuration to integrating up-selling and cross-selling products, pricing and internal approval.

### AI-supported sales efficiency

One of the benefits of SAP CPQ is the AI-based selection of products. Supported by an extensive catalogue, efficient search functions, product recommendations and product comparisons, defining suitable configurations becomes easy.

Furthermore, information about previously ordered configurations as well as a customer-specific pricing history ensure a precise offer.

Through access to existing configurations, the process becomes even simpler. During product nesting, products can, as the name suggests, be nested or organized in a hierarchy. The configuration of a server rack serves as an example, as each blade server in every rack has to be configured. Bundles of products and services can also be predefined, making it easy to integrate them into different offers.

Especially concerning high priority offers, internal approval is crucial. SAP CPQ leverages a role-based approval process, which enables staff to transfer offers to their higher-ups who can then reject or approve them. Incorporating information about margin and marginal return means increased security. Periodic reminders ensure that this step does not unnecessarily delay the whole tender preparation process.

By integrating SAP CPQ with SAP CLM, an application for contract lifecycle management, future contract preparations can be accelerated while minimizing legal, financial as well as regulatory risk.

Another benefit of the cloud-based solution: Product selection and configuration can also be done at the customer company. This way, customers can see 'live' how each configuration would impact price and budget. By incorporating the customer in early steps of tender preparation, sales teams can make the final offer even more precise, which generally has a positive effect on customers' willingness to commit.

Sales success only becomes possible if companies offer customers the right product at the right time and at the right price. Enticing and precise offers are also an important factor in customer satisfaction and loyalty. Concerning complex products with many variants, this can sometimes be a difficult challenge to navigate. Solutions like SAP CPQ help to quickly and securely optimize complex processes. If companies also decide to seamlessly integrate the CPQ system into their CRM or ERP environments, the entire Lead-to-Cash process can be accelerated and simplified significantly.



Gartner Magic Quadrant for Configure, Price and Quote Application Suites: The analysts have created a graph for CPQ providers. SAP is among the visionary leaders.

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