

Monetization Ecosystem[®]

Configure | Price | Quote (CPQ)

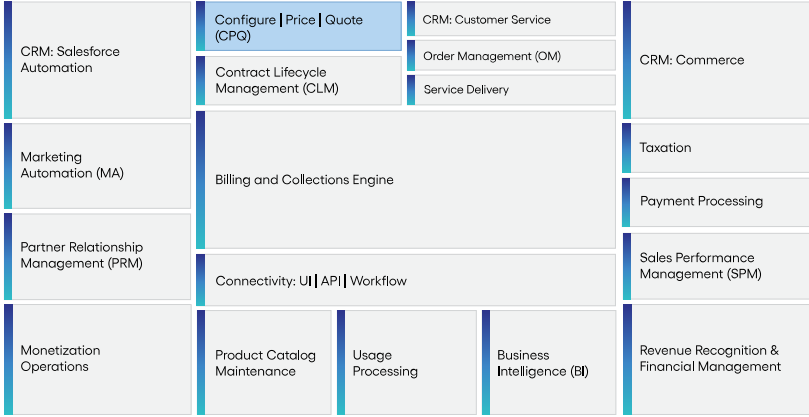
CPQ is often referred to as *the thing in the middle* because it comes between opportunity and order and therefore, in typical enterprise B2B sales motions, you can't get from here to there without it.



Configure Price Quote (CPQ) is

a phrase commonly used for the process leading up to generating a sales proposal for companies offering complex products or services. CPQ software helps companies enable their sales organizations by easing configuration of complicated

product offerings, price them in such a way that the correct discounting and bundling rules apply to products or sets of products, and create fast, accurate quotes based on that information. CPQ software bridges the gap between front and back-end systems and assists companies in the lead-to-order and lead-to-cash processes.



The CPQ Acronym

Configure

The process of discovering, selecting, and combining product and service options to create a configured product while taking into consideration all rules and constraints. Examples may be the configuration of a product that is available in many different configuration options, many of which are dependent on each other.

Price

Deciding the amount required for payment while taking into consideration the configuration and additional conditions. Examples of additional conditions may be economic benefits, manufacturing costs and competitor’s pricing.

Quote

Document describing the requested products and services, pricing, and associated terms and conditions.

Product Selection

Selecting the correct products to sell to a customer is the first hurdle a sales representative must get over when quoting. This process may include answering questions to guide them, setting filters manually or using data from other areas of the system to set filters easing product selection.

Additionally, selecting products may also influence the selection of other products. There may be business rules that prevent two or more products to be sold together, demand that two or more products must be sold together, or not allow a product to be available or visible until another product has been sold.

The product selection process must maintain a balance between selling the best products and services for the customer and what the business wants to promote and sell.

CPQ Components

Configure Price Quote (CPQ)		
Product Configuration	Standard Pricing	Up-Sell and Cross-Sell
Quote	Proposal	Approvals

Product Configuration

Products may have many attributes that make them configurable to a customer's needs such as the size, version, materials, ingredients, capabilities, technologies, and more. These attributes may drive price, revenue recognition, fulfillment, or other actions downstream. Many businesses have seen their product catalogs exponentially proliferated if their CPQ system could not handle product configuration appropriately.

Bundling

Products may be bundled or sold together at either a discounted rate or a preconfigured solution to make sure customers have the most value and to increase the footprint of ownership of product offerings. In many cases, a single product to a customer is the compilation of many products within the system products like automobiles, boats, pizza, and others.

- **Pre-configured top-down**

This type of bundle is usually preset and pre-priced. The products within the bundle cannot be configured or changed, and the only way to change the price is to discount the entire bundle at once.

- **Configurable bottom-up**

This type of bundle allows the user to select and configure products within the package. These selections and configurations will drive the price of the overall bundle.

- **Solution-based virtual bundle**

This type of bundle groups many products together for users inside the system and hold many benefits of the configurable bundle such as selection rules, product configuration, and validations. However, once the sales representative is done configuring the bundle, the customer doesn't see it being sold as a bundle. This is commonly used for selling a solution for a data center or to encourage up-selling and cross-selling.

Standard Pricing

Standard prices are provided for each product or product attribute in a catalog. Standard prices for each product are key to keeping the available products in a product catalog from growing out of control. The available product variations create the need for additional pricing schemas.

Those schemas can be added to the core product, making these options available to other products within the product catalog. This structure ensures consistency and reduces the need to build customer-specific products within the product catalog.

Up-Sell, Cross-Sell and Expansion

These sales processes are the central methods for increasing average revenue per user, an essential growth metric for most businesses using a recurring revenue business model. These businesses also focus heavily on annual contract value.

Up-selling is the process of selling more of a particular service. For example, moving from 6 MB internet speed for \$25 per month to 18 MB for \$45 per month is a typical up-sell.

Cross-selling is when a customer purchases a separate product or service in addition to what they had originally anticipated buying. For example, if the customer originally intended to buy internet service, but the sales representative convinced them to purchase phone and cable services too, the sales representative successfully performed cross-selling.

Expansion is the process of broadening the selling engagement with the customer to additional locations, business units, or channels. This process is not independent of up-selling and cross-selling, but it refers to specifically growing the size and buying power of the customer. For example, if a sales representative is selling software to the accounting group at John Deere in Missoula, MT, and they expand the sale to include the sales team plus two other locations, they have achieved expansion. A good CPQ application assists this process by allowing many child accounts, groups, and locations to be quoted at once.

The combination of up-selling and cross-selling is the primary method of driving more revenue within an existing customer base. Another common phrase is wallet share. Many enterprise clients have a goal of increasing the wallet share from their customer base, which is often done through up-selling, cross-selling, or both. The concept of bundling or packaging is a method for accelerating an up-sell, cross-sell, or both.

Up-selling and cross-selling can be done at the time of customer creation or over the course of the life of the customer. In the context of a call center, many agents are compensated specifically for up-selling and cross-selling they perform in their typical customer care.

Have you heard a cross-sell like this before?

"Thank you for using our cable services and updating your credit card information! Did you notice that we have expanded our internet offerings in your neighborhood and are offering free service for three months if you add it to your plan now?"

Proposal

A proposal is a term that has many definitions in a CPQ context and means different things to different people. A proposal can be a simple informal verbal agreement such as a budgetary quote or back of the napkin quote, or it could be more complex such as an RFP response proposal that includes a full quote, contract language, and supplementary marketing material.

Quote

The quote is often the first commitment made by a business to new customers. Once the customer has selected the product or product feature set that meets their needs, a quote will be presented that demonstrates the options selected, the prices, and the discounts available to them. This ensures a complete understanding of what is being purchased, the contract terms, and any additional service details.

Customers may not agree to the first version of the quote or seek to negotiate additional terms or services. Quotes should be easy to reconfigure to represent any additional changes at a near real-time rate.

In another scenario, it may take time for a customer to return with an answer to the quote. In such a case, the quote can be stored for future reference without having to re-engineer the quote or take the customer back through the entire process again.

Some scenarios require that the quote be executable in order to confirm contractual information and acceptance of the quote. CPQ solutions should have the ability to allow for both wet and digital signatures.

Approvals

The quote should provide an area for the customer to easily agree to the terms provided to facilitate the subsequent provisioning, activation, and shipping that is necessary to provide goods and services quickly and effectively to the customer. The approvals are retained for future reference.

Internally, approval may be required to provide a quote to a customer. In any case, requiring approvals for quotes, the process should be as efficient as possible. Approvals often ensure that quotes are accurate, meet internal revenue standards and margins, and the terms are sufficient. The approval process should involve the appropriate level of staff and be communicated as quickly as possible. Approvals are retained for future reference.

Certain customers require special care. These customers may receive appropriate discounts added to their quotes, special services, or renegotiated price rates outside of what is available to the sales team at that time. These require even more speed and efficiency as well as a thorough review at the appropriate levels.

Approvals during the quoting step are more important than any other step in the Lead to Cash process. Creating and sending a proposal, estimate, or quote is typically the first time the customer sees the product information, pricing, or both. Approving before this step limits the flexibility of the sales representative to negotiate, and approvals after this step are passive, causing the client to become frustrated.

FACT Framework

Many of our clients are looking to optimize their selling environment, often with the implementation of CPQ, Contract Lifecycle Management (CLM) and Order Management (OM) capabilities. The FACT Framework allows organizations to quickly find the balance between Fast, Accurate, Clean and Transactable quotes and orders. Acquiring a deep understanding of the principles of FACT Framework is essential to creating a foundation of best practices when working with Quote to Cash systems.

FACT is a framework for the quote process owner to leverage in ensuring the quote environment is optimized - or balanced - to the holistic needs of the business.

F

Fast

The quote process is as responsive as the customer requires

A

Accurate

Provisioning and billing information is complete and accurate

C

Clean

Quotes & proposals are professional and add credibility to the selling process

T

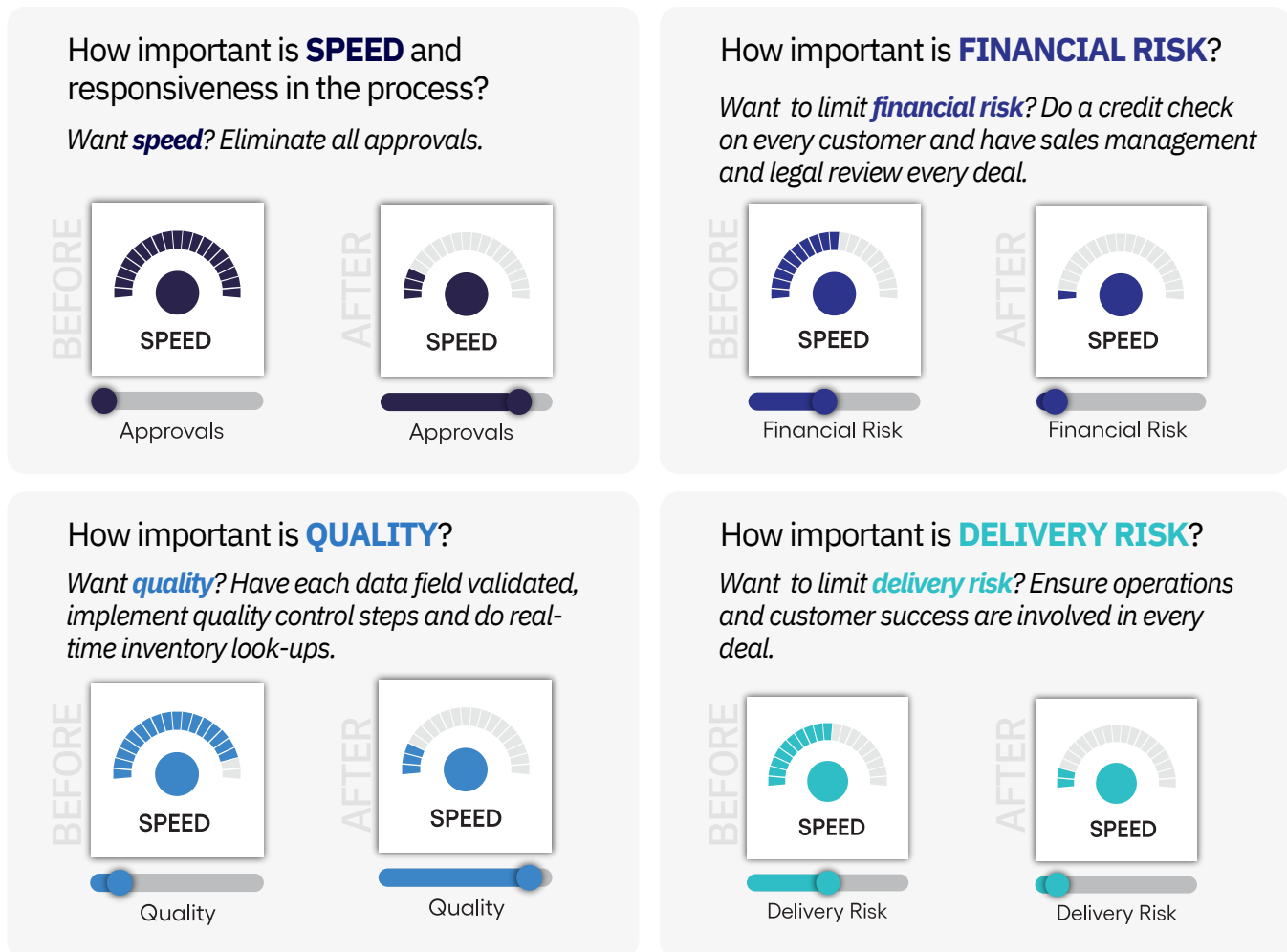
Transactable

Opportunities, quotes, contracts and orders are integrated with limited need for redundant data entry

Every company is intentionally or unintentionally balancing the need for speed, quality, accuracy and efficiency. Not only is this done for direct selling but also for channel-selling and e-commerce. For example, every sales representative will tell you that the fastest way to get a quote out the door is to eliminate any approvals. However, other business stakeholders know that there are financial, legal or other risks that need to be mitigated, hence the need for at least some approval process to ensure quality and accuracy.

Each of the following questions must be asked and answered to ensure an optimal selling environment. Are there too many approvals in the process? Too few? What about data? Should addresses be validated upfront, or only at order time? Should customer credit be checked? If so, should it be early or late in the process?

FACT Framework gauges and sliders



When is packaged CPQ needed?

Below is a list of compelling areas that should be considered when evaluating if a packaged CPQ solution is necessary:

- The company is operating in a B2B model and operates in a negotiated-selling environment
- Complex configuration and business rules are required
- Customized product offerings and pricing / discounting are crucial to success
- Complex approval processes, such as credit checks, engineering approvals, pricing approvals and legal approvals are necessary

- Multiple products, services and bundles are in the mix
- Segmentation of customer base for specific pricing and discounting rules are important

Key benefits of CPQ



Guided selling

Feature: Guided selling helps sales representatives

Benefit: Sell more deals at a faster pace. These gains are achievable even with junior or inexperienced salespeople and they will quickly become more effective



Sales productivity

Feature: All quotes, their users and their approvers are using the same tool, eliminating the need to search for status updates

Benefit: Salespeople have more time to sell



Bigger Deals

Feature: CPQ typically allows bundles to be quoted and it has up-sell and cross-sell capabilities

Benefit: Sell bigger deals by presenting targeted offers to customers during the selling process



Efficient risk management

Feature: Approval steps for key access to design, inventory, price discounting, credit worthiness and legal review

Benefit: Risk mitigated by the ability to enforce company policies

The Will of the Business

Effective implementation of a CPQ tool provides a company with the ability to fine-tune their selling environment, speeding up (more risk) or slowing down (less risk), adding complexity (more product options or bundles) or reducing complexity (all you can eat pricing). It can be useful to think of this environment as a combination of gauges on a dashboard that reflect the balance of speed, quality, and risk. It is important to pay attention to people, process, and technology when attempting to obtain optimal transformation.

Key requirements for CPQ tools

Product catalog

Ability to interact with typical product catalog environments:

- Customer-facing selling catalog
- Billing and rating catalog
- Provisioning and fulfillment catalog

Pricing types

Ability to support pricing for usage, recurring, percent of total and non-recurring charges for a single product

Bundling

Ability to support bundling of multiple products and services into a standardized offering

Assets and inventory

Ability to quote off of existing assets, subscriptions or entitlements; this includes rules that consider past purchases or client loyalty programs

Omni-channel selling

Ability to operate efficiently in an omni-channel selling model with multiple quote entry points:

- CRM system
- Call center
- E-commerce
- Partners
- API

Exceptions process

Ability to manage exceptions process efficiently

Needs fine-grained level of precision for conditional branching, full visibility to quote regardless of stage and intelligent routing and queuing

Discount types

Ability to support discounts at each level of charge:

- Unit-based
- Monetary
- Percentage
- Void
- Targeted pricing

Quote quality

Ability to present professional, easy-to-digest quotes and proposals. This quote must have some dynamic capabilities to be able only to show information needed

Marketing

Ability to market and promote new products and services to both users and end-customers while quoting. This often promotes the strategic selling and direction of the overall business

Pricing environments

Ability to work effectively in list, standard, special, customer, partner and customer-specific pricing environments

Customer hierarchy

Ability to quote to multiple entities, subsidiaries or locations and maintain flexible renewals functionality

Downstream integrations

Ability for downstream integration with ordering, contracting and fulfillment applications. This is while maintaining data integrity for the account, product and pricing masters

Channel selling

Ability to provide specific services, selling pricing and quote views for different types of partners:

- Distributors
- Resellers
- Wholesalers

Customer lifecycle

Ability to support the lifecycle of the customer throughout their tenure with the company:

- New
- Add
- Renew
- Up-sell
- Cross-sell

The People, Process and Technology of CPQ

People

CPQ is the *thing in the middle*, meaning it comes between opportunity and order, and in typical larger B2B enterprises, you can't get from here to there without it. Both inside sales and field sales, as the direct conduits to the potential customer, use CPQ extensively. However, the customer service, product, and operations groups are all closely involved with CPQ, while the finance group and legal are key points on the journey from prospect to a sale. In many organizations, the executive team gets involved in large or potentially risky deals.

There is always a team that is administering the CPQ technology. It is important that this team has a say in the project to be able to scale any new processes the rest of the business may need to begin using.

| Sales | Product | Finance | Operations | Legal
| Customer Service | I.T.

Process

The process of quoting is very important and affects how a business will sell, renew, amend, approve, and send information downstream. However, using a complicated methodology is dangerous, requiring custom technology and leading to frustrated users.

Streamlining these processes and simplifying things like pricing, product selection, and approvals will enable the FACT Framework in a company.

Cognizant maintains a set of 100 key business processes to support the management of customers and revenue for businesses. Thirty-nine of these processes originate or are impacted by the CPQ function. Below are the key processes that are touched in CPQ, categorized by the organizational unit that owns the process:

SALES

Opportunity Management

Prioritizing, tracking and managing sales opportunities

SALES

Quote: Product Configuration

Configuration of features and attributes of products and services prior to a sale. Typical in a custom solution environment

SALES

Quote: Product / Service Pricing

Configuration of product and service prices available through quoting tool, other than purchasing cart

SALES

Quote: Product / Service Discounting

Configuration of product and service discounts relating to certain criteria (e.g., volume discounts, geography, trying to win a deal, etc.)

SALES

Cross-Sell Processing: Initial Order

Selling a customer an additional product or service from what they had originally requested at the time of ordering. This process is separate from Cross-Sell Processing: Ongoing

SALES

Up-Sell Processing: Initial Order

Selling customers a better product or service than they originally expressed interest in at the time of order

SALES / CUSTOMER SERVICE

Order Entry: Call Center (Inbound or Outbound)

Creating a new service for a customer originated by internal users such as an inside sales organization; or, a customer support group wants to create new orders for an existing customer. Includes capturing the necessary information to provision and bill for the service effectively

SALES / CUSTOMER SERVICE

Order Entry: E-commerce

Creating a new service for a customer originated by an order via a website or application. Includes capturing the necessary information to provision and bill for the service effectively

SALES / CUSTOMER SERVICE

Order Entry: Partners

Creating a new service for a customer originated via a partner channel, including the capturing of necessary information to provision and bill for the service effectively

PRODUCT

New Product Introduction Process

Introduction of a new product or service to the Product Catalog and supporting quoting, ordering, contracting, provisioning, ticketing, invoicing, payment, usage and revenue recognition systems. Includes definition of product attributes, pricing rules (usage, recurring, non-recurring), discount rules, product / service lifecycle, revenue recognition, reporting attributes and bundling concepts

PRODUCT

New Product Introduction Process - Mobile

Configure attributes and introduce new products and services with specific focus on making the product available on mobile devices

PRODUCT

New Pricing Introduction: New Construct

This process is for creation of a new pricing construct for an existing product or service. For example, creation of a monthly subscription where previously there had only been annual

PRODUCT

New Pricing Introduction: Existing Construct

This process is for creation of a new pricing rate for an existing construct. For example, creation of a \$24.95 per month plan for a geography that previously had been at \$27.95 per month

PRODUCT

Bundled Product Introduction Process

Configuring and introduction of a bundled product or service to the Product Catalog and supporting systems. Includes definition of product attributes, pricing rules (usage, recurring, non-recurring), discount rules, product / service lifecycle, revenue recognition and reporting attributes

PRODUCT

Promotion and Discount Introduction

The configuration of standard, pre-defined promotions and discounts of products and services

PRODUCT

Trial Processing

Configuration and management of trial products that do not bill at all during an agreed-upon timeframe or under a certain set of use restrictions; includes processes for provisioning and reporting

PRODUCT

Entitlement Processing

Management of active products and services within a customer account

FINANCE - BILLING

Credit Card Processing

Methods to receive credit card payments including authorization, payment gateway, processing, interchange and credit card success / failure

FINANCE - BILLING

Payment Processing

The steps take to process different payment methods from customers

FINANCE - BILLING

Invoice Finishing and Delivery

Typically, billing engines produce raw invoice or statement data. Often, external applications are used to package this data for presentation to paper invoice, electronic distribution or alternate media. Most billing engines have rudimentary invoice presentation capabilities

FINANCE - BILLING

Dunning Processing

The process a business goes through to initiate collection of a past due payment from a customer. Includes reporting on aged balances and monitoring revenue leakage associated with past due balances

FINANCE - BILLING

SOX / Regulatory Compliance

The ability to provide proof of internal controls to prevent fraud and material misstatements

FINANCE - BILLING

System Auditability

Provides assurance that source system data is accurate and a paper trail exists from a transaction to financial statements

OPERATIONS

Quote: Product / Service Approval

Configuration of required approvals for products, services, discounts, and pricing configurations prior to the sale

OPERATIONS

Proactive Customer Notification: Operations Focus (CC Expiry, Notification of Payment Received)

A proactive approach to notify customers of pertinent payment information, particularly keeping credit cards current to limit number and impact of reject processing

OPERATIONS

Inventory Management: Physical

The process a company uses to manage the consumption and replenishment of tangible inventory levels

OPERATIONS

Professional Services Automation

Tools and processes related to management and deployment of professional services

MARKETING

Proactive Customer Notification: Marketing Focus (New Lead, Up-Sell / Cross-Sell Existing)

Similar to proactive notification from a Customer Success perspective, this process is specifically targeted to generating additional revenue from information captured about a customer, account or user that can be turned into a Lead.

CUSTOMER SERVICE

New Customer Onboarding

The process of creating a customer account, properly provisioning products and services and communicating welcoming messages

CUSTOMER SERVICE

Up-Sell Processing: Ongoing

A central method for increasing Average Revenue Per User (ARPU) and is the process of moving a customer to a better or higher version of a product or service throughout their lifetime with your company. This process is separate from Up-Selling Processing: Initial Order.

CUSTOMER SERVICE

Cross-Sell Processing: Ongoing

A central method for increasing Average Revenue Per User (ARPU) and is the process of selling additional products or services to a customer during the customer's entire lifetime with your company. This process is separate from Cross-Selling Processing: Initial Order

FINANCE

Currency Conversion

The point within a multinational company's sales cycle where currency is converted. This conversion may occur the transaction or during the commissioning process and must be carefully monitored to ensure accurate conversion rate and payment amount and to enable standardized reporting

FINANCE

Credit Check Management

The process of verifying customer credit history during prospecting process, new customer creation or during the life of the customer

FINANCE

Financial Statement Preparation

Production of accurate, auditable and presentable financial statements in the most efficient manner possible

FINANCE

Collections / Treatment Processing

For net terms customers, the ability to proactively manage a process to collect money from customers who have fallen behind in the periodic billing. These are processes specifically designed to keep customers that have balances in the 30-60, 60-90, etc., day buckets

I.T.

Cross-Sell Training of Monetization Ecosystem Components

Process of training organizational resources

I.T.

Data Stewardship Across Monetization Ecosystem

Process of assigning ownership and sources of truth for data within the organization

ALL ORGS

Daily, Periodic or Ad Hoc Reporting (ETL, Report, Dashboard)

Movement of data between domains to create a single source of truth for reporting and dashboarding. Includes key metrics such as revenue analytics and other K

Technology

As more and more companies look for ways to capitalize on recurring revenue sources and utilize usage data to create new revenue streams, CPQ will continue to grow at an accelerated pace.

CPQ has been around a long time, notably in the communications and I.T. arenas. Today, it permeates most verticals and is delivered via the following means:

- Multi-tenant cloud
- Single-tenant cloud
- Salesforce.com native platform
- On-premise software

Relevant Revenue Management Offerings

Quote to Cash Assessment

Revenue Management Strategy Services

Core Quote to Cash processes are the key to enabling and accelerating revenue growth, allowing rapid introduction of new products and services, creating dynamic marketing strategies and efficiently managing acquisitions - all of which accumulates into the necessary ability to remain competitive in today's increasingly dynamic markets.

CPQ Cloud / Platform Implementation

Revenue Management Implementation Services

We help CIOs balance technology investments with supporting people and process initiatives to ensure successful implementations. Our deep domain experience with cloud application implementations span the entire Cognizant Monetization Ecosystem.

Salesforce CPQ Health Check

Revenue Management Application Support Services

Cognizant's Salesforce Quote to Cash Expert Services provides Salesforce CPQ health checks to test the FACT (Fast, Accurate, Clean, Transactable) capabilities of your implementation. In the Health Check, ATG will evaluate the performance, usability, and agility of your current Salesforce CPQ implementation.

Application Support

Revenue Management Application Support Services

Ensure full adoption of your Quote to Cash implementation by strategically combining the skills and workforce of specially-trained analysts with seasoned implementation experts from Cognizant. Our Revenue Management team helps our clients take the reins in post-implementation from the implementation team by leveraging the best practices learned over 20 years of CPQ and Billing implementations.

Why Cognizant

Cognizant has a proven track record transforming core infrastructure for large enterprise across industries for more than 25 years. As a trusted partner, we help you define your strategic IT modernization vision by leveraging our best-in-class Cognizant methodology and framework. As a customer-centric partner to some of the world's largest companies, we have provided secure and reliable, proven IT infrastructure for Fortune 2,000 companies for nearly three decades. Our partner ecosystem is unparalleled and we offer unmatched domain, business process and application expertise.

Visit [cognizant.com](https://www.cognizant.com) to find out more.



Cognizant (Nasdaq: CTSI) engineers modern businesses. We help our clients modernize technology, reimagine processes and transform experiences so they can stay ahead in our fast-changing world. Together, we're improving everyday life. See how at www.cognizant.com or @Cognizant.

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