

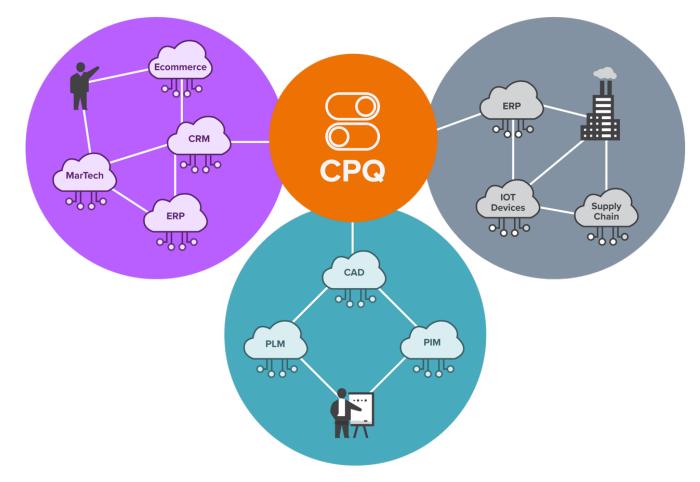
A mandatory enterprise solution for modern sales quoting in discrete manufacturing

## Introduction

Generating sales provides the financial foundation for a thriving business and drives the expansion of products, services, and market reach. However, a central component of generating sales is the access to holistic product information for sales teams, partners, and prospective customers. Without relevant and accessible information, i.e., technical, financial, or logistical product data, sales teams are at a competitive disadvantage in educating a prospect and closing the deal.

Typically, manufacturers focus on upgrading their ERP, PLM or CRM systems to tackle supply chain, product design/lifecycle and account management projects. They label these initiatives under the umbrella of enhancing overall customer experience. These systems take up a significant chunk of the digital transformation budget, but do these systems truly address the accessibility of consolidated information at the hands of different sales channels? Many manufacturers have tried to address the need for centralized information with their own home grown "quoting tools" or glorified spreadsheets. These tools are effective to a certain degree, but their inadequacies become stark when any customized quoting or changes to product portfolio are required. This is where effective and modern selling software such as Configure-Price-Quote (CPQ) comes into play. Sales quoting for configured products is nothing new, but with the rise of digital native buyers who demand information upfront, the importance of CPQ and its centrality to achieving efficient growth is starting to get noticed by manufacturers.

In this whitepaper, we delve into the top sales quoting challenges faced by global manufacturers and the musthave CPQ capabilities to address those challenges. Learn more about how the right CPQ can help revolutionize sales quoting in discrete manufacturing, transforming it into a strategic advantage for companies aiming to dominate the market.



### Modern CPQ is central to efficient growth



## **Challenges in Discrete Manufacturing & Key Capabilities driving CPQ adoption:**

This section is divided into 3 main areas that cover Sales Team, Business Transformation, and Buying Experience challenges that impact manufacturing and drive up inquiries from new CPQ users, or those who are looking for CPQ upgrades to a modern approach. The insights presented here are derived from multiple customer interviews, industry analysts and conversations across various departments in discrete manufacturing companies.

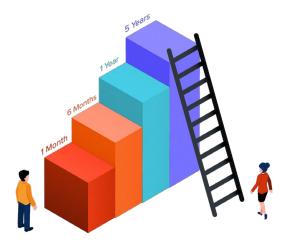
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## **Sales Team Challenges**

## Efficient Proposal Management for Customer and Application Needs:

One of the major challenges faced by sales teams in manufacturing companies is the efficient and timely management of proposal requests. Manufacturing customers often have unique and specific requirements for their applications, and sales teams need to quickly analyze these needs and develop tailored proposals. This requires a deep understanding of the customer's industry, the application requirements, and the company's product capabilities. Moreover, sales teams must be able to work independently, navigating through a vast array of product options, pricing structures, and technical specifications to create compelling proposals that address customer needs effectively and efficiently.





## Long quoting times due to excessive reliance on manual sales processes:

Traditional manufacturing sales processes often involve manual tasks such as gathering product information, calculating pricing based on complex pricing structures, and generating accurate quotes. These manual processes are time-consuming, prone to errors, and can significantly slow down the sales cycle. To overcome this challenge, sales teams in manufacturing companies need to adopt advanced sales automation tools and technologies that streamline the quoting process, automate pricing calculations, and integrate seamlessly with other systems to reduce quoting times and improve overall sales efficiency.

#### Sales staff turnover & lengthy onboarding:

Sales staff turnover and lengthy onboarding processes pose another significant challenge for sales leaders. The manufacturing industry often experiences high turnover rates due to various factors such as intense competition, demanding sales targets, and the specialized knowledge required for selling complex manufacturing products. When experienced salespeople leave, it creates a knowledge and expertise gap that new hires must fill, leading to lengthy onboarding periods. This not only hampers sales team productivity but also increases the burden on existing team members who need to support and train new hires.





## **Key CPQ capabilities to address Sales Team Challenges:**

#### Configuration based on customer and application needs:

To manage proposal requests swiftly, tailored to customer and application needs (especially when sales has multiple valid options to propose), a modern CPQ can provide default values or search strategies for selecting preferred solutions, such as minimizing weight, maximizing eco-friendliness, or maximizing performance. The right CPQ software, for complex product configurations driven by specific needs, ensures the selection of the most suitable solution. Through optimization, it identifies the best solution aligned with the customer's purchasing drivers. These configurations streamline product sales and enrich customer service by presenting multiple options in each category while continually optimizing for the best outcomes.



Make sure the CPQ can connect your product architecture to customer needs and sizing, driving the selection of modules and parts in the configuration. This empowers your non-technical sales staff, partners or even customers to configure error free complex products with questions they can understand. Ensure that the CPQ configurator can create the technical solution and let your sales staff focus the customer dialogue on what they know best – customer and application needs.

Conflicting	Choices		
Your selected value <b>Yes for Supporting 3D</b> is incompatible with other choices. Suggested resolution:			
Parameter	Change from	Change to	
Supporting HD	Yes	No	

#### User experience features that shorten the learning curve:

Ensure application or customer needs-based guided selling is a standard in the CPQ. The CPQ tool should guide the experienced or new sales rep across channels with appropriate tool tips and conflict resolution prompts to eliminate any configuration errors. A manufacturer that deploys CPQ add-ons such as visualization and CAD automation further reduces the dependence of sales team on internal engineering resources and leads to faster onboarding. Having the right user interface and add-ons makes it easier for you to attract and onboard new partners, and easier for partners to onboard new employees.



#### Flexible & automated configuration interface:

The right CPQ software should enable crafting questions for the end users and provide flexibility on how those questions should be presented. This includes dropdowns, radio buttons, image options, free text, mandatory fields etc. as well as full page layout control and step-by-step presentation. As an example of flexibility, ensure that the CPQ can present a different set of questions for expert sales reps, non-expert resellers, and end customers, even if they are based on the same product model. To reduce manual handovers, automation levels in CPQ across features such as Product Configuration, Pricing calculations, Approvals, Quote generation, Integration to existing platforms and Analytics should be carefully evaluated during the selection process.

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### Recap: CPQ capabilities for addressing Sales Team Challenges

Challenges	CPQ Capabilities
Efficient Proposal Management for Customer and Application Needs	Configuration based on customer and application needs
Sales Staff Turnover and lengthy onboarding	User experience features shorten the learning curve
Long quoting times due to excessive reliance on manual sales processes	Flexible & automated configuration interface

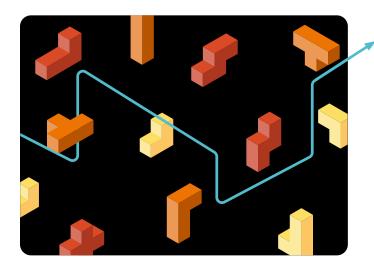


## **Business Transformation Challenges**

## Adapting to Evolving Digital Landscapes — Integration Management:

As technology and businesses evolve, manufacturers constantly must navigate a digital ecosystem to streamline sales processes, enhance productivity, and improve customer experience. Some of the integrations are to match technology changes while others are due to completely new vendors courtesy of mergers and acquisitions. However, integrating these tools with fragmented systems (as an example multiple ERP, PLM, CRM) and ensuring seamless data flow can be a complex and time-consuming task. Additionally, frequent changes and updates to these tools can disrupt existing integrations and require ongoing maintenance. Lack of an IT governance framework coupled with platform dependent CPQ software force manufacturing companies to be handcuffed to suboptimal and low performance systems.





#### Managing new business models such as "Equipment-as-aservice" and "product-as-a-service":

With the growth of advanced services (see graph on following page), these business models shift the focus from selling products outright to offering them as a service, which requires a fundamental shift in the way proposals are structured and priced. Sales teams must develop a deep understanding of these new models and their implications for pricing, contract terms, and service-level agreements. Additionally, they need to effectively communicate the value proposition of these service-based offerings to customers.

### Meeting Rising Customer Expectations — Complex Product Growth:

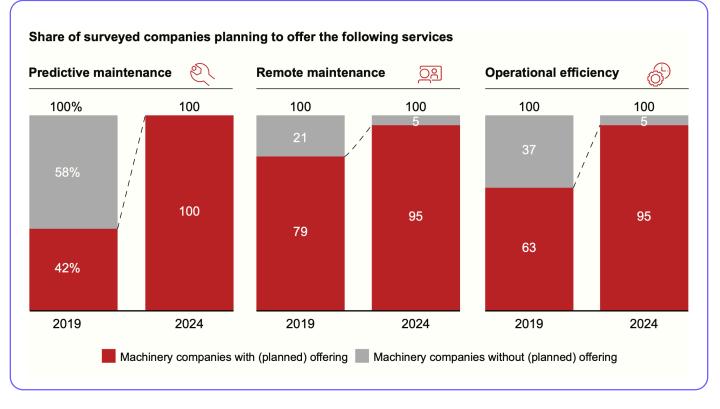
As customer expectations continue to rise, manufacturers are constantly innovating and introducing new features, configurations, and options for their products. This results in an increasingly intricate product landscape that sales teams must navigate to generate accurate and compelling sales proposals. Furthermore, the influx of data from various sources, such as customer feedback, usage data, and market trends, adds another layer of complexity. To overcome this challenge, manufacturing companies need robust systems and processes to effectively manage and analyze product data, ensuring that sales teams have the necessary information to develop customized proposals that meet the evolving needs of customers.

### Limited capabilities in servicing all sales channels – Direct sales, Partner/Distribution sales, Customer self-service:

Each channel has its own unique requirements and demands, and companies need to adapt their sales proposals accordingly. This involves tailoring the content, pricing, and delivery mechanisms to suit the specific needs of each channel. However, limited capabilities in managing multiple channels can lead to inconsistencies, delays, and missed opportunities. Lack of robust sales enablement tools and technologies that facilitate the creation and distribution of channel-specific sales proposals such as self-service tools for customers, partner relationship management systems create growth bottlenecks.



# Advanced services are becoming a core offering for machinery companies:



Source: Bain analysis; Bain & Company 2019 Service Circle Survey (n=22)



## **Key CPQ capabilities to address Business Transformation Challenges:**

#### Platform-agnostic integration philosophy:

There are a wide range of complementary standards and fragmented enterprise systems manufacturers use for the complete proposal and order process. Therefore, its important to employ a platform-agnostic approach to integrations. It's vital that the technology provider has APIs (Application Programming Interface) that can be easily leveraged by IT teams and ensure that the technology provider can provide concrete examples of manufacturing specific integration experience with various systems.



#### Managing complexity and variance with "attribute constraints":

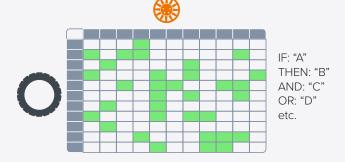
Generic CPQ solutions meant for non-manufacturing applications generally rely upon rule-based algorithms, and businesses (especially those looking for their second CPQ) realize that rulebased solutions are not designed for managing the complexity in product offerings. This is where smart attribute constraints come into play – in addition to combination rules – to express how modules and parts are allowed to be combined. Rather than defining "what", constraints define "how" modules can be combined, based on the properties of those modules. By separating data from logic in this way, new parts, components, and modules can be added without changing the logic, minimizing maintenance and errors. Using the simple process offered by constraint-based systems, you can configure your product experience to significantly minimize administration and maintenance costs. Especially as your offering complexity increases with product growth through organic development and acquisitions, constraints -based solving is uniquely suited to handle the required performance.

#### **Rules-Based Verification**

 Configuration logic is constructed as what" statements which follow explicit instructions (i.e., "hard rules"; often using if / then / not / etc. statements).

#### **Constraints-Based Solving**

- Components have attributes and attribute values (dimensions, material, market, etc.).
- Constraints describe why and how attribute values are compatible (e.g. socket type A works with plug type A).
- Configuration systems can be taught 'why" products and solutions are put together and "how" the mechanisms work, rather than deferring to explicit instructions.





\*For more information on configuration algorithms, see page 16



#### Subscription Pricing for Diverse Revenue Models:

The tremendous potential to reinvent services revenue with lloT/Al and predictive maintenance is either being tapped or on strategy for many manufacturers. However, its important to ensure that proposals and managing subscriptions for "anythingas-a-service" economy requires the right CPQ solutions that can give flexibility to companies on deploying multiple service quote models. Models such as one-time, recurring, usage-based and other subscription services. For example, training or one-time installation will need to be packaged in as a one-time service offering but managing the sale of equipment or monitoring of a capital equipment as a subscription service. The margin calculations and hourly cost associated with each offering needs to be available as part of the "P" or pricing portion of CPQ.

#### Built in Omnichannel Sales:

With the acceleration of B2B online buying and the advent of the digital native buyer, it's not just about having your website capable of e-commerce. The global buyer needs access to information across multiple channels including direct, resellers and self-service. Its also critical that these buyers are added to the sales funnel for further nurturing. All channels need to be fed with the same baseline product, pricing, and quote definition. Since new product releases are centralized with the right CPQ, you have full control of what is being offered to all markets and channels. This reduces product maintenance and shortens time-to-market for your latest and greatest product features. It also creates consistency across your engagement channels.



pricing, document, etc

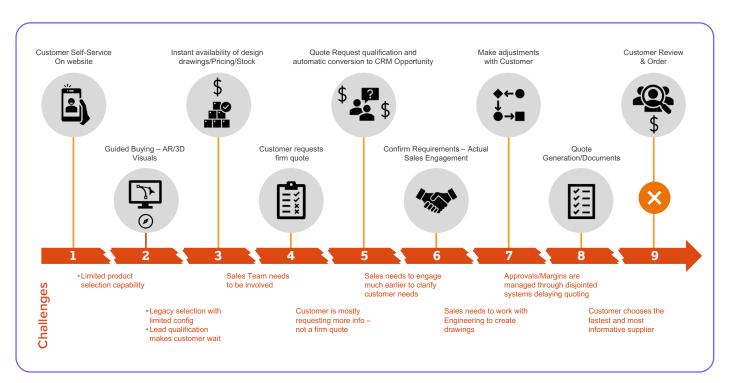
### Recap: CPQ capabilities for addressing Business Transformation Challenges

Challenges	CPQ Capabilities
Adapting to Evolving Digital Landscapes — Integration Management	Platform-agnostic integration philosophy
Meeting Rising Customer Expectations — Complex Product Growth	Managing complexity and variance with "attribute constraints"
Managing new business models such as "Equipment-as-a-service" and "product-as-a-service"	Subscription Pricing for Diverse Revenue Models
Limited capabilities in servicing all sales channels – Direct sales, Partner/Distribution sales, Customer self-service	Built in Omnichannel Sales



#### Lack of Holistic Product Information:

Manufacturing companies often offer a wide range of products with varying specifications, features, and options. However, if the product website does not provide detailed and accurate information, customers may struggle to make informed decisions or may need to rely on sales representatives for clarification. Lack of detailed specifications and drawings, options for visual configuration, and other relevant details to empower customers to make confident purchasing decisions easily, opens doors for competitors. See graphic below showing typical buying steps and challenges faced by prospects with limited product information.



### **Typical Buying Experience Challenges**

## Outdated methods of visual feedback and configuration for customers:

Many manufacturing products are complex and may require visual feedback for customers to understand their design, features, and functionality. However, traditional sales proposals often rely on text-based descriptions or technical specifications, which may not effectively convey the true value or experience of the product. Overcoming this challenge requires manufacturers to leverage visual aids such as 3D product visualization, virtual reality, or interactive product demos. By providing customers with visual feedback and interactive experiences, manufacturers can bridge the gap between the product's technical details and the customer's understanding, enhancing their confidence and facilitating the sales process.



### Legacy solutions unsuitable for Digital Customer Experience and eCommerce:

As manufacturing companies embrace digital transformation and explore online revenue opportunities, implementing an eCommerce solution becomes crucial. However, exposing complex products to customers through an eCommerce platform requires a modern Configure, Price, Quote (CPQ) system to keep up with the performance demands and customer self-service needs. Without a capable CPQ solution, manufacturers may struggle to offer a seamless digital customer experience, hindering their ability to compete in the online marketplace.

#### **Inconsistent User Experience:**

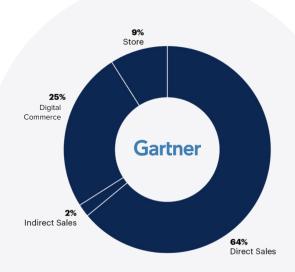
We discussed the necessity for CPQ software to manage omnichannel sales especially for direct and partner sales in the section above. However, one of the key challenges faced by manufacturing companies in generating sales proposals is providing a consistent user experience across different channels and touchpoints for customers. Customers interact with a company's website, mobile applications, social media platforms, and offline sales channels, expecting a seamless and cohesive experience. Inconsistencies in design, navigation, and content can create confusion and undermine the credibility of the company.

## Key CPQ capabilities to address Buying Experience Challenges:

## Integrated CPQ architecture throughout Configure-Price-Quote stages:

Ensure that the CPQ vendor can provide a truly integrated solution and not be left to handle a fragmented setup where configuration engine is separated from the pricing engine. Many CPQ companies have grown through acquisitions and although the front-end demo of these products might appear seamless, the challenges surmount once integrations and data mapping during implementation stages are encountered.

It's vital to get clarity from the vendor on both the front end and back-end operation of a CPQ to understand the level of integration and complexity a CPQ can handle to provide a truly high performing product on your e-commerce integrations. At the same time, ensure that the CPQ is flexible, for example, ability to integrate with external price master data tools.



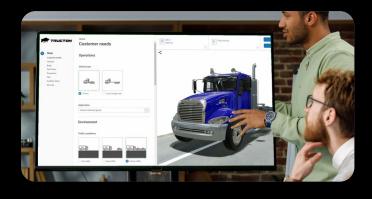
## Visual Configuration capabilities are key for propelling B2B growth:

According to Gartner 64% of the revenue for direct sales comes through "Visual Configuration" and companies that implement visual configuration solutions see significant improvement in their deal win rate, lower costs for drafting design files (e.g., CAD), less rework in the factory and lower carrying costs for samples at retail locations. When evaluating a CPQ, it would be vital for a manufacturer to ensure that the vendor has High-fidelity 3D and AR product visualization to be future proof for Visual configuration.



## What is Visual Configuration?

Visual product configuration (also known as Visual Configuration, or 3D product configuration) is the combined use of digital technologies (Augmented Reality, 2D and 3D visualization software) to configure products directly in the 3-dimensional visual representation. Visual Configuration software enables your sales team and customers to see a real-time visualization of the product before they order it, with the features they want. These tools usually work directly with CPQ solutions to enable smooth, error-free and accurate quoting.



#### Consistency in UX design regardless of channel:

A modern enterprise level CPQ design must go beyond presenting a quote, as CPQ software plays a central role in presenting a full configured product portfolio with all the essential product details from fragmented systems such as CRM, PLM, ERP, PIM etc. And these details are utilized across front end CPQ for your sales team, partner sales portals and embedded on your website product selector tools. It's critical in your CPQ evaluation to vet the vendor on capabilities that span the entire selling chain. For example, check availability of CAD drawings and interface to engineering design software, easy self-service APIs to incorporate consistent product information across all portals and customization to help the different users adapt to the data based on their usage needs. Also consider Analytics capabilities in CPQ to tap into quotation data and improve your product offering across the sales channels.

### **Recap: CPQ capabilities for addressing Buying Experience Challenges**

Challenges	CPQ Capabilities
Lack of Holistic Product Information	Integrated CPQ architecture throughout the Configure-Price-Quote stages
Outdated methods of visual feedback and configuration for customers	Visual Configuration is key for propelling B2B growth
Legacy solutions unsuitable for Digital Customer Experience and eCommerce Inconsistent User Experience	Consistency in UX design regardless of channel

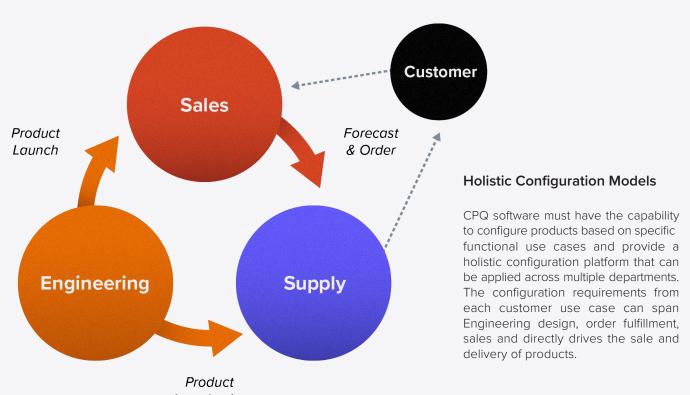


## **Technology Considerations when Evaluating CPQ**

In discrete manufacturing, the development of a product through order fulfillment follows multiple stages in the complete configuration lifecycle. It's essential to understand that the right CPQ plays a key role in every configuration stage. As an example, lets look at how CPQ directly impacts Engineering and Supply chain functions.

Engineering: CPQ enables engineers to define product configurations and rules within the software. This ensures that all product options and features are compatible and compliant with engineering specifications. It can be used to perform real-time design validation, ensuring that customerconfigured products meet engineering standards and constraints. This helps prevent errors and costly rework downstream. Inventory Management: CPQ integrates with supply chain systems to access real-time inventory data. This helps sales teams provide customers with accurate information about product availability and delivery times. More importantly CPQ can be used for "Demand Forecasting". Use CPQ to analyze historical sales data and customer quotes to provide insights into demand patterns. This information helps in better forecasting and inventory planning.

As you evaluate different product capabilities that will impact multiple functions, it's equally important to understand the technology that drives CPQ design. Afterall, enterprise software purchases are not like streaming platforms where businesses can easily pivot to a different vendor, and you are generally signing a long-term contract. **To help readers better understand what to ask vendors, what follows are a few tech tips...** 



#### Cloud or SaaS based CPQ vs On premise:

Although most vendors have transitioned to a SaaS platform, it's imperative to investigate if the full CPQ solution is cloud based or the solution is still evolving. You don't want to get caught up with a vendor who is on their development journey and use you as a test subject. Unless there is a strong reason (such as a company mandate or customer requirement), on-premise solutions should be avoided. We will not deep dive into this topic as there is widely available literature on SaaS advantages over on-premise solutions.

#### Multi Tenant vs Single Tenant CPQ architecture:

A cloud CPQ solution with single tenant architecture typically provides separate CPQ software instances and supporting infrastructure for every customer. This deployment method makes the CPQ software highly customizable and resembles the customization strengths of CPQ vendor's legacy onpremises CPQ software. Caution: Mirroring features and processes from on-premises software also retains those legacy solutions' shortcomings.

With a multi-tenant architecture, all customers are given use of the software within the same environment and supporting hardware. Each customer has their own restricted and secure area in the overall software solution. Their data is isolated and remains invisible to other customers. As the table below shows, the impact of multi-tenant versus single tenant deployment is significant. Close control and high level of customization seem enticing but aren't necessarily beneficial to your organization's longterm goals. On the contrary, you risk wasting money and resources on a solution that isn't going to evolve with you. In the worst case, the CPQ solution will eventually have to be replaced with a multi-tenant CPQ solution that can truly cater to your business processes.

	Single tenant	Multi-tenant
	• Maintenance is owned by the customer	• Maintenance is owned by the vendor
Implementation & Maintenance	<ul> <li>Customized intellectual property for capabilities that are not present in the off-the-shelf product belongs to the buyer.</li> <li>High risk and cost in implementation and</li> </ul>	<ul> <li>The provider is ensuring reliability</li> <li>The implementation is based on industry best practices, thus streamlining process- es, and reducing risk.</li> </ul>
	adoption.	
	<ul> <li>The customer owns the security of their servers and software.</li> </ul>	• The vendor's experts ensure the security and availability of the customer's data.
Security	• Higher perceived control of sensitive data	
	<ul> <li>Need for a highly experienced IT security team and dedicated disaster recovery plans.</li> </ul>	
Customization	<ul> <li>In theory, the off-the-shelf CPQ can be completely adapted.</li> <li>Fewer discussions around process changes can prevent the adoption of best practices.</li> </ul>	• Personalization via extensibility and application configuration rather than custom code.
Updating	• Unless otherwise specified, maintained by the customer.	• Regularly updated with new features and functionalities by the software vendor.
Features & Functionalities	<ul> <li>Custom code can clash with future product features, the extent of changes that can be implemented might be limited.</li> </ul>	• All new features are compatible with all customers' CPQ solutions.



#### **Configuration Algorithm:**

Since configuration is the first point of a product model in any CPQ system, the algorithm behind configuration plays a significant role in the product setup, long term maintenance and performance of a CPQ. There are 4 different categories of configuration algorithms that are generally running behind a CPQ as tabulated below. The choice of algorithm depends on many factors including the level of product customization or solutions that a company may want to offer their customers, the maintenance resources available within the company and easy scalability to expand their business.

Algorithm	Description
Rules-Based Configuration	Configuration logic is constructed as statements of what goes with what (hard rules, often using IF/THEN/ NOT/etc. statements). The configuration follows a sequential step-by-step validation based on the rules. More advanced configuration solving has to be created with dedicated additional logic. The primary limitation is the exponential increase of rules for complex configuration models, limiting the
	use in practice.
Constraints-Augmented Rules Configuration	Configuration logic and approach is similar to the rule-based configuration, but also includes constraints defining why things work together. Although capable of simplifying the logic to some extent, the primary limitation is still the exponential increase of rules for complex configuration models, limiting the use in practice.
Static Constraints Solving	Configuration logic is constructed with constraints defining why things work together eliminating the need for hard rules. The logic is then used to compile a constraints solver that allows non-sequential configuration and complete configuration solving without additional run-time logic. In addition, the constraints solving has low latency due to being compiled. Limitations are the difficulty to quickly test logic constructs and the inability to incorporate dynamic data from external calculation tools.
Dynamic Constraints Solving*	Configuration logic is similar to the static constraints solving, but is used directly in a run-time constraints solver that allows non-sequential configuration and complete configuration solving without additional run-time logic. Input can be incorporated from external calculation tools during run-time. Testing of logic constructs is simplified since it can be run directly without need of compiling. The primary limitation is the needed knowledge of constraints setting that provide low latency.

\*Dynamic constraints solving provides significant advantages over more traditional rule-based configurators using IF/THEN/NOT/etc. rules. Dynamic constraints decouple logic from data by defining why things work together rather than what works together. The key result is a drastic reduction in both the amount of code needed, as well as the workload of updating the logic as the data changes. Overall, the main advantages of dynamic constraints solving for configuration are the increased ability to cover high complexity product configuration, increased useability for end-users, and reduced cost of maintenance.

#### Extensibility capabilities:

Extensibility refers to the ability of a software system to be easily expanded, modified, or customized to accommodate new functionalities, features, or requirements. An extensible CPQ software design allows developers to add or enhance the CPQ capabilities without fundamentally altering its existing structure or codebase. It enables the software to adapt and scale to evolving business needs, technological advancements, and user requirements. By providing welldefined interfaces, modular architecture, and flexible design patterns, an extensible software system promotes ease of integration, maintenance, and future enhancements, allowing it to grow and evolve over time while minimizing disruptions and ensuring backward compatibility.



## **In Closing**

There are multiple demands on executives to transform manufacturing and these demands are only increasing with significant issues such as adoption of AI/ML technology on the manufacturing floor, offering sustainable products and dealing with several supply chain disruptions that are forcing the reinvention of sourcing setups. As you digest the required capabilities of robust CPQ software and evaluate vendors, ensure to not just ask for a product roadmap but the product vision in terms of their CPQ capabilities. This will help differentiate and identify the right partner for future CPQ needs and showcase their direction for the future of manufacturing sales in areas such as sustainable configuration.

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Tacton is a leading SaaS company trusted by global manufacturers. Tacton Trusted Configuration simplifies sales for manufacturers of complex products. Tacton's Configure Price Quote software is named a Leader by Gartner in the Magic Quadrant for CPQ Application Suites and is recognized for its advanced product configuration and visualization capabilities. Tacton's founders pioneered computer-based product configuration which today powers Tacton CPQ and CAD Design Automation. Since 1998, Tacton is trusted by global customers such as ABB, Daimler, MAN, Scania, Siemens, Xylem, and Yaskawa. It is co-headquartered in Chicago and Stockholm, with regional offices in Karlsruhe, Warsaw, and Tokyo.

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