How service providers
can use CPQ to access the SME market

HOW SERVICE PROVIDERS CAN USE CPQ TO ACCESS THE SME MARKET

Across Europe, 99% of businesses are SMEs[1], meaning that they have fewer than 250 employees. Whilst individual deals might be lower in value than enterprise deals, the sheer size of this market makes it extremely valuable. However, it is underserved by telecoms service providers.

The SME market is plagued by manual processes and lacks service transparency, and most SMEs use consumer mobile contracts rather than business contracts as they believe that the latter will cost more, without delivering any additional benefits.

However, like both consumers and larger enterprises, SMEs are starting to demand more. They want access to more IT services, such as security products, group connectivity services and productivity suites, and they want them to be fully convergent. They also want full control over how they use these services. As a result, SME deals are becoming more complex.

Traditionally, B2B service providers have used resellers as an efficient way of engaging this market. However, with SME sales becoming increasingly complex, service providers have a new opportunity to sell directly to these customers with the help of a CPQ system.

What is CPQ?

CPQ is a software solution that enables salespeople to self-sufficiently design and price complex products and services. The acronym stands for configure, price and quote:

- **Configure** – Just as in the consumer world, SMEs want personalised products and services that meet their exact requirements. However, service providers need to ensure that these specially configured products and services are viable, meet their organisation's rules, and would be a beneficial sale. CPQ software enables vendors to balance the customer's expectations with their business objectives.

- **Price** – The same product or service is often sold at different prices, depending on current offers, customer loyalty and currency fluctuations. CPQ software enables vendors to manage their pricing, ensuring that the price quoted is always optimal.

- **Quote** – In order to win deals, vendors must be able to quote quickly and accurately, and deliver the quote to the customer in an appropriate, on-brand format. CPQ software enables salespeople to create a quote and send it by email with just a few clicks. They can even include an e-signature to facilitate the process.

> **SMEs are starting to demand more. They want access to more IT services…**
> **…They also want full control over how they use these services. As a result, SME deals are becoming more complex.**

1 'Statistics on small and medium-sized enterprises', Eurostat, https://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_small_and_medium-sized_enterprises#General_overview

CPQ sits at the heart of a sales organisation

A CPQ system sits at the heart of a sales organisation and touches many different business areas (see Fig.1). It is sometimes described as an octopus whose tentacles reach out and collect data from, or pass data to, many other systems, including BSS, CRM, ERP/billing systems, provisioning tools and credit agencies. In fact, a CPQ system can share data with any part of a business in which data exists.

Fig. 1: CPQ sits at the heart of a sales organisation
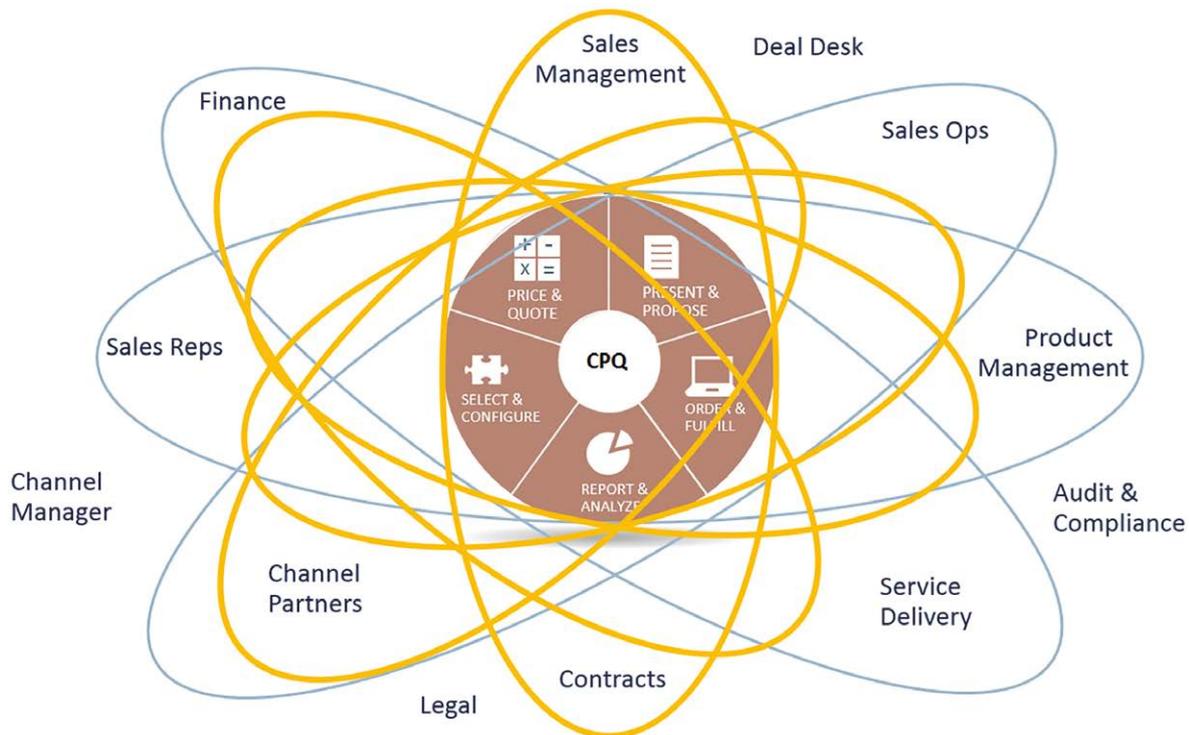
CPQ system components

A CPQ system typically includes the following components:

- **Guided selling** – recommendation rules, upsells, cross-sells, bundling, solution selection and deal qualification to guide customers to optimal products.

- **Configuration and feasibility checking** – ensures that quotes and orders are accurate

- **Product and service catalogue** – quick search, advanced search and one-click additions to the deal, plus compatibility, eligibility and cardinality management.

- **Commercial process/pricing** – ensures consistent application of pricing and discounting rules, and automatically generates customer-friendly quotes in multiple formats.

- **Workflow approvals** – routes orders for review and approval, ensuring 100% accuracy and eliminating approval bottlenecks.

- **Document generation** – creates, customises and brands documents for

salespeople and customers.

- **Order management interface** – eliminates manual and repeated data entry into multiple systems, and automates integration into downstream systems.

- **Reporting** – uses analytical insight to improve quote management, forecasting and product management.

Benefits of CPQ

In many organisations, the sales process can be described as a leaky pipe. A range of factors, from inaccurate proposals to disparate tools, result in only a fraction of the potential margin being realised (see Fig 2).

Fig 2: Margin and revenue erosion in businesses
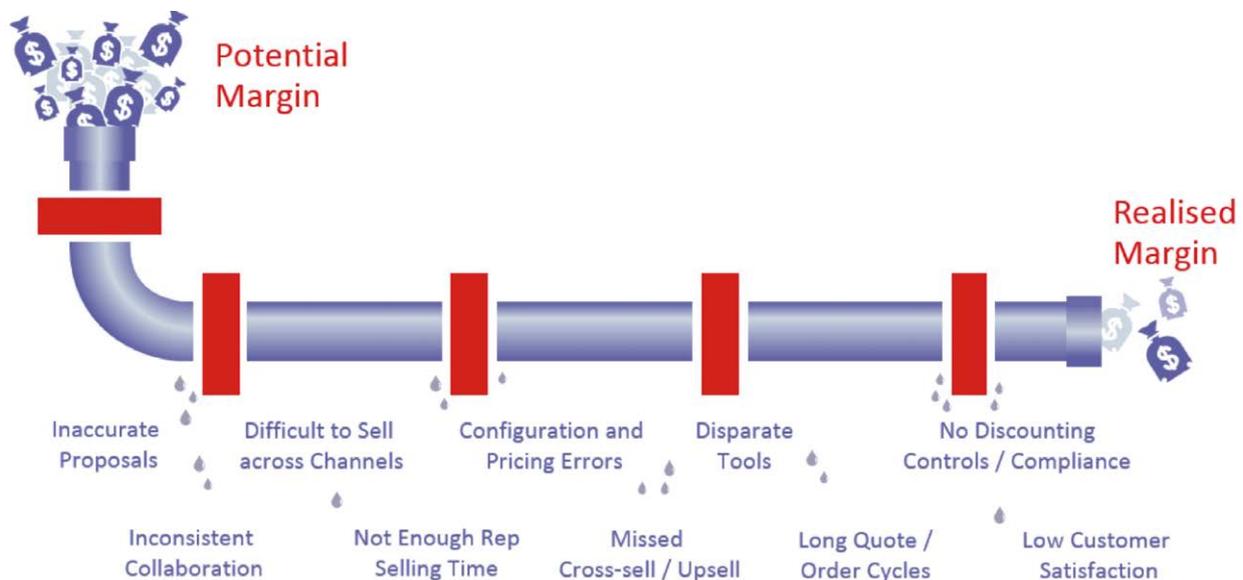
CPQ software enables businesses to improve their sales processes, up to the point of taking the order, by allowing quotes to be generated more quickly and with greater accuracy. This frees up valuable sales time which can be re-invested in getting closer to the customer, increasing the likelihood of deals being won. CPQ is particularly beneficial for complex sales in which there are many different components and price points to be considered. The main benefits include:

1. Shorter sales cycles

CPQ speeds up sales cycles by reducing wasted time, building momentum and reducing governance:

1.1 **Reduce wasted time** - When salespeople work on a deal with a customer, there are a mixture of value-adding activities, such as time spent exploring the customer's issues or proposing and demonstrating solutions, and non-value-adding activities, such as administration. CPQ solutions can never fully replace the interaction and understanding between a professional salesperson and their client, but they can drastically reduce the time spent on administration.

1.2 **Build momentum** – Each customer has their own buying process, which may involve several convoluted and time-consuming steps, causing momentum to be lost. Combine this with further delays caused by salespeople taking too long to respond to a quote, or a bottleneck in the approvals process, and the whole deal can be lost, either through a nimbler competitor getting in first, or through a change in the prospect's circumstances. A CPQ solution ensures that there is no loss of momentum from the vendor's side.

1.3 **Reduce governance** – An effectively implemented CPQ solution is configured with rules and thresholds that allow salespeople to sell autonomously, and without governance. This enables governance by exception.

2. Improved accuracy

One of the key functions of CPQ software is to deliver information to a downstream system, such as a BSS, that will handle and process the order and turn it into reality.

The cost of inaccurate orders can be huge. Consider the time and money required to understand the mistake, re-fulfil the order or re-provision the services, collect and handle returns, write off failed deliveries, and even provide compensation or goodwill gestures to appease customers. In addition to financial damage, inaccurate orders can result in a loss of credibility and even business.

CPQ software uses configuration rules to ensure that salespeople are only able to generate valid configurations, making it impossible for them to sell products or services that cannot be fulfilled. CPQ systems also ensure that data never has to be re-keyed, reducing the opportunity for errors.

3. Better control of margins

In many organisations, salespeople refer to a spreadsheet when quoting a price. However, they may not always use the most recent version of the spreadsheet, meaning that products may not be sold for the optimal price. Couple this underselling with mistakes made when calculating discounts, and the business's margins could take quite a hit. CPQ systems ensure that salespeople are always working from the latest price books and that financial calculations are error free, helping to safeguard the vendor's margins.

4. Increased up- and cross-sell opportunities

CPQ systems can be configured to show recommendations for extra products or services that complement the main product under consideration. These products may have higher margins, unlocking the potential profit in a deal. However, these recommendations do not have to be for additional products; in fact, they could highlight price-breaks for ordering larger quantities.

5. Analytical insight

CPQ systems hold or touch a wide range of information, including customer data, selling prices, costs and approvals. When analysed correctly, this data can yield insight into many key areas. For example, win-rates and achieved prices could be inspected to help influence future pricing decisions, or the amount of time a deal spends with different approvers, or in different stages of its lifecycle, could be analysed to determine which processes need to be streamlined.

> **One of the key functions of CPQ software is to deliver information to a downstream system, such as a BSS, that will handle and process the order and turn it into reality.**

6. Robust audit trails

Audits can be time-consuming and stressful, particularly when information on previous deals cannot be located. A CPQ system makes it easy for auditors to see the entire history of a decision, including information on requests for discounts, and the time, date and person responsible for each decision. Storing this information in the cloud ensures role-based access control, which auditors are always keen to see.

Selling to SMEs

The above benefits apply whether service providers sell to large enterprises or SMEs. However, as SME orders are lower in value and margins are tighter, a CPQ system can quickly increase profitability by:

- Ensuring that products are always sold at their optimal price and that savings are made where possible.

- Improving order accuracy - the cost of rectifying inaccurate orders can quickly eat into the margins of an SME deal.

- Preventing delays – an SME's circumstances can change suddenly, resulting in a deal being lost.

A good CPQ system can handle both direct and channel business (and, with e-commerce integration, even customer self-service too). This means that service providers that want to sell both directly and via resellers can use the same product catalogue, regardless of their route to market. All they need to change is the user-interface (UI) laid over the top.

Principles for success

There are numerous mistakes that can be made when selecting and implementing a CPQ system, from trying to build it in-house to making the project too big and setting unrealistic timeframes. To ensure that a CPQ implementation is successful, we recommend that service providers follow six principles:

1. Keep it simple. Challenge complex processes before starting the build and remove any unnecessary steps.

2. Manage stakeholders effectively. CPQ is at the heart of the organisation, so it is important to gain buy-in and commitment from each department that it will impact.

3. Aim for speed. Plan for quick wins, test and learn rapidly and be responsive to users.

4. Avoid customisation. Use the standard implementation where possible, as customisation is difficult to support.

5. Provide adequate training. Invest in the teams that will design, deliver and support the system.

6. Standardise and rationalise. Implementing a CPQ system offers service providers a rare opportunity to rationalise their products and pricing data, and standardise their processes, workflows and outputs. Avoid rebuilding legacy worlds and consider the end-to-end customer journey.

**As SME orders are lower in value and margins are tighter, a CPQ system can quickly increase profitability**

CPQ and BSS

For service providers considering a new BSS, a CPQ system can be integrated during the build or, if they select a CPQ-ready BSS, it can be enabled easily at a later date. Either way, it will touch many different parts of the BSS, from order and credit decisioning, to rating and charging (see Fig. 3).

By having a BSS solution that fully supports CPQ, businesses can maximise their returns through streamlined processes and increased accuracy. For example, when the product catalogue in the BSS is fully integrated with the CPQ system, and the correct rules are in place, product/proposition managers can change or launch new products quickly and easily. Close integration with rating and charging allows immediate change transparency and account management, improving the customer experience and payment collection. Integration with partner management enables the CPQ system to show the availability of partner resources and products during the quotation process. These improved processes will result in better margins, which is good news for any business, especially those selling to SMEs.

MDS Global's **B2BonDemand** is a dedicated B2B BSS solution delivered as-a-service to enterprise service providers. It manages the complexities in selling and supporting self-definable and framework-based services, including connectivity, hardware and cloud services, to SME, large and government enterprises. As Fig 3. demonstrates, B2BonDemand supports CPQ within our BSS-as-a-Service framework.

Fig.3: MDS Global's BSS-as-a-Service framework
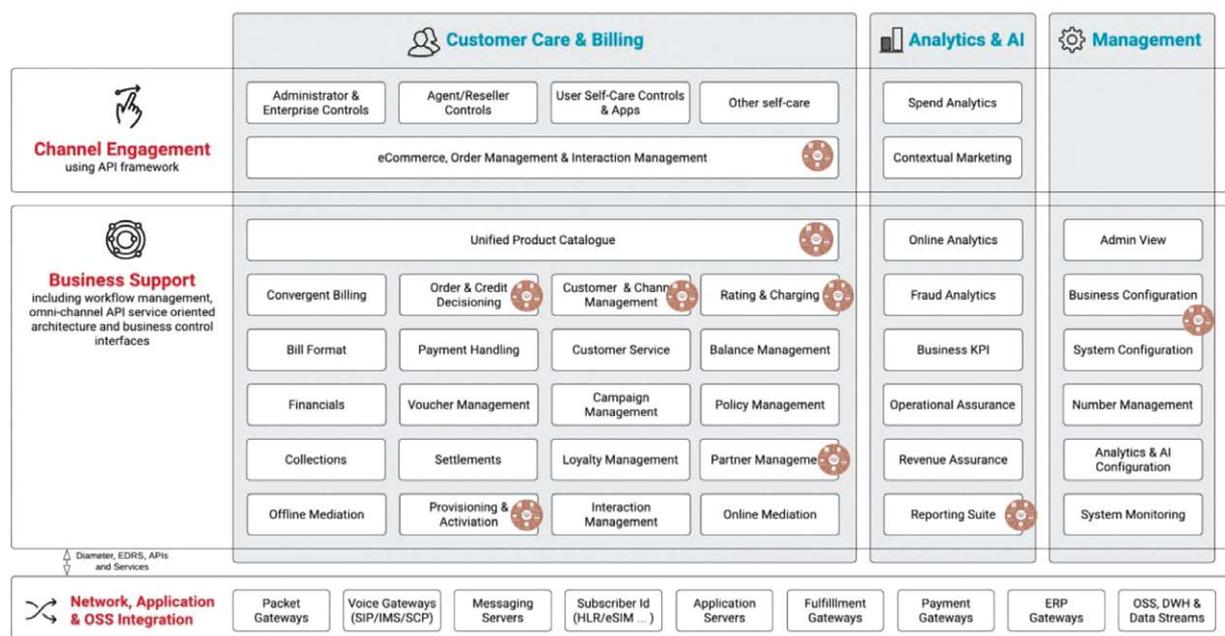
= Element interacts with CPQ system

About MDS Global

MDS Global is a leading BSS-as-a-Service provider of VNO, B2B and IoT solutions. We look after all aspects of monetisation, assurance and customer steering for complex products and services.

We offer a digital operating model in a DevOps context, which enhances stakeholder experience and provides unprecedented business agility.

Headquartered in the UK, MDS Global's customers include BT Business (UK), eir (Ireland), iD Mobile from Dixons Carphone (UK), TalkTalk (UK), Telefónica (UK), Vodafone (Germany, Greece and Belgium), Orange (Belgium), KPN (Netherlands) and Telia (Denmark).

About Walpole Partnership

Walpole Partnership is an IT consultancy focused exclusively on Configure, Price and Quote (CPQ) technology.

We help our clients to sell more, and sell faster, with CPQ, by advising, implementing and supporting software to enhance their quote to order processes.

Based in London, UK, with offices in Belgium, Poland and India, Walpole Partnership serves enterprise clients in Europe and the Middle East.

MDS Global
The Point,
410 Birchwood Boulevard
Warrington WA3 7WD

+44 (0)1925 462 300
www.mdsglobal.com
Email: marketing@mdsglobal.com

© Copyright 2018