



Gaining a strong competitive advantage in distribution with configure-price-quote software

Technology has transformed the distribution industry so much that the industry is barely recognizable today. Back in the 20th century, when much of the distribution industry was shaped, distributors needed to be in close proximity to their customers in order to serve their needs. Today, customers can go online to explore choices that are not held back by geographic locations and compare these choices with a wider range of sources. At the same time, supply chain innovations are making it easier for distributors to fulfill orders from across state and continental lines. These factors have enabled the rise of super-distributors such as Amazon Business and Alibaba that are aggregating other distribution businesses—and making competition more intense.

With the new technology options available today, smaller distributors can have the agility, precision, and speed they need to succeed against large competitors with deep pockets. These smaller companies are now better positioned to identify special customer needs, transform their businesses quickly, and deliver new kinds of value instead of just competing on price. **“Forrester believes that 2015 will serve as an inflection point where companies that successfully harness digital technology to advantageously serve customers will create clear competitive separation from those that do not.”**¹

Configure-price-quote (CPQ) software is one of the main technologies helping distributors become more competitive. An integrated, rules-based CPQ solution can provide an interactive visual catalog that speeds complex orders, while capturing and codifying the insights and approaches of an organization’s top salespeople. CPQ can also simplify the kitting and bundling of multi-product solutions and systems, while shortening lead times, enhancing revenues, and reducing costs—all important factors in the current distribution industry.

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Three ways CPQ software creates a competitive advantage

CPQ software can transform the customer buying experience with web-based, real-time visualizations of products ordered. It allows a distributor's sales representatives to become instant product experts by providing them with access to detailed product information and an inherent guided selling approach for error-free quotes. As a result, using CPQ software can help distributors to achieve three important competitive advantages.

With CPQ software, distributors can:

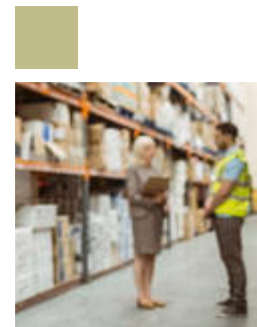
1. Simplify customer choices

In today's distribution industry, brand commoditization is a growing concern, and customer satisfaction is more important than ever. Some distributors are differentiating themselves from their competition by using CPQ software to simplify complex choices for customers and become easier to do business with.

Huttig is one of the largest wholesale distributors of millwork and specialty building products, and it serves as a good example of CPQ's potential.² Thanks to a cloud-based CPQ solution, Huttig help dealers and their customers design the exact door that they need by providing thousands of possible combinations of doors and related accessories. The software's rules-based configurator offers a step-by-step guide that shows them all of the available dependencies as they choose a door's size, material, trim, and color, and other features such as hinges and handles.

The same configurator is re-branded by Huttig's dealers to present doors from within their own respective online sales portals. Dealers can easily customize each mark-up, while the solution allows them to create automated quotes that incorporate pictures and email them to customers with a click. When the CPQ system is linked with a CRM system, special discounts and value-added services are reflected automatically. In addition, CPQ software can automatically generate all sales and manufacturing documentation needed to accelerate an order, helping to deliver a faster time to value.

After one year, Huttig reported a significant sales boost and estimated that the CPQ solution helped it avoid 80,000 to 90,000 phone calls to its inside sales team. That constituted an immediate payback, said Brian Robinson, vice president and chief information officer at Huttig. "More important is increased customer loyalty," he added. "Our customers love the ability to go in and create the order and have the quote. It's not just about price anymore. It's about the tools we're giving our customers."³



2. Create a standardized body of knowledge

CPQ software can also help a distributor protect its well-established reputation for great service, and continue to build on it. Customers count on a distributor's expertise in answering questions and solving problems: Which conduits are compatible with a given electrical box? Will a change in pipe require a different flow control valve? All too often, a distributor's knowledge about products, dependencies, shipping, and discounts resides mainly in the heads of senior sales staff and managers. CPQ solutions allow organizations to codify much of the knowledge of their top experts in business rules, so it can be shared more easily for use by various business units, from sales reps to dealers, and even end users.

A CPQ solution allows all reps in a distributor's call center, whether junior or senior, to work from a consistent and standardized body of knowledge. The quality of a distributor's service becomes defined by the strongest link in its sales staff, rather than the weakest link. If employees leave, their knowledge doesn't leave with them. When a question comes up about how a change in a condenser will affect the delivery timeline of an air conditioning system, CPQ software lets users explore the answer for every configuration—in real time.

3. Diversify the business with new services

To compete in today's marketplace, distributors need to be able to quickly diversify and offer new services. "It's time for distributors to rethink their place in the supply chain," says the [Brown Smith Wallace Consulting Group](#), noting that traditional roles are out of date: some large manufacturers are using technology to bypass distributors and sell directly to large customers.⁴

At the same time, a growing number of distributors are using technology such as CPQ software to provide new, value-added activities such as light manufacturing, assembly, and product configuration management.

A steel distributor, for example, can integrate a CPQ solution with its ERP application and turn steel into partially finished goods by offering new coating, cutting, and welding services. An electronics distributor can assemble parts from different vendors into kits that can reduce handling at an OEM's factory. A heating, ventilating, and air conditioning (HVAC) distributor can work with a manufacturer to satisfy a bid from a large hotel that requires hundreds of different air conditioning units. In each of these examples, the distributor can use CPQ software to obtain all necessary components from different sources and assemble the units to specification.

A self-service CPQ portal helped one distributor to boost revenue, while avoiding

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A CPQ solution supports fast deployment of new services such as these because it can quickly be configured to present the service to sales reps and customers, help ensure accurate orders, dynamically generate necessary documentation and bills of material (BOMs), and share data across CRM and ERP solutions to handle all steps from order to cash.

Observes the [Brown Smith Wallace](#) report:

“The rewards can be extensive. In the years to come, as old habits die, new roles and opportunities will present themselves. Distributors who are open minded and ready will reap the benefits.”⁵

Building better business outcomes

Simply put, CPQ software delivers a broad impact. Reps equipped with it close more deals with higher value per deal—and they close them faster. In the distribution industry, a rep using CPQ software can concentrate on the customer’s needs while the CPQ’s rules-based technology helps ensure accurate quoting, kitting, bundling, and discounts. [A report from Aberdeen Group](#) noted that when using CPQ solutions, 26% more sales reps achieved their quota, aided by a 17% higher lead conversion rate. Their average deal size was twice as big as non-CPQ users, and on average they generated 49% more RFP responses per month, and reduced average sales cycle time by 27%.⁶

How does CPQ technology make this possible? [Some experts point to](#) the transformative effects of having full product knowledge at one’s disposal. “These apps can aid a change in sales person perception by the customer,” says Chuck Schaeffer, CEO of Vantive Media, “by advancing the sales person’s role from go-between resource to a professional who can add value in getting the complex product the customer needs.”⁷

In a distribution call center, reps working with CPQ technology can add value because they are reminded about extended maintenance plans, special promotions, and product upgrades at just the right time, as they build the order with the customer. They are alerted to upsell and cross-sell opportunities as they occur. Because the CPQ solution presents reps with a dynamic, real-time picture of the order, and lets them drill down to details and dependencies as needed, a rep can devote more attention to listening to the customer and providing advice.

The analyst community is recognizing the positive effects of CPQ technology. In its report [How CPQ Impacts Customer Engagement](#), Gartner states:

“CPQ helps sales organizations to achieve efficiency by reducing response time to customers, reducing quoting errors thereby avoiding rework, maintaining consistency across the sales cycle and actively engaging with customers.”⁸

Reps enabled by CPQ software

close more deals

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Knowing what to look for in CPQ software

To reap the full business benefits of increased sales, lower costs, shorten lead-time, and improve customer satisfaction, a distributor should implement a CPQ system that can:

- **Promote step-by-step consultation and collaboration**—Sales reps can sit with customers and explore configuration options in a clear and simple way, problem-solving and consulting with them, while branching to the next set of needed information with just a click. Facets, or filters, allow the user to control customizable characteristics such as size, color, and price range, and help quickly filter results, improving the customer experience.
- **Provide a greater range of choices, more quickly**—In addition to centralizing all possible permutations of products in the inventory, CPQ software can capture core configurations for new building materials projects, HVAC systems, electrical substations, or audio/visual media centers for later use. Sales reps don't have to start from scratch to craft a proposal involving a certain style of millwork. New brands can be added quickly, and customers can easily see suggested accessories and additional purchases. A distributor can easily develop and present bundles of different products (such as connectors and mountings along with transformers). Kits and bundles can easily bring high-margin accessories forward into the final order.
- **Take advantage of 2D and 3D images**—A picture can be worth a thousand hours. CPQ software can dynamically generate 2D and 3D product representations to reflect customers' exact specifications. When buyers can compare detailed pictures rather than written descriptions, they can more quickly evaluate options and confirm choices. Windows can be matched with shutters and hardware. Fan blades can be matched with motors. A TV, cabinet, and mount can be kitted more efficiently.
- **Integration with ERP to shorten cycles**—CPQ software should be easy to integrate with a wide range of ERP applications. This connection speeds fulfillment and gets orders right the first time, which can improve your company's reputation and encourage word-of-mouth referrals and additional contracts. [Everglades Direct](#), a B2B fulfillment company that serves more than a million small businesses, reported that CPQ software helped it accelerate order turnaround time.⁹ The solution's rules-based configurator also allowed the company to reduce customer service training requirements, and to use flexible seasonal staffing to minimize costs.
- **Generate automated documentation**—To streamline the ordering and fulfillment process, CPQ software can generate compelling quotes, comprehensive contracts, accurate orders, and complete bills of materials and routings, all personalized to customer and company needs. That has made a big difference for a leading manufacturer of pump systems in the Midwest. It uses CPQ software to serve more than 1,000 distributors, and the solution's document automation has reduced proposal development time from 3 weeks to 15 minutes. The result has been a strong increase in sales and customer loyalty.

- **Simplify training, administration and security**—The CPQ user experience needs to be intuitive to help minimize training. The software should guide reps through best-practice approaches step-by-step, training new reps and allowing all reps to *consult* rather than sell. As an example, [Virginia Air](#), an independent HVAC distributor, used CPQ software to reduce a 6 to 12 month training period for reps to a matter of days.¹⁰ To simplify administration, CPQ business users should be able to make changes to the configurator without help from IT. And, for deeper security, there should be role-based access.

Transforming an entire business's workflow

CPQ software does more than streamline the configuration of complex batch orders and manage contracts. It gives top distribution executives the opportunity to transform the workflow of their entire business. When used with an ERP system, CPQ can simplify order entry and billing, while accelerating support and service.

In addition, CPQ replaces manual administrative work with a complete, convenient user experience that provides high visibility into all product and kitting options, up-to-the-minute cost and availability data, and detailed customer information to strengthen relationships and upsell opportunities. CPQ solutions benefit many different people in different ways:

- **Distribution customers** can request accurate orders because it's easier to see how dependencies, rules, constraints, and variables affect components and lead times. With CPQ, customers gain greater knowledge of options and components for current and future orders and can take greater ownership of their purchases due to a more collaborative quoting process. Customers also like having a self-service portal that they can access at any time, from any device.
- **Salespeople** can respond to bids faster and focus on relationships and problem solving, rather than on selling. Margin information is easily accessible and continually updated as different choices for materials, fittings, and accessories are made. This helps the sales force achieve profitability targets and meet quotas faster.
- **Sales executives** can capture their best sales reps' strategies and approach to simplify training for new reps. For instance, CPQ software shows the best way to guide a buyer through the hundreds of sockets, circuit breakers, and connectors that can be involved in an electrical components order for a construction project.

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- **Marketers** can showcase promotions faster, and aggregate line items into bundles that qualify for special terms. If an order of electrical parts clears a minimum weight, for instance, it might fill its own truck and therefore get a discount. In addition, CPQ software highlights new promotions and features for customers in context, as they proceed through the order. Marketers also get real-time data on customer needs and trends, which can help improve product development and planning. More importantly, they can drive customer behavior by suggesting a more profitable product option over a less profitable one, while still meeting the customer's needs. All these capabilities help create a critical competitive edge in meeting customer demands and enhancing product differentiation.
- **Dealers and other selling channels** can integrate CPQ software with their own customer-facing systems, and enjoy multi-tier capabilities for complex sales channels. Their customers can use the visual catalog to facilitate faster, easier searching and be exposed to options and contingencies automatically. An automotive parts distributor, for instance, can use CPQ software as an intuitive, dynamic ordering interface that presents only available options of brakes, clutches, and mounting kits. It will be much easier to collaborate because CPQ software dynamically generates a BOM without manual order entry and duplication of information.
- **The IT team** gets more time for innovation and new projects because CPQ software allows sales, marketing, and operations teams to make CPQ changes quickly and easily, without IT assistance.

Automating the path to “yes”

Click by click, advanced CPQ software guides distribution customers through an empowering array of options. Customers can watch their dynamically configured kit or set taking shape. They can see the effect on costs and dependencies of different choices, and be interactively guided to meet their desired delivery date, performance target, or compliance objective. The overall effect is that customers gain greater control, find ordering easier, and experience a deeper sense of partnership with the distributor.

In an age of increasing competition, CPQ software can help distributors provide a better customer experience—which is the key to brand differentiation and long-term growth.

Learn more about
configure-price-quote software



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