



The Future of Sales Series presents:

Elevate the Experience of Digital Customers – Overcoming the Three Most Common Pricing Challenges

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Overcoming the Three Most Common Pricing Challenges

What sales reps want is to configure complex products and services, price them accurately, and generate quotes for customers in real time, while taking account of customer types, complex configurations, costs, competitive prices, and geography, together with their business priorities.

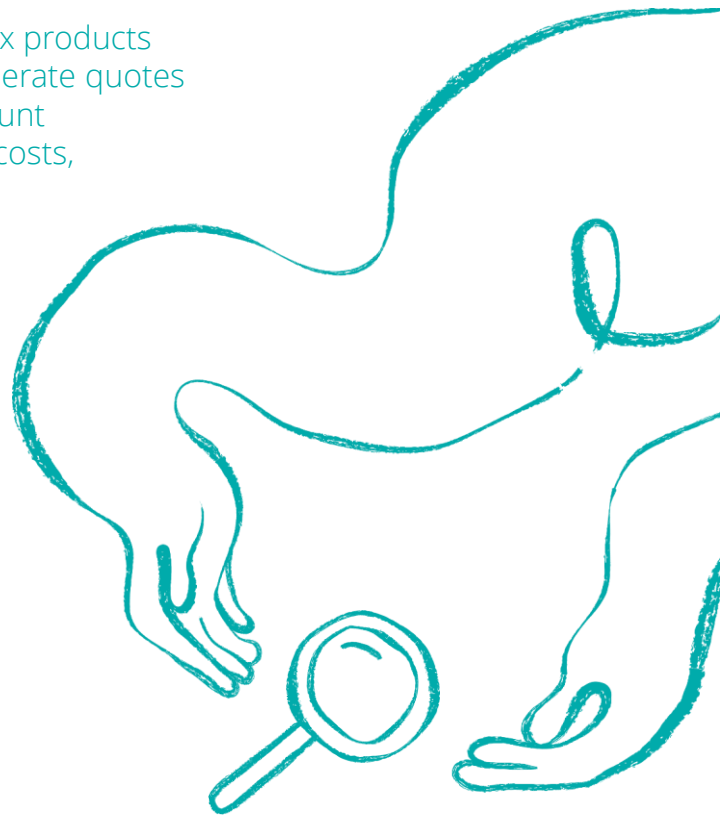
Based on our experience, these are the top three industry pricing impediments that impact sales transformation:

1. *Poor Pricing Strategies*
2. *Error-Prone Pricing*
3. *Slow Quoting Process*

Pricing & quotes can be challenging for businesses that sell complex and highly customizable products or services. Discounts, special features, and tailor-made product additions add more complications, especially if you have to do manual calculations. As a result of the intricate pricing process, errors often creep in. In this article, the pricing topic will be explored in detail, with a deep dive into the three most common challenges – poorly formulated pricing strategies, error-prone pricing, and delayed quoting – companies are facing today when working on their pricing process. By doing so, we will also explore how the CPQ (Configure, Price, and Quote) tools can serve as a cost-effective solution in those instances.

CPQ tools are being used across industries, including manufacturing, telecommunications, energy, financial services, high-tech, life sciences, travel and transportation, food and beverages, and consumer goods. In fact, over the recent years, the CPQ market has grown significantly; in 2021 alone, an increase of 14.1% has been recorded with an estimated worth of USD 1.51 billion. Meanwhile, demand for lower costs, improved accuracy and shorter times-to-quote are expected to fuel CAGR of 7.6% over the next five years.

If you are also considering joining companies that use CPQ solutions or just want to obtain more information about how they can be used for pricing and quoting in a way that buyers find simple and easy to understand despite all the complexities and how your sellers can focus on their main tasks instead of having to spend hours searching through pricing tables, slowing down the price creation process and making unnecessary errors, then read on!



1. Poor Pricing Strategies

Market factors that affect pricing, competitors' research, and target audience exploration are only a few of the essential elements used in estimating the price of a product or service price service, with VAT, taxes, or regulations acting as additional parameters impacting the final price. The number of factors to consider is, in fact, much more significant with supply and demand, payment conditions, buyers' history, warranties, promotions, market conditions, volumes, currency conversions, units of measure, volume discounts, and others. Therefore, when a company launches a new product, they first need to formulate a coherent pricing strategy. A clear and easily comprehensible pricing strategy is crucial to avoid inaccuracies, incorrect estimations, and inconsistent pricing, leading to price leakage and low profitability. **CPQ solutions, unlike traditional configuration tools (e.g., Excel), can take into account a wide variety of factors and well as multiple price models and automate the whole pricing process, increasing your efficiency and accuracy.** CPQ solutions not only allow to set prices based on subscriptions, usage, promotions or product bundles, they also perform automated price checking, analyze price leakage and provide a centralized pricing repository and harmonized pricing approach with predefined rules and lock-in pricing to ensure accuracy from the start.

CPQ solutions can seamlessly integrate **with other pricing and CRM tools**. They can be paired with AI-based tools such as PriceCypher to facilitate the whole pricing process from price steering, through execution, to governance by computing value-based lists, floor prices, calculating margins, returns, growth and providing dynamic deal insights, cross-sell recommendations, and guidance on customers' willingness to pay.

Additionally, **pricing managers can use PriceCypher to run simulations of pricing scenarios** in order to fully optimize margin, volume, conversion rates as well as forecast accuracy, among other things.

CPQ tools offer enhanced transparency and collaboration between teams for sales information and deal reviews, creating the perception of increased quality and accuracy. As a result of optimized collaboration, sales representatives have more time to focus on selling, hence, increasing the company's revenue. The customer satisfaction rates increase as well thanks to shorter waiting times.



2. Error-Prone Pricing

Error-prone pricing is a tendency of having inaccuracies, which is another common obstacle in pricing creation. This can occur due to a variety of reasons, such as human error, lack of real-time data, outdated pricing models or insufficient data analysis, and the huge variety of factors to consider when setting prices. Let's explore them all, one by one.

Firstly, data entered manually into pricing algorithms is often impacted by human errors. Whether it is a typo, mismatched terms and conditions or incompatible line items, these errors can ultimately lead to unpredictable price variations and cause unwanted confusion for customers. CPQ tool avoids unnecessary errors by producing consistent pricing and thus contributes to a seamless experience both for your company and customers. The value-pricing tools (ROI/TCO calculators) the CPQ solutions include also enable sales representatives to position themselves more effectively in competitive situations. **As a result, the CPQ tool ensures, on average, 38% fewer pricing errors.**

The second factor causing pricing errors is the lack of real-time data. As well as providing AI-based deal assistance and a better grasp of price elasticities, **CPQ tools provide real-time - rather than just historical - product, market and customer segment analyses and data** so that you can, for instance, identify and act upon the outliers in your system and strategy.

As already mentioned, companies have to consider a vast amount of data during their pricing creation processes. On top of that, global companies usually work with a variety of national and regional currencies. Conversion rates and tax calculations vary depending on the customers' location and business classification. So, there is a higher probability of applying the wrong tax rate or making conversion errors; especially, the manufacturers operating globally may experience additional complications when extracting price data from multiple systems. **CPQ makes operating in a multicurrency environment easy by configuring appropriate price books in a single, easily searchable place.**

3. Delayed Quoting Process

The third challenge facing companies offering complex products and services relates to the speed of pricing and generating quotes. Sales representatives considering so many product and pricing parameters spend a lot more time checking and comparing tables than it would be ideal. Without automation, quote generation is thus, a very time-consuming process, which can eventually result in quotes being delayed or not approved.

Obviously, you do not want to rush through your processes. That could mean producing quotes faster, but based on incorrect prices, unapproved discounts or unavailable configurations. In order to avoid having to trade timely quote delivery for increased accuracy, centralized CPQ solutions unburden sales representatives from unnecessary manual work while offering streamlined collaboration and communication channels. For instance, they identify which discounts require human review and which can be approved automatically, based on calculated price/margin thresholds or historical data. **CPQ solutions thus speed up your pricing approvals and handling of renewals as well as other processes, what significantly improves your sales conversion rates.**



Sales Transformation Pricing Challenges Takeaways

By replacing old-style configuration tools, such as Excel, with modern, cloud-based applications, CPQ tools are a straightforward solution for the most common pricing challenges outlined in this article. CPQ tools have clearly led to substantial savings for our clients on many fronts, including reduction, by an average of 50%, the time they spend on retrieving product information from multiple systems, on calculating pricing and on approving quotes. **With more and more companies opting for the CPQ tools, this solution will become the new norm and organizations not using it will become significantly less competitive.**

As technology evolves, pricing and quoting solutions, too, will move forward. The future of CPQ seems to be aligning with wider technological progress centering around AI-assisted solutions. Indeed, most of the leading CPQ solutions providers are predicted to incorporate AI capabilities into their offerings within the next 2 years. These are likely to include more advanced sales intelligence capabilities, such as white space analysis, best-next-action recommendations and customer churn warnings.



That is where additional tools like PriceCypher, which automatically calculates the prices and the (potential) revenue from it and can be integrated with the existing CPQ and other billing and quoting tools, come into play. **Predictive and dynamic pricing solutions that use AI and machine learning will become more common, approximating customer willingness to pay for products and services.**



Deloitte NL has extensive experience with CPQ tools and is your Go-To-Partner for designing and implementing these solutions.

To stay up-to-date with how technology and other changes will affect your sales, stay tuned for more articles on a variety of related topics!

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