**Pricing Tools Overview**

Let’s take a high-level look at what Salesforce CPQ can do to adjust or replace the prices it gets from price books. In later units, we look closely at how each tool can be configured, but for now let’s focus on what kinds of tools we have on hand.

| **Pricing Tool** | **Behavior** | **Example** |
| --- | --- | --- |
| Block Pricing | Uses a flat price for a range of quantities instead of multiplying by number of units. | A streaming video service is $9 a month for 1–3 concurrent viewers, and $15 a month for 4–10 concurrent viewers. |
| Percent of Total (PoT) Pricing | Looks to the sum of other product prices, then takes a percent of that sum. | The tip for your pizza delivery is 15% of the overall amount of your order. |
| Option Pricing Override | Replaces the price of a product only when it’s within a bundle. | The price of a drink is $1 when bought in a combo meal, but $1.35 when bought alone. |
| Cost Plus Markup Pricing | Allows sales reps to add value on top of a product’s cost. | A car costs the dealer $30,000, and it’s marked up to $34,000 to make commission. |
| Contracted Pricing | Sets account-specific prices for individual products or categories of products. | Your customer Edge Communications pays $200 for a printer while everyone else pays $275. |

You may notice that these pricing tools don’t really mention discounts. Discounting is typically handled after we’ve established the starting price of the product.

**Price Waterfall**

Many things can happen to affect a given quote line’s price. For example, Salesforce CPQ can apply contracted pricing, while the sales rep applies a manual discount. To keep track of everything that happens, CPQ uses multiple pricing fields on the quote line, each field representing specific pricing adjustments.

| **Pricing Field** | **What It Represents** |
| --- | --- |
| Original Price | Price book price |
| List Price | Price book price, block price, percent of total price, or option price override |
| Special Price | Cost plus markup price, contracted price, or option discount |
| Regular Price | Result of volume-based discounts |
| Customer Price | Result of manually editable discounts |
| Partner Price | Result of partner discount, set manually or through automation |
| Net Price | Result of distributor discount, set manually or through automation |

This list of prices is often referred to as the price waterfall because each price from top to bottom effects the next price down. For example, CPQ takes the special price and deducts the volume-based discounts to calculate the regular price. Then, it takes regular price and deducts manual discounts to calculate customer price, and so on.

## Top-Tier Tiers

To use block pricing, we need to define the sizes and prices of our boxes. Technically, these boxes are “tiers” so we use that word from now on. A tier typically describes four important pieces of information.

* **Name**: A way for administrators to identify a given tier. Most users won’t see the name.
* **Lower Bound**: The lowest quantity that a given tier supports. In our pencil box example, the lower bound for the small 10-pencil box is 1.
* **Upper Bound**: The first quantity that the tier **doesn’t**support. So, the upper bound for the small 10-pencil box is actually 11. The upper tier is 11 because the big 50-pencil box uses 11 as the lower bound. If the small box had an upper bound of only 10, then there would be a gap between boxes, where quantities like 10.25 can slip through.  
  Tip: It’s best practice to make the upper bound of a tier the same as the lower bound of the next tier.
* **Price**: The value that replaces the price book price. When block pricing is used for a product, the price book price is ignored.

An overage rate is a per-unit price for any quantity above our highest tier.

#### Note

If your org supports multicurrency, be sure to create Block Price records for every currency.

Block pricing is a great way to set a price based on a range of quantities instead of per-unit pricing while maintaining the flexibility of a per-unit overage rate.

**Percent of Total Basics**

A small amount of setup is necessary when using percent of total for a given product. You must update these three Product fields:

* **Pricing Method**: Set this to Percent Of Total. Doing so makes the price book price play a much smaller role, which we discuss later.
* **Percent Of Total (%)**: The percentage amount to use in the calculation, much like the 20% from the breakfast example.
* **Percent Of Total Base**: Determines which quote line prices are summed for the total. Each price is affected by different types of discounts, so you can choose which discounts are factored into the percent of total calculation.

| **Quote Line Price Field** | **Applied Discounts** |
| --- | --- |
| List | None |
| Regular | Automated discounts |
| Customer | Manual discounts |
| Net | Partner and distributor discounts |

Percent of Total Within Bundles

 bundles are just groups of products sold as a set. Sometimes bundles include percent of total products as options. The Percent Of Total Scope field, found on product option records, determines which products inside or outside the bundle are included in the price calculation.

Percent of total scope defaults to --None--, so you only have to change it if you want to limit included quote lines to those in the bundle.

## To Include, or Not to Include

By default, percent of total uses only nonsubscription quote lines as part of the total used in the price calculation. However, you can tell CPQ to include certain subscription products in the percent of total calculation by checking the box named Include in Percent Of Total, found on the subscription product record.

Be aware that when using Include in Percent Of Total, CPQ uses an unprorated price for the subscription in the total calculation. For example, if you have a $10 per month subscription and your quote is for 2 years, percent of total only adds $10 to the total, not $240.

By default, percent of total includes most nonsubscription quote lines in its calculation, but sometimes you don’t want to include everything. For example, you can have a one-time installation fee on the quote, but it shouldn’t be included in the Shipping Insurance price. One way to tell CPQ to ignore a product when calculating the percent of total is to check the box named Exclude from Percent Of Total on the product record. Be careful, checking this box excludes the product from all percent of total calculations.

Finally, percent of total products never include other percent of total products in their calculations. For example, you can’t calculate a 20% tip for a calculated Shipping Insurance price.

## Percent of Total Category

Sometimes it’s necessary to price a percent of total product based on just a few select products. In this case it doesn’t make sense to check “Exclude from Percent Of Total” for all but a few products. Instead, you can use a percent of total category, which connects a percent of total product to other products that should contribute to the total.

## Bundle Pricing

Bundles are a great way to sell more than one product together as a set. AW Computing loves bundles because it makes quoting easier and more accurate. It often sells more because sales reps are reminded of which products to include in the quote.

Option pricing allows admins to define an override price for a product when it’s sold as part of a bundle, or in some cases make the option entirely free.

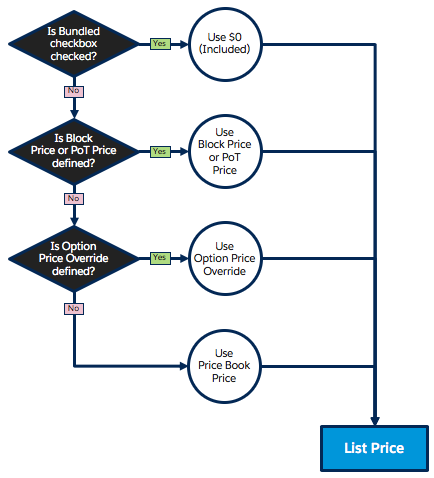
## Multicurrency Limitations

Option pricing is a great way to override the price book price for options in a bundle. However, it has one significant limitation worth mentioning. **Option pricing does not support multicurrency**, so it’s only possible to define the override price in a single currency. This is fine if you only use one currency for your org, but presents a problem if you use two or more.

If you need to adjust prices of options while supporting multicurrency, you can use option discounting.

## Option Pricing in Relation to Other Pricing Methods

It’s important to understand what happens when the Bundled checkbox or option pricing is combined with other pricing methods. Thankfully, Salesforce CPQ always uses the same process to resolve any conflicts. So, if the Bundled field is checked, CPQ prices the option at $0.00. If the Bundled field is left unchecked, then block pricing and percent of total pricing take precedence over option pricing. If none of these pricing adjustments are used, Salesforce CPQ falls back on the price book price for the quote line’s list price.



The Bundled checkbox and option pricing are simple ways to automatically adjust the prices of products sold within bundles. Next we investigate cost plus markup pricing, which allows sales reps to adjust prices through a markup.