**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.

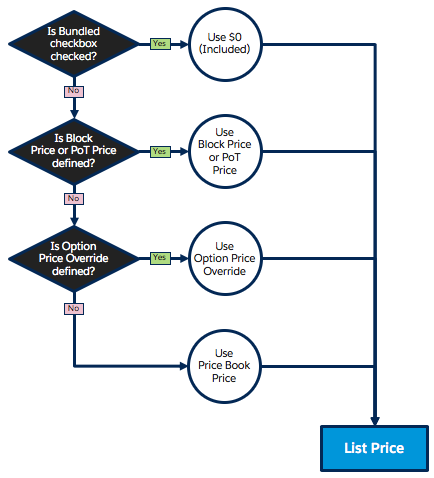
## Multicurrency Limitations

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.

Cost plus markup pricing is a straightforward way of giving sales reps some pricing control. Instead of a product getting priced automatically by Salesforce CPQ, a product starts with a base price (its cost) and then the sales rep adjusts that by an amount or a percent. This is similar to what happens when you buy a car—the sales rep starts with the price the dealer paid, then marks up the price for better commission.

A sales rep sees a fixed cost along with a markup field on their quote. They can choose to mark up by a percent or an amount, and they can even use negative values to sell under cost. Consider implementing an approval process to catch when this happens!

Cost plus markup is one way to give sales reps some control over pricing without using discounts. Since there’s no built-in limits to the markup value, consider creating a validation or approval to catch unusual markups.

## Timing Is Everything

When a product is added to a quote, a quote line is created to capture all of the pricing details for that product, like a snapshot in time. From that point forward, changes to Contracted Pricing records **won’t** affect the quote line since the snapshot has already been taken. This is by design—prices should not fluctuate for sales as they negotiate deals with their customers.

The quote line snapshot concept is important to remember when learning about another feature of contracted pricing: effective date and expiration date.

If a quote line is added to a quote on or after the effective date, the contracted price is applied. This is true even if the quote or opportunity is created before the effective date; it’s all about when the quote line is created. If the quote line is created before the effective date, and the date passes, the contracted price is not applied because the snapshot has already been taken.

Expiration date also respects when the quote line is created, so if it’s created before the date, the contracted price is applied. It is applied even after the expiration date passes because the price was captured in the snapshot.

Effective date and expiration date can be used together, alone, or not at all.

Note

#### Note

It’s possible that a quote can have out-of-date contracted prices because the quote lines were created before the expiration date. Consider creating a validation rule or approval process to catch when this happens. Quote lines have a lookup to the Contracted Price object, so that data can drive conditional logic.

## Inheritance for Child Accounts

Sometimes accounts are related to each other in a parent-child relationship, where one account many have many children. By default, a contracted price created at the parent level is inherited by all of the children. This saves time for admins as they don’t need to create and maintain duplicate records. However, there are times when a child account should not use the contracted price of the parent. In those cases, it’s easy to disable inheritance by editing the child account record and checking the Ignore Parent Contracted Prices field.

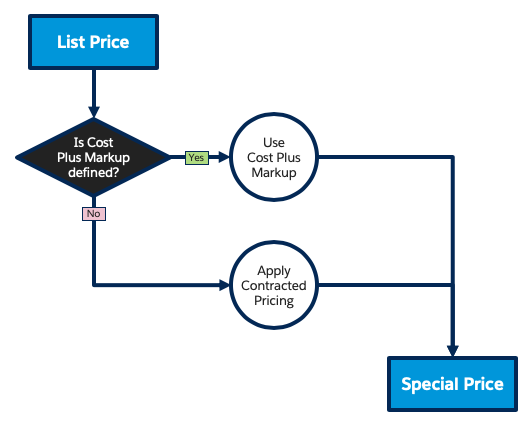
But wait, what if most of the contracted prices should be inherited, and only one should be ignored? There’s a solution for that too! Just create a contracted price for the child account, setting it up just like the one that exists for the parent, but with a new price or discount value. Child contracted prices take precedence over parent contracted prices.

## Avoid Overlapping Contracted Prices

While contracted pricing is a powerful tool, there’s one scenario to avoid. **Do not create two contracted prices on the same account that act on a single product.** If a given quote line qualifies for two different contracted prices, only one will be used. The danger here is that there’s no way to dictate which contracted price is used. It’s best practice to create contracted prices so that any given product is only affected by one contracted price per account in order to avoid this scenario.

## Interacting with Other Pricing Methods

As you may have noticed, contracted pricing and cost plus markup can both affect special price. However, Salesforce CPQ will only ever use one or the other and cost plus markup takes precedence.



Note

#### Note

At this time, products that use block pricing or percent of total pricing do not support contracted pricing. Avoid creating contracted prices for products using these price methods.

Although contracted pricing has a few limitations, it makes adjusting prices on individual accounts very easy while reducing the number of price books administrators must maintain. Next we learn how sales reps can be allowed to manually override some prices.

## Flexibility in Pricing Before Discounting

Each of the pricing methods we’ve seen so far requires some level of administrator setup to establish how CPQ prices the products when added to a quote. Sales reps are often content with letting CPQ calculate prices; however some businesses want reps to have more control of pricing before discounts are applied. With CPQ, individual products may be configured to allow sales reps to manually override certain prices, or even change the pricing method used.

## Making List Price Editable

The simplest way to give sales reps the ability to tweak prices is to make a product’s list price editable. There is a field named Price Editable on the product record that unlocks the list price in the Quote Line Editor assuming that the pricing method is set to List. The Price Editable checkbox does not unlock list price when using block pricing or percent of total pricing.

## Making Pricing Method Editable

Sometimes it’s necessary to have a single product that is sold using two different pricing methods. For example, Wi-Fi installation is commonly sold at the price book price by using the list pricing method, but for large deals, it’s sold using the percent of total pricing method. Salesforce CPQ supports this scenario.

As an administrator, you can make the pricing method editable on a product-by-product basis by checking the Pricing Method Editable field found on the product. Your CPQ-enabled Developer Org has Pricing Method in the quote line drawer layout, but in other orgs you may need to add it to the layout. It’s also worth noting that the pricing method can be set through automation if you don’t want to expose the picklist to your sales reps.

## Custom Pricing Method

The custom pricing method becomes available when a product is flagged as Pricing Method Editable. This allows the sales rep to manually change the customer unit price and overrides every pricing tool we’ve discussed throughout this module. It even overrides discounting methods seen in the [Discounting Tool in Salesforce CPQ](https://trailhead.salesforce.com/content/learn/modules/discounting-tools-in-salesforce-cpq) Trailhead module. As such, use caution when making pricing methods editable.

Again, be careful when allowing sales reps to choose the Custom Pricing Method. This is another circumstance where it’s a good idea to create validation rules or approval processes to catch drastic pricing changes.

## Including Optional Quote Lines

Sales reps often want to include products on a quote but not actually charge for them. They’re just proposing optional products that the customer can consider adding to their quote. In that case, the quote line’s value shouldn’t be added into the Quote Total field.

Marking a quote line as optional is easy for sales reps, just check the quote line field named Optional. Doing so keeps all pricing details of the quote line intact, but the value is removed from the quote’s total. The Optional checkbox can be added to the Quote Line Editor so that it appears as a column, in the quote line drawer, and on the grouping interface.

Checking optional for a quote line group makes every product in the group optional, which is great for managing additional recommendations. In the screenshot we see that the quote total only includes the subtotal value of the first group because the second group is flagged as optional.

The proposal itself can also be configured to show optional items in a different section or on a completely separate page, making it even easier for the sales rep to communicate upsells. Quote lines flagged as optional do not sync to the opportunity, which keeps forecasting accurate.

Along with allowing sales reps to tweak list price, the pricing method, and customer price, the Optional checkbox gives sales reps control over the pricing of their quotes prior to applying discounts. This control ensures that your quote lines are priced just right every time.