**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.