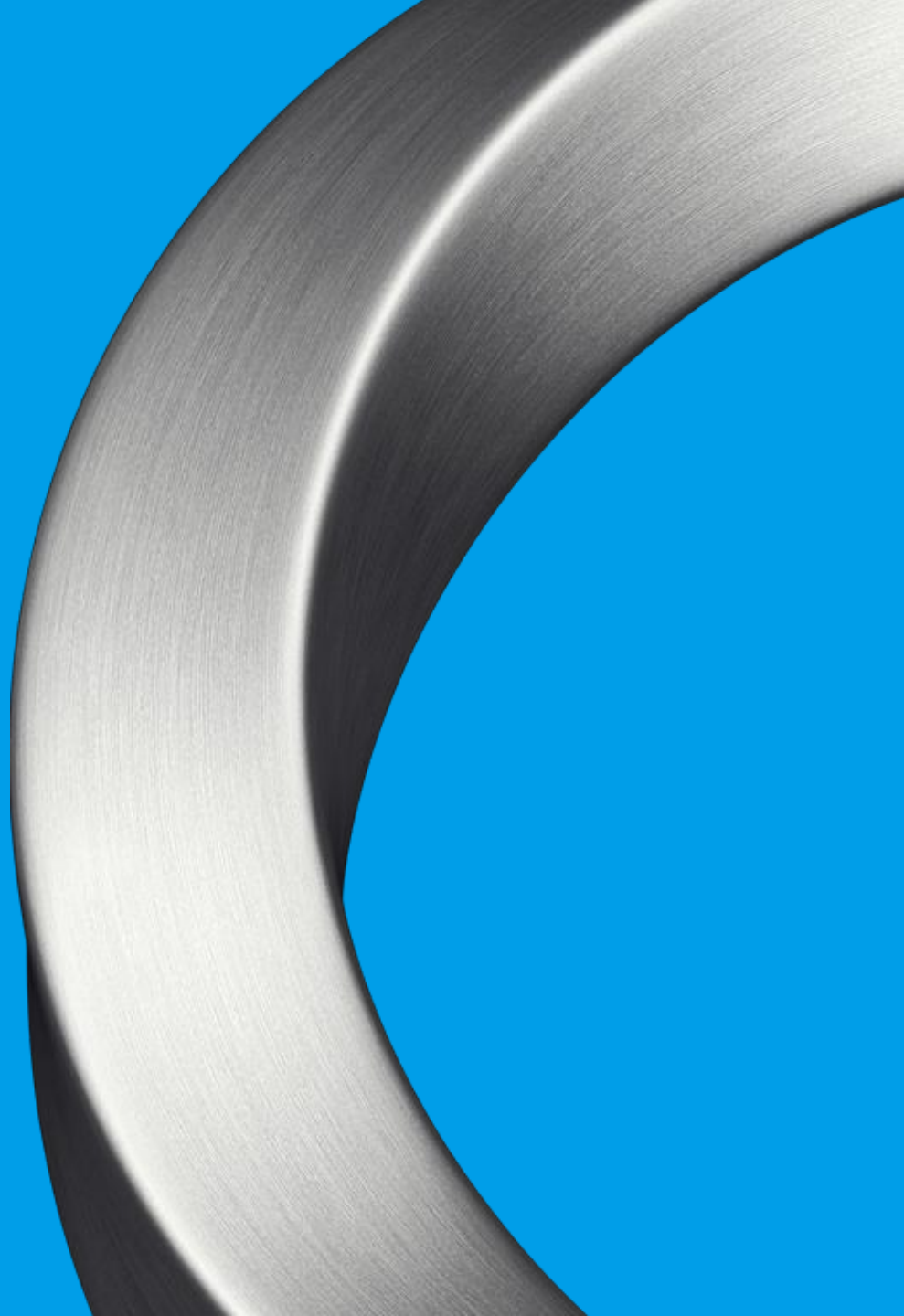# Configure, Price and Quote (CPQ) requirements for RFI

10th December, 2015

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Overall requirements for CPQ tool

Customer Experience

- Fast response times towards customer
- Consistent quotes
  - Document
  - Pricing
- Localized (own language, unit of measure)
- Self-service (e-Commerce)

User Experience

- Easy and quick to use
  - Limited training needs
- Guides and supports sales person in quoting
  - Guided selling
  - Alternative products
  - Visibility to available products
- "Embedded" in CRM
  - Mobile and office
  - Look & feel
- Real-time view on quoting processes
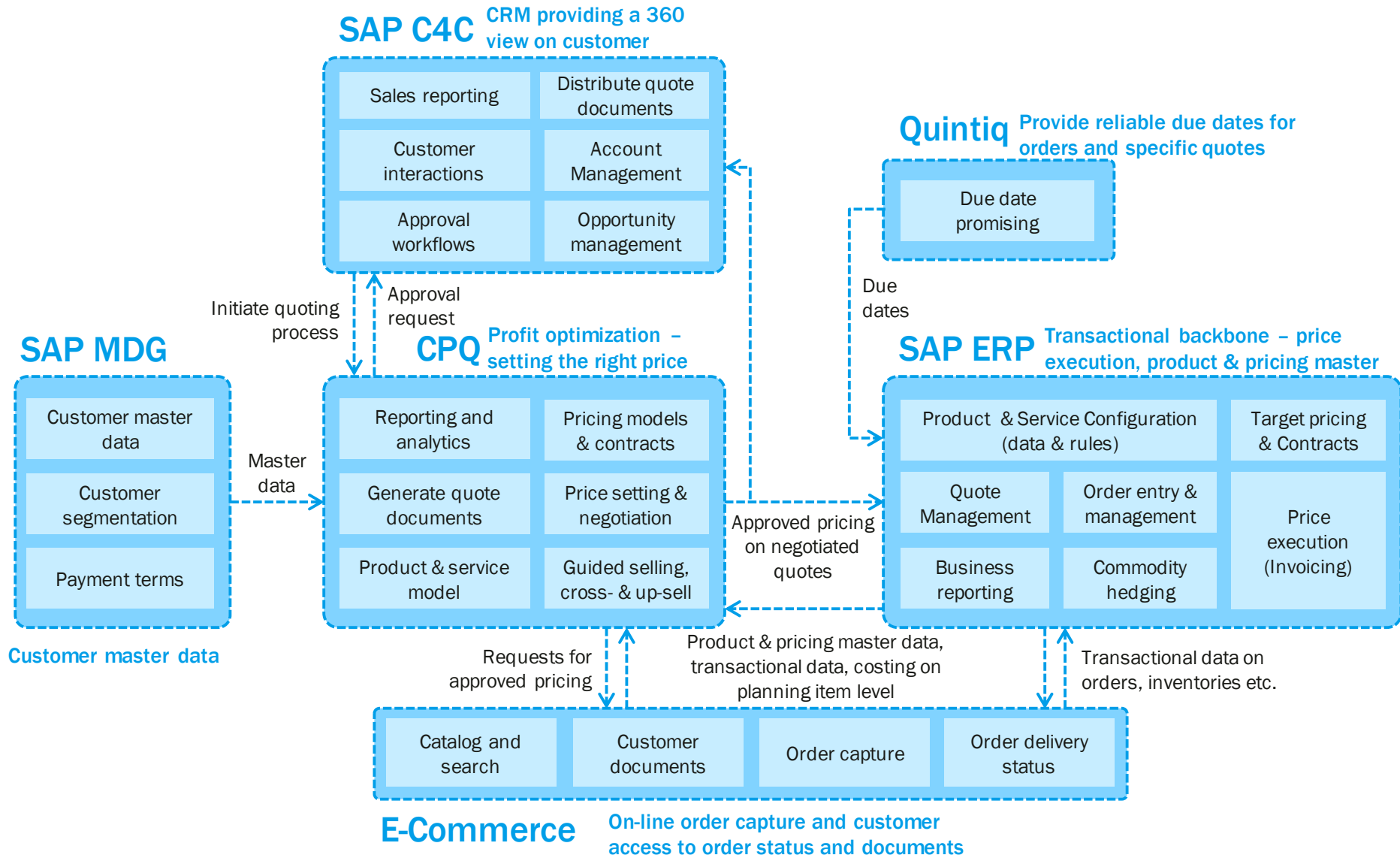
Functional requirements

- Configuration and pricing of products and services
  - E.g. product availability, customer segment etc.
  - Pricing per customer contracts, material and commercial terms
- Guided selling (e.g. questions supporting product selection, price setting)
- Suggest product and service alternatives
- Workflows for price agreement
- Quote document generation
- Version and change management of quotes
- Define and manage pricing policies
- Support for languages and units of measure
- Analytics capabilities (pricing related)
- Utilize customer segment and region in pricing, in generating alternatives etc.

Other non-functional

- Integration with ERP for product configuration and order to cash process
- Embedded in CRM (the user is able to access the
- Integration with CRM and MDG
- Mobility support
- Handle complex quotes (e.g. hundreds of line items by excel uploads)

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CPQ role and other applications in the target landscape
Conceptual view only – not intended as exhaustive view on linkages between applications

SAP C4C **CRM providing a 360 view on customer**

Sales reporting	Distribute quote documents
Customer interactions	Account Management
Approval workflows	Opportunity management

Quintiq **Provide reliable due dates for orders and specific quotes**

Due date promising

Initiate quoting process

Approval request

Due dates

SAP MDG

Customer master data
Customer segmentation
Payment terms

Customer master data

Master data

CPQ **Profit optimization – setting the right price**

Reporting and analytics	Pricing models & contracts
Generate quote documents	Price setting & negotiation
Product & service model	Guided selling, cross- & up-sell

Approved pricing on negotiated quotes

SAP ERP **Transactional backbone – price execution, product & pricing master**

Product & Service Configuration (data & rules)		Target pricing & Contracts
Quote Management	Order entry & management	Price execution (Invoicing)
Business reporting	Commodity hedging	

Requests for approved pricing

Product & pricing master data, transactional data, costing on planning item level

Transactional data on orders, inventories etc.

E-Commerce **On-line order capture and customer access to order status and documents**

Catalog and search	Customer documents	Order capture	Order delivery status

CPQ key functionalities

Supporting profit optimization for individual deals and annual contracts

Price setting & negotiation	Setting the best price and other commercial terms • Supporting individual orders, larger project deliveries and annual contracts • Aligning with customer or customer segment specific rules and restrictions (such as customer annual contracts, service catalog based on segment, payment methods and terms and associated restrictions etc.) • Price sensitivity and support finding alternative products • Deal margin (price vs cost estimate); SAP ERP to provide planning item level costing to support margin estimation • Use of Outokumpu service catalogue (e.g. fulfilment models, transportation options, packaging, testing, certificates etc.). Standard delivery lead times based on fulfilment model and product can be utilized within the CPQ tool • Trigger approval workflows within CRM to approve pricing when this exceeds set thresholds (monetary, quantities, discounts etc.). • Collect relevant information through ERP (e.g. related to due dates, hedging)
Guided selling, cross- & up-sell	Support and guide users in product identification, price setting, cross-selling and up-selling • Guiding the user with intelligent questions targeting to collect customer requirements (for products and services) • Identify best-fit product & service based on customer requirements • Suggest alternative and/or complementary products based • Support marketing and product related campaigns • Support analytics of customer buying history and comparison with similar customers
Pricing models & contracts	Model for pricing products and services • SAP ERP Sales & Distribution module provides a master for pricing of products and services • Pricing model needs to adhere with group and business area level pricing strategies and policies (target pricing, restrictions; approved pricing schemes per segment) • Adherence and utilization of customer specific annual contracts • Analytics to support pricing of individual contracts

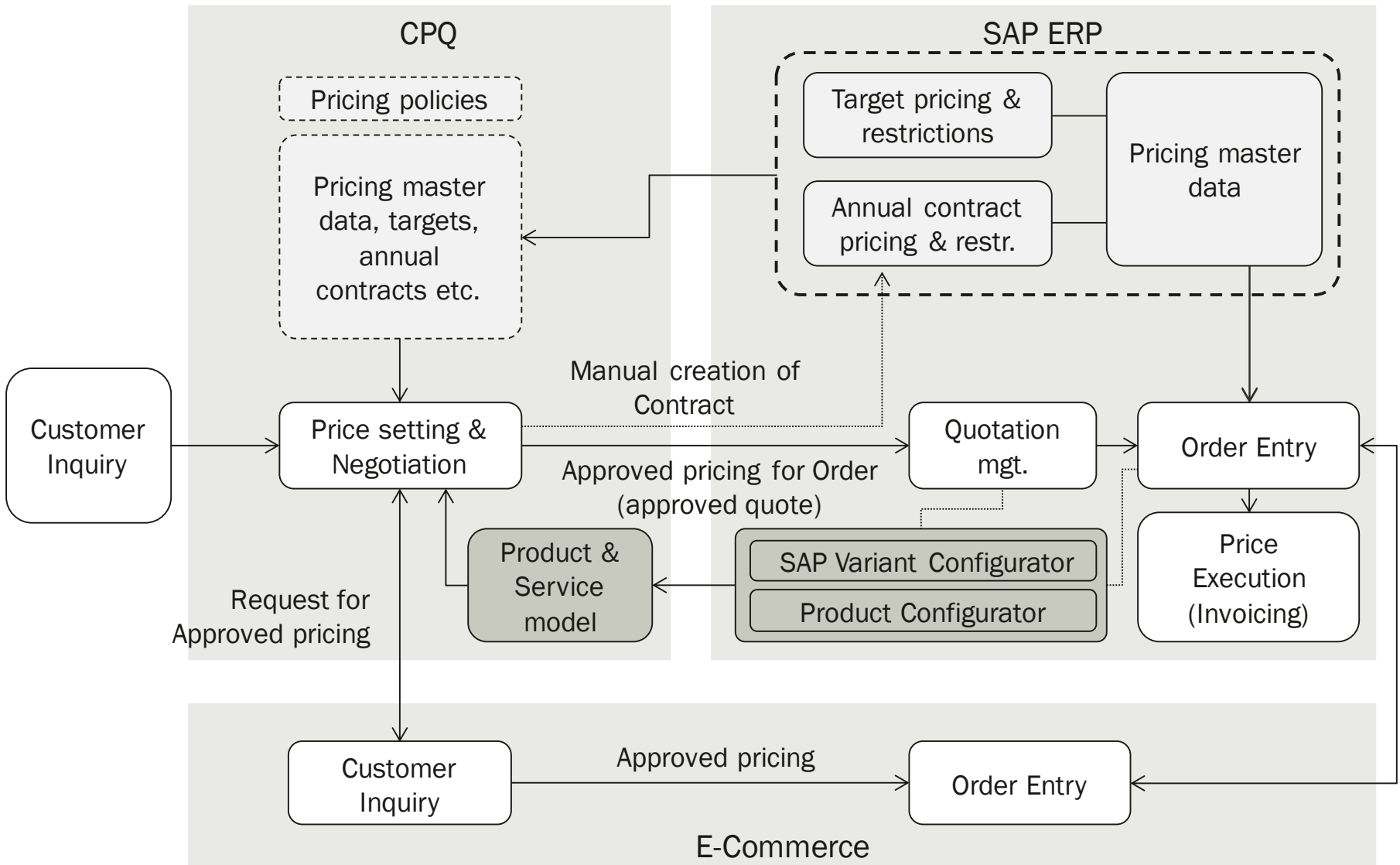|			
Generate & distribute quotes	Generation of quote documents and their distribution to receiving parties • Generate quote documents in common format	**Product & service model**	Model for products and services • Product master data and rules are held within SAP in a specific Product Configurator tool which is connected to SAP Variant Configurator (VC) • SAP VC can act as integration point towards the CPQ • Product model within CPQ is a simplified version of the actual model aiming to cover standard products • Product model within CPQ is enhanced to support guided selling and other CPQ functionalities
Reporting and analytics	Reporting and analytics within the tool • Supporting analytics for individual deals • Supporting reporting and analytics related to price setting and negotiation process relevant to CPQ tool		

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Key ERP functionalities interacting with CPQ tool

Product & Service Configuration (data & rules)	The ERP will dynamically generate products based on set of rules and master data • A specific Product Configurator tool embedded within ERP will contain these rules and master data. This tool will also populate SAP Variant Configurator with relevant characteristics to facilitate SAP Standard processes. SAP VC can act as integration point towards the CPQ tool • Products are normally generated dynamically at order entry time using the Product Configurator and SAP VC
Target pricing and contracts	SAP Sales & Distribution module will be the master for product and service pricing • Target pricing and associated restrictions; Annual contracts with customer specific pricing and restrictions • This pricing is used within the ERP for price execution. • The pricing will be maintained within the ERP and distributed to the CPQ tool
Quote Management	Provides integration point towards order to cash process • Approved quotes within CPQ are sent to SAP SD quotation management to facilitate creation of sales orders • Other potential uses are to request due dates for quotes for large project deliveries (e.g. orders with hundreds of lines where the customer is requesting expected due dates per order line) or to link with hedging process for large fixed price orders
Order entry & management	Order entry and management and the whole Order to Cash process takes place inside SAP ERP • Orders can be generated from the approved quotes sent from the CPQ tool to quotation management within SAP ERP. Orders can be also created within ERP based on target pricing or pricing on annual customer contracts. • Final configuration of products will be carried out by sales administrative staff within the ERP after approved pricing is in place • Approved pricing can be received either through CPQ or can be based on target pricing or annual contracts within the ERP • Due date promises to customers are held within sales order schedule lines within the ERP. The ERP acquires these due date promises through a request to Quintiq based planning solution. These dates can be requested also for quotes within the ERP.
Price Execution (Invoicing)	SAP Sales & Distribution module will perform price execution realized finally as invoices sent to customers • Final prices will be based on aspects that can be only deduced later in the process, such as daily alloy surcharge (calculated at an agreed point between placing the order and delivering the product) or the actual quantity and quality delivered

Business reporting	All financial and business reporting • Customer profitability analysis • All operational business reporting • Business analytics	**Commodity management**	Commodity management and hedging • Commodity and risk management takes place within the ERP. Pricing and approvals related to large fixed price orders are linked to associated hedging process.

Key CRM functionalities interacting with CPQ tool

Customer interactions	Saving and sharing customer interactions • Save relevant customer interactions (emails, enquiries, technical and product data requests) and share them efficiently within the group sales organization • Multi-channel distribution of sales quotes to receiving parties • Share information between sales and technical customer service organizations • Find relevant information regarding customer interactions easily • Make substituting sales people easier during vacation periods or other absences • Maintain customer related task workflows and approval workflows • Create and maintain customer visit reports
Account management	Develop account • Create prospect or influencer account (new customers or industry decision makers) • Initiate account master data maintenance workflow • Manage account contact details (customer's employee information) • Develop and maintain account planning maintain customer share of wallet • View marketing and product campaigns related to a particular account
Opportunity management	Creating and maintaining market information for future sales opportunities • Obtain information on sales opportunity from market • Share information within group wide sales organization • Shape and develop the opportunity by following the common sales process • Evaluate the opportunity based on valid information and data • Opportunity management is a baseline for quotations
Sales reporting	View aggregated sales reporting data • Sales reporting data per account is available through other group wide applications

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Pricing and product master within the ERP

CPQ

Pricing policies

Pricing master data, targets, annual contracts etc.

SAP ERP

Target pricing & restrictions

Annual contract pricing & restr.

Pricing master data

Customer Inquiry

Price setting & Negotiation

Manual creation of Contract

Approved pricing for Order (approved quote)

Quotation mgt.

Order Entry

Request for Approved pricing

Product & Service model

SAP Variant Configurator

Product Configurator

Price Execution (Invoicing)

Customer Inquiry

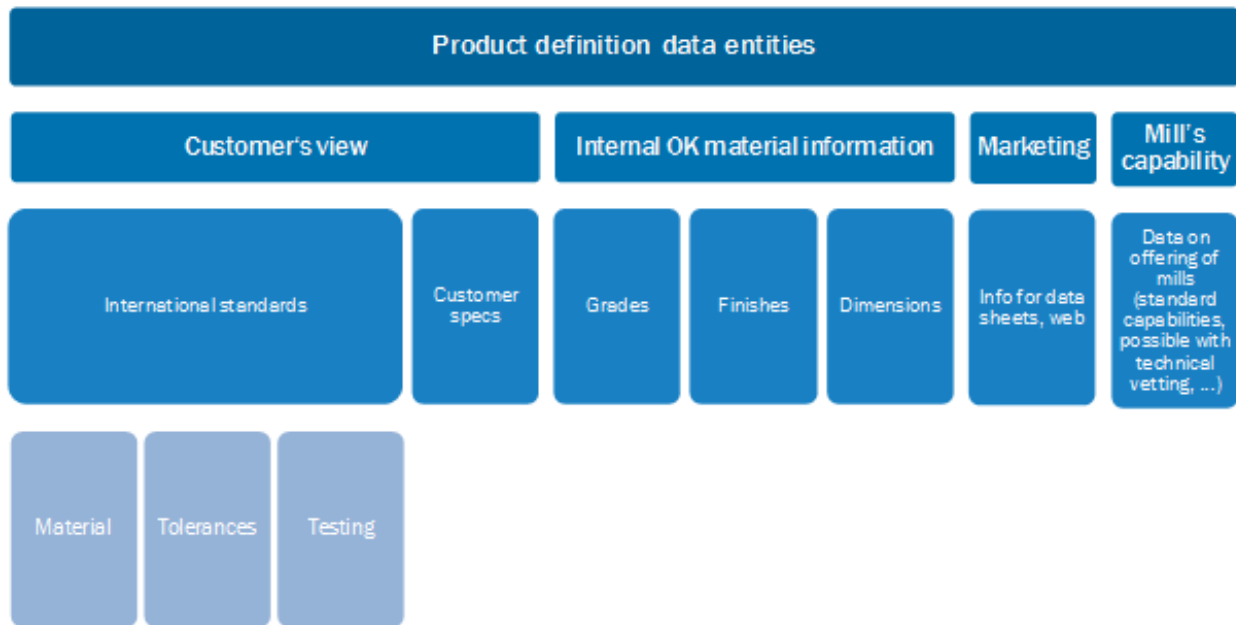Approved pricing

Order Entry

E-Commerce

Pricing main components

- Base price for grade

- Product extras e.g. surface finish, plastic coating, thickness, slitting, cut-to-length, etc.

- Service extras e.g. fulfillment model, transportation, testing, inspections, certificates, packaging etc.

Relevant for price setting

- Alloy surcharge e.g. Daily Alloy Surcharge (DAS), Monthly Alloy Surcharge (MAS) etc.

- Actual delivered quantity and quality

- VAT

- Discounts

Relevant for price execution

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Product example

Product definition data entities

Customer's view		Internal OK material information			Marketing	Mill's capability
International standards	Customer specs	Grades	Finishes	Dimensions	Info for data sheets, web	Data on offering of mills (standard capabilities, possible with technical vetting, …)
Material	Tolerances	Testing				

- CPQ should be able to handle the following items:
  - Product configuration floated dynamically from ERP VC
  - Rules and constraints (e.g. What products are available from which units, what surface finishes are possible for which product types/ descriptions)
  - Different production models (MTO, MTS)
  - In typical quote there can be 1-20 item lines (as described on the left)
  - Product attributes to be specified can be as many as hundreds or only a few due to using national or international standards that have higher level of definition than customer wishes
  - Attributes relate to e.g. steel grades, standards, dimensions and packaging that customer wishes and pays for

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Thank you!

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