

CPQ Circle Newsletter

NOVEMBER 2019



INDUSTRY TRENDS
LATEST TRENDS IN
THE CPQ INDUSTRY



NEWS
GLOBAL NEWS ABOUT
CPQ



MIXED CORNER
VARIOUS CPQ TOPICS

CPQ CIRCLE NEWSLETTER



State of CPQ in November

The Gartner Magic Quadrant for CPQ is finally out and participating CPQ Vendors quickly made downloadable versions of the report available. This comes in the very important fourth quarter for many of the CPQ Vendors and so their Sales Teams were following up very quickly with everyone who registered to download the report. While some new CPQ Vendors were included in the report (KBMax, Pricefx, Yagna IQ) some have been removed

**Gartner
Magic Quadrant
for CPQ**

compared to the 2018 MQ Report (Connectwise, Model N, Sigma Systems). The following CPQ Vendors improved their rankings from last year to this year: Apparound, Cloudsense, Tacton, Vendavo, Vlocity and Zuora. Plus the following use cases were included in the report

1. Direct Sales
2. Channel Sales
3. Self Service Sales – eCommerce
4. Subscription Management
5. Complex Manufacturing
6. Solution Selling

The report is done well and has useful information for a customers first look at CPQ. Congratulations to all CPQ Vendors who participated in this report! Here some additional thoughts. The **first point** is that the annual CPQ growth number in the report appears too low. Based on cloud-based estimates from MGI Research the annual growth rate should be closer to 34% instead of 15%. The **second point** to think about is that CPQ Vendors that never compete with each other are named in the same report. This is confusing to customers. Example: Vlocity and KBMax will not typically compete for the same customers. It makes sense to have a more interactive report that lets a customer provide some data points to see what they are really interested in (i.e. Select an Industry, required capabilities, CRM System used, ERP System used). Basically a configurator for the report which would also allow more companies to be named in the report. **Third point** is the reports comes out a little too late. You see the survey cut-off date as well as the demo cut-off date was in June. Why does it take four months to release the report? **Fourth point** is that there is no mention of a hybrid sales use case which becomes more important as the eCommerce (their Self Service Sales) use case is becoming more common for CPQ. See the “**CPQ Market Overview – November 2019**” (Page 5) to learn more about the “Hybrid Use Case”. **Fifth point** is that Apttus is still investing in Microsoft in theses three areas.

- Integration with Microsoft Dynamics which helps Microsoft Dynamics users to utilize Apttus functionality on Salesforce by providing bi-directional synching of Data
- Micro-services for high compute needs
- AI capabilities, for example with out-of-the-box conversations for Quotes that have expanded vocabulary

Sixth point is that some innovative companies that are very successful in the market are not even getting an “honorable mention” (i.e. dealhub.io, Verenia, In Mind Cloud). This feeds straight into the narrative that some of these Industry Analyst reports are pay-to-play schemes. **Seventh point** the coverage of CPQ system integrations seems to focus a little bit too much on CRM systems. While that is certainly important ERP (or backend) system integrations with CPQ are also important and this topic does not get enough coverage in this report. **Last but not least** the Solution Maintenance deserves a little more information since this will considerably impact the costs for a customers CPQ Solution.

Reviews

CPQ Vendors remain split on whether Analyst Reports or online software reviews are more important for their bottom line (RoI). As a rule of thumb it can be said that CPQ Vendors like the reviews best where they have the best placement. CPQ Vendors that are named in both Analyst Reports and online software sites typically rank Analyst Reports as more important.

More customers mention that they want end-to-end business automation. This means that Customer Relationship Management (CRM), CPQ and Enterprise Resource Planning System (ERP) should be more tightly integrated. For example, customers want to see what inventory is available in the configurator. They also want to integrate more Data from 3rd party sources into CPQ. It does not necessarily all have to be from one CPQ Vendor but it shouldn't be from five different CPQ Vendors either. A key decision point is how much maintenance is required to achieve the end-to-end business automation. CPQ Vendors who do not provide an end-to-end Solution may explore Partnership options.

*More Customers
look for
open solutions*

PPS Events

CPQ Vendors that attend Professional Pricing Society (PPS) events mention that most attendees are at the "Director" or below level. That means that these events are good information and networking events for resources with hands-on experience but do not work well to meet decision makers.

CPQ Market size numbers are very different depending on where the data is coming from. Example: MGI Research states that the global cloud-based CPQ Market is estimated to be \$3.14B from 2018-2022 with a 34.4% CAGR, while Gartner says the CPQ Market in 2018 was \$1.2B and only grew by 12% (almost all attributed to cloud solutions) and in 2020 it will grow by 15%. Growth rates for different CPQ Vendors vary widely but the 12-15% growth rate mentioned by Gartner seems too low. Of the 30+ global CPQ Vendors we talk to regularly the growth rates are between 10-300%+. MGI Research numbers are used by leading CPQ Vendors and are considered industry-leading.

CPQ Market Size

Under-investment in Sales & Marketing

Some CPQ Vendors continue to under-invest in Sales & Marketing of their CPQ Solution. In a crowded CPQ Market it is critical to be noticed by customers. That happens typically via “smart” marketing efforts, by attending Industry Events and by being visible on Software Review sites, Analyst Reports and Professional sites like LinkedIn. Nevertheless business is working well or very well for most CPQ Vendors.

Some CPQ Vendors mention that their websites do not mention interesting features their solutions have and/or that visitors have a hard time finding them. They look at updating their websites to make it easier for visitors to find the information they are looking for. Some mention that they dig deep into Google Analytics (or similar tools) to better understand visitor behavior on their website before they make any changes.

Hidden CPQ Features

Mixed Topics

Enterprise customers ask for more pricing capabilities in their CPQ Solutions. Not all need Data Scientists but they look for more capabilities than “just” importing a price from their Price Source System (i.e. ERP).

CPQ Vendors currently prepare their Event and Speaking schedules for 2020. Make sure to check their websites and announcements in the coming weeks if you plan to meet them in 2020.

Numerous System Integrators (SI) especially on the Salesforce platform mention that they are exceptionally busy. Some mentioned that demand is “off the charts” and that they don’t know how to handle all the work.

Check out the [technology stack page](#) from G2 to learn how to build Account based marketing campaigns.



Industry Trends

CPQ Customers are getting inundated with marketing materials. They tell us that they no longer pick up the phone or respond to emails. CPQ Vendors need to invent new ways to contact customers and to develop interest for their CPQ Solutions.

More US-based CPQ Vendors mention that they do not regularly meet their customers in person but virtually. They do not meet customers face-to-face during the sales process and may not meet them in person during the implementation project. While this approach reduces travel related expenses, not all customers are comfortable with it. Almost all CPQ Vendors offer in-person meetings if the customer requests this and is willing to pay for it.

Manufacturing customers express increased interest in various “Internet of Things” related technologies like data analytics, machine learning and sensors. This is also confirmed by CPQ Vendors who work with Manufacturing customers.

CPQ Vendors start to talk more about “headless commerce”. This topic is not typically discussed with customers but more with their internal development teams. The challenge here is that it is not always clear what exactly is meant by headless commerce for CPQ. Sometimes it refers to the collaboration between different CPQ user roles (i.e. buyers,

sellers) in summary it is about a seamless customer experience. In other cases it refers to the frontend/backend technology of the CPQ engine. Example: The configuration engine can be used by a user on a desktop, tablet or smartphone or in a machine-to-machine configuration. The engine is always the same but the user interface (or the lack thereof) is different. This is especially important for eCommerce usage. In the latter case the advantages of headless are increased flexibility (because front-end and back-end are decoupled), more personalization and less maintenance (since only one part is changed – front-end or back-end). Expect to hear more on this topic in the coming months.

Multiple CPQ Vendors mention that their existing software license sales shows strong growth through Merger & Acquisition activities of their existing customers.

Global Venture Capital and Private Equity interest in CPQ Vendors remains very high! It has been especially strong over the last three months. Expect more announcements of funding rounds etc. in the coming months.

Many CPQ Vendors show strong interest in working with G2, especially in North America, while numerous System Integrators mention they don't see value in working with G2.

Smaller CPQ Vendors mention that they are uncertain about investing in off-the-shelf eCommerce integrations because their customers request capabilities like mobile quoting but don't use it once it is available. It is potentially a considerable financial investment and risk for them.

Some smaller CPQ Vendors currently look into funding options to grow their business. While some companies that get funding offers are not interested in accepting them others that are interested can not find a VC or PE to invest in them.

Some System Integrators currently look closer at options to work with Vlocity. Demand for Vlocity in some industries and locations (i.e. parts of Europe) is very strong and since they are also mentioned as a leader by Gartner in the MQ Report more SI's get interested to explore these collaboration opportunities. This does not have to be in the CPQ area but can be in other areas like for example financial services.

A number of CPQ Vendors mention that G2 and LinkedIn (with their combined product offering) work very well for them as a lead generation tool.

Some CPQ Vendors now provide a success guarantee. While there are some caveats it is meant to provide peace of mind to a customer that their project will be successful.

Large System Integrators mention that they see strong demand for more visualization capabilities. Especially demand for 2D and 3D visualization is high.

Numerous Customers, System Integrators and CPQ Vendors confirm that the current shortage of CPQ talent continues.

Customers keep asking for software tools that help them to move from their current on-premise CPQ Solution to a new cloud CPQ Solution. This provides an interesting opportunity for CPQ Vendors with an old on-premise Solution and a new cloud Solution to offer their existing (on-prem) customers their new cloud Solution and tools that help with the transition.

Numerous CPQ Vendors mention that they are currently re-doing their User Interface to adjust it to a modern customer experience.

Multiple System Integrators mention that current demand for Apttus CPQ remains low. Some even mention that they are careful about working with Apttus at this time.

More customers, especially large Fortune 500 type customers, expect that CPQ Solutions provide more intuitive help for their users. That is because they have so many Sales Rep users, which change so frequently, that they can't afford to spend so much time on Sales Enablement training. One on one training or dedicated training sessions are rarely used anymore.

Some large System Integrators expect Q4 to be fairly flat but plan to start into 2020 with a splash.

Various CPQ Vendors in Europe mention that their customer prefer to work with local resources who speak the local language. They consider it a competitive advantage when they offer this.



News

Veloce published their app on the Salesforce AppExchange. See [here](#). They will also be a sponsor at Dreamforce this year. (Booth #303). Read more [here](#).

Blueprint CPQ announced the launch of BlueprintAMS a servitization solution. Read more [here](#)

PROS announced that they hired [John Alessio](#) as Chief Customer Officer. John will be responsible for professional services, customer success, and customer and partner enablement. PROS also announced third quarter 2019 financial results. Total Revenue was \$64.2 million, up 31% YoY. Subscription Revenue was up \$37.5 million, up 57% YoY. Read more [here](#).

Statera, a System Implementer based in Denver, CO is acquired by Navint. Read more [here](#).

commerce tools a cloud native, headless and API-first commerce platform receives \$145M investment from Global Venture Capital firm Insight. Read more [here](#) .

Protik Mukhopadhyay from Standav published an article “Sales Transformations for Industry 4.0” in Forbes. Read more [here](#).

Louis Columbus published another article on Forbes “Redefine how you see products to sell more with CPQ”. Read more [here](#).

McKinsey article “How smart platforms can crack the complexity challenge in project industries” from October 2019. Read more [here](#).

Logisense and **servicePath** form a strategic alliance. Logisense provides usage-based billing and subscription solutions while servicePath adds their Quote to Cash Solution. Read more [here](#).

IBM launched the “Sterling Supply Chain Suite” in mid October. They moved away from the Watson branding since the Sterling brand was stronger for their customers. The Sterling CPQ Solution is part of the Order Management Solution and IBM is making significant investments in this area. One key part is that the solution is to be open meaning that other Data Sources and Networks can be accessed. Especially their Developer Hub; in combination with Red Hat; will play a pivotal role here. Definitely expect to hear much more from this CPQ Solution in 2020. Read more [here](#).

ThreeKit raises \$20 million in a Series A funding round. Read more [here](#).



Mixed Corner

Publications

A “CPQ Market Overview – November 2019” was released. If you are interested to learn more about “Re-print licenses” for this report send an email to info@novuscpq.com

CPQ Training in Denver, CO

Novus CPQ is currently determining interest for a one day vendor-agnostic CPQ workshop in Denver, CO in January or February 2020. Send an email to info@novuscpq.com if you like to learn more. Note: We may organize this workshop together with a CPQ Vendor.

CPQ Vendor – Event Reports

We received positive feedback on the event reports from the last month – look forward to get one for Dreamforce as well

Mixed

CPQ Vendors demo solution to Analyst firms but have no intent on subscribing to their services (too expensive).

Tips & Tricks

For customers

- Start planning what Industry Events you want to attend next year. There may be some “early bird” discounts you can use if you schedule well ahead of the event.
- Spend time to determine what services your company can sell and how you can sell them before you select a (new) CPQ Solution. If you already have a CPQ Solution do a thorough services business analysis before you look at how to implement these services.

For CPQ Vendors

- Talk to your customers about how they can move from an on-premise CPQ Solution to a cloud-based solution. Customers are very interested to see what the potential/possible impact would be.
- Dig deep into your website usage data with Google Analytics. Some CPQ Vendors mention that they did a deep analysis of user behavior which helped them to considerably improve their conversion rates on their website.

For System Integrators

- Make sure that your customer-facing consultants (especially in Europe) speak the local language. Numerous customers (especially in the D-A-CH region and other European countries) mention that this is important to them.
- Offer the CPQ Vendors you work with to present their solution together with a reference customer at an industry event. This can be at large CPQ Vendors specific events, special capability events or general industry events. Close relationships with CPQ Vendors help many SI's to be more successful.

Ideas for improvements

n/a

Corrections

n/a

Upcoming Events in 2019 + 2020

2019

January							February							March							April										
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4	21	22	23	24	25	26	27	8	18	19	20	21	22	23	24	12	18	19	20	21	22	23	24	17	22	23	24	25	26	27	28
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35							1	40		1	2	3	4	5	6	44					1	2	3	48							1
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38	16	17	18	19	20	21	22	43	21	22	23	24	25	26	27	47	18	19	20	21	22	23	24	51	16	17	18	19	20	21	22
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40	30																							1	30	31					

December

3-4 e-connect Europe in Copenhagen, Denmark

3-5 Canalys channels forum in Taipei, Taiwan

Gartner Application Strategies & Solutions Summit in Las Vegas, NV

January 2020

12-14 NRF Retail in New York, NY

15-16 All about Automation in Hamburg, Germany

February 2020

2-12 Encoway e-Day 2020 in Blieskastel, Germany (Customer Hager Group)

9-12 Solidworks 3DEXperience World 2020 in Nashville, TN

11-12 Spare Parts Business Platform in Frankfurt, Germany

24-27 Mobile World Congress in Barcelona, Spain

27-28 Manufacturing Excellence & Process Innovation in Munich, Germany

March 2020

3 Variantenmanagement – 9. VDMA Tagung in Langen, Germany

5 Monetize 13 (invitation only by MGI Research) in Amsterdam, Netherlands

3-6 Work Truck Show in Indianapolis, IN

9-12 Modex 2020 in Atlanta, GA

10-12 SaaStr Annual 2020 in San Francisco, CA

10-14 Conexpo – Con/AGG (largest Construction Trade Show) in Las Vegas, NV

11-13 Rainmaker (Model N) in Orlando, FL

22-25 Shoptalk in Las Vegas, NV

23-26 Oracle Modern Customer Experience Conference in Chicago, IL

April 2020

1-3 Manufacturing & Technology in Pittsburgh, PA

2-3 Global Retailing Conference in Tucson, AZ

20-22 2020 Life Insurance Conference in Salt Lake City, UT

B2B Online in Chicago, IL

20-23 SuiteWorld in Las Vegas, NV

20-24 Hannover Messe in Hannover, Germany

22-24 Dig South in Charleston, SC

30 Monetize 14 (invitation only by MGI Research) in San Francisco, CA

May 2020

3-6 Sirius Decisions Summit in Austin, TX

4-6 Connections in Chicago, IL

12-14 SAPPHIRE NOW and ASUG Conference in Orlando, FL

17-21 IMPACT Smart Manufacturing Summit in Las Vegas, NV

27-29 Augmented World Expo 2020 in Santa Clara, CA

31-4 Cisco Live in Las Vegas, NV

31-3 Directions North Americas in Orlando, FL

June 2020

7-10 IASA 2020 (Insurance Industry) in Saint Louis, MO

9-11 IRCE @ RetailX in Chicago, IL

16-18 Digital Transformation World in Copenhagen, Denmark

17-18 SaaStr Europa 2020 in Paris, France

Zuora Subscribed 2020 in San Francisco, CA

22-23 Smart Variant Con 2020 in Berlin, Germany

23-24 Digitalisierung im Vertrieb, Munich, Germany

July 2020

14-16 [NRF Next](#) in Rancho Palos Verdes, CA

14-17 [ATG Quote to Cast Summit](#) in Missoula, MT

19-23 [Microsoft Inspire](#) in Las Vegas, NV

August 2020

3-5 [CompTIA ChannelCon 2020](#) in Aventura, FL

14-17 [ATG Quote to Cast Summit](#) in Missoula, MT