Build vs. Buy: Seven Factors Influencing Your CPQ Decision

Is it better to build a sales quoting and proposal system internally, or should you seek the help of a CPQ vendor? Let's take a look!

1 SCALABILITY

Internally developed proposal and quoting systems are ideally suited for a given product strategy and process, but often can't scale beyond that.

Large companies may have literally dozens of internally built or homegrown proposal or quoting tools, each perfectly aligned to a specific product or process area. The problem? Every quarter, these companies have to report financial results, and it can take weeks to aggregate the data from so many homegrown systems. Internally developed tools simply struggle to provide value in areas outside of their primary functions.

2 PROFITABILITY

Internally developed configure-price-quote tools struggle with limitations around profitable sales quoting.

Many companies will use different homegrown configurators for different product lines or sales teams, making it difficult for Sales and senior management to know what the gross-margin contributions per quote and proposal are. Homegrown systems can provide a threshold level for gross margins per quote and proposal, yet experience shows that less than 10% can do this interactively, 24/7 across all selling channels.

3 DATA MANAGEMENT

Price list, product, service warranty and discontinued-model data is more difficult to manage in a homegrown system.

While technically possible, it is often the case that many homegrown systems are designed on personal productivity applications like Microsoft Excel. That means it's up to each individual sales rep to manually update their own proposal and quoting program when new product information is released. Conversely, a single CPQ solution allows for automated updates across an entire global sales team, reducing the possibility of errors in configuration and quoting processes.

4 ADOPTION

Internally built CPQ systems often excel in adoption with a core group in sales. But …

… These systems don't typically scale well across all selling channels. That's because these systems were built to manage the needs of the sales team at the time they were designed. The majority of homegrown systems don't have the ability to easily scale out and support new sales teams or selling and service channels. Enterprise-class CPQ is specifically designed to accommodate new channels quickly and painlessly.

5 TECHNICAL INTEGRATION

Many companies cite speed, ease of updates and high adoption rates as reasons for building their own proposal and quoting systems without properly considering the long-term technical implications.

The trouble is, homegrown systems rely on manual updates and typically aren't designed to integrate with any other systems such as ERP and CRM. A CPQ solution that includes pricing functionality and critical system integrations improves usability in terms of time-to-quote and product updates. Homegrown solutions merely present the perception of speed and usability, while the reality is their lack of scalability and functionality limit their long-term effectiveness.

6 TRIBAL KNOWLEDGE

Building sales tools internally may elevate the risks associated with having only a few employees responsible for all of your product knowledge.

The biggest challenge many companies have is capturing product knowledge—from legacy product compatibility to how the latest product-generation components work together—and ensuring it doesn't walk out the door with a few employees. Homegrown systems typically lack the ability their enterprise-wide CPQ counterparts do to capture the depths of this expertise and translate it into rules that can be used to automate quote and proposal creation.

7 PRODUCT COMPLEXITY

Products and services are never "too complex" for anyone outside of the organization to understand. Product complexity may narrow vendor options, but shouldn't lock an organization into only homegrown solutions.

There are complex products and then there are extremely complex products. You might be able to get by with a homegrown system for the former, but the latter will usually still require engineers and other product experts to pore over each order line by line. The upside of going with a knowledgeable CPQ vendor is that you get 100% of the job done in a specific time period with minimized use of your own company's resources. This can reduce order processing time from days to minutes.

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