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RESEARCH

# INFOR LEADS THE CHARGE IN CPQ XR DEVELOPMENT

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## THE BOTTOM LINE

Configure, Price, Quote (CPQ) software solutions that leverage customized visual options will shorten the lead-to-close sales cycle by as much as 50 percent. CPQ visual configurators allow end users to customize proposals with great accuracy and can reduce the cost of materials by 25 percent, by reducing production errors. Nucleus identifies Infor as a leader in developing augmented reality (AR) and virtual reality (VR) capabilities within CPQ to drive further value from the solution's visual functions.

## OVERVIEW

CPQ software was developed to shorten and increase lead-to-cash cycle efficiency for sales teams by consolidating price information to generate quotes in real time. Today, CPQ functionality has grown to include in-depth logical rule making and extensive customization options, increasing quote accuracy and employee productivity.

Visualization capabilities of CPQ can range from static images, 2D schematics, and 3D models that represent customers' orders. Visualization techniques have also been expanded to provide visuals that update automatically according to customers' specifications. For example, a truck shipping company in the US provides its customers with a 2D schematic that is automatically updated as customers select desired product options. Upon order confirmation, the schematic is automatically ported through to the truck manufacturer for design and production. A visual configuration platform or model is another powerful function that customers can use to interact directly with a 2D or 3D model to customize their product within the CPQ solution. Measurements and specifications of the order are then extracted from the model to generate the quote in real-time.

## VALUE OF VISUAL CONFIGURATORS

Nucleus found that visual configurators within CPQ applications boost the primary value drivers of the solution, including increased sales margins and employee productivity, and improved customer satisfaction. CPQ visual configurators allow users to customize products on their own, saving the sales team time for other value-add tasks. Additionally, customers who can see their product beforehand are more comfortable with their purchases, which promotes lead generation and speeds up the decision-making process. The customer benefits of a visual reference are two-pronged: End-users (actual buyers) are shown a clear image of the final product before purchase, avoiding order errors and unnecessary returns. Visual references also improve customer satisfaction by managing customer expectations. Recognizing the value of a customer centric CPQ, Infor has differentiated itself from its competitors by delivering a vertically focused solution designed to better address its customers' complex needs. The visual configurators of a CPQ must also be designed top-down to fit properly with industry-specific requirements, which is why Infor is able to provide best-of-breed visual functionality.

For enterprise users, CPQ visual configurators serve to close the distance between engineering, manufacturing, and sales teams. Without a visual configurator, customer needs and requests are first interpreted by the sales team, and then fed to manufacturing for production, which frequently leads to product specification errors that require reworking.

Whereas, an interactive visual model delivers a customer's personalized order directly to the manufacturing team, eliminating the costly and time-consuming translation process. One Nucleus case study found that a home improvement specialist was able to increase revenue by nearly \$9 million during a three-year period from reduced material waste and increased production efficiency upon implementing a CPQ solution with an interactive 3D design model. Visual configurators are also a communication pathway between disparate departments. Engineering and manufacturing teams can manage scheduling, part availability, product and manufacturing limitations by setting rules, design limits, and other controls within the visual configurator to avoid interdepartmental conflict and miscommunication with customers.

## **FUTURE OF VISUAL CONFIGURATORS**

The next phase of CPQ visual advancement will incorporate extended reality (XR) applications such as augmented reality (AR) and virtual reality (VR) in the lead-to-cash process. AR is the function of adding a virtual overlay onto a live view, typically through a camera or smartphone, to display virtual elements in the real world. VR refers to the immersion of a user in a virtual environment by totally replacing one's visual field with computer generated imagery via a VR headset, such as the Oculus or HTC Vive. Both technologies operate in a real-time 3D setting, meaning users can view virtual objects and settings from a wide field of view—if not a complete view from all sides and angles.

Nucleus expects AR and VR use cases in the automotive, home and furniture, and industrial equipment industries, as well as in other businesses with complicated, large-scale, and customizable products. Like 3D models and static pictures, AR and VR will give users a more accurate view of the product. Easy-to-use Interactive XR platforms and models will allow sales teams and potential customers to generate designs without help from expensive engineering specialists. For example, enterprise users can leverage VR's spatial capabilities to design industrial equipment, all while receiving price information from their CPQ.

Nucleus identifies Infor as an example of a vendor leading the charge in XR development. By investing heavily in the technology, Infor will deliver AR and VR capabilities to their CPQ customers within the luxury retail industry. As the XR market penetration deepens, even low- and mid-level consumers could take advantage of AR to view a car or to see how certain furniture will look in their house from the comfort of their homes.

## LOOKING AHEAD

XR applications are only just beginning to penetrate commercial markets, and their usage as CPQ visual configurators is still in the nascent stage, but vendors must prepare their solutions to integrate with these new capabilities. To properly leverage visual configurators and maximize their value, CPQ developers must ensure seamless data flow between the different departments that the configurator touches. Therefore, a CPQ solution will have to integrate with the sales team's customer relationship management (CRM), engineering's project life cycle management (PLM), and the enterprise resource planning (ERP) software that enables manufacturing and back-office processes.

Due to its complex technical nature, combining AR and VR with CPQ functionality requires vast amounts of industry knowledge and expensive research and development. At this early stage, the technology is more suited for narrow verticals with similar products. Even if XR lives up to its hype, the technology is best reserved for specific use cases and vendors should only pursue its development if applicable to their customer base. Given the risk-averse nature of large well-established organizations, Nucleus expects smaller and more vertically focused companies to deliver advancements in CPQ visual configurators. Vendors, like Infor, should pursue the prime opportunities for pioneers to expand their customer base as they leverage XR technology to capture new verticals.