

# Configuring Market Success: VariSales from Variantum

## **CIMdata Commentary**

*Key takeaways:*

- *Global customers increasingly want products made just for them.*
- *Configure-to-Order (CTO) and Engineer-to-Order (ETO) strategies can help industrial companies deliver on this requirement.*
- *Many CTO and ETO companies struggle to ensure that quoted bids are actually profitable.*
- *Configure-Price-Quote (CPQ) solutions emerged to address this important problem.*
- *VariSales from Variantum, a global expert in product configuration and lifecycle management, builds on their strength in configuration management across the lifecycle from product definition through life.*

## **Introduction**

Manufacturing companies today face a complex, dynamic global market with competitors around every turn. Their customers increasingly demand products that are made just for them. To help meet this requirement, companies in varied industries rely on configure-to-order or engineer-to-order strategies to profitably deliver products to their customers.

Over the last several years, a new class of solutions has emerged to help companies enhance their ability to configure profitable products for their customers. Configure-Price-Quote solutions go beyond just configuration, using engineering and enterprise data to quickly develop profitable bids and solutions to customers' problems. This commentary focuses on a CPQ offering from Variantum, long known for their skills in lifecycle configuration: Variantum VariSales.

Research for this commentary was partially supported by Variantum.

## **Succeeding with Configure-Price-Quote**

Over the centuries, products evolved from artisanal, produced uniquely or in small lots, to mass produced. Manufacturers evolved from vertical integration to leveraging supply chains and marketplaces to make their varied products. Today, companies face a complex, dynamic global market with competitors around every turn. These trends drove the German government to develop their Industry 4.0 vision, where all elements of the economy are "smart," and require the ability to configure value networks with "App store simplicity" to help manufacturers profitably serve markets of one. To reach this lofty vision, both products and manufacturing processes must be significantly more configurable.

Global customers increasingly demand products that are made just for them. Thus, many different industries rely on CTO or ETO strategies to profitably deliver products to their customers. Also, product companies increasingly want to mass customize their way to markets of one to meet customer demands.

Product configurators have long addressed these issues, some very technical and some targeted toward business users. But effectively using these solutions creates a number of

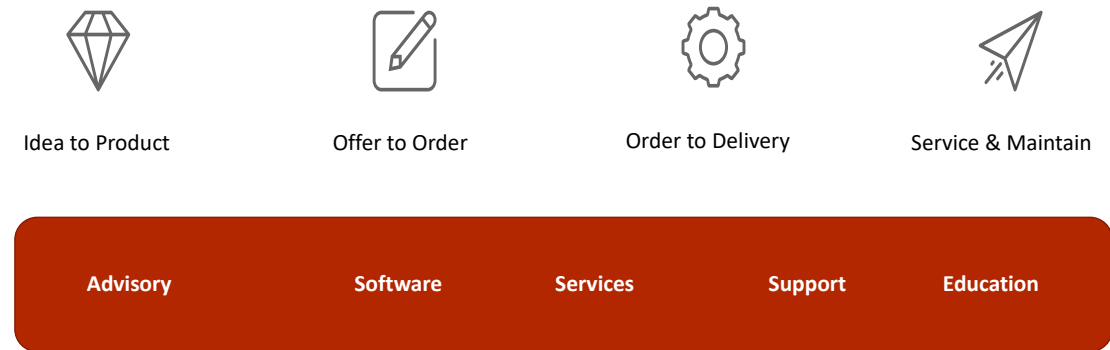
requirements that some companies struggle to master. Configuration skills, costing accuracy, timeliness of quotes to customers, and well aligned manufacturing processes are essential to make it work. But, as in other disciplines, many of the supporting solutions are designed for domain experts, so not readily accessible to others in the organization. In a recent study on advanced variant configuration management, CIMdata found that many large companies rely on Excel, email, and network drives to define and manage their configurations.

Over the last several years, CPQ solutions emerged to help companies enhance their ability to configure profitable products for their customers. CPQ solutions go beyond just configuration, using engineering and enterprise data to quickly develop profitable bids and distinctive solutions to customers' problems. They help give sales more control over the sales process, potentially eliminating pre-sales support, a big resource drain for many companies pursuing CTO/ETO strategies. CPQ solutions can also help bring new sales people up to speed more quickly and make them effective in new roles. CIMdata sees these capabilities as part of our product innovation platform definition.<sup>1</sup> We first investigated the CPQ segment in 2017 and revisited that assessment in early 2019. There are CPQ offerings focused on a wide range of industries, including energy and utilities, telecommunications, wood manufacturing, and others.

### Variantum VariSales

Variantum, with headquarters in Espoo, Finland, specializes in designing and delivering an enterprise class product lifecycle management (PLM) enabling solution platform built from the ground up to support complex configurable products throughout their lifecycles. Variantum's focus has allowed their compact team to design and deliver their solution to over 50,000 users across 80 countries. Their stated mission is to "...help companies to become more customer centric with their offerings."<sup>2</sup> CIMdata recently published an eBook that provides significant detail on the company, their offerings, and customer successes.<sup>3</sup>

Because of their long-time focus on the full lifecycle, Variantum frames their solutions in terms of "offering management": redefining how products, services, and software are produced, sold as well as maintained. Essentially, offering management includes the full product lifecycle, including research and development, manufacturing, production, sales, and maintenance. Figure 1 highlights this commitment to offering software and services to help companies address their offering management challenges.



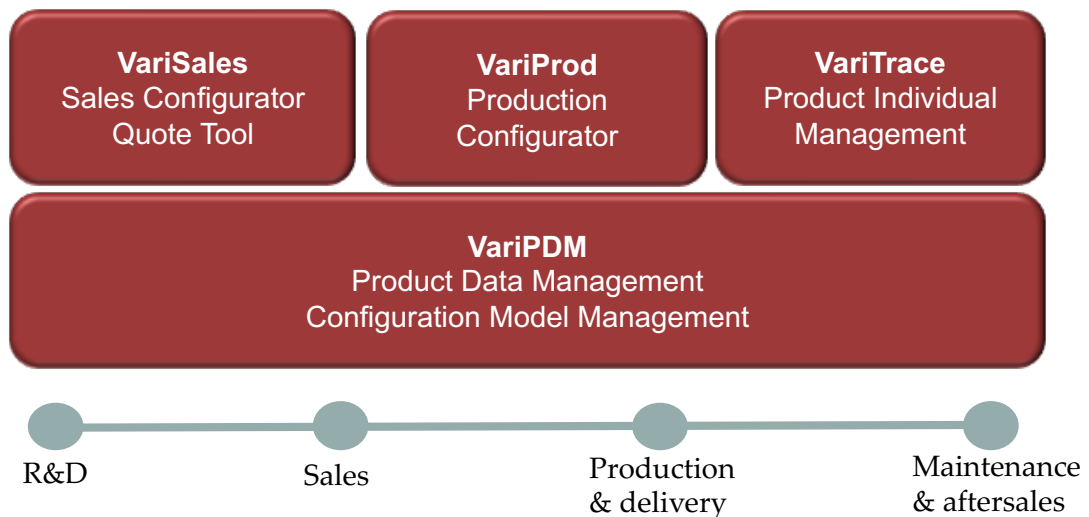
**Figure 1—Variantum's Business Model**  
(Courtesy of Variantum)

<sup>1</sup> <https://www.cimdata.com/en/resources/complimentary-reports-research/position-papers/item/8484-product-innovation-platforms-definition-their-role-in-the-enterprise-and-their-long-term-viability-position-paper>

<sup>2</sup> Source: Variantum presentation.

<sup>3</sup> For more information please see <https://www.cimdata.com/en/news/item/11110-cimdata-publishes-ebook-mastering-complex-configurable-products-through-the-digital-thread>

It is in this context that they offer VariSales, their entry into the CPQ market. This solution has been on the market for several years and the company is ramping up to better support expansion in the market. The company claims over 50,000 users, a number that is increasing. Variantum believes that basing their CPQ offering on the underpinnings of their product data management (PDM) solution makes their approach different from others in the CPQ market. CIMdata agrees with this assessment. This relationship between their solutions is highlighted in Figure 2. Most CPQ solutions focus on customer relationship management (CRM), an important part of the sales process to be sure. While this might be necessary, industry experience suggests that most companies struggle with configuration management skills, costing, and engineering-manufacturing collaboration. Variantum’s work with global leaders like Kone, where they help the company configure and lifecycle manage their elevators and escalators, has helped provide crucial insights into the quoting problems of industrial manufacturers. Building this capability on top of VariPDM best leverages the configuration management capabilities for which Variantum is known.



**Figure 2—Variantum's Solutions**  
(Courtesy of Variantum)

While VariSales was created as part of the Variantum product stack, companies do not need to use VariPDM for product model definition and management to benefit from their CPQ offering. There are alternatives. The product data models can be imported from any PDM system or VariSales can create the desired option and variant choices by importing this information via Microsoft Excel. Worksheets can be output from existing PDM/PLM solutions or built from scratch, which is all too common in CTO and ETO companies. This provides a lightweight alternative to modeling configurations using a PDM system. CIMdata believes that supporting companies with configurations from the extremely complex to simple is critical for market success, particularly for CPQ use cases. Costing information, essential to help CPQ users define buildable, profitable quotes for their customers and prospects, can be imported from enterprise resource planning (ERP) systems.

This information is used to populate and animate a sales configurator that can be used with most major Web browsers. The user interface (UI), shown in Figure 3, lets sales people in the field to rapidly configure buildable product offers. The total price of the evolving offer is updated with each change and shown in the lower left of the UI. Companies can also attach 3D viewable renderings to the configuration choices, with the product visualization updated in the right hand pane. This feature is offered by other CPQ solutions and can be very helpful to closing sales.

Once the desired configuration is determined, Variantum’s solution builds the product quote using standard text, sales conditions, pricing based on customer-specific discounts, and other needed information to support a customer’s decision-making process.

Variantum is leveraging early success with their lead customers to define requirements and test features. KONE, a global leader in the elevators and escalators business, has been a long-time Variantum customer. They use Variantum solutions to digitize the order-to-delivery process, integrating it with their aftersales efforts, resulting in a significant improvement in their time-to-market and order-to-delivery process.<sup>4</sup> Chiller Oy, a Finnish provider of heating, cooling, and energy applications, and Abloy, a leading manufacturers of locks, locking systems, and architectural hardware, report similar lifecycle benefits.<sup>5</sup> As a result of their initial market entry, Variantum is also offering two VariSales product variants. A simplified version of VariSales is available for mass product customers’ option lists, where the options lists are fairly simple but can benefit from CPQ. Variantum also offers VariCPQ, a product variant that leverages their configuration knowledge delivered on the Salesforce platform. They have an active VariCPQ beta program that is currently offered on the Salesforce AppExchange. Variantum is also planning industry-focused solutions that target other common CTO/ETO industries.

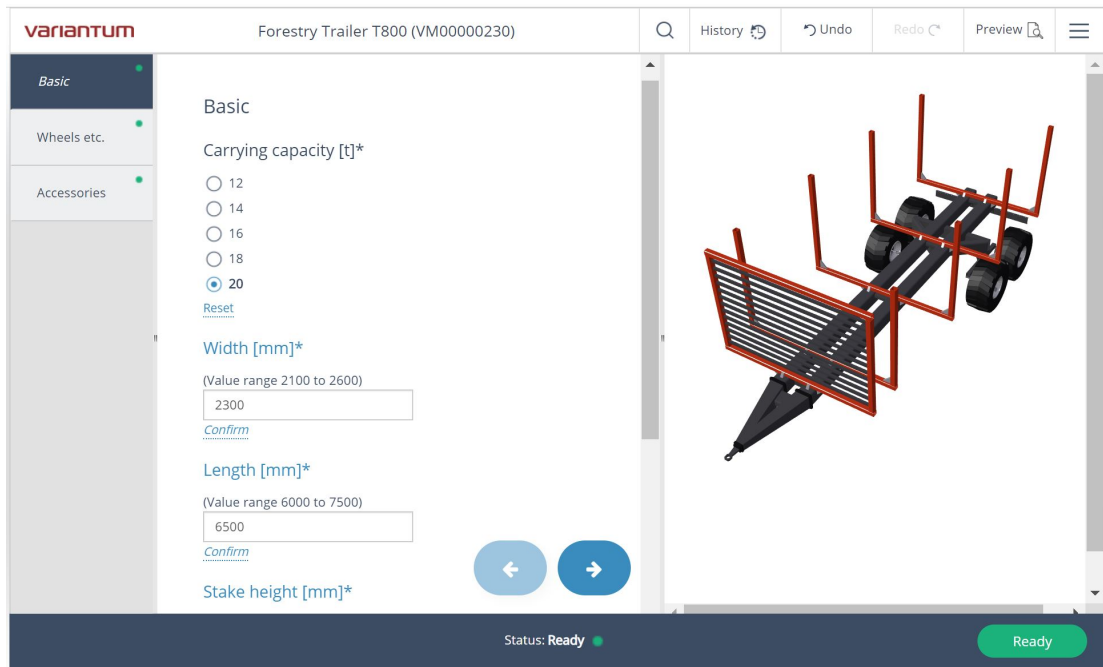


Figure 3—Configuring Products Using VariSales  
(Courtesy of Variantum)

## Conclusion

Many CTO/ETO companies do not know if they will be profitable on a bid until after they deliver the product—not a recipe for financial or market success. CPQ solutions are laser focused on ensuring that only profitable bids are placed in the hands of customers and prospects.

A part of the opportunity for CPQ in discrete manufacturing is in getting companies ready to successfully adopt and use CPQ solutions. Based on our global consulting work, CIMdata believes that many industrial companies are not prepared for the rigor necessary to support

<sup>4</sup> <https://www.variantum.com/kone/>

<sup>5</sup> <https://www.variantum.com/chiller/> and <https://www.variantum.com/abloy/>

CPQ. They will need to upskill in configuration management, rules generation, and their quoting process to get there. CIMdata sees both a software and services play to get them ready to adopt CPQ solutions. In Variantum, companies can get a CPQ offering built by lifecycle configuration management (CM) experts and consulting help to make it happen. Their market expansion plans are aggressive but with recent investment and staff expansion CIMdata believes they are realistic. VariSales is one of the few offerings in the market built by CM experts, with most coming out of CRM or other enterprise application areas. This attribute should make it of interest to CTO/ETO companies looking to improve their quoting process and profitability.

### **About CIMdata**

CIMdata, an independent worldwide firm, provides strategic management consulting to maximize an enterprise's ability to design and deliver innovative products and services through the application of Product Lifecycle Management (PLM). CIMdata provides world-class knowledge, expertise, and best-practice methods on PLM. CIMdata also offers research, subscription services, publications, and education through international conferences. To learn more about CIMdata's services, visit our website at <http://www.CIMdata.com> or contact CIMdata at: 3909 Research Park Drive, Ann Arbor, MI 48108, USA. Tel: +1 734.668.9922. Fax: +1 734.668.1957; or at Oogststraat 20, 6004 CV Weert, The Netherlands. Tel: +31 (0) 495.533.666.