FROST & SULLIVAN

tacton

2017 North American Configure, Price, Quote Product Leadership Award

FROST & SULLIVAN

2017 BEST PRACTICES AWARD

NORTH AMERICAN
CONFIGURE, PRICE, QUOTE
PRODUCT LEADERSHIP AWARD

Contents

Background and Company Performance

Industry Challenges

Of all of the markets served by CPQ vendors, manufacturing poses the most daunting opportunities. The slowly expanding economies are generating sales growth for manufacturers. And increasingly that demand is taking the form of customized products tailored to customer-specific requirements and environments.

But manufacturers face shortening innovation cycles, demanding customers (in both B2B and B2C markets), global competitors, and a myriad of regulations. Customers often want products yesterday. But manufacturers are confronting increased time-to-market for new customizable products and existing products alike, driven by product complexity and by dependency on often global OEMs for components. Manufacturers also often struggle with translating customer needs into quotes, with priced articles that are later translated into production orders.

CPQ software greatly assists manufacturers in satisfying their customers' requirements. But the applications may require difficult and costly integration with their CRM and ERP systems. And, driven by customer demand, manufacturers may be seeking advanced tools such as 3D visualization. But with many new entrants in the CPQ vendor space, manufacturers may be become bewildered in seeking to understand what capabilities they should expect and what results they could obtain by choosing the right software.

Product Family Attributes and Business Impact

Criterion 1: Match to Needs

Tacton focuses on anticipating and meeting the needs of innovative manufacturing businesses, particularly those engaged in smart manufacturing (Industry 4.0) initiatives. Tacton's flagship product, Tacton CPQ, synchronizes engineering and production with sales. The solution's intuitive browser-based application simplifies defining product configuration rules, and in updating them as products change.

Tacton CPQ also has the flexibility to align with manufacturers' business and technology environment needs and requirements:

- Country and role-specific proposals, with the ability to manage product variations based on local laws and regulations, and in multiple currencies and languages
- Integration with CRM, ERP, and PLM systems to facilitate data transfer
- Integration with CAD systems for engineer-to-order businesses
- Support for manufacturers of all sizes

Criterion 2: Reliability and Quality

Tacton's solutions have delivered strong results for its roster of over 250 customers. Here are three examples:

- Caterpillar reduced quote engineering time from 80 hours to 20 minutes
- Dramatically improved sales for GE Healthcare's large scale chromatography systems with 3D visualization

- Siemens Industrial Power cut gas turbine custom quote time from 8 weeks to minutes

Criterion 3: Product/Service Value

Tacton CPQ has been written to minimize extensive costly and time-consuming customization. The solution's constraint-based configuration means far fewer rules. The application always presents the solutions that best meet customers' needs. Tacton CPQ considers all variables simultaneously, resulting in error-free (enabled by automatic error resolution), valid, and consistent configurations.

Tacton CPQ enables sales reps to become more productive. It offers guided selling, collaborative quoting tools, built-in commercial and technical approval workflows, and automated branded proposal and supporting documents generation.

Tacton CPQ is highly scalable. The product's stateless configuration engine handles complex models and high user loads. Tacton also offers it in two market-tailored editions:

- Professional, featuring out of the box industry-specific process, templates, and workflows

- Enterprise, with the ability to modify the solution, such as updating pricing models and configuring the quotation templates, without writing software code

Tacton CPQ is available hosted in the cloud and on-premise. Cloud/hosting, on a multitenant platform, reduces up up-front investment and system maintenance costs.

Criterion 4: Design

Tacton keep its product fresh and relevant. To illustrate, the company launched its new CPQ platform in late 2016. Here are several of its key features:

- Sales engineering process automation through fully integrated CAD functionality

- Native live 3D product visualization as products are being configured

- Order entry to ERP systems, with feedback to the CPQ application on order status

- A new intuitive user interface with responsive design

Tacton has also released an extension for Salesforce CPQ, which is built and hosted on the Salesforce App Cloud. It has also added apps for iPad, iPhone, and Apple Watch.

Criterion 5: Growth Potential

Tacton has positioned itself to take advantage of new opportunities by enhancing its products but also its management and its partner ecosystem. The company sees future growth in markets outside of Europe, particularly in North America.

Here are several key strategic moves Tacton has made since late 2015:

- Appointed a new CEO, Frederic Laziou. He replaced Christer Wallberg, who had served in that role since 2001, and who now sits on the company's board of directors. Mr. Laziou has 15 years' IT/technology global management and business development experience. He was previously CEO of 24 Solution, a cloud infrastructure provider.

- Opened a new office in Chicago, Illinois and appointed Rob Milks, formerly with Selectica, as SVP of the Americas

- Appointed Dr. Albert Haag, former Development Architect for SAP IPC, to manage SAP configuration and integration

- Created strategic partnerships with Birlasoft and Salesforce

- Struck a partnership with CirrusCPQ to deliver CPQ solutions on the SalesforceCPQ platform

- Acquired Lumo Graphics, which enables Tacton to offer and tap its 3D configuration visualization software and to access its customer portfolio

Tacton has these product enhancements on its roadmap as a result:

- Increased industry vertical support in CPQ platform

- Next generation CPQ content management

- CAD Design Automation for PTC Creo

- SAP integration enhancements (most of Tacton's customers use SAP ERP)

- Interactive 3D visualization to drive the CPQ system

Criterion 6: Human Capital

Tacton, has, from its outset, has focused on innovation and quality. The company is an outgrowth of painstaking research at the Swedish Institute of Computer Science into applying artificial intelligence to industrial product configuration. The research work led to the creation of the patented Tacton Configurator, which powers the Tacton CPQ, and the formation of Tacton in 1998.

Tacton's management team has engineering and product development backgrounds. CEO Frederic Laziou studied mechanical engineering and COO Magnus Wallden, CFO Fredrik Cronqvist, and CMO Anders Ekman have industrial engineering and management degrees. Tacton's chief portfolio officer, Nils Olsson, directed CPQ solution implementations for his previous employer, Tetra Pak and its sister company.

Conclusion

CPQ software is an invaluable tool for manufacturers in particular by enabling them to meet and anticipate the needs of increasingly demanding customers. But the software must, in turn, meet and anticipate the needs of manufacturers. Tacton, has, from its research beginnings, been focused on developing leading edge product configuration solutions. Tacton's technologies and its product set have been validated by sales to over 250 businesses, which have experienced excellent results. The company is building on its innovation and success with plans to enhance its products and to expand its market. Based on this impressive background and performance, Tacton has justly earned Frost & Sullivan's 2017 Product Leadership Award for Configure, Price, Quote solutions.

Significance of Product Leadership

Ultimately, growth in any organization depends upon customers purchasing from a company and then making the decision to return time and again. A comprehensive product line, filled with high-quality, value-driven options, is the key to building an engaged customer base. To achieve and maintain product excellence, an organization must strive to be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.

Understanding Product Leadership

Demand forecasting, branding, and differentiating all play a critical role in finding growth opportunities for your product line. This three-fold focus, however, must be complemented by an equally rigorous focus on pursuing those opportunities to a best-in-class standard. Customer communications, customer feedback, pricing, and competitor actions must all be managed and monitored for ongoing success. If an organization can successfully parlay product excellence into positive business impact, increased market share will inevitably follow over time.

Key Benchmarking Criteria

For the Product Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Product Family Attributes and Business Impact—according to the criteria identified below.

Product Family Attributes
> Criterion 1: Match to Needs
> Criterion 2: Reliability and Quality
> Criterion 3: Product/Service Value
> Criterion 4: Positioning
> Criterion 5: Design

Business Impact
> Criterion 1: Financial Performance
> Criterion 2: Customer Acquisition
> Criterion 3: Operational Efficiency
> Criterion 4: Growth Potential
> Criterion 5: Human Capital

Best Practices Award Analysis for Tacton

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

RATINGS GUIDELINES
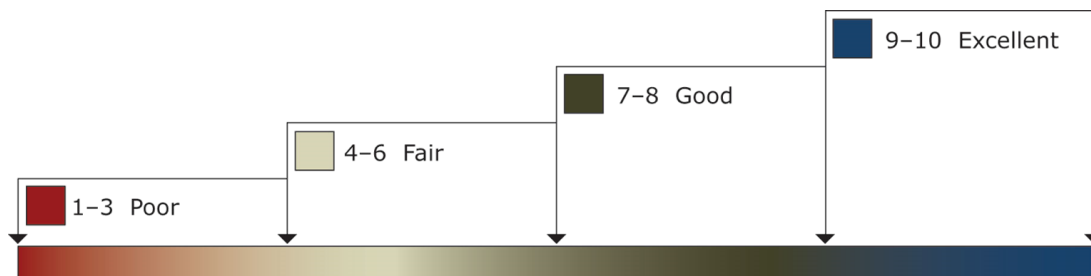
The Decision Support Scorecard is organized by Product Family Attributes and Business Impact (i.e., these are the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard.). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key participants as Competitor 2 and Competitor 3.

Measurement of 1–10 (1 = poor; 10 = excellent)			
Product Leadership	Product Family Attributes	Business Impact	**Average Rating**
Tacton	**9.0**	**9.0**	**9.0**
Competitor 2	8.0	9.0	8.5
Competitor 3	9.0	8.0	8.0

Product Family Attributes

Criterion 1: Match to Needs
Requirement: Customer needs directly influence and inspire the design and positioning of the product family.

Criterion 2: Reliability and Quality
Requirement: Products consistently meet or exceed customer expectations for performance and length of service.

Criterion 3: Product/Service Value
Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

Criterion 4: Positioning
Requirement: Products or services address unique, unmet need that competitors cannot easily replicate or replace.

Criterion 5: Design
Requirement: The product features an innovative design, enhancing both visual appeal and ease of use.

Business Impact

Criterion 1: Financial Performance
Requirement: Overall financial performance is strong in terms of revenues, revenue growth, operating margin, and other key financial metrics.

Criterion 2: Customer Acquisition
Requirement: Product strength enables acquisition of new customers, even as it enhances retention of current customers.

Criterion 3: Operational Efficiency
Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard.

Criterion 4: Growth Potential

Requirements: Product quality strengthens brand, reinforces customer loyalty, and enhances growth potential.

Criterion 5: Human Capital

Requirement: Company culture is characterized by a strong commitment to product quality and customer impact, which in turn enhances employee morale and retention.

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.
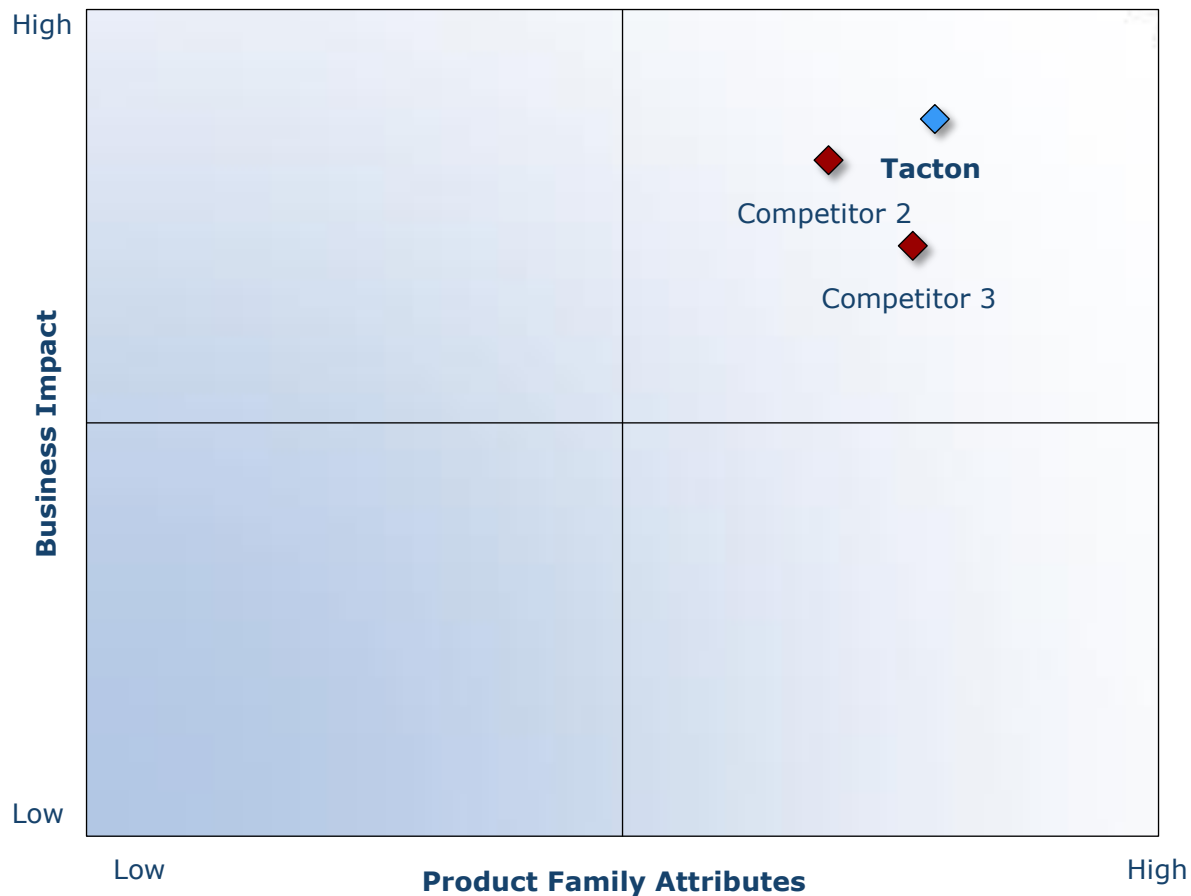
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP		OBJECTIVE	KEY ACTIVITIES	OUTPUT
1	**Monitor, target, and screen**	Identify Award recipient candidates from around the globe	• Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies	Pipeline of candidates who potentially meet all best-practice criteria
2	**Perform 360-degree research**	Perform comprehensive, 360-degree research on all candidates in the pipeline	• Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates	Matrix positioning of all candidates' performance relative to one another
3	**Invite thought leadership in best practices**	Perform in-depth examination of all candidates	• Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps	Detailed profiles of all ranked candidates
4	**Initiate research director review**	Conduct an unbiased evaluation of all candidate profiles	• Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles	Final prioritization of all eligible candidates and companion best-practice positioning paper
5	**Assemble panel of industry experts**	Present findings to an expert panel of industry thought leaders	• Share findings • Strengthen cases for candidate eligibility • Prioritize candidates	Refined list of prioritized Award candidates
6	**Conduct global industry review**	Build consensus on Award candidates' eligibility	• Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates	Final list of eligible Award candidates, representing success stories worldwide
7	**Perform quality check**	Develop official Award consideration materials	• Perform final performance benchmarking activities • Write nominations • Perform quality review	High-quality, accurate, and creative presentation of nominees' successes
8	**Reconnect with panel of industry experts**	Finalize the selection of the best-practice Award recipient	• Review analysis with panel • Build consensus • Select recipient	Decision on which company performs best against all best-practice criteria
9	**Communicate recognition**	Inform Award recipient of Award recognition	• Present Award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10	**Take strategic action**	Upon licensing, company is able to share Award news with stakeholders and customers	• Coordinate media outreach • Design a marketing plan • Assess Award's role in future strategic planning	Widespread awareness of recipient's Award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.