

## COMPETITIVE ANALYSIS

### Worldwide Sales Incentive Compensation Management Applications 2007 Vendor Profiles: State-of-the-Market Viewpoint and Future Market Predictions

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## IDC OPINION

Sales compensation has become more complex and critical to an organization's growth and success. Automating sales compensation not only increases accuracy and consistency but also enables companies to create and manage change within their incentive compensation management process. IDC believes:

- ☑ The market for automated sales incentive compensation management applications has rebounded and will continue to increase its profile and growth.
- ☑ Paper-based and homegrown systems are being replaced by sales incentive compensation management solutions as organizations are realizing the measurable value of implementing these flexible and strategic solutions.
- ☑ On-demand software as a service (SaaS) offerings for sales compensation management will be extremely appealing for companies, particularly those in the small and medium-sized business (SMB) segment, which are seeking value and the time-to-market advantage over on-premise models.
- ☑ Sarbanes-Oxley (SOX) compliance is a key market driver for the adoption of these sales transaction solutions, as companies seek to comply with government regulations for the protection of their brand and value in the marketplace.
- ☑ Established sales incentive compensation vendors will need to fend off encroaching new market entrants by developing new products or product enhancements, expanding their services offerings, and forging new partnerships.
- ☑ Mobile-enabled sales compensation solutions will become more prevalent in the market as companies seek to give their sales managers, salespeople, and senior executives access to critical information about their business performance, from any location.

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## IN THIS STUDY

This IDC study examines the current state of the market for sales incentive compensation management applications, including the key factors contributing to their rising strategic importance and the problems plaguing companies that have not implemented them; it also discusses how the market will likely advance in the near years.

This study also includes in-depth profiles of both leading and emerging vendors and identifies the characteristics that vendors will need to be successful in the future.

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## Methodology

### ***Sales Incentive Compensation Management Applications Market Definition***

Sales incentive compensation management applications are designed to support any type of variable pay strategy and automate the process of administering commissions, bonuses, and incentives.

These sophisticated applications are becoming increasingly strategic to an organization because they are designed to help business leaders make decisions about their incentive programs and processes that increase sales results. These software products also serve to appropriately and accurately reward salespeople, brokers, channel partners, and others involved in a sale for achieving business objectives. Their adaptability, compared with the inflexible nature of spreadsheets and most homegrown solutions that are most often used for these sales-related processes, is compelling because it can translate to huge cost savings in time and management as well as an increase in sales productivity for the organizations that implement them.

In contrast to general compensation solutions that are form based and managed by the HR organization, these applications are transaction centric, as are the customer relationship management (CRM) applications with which these are often integrated. The incentives they manage are generally founded on a volume-based metric such as revenue or units sold and are typically the domain of executive and sales management and finance. Software in this market provides the following functionality:

- ☒ Sales incentive compensation plan design and modeling
- ☒ Quota management
- ☒ Territory, customer, product, and function configuration or deployment
- ☒ Incentive calculation
- ☒ Data assembly, tracking, and auditing
- ☒ Sales crediting

- ☒ Exceptions and adjustments
- ☒ Approval hierarchy
- ☒ Web-based reporting and statement distribution for plan administrators, senior sales managers, field sales managers, product managers, finance, human resources, and executive managers
- ☒ Integrated analytics for analyzing sales performance based on various parameters such as territory, incentive plan effectiveness, product success, attainment distributions, impact of new incentive plans, and more

There are three deployment options for these types of applications: on-premise, managed service, or on-demand implementation.

## SITUATION OVERVIEW

Complex and inflexible homegrown applications and underpowered spreadsheets for managing sales incentive compensation are being replaced by flexible and powerful packaged applications that bring consistency and accuracy to the process. Manual systems, still highly prevalent today, can alienate an organization's sales force, partners, and others as they are often prone to compensation calculation errors and plan inconsistencies. Inaccurate and inequitable payouts for compensation, incentives, and rewards can not only cause distrust among the sales force, but also encourage shadow accounting — an unfortunate and expensive situation for an organization whereby salespeople feel compelled to investigate the step-by-step processes for which compensation payments may be or were made to them and in so doing forfeit precious time to sell. Manual systems also lack financial integrity in another way: They do not help organizations meet a growing list of government regulatory requirements, including Sarbanes-Oxley compliance. Yet another shortcoming of manual systems is that they do not let an organization easily modify compensation plans to adapt to changes in the market. Because most companies make adjustments to their plans at least twice during a year, this lack can hinder an organization's sales growth prospects.

The multitudinous weaknesses that are inherent in these earlier sales incentive compensation systems mean that organizations that remain committed to them can neither perform as efficiently or effectively as they should nor protect their business interests appropriately in an increasingly unpredictable marketplace.

The modern and sophisticated sales incentive compensation applications now being marketed are considerably distinct from their earlier solution counterparts (i.e., spreadsheets and homegrown solutions). These automated solutions have many valuable, strategic capabilities that make them integral and essential for organizations seeking to become performance driven and prosperous. As an example, their ability to reduce costs such as compensation overpayment and unnecessary administration overheads and directly link performance measures with top-line company growth targets makes them strategic to an organization. As well, a flexible, well-designed compensation plan that can be developed using one of today's automated solutions can provide the right strategic focus on revenue growth, profit improvement, account

penetration, and solution selling. Organizations that implement these automated solutions can gain yet another key strategic advantage because as markets and company strategies evolve, they can adapt and improve their sales incentive compensation plans to ensure that sales force motivation stays aligned appropriately. When products, customers, sales leadership, jobs, measures, and rewards are aligned — as can be accomplished with an effective plan — an organization can operate strategically while realizing consistency and accuracy throughout its sales processes.

While packaged applications for sales compensation are growing in strategic importance, they also are proving imperative in their ability to assist organizations in developing greater internal control over compensation management. Securing the process of paying people who are directly responsible for revenue and providing a full audit trail lessen the chances of SOX-related scrutiny by removing concerns about process control, fraud detections, and accuracy of reported information. SOX-compliant sales compensation solutions are becoming a priority and a key market driver of acquisitions for organizations that seek corporate governance.

Several vendors that provide sales incentive compensation applications also offer an array of implementation models, while some others are strictly focused on a single-deployment method. On-demand offerings for sales compensation management, which are becoming pervasive in the market, will be extremely appealing for companies, particularly those in the SMB segment, which are seeking value and the time-to-market advantage over on-premise models. Some vendors, such as Callidus Software, also offer a hybrid capability that enables an organization to migrate an application from an on-demand to an on-premise implementation (and vice versa). In this way, an organization can have its applications implemented in an alternative mode and not risk estranging its sales force that has not only become familiar with the sales incentive compensation application the company uses, but built trust in it as well.

Mobile-enabled sales compensation solutions, such as Varicent's offering just now being introduced into the market, will become more prevalent over the midterm as companies seek to give their sales managers, salespeople, and senior executives access to critical information about their business performance, from any location.

By having the appropriate incentive compensation management systems in place, organizations will be far better equipped to accelerate the performance of their sales force and, ultimately, the growth of their business.

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## **Vendor Profiles: Sales Incentive Compensation Solutions Providers**

Table 1 provides an overview of the leading vendors of sales incentive compensation solutions. The following sections provide more detailed profiles.

**TABLE 1**

## North America Best-of-Breed Sales Incentive Compensation Solution Provider Overview

| Vendor Type/Name               | Founded | Headquarters    | Web Site                 | Ownership | Customer Count | Deployment Options                                                                     | Industry Focus                                                                                                                                              |
|--------------------------------|---------|-----------------|--------------------------|-----------|----------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Best of breed</b>           |         |                 |                          |           |                |                                                                                        |                                                                                                                                                             |
| ACTEK Inc.                     | 1999    | Birmingham, AL  | www.acteksoft.com        | Private   | 20             | On premise                                                                             | Insurance, financial services, retail, healthcare                                                                                                           |
| Callidus Software              | 1996    | San Jose, CA    | www.callidussoftware.com | Public    | 130            | On premise, on demand                                                                  | Horizontal with representative accounts in insurance, banking, life sciences, telecom, high tech, and retail                                                |
| Centive                        | 1997    | Burlington, MA  | www.centive.com          | Private   | 94             | On demand                                                                              | Technology, manufacturing, financial services, medical/healthcare, life sciences/pharmaceuticals, telecom, professional services, and retail/consumer goods |
| Green Total Compensation Suite | 2004    | Antioch, IL     | www.greentotalcomp.com   | Private   | NA             | On premise; plans to expand to offer on demand and hosted application management (HAM) | Financial services expanding into pharmaceuticals, real estate, and consulting/professional services                                                        |
| Makana Solutions               | 2004    | Lexington, MA   | www.makanasolutions.com  | Private   | 1*             | On demand                                                                              | Midmarket                                                                                                                                                   |
| marketRx                       | 2000    | Bridgewater, NJ | www.marketrx.com         | Private   | 55             | On demand                                                                              | Pharmaceuticals                                                                                                                                             |

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|-----------------------|---------|--------------------|------------------------------|-----------|------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------|
| NetCommissions Inc.   | 2003    | Lawrence, MA       | www.netcommissions.com       | Private   | 12                     | HAM                   | Horizontal                                                                                                                         |
| Strategix Performance | 1983    | Costa Mesa, CA     | www.strategixperformance.com | Private   | 48                     | On demand             | Financial services                                                                                                                 |
| Syngy                 | 1991    | Chester, PA        | www.syngy.com                | Private   | NA                     | On demand             | Horizontal                                                                                                                         |
| Varicent              | 2003    | Toronto, Canada    | www.varicent.com             | Private   | 80                     | On premise, on demand | Horizontal                                                                                                                         |
| VUE Software          | 1991    | Coconut Creek, FL  | www.vuesoftware.com          | Public    | 30                     | On premise, HAM       | Insurance                                                                                                                          |
| Xactly                | 2005    | San Jose, CA       | www.xactlycorp.com           | Private   | 100+ midsize companies | On demand             | Software and technology, media and entertainment, manufacturing and distribution, telecommunications, and financial services firms |
| <b>Enterprise</b>     |         |                    |                              |           |                        |                       |                                                                                                                                    |
| Oracle                | 1977    | Redmond Shores, CA | www.oracle.com               | Public    | 150+                   | On premise            | Horizontal                                                                                                                         |

Note: \*Makana Solutions' first product was launched in September 2007.

Source: IDC, September 2007

## ***Best-of-Breed Vendors***

### **ACTEK**

Founded in 1999, Birmingham, Alabama-based ACTEK Inc. ([www.acteksoft.com](http://www.acteksoft.com)) is privately held, has received no public funding, and has been profitable since its first year in business. The vendor has a sales and marketing office in Philadelphia, Pennsylvania, and employs 33 people. It currently services 20 customers in the United States, Canada, and Puerto Rico that are insurance, financial services, and retail firms. ACTEK customers include Assante Wealth Management, MetLife, Atlantis Health Plan, One Resource Group, Brooks Brothers, and Educators Mutual.

ACTEK began its operations by developing four Java products tailored for the healthcare payer market including an Internet-based member enrollment application, a provider credentialing application, and a financial analysis tool. Another product initially developed by the vendor was a basic sales commission system; the strength of the market reaction to that product led the company to focus more of its marketing and development resources on that product. Within 18 months of the release of ACom3 System, ACTEK had acquired six customers and begun working with them to expand the overall functionality of the product. The ongoing, favorable market reaction to the ACom3 System ultimately led ACTEK in 2003 to dedicate itself exclusively to the commission and incentive compensation market. The vendor has continued to work closely with each of its customers, which has led to a rapidly expanding set of features and functions within the solution.

In recent years, ACTEK has expanded its business beyond the healthcare market and advanced its ACom3 solution to serve diverse industries. The company considers its solution to be capable of serving any industry because it can be used to process commission and bonus payouts for any type of payee. This includes sales reps and sales management, executives, brokers, agents, tellers, agencies, and financial advisors. ACom3's features include:

- ☒ Integration portal to simplify integration with any number of upstream and downstream systems
- ☒ Unlimited payout schedules and compensation plans using client-defined business rules
- ☒ Flexible bonus plans using client-defined parameters
- ☒ Unlimited hierarchies including support for multiple hierarchies per payee
- ☒ Comprehensive demographic and compliance database
- ☒ Draw and advance management
- ☒ Web-based reporting and statement distribution
- ☒ Internet and intranet deployment

The ACom3 License and Compliance (ACom3 L&C) application is insurance industry specific and provides a powerful, flexible tool to incorporate license and compliance in the payout function. ACom3 L&C can establish, maintain, and validate producer credentials. The solution allows organizations to develop business rules for commission payouts based on tracking a producer's licenses, appointments, errors and omissions (E&O) insurance, federal and state background checks, and more.

The ACom3 solution supports retroactive processing functionality, supporting 14 variations that can result in automatic reversal and reprocessing when triggered. For example, when the wrong broker or sales rep is paid for a specific customer for "x" periods or a broker or sales rep is paid under the wrong commission or compensation plan, ACom3 can correct these issues with one simple, data-specific entry. The application will automatically reverse and reprocess all transactions that were impacted, resulting in negative commissions being processed for those individuals who were incorrectly paid and multiple months of positive commissions or corrected commissions for the appropriate individuals.

The Payee Portal delivers dashboards, reports, commission statements, dispute resolution information, and more via the Web to users.

ACTEK employs a J2EE application development framework as the basis for all its product development. The J2EE architecture simplifies integration across heterogeneous platforms, allowing for easy communication across the enterprise, including simplified integration with legacy systems. ACom3 can run under Windows, Unix, Linux, and AIX operating systems; application servers include WebSphere, WebLogic, and JBoss.

The company's primary pricing model is based on the total number of active payees in the system. For an on-premise solution, customers pay a one-time license fee plus an annual maintenance charge. Customers that choose to have their solution hosted pay a monthly recurring fee. ACTEK has also developed pricing based on other metrics such as transaction volume and commissionable premium for some of its customers.

ACTEK has integrated the Cognos 8 Business Intelligence tool into ACom3 to support report and query development as well as provide analytics and dashboards. The vendor manages all of the metadata mapping for its customers and also delivers client-specific standard reports using the tool. The tool is used to support modeling, basic forecasting, internal operations reports/dashboards, external reports/dashboards (brokers, agencies, sales staff, and sales management), data extracts, and more.

ACTEK partners with HP and Sun for configuration support and is enabled to take advantage of their testing facilities. For some healthcare customers, ACTEK has joined hands with First Consulting Group (FCG) and Accenture for the provision of implementation support. Both these professional services firms have significant experience in working with clients that are insurance providers.

Since its inception, ACTEK has maintained a focus on the healthcare industry and as a result has gained solid market visibility and an impressive roster of brand-name

customers. The vendor employs a conservative business model as it continues to seek to grow its business organically only and is highly selective in choosing only the right fit in a customer implementation.

Yet in very recent years, the vendor has begun to extend its reach into other vertical markets including financial services and retail. To further penetrate these newer target markets, ACTEK could advance its business in several ways, including channeling its limited resources into only a couple of additional vertical markets; working to develop additional reference accounts in each targeted vertical; using its Web site to more effectively identify its solution's capabilities for serving these vertical industries; realigning its sales force; and creating an application for license and compliance of brokers that is specific to financial services.

### **Callidus Software**

Founded in 1996 in San Jose, California, Callidus Software Inc. ([www.callidussoftware.com](http://www.callidussoftware.com)) became one of the early providers of an automated solution to manage sales incentive compensation. The vendor had its first live customers in early 1999 and announced its initial public offering in 2003. The company realized record annual revenue of \$76.1 million in 2006, up a healthy 24% over the previous year.

The vendor has over 380 employees, of whom 80 are software developers and another 26 are quota-carrying sales representatives. Some of its salespeople are focused on specific industries, while others are aligned by territory.

Callidus Software today has 130 customers that represent global companies across multiple industries including insurance, banking, life sciences, telecommunications, high technology, and retail. Over 1.7 million payees among these customers, including salespeople, brokers, and channel representatives, have their sales performance automated and optimized by the vendor's solutions, including their sales incentive management efforts. Callidus Software customers include 7-Eleven, DIRECTV, HealthNet, Kronos, LexisNexis, Novell, Safety-Kleen, The MONY Group, and Unisys.

Callidus' application product suite comprises thin-client modules that are Web based and built around J2EE technology. The Callidus Software Product Suite comprises a wide range of applications, including the following:

- ☒ TrueComp Manager is an incentive compensation management solution that lets compensation professionals:
  - ☐ Define compensation plans via business rules
  - ☐ Model the impact of new incentives and plans
  - ☐ Process compensation, from sales tracking to payment
  - ☐ Track all aspects of compensation, complete with audit trail

- ☒ TrueInformation, built on Actuate, is a reporting environment that provides salespeople, finance, and business partners with timely summary and detailed sales and incentive reports via the Web.
- ☒ TrueAnalytics, built on Informatica, is an analytics tool by which sales compensation data can be analyzed to provide strategic business insight across the enterprise, in the following ways:
  - ❑ Sales executives can analyze sales performance by region, team, product, or channel; examine customer growth; monitor sales incentive costs; and detect trends in business performance.
  - ❑ Marketing executives can analyze market segments, determine product success by channel and/or segment, and assess channel effectiveness.
  - ❑ Compensation professionals can analyze compensation plan effectiveness, understand attainment distributions, and gauge the impact of new incentive plans.
- ☒ TrueResolution represents a rules-based business process engine that streamlines and automates the resolution of sales force credit disputes. When disputes cannot be solved automatically, the tool helps manage the review process to ensure that the situation gets resolved quickly and efficiently.
- ☒ TrueQuota is an application that assists sales managers and finance in ensuring that sales quotas are allocated fairly and aligned with corporate revenue goals and opportunities.
- ☒ Territory Management, built on TerrAlign, is an application to assist organizations in designing and optimizing their sales territories by opportunity, accounts, geography, and relationships to align sales with corporate objectives. The solution addresses territory management factors including major realignments, ongoing maintenance, what-if modeling, opportunity leveling, and efficient coverage.
- ☒ The Archiving Solution is a tool that can be used to tier business transactions by age and status, segregate historical information from current activity, and back it up into a secure environment so that the production database can be sustained at a manageable size to simplify maintenance and speed disaster recovery.
- ☒ Sales Performance Warehouse is a packaged repository of sales performance and trends across customers, products, channels, or any other business dimension that can be used to support any class of sales performance management application — planning, analysis, and reporting.
- ☒ TrueProducer is engineered for large and midsize insurance carriers with large independent distribution channels or large numbers of captive agents that need to streamline producer administration so they can have one location to view and update producer data, including credentials and contracts.

Callidus affords customers three deployment options for its application solutions: on-premise, managed service, or on-demand implementation.

The vendor introduced its on-demand solution in 2006 and in August 2007 announced that it had signed up over 11,000 payees in 121 countries. For its SaaS solution, Callidus targets midsize to large companies with 100 to 5,000 payees that have annual revenue of \$250 million to \$1 billion. Customers can select either a technical operations or a business operations service level. The company's Workflow Solutions option and Analytics option augment standard services.

On a global basis, Callidus' business partners — Accenture, IBM, and SAP — provide strategy consulting, integration services, configuration planning, and/or end-user services when conducting implementations for customers.

Following its announcement of a cooperative development agreement with SAP in September 2006, Callidus announced in February 2007 that its TrueComp software solution is SAP endorsed. As such, TrueComp is recognized as being complementary to SAP application offerings and was developed in accordance with SAP development guidelines. As a result of this agreement, Callidus and SAP can provide their joint customers with a comprehensive and integrated collection of sales management solutions.

The vendor also maintains a number of industry-specific partnerships. For example, Callidus Software and CelFocus announced a strategic alliance in January 2007 to offer sales performance management software solutions to common mobile communications systems such as billing, enterprise resource planning (ERP), and CRM. The agreement is expected to provide mobile communication firms with incentive management solutions to improve sales performance, align sales with business objectives, and drive revenue.

In seeking to further boost its presence in the insurance industry, Callidus Software forged a partnership with Sircon Corp. in May 2007. The alliance provides a producer life-cycle platform to grow, manage, and optimize producer channels. Sircon offers this platform as SaaS to deliver rapid value to insurance carriers, insurance distributors, producers (agents), and state regulators for licensing, recruiting, contracting, regulatory compliance, education tracking, and producer management. Callidus counts five of the 11 largest U.S. insurance carriers and six of the 10 largest U.S. banks as its customers.

In July 2007, Callidus Software and salesforce.com announced the availability of the Callidus TrueComp Suite for AppExchange. This strategic partnership will permit salesforce.com customers to choose Callidus Software's sales performance management suite of products to align their sales objectives with business strategy, increase revenue, drive shareholder value, and improve business performance. Callidus' TrueComp Suite is integrated seamlessly into salesforce.com's on-demand platform.

To listen actively to what its customers and partners have to say and to incorporate their suggestions in future products, the company established a semiannual customer advisory board in May 2007.

Callidus Software's cooperative development agreements with key allies enable it to enhance its software products without having to increase development headcount while also allowing it to build on its partners' customer bases. These strategic relationships are critical to the vendor because they create a strong ecosystem that can considerably bolster its leadership position in the industry as they provide added credibility. We believe that each partnership now in effect, as mentioned earlier in this profile, will prove beneficial to the company, as long as the joint partners involved in each agreement have defined their markets and goals in the same manner.

Callidus Software's three application delivery methods provide differentiation and give customers a beneficial range of choices not currently offered by the vendor's competitors. By affording customers an array of options, the vendor also gives them a degree of flexibility if a company should want to port to an alternative delivery method. With its hybrid offering, for example, Callidus Software can let an organization migrate from an on-demand to an on-premise solution (and vice versa) while ensuring that it retains the same, familiar product(s) that their users have grown accustomed to and come to trust.

We believe that by targeting multiple customer-size segments as well as industries and offering several solution delivery options, Callidus Software has created a very complex business model for itself, under which it must strive to operate effectively and efficiently at all times. This is certainly true if the vendor wants to continue to operate profitably in today's dynamic, highly competitive marketplaces, in which it clearly needs to adapt its strategies so that it can survive the turbulent changes.

In our opinion, the relationships that Callidus Software is fostering with its chosen partners are even more important than advancing its technology. Importantly, the feedback loop is central to these sorts of relationships. Customers, and others, influence important changes in products and services through their participation in these relationships. While changes in the market environment can quickly alter prices and technologies, a relationship that is mutually beneficial to all parties involved is enduring over time.

### **Centive**

Burlington, Massachusetts-based Centive ([www.centive.com](http://www.centive.com)), formerly Incentive Systems, has focused exclusively on automating sales compensation management since it began its operations as an early pioneer in 1997. The vendor has 71 employees, 18 of whom are software developers, including quality assurance engineers, and 19 salespeople fulfilling varying selling roles.

Centive sells into eight primary industry markets: technology, manufacturing, financial services, medical/healthcare, life sciences/pharmaceutical, telecommunications, professional services, and retail/consumer goods. The vendor's customers include Captaris, Cardinal Health, Ikon, Primus Wireless, Quantum, Salary.com, SPX Corp., Thermal Energy, and Trex.

Centive's flagship on-demand strategic sales compensation solution, Centive Compel, is a leading solution for small and midmarket companies. The vendor sold CompCentral, its on-premise solution, to Incentive Technology Corp. (owned by Berggruen Holdings, a private investment firm) in September 2006 to focus

exclusively on a SaaS business model. Centive has offered a multitenant, on-demand solution through its hosting partner, CSC, since June 2005. The vendor currently tracks an average of just over 160 subscribers per customer, and its customer base exceeds 15,000 subscribers. The Centive Compel application, now in its fifth release (originally made available in May 2005), is deployed at companies ranging from those with as few as 20 sales representatives to those with over 1,500.

Centive Compel is sold as one integrated solution ("bundle") that includes sales compensation management, reporting and analytics, modeling and commission expense forecasting, automated credit assignment, and payee modeling; it is targeted at organizations with 50+ sales representatives. Centive Compel Express is designed for managing smaller sales forces of 10–49 representatives and offers a scaled-down services component. Tiered pricing for the solution starts at \$50 per seat and goes down from there depending on the number of reps on the system (the greater the number, the lower the cost per payee).

Centive has been a certified partner with salesforce.com since August 2005. In May 2006, Centive made Compel available for salesforce.com's AppExchange. Under this strategic partnership, salesforce.com customers can deploy Compel within their salesforce.com implementation to provide interactive dashboards that display a quick summary of key sales performance indicators with a single-click, drill-down capability. Built on the AppExchange on-demand platform, Centive Compel for AppExchange lets sales representatives and managers gain real-time visibility into attainment and performance data. Customer organizations can readily compare opportunity-based earnings with actual commission earnings and use that information to help motivate and align their sales representatives. Approximately one-third of Centive customers today are also customers of salesforce.com.

Centive affords its customers' users dashboard views of critical sales performance and incentive compensation management data/information, depending on their individual role within the organization, as follows:

☒ Using the Executive Dashboard, senior managers can:

- ☐ View and analyze rollup results for their organization
- ☐ Drill down to individual payee level for commission and bonus earnings plus special performance incentive fund (SPIF) results and for attainment and gap versus plan
- ☐ Graphically compare modeled results with actual results
- ☐ Review and approve commission payouts

☒ Using the Sales Dashboard, sales representatives can:

- ☐ View real-time information about commission and bonus earnings plus SPIF results as well as attainment and gap versus plan
- ☐ Rank themselves against their (anonymous) peers based on earnings

- ☐ Develop a personal commission forecast based on opportunities in their pipeline
- ☐ Drill down to transactional and calculation detail
- ☐ Initiate and track payment disputes
- ☒ Using the Finance Dashboard, financial executives can:
  - ☐ Gain real-time visibility into key sales performance metrics and commission costs
  - ☐ View and analyze the rollup results of the sales organization
  - ☐ Drill down to individual payee level
  - ☐ Graphically compare modeled results with actual results
  - ☐ Review and approve commission payouts
- ☒ Using the Compensation Analyst Dashboard, compensation analysts can:
  - ☐ Easily build incentive compensation plans with Plan Builder, an intuitive tool
  - ☐ Explore what-if scenarios to model costs and test new incentive compensation plans
  - ☐ Automate the entire incentive compensation management process, including data import and validation, incentive compensation plan creation and management, commission crediting, adjustments of prior period processing, payout calculations, approvals, reporting and publishing, modeling, and analysis
  - ☐ View system and custom alerts
  - ☐ Manage incentive compensation without reliance on IT

A key differentiator in Centive Compel is the application's single-solution approach to all processes related to sales compensation management; no third-party modules are required. For example, compensation analysts can easily model plans and/or transaction data via Compel's "virtual sandbox" to evaluate the impact on commission expense and individual commission earnings from within the core solution. The Plan Modeler, along with Compel's Plan Builder and its reporting and analytics components, operates in a single, secure environment.

In deploying a pay-as-you-go delivery model, Centive Compel offers small and midsize organizations a compelling solution that is virtually risk free, rapid to implement, and less expensive than an on-premise alternative. For companies operating under tight budget constraints, Centive's SaaS offering affords a viable choice for automating their compensation process.

The strategic alliance with salesforce.com is critical to Centive's growth because this collaboration provides the vendor with an increasing revenue opportunity in that it is enabled to develop customers from salesforce.com's current customer base of 32,300 as well as from its potential future customers. Buyer organizations will likely find an AppExchange deployment of Centive Compel appealing because it is certified and uses the salesforce.com user interface.

At this early adoption stage for sales incentive compensation management solutions, it is not imperative for Centive to be concerned about developing its business from a horizontal industry perspective, as is its current strategy. As the market advances, however, it will be critical for the vendor to develop a concentration strategy because industry expertise will assuredly become a key selection criterion among buyers.

### **Green Total Compensation**

Green Total Compensation Inc. ([www.greentotalcomp.com](http://www.greentotalcomp.com)) was formed in 2004 in Antioch, Illinois, and originally called Exceed Technologies. The company emerged when its founders, Charlie Miles and Walter Martens, joined forces to develop a sales compensation solution for their then-employer, a regional bank in the Chicago area; they believed other organizations could benefit from the application as well.

Miles, a commercial loan officer and board member, realized that the bank had been experiencing a drain on its resources and sought to address in the solution design the specific issues that were detrimental to the bank's profitability, including paying salespeople on time and accurately, providing timely management reports on performance, delivering results against objectives and product mix, and tracking different functional areas. Miles privately funded the application development, and Martens provided the technical expertise.

In mid-2005, Robert Buckley and Olyia Buckley joined the company as consultants, bringing with them over 25 years of knowledge in the field of human resources, payroll, compensation, and various business development strategies. The Buckleys well understood that the market was frustrated with the compensation applications then being marketed (and internally designed) and, shortly after joining Green Total Compensation, proposed that the company take on a major development effort to redesign its solution to combine sales compensation and employee compensation into a single application. The following year, Robert Buckley, in collaboration with Green's executive team, led the effort to build a completely integrated set of complementary applications under a single umbrella to include compensation, performance management, and recruiting, as well as other functions. In November 2006, Robert Buckley and Olyia Buckley were appointed as CEO and vice president of strategic corporate development, respectively. By January 2007, the initial version of the Green Total Compensation Suite became available for broad market release.

The vendor considers its Green Total Compensation Suite as the next generation in compensation planning: It not only allows a customer to process general compensation and sales compensation under one system, but also permits the same people to better manage them, reducing the total cost of ownership.

Using Green Sales Compensation, customer organizations can accomplish the following:

- ☒ Create incentive plans to calculate payments based on a wide number of criteria or metrics
- ☒ Plug in quotas based on dollars, units, or a combination and measurement of results against those quotas
- ☒ Report on results by product, product mix, cross-selling, inter-/intracompany lead sharing, and more
- ☒ Conduct data modeling and what-if analysis on plan changes and feasibility

Green combines sales compensation with employee compensation including merit, variable, and equity pay compensation on top of a powerful core engine, e<sup>3</sup>. The e<sup>3</sup> Engine supports .NET, Windows, and SQL Server platforms. Data exchange tools and Web service-based application programming interfaces (APIs) provide integration options with legacy systems. e<sup>3</sup> Engine benefits include the following:

- ☒ Dashboards that provide quick access to critical information for different roles
- ☒ Rapid application development that allows for easier deployment and customization
- ☒ Workflow process definition

Green Total Compensation today is privately funded and seeks to become profitable in 2007, or 2008 at the latest. The vendor has 15 employees, including nine product developers who are based at its subsidiary in Chennai, India. Two of the company's key executives are responsible for sales to Global 2000 organizations, while two other employees concentrate on building sales within the SMB segment via Web sales and telemarketing. As planned, Green will add four salespeople in 2007. Although the company began in financial services, including banking, brokerages, and insurance, it has now extended its sales reach into additional verticals such as pharmaceuticals, real estate, and consulting/professional services. Current customers of Green include NorStates Bank and American Rigging Services.

Green currently offers an on-premise solution and charges a direct license fee that is calculated on a per-employee (payee) basis. The company's application maintenance fee represents 18% of the selling price and includes all major product releases and updates. According to CEO Buckley, "Once you're a client, you remain a client." The company claims it has the infrastructure to support a hosted or SaaS environment, so it is now seeking prospective customers for which either of these application delivery models would be preferable over the on-premise model (which it will continue to offer).

The Green Total Compensation Suite is delivered in its entirety to a customer, yet only those specific applications that are purchased by the customer are enabled to users. The vendor has a solid report writer built into the application that gives it the ability to deliver reports and, through Open Database Connectivity (ODBC), connects

to tools such as Crystal Reports. Its customized dashboard lets a user choose what is important to view, such as performance relative to quote, cash payments, noncash incentives, and so on. The report writer that is built into Green Total Compensation lets a user access and arrange data quickly in a report format.

Green Total Compensation is a young company that is seeking to grow its business amidst (and despite of) well-established players in each of two considerably fragmented software markets: general compensation applications and sales incentive compensation applications. Yet, at this early stage in its development, the vendor is well positioned because its solution design and capabilities currently provide a good defense (differentiator) against the existing array of competitive forces in each market. Because the Green Total Compensation Suite is enabled to create a linkage between sales incentive compensation and general compensation, customers will be enabled to establish a direct connection between performance management and customer relationship management/sales force automation (SFA). This allows a company to evaluate process and measurements in the CRM/SFA area as key performance indicators (KPIs) for competency within a job/role performance and evaluate the impact. The impact can be analyzed not only by how much an employee is paid, but also by customer satisfaction levels attained and, ultimately, by profitability levels.

Later in 2007, Green intends to roll out its performance management application that will enable linkage between pay and performance so that companies can better understand their organizational dependencies as related to these processes. During the following year, the vendor plans to introduce "Green Surveys" that will allow companies to integrate third-party, compensation-related market data that can be used in developing salary strategies, including those created for the sales force, and Green Recruiting.

In our view, Green's current intentions to pursue sales opportunities in several vertical industries and attack two different company-size markets (i.e., enterprise and SMB) within each of these industries that have varying business needs while offering three application delivery models are too ambitious for a relative newcomer to any market. The vendor's apparent boldness in seeking to cover so much ground could result in an unhealthy dilution of its financial resources and perhaps its corporate messaging. Green will have its work cut out in educating sales prospects about the unmatched value of its uniquely designed compensation suite as it extends itself beyond financial services to a single new vertical market, particularly because general compensation and sales compensation functions are typically handled by different individuals within the organization. One way to considerably curb its educational and promotional costs is by improving its Web site to specifically identify its solution's capabilities and strategic value to an organization. The site should also identify the benefits to customers of its ongoing partnership with Microsoft.

Green should consider narrowing the focus of its business strategy and not attempt to be "all things to all organizations." The company has pushed the development of a distinct competence whereby it can differentiate its product in a way that is not readily imitated by rivals, and this infers that it has created a competitive advantage. However, if Green wants to achieve a high degree of market success, it should give careful consideration to the competitive capabilities of all rival firms. The company

can expect greater rewards if the speed and extent of its encroachment in the marketplace are channeled into those industry and company-size segments in which it believes it can gain the highest degree of penetration early on, despite the threat of challenging rivals of varying capabilities and size.

### **Makana Solutions**

Although Lexington, Massachusetts-based Makana Solutions ([www.makanasolutions.com](http://www.makanasolutions.com)) was formed in 2004, it should be considered a new market entrant because it began marketing and selling its initial solution for sales compensation, Makana Motivator, in September 2007. The early-stage vendor currently has 17 employees, including one salesperson.

Makana Solutions is led by Chairman and CEO Liz Cobb, for whom the company is her third entrepreneurial venture. Cobb also successfully founded Incentive Systems (now Centive) in 1997 and ViComp Management Inc., a consulting practice that automated sales compensation, in 1991. To date, the company has raised \$3.5 million in funding from seed investors and venture capital to grow Makana Solutions. William Warner, founder of Avid Technology Inc. and Wildfire Communications, is the seed investor and a member of Makana Solutions' board. TD Capital Ventures, which manages over \$2 billion in private equity commitments and has underwritten in excess of \$1 billion in investment opportunities, has provided the company with venture funding.

The word *Makana*, which means reward in Hawaiian, figures prominently in the company's name because Hawaii represents the ultimate reward in many sales incentive programs. The company states its mission is "to help companies build effective incentive plans quickly."

The vendor's initial offering, Makana Motivator, is a subscription software solution for building effective sales compensation plans, from design to employee sign-off. The product is targeted at small and midsize businesses with 250 payees or fewer and can be implemented within either days or several weeks. Authoria, a provider of talent management solutions and an early adopter of technology, is Makana's first customer, for which it will manage plan development for more than 50 payees who are performing eight various sales roles.

Makana Motivator is designed on a Web-based, multitenant architecture that is SAS 70 compliant and priced at \$495 per quarter per plan designer to allow a company to make its purchase online with a credit card, as with [salesforce.com](http://salesforce.com).

Built from the point of view of a plan designer, Makana Motivator walks users through:

- ☒ Design of compensation plans with built-in expert advice available throughout
- ☒ Incentive cost modeling using quotas, rates, attainment, and staffing assumptions
- ☒ Verifying teamwork and alignment with strategy
- ☒ Management approval

☒ Document production (PDF format)

☒ Contractual digital employee sign-off

Makana Motivator is used by designers during the planning cycle to create roles and incentive plans that are then modeled to test performance and costs. Scenarios are created with what-if assumptions around organization structure, staffing levels, quotas and territory assignments, plans, and performance projections. Access to historical information provides a basis for projections. Makana Motivator has close, certified integration with salesforce.com and can be accessed from AppExchange.

We believe Cobb's significant knowledge of and insight into the sales compensation industry; talent as a resourceful, successful entrepreneur; and senior managerial experience will help land her new firm a solid position in the expanding market. As Cobb is aware, Makana Solutions is jumping in at a time when market conditions are favorable because there is now a resurgence of interest in and considerable demand for automated sales compensation solutions. Notably, the vendor may go head-to-head with rival Centive, a company formerly under her leadership.

Makana's pricing strategy should work in the company's favor because the offering is affordable even for some very small businesses that have tight budget constraints. Yet the simple credit card payment option should also be appealing to both small and midsize businesses that need to develop a comprehensive sales compensation plan for which the time to create it is extremely limited and plan design advice is essential.

#### **marketRx**

Headquartered in Bridgewater, New Jersey, privately held marketRx ([www.marketrx.com](http://www.marketrx.com)) is a seven-year-old provider of sales and marketing analytic applications, including hosted sales incentive compensation solutions, to global pharmaceutical companies. To date, marketRx has received three rounds of venture funding, including the most recent infusion of \$10.5 million from institutional as well as marquee individual investors from the pharmaceutical and financial services industries, and is profitable. The vendor has 400 employees, four offices in the United States, an office in India that was established in 2003 as a wholly owned subsidiary, and new offices in the United Kingdom and Germany. Its 55 active customers include the world's top 20 pharmaceutical firms.

Jassi Chadha, president and CEO, cofounded marketRx with the vision of bringing cutting-edge analytics and interactive technology to the healthcare marketing arena. Chadha was a pioneer in building advanced analytical software tools for designing pharmaceutical sales forces. The company's headquarters and other offices are ideally located in close proximity to pharmaceutical corporations, which has permitted it to effectively cultivate and service customers, enabling it to thrive. The vendor has 10 salespeople in North America and one sales representative each in the United Kingdom and Germany, and plans to ramp up its sales organization in six months to one year out.

marketRx provides a platform of 10 integrated products that are built around advanced analytical tools and are focused on sales operation and management, market research, and product management; the first area is inclusive of iComp, its

incentive planning and administration system. iComp is an online tool for incentive administration teams to handle plan of action (POA)-related plan design and simulation as well as ongoing plan administration.

iComp consists of the following three application modules geared toward the common steps in incentive management:

- ☒ Plan Design and Simulation: Based on historic and projected information, iComp helps stakeholders assess the impact, cost, and other implications of a proposed sales incentive plan.
- ☒ Goal Setting: Using past performance and corporate objectives, customers can determine plan elements based on individual product and territory/rep goals.
- ☒ Incentive Plan Administration: This module leverages administrative workflow to account for eligibility, plan changes, personnel issues, and component payouts.

iComp can be integrated with most common data sources such as prescription data source reporting systems, SFA systems, and longitudinal patient data sources.

In working very closely with pharmaceutical companies over the past seven years, marketRx has developed significant domain expertise, a strong industry reputation, and a customer base that comprises well-known pharmaceutical companies. Sales of its solution have ranged from \$250,000 to \$7 million, which includes a services component.

marketRx positions itself as a product-enabled services company that invests in helping its pharmaceutical customers realize brand and portfolio potential. The vendor provides decisive strategic guidance via its consulting advisory and solutions to companies that seek to improve upon how they manage all aspects of their sales and marketing operations. Its solutions address the key business needs of sales and marketing management by combining extensive brand marketing, sales operations knowledge, and market research with proprietary analytical models and state-of-the-art technology.

Since its inception, marketRx has kept an intense focus on the pharmaceutical industry. As a result, the vendor's skills and strengths have been derived primarily from gradually accumulated experiences that have allowed it to develop a distinctive competence and, ultimately, provided it with an effective business strategy. The company now plans to embark on a mission of exploiting a segment of the financial services industry, insurance and portfolio management, using the same disciplined approach. This strategy appears to be capable of succeeding because the vendor is focused on becoming an expert in the new field it now targets. As it moves forward, however, marketRx must prepare to combat vendors that are best of breed in exclusively selling incentive compensation solutions to organizations that at the most need to devise an effective pay and reward structure and are not as motivated to invest in a comprehensive strategic undertaking (as the vendor affords).

At present, marketRx operates as an independent entity in the marketplace and has not forged any strategic alliances with vendors of complementary, synergistic application solutions, tools, or services. We believe it could be beneficial to

marketRx's revenue stream if it was to team up with, for example, a provider of applications or systems with which field forces and field management interact. Although the vendor has established credibility in the pharmaceutical industry, it cannot be assured of its market position in today's unstable business environment. Further, references from and relationships with strategic partners often play a major role in a customer's purchase decision, especially when it considers abandoning a homegrown solution to make a significant investment in an automated solution, as is most often the situation in the market for sales incentive compensation applications.

#### **NetCommissions Inc.**

Established in late 2003, Lawrence, Massachusetts-based NetCommissions ([www.netcommissions.com](http://www.netcommissions.com)) helps companies improve the strategic value of their incentive compensation commission business process. NetCommissions is closely held, has 12 customers today, and targets \$1 million in sales in 2007. The vendor generates approximately 70% of its annual revenue from software sales and 30% from its services sales. The company has eight employees and uses contract developers to continue to advance its NetCommissions family of solutions, including Reporting, Plan Management, and Workflow.

President and CEO Jerry Hegarty, formerly responsible for strategic marketing at Centive Systems (then Incentive Systems), who also has a background in developing supply chain and process improvement initiatives, cofounded the company. Cofounder Christopher George serves as vice president and CTO; he has over 20 years of Web and software development team leadership and, like Hegarty, was previously employed by Centive Systems. George was leading enterprise incentive management (EIM) software implementations at the company.

Hegarty, who conducts most of the selling himself, considers his company "the ADP of sales commissions." The modular design of its solutions lets NetCommissions deliver its hosted applications to a customer for a monthly subscription fee, as business demands require that customers make improvements to various elements of their compensation process. The vendor configures each solution to reflect each company's unique process requirements. The data administration functionality it affords to power users — who are typically business analysts — is intended to permit them to support the smooth flow of the compensation process on an ongoing basis. NetCommissions offers services to its customers aimed at taking care of the more complex technical support issues such as those related to the system, including integration of new data feeds, authoring new reports, testing and modeling new plans, and more.

When using Reporting Services, NetCommissions customers can leverage the online data management utility to upload information, such as results, territory, quota, goals, relevant performance measures, sales transactions, and so on, into the Quick Start data model. Online Web Reporting consists of three types of reports:

- ☒ Management Reports give sales managers visibility into the performance information on subordinates via dashboards. An embedded analytics tool helps managers focus on retaining their high-value accounts, products, and services as they are enabled to better understand the profitability of individual products, services, and customers. Report templates include commission summaries,

ranking reports, bonus reports (club, individual, etc.), and commission plan documents.

- ☒ Payee Reports provide a tool for reinforcing strategic goals and motivating behavior of individual contributors such as salespeople, employees, and partners across the organization. Report templates include commission summaries, ranking reports, bonus reports (club, individual, etc.), and commission plan documents.
- ☒ Analyst Reports provide compensation analysts with all the relevant commission and organizational data they require to deliver accurate and timely commission payments.

NetCommissions Reporting Services that include report distribution are as follows:

- ☒ NetCommissions Portal: Subscribers can access Web reports through this portal. As new reports are generated, email alerts are sent to all payees, who then can click on the appropriate embedded links to be routed to the NetCommissions portal, from which they have access to their own timely compensation information.
- ☒ Custom Portal: Customers with company portals can give users access to reports.
- ☒ Email Report Distribution: This email distribution option allows customers to circulate reports to payees as email attachments.
- ☒ Snail-mail Report Distribution: This is an option for customers to circulate incentive compensation information through the postal system. For companies that may have payees who do not have Internet access, NetCommissions can manage all aspects of mass mailing the hardcopy reports.

Each NetCommissions customer receives a bundled service that can include import data, a calculation engine, reporting analytics including data feeds, and self-service administration modules, as well as their own database. Named account managers are typically responsible for customer implementations, but occasionally the vendor must seek outside implementation assistance. The starting price of the vendor's solution is \$50 per user per month.

In the near future, NetCommissions will broaden its services portfolio with the inclusion of an optional ad hoc reporting module; this module is designed for customers that want impromptu access to reports when needed. The vendor affords analytics for attainment distribution by teams, divisions, and products and variance reporting in forecasts and budgets. It plans to integrate dispute resolution with its reporting solution.

A significant portion of NetCommissions' business today is related to providing customers with high-level, summarized reports about their compensation plans.

A key differentiator for the vendor is its Plan Management service, which shows a customer how to build a compensation plan, starting at the database level. Customers with little or no IT support will likely find this service appealing.

NetCommissions is a relative newcomer to this market space; we regard its sales accomplishments as impressive because it has already developed several well-known firms as customers, including Monster.com (600 sales reps; 40,000 transactions managed per month) and Novartis CIBA (300 sales reps).

Still, we believe that as a new market entrant, the vendor should first carefully examine the market environment and then determine and aim at the segments best suited to its strengths and limited resources — those that will gain it the highest degree of success. Importantly, NetCommissions will need to not only exhibit true market differentiation but also serve its strategic targets more effectively or efficiently than its well-established competitors if it wants to become a dominant player.

### **Strategix Performance**

Founded in 1983 in Costa Mesa, California, Strategix Performance Inc. ([www.strategixperformance.com](http://www.strategixperformance.com)) is privately held by its founders, key employees, and other private shareholders. With 23 consecutive years of revenue growth, the company has the most extensive history in the sales incentive compensation applications market and has served over 400 financial services and other organizations since its inception. The vendor currently has 48 customers, and its solution is managing over 100,000 active payees.

Strategix Performance's 2006 revenue comprised sales generated from both its sales incentive compensation solution (80%) and its general compensation solution (20%). Sales of software licensing accounted for 70% of its revenue, while its implementation services (including all nonsoftware services) accrued 30%.

The company emerged in the early 1980s when President and CEO Peter Djokovich, who was then employed as a management consultant at Deloitte & Touche, determined that tracking solutions for measuring sales performance represented an attractive, untapped market opportunity. The accounting systems of that time had been used to record the sales plan processes of a business, but they had significant limitations: They could only enable month-end reporting and could do so at the departmental level only. Djokovich stayed in management consulting until the early 1990s, but several of his consulting colleagues with whom he had shared the idea for the business venture started Strategix Performance in 1983. Djokovich later joined the company as its leader.

As its software matured over the years, the company has been able to reduce its consulting staff because many of the labor-intensive functions once associated with automating its solution have been eliminated. Strategix Performance today has 30 employees, 20 of whom are performing its core client services with the other 10 conducting sales. The vendor's salespeople are regionally assigned and experts in their field; they provide critical consulting guidance to customers. Another 20 dedicated individuals employed by affiliated firms or outsourcers are working for the vendor on special consulting projects; this number is not a constant because the need for added consulting assistance fluctuates depending on the specific nature of a project.

Among Strategix Performance's broad portfolio of performance management application solutions is Incentive Automation for automating sales incentive compensation. This solution comprises:

- ☒ Plan development, prototyping, and piloting
- ☒ Plan documentation
- ☒ Source data integration — data feeds and data flows
- ☒ Exception data resolution management
- ☒ Employee participant and organization hierarchy management
- ☒ Performance scorecard management
- ☒ Metrics and key performance indicator management
- ☒ Goal, quota, and objectives management
- ☒ What-if performance and incentive scenario forecasting
- ☒ Points, credits, revenue, and value measure management
- ☒ Individuals, team, and override earnings calculations
- ☒ Payment and payout rules management
- ☒ Payroll system integration management
- ☒ Other functions

The vendor offers several options in deployment modes, including:

- ☒ Enterprise licensing — on premise, self-service
- ☒ Managed services — on premise, full service
- ☒ Hosted services — application service provisioning (ASP)/SaaS/hosting (on demand, self-service)
- ☒ Full-service outsource — direct and special services (on demand, full service)

In December 2006, the vendor released version 9.6 of its StrategixEPM Performance Manager solution, which introduced several enhanced capabilities to its incentive management product, including:

- ☒ Performance scorecard and incentive plan definition and management (provides over 300 predefined incentive templates to replace manual coding of business rules)
- ☒ Incentive payout definition and calculation methods

- ☒ What-if incentive plan/scorecard scenario testing, forecasting, and reporting
- ☒ Automated reporting batch and distribution

Analytics are embedded into StrategixEPM and enable data integration; real-time, same-day, Web-based reports; what-if forecasting; and data export.

Version 10 of Incentive Automation is scheduled to be released in 2008. With over two decades of improvements made to its incentive management solution, Strategix Performance has by far the most mature product on the market. The vendor claims that during the last 10 years it has made investments totaling \$20 million in its product portfolio, including in its incentive solution.

The pricing ranges from \$4 to \$8 per payee per month for the solution, which supports multiple languages and currencies. The system currently has more than 350 user-defined criteria through which it can calculate incentives. The vendor offers related services to customers, including incentive plan design and development as well as plan management.

The company uses datacenters in Salt Lake City, Utah, and Raleigh, North Carolina, to support its hosted operations; it does not own these or other data processing facilities. Its current largest hosted account has 10,000 payees, yet it has managed transactions for up to 30,000 payees. At its smallest customer, it processes transactions for fewer than 200 payees.

In November 2004, Strategix Performance became one of the first sales incentive management solution providers to afford a SaaS offering to the SMB sector. The vast majority (85%) of the vendor's current clients have elected to have the solution hosted.

In 2006, the company introduced the Private Labeling Program, enabling market/segment vertical experts including consultants, system integrators, service providers, and others to private brand its StrategixEPM employee performance management and incentive automation solution and offer/provide the solution to their clients.

Affordably designed to appeal to small and medium-sized businesses, Performance Manager Direct provides a hosted version of StrategixEPM solution, so the software does not have to be bought outright or installed. The customer submits the source data that provides the basis for their sales and service incentives and key performance indicators for each period; performance results are returned in the form of reports, spreadsheets, or database files for their own internal analysis.

Special Projects, introduced in 2005, provides a company with a one-time, limited use of StrategixEPM when a fast, automated scorecard and incentive calculation toolset for a single use is required. First offered in early 2007, Strategix Performance's Loyalty and Rewards Platform gives customers the ability to calculate customer satisfaction.

Strategix Performance successfully pioneered an automated incentive solution to initially benefit the financial community, although it now targets additional industries

that have somewhat similar sales models, such as merchant services including credit card processors and insurance. The vendor's longevity in the field of sales incentive compensation management has enabled it to deliver a robust and feature-rich solution to, as well as build its credibility in, these markets. The vendor reports that market demand for its solution and related services among financial and financial-related organizations has been relatively strong in recent years, even during a weakened economy.

Strategix Performance's commitment to seeking to dominate a single industry to the best of its ability — that is, financial services and related sectors — has proved to be a winning strategy. Although the vendor has numerous rivals, its first-to-market, disciplined approach has enabled it to solidly entrench itself in this vertical market. The affordable pricing model for its solution at \$4–8 per payee per month also currently provides it competitive differentiation. We believe, however, that this tactic could quickly and easily be matched by a rival.

In our view, one way that Strategix Performance could better itself is by self-promotion on its Web site. As a critical communications vehicle, the site currently does not sufficiently promote that the vendor invests in providing incentive and performance management solutions to meet the requirements of specific industries, namely financial services, merchant services, and insurance. The site would serve the company better if its target markets and specific capabilities to serve these markets were explicit and permeated its marketing messages throughout.

## **Synygy**

In business since 1991, Chester, Pennsylvania-based Synygy ([www.synygy.com](http://www.synygy.com)) is a privately held provider of sales performance management solutions that encompass sales compensation, quotas management, objectives management, and territory management. Among other honors, the application provider was named to the Inc. 500 Hall of Fame after being ranked five times on the Inc. 500 list as a fast-growing, privately held company to watch.

Synygy's clients are large domestic and international companies that typically have 1,000 to 100,000 salespeople, agents, or brokers. Companies that spend in excess of \$5 million per year in sales compensation, but have as few as 200 salespeople, are also clients. The company's deal sizes typically range from \$5 million to \$20 million. The vendor's customers cross all major industries including insurance, financial services, pharmaceuticals, technology, consumer goods, telecommunications, manufacturing, and business services. Synygy customers include Blue Cross and Blue Shield of Louisiana, Cigna, GE Healthcare BioSciences, Lincoln Financial Distributor, and PDI. According to President and CEO Mark Stiffler, the company is "narrowly focused" on sales compensation, with 95% of its sales performance management implementations to date falling in this business process area.

In addition to offices in Pennsylvania and Arizona, Synygy has global offices in Europe and Asia. The vendor has a consultative-centric business model, with 200 of its 450 employees in client services. A key differentiator for Synygy is that its own consultants possess the developed expertise to conduct implementations for customers. As a result, the company does not have to depend on outside consulting

partners, and even the largest of installations can be accomplished by its own experienced staff in six to nine months.

The vendor has 40 salespeople and 150 software developers, of whom 25 are in the United States, with the remainder located in Romania and India; it has no programmers or testers in the United States. Five managing directors are responsible for selling and delivering the solution to the customer; the salespeople, including new business representatives, report to these directors.

Synogy changed to a subscription-only business model in January 2005 and now has created a solid base of recurring revenue that provides the company with greater stability and predictability of business. Its pricing model comprises two fees: an upfront processing fee and a subscription fee that is usually paid quarterly but can also be paid monthly. The subscription fee is fixed (no time and materials) and covers technology, hosting, and process management (to the extent desired by the client).

During the second quarter of FY07, Synogy received SAS 70 certification for both its software hosting and process management services. During this period, the vendor also reached record levels in the number of payees, which exceeded 32,000, on its on-demand solution. Over the second half of 2007, Synogy will release version 11 of the Synogy Compensation module as part of its continuing release of its newly architected, Web-native sales performance management solution suite. The company claims it uses the same code base for every customer and that no custom coding is conducted.

A key competitive advantage that Synogy has is that it is the only sole-source provider of complete sales compensation management solutions that include software, professional services, and datacenter services (at its headquarters in Pennsylvania). According to Stiffler, "Our approach is one of being a consultant to a customer. Our mission is not to simply sell software, but to create and sell a mix of software and service that truly address clients' problems." Because the vendor does not use third-party partners, contractors, or hosting companies, its business model eliminates the risks of patchwork solutions.

Synogy invests heavily in training its professional services team, and its real value is in its people. The vendor boasts the largest in-house consulting organization focused exclusively on sales performance and sales compensation management, and its future success will depend on retaining and cost-effectively leveraging these resources while providing a level of process automation and process management services not possible with a customer's own internal resources.

## **Varicent**

Headquartered in Toronto, Canada, Varicent ([www.varicent.com](http://www.varicent.com)) was founded in 2003 by a team of executives with extensive performance management experience. The company develops and markets sales performance management (SPM) solutions that help companies across industries efficiently and effectively automate and manage the process of calculating and reporting variable-based pay.

Varicent is a profitable, private, and primarily internally funded company. The vendor experienced its third consecutive year of triple-digit revenue growth in 2006 and projects that it will exhibit a similar growth rate this year.

Varicent has 70 employees, of whom approximately 15 are dedicated salespeople. The company has a regional office in Portland, Oregon, with additional sales representatives and employees spread throughout the United States. The vendor's sales team is aligned by geographic region, and its salespeople have experience in and focus on selling into those industries that are most well represented within a region (e.g., financial services in New York City). Like its founders, the company's sales team comes from many leading business intelligence and performance management vendors.

Varicent describes its sales performance management system as a horizontal solution, claiming that it meets the needs of a wide range of industries. In fact, the company's 80 customers represent diverse vertical markets including financial services, healthcare, high technology, insurance, telecommunications, and manufacturing. Customers of Varicent include AAA, American Century Investments, Chase Paymentech, Heritage Health Systems, IberiaBank, Sterling, SunGard, TechTarget, and Technisource.

Varicent's target customer ranges from a midsize company to a Fortune 100 organization, yet small businesses that utilize team selling and/or whose incentive plans involve highly complex metrics also represent buyers. The vendor's solution has been used to support from fewer than 100 users to 30,000 payees.

The Varicent Sales Performance Management (SPM) solution encompasses the following applications:

- ☒ Incentive Compensation Management (ICM)
- ☒ Quota Planning
- ☒ Territory Management
- ☒ Performance Analytics (for sales and executive management)

These applications automate the assignment of territories, the collection and approval of quotas, and the administration and calculation of incentive compensation plans; they also examine sales performance and evaluate the effectiveness of incentive programs. They can be applied for managing the variable compensation of sales representatives, managers, employees, and channels.

Incentive Compensation Management is the so-called lead application in the SPM product portfolio; the vendor states that the vast majority of its customer base is using this solution to automate and administer compensation plans.

The Incentive Compensation Management module lets users:

- ☒ Build and modify complex commission structures
- ☒ Group employees into respective business units or territories and assign one or more plans

- ☒ Make changes to plans (a business rule change in a single commission plan within a payee group can be automatically applied to each payee within that group)

SPM's Calculation Engine involves a single code base, computes variable-based pay across payee groups, and affords the following:

- ☒ Calculations can be triggered manually, automatically, or scheduled to run at predefined intervals.
- ☒ Users can access real-time results for in-depth analysis.
- ☒ Management can drill down into payee groups.
- ☒ Commission expenses will be available by employee, territory, product, or customer.
- ☒ Results can be compared against business targets.

The Incentive Compensation Management system provides the following reporting environment:

- ☒ Out-of-the-box Web-based reporting
- ☒ Canned reports for administrators and individual sales reps
- ☒ Ad hoc reporting
- ☒ User-customized reporting, graphs, and dashboards

Varient's Incentive Compensation Management is an open-architected, Web-based application that supports MS SQL Server, Oracle, or IBM DB2 databases and has a single code base. The sales incentive compensation product is available to customers as an on-premise or hosted solution. The on-premise solution, which is what a majority of Varient customers are using, is priced based on the numbers of users and functionality (modules). The hosted version was introduced in early 2007 and involves a partnering with AT&T for datacenter support; it is charged on a monthly, per-user basis, depending on the functionality purchased. Customers that want a familiar spreadsheet "look and feel" are offered the option of having reporting and analysis capabilities delivered with an Excel front end.

Varient announced a formal partnership with Vaultus Mobile Technologies in August 2007 under which it introduced handheld functionality to mobilize its sales performance management solution. Varient customers will be enabled to quickly and easily manage sales territories, quotas, and incentives, as well as perform ad hoc analysis and reporting of performance metrics directly on their BlackBerry or Windows mobile PDA or smartphone, from any location, even if they are away from wireless coverage.

Although the company positions its incentive compensation product as the key application in its performance management product portfolio, it is focused on selling its entire suite of applications as a solution. Because most organizations of all sizes

today are driven to better their operational performance, in our view Varicent's objective is, as it should be, to exploit this significant market opportunity. However, for businesses seeking only an incentive compensation management application (and not wanting to acquire a bundle solution inclusive of territory management, quota planning, etc.), there are vendors that exclusively market this type of application and, as a result, pose a threat to Varicent.

Additionally, Varicent's goal of selling into most major industries that operate with large sales forces means that vendors that are vertical or segment specialists could be strong challengers to Varicent's sales bargaining power. Hence, the scope of the competitive battlefield that the vendor has determined to attack is so broad and diverse that as market demand grows for incentive compensation management applications over the midterm and causes rivalry to intensify, it will make its foray very difficult.

Although Varicent has fared well in the broad market early on, it might experience even greater profitability if it concentrated its strong ambitions on accumulating in-depth experience in only a handful of industries rather than taking its current horizontal approach to the marketplace. The vendor must be able to respond to the complex needs of small and, particularly, midmarket companies that must operate in increasingly competitive markets, in which each business must be unique and has unique needs for its incentive compensation solutions.

We recognize the vendor's recent introduction of a mobile incentive compensation management solution as a key differentiator for the firm because salespeople and executive managers can access critical incentive compensation information via their BlackBerry or Windows smartphone from any location without requiring access to a wireless connection.

### **VUE Software**

VUE Software ([www.vuesoftware.com](http://www.vuesoftware.com)), a division of Computer Solutions and Software International Inc. (CSSI) based in Coconut Creek, Florida, has nearly a decade of experience in working with insurance organizations of all sizes to implement compensation programs that motivate sales teams. CSSI experienced revenue growth of 37% in 2006 and projects sales of \$6 million in 2007; its VUE Software division grew its revenue a healthy 75% over 2006, based on strong sales of its product and customization services, which generated 56% and 44% shares, respectively.

CSSI began in 1991 as a software developer for the healthcare and insurance industries and, over time, evolved to become a specialist in delivering incentive compensation management solutions to the insurance industry. VUE Software was formed in 2004 as a separate division and began building out its VUE Software product line in 2005 to help solve the complexities of insurance sales commission and incentive compensation plans. Within the insurance industry, the company seeks customers that specialize in providing health plans and benefits for short-term disability and long-term life, among others. The vendor has 30 customers, seven of which were added in the past year. Its largest customer manages 6,000 payees, and its smallest customer manages 200 payees on its commission and incentive compensation solution. VUE Software customers include Blue Cross and Blue Shield

of Vermont, Keenan and Associates Construction Services Division, Pearl Benefits Group Inc., Reliance Standard, and United Insurance Group.

VUE Software has 80 employees (20 were added in 2006), of whom 25 are software developers and business analysts; the staff works to further advance its packaged incentive compensation solution. Another 55 individuals provide full consulting services to customers including data management, customization, implementation, and business consulting.

VUE Compensation Management is the vendor's flagship incentive compensation management system; it is specifically designed for the commission, incentive compensation, and producer relationship needs of insurance carriers, large managing general agents (MGAs), and third-party administrators. The solution allows insurance firms to better manage their complex distribution channels, multifaceted product portfolios, and tiered compensation plans. The core product can be extended with pre-integrated, add-on modules that provide online agent access, lead management, and customer relationship management functions. An average sales size is \$500,000–700,000, including software implementation, training, and support. The vendor offers onsite or hosted deployment of its application.

VUE Compensation Management features include:

- ☒ Unlimited payout schedules and compensation plans using client-defined business rules
- ☒ Flexible client-defined bonus programs
- ☒ Advance and draw support
- ☒ Unlimited hierarchies, including support for multiple hierarchies per payee
- ☒ Plan maintenance with full audit trails
- ☒ Research tools to resolve compensation disputes
- ☒ Comprehensive licensing and compliance management
- ☒ Retroactivity
- ☒ Performance-tuned high-volume transaction engine
- ☒ Extensible reporting
- ☒ Field-level security and auditing
- ☒ Customizable workflow for rules-based distribution of communications to producer channel members
- ☒ Integration engine using standards-based XML technologies supporting service-oriented architecture (SOA) and Web services interfaces
- ☒ Add-on VUE Online module for Web-based agent access

Other VUE Software solutions include:

- ☒ VUE Online, a Web-based agent administration and reporting tool
- ☒ VUE Producer Portal, a Web-based portal offering producers access to reports, policies, and premiums at a glance

VUE Software's applications utilize Microsoft platform technologies as the foundation for all systems development, providing a standard architecture to facilitate enterprise integration; all of its software products require Microsoft SQL Server or Oracle.

The vendor's strategic business partners include Microsoft (an active member of Insurance Value Chain [IVC]), Oracle (database platforms), and IBM (software platforms).

VUE Software is a young company that is fortunate to have the financial backing of its established parent organization, CSSI. Because both companies focus on motivating sales teams in the insurance industry, together they can conceivably create beneficial synergies via joint business endeavors, such as collaborating in their selling efforts to prospects to grow revenue and, ultimately, "share" customers.

In late 2008, however, VUE Software intends to venture beyond its current domain expertise in tandem with CSSI to pursue new opportunities in telecommunications and, later, retail. Although the monetary support from its parent company may still be available to it, its entry into new markets will require that the division thoroughly evaluate its own strengths and capabilities. For any vendor that is seeking to grow its business by moving into additional vertical markets for which it will need to develop expertise, we recommend a very carefully assessment of the attractiveness of each industry it intends to pursue, as well as any major barriers to entry and competitive threats it will have to confront.

### **Xactly**

Founded in 2005, San Jose, California-based Xactly Corp. ([www.xactlycorp.com](http://www.xactlycorp.com)) began its operations by targeting the high end of the midmarket (companies with up to 2,000 payees) with its flagship on-demand sales compensation application solution, Xactly Incent. The vendor has received \$27 million in venture funding, closing its "C" round in April 2007, and plans to be profitable in 2008. It has just over 100 employees, with its sales operations, including 25 direct salespeople, focusing primarily on North America, with a growing presence in Europe, the Middle East, and Africa (EMEA) and partnerships in Asia/Pacific. The company intends to expand its presence in both EMEA and Asia/Pacific in 2008. Xactly sells across a variety of industries and has met with success in selling its applications to software and technology, media and entertainment, manufacturing and distribution, telecommunications, and financial services firms. Notably, [salesforce.com](http://salesforce.com) and SuccessFactors are both customers and partners of Xactly. Other customers include BlueLinx, Polycom, and Misys.

Founder Christopher W. Cabrera, who is both president and CEO of Xactly, has over two decades of successful senior management experience at both early-stage and public companies in managing sales, marketing, operations, and business

development. Prior to founding Xactly, Cabrera was senior vice president of operations at Callidus Software.

In April 2007, Xactly released version 3.5 of Xactly Incent to its customer base of 100+ midsize companies. Xactly Incent automates the processes involved in managing sales compensation to benefit sales and finance executives, compensation analysts, sales operations, and sales professionals:

☒ Sales managers and sales reps can:

- ☐ Estimate incentives before, during, and after a sale using the Xactly Incentive Estimator
- ☐ Calculate the potential commission on imported opportunities from salesforce.com
- ☐ Automate and streamline channel sales compensation and point-of-sale data
- ☐ Modify plans to introduce new programs, such as SPIFs using cash and noncash rewards
- ☐ Provide performance visibility into individual, team, and corporate goals
- ☐ Gain visibility into sales performance via dashboards and reports

☒ Finance executives can:

- ☐ Create compensation plans based on criteria such as product margin, product mix, and discount percentage
- ☐ Provide visibility into current plans and performance
- ☐ Enable clear communication of programs to the sales force
- ☐ Track changes and compensation plan approvals to ensure auditability for federal regulations such as Sarbanes-Oxley

☒ Compensation analysts can:

- ☐ Create plans including credits, commissions, draws, and special programs such as SPIFs
- ☐ Model any plan with a flexible rules-based architecture
- ☐ Coordinate plan changes to any start and end date
- ☐ Track all change details through comprehensive auditing
- ☐ Calculate and report incentives in real time
- ☐ Flexibly manage a variety of recoverable and nonrecoverable draw types
- ☐ Control user views through a permissions-driven interface

☒ Sales operations can:

- ☐ Update organization, company, and plan data quickly
- ☐ Automate plan routing and approval with Xactly Document Management
- ☐ Deliver incentive news and announcements to the sales force via the Web
- ☐ Create special incentive contests with any start and end date
- ☐ Analyze incentive information through real-time Web-based reports
- ☐ Resolve disputes and inquiries quickly through integrated messaging

Since its founding, Xactly has moved from providing a sales compensation management solution to a broader, sales performance management offering. Sales performance management systems include functionality for incentive compensation management, quota management, territory management, and price management, all leveraging postsales business data that Xactly aggregates and hosts in a secure, on-demand repository.

The Xactly Incent sales performance management product portfolio today comprises Xactly Incent, Xactly Analytics, Xactly Modeling, Xactly Credit Assignment, Xactly Rewards, and Xactly Data Management.

Xactly has made available a set of open APIs called Xactly Connect, the world's first on-demand incentive compensation management integration platform that provides connectivity to any system, resulting in transparent integration for end users. For example, the Xactly Payroll Navigator enables easy transfer of compensation data and results such as commissions, bonuses, and payments to any major third-party payroll vendor (e.g., ADP, Ceridian, Intuit, Paychex, and Ultimate Software) for payment processing.

In June 2007, Xactly introduced an on-demand sales incentive compensation management service called Xactly Incent Managed Service, designed to appeal to companies with 25 or fewer payees across industries. This completely outsourced service offering will help small to midsize businesses expedite the sales incentive compensation process and let variably paid personnel get immediate, Web-based visibility into their compensation plans. It is targeted at companies that process compensation in a single currency, manage fewer than 10 compensation plans on an annual basis, and process 1,000 transactions or less per month to pay variable compensation.

The outsourced service provides a true SAS 70 multitenant application in a secure, hosted environment (SAS 70 Type II data security) to benefit IT departments.

The Xactly Incent Managed Service performs the following for customers:

- ☒ Processes commission and bonus payments
- ☒ Generates payroll files

- ☒ Creates commission statements and distributes reports to payees (sales reps)
- ☒ Helps sales operations and finance investigate issues to make compensation adjustments
- ☒ Provides management reporting
- ☒ Provides auditing and tracking of adjustments

Xactly charges \$7,995 for a one-time setup fee for this service that includes:

- ☒ Analysis of compensation plans and policies, following the receipt of customer files in the Xactly Excel template
- ☒ Setup of people, hierarchy, and relationships
- ☒ Configuration and testing of compensation plans
- ☒ Definition of operations and support processes and procedures
- ☒ Parallel testing for up to one month

Customers can expect to go live in two to three weeks. The company stated that it has recruited two new salespeople to sell its managed service solution and that it will have dedicated employees supporting it. The new solution will also be promoted via salesforce.com's AppExchange.

In February 2007, Xactly formed a strategic selling and marketing agreement with SuccessFactors Inc., a provider of on-demand performance and talent management solutions, to deliver their respective solutions to each other's customers. SuccessFactors is also a pure on-demand solution provider and has generated over 1,200 customers with 1 million to over 2 million users on its system. This relationship will create synergies that will benefit the companies' joint customers because they can plan for merit increases, stock and stock option allocations, management by objectives (MBO) bonuses, and sales commissions using a single integrated solution. Consequently, companies do not have to make decisions involving compensation management for sales in isolation from their broader employee population.

Xactly boasts a strategic ecosystem for sales performance management, combining best-of-breed applications with complementary offerings from several partners. By collaborating with like-minded technology vendors and systems integrators, Xactly is able to go deep into a variety of vertical markets. Xactly's partners include Microsoft, Oracle, RightNow Technologies, salesforce.com, SuccessFactors, and Workday; its implementation partners include Bluewolf, Astadia, Iconnix, and Compensation Technologies.

An example of this collaboration is Xactly Incent for AppExchange, which includes a direct connector to salesforce.com's Salesforce CRM application with single sign-on functionality. Xactly's Salesforce Direct Connector makes it easy for Salesforce users to take advantage of Xactly Incent's powerful Incentive Estimator feature. With the Incentive Estimator, sales reps can explore what-if scenarios tied to every component

of a Salesforce opportunity and receive immediate feedback to improve plan effectiveness and sales performance.

Over the next 12 months, Xactly intends to build out its product portfolio with the inclusion of additional modules, including Xactly Territory Management, Xactly Quota Management, Xactly Price Management, and Xactly Forecast/Planning. When all of these modules become available, the vendor believes its on-demand sales performance management solution, along with its true multitenant architecture, will operate as a competitive barrier, as they will prove to be key differentiators.

Though the vendor is a market newcomer, Xactly's strengths include a talented management team; an established partnership with salesforce.com (a market leader in on-demand business services); growing market presence with well-known, midmarket companies; and a broadening, comprehensive product portfolio. However, the vendor must rapidly deliver its new product modules as planned because the market for sales incentive compensation management is only intensifying and, hence, time to market is critical.

In our view, Xactly should be included on any shortlist for on-demand or managed services sales incentive compensation management because it looks to become a strong, competent player in the sector.

### ***Enterprise Vendors***

#### **Oracle**

Oracle ([www.oracle.com](http://www.oracle.com)), headquartered in Redwood Shores, California, is the world's largest enterprise software company. The vendor markets and sells an incentive compensation solution used for sales management: Oracle Incentive Compensation.

As part of Oracle E-Business Suite, Oracle Incentive Compensation is a global compensation management application that allows organizations to connect sales incentives to business objectives to motivate sales representatives, resellers, and partners. Oracle Incentive Compensation automates the complex task of calculating, allocating, and accumulating incentive credits. The product is integrated with Oracle E-Business Suite Financials, HR, and CRM applications, including Order Capture, Receivables, Payroll, Payables, Territory Manager, and HR Compensation Workbench; it can also be implemented standalone. Of Oracle's 150+ customers, 40% have chosen to implement the system independent of other applications from the company; it currently has over 600,000 payees in production. According to the vendor, the system is predominantly used for compensating sales organizations rather than for general compensation purposes. Oracle Incentive Compensation was developed by Oracle itself, approximately 10 years ago, and is sold to large enterprises across all industries including manufacturing, high technology, retail, telecommunications, healthcare/pharmaceuticals, and financial services. Retailers Best Buy (100,000 payees), Nordstrom (40,000 payees), and JC Penney (127,000 payees) are running Oracle's sales compensation solution. Representative customers also include Canon, Ricoh, and Xerox in manufacturing; British Telecom and Telecom Italia in telecommunications; Dell, Toshiba, Yahoo!, and Motorola in technology;

Liberty Mutual, La Banque Postal, and CNP in financial services; and Harvard Pilgrim Health Care and Lilly in healthcare/pharmaceuticals.

For plan design, the solution provides the following key features:

- ☒ 360-degree plan view
- ☒ Role-based plan assignment
- ☒ Multidimensional rate tables, user-friendly Expression Builder
- ☒ Interdependent plan elements and plan element checklist
- ☒ Sales credit allocation rules, date-effective territories, and compensation group hierarchy
- ☒ Flexible transaction definition and configurable data mapping

For administration, the solution affords the following key features:

- ☒ 360-degree view of resources
- ☒ Transaction research assistant, mass transaction, and credit adjustment
- ☒ Automatic payment worksheets including draws, cap adjustments, and recovery
- ☒ Payment approval hierarchy
- ☒ Incremental calculation and retroprocessing

In the area of analysis, the solution provides the following:

- ☒ Commission statements and performance reports
- ☒ Extensive XMS publisher reporting capability
- ☒ Ad hoc analysis
- ☒ Total compensation view
- ☒ Projected compensation
- ☒ Complete audit trail and date effectiveness

In its release 12 of Oracle Incentive Compensation in January 2007, the vendor introduced the following enhancements:

- ☒ New role-based business flows for compensation manager/analyst, plan administrator, incentive compensation administrator, and self-service users and managers
- ☒ Top-down plan creation and plan wizard

- ☒ 360-degree view of resources and plans
- ☒ Total compensation visibility via integration with HR Compensation Workbench
- ☒ Enhanced auditing capability
- ☒ XML-based reporting to put reports into the hands of end users and export-to-Excel capability

For analytic capabilities, Oracle Incentive Compensation leverages Oracle Business Intelligence Standard and Enterprise editions. Key differentiators in Oracle's solution, in addition to its integration with other Oracle enterprise applications, are its ability to create real-time plan projections as well as incremental calculations via its calculation engine.

Aiding and abetting sales of the Oracle Incentive Compensation product is the vendor's ability to bundle the product into its complementary solution assets, including territory management, SFA, order management, HR, and financial modules. With relatively fewer competitors in the high-end market and as a vendor with significant marketing clout and financial resources, Oracle has a true advantage over its best-of-breed competitors. It also has virtually no enterprise solution rivals in this space: Even SAP, with which it typically competes, does not offer such a solution. Yet another key advantage Oracle has is that, as a result of its global status, it can leverage and extend its current investments in customers, including international deployments.

Interestingly, because Oracle Incentive Compensation is not a so-called lead application for the vendor and is part of a comprehensive enterprise application suite, there is the danger that the application can be overlooked or not considered by those seeking a point solution.

### ***Other Vendors***

- ☒ CellarStone Inc. ([www.cellarstone.com](http://www.cellarstone.com)) is the developer of Qcommission, a sales commission software product designed for horizontal industries. The vendor offers base, professional, and premier editions of its solution that are targeted based on the numbers of payees. Qcommission is integrated with SAP Business One.
- ☒ DSPA Software Inc.'s ([www.dspasoftware.com](http://www.dspasoftware.com)) flagship product, FASAT, is a sales compensation solution created specifically for the insurance industry and is based on multitier Microsoft technology.
- ☒ Global Sales Partners ([www.globalsalespartners.com](http://www.globalsalespartners.com)) provides a proprietary software solution for commission payouts and quota tracking.
- ☒ Incential Software ([www.incential.com](http://www.incential.com)) began as VIPAR; its solutions automate the data-driven functions of pharmaceutical sales operations, including data management, incentive compensation, and business intelligence, and can be delivered on demand or on premise.

- ☒ Incentive Technology Corp. ([www.incentcorp.com](http://www.incentcorp.com)) is owned by Berggruen Holdings, a private investment firm, which acquired ITC CompCentral from Centive. ITC CompCentral, now sold by Incentive Technology, is an enterprise incentive management solution that automates the processes involved in designing and managing a compensation plan.
- ☒ InfoTrax Systems' ([www.infotraxsys.com](http://www.infotraxsys.com)) InfoTrax BackOffice, a module for compensation commission management, helps a company model compensation plans against the right performance. Features of this solution include multicommission model options, reporting functions, and online inquiries.
- ☒ Insync Solutions' ([www.insyncsolutions.com](http://www.insyncsolutions.com)) Selltec product captures all data involved in the sales process, including sales and commission tracking, for manufacturers' sales reps.
- ☒ NSS Corp.'s ([www.nsscorp.com](http://www.nsscorp.com)) sales performance solution, NSS XSELLerator, automates enterprisewide sales and referral tracking and incentive calculations.
- ☒ Practique ([www.practique.co.uk](http://www.practique.co.uk)) is a privately owned company established in 1997 and based in the United Kingdom. It is the author and editor of INCA, a Web-based incentive compensation management application that automates sales commission and bonus for companies across industries. Its solution now manages the commission of 75,000 sales employees across Europe. Practique's alliance business partners include IBM, Oracle, HP, and Sun.

## FUTURE OUTLOOK

Sales incentive compensation applications help align selling processes more directly with organizational objectives. Managing the methods of commission, bonus, and incentive administration is extremely complex because they are constantly changing as businesses seek to reshape themselves to meet shifting market demands and thwart competitive assaults. Spreadsheets and homegrown solutions for managing incentive compensation are seriously lacking in their ability to align to changes in the sales processes of a business. In comparison, the automated, sophisticated solutions for managing sales incentive compensation that are now on the market provide an effective option for businesses to become more effective and agile so they may gain advantage over their competitors.

We believe that the market for sales incentive compensation solutions is now ripe for advancement, as companies of all sizes will be increasingly driven to accelerate their corporate performance and will require these tools to enable synchronization of selling strategies with execution.

In the following section, we identify six ways in which sales incentive compensation solutions vendors can hope to expand their businesses and build market share over the midterm.

## ESSENTIAL GUIDANCE

As competition to win customers intensifies in the near years, vendors in the sales incentive compensation management solutions industry will be confronted with many strategic dilemmas. During this period, we expect that the market will expand and contract as mergers and acquisitions will play an active role in reshaping and growing this market — particularly as CRM and SFA vendors seek to make their customer-facing offerings more comprehensive and attractive to buyers and/or grow their market share. We also expect that today's market leaders, as well as newer entrants, will be challenged to provide overall cost leadership, differentiation, and focus in this early-stage market.

IDC recommends that to achieve above-average market results, sales incentive compensation vendors adopt a growth strategy that includes the following actions:

- ☒ **Identify and exploit new, high-opportunity vertical and task-specific segments.** This is recommended to vendors that have specialized in a single industry or industry segment; to stay competitive, these vendors will need to look beyond their core markets into adjacent or other potentially promising markets or complementary segments. For example, the telecommunications and retail industries, unlike banking and insurance, have fewer rivals competing.
- ☒ **Develop concentration or specialization strategies that are focused on fewer industries.** Vendors that have taken a horizontal approach to the market should develop specialization in a few select verticals so they can reasonably respond and adapt to an organization's unique needs. This will be required across all company-size segments as competition increases in a market that is becoming highly dynamic in its resurgence.
- ☒ **Continue to educate buyers about the strategic value of sales incentive compensation solutions and their critical role in performance management measurement.** It is critical for vendors to take the time to educate buyers about the strategic benefits of innovative solutions for sales incentive compensation management, especially those that solve a specific marketplace's or even an organization's distinct problems.
- ☒ **Continually enhance product differentiation in an effort to create new standards and achieve a distinct position in the industry.** This can be accomplished over time by making strategic investments in adapting offerings to buyers' changing needs. In providing integration with OEM solutions, including more sophisticated analytics tools, data management repositories, and mobile devices, for example, vendors can also hope to gain share by offering higher-value products.
- ☒ **Expand their network of alliances with OEM providers, CRM and SFA solution suppliers, and implementation partners to create a robust, mutually beneficial ecosystem.** Vendors have to work to build strong partnerships with developers of complementary products, tools, and services that, over time, will evolve into enduring relationships that are increasingly profitable. They must strive to operate these alliances at their maximum potential in order to develop an important communications channel through which they can

receive critical customer feedback about future enhancements to be made to products and services.

- ☒ **Build multilingual and currency-conversion capabilities into solutions to respond to the needs of global organizations of all sizes.** Multilingual facilities will better enable the servicing of global customers and provide increased competitive advantage.

## LEARN MORE

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### Related Research

- ☒ *Worldwide CRM Applications 2006 Vendor Shares: Marketing, Sales, and Customer Service* (IDC #207439, June 2007)
- ☒ *Worldwide Workforce Performance Management 2007–2011 Forecast* (IDC #206285, April 2007)
- ☒ *IDC's Software Taxonomy, 2007* (IDC #205437, February 2007)
- ☒ *Worldwide HCM Applications 2005 Vendor Shares: Top Vendors in Core HR; eRecruiting; Incentive, Performance, and Workforce Management; SaaS; and Large, Midsize, and Small Customer Segments* (IDC #204424, December 2006)

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