

WHITE PAPER

Driving Sales Performance by Effectively Managing Incentive Compensation

Sponsored by: Xactly Corporation

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IDC OPINION

Now more than ever, businesses need to accelerate their ability to improve their sales performance. To reach their revenue goals, they need to strive to effectively motivate and fairly compensate and reward their sales staff, channel partners, and dealer networks. Consequently, businesses on the rise are feeling intense pressure to replace their inflexible, error-prone spreadsheets and homegrown solutions with more sophisticated, packaged applications that are designed to effectively create and manage change in the sales incentive compensation process. Businesses that have the ability to measure their performance against strategic objectives and goals, and can adjust their sales strategies accordingly, as they go, have a far greater opportunity to outperform their rivals.

In this fast-paced world of commerce, sales compensation has become only more complex and critical to a business' growth and success. Businesses that fail to put in place the appropriate incentive systems to measure and compensate individuals for their outstanding sales contributions can risk losing their top performers to competitors. On the other hand, businesses that automate their sales incentive compensation processes, thus providing visibility into critical compensation data, have a far greater opportunity to not only retain their key sales staff but also recruit valuable, new salespeople to help them drive sales.

Xactly Corporation's on-demand sales incentive compensation and performance management application suite should appeal to small businesses up to large corporations that are strongly performance driven. The vendor's integrated, multitenant-architected solutions that are delivered as a service can enable a company to pay correctly, consistently, and on time, enabling sales and finance to build a stronger relationship while also allowing salespeople to focus on sales.

We believe that Xactly's continuous rollout of impressive new products, such as Xactly Incentive Estimator™ that lets sales reps explore what-if scenarios tied to every opportunity, will help it rapidly build market share.

IN THIS WHITE PAPER

This IDC White Paper examines the key factors contributing to the rising deployment of automated sales incentive compensation management solutions, discussing the many factors that are driving their adoption. Specifically, we look at their ability to drive and motivate desired sales behaviors, attract and retain key sales staff, provide strategic value as a sales performance and analysis tool, and deliver data that is consistent and accurate in replacing error-prone spreadsheets and unmanageable, custom-built solutions. We also discuss the significant advantages for small and midsize businesses (SMBs) of on-demand solutions over traditional, on-premise solutions for sales incentive compensation management.

We then turn our attention to Xactly Corporation, a supplier of on-demand sales performance management solutions, with a focus on its approach to sales compensation and a discussion of its opportunities (and challenges) in the market's earliest stages.

To better understand how Xactly is helping its customers to attain their sales goals and increase business performance, IDC conducted in-depth interviews with three companies that are in various stages of implementing Xactly's on-demand sales incentive compensation and performance management solutions. We learned from our interviews that all three customer organizations appeared highly motivated to abandon their outdated spreadsheets in favor of implementing Xactly's on-demand, advanced sales incentive compensation solution, as all three organizations wanted a system that they would not have to maintain themselves and all three are experiencing sales performance improvements. We discuss these customers' experiences with Xactly Incent™ in a subsequent section.

SITUATION OVERVIEW

Sales incentive compensation applications help align selling processes more directly with organizational objectives and contribute greatly to improving sales performance. 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 with 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 efficient and agile so they may gain advantage over their competitors.

These sophisticated applications are becoming increasingly strategic to organizations 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 anyone on variable pay, including 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.

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 or software-as-a-service (SaaS) 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.

Using Rewards to Deliver Performance

Today's high-performing salespeople are looking for their compensation and benefits packages to be directly linked to their own accomplishments. These key sales personnel seek a positive work environment in which they are recognized and rewarded for outstanding performance. The cost is often high when sales representatives believe their treatment is inequitable. When this occurs, they most likely will do something about it, and for many, that means defecting to a competitor.

New tools now being marketed to efficiently and effectively manage noncash rewards, however, can be delivered as an option with leading-edge, automated sales compensation management systems to help to establish such an environment. These tools can be used to automate contests and special performance incentive funds (SPIFs) to measure performance and reward people for exceptional results accordingly. These programs, including upsell and cross-sell campaigns, can motivate and drive performance across teams. For example, when a sales representative earns more profit, he or she can be compensated in the form of a noncash reward. A pay-for-performance reward system is a key driver of sales strategy, business strategy, and organization culture.

Whether having won a sales program or specific contest, sales representatives can redeem their reward points immediately online by choosing from a wide range of leading brand items, travel and leisure options, as well as sporting events, concerts, and theater and adventure packages.

An optimal sales reward system encourages specific activities consistent with a firm's overall marketing and sales force objectives and strategies. It also can be used to attract and retain competent salespeople, thereby enhancing long-term customer relationships. Further, this system allows the kind of adjustments that facilitate administration of the reward system by providing an acceptable ratio of costs and sales force output in volume, profit, or other objectives.

A comprehensive sales reward system allows for sales contests, equal pay, team compensation, global considerations, as well as flexibility in changing the rewards.

Aligning Payment with Performance

Automating incentive compensation allows companies to align the appropriate incentives with sales performance. Sales performance solutions allow companies to design programs that pay differently for the behavior and results desired of the business. For example, a company can choose to incent differently for sales of higher margin products or new product introductions and reward those sales reps who demonstrate the best discounting practices.

Integrating Sales Compensation Data with CRM Solutions to Drive Sales Productivity

By integrating sales compensation data in the form of single sign-on, incentive estimation mashups with customer relationship management (CRM) solutions, including sales force automation (SFA) and customer service, sales representatives can explore what-if scenarios tied to every component of a sales opportunity. When these incentive estimations are applied to any variety of key account criteria in a CRM system, a sales representative is then enabled to receive immediate feedback on how best to structure a sale for maximum commission and bonus payout. The powerful synergies that emerge from integrating sales compensation management and CRM, in this way, help to promote the kind of strategic sales behaviors that drive productivity.

Attracting and Retaining Key Sales Personnel

One of the most compelling business benefits in support of these automated commission solutions is that they help companies attract and retain key sales personnel. Calculating compensation accurately and fairly for sales reps is a key process, especially for companies in high growth mode. Providing visibility into vital account information involving commission statements and bonus payouts, plus team incentives, is also critical.

In a competitive job market, compensation remains a leading method of attracting, providing incentives to, and retaining top sales performers. More and more, an organization's future success depends on whether or not it can provide an enriching work environment in which sales personnel and others related to sales operations are compensated fairly, as well as rewarded and recognized for their individual contributions. Automated sales incentive compensation solutions make this possible, as the accuracy of performance metrics and the fairness of pay allocations that these systems deliver help to nurture the type of performance that makes a difference.

Homegrown Versus Packaged Solutions

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 (SOX) 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 approaches 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 overhead 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.

On-Demand Versus On-Premise Solutions

Many companies of all sizes are turning to on-demand sales incentive management compensation solutions because they are seeking significant cost, deployment speed, and maintenance benefits. Many of these organizations do not have the in-house IT staff or the computing requirements that are required to manage a sophisticated application such as sales compensation that is subject to continuous changes. Of great advantage to these organizations is to have their sales compensation management, a core business process, be delivered as a service and be integrated with their CRM and financial systems.

SaaS has become an increasingly popular choice over an on-premise alternative because it is the most cost-effective way to go. The SaaS delivery model also provides value to customers since more reliable upgrades are instantaneously available across the entire platform and security is transparent and can be well trusted.

In the following sections, we look at Xactly Corporation whose on-demand sales incentive compensation management solution is designed to make work life more productive, efficient, and satisfying for the rapidly growing number of sales managers and sales representatives, finance executives, compensation analysts, and partners who use it.

XACTLY'S SOLUTION

Founded in 2005, San Jose, California-based Xactly (www.xactlycorp.com) began its operations in 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. Xactly has just over 120 employees, and its sales operations, including 30 direct salespeople, is focused primarily within North America and has a growing presence in EMEA and partnerships in Asia/Pacific. As part of its business expansion plans, Xactly opened a new regional headquarters office in Boston, Massachusetts, providing East Coast customers with sales, solution consulting, implementation services, and education and training. The company also 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, retail, and financial services firms. Notably, 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 chief executive officer 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 for Callidus Software.

The Xactly Incent Solution

In November 2007, Xactly released version 3.7 of Xactly Incent to its customer base of more than 100 companies. Xactly Incent automates the processes involved in managing sales compensation to benefit sales and finance executives, compensation analysts, sales operations, and sales professionals as follows:

- Sales managers and sales reps can:
 - Estimate incentives before, during, and after a sale using the Xactly Incentive Estimator.
 - Calculate 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 audit ability 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 dates.
 - Track all change details through comprehensive auditing.
 - Calculate and report incentives in real time.
 - Flexibly manage with 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 dates.
 - Analyze incentive information through real-time Web-based reports.
 - Resolve disputes and inquiries quickly through integrated messaging.

Since its founding, Xactly has moved beyond a sales compensation management solution to a broader, sales performance management offering. Sales performance management systems include functionality for incentive compensation management, analytics and modeling, 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™, an on-demand incentive compensation management integration platform that provides connectivity to any system, resulting in transparent integration for end users. For example, Xactly Payroll Navigator™ enables compensation data and results such as commissions, bonuses, and payments to be easily transferred to any major third-party payroll vendor — ADP, Ceridian, Intuit, Paychex, or Ultimate Software — for payment processing.

In June 2007, Xactly introduced an on-demand sales incentive compensation management service called Xactly Incent Managed Service™, which is designed to appeal to companies of all sizes across industries that do not have the internal resource or competency to manage incentive compensation. This completely outsourced service offering will help businesses expedite the sales incentive compensation process and provide variably paid personnel with immediate, Web-based visibility into their compensation plans. 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.

Xactly Incent Managed Service conducts the following for customers:

- Initial Setup Service — a one-time service that includes the following assistance:
 - Set up users, positions, people, and hierarchy
 - Configure compensation plans in Xactly Incent
 - Conduct system tests
 - Activate reports for distribution to administrators, sales managers, and salespeople
 - Configure the format for payment files
 - Define processes, procedures, roles, and responsibilities for ongoing operations
 - Conduct training and transition with customer's administration(s)
- Ongoing Operations
 - People Maintenance
 - Set up new users, payees, positions, and relationships on a monthly basis
 - Assign new hires to prebuilt compensation plans
 - Update records for terminated and transferred employees
 - Set up and maintain organization hierarchies

- Plan Maintenance
 - Set up new quota and commission rates on a monthly basis
 - Keep quota and commission rates to date
- Transaction Processing
 - Conduct preliminary processing (for review and approval)
 - Conduct one final processing (including payroll file creation)
- Report Generation
 - Refresh and distribute reports
- Dispute Resolution
 - Provide Level 1 and/or Level 2 support
 - Make adjustments to results within Xactly Incent based on customer's formal request
- Tracking and Auditing
 - Track data and documents received
 - Track requests for changes and adjustments
 - Track outputs delivered to customer
 - Provide a monthly summary of service requests and services delivered
 - Conduct a joint quality assurance meeting with customer monthly

Xactly's Approach to Sales Incentive Compensation Management

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. The vendor's technology partners include Microsoft, Oracle, RightNow Technologies, SuccessFactors, salesforce.com, and Workday. Its implementation partners include Bluewolf, Astadia, and Iconnix.

An example of this collaboration is Xactly Incent™ for AppExchange, which includes a direct connector to salesforce.com's sales force automation application with single sign-on functionality. Xactly's Salesforce Direct Connector™ makes it easy for salesforce.com users to combine their commissions data with their CRM data 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.com opportunity and receive immediate feedback to improve plan effectiveness and sales performance.

A member of the Oracle PartnerNetwork, Xactly announced the integration of Xactly Incent with Oracle Siebel CRM On Demand in November 2007. As a result of this alliance, Oracle Siebel CRM On Demand customers can leverage Xactly Incent capabilities within their Siebel implementations to help drive more productive and profitable sales behaviors. Xactly also plans to provide integration to Microsoft Dynamics CRM.

Over the next 12 months, Xactly intends to build out its product portfolio with additional modules, including Xactly Quota Management™, Xactly Territory 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.

Xactly Customers Are Benefiting from Its On-Demand Solutions Today

Although the three companies IDC interviewed for this White Paper had their own reasons for implementing Xactly's solutions, they had much in common. Primarily, all three companies were in growth mode, and their custom-built, manual solutions were not able to provide them with the flexibility and insights into the sales performance data that they required going forward.

Optimum Lightpath Aligns Sales Behavior with Its Corporate Objectives

A full-service telecommunications division of Cablevision Systems Corporation, Optimum Lightpath delivers converged data, Internet, and voice solutions to midsize and large businesses throughout the New York metropolitan area. The company's remarkable success is rooted in its ability to offer advanced technologies, lower prices, and superior customer service. Yet Optimum Lightpath's growth has not come without some pain, as its manual processes for sales compensation were preventing it from reaching its full sales potential.

To add to this, the company's sales operation is complex by many standards because it involves a diverse set of products and services, salespeople paid based on customer location, and multiple sales teams with different compensation plans. "Paying salespeople the right amount is challenging," according to Matt Grover, vice president of sales operations at Optimum Lightpath. "We needed to automate sales compensation to increase our accuracy and consistency and to enable us to create and manage change in our compensation process."

To put an end to its sales compensation dilemma and enable it to approach its sales plans more strategically, in January 2007, Optimum Lightpath selected Xactly Incent, a Web-based, on-demand solution, to automate its highly complex sales compensation processes. Grover noted that his company is very glad it did since its sales compensation is no longer an administrative nightmare. In fact, the time spent in processing payouts has been reduced by as much as one-third. As a result, the number of employees required to manage the process has been reduced; now only one compensation analyst is required. "Thanks to Xactly Incent, error rates and time-to-remediate effort rates are also declining dramatically," said Grover.

Moreover, Optimum Lightpath also benefited immensely as a result of automating with Xactly Incent because now the company has a central repository for all of its sales commission and quota information. Explained Grover, "What's of great value to us is that we can now use strategic incentive programs to align sales behavior with our corporate objectives."

IronPort Systems Replaces Homegrown System with a Secure, Automated Incentive Compensation Solution

IronPort Systems is a leading gateway security provider for organizations ranging from small businesses to the Global 2000 and a Cisco business unit. Since its founding in October 2000, the company has depended on a spreadsheet-based solution to manage its sales compensation processes. As the company expanded geographically in recent years, it knew that it had to replace its outmoded sales compensation system as it was continually breaking down, was increasingly inaccurate, and could not scale to meet the needs of its 200 sales representatives worldwide.

When the cost of managing its homegrown system became too high to justify enhancing it any further, IronPort Systems found in Xactly Incent the automated, pay-as-you-go solution it was seeking. According to Jeff Williams, vice president of sales, "Xactly Incent is the *right* solution for this company because it is scalable, flexible, and secure." The latter issue is of paramount concern to this security-based technology provider. When asked for his opinions about his company's implementation of Xactly Incent, Williams simply said, "Phenomenal!" He added, "We've gained 100% trust from the field, and we have no more shadow accounting going on." He also explained, "It took just one email to roll it out to the field in 35 countries."

"Our sales representatives are no longer 'flying blind' as they're given real-time visibility into the compensation data they require to perform well," said Williams. Another benefit Xactly Incent has yielded for IronPort is that the automated solution has translated into huge cost savings and increased margin. In deploying the solution, only one sales manager, down from three individuals worldwide, now has to manage incentive compensation on a full-time basis. Yet another advantage of the solution is that it provides sales managers with the ability to model future compensation plans, such as those that might be based on increasing margins for various products and services.

"Now we can make real-time strategic compensation decisions to meet the needs of the business," stated Williams. "In this respect, the solution is proving highly strategic for us."

BlueLinx Seeks the Trust and Confidence of Its Sales Operation and Revenue Uplift Improvements

When its sales operation ballooned to 1,400 individuals over recent years, BlueLinx, a leading distributor of building products in North America, a Fortune 500 company, and a division of Georgia-Pacific Wood Products South LLC, knew that it could no longer operate effectively unless it automated its sales compensation processes. In evaluating solutions from several well-known vendors, it determined that Xactly Incent was the best solution for allowing it to effectively manage its compensation processes and resources and would permit it to make strategic pay decisions to support its continued growth.

According to James Garvie, director of compensation and strategic benefits, one of the most significant shortcomings of his company's manual system was that salespeople could not get daily or even weekly updates about whether or not they were making plan. Rather, as he noted, sales reps could receive only monthly statements about their compensation. Compounding the company's compensation-related issues was an extremely complex product hierarchy that encompassed over 10,000 SKUs. Without proper checks and balances on its compensation processes as related to sales of its enormous portfolio of products that could be sold in varying configurations, it was impossible to know if its top performers were being rewarded adequately or if underperformers were being too highly compensated.

According to Garvie, Xactly Incent was highly appealing to his firm because it is "a very straightforward solution" that would enable corporate management to regain the trust and confidence of the sales operation. In his view, the solution would let salespeople view quality information about their compensation as related to a specific sale (or sales), and it would provide up-to-date account information whenever they needed it.

Opportunities and Challenges for Xactly

Xactly appears to be a company intent on dominating the sales incentive compensation management market, as it is continually improving its value to customers through its impressive new product offerings and releases and striving to build the most advantageous, strategic partnerships. At this point, we view the vendor's overall market strategy and product road map to be expertly conceived and executed upon.

While we recognize that Xactly has made significant strides in advancing its technology, we also find that it has an additional challenge (and opportunity) to tackle on the development front as it continues to seek its leadership role in the SMB market. Though Xactly is currently paying in 52 currencies, it must consider building multilingual and currency-conversion capabilities into its solutions to respond to the needs of global SMBs. Multilingual facilities will better enable Xactly to service global customers and provide it with an increased competitive advantage over its competitors.

Beyond this technical advancement that it must consider, Xactly must also continue to be opportunistic in expanding and strengthening its network of alliances with complementary HR, CRM, and SFA solution providers, as well as implementation partners in persisting to create an even more robust, mutually beneficial ecosystem. In our opinion, however, the vendor has performed exceedingly well in this area to date.

In addition, Xactly — and every vendor in this space — must continue to educate buyers about the strategic value of its sales incentive compensation solutions and their critical role in performance management measurement. It is particularly important that Xactly continue to concentrate on demonstrating to customers the strategic advantage that its solutions will provide in helping them to solve the distinct problems of their specific marketplaces and even their organizations. Real-world customer examples such as those highlighted in this work are the most eloquent.

CONCLUSION

While a relative newcomer to the sales incentive compensation management solutions market, Xactly is showing that it has every intention of becoming a major force. Some of Xactly's strengths include a talented management team, an established partnership with salesforce.com (a market leader in on-demand business services), a growing market presence with well-known midmarket companies, and a broadening, comprehensive product portfolio.

Companies, such as Xactly, that seek operational excellence get there not just by formulating a sound strategy but also by executing on the diverse challenges that they confront in their road maps — technical, operational, and competitive. As the market for sales incentive compensation and sales performance management is intensifying, however, we caution that it will be critical for the vendor to deliver rapidly on the release of its new product modules, as time to market is critical.

We believe that Xactly, in its relatively short life, has already established solid footing on a playing field among myriad contenders. The vendor's strong determination to develop a comprehensive suite of technically advanced applications for incentive compensation and sales performance management and its ongoing initiatives to build strong partnerships with industry leaders, combined with its substantial marketing prowess, make Xactly a company to watch.

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