



NetQoS Case Study

Pioneer Provider of Network Management Solutions Looks to Xactly Incent for AppExchange to Automate Its Compensation Plans, Boost Productivity and Improve Sales Performance

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-Erik Fike, NetQoS, Field Operations

Introduction

Founded in 1999, and listed in Deloitte’s Fast 500 for four consecutive years, NetQoS is the fastest-growing provider of network performance management products and services. Selling to the Global 2000, NetQoS has enabled hundreds of the world’s largest organizations—including half of the Fortune 100—to improve the delivery of applications over wide area networks.

Challenge

High-growth companies like to say that their growing pains are “good” pains—but they are painful nonetheless and must be dealt with before they become a brake to further growth. In the case of fast-expanding NetQoS, sales compensation management was becoming a major sore point by the end of 2006. Managed manually via spreadsheets, the sales compensation process was increasingly cumbersome, error-prone and resource-intensive. The field had no timely visibility into what they were earning; mistakes stayed on

the books for weeks or months before they were spotted; and payment disputes chewed up valuable time and energy across the sales and finance organizations.

According to Erik Fike, NetQoS field operations: “Month-end essentially never ended. Finance would spend the entire 30 days making sure credits were correctly allocated. It was a major time and productivity sinkhole.”

Like many companies, NetQoS was eager to leverage compensation more strategically, but the inflexibility of the compensation management process made it difficult if not impossible to implement more sophisticated incentive programs or even to make midstream changes to existing plans. Adding new people and classes of people to incentive plans was an unwieldy chore.

“We were moving upstream in attracting more expensive sales resources and needed to manage draws and multiple overlays, which are a real pain to handle

with spreadsheets,” says Fike. “It was clear that we needed to automate the process and introduce greater visibility in order to be more strategic, continue growing, and properly motivate an increasingly large and diverse population of payees.”

Solution

NetQoS put together a list of must-haves in preparation for identifying potential solution providers. Among the essential attributes were:

- End-to-end sales compensation automation
- Real-time, web-based visibility
- Easy-to-use interface
- Flexible, scalable architecture
- Seamless integration with Salesforce CRM
- Integrated document management
- Complete auditability
- Built-in analytics

- Extensive compensation domain expertise
- On-demand delivery model

After evaluating several solutions, NetQoS selected Xactly Incent for AppExchange™, a web-based on-demand solution from Xactly Corporation. Additionally, NetQoS chose the Xactly Modeling™ solution which is fully integrated with Xactly Incent and allows companies to preview the effect of changes made to the organization and compensation plans—prior to implementing them.

“Xactly Incent for AppExchange got a check on every item in the list, and then some,” says Fike. “In addition to excellent compensation management fundamentals, it has the easiest user interface, tight integration with Salesforce CRM, superior domain expertise, and the kind of on-demand multi-tenant architecture that we believe in. We have seven or eight other SaaS services, and Xactly fits right in.”

NetQoS went live with Xactly Incent for AppExchange in January 2007 and saw an immediate increase in productivity across sales operations and finance. Right away, the time required to manage the sales compensation process each month shrunk from 30 person-days to just 5 person-days.

“It’s the same set of people in finance and sales handling the process, but they now have a lot more time to spend managing other business processes,” claims Fike. “They simply punch in the transactions as they come and Xactly Incent for AppExchange automatically does the rest, based on the business and compensation rules embedded in each plan. With this degree of automation and efficiency, we can be much more sophisticated and strategic with our compensation plans, while the field is able to spend more time selling and much less time worrying about the accuracy of commission payouts.”

Benefits

Single sign-on and integration with Salesforce CRM

By integrating pre-sales data from Salesforce CRM with post-sales data from Xactly Incent, NetQoS is able to signifi-

cantly extend its CRM investment. Sales reps don’t have to needlessly sign-on and toggle back and forth between two distinct applications. Instead, from a single sign-on within their Salesforce CRM application, NetQoS sales reps simply go to a pull-down menu and select Xactly Incent.

This makes it easy for sales reps to import their specific compensation plan and incentives rules from Xactly Incent, so that estimates can be run directly within Salesforce. Using the Xactly Incent Estimator™ feature, NetQoS sales reps can then explore what-if scenarios tied to Salesforce opportunities and receive feedback on potential commission payout. With this unprecedented level of visibility, sales reps can determine where to focus their energies based on potential commission payments, while NetQoS management is better situated to align sales efforts with corporate objectives.

“I’ve had nothing but positive feedback from our sales reps,” Fike says. “After using Xactly Incent for AppExchange, one rep told me that it’s the first time in his 30-year selling career that he has seen what he’s going to make more than a month before he receives his commission check. That’s a tremendously powerful sales motivator.”

Support for rapid growth

NetQoS expanded from 90 to 210 employees in 2006, and went from 90 percent direct sales to just 50 percent direct, with channel partners, integrators and federal market sales accounting for the balance. In the face of this complexity, the company’s spreadsheet-based compensation processes were hitting a wall. Meanwhile, NetQoS wanted to introduce overlays for named accounts and third-party deals within geographies, and also add product specialists and eventually professional services to its incentive programs. Xactly Incent for AppExchange has helped them achieve these goals.

“We’re now able to implement much more complex compensation plans, including giving geo-based reps a measure of credit for local third-party, named account and federal deals,” says Fike. “Automated Xactly Incent rules have let us do this successfully and efficiently.”

Increased sales productivity

Whereas NetQoS’s old manual process provided zero visibility and reporting, Xactly Incent for AppExchange empowers reps and management with real-time visibility into compensation plans and attainment, enabling them to see at a glance where they stand and where they have to get to. In addition, the ensured accuracy that Xactly brings to payouts has put an end to time-wasting disputes and shadow accounting. The result has been an increase in sales performance as reps are able to focus on sales opportunities rather than compensation issues.

“The field loves it because they can see what they’re earning right now, rather than waiting two months,” explains Fike. “That’s been a real motivating factor. It has also fostered new trust and cooperation between sales and finance, as we hoped it would.”

Accurately forecasted commissions expenses

“For our 2008 plan, Xactly Modeling let us take a full year of compensation data that resided in Xactly Incent and model a variety of plans using different accelerators and attainment,” says Fike. “By taking this strategic approach, we were able to present a variety of options to our CEO and CFO, make a final selection and put in place a tiered plan to motivate our sales reps.”

New operational efficiency

With spreadsheets out of the picture, the compensation process has become infinitely easier resulting in dramatic reductions in the time required to manage sales compensation, Xactly Incent for AppExchange has simplified key procedures and removed roadblocks that once stood in the way of NetQoS getting the most out of its compensation plans. For example, it is now a simple matter to add or move people and to change plans and add special incentives to address emerging opportunities in the market.

“Compared with juggling spreadsheets, it is now a snap to add new users, assign them to a plan type and let commissions accrue,” says Fike. “The monthly invoice process has moved to daily uploads because it is now so easy. And we don’t

have the headache of constant true-ups and revisions.”

Ensured compliance and management visibility

Although privately held, NetQoS is extremely compliance conscious. The end-to-end audit capabilities of Xactly Incent for AppExchange were a major factor in its selection, allowing finance to easily perform comprehensive audits on all commissions. This not only supports compliance and internal control efforts, but also provides management with a valuable window into sales operations.

“With compliance becoming more and more important, we can now easily audit on a deal-by-deal basis,” explains Fike. “In doing so, we can see who received credit for what, at what rate, and to what percentage of the total deal.”

Secure and traceable document management

NetQoS is also leveraging Xactly’s patent-pending Xactly Document Management™ feature that enables companies to automate the review and approval of sales compensation plans. When NetQoS creates a compensation plan within Xactly Incent, Xactly Document Management electronically routes the document to the appropriate sales rep as well as the rep’s manager. Recipients receive an email notification directly on their Xactly Incent homepage as to the document’s availability for review and digital signature, all within the application.

“Securing plan approvals was always tough for us, and was getting tougher the larger we became,” says Fike. “Now,

it’s very easy to tie a plan to a document and route it for approval. The entire plan creation, routing, approval and tracking process takes place in Xactly Incent for AppExchange, so we have complete traceability.”

Low TCO, high commitment and instant ROI

As an upfront requirement, NetQoS insisted on an on-demand software-as-a-service (SaaS) solution. This was driven partly by the desire not to have to involve IT, but also because the SaaS model ensures better support and superior cost-effectiveness.

“With on-demand applications like Xactly Incent for AppExchange, it is a matter of configuring versus coding, and of the business’s needs versus IT’s,” explains Fike. “SaaS simply makes better sense for the business. Additionally, with the on-demand subscription model, Xactly’s success is tied directly to NetQoS’s success, and we like the lofty level of commitment and support that engenders.”

As a pioneering on-demand sales compensation management solution, Xactly Incent for AppExchange offers economics that are extremely compelling, particularly for fast-growing companies. In addition to no upfront licensing fees and no hardware, software or ongoing maintenance requirements, the solution implements quickly and scales affordably. And, as NetQoS discovered, it pays for itself very quickly.

“The value is immense and it grows daily,” says Fike. “Xactly Incent for AppExchange literally pays for itself. The cost is less than a rounding error compared to

our total commissions expense. And that’s just the start. In allowing us to be much more strategic with our compensation plans, Xactly Incent for AppExchange has boosted sales performance and positively impacted our profitability.”

About Xactly Corporation

Xactly Corporation is the market leader in on-demand sales performance management. The company’s flagship product, Xactly Incent, enables sales and finance executives to design, implement, manage, audit and optimize sales compensation management programs easily and affordably. Xactly solutions automate the process of aggregating data from disparate systems into a secure, hosted repository, and enable companies to leverage this business data, which is the lifeblood of sales performance management. Xactly helps companies improve operational performance, optimize sales effectiveness, proactively manage risk and compliance, and maximize profits. The Xactly family of products is used by sales and finance executives, compensation analysts, sales operations and sales professionals across a variety of industries, ranging from SMBs to large enterprises.

For more information, visit www.xactly-corp.com or call 1-866-GO-XACTLY.