

## **Xactly hopes its Force.com-based noncash compensation app will prove rewarding**

**Analyst:** China Martens

**Sector:** Enterprise Software

### **Event summary**

- On-demand sales compensation management vendor Xactly unveiled its Rewards for Force.com, a noncash rewards app aimed at Salesforce CRM users. Based on Salesforce.com's Force.com development platform, the app was due out in May.
- Xactly sees Rewards for Force.com as a way to win more business with Salesforce.com's subscribers. The app could also potentially provide partner Salesforce.com with additional stickiness for its on-demand CRM to aid in customer retention.
- Available from Salesforce.com's AppExchange site, Xactly Rewards for Force.com is free until December and will then cost \$10 per user per month. Xactly will focus more on selling the new app versus the Rewards module tied into its Incent software.

### **The 451 take**

Intensifying its relationship with Salesforce.com is a natural step for Xactly, given that the CRM player is its closest partner with about half of Xactly's customers also using Salesforce. We're not yet fully convinced of the pent-up demand for noncash rewards compensation, but we see refloating that concept in conjunction with tight CRM integration as a better play for potential user adoption than the Incent Rewards module released in March 2007. Xactly could be a real trailblazer here or find itself getting off track. We're concerned by slippage in other products, notably its upcoming quota, territory and price management modules, now due out in 2009. Hopefully, such delays are merely symptomatic of an overly ambitious startup.

### **Details**

As companies seek to further motivate staff, **Xactly Corp** is betting they'll use noncash rewards to augment existing cash incentives. While cash is often used to reward meeting a specific goal, noncash compensation may help reward more incremental achievements. Rewards for Force.com lets users set up incentive programs and contests for employees and then give each worker the ability to track his or her progress toward attaining rewards and then redeeming prizes.

The Xactly app hooks into **Amazon.com's** online catalog and **eBay's** PayPal online payment service. The app uses a points system where the price for any reward, be it a CD, event ticket or travel, already includes sales tax and shipping and handling. Companies buy points as they set up the incentive programs and contests. Direct integration with Salesforce means users can check on their rewards status from within the CRM app and also that incentive programs can be tied into particular CRM workflows, for instance, qualifying sales leads as opportunities. Xactly used **Adobe's** Flex to develop Rewards for Force.com, but may well use Visualforce, the user interface customization component of **Salesforce.com's** platform in future versions of Rewards. Looking ahead, Xactly plans to offer an international version of Rewards and add in custom catalogs, more pre-built incentive packages and the option to donate points to charity.

### **Competitive landscape**

Targeting small to midsize businesses, Xactly's main rival is fellow SaaS pure-play **Centive**. It'll also regularly run into **Callidus Software**, although the latter's main focus is on larger customers. Centive has yet to see much demand from its customers for noncash incentives. Since 2006 it has partnered with **American Express Incentive Services** to allocate noncash rewards to prepaid credit cards through Centive's Compel software. The personalized cards are tied into a special promotion incentive fund option in Compel. For vendors like Callidus and **Varicent**, while the technology may already exist to offer noncash rewards, they've tended to look to partners or customers to deploy it.

Should Rewards for Force.com prove popular, Xactly's rivals would presumably more formally package up their own alternatives and tightly integrate them with Salesforce CRM. Callidus and Centive already offer their software on Salesforce.com's AppExchange along with higher-end player **Versata** and small-business-focused **Makana Solutions**. Being able to manage noncash rewards programs from inside Salesforce CRM might help Xactly wean some SMBs away from their reliance on spreadsheets or paper to handle staff compensation. Also likely to appeal to those users is the ability to access Rewards for Force.com via the iGoogle portal thanks to a partnership between Xactly and SaaS integrator **Appirio**.

### **About The 451 Group**

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