

Xactly expands from compensation management into sales performance management

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IMPACT REPORT

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Xactly Corp has made significant headway with its sales compensation management tool, and now has more than 50 customers. The software-as-a-service (SaaS) model, as well as the lack of major competition, has helped the company's product momentum. Now, Xactly is looking to expand upon its core Incent application. It is offering deeper analytics and integration tools. A new modeler allows users to create and test new configurations of the SaaS product before going into production. The new functionality marks Xactly's intent to move from being a compensation management software vendor into being a provider of sales performance management software.

Impact assessment

The message

Xactly has seen decent customer momentum in the last year; it now has more than 50 customers using the Incent product. Now the company is looking to expand the functionality, offering more analytics as well as a modeling tool. Xactly is also distributing its Web services API for free to foster more integration between Incent and CRM and ERP systems.

Competitive landscape

Most companies are still handling incentive and compensation tracking using spreadsheets. Callidus has announced a SaaS version of its payee management product, and several HR vendors have compensation management tools, but not of the exact type as the Incent product.

The 451 assessment

So far, Xactly has delivered somewhat on its promise to make sales compensation the next buzz area in CRM. The company seems to be coming into a groove, with decent customer momentum and a strong roadmap in place that will extend the product into new areas not well covered by traditional CRM. What it all comes down to, though, is an issue of data integration. If Xactly's users get serious when it comes to pushing the right data into the system, the product can be quite versatile. But sometimes SaaS deployments are looked at as separate from the internal IT stack, so some re-education into what SaaS means in the enterprise may be needed to really drive home the value of the Incent platform.

Context | Xactly says it is starting to hit its stride in selling compensation management tools that complement CRM and financial compliance initiatives. The company now has more than 50 customers, but has not revealed any exact financial data save to say it has exceeded the expectations of its VC backers. The company says it has found a sweet spot targeting companies of about 1,000 to 5,000 employees. The SaaS model is helping as well.

Xactly is looking to sell more to line-of-business managers and not to IT decision makers. The SaaS angle allows the company to circumvent IT a bit in selling to sales and financial directors, since SaaS promises easy access, and little IT overhead, in theory. But as we will discuss below, there is a lot more IT needed under the surface in the form of integration to really make Xactly fire on all cylinders.

Products | Xactly recently added to its core Incent compensation management with two new modules, Xactly Data Management and Xactly Analytics. The data management allows users to bring more data into the Incent system, such as CRM, ERP and other product and sales data. And obviously, the analytics tool adds packaged reports on the data in Incent. There are five base reports covering summary data, bonus and incentive management, and sales closing reports. The new modules are part of a greater expansion from compensation management into what Xactly is calling sales performance management. The idea is to better link the core compensation and incentive tools to financial compliance tasks, reporting and other functionality on tap for the next 18 months.

The company is also releasing version 3.2 of the core product set. The new version adds configuration capabilities to the reporting elements, allowing users to create dashboards from the reporting components. Xactly sees it as a midpoint between only offering packaged reports and a full BI offering. The data import and export tools have been added, as well as tools for new order staging and compensation calculation. There is also new document management functionality in the form of automated certification letters. This allows companies to distribute and store letters that confirm sales agents are in compliance with company policies.

Xactly is also making a new module called Modeler available. This is essentially a sandbox-type scenario where users get a mirrored version of their Incent deployment to play with, can make changes, and see how those changes will affect sales and other financial implications. These changes can be saved, and then the version made with Modeler can be instantly placed into production if the changes are beneficial. A new module called Rewards allows users to set up contests and other non-cash incentives. Sales agents can earn points, which can be redeemed for items like digital cameras or TVs, similar to a credit card points reward program.

One of our issues with Xactly is the fact that so far it has really only integrated on a deep level with **Salesforce.com** and **RightNow Technologies** (which makes sense given that both are also SaaS companies). But a lot of larger sales teams are using **Oracle/Siebel**, **SAP**, **Amdocs**, **Onyx Software** or legacy products. And sales agents do not want to have to use two different applications, sign on with different passwords, etc. To fix this, Xactly is publishing its Connect Web services API for free to the developer community. This will allow people to make direct connectors from applications like **PeopleSoft** into Incent. But Xactly is reliant on the developer community for this, so we would like to see more deep integration partnerships with major CRM players soon.

Partners | Xactly relies on a growing partner network to make the new additions to its Incent platform possible. Integration vendors **Informatica** and **Pervasive Software** are called upon to make the Data Management module a reality. **Cognos** is powering the Analytics module. And as noted, RightNow and Salesforce.com are partners aiding Xactly's CRM integration. Oracle is a new partner, and will allow Xactly to integrate deeply with Oracle's Siebel OnDemand CRM product. We think Xactly's partnership with **SuccessFactors** makes sense, since it allows HR and sales managers to get a better idea of compensation data for hiring and other HR activities. To manage the Rewards module, Xactly has aligned with **Bridge2 Solutions**.

On the deployment side, Xactly is partnering with a number of systems integrators that both have domain expertise and understand the SaaS model. The company has partnerships with **Astadia**, **Iconixx** and **Bluewolf**, all of which are strong in SaaS deployments. Xactly is also working with **Compensation Technologies**, a firm with a strong HR and financials background.

Competition | Most of Xactly's target market is still using spreadsheets to handle compensation and incentive management. So there is a lot of potential opportunity here. But Xactly has to get to the right decision maker, and not be barred by IT that may see sales incentive automation as a low priority. Also, some midmarket firms may still be in the throes of their initial CRM deployment, so auxiliary functionality and optimization initiatives may not be on a prospect's radar. Xactly is not cost prohibitive, but some firms may not wish to add another \$50 per user per month on top of what might be a significant SaaS subscription bill for their CRM as it is.

Other vendors are getting into this space, which can help promote the sales performance management concept, but also provides direct competition for Xactly. The company previously told us it was not looking to compete with more premise-based vendors in the payee management space like **Callidus Software**. But Callidus has begun looking to SaaS to drive entry into new markets as well as long-term growth.

HR and talent management vendors like **Authoria** and **Softscape** are also offering compensation management tools, but Xactly sees its Incent product as more strategic. And while CRM vendors are not actively pushing incentive or compensation management tools, this may change. Salesforce.com, which is presently a strong partner for Xactly, could add this to its core platform by acquiring a similar AppExchange project built using Salesforce.com's Apex development tools.

SWOT analysis

Strengths	Weaknesses
Xactly gives sales managers and agents more visibility and flexibility to manage incentives and compensation, and to address compliance issues for finance departments.	The company integrates out-of-the-box with only two CRM products, but the Connect API could change that if developers take the API and run with it.
Opportunities	Threats
Any organization with a sizeable sales force is a target, especially those simply using spreadsheets to manage incentive and compensation programs.	Callidus is getting into a SaaS play, and we do see present partners like Salesforce.com potentially adding this type of functionality via Apex.

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