



Strategic Thinking

New Business Models for Tech Success

Xactly Leads On-Demand Sales Compensation Management Market

Software-as-a-Service Solution Offers Added Business Benefits and Quicker Time-to-Value than Legacy Applications

Opening Thoughts

Although the software-as-a-service (SaaS) model has only recently gained the attention of the business press—including BusinessWeek and the Wall Street Journal—because of the tremendous success of salesforce.com and proliferation of new SaaS providers, THINKstrategies' research shows a broad cross-section of businesses have already recognized the fundamental advantages of SaaS and are adopting a widening array of on-demand solutions.

Therefore, the question isn't whether they should adopt SaaS, but which on-demand applications will give them the fastest and most measurable business benefits, and which SaaS providers are offering the most innovative solutions at the most affordable price point. These companies have recognized that SaaS enables them to leverage application functionality quicker, while avoiding upfront capital and ongoing operating costs typically associated with enterprise applications.

But, it is also important to note that today's SaaS solutions are more than just a hosted alternative to legacy applications. In many cases, the new generation of on-demand, software solutions also offer added features and capabilities which more effectively solve age-old business problems.

A prime example is Xactly™ Corporation's (www.xactlycorp.com) on-demand sales compensation management solution. This profile examines how Xactly has combined the deep domain expertise of its senior executives and staff with the dynamic programming capabilities made possible by today's SaaS enabling technologies to create a powerful and easy to use on-demand sales compensation management solution for companies with 50-500 salespeople and others working with variable compensations plans.

Xactly's Sales Compensation Management Solution

Xactly was founded in March 2005, by a management team which gained extensive experience in sales compensation management working at enterprise application vendor, Callidus Software.

Until the introduction of the Xactly Incent™ solution in September 2005, most SMBs relied on the limited functionality of Microsoft Excel™ spreadsheets, while large-scale enterprises grappled with complicated and costly on-premise applications to plan and administer their variable compensation programs. In addition to being either cumbersome or costly to use, these applications have fallen short because they can not be updated easily to keep pace with continuous changes within most organizations; they lack real-time reporting and multi-user visibility capabilities; and they don't integrate easily with customer relationship management (CRM) systems.

As a result, companies have suffered with inconsistent information which often lead to disputes between employees and management, adversely impacting employee morale and productivity, which threatened customer service and profitability. Compounding these issues are escalating compliance requirements as a result of new governmental and industry regulations, such as Sarbanes-Oxley (SOX). Although these regulatory requirements apply specifically to publicly-traded companies, privately-held companies are often held to the same standards.

The Xactly team not only understood these business issues, it also possessed the technical skills to fully leverage the new software development tools and techniques associated with SaaS, including web services and service oriented architecture (SOA), and cutting-edge web-based

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technologies. By employing these technologies and adopting the rapid application development techniques associated with SaaS, Xactly was able to ship Xactly Incent in only six months.

Xactly Incent uses a rules-based architecture that enables users to more easily create and monitor variable compensation plans based on a wide range of business factors and performance metrics. The on-demand application permits the number of people and measurement criteria to be modified quickly to keep pace with changing business needs.

Xactly's SaaS solution also includes two patent-pending technologies:

- *Incentive Estimator* – Based on Xactly Incent's instant integration to CRM applications such as Salesforce, the Incentive Estimator enables companies to perform "what-if" scenarios on Salesforce opportunities or estimated sales to calculate potential commission and bonus estimates and payments before, during and after a sale.
- *Plan Document Approval* – The newest release of Xactly Incent eliminates traditional, paper-based compensation plan distribution, review, signature, approval and archival. Xactly Incent performs these tasks entirely online while ensuring compliance with various auditing requirements.

Xactly's multi-tenant, web-based software solution can be utilized by anyone, anytime from anywhere with user-configured access rights. Xactly uses encryption to safeguard customer data, including 128-bit VeriSign SSL Certification and a SAS 70, Type II certified carrier-quality hosting facility. Xactly leverages the hosting facility's fully redundant routers utilizing HSRP, redundant core switches utilizing spanning tree, redundant distribution switches and firewall/VPN with failover and back-up capabilities to ensure optimal network access and application availability.

The powerful features and on-demand functionality of Xactly's solution is attracting a growing number of corporate customers including salesforce.com, Convoq, Covad, BlueArc Corporation, EqualLogic, Fortify Software, Good Technology, IronPort Systems, Riverbed Technology, Redback Networks, ROME Corporation, Spoke and Vormetric.

The scalability of Xactly's software solution has been most clearly illustrated by LoanCity, one of the nation's largest wholesale mortgage lenders, which relies on Xactly Incent to manage its sales compensation program for a team which sells a broad portfolio of home financing programs to independent mortgage brokers. In 2005, LoanCity funded \$7 billion in mortgages in 47 states.

Another major strength of Xactly's sales compensation management capabilities is its close connection with salesforce.com, the leading proponent and provider of SaaS solutions. In addition to unveiling its first product at salesforce.com's Dreamforce '05 user conference, in May 2006, Xactly announced at salesforce.com's Appforce User, Partner & Developer Conference that it is a fully certified member of salesforce.com's AppExchange, and can now easily integrate with Salesforce.

Strategic Thoughts

One of the myths about the SaaS market is that today's new on-demand solutions are simply less sophisticated, online versions of legacy applications. Xactly's Incent sales compensation management solution disproves this fallacy by offering greater functionality, flexibility and ease-of-use to more effectively address age-old variable compensation management issues in the context of today's broader business challenges.

Xactly's on-demand solution appeals to sales professionals who want to be more confident that their compensation is being properly measured; sales managers who want to create more effective sales plans and track their status; and finance executives who want to establish more successful incentive programs while meeting their compliance obligations. Xactly's appeal will be strengthened by its tight integration with Salesforce via the AppExchange.

About THINKstrategies, Inc.

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