

A woman with blonde hair and glasses, wearing a blue denim jacket over a light-colored shirt, is sitting at a desk in a bright office. She is looking down at a laptop screen. The office has large windows in the background, and the scene is brightly lit. A white chair is in the foreground, and a desk with a laptop and some office supplies is visible.

# Driving ROI

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The Business Case for a Comprehensive  
Sales Performance Management Solution

**HOBSON & COMPANY**

Incentive Compensation Management (ICM) has long been synonymous with Sales Performance Management (SPM), but for enterprises today SPM entails a complete value chain from sales planning to execution, including compensation, to optimization of overall sales performance. Organizations are continually challenged with making their SPM programs as efficient and cost effective as possible, while also reducing errors and ensuring incentive plans motivate employees to increase quota attainment. When many of the steps in the process are still managed manually with spreadsheets and email, or using less sophisticated solutions, this can be difficult to do.

The time required to: create, issue, and align incentive plans; plan sales territories; manage all incentive compensation calculations and payments; generate reports; and manually enter data into multiple systems, can be extensive. Not only is this inefficient, but it can also lead to errors, disputes, and unforeseen costs.

Manual processes are also limited in that they can only provide the data, but offer no automated way to conduct analyses on the data, nor make recommendations or provide guidance on next steps. The revenue impact of a manual approach can be even more limiting, when sellers consume hours on non-selling activities such as shadow accounting as they try to determine if they are being fairly compensated.

Hobson & Company, a research firm focused on Return on Investment (ROI) and Total Cost of Ownership (TCO) studies, worked with Xactly to explore these challenges. The goal of this white paper is to highlight examples of operational and business benefits that can be realized with a comprehensive sales performance management solution from Xactly.

## 13 YEARS OF PAY and PERFORMANCE DATA

### PLANNING

Sales Capacity Planning  
Forecasting  
Quota Allocation  
Territory Alignment and  
Optimization

### EXECUTION

Compensation Management  
Commission Expense Accounting

### OPTIMIZATION

Sales Analysis  
Coaching for Quota Attainment  
Objectives Management

## SALES PERFORMANCE AI PLATFORM

Research consisting of in-depth interviews with 23 existing customers found that Xactly's solutions addressed customer challenges and delivered measurable results and a compelling return on investment.

# Sales Performance Management Challenges



## Decreasing the time and effort required to process incentive compensation

Issuing accurate incentive payments in a timely manner is a key component of an effective SPM program, but when managed manually this is difficult to do and prone to errors. Prior to implementing Xactly, customers reported that on average they used to have between 3-4 FTE spending as many as 10 days a month managing compensation payments. In addition many noted that as much as 1-3% of the compensation they paid out annually had been overpayments, while others commented that they could incur anywhere from \$250K to \$1.0M+ a year in added payments.



## Identifying opportunities to reduce potential costs and expenses

When processes such as incentive plan approvals or territory planning are handled manually it can be difficult to minimize potential costs and expenses. One customer noted that previously as many as 10% of the incentive plans might not have been returned in a given year, increasing the risk of costly disputes. Customers also noted that manual territory planning processes made it difficult to design geographically optimized regions, leading to higher sales-related travel expenses.



## Increasing revenues through improved employee motivation

It can be difficult to keep quota carrying employees motivated if they:

- Don't understand how their individual goals fit with the corporate goals
- Aren't clear on how they'll be compensated for different deals
- Don't have visibility into how they're tracking versus their targets
- Don't feel their territory sets them up for success
- Don't feel their compensation is on par with others in the industry

These are all key concerns that customers believe can hold reps back from attaining their quotas and can also affect employee retention.



## Creating more customized incentive programs without increasing workload

The number and types of incentive programs an organization has can often be limited by the manual effort required to manage added complexity. This can result in needing to pick and choose the groups that will receive incentive compensation, or to create standard incentive plans that might not take into consideration items such as regional differences. A lack of insight into how other organizations within a customer's industry compensate their employees also makes it difficult to customize plans effectively.

Customers identified benefits of a comprehensive sales performance management solution from Xactly in three areas: planning, execution, and optimization.

## PLANNING

### Optimize incentive plan design to retain top performers

Xactly provides the ability to leverage a cloud-based big data platform to easily access actual pay and performance incentive compensation data, integrated with the Xactly Incent product to deliver actionable insights to compare against other companies in a given industry.

*“Being able to give sales executives data on how their plans stack up against other companies should provide them with another tool to help retain top performers.”*

- Sr. Reporting Analyst

Customers interviewed reported the potential for:



**↑ 1-2 top performers**

**INCREASE** in the number of top performers retained each year

### Reduce time routing plan documents for rep alignment and mitigate the risk associated with unsigned plans

Xactly provides customizable workflows to automate manual processes such as document management, disputes, quota changes, and payroll approvals. And a built-in administrator dashboard tracks the status of all workflow processes, ensuring timeliness and accountability from everyone involved.

*“If even one unapproved plan results in a serious dispute it could cost the organization \$50K - \$100K in time, costs, and legal fees.”*

- Director, Sales Incentives

Customers interviewed reported the potential for:



**↓ 80%**

**REDUCTION** in time spent creating and routing plan documents



**↓ 50%**

**REDUCTION** in the number of plans that are not returned

## Improve territory logistics and travel efficiencies

Xactly creates more workload-efficient territories to reduce “windshield” time and travel expenses. An interactive, map-based view enables customers to design and edit territories, and analyze existing alignments to understand where to improve design, balance, or travel efficiency of territories.

*“We have seen travel cost savings of as much as 15% post-AlignStar.”*

- Sales Director

Customers interviewed reported the potential for:



↓ 5%

**REDUCTION** in annual employee travel expenses

## Increase top-line revenue with greater plan coverage and customization

With Xactly, the robust plan wizard and calculation engine handle a wide variety of plan structures and complexities, while simplifying management of splits, overlays, teams, and accelerators. Ultimately this enables the right mix of plans for all quota and non-quota carrying employees.

*“The sheer number of people that can be involved in plans is a key win, we can now include all employees as different plan types can be set up for each different role.”*

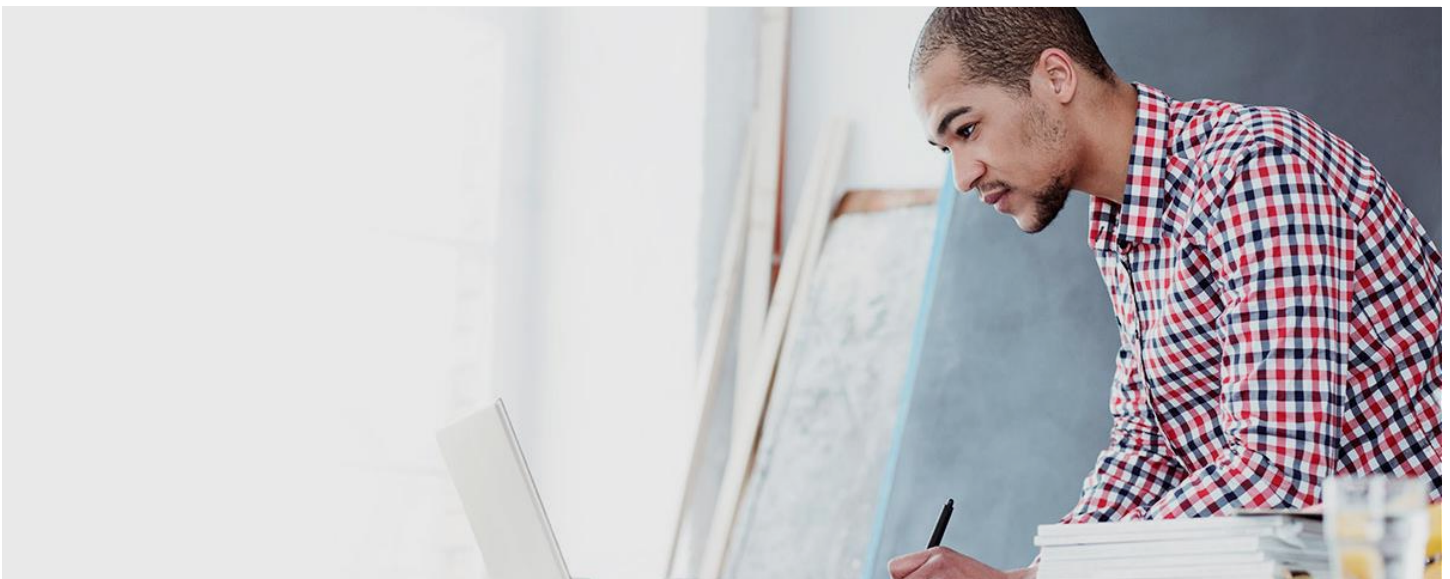
- SVP, Incentive Compensation

Customers interviewed reported the potential for:



↑ 0.5%

**INCREASE** in annual sales revenues



## EXECUTION

### Improve payment error rate

#### Reduce budget overruns and unforeseen costs

Xactly helps to eliminate uncertainty from forecasts, ensure accurate accruals, prevent overspending, and simplify the compensation engine through automation and integration. It also provides customized dashboards and reports to give the executive teams real-time intelligence and insights.

*“Saw a 1-2% decrease in overall compensation spending, as a result of savings from a reduction in overpayments.”*

- Manager, Sales Compensation Systems

Customers interviewed reported the potential for:



↓ 80%

**REDUCTION** in error rate as well as in budget overruns and unforeseen costs

### Save comp admin/finance time spent on incentive compensation

The robust plan wizard and calculation engine within Xactly handle a wide variety of plans, while simplifying management of splits, overlays, teams, and accelerators. Xactly provides one click commission calculation, seamless integration with CRM & Accounting tools, faster support call times, and simplified reporting and audit preparation.

*“Able to reduce the number of staff needed to manage all aspects of compensation by 2 FTE, despite increasing the number of reps and the complexity of the plans.”*

- Sales Compensation Analyst

Customers interviewed reported the potential for:



↓ 60%

**REDUCTION** in time spent on incentive compensation

### Reduce time spent on data entry and retrieval

Xactly enables administrators to automatically load source system data, such as sales transactions and HR data. Users can also extract results for use in downstream systems, such as payroll and data warehouses, and leverage Xactly Connect REST APIs to pull real-time data into reporting dashboards. A graphical web UI provides enhanced visibility into data integration and automation processes.

*“From 50% of 2-3 FTE’s time per month to load data from various sources into reports to the click of a button now.”*

- Director, Sales Incentives

Customers interviewed reported the potential for:



↓ 70%

**REDUCTION** in time spent on data entry and retrieval

### Increase sales quota attainment through increased motivation

Xactly provides: out-of-the-box dashboards, an incentive estimator, and mobile tools, allowing reps to see how to maximize earnings; the ability to view and interact with data such as average spend per employee and average quota attainment within peer groups; and the ability to ensure territories are balanced and geographically logical with the automated territory optimization functionality.

*“Should definitely have added one new deal per rep, per deal cycle, feel certain it’s added even more than that.”*

- Sr. Reporting Analyst

Customers interviewed reported the potential for:



**↑ 2.5 deals**

**INCREASE** in the number of deals per rep, per deal cycle

### Reduce quota carrying employee time spent on non-selling activities

The automation and integration provided by Xactly can reassure reps that errors have been eliminated, increasing sales rep confidence that they will be paid correctly and on time, and reducing their need to spend time calculating their compensation. In addition, Xactly’s ability to help reduce travel time, gives the reps more time in their day to sell.

*“Xactly has allowed us to get the sales teams’ focus back on selling, eliminating the hours per rep, per week previously spent on shadow accounting.”*

- SVP, Incentive Compensation

Customers interviewed reported the potential for:



**↑ 1.5 hours**

**INCREASE** in the number of hours spent on selling per rep, per year

### Reduce employee turnover

Xactly provides: aggregated, anonymous empirical data, not survey data, but actual information and transactions to provide insights about how companies in different industries are compensating their teams; all-in-one dashboards which display each individual objective and its link to larger goals to drive results which help to drive employee engagement; and territories that are balanced and fair, with the automated territory optimization functionality.

*“Benchmarking reports have helped with retention, especially as they’re refreshed monthly, which should result in at least one more rep retained per year.”*

- Sales Compensation Administrator

Customers interviewed reported the potential for:



**↑ 3 employees**

**INCREASE** in the number of employees retained per year

## KEY ROI FINDINGS

The value of a comprehensive sales performance management solution is immediate and demonstrable. The following case study illustrates this potential value based on a sample organization that is using Xactly Incent Enterprise, Objectives, Benchmarking, Insights, and AlignStar, and has the following inputs:

- Incentive plans for 500 quota carrying employees, and 200 non-quota carrying employees
- An average of 10 days a year needed to distribute all plans, and 5% of plans which are not returned
- 2% of annual incentive compensation that is overpayments
- 2 FTE, spending 10 days per month managing/processing incentive compensation payments
- An average of 4 hours each month per quota carrying employee spent on shadow accounting
- \$5.0M in annual travel expenses incurred by quota carrying employees

For this organization the annual benefits could be as much as \$2.7M from improved optimization alone. With improved planning and execution, annual benefits could be as much as \$5.4M.

The three year investment totaling \$2.65M generates a positive return in 3.6 months. The three year net present value (NPV) and return on investment (ROI) are strong at \$9.1M and 421%, respectively. The key financial metrics for the sample organization were calculated by standard methods and are shown below. The NPV calculation assumes a 10% cost of capital.

FINANCIAL METRIC	3-YEAR VALUE
<b>Payback</b>	3.6 months
<b>NPV</b>	\$9,083,300
<b>ROI</b>	421%

FIGURE 1: TABULAR DISPLAY OF KEY FINANCIAL METRICS

The chart below shows the extent to which each value driver contributes to the total value of a comprehensive sales performance management solution. For the sample organization, optimization represents the majority of the value.

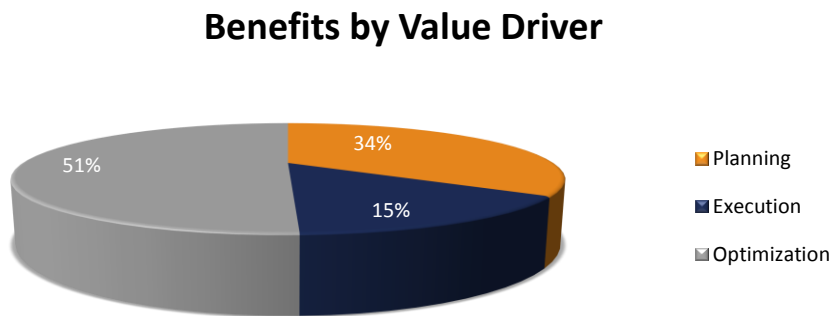


FIGURE 2: PIE CHART DISPLAY OF VALUE DRIVERS



## About Xactly

Xactly delivers a scalable, cloud-based enterprise platform for planning and incenting sales organizations, including sales quota and territory planning, incentive compensation management, and predictive analytics. Using this powerful sales performance management (SPM) portfolio, customers mitigate risk, accelerate sales performance, and increase business agility. Combined with Xactly Insights, the industry's only empirical big data platform, Xactly empowers companies with real-time compensation insights and benchmarking data that maximize the bottom line. With an open, standards-based architecture, Xactly seamlessly integrates within an enterprise's existing infrastructure, with the ability to work with any ERP, CRM, or HCM application, while meeting the highest enterprise standards in security, reliability, and privacy. For more information, please visit [www.xactlycorp.com](http://www.xactlycorp.com).

## About Hobson & Company

Hobson & Company helps technology vendors and purchasers uncover, quantify and validate the key sources of value driving the adoption of new and emerging technologies. Our focus on robust validation has helped many technology purchasers more objectively evaluate the underlying business case of a new technology, while better understanding which vendors best deliver against the key value drivers. Our well researched, yet easy to use ROI and TCO tools have also helped many technology companies better position and justify their unique value proposition. For more information, please visit [www.hobsonco.com](http://www.hobsonco.com).

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