

# Addressing the Channel Sales Compensation Challenge

Whether you want to increase your company's sales by product, geography or industry vertical, you know that you need to motivate your entire sales organization—direct and channel—to sell into your target markets, and you need to be able to accurately calculate compensation attainment for sales across all channels.

## Business Problem

Direct and channel sales reps can spend as much as 10 – 20% of their time tracking their channel sales, instead of selling. As a sales executive you want to maximize the time that your sales organization spends selling and minimize the time they spend tracking commissions. Perhaps more concerning is that lack of visibility into channel sales data results in overpaying channel incentives and commissions by as much as 5-10%. Gartner has identified the need for “greater governance over outlays (especially when commission costs exceed the equivalent of 5% of revenue)”<sup>1</sup> as a primary reason for automating sales compensation management. Whether you want to increase your company's sales by product, geography or industry vertical, you know that you need to motivate your entire sales organization—direct and channel—to sell into your target markets, and you need to be able to accurately calculate compensation attainment for sales across all channels.

Sales compensation management provides the underlying infrastructure for driving your entire sales strategy. To underscore the importance of effective sales compensation management consider Gartner's finding that “through 2012, enterprises will miss the equivalent of 5-10% of annual sales as “lost opportunities” that could have been captured through improved management of sales territories, quotas and compensation plans.”

Traditional direct sales compensation solutions manage the sales process from lead to order, which is sufficient for the direct sales model. But with a sale taken through the channel these traditional, direct solutions provide no linkage between the true closing of a channel sale, actual shipments, and your compensation payment. Clearly the need for an automated sales compensation management solution is just as critical for sales that are processed through the channel as for direct sales. And the need is growing. According to Aberdeen Group, “Twice as many best-in-class organizations deploy dedicated channel management resources compared to Laggards.”<sup>2</sup>

The challenges presented by channel sales compensation are complex and go to the heart of channel sales management. The channel provides value to vendors and end-customers by stocking inventory and providing credit terms. There are times when a direct rep chooses to route a deal through the channel to utilize the availability of channel inventory or credit terms for the end-customer. However, with no visibility into channel sales data, direct sales reps lack confidence that they will be paid for the orders they have that go through the channel, while channel partners have concerns that they will lose credit for deals to direct sales reps. Both of these concerns are valid given that compensation for both direct reps who send deals through the channel and channel partners can be delayed and inaccurate due to data reconciliation issues. Improving “administrative process efficiencies (reducing errors by >90%, process times by >40% and IT / admin staffing by >50%” is among Gartner's top motivating factors automating sales compensation processes.

# Addressing the Channel Sales Compensation Challenge

Because of these special challenges, a sales compensation management solution for the channel must restore direct sales rep confidence by providing visibility as well as paying accurately and on-time for channel sales. Accurate, timely data will also reduce channel conflict by appropriately assigning credit for channel deals. The result is improved channel loyalty; partners become more willing to run programs and discuss opportunities with direct reps knowing that sales credit will be accurately reflected in the data. Adoption of an automated sales compensation management solution for the channel will result in greater direct sales rep and channel partner productivity. Compensation management for the channel will become a cornerstone of your sales strategy.

## Sales Compensation Management for the Channel Solution

Channelinsight, Xactly and salesforce.com have teamed to provide the industry's first channel sales compensation management solution based on accurate, real-time data from lead to shipment to compensation payment.

Enabled by the Lead to Ship™ functionality available in Channelinsight Sales Manager; detailed, accurate shipment data is linked to open and incomplete opportunities. Discounts are calculated to allow commissions to be paid on net price, not list. The opportunity status shown in Salesforce dashboards and reports automatically updates from unshipped to partial to complete. With a single click on the Xactly 'estimate incentives' button, sales reps can see commission potential for any opportunity.

This channel sales compensation management solution leverages Chatter to send real-time status feeds to a desktop or mobile device, ensuring that sales reps receive immediate alerts when the status of an opportunity changes.

Sales reps remain focused on selling, greatly increasing their productivity and your sales.

---

<sup>1</sup>Gartner – "MarketScope for Sales Incentive Compensation Management Software"; Michael Dunne, March 2010"

<sup>2</sup>Aberdeen Group – "Sales Performance Management: Getting Everyone on the Same Page"; Peter Ostrow; August 2010

---

## About Channelinsight

Channelinsight offers the only complete channel sales management solution in the cloud, providing technology manufacturers with visibility into every partner and every end-customer in every transaction in real-time and allowing them to gain the insight necessary to drive sales and optimize inventory. The company processes over 120 million POS and inventory transactions per year. Channelinsight is backed by Rho Ventures, Sevin Rosen Funds, Sequel Venture Partners and Vedanta Capital, with headquarters in Denver. For more information, visit [www.channelinsight.com](http://www.channelinsight.com).

## About Xactly Corporation

Xactly Corporation is the market leader in on-demand sales compensation and sales performance management. The company's suite of sales compensation and related sales performance management products, enables sales and finance executives to design, implement, manage, audit and optimize sales commission management programs easily and affordably. Xactly's 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.xactlycorp.com](http://www.xactlycorp.com).