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Sales Performance Management (SPM) Market Insights

March 2024

Sales Performance Management (SPM) Summary

Industry Overview: SPM software automates and integrates back-office operational sales processes tied to territory, quota and incentive comp, initially to enhance efficiency and effectiveness, but increasingly to provide performance indicators.

Key Components of SPM software:

- Incentive compensation management (ICM)

- Territory and quota management

- Performance tracking and analytics

- Sales coaching and training

Market Trends: Increasing investment in sales automation, adoption of metrics-driven sales tools, and compensation planning are driving market growth.

- Demand for precise measurement and tracking of sales metrics and the broader adoption and geographic expansion of SPM technologies are expected to fuel further growth.

Sales Performance Management Defined

Source: Gartner, Forrester reports
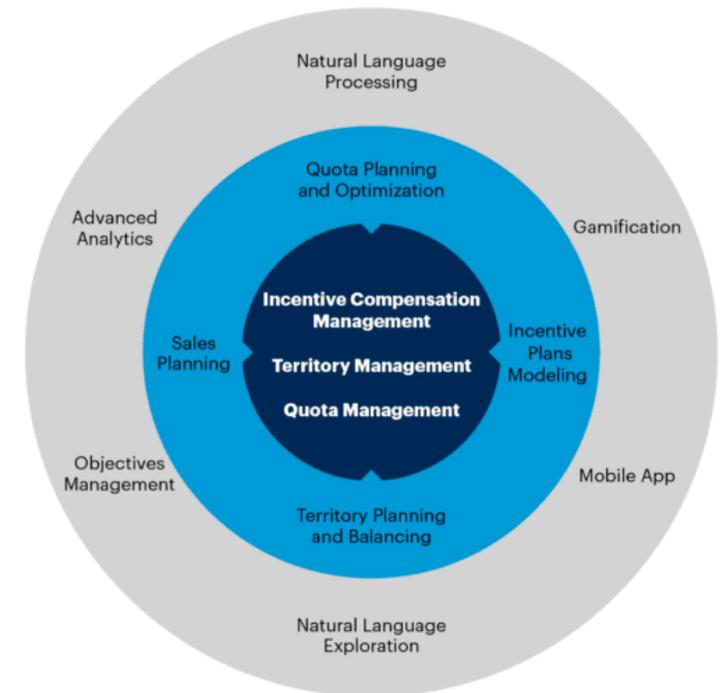
Insights formed through a combination of user survey data, industry reports, expert interviews

Market Conditions

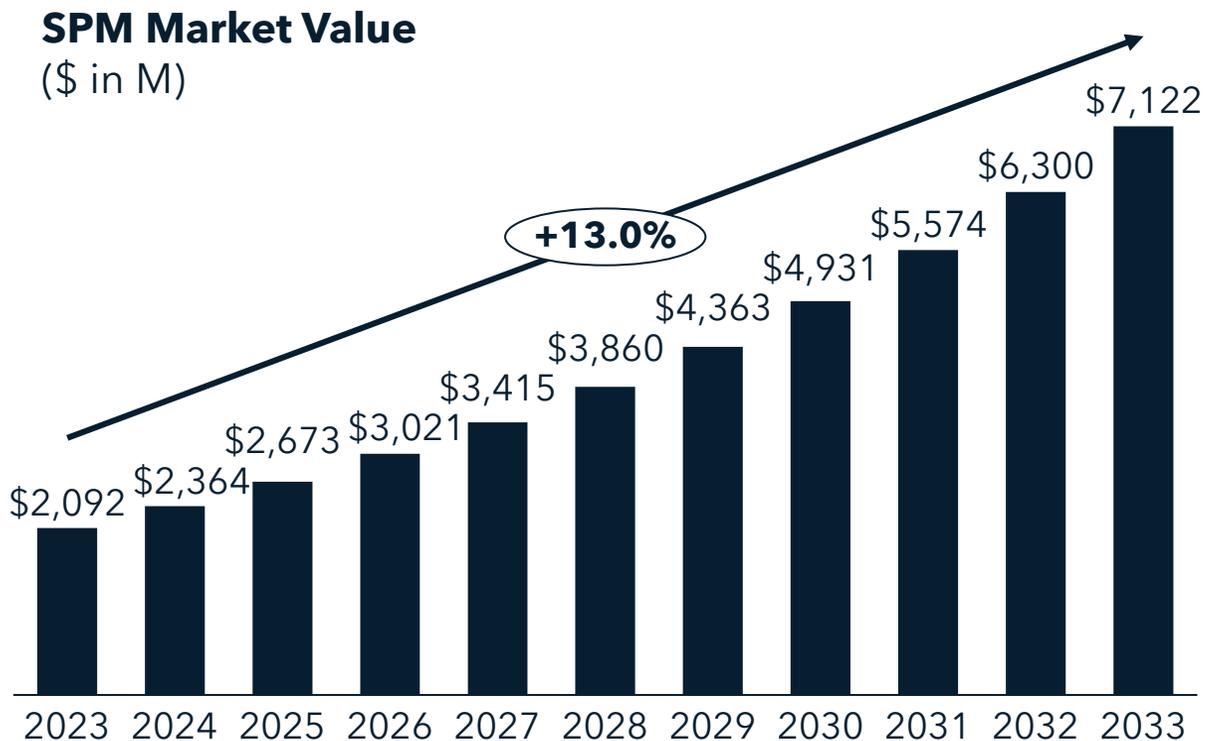Market has evolved/matured similar to other Enterprise Software categories:

- Defensive acquisitions/market entry from larger enterprise players (e.g. SAP, Salesforce)
- Market delineation between Enterprise and SMB
- Expansion of product features and use cases around core ICM
- UI/UX, ease of use and ease of deployment becoming important especially to SMB customers
- Investments in data analytics and GenAI
- Signs of vertical solutions and sales teams (e.g. FS, Insurance, Pharma)
- Complexity in buying decision team (BDT), including Finance, RevOps, HR and now IT

Commercial Considerations

Market evolution creates needs and opportunities in GTM:

- Products and pricing – price pressure from both SMB solutions and bundled enterprise players; transition from product sale to solution sale
- Buyer behavior – Shifts due to IT priorities and buying decision team complexity may slow sales cycles and lead to margin compression
- Sales org - complexity in BDT and transition from product-led value to customer experience require changes to sales coverage, role specialization and account management
- Sales talent – upskilling from traditional product sale competencies to solution sale competencies; need for enterprise-grade sellers
- Marketing – messaging and ABX need to adapt to new buyer personas and buying behaviors

The global SPM software market is valued at $2.1B in 2023 and is projected to reach $7.1B by 2033, with a CAGR of 13.0%

SPM Market Value
($ in M)

Bar chart of SPM Market Value ($ in M) by year:
- 2023: $2,092
- 2024: $2,364
- 2025: $2,673
- 2026: $3,021
- 2027: $3,415
- 2028: $3,860
- 2029: $4,363
- 2030: $4,931
- 2031: $5,574
- 2032: $6,300
- 2033: $7,122

+13.0%

Observations

- The top 5 vendors make up 30% of the SPM market share. Major players include **Oracle, Microsoft, Xactly, Salesforce, and Varicent**

- **Standalone SPM software and on-premise deployment are dominant**, but cloud-based solutions and integrated software are gaining traction.

- **Large enterprises** are the primary users of SPM software, with **the IT & telecom industry** leading in market share.

- The banking, financial services, and insurance **(BFSI) sector** is a chief growth driver due to increasing business complexity and requirements for audit, compliance, and visibility.

- **USA, Spain, and India** are significant contributors to SPM software demand. **Digital adoption, cloud-based solutions, and automation** are propelling market growth.

Source: Future Market Insights

Key SPM Players from customer survey (not exhaustive)

| Company	Description	Pros	Cons	Customer Profiles	Ownership[1]
Anaplan	Sales incentives solution provides ability to build and manage incentive compensation, combining with overall sales strategy and Anaplan ecosystem	• Bolt on with Anaplan, providing ease of use, integration, and implementation cost savings	• Lacks full scale functionality of enterprise point-solutions	Enterprise users of Anaplan	Thoma Bravo (06/2022)
Varicent	Offers SPM solutions including incentive compensation management (ICM), territory management, and sales analytics.	• Robust features for incentive management • Comprehensive sales analytics • Scalable solutions for businesses of all sizes	• Higher initial setup costs • Complex implementation process	Enterprises with complex sales structures and large sales teams	Great Hill/Spectrum (11/2019)
Xactly	Provides cloud-based solutions for sales performance management, offering features such as incentive compensation management, sales planning, and territory management.	• User-friendly interface • Seamless integration with CRM and ERP systems • Flexible pricing options	• Limited customization options • Customer support can be slow at times	Mid-sized to large enterprises requiring scalable SPM solutions	Vista Equity Partners (5/2017)
CaptivateIQ	Specializes in modernizing commission and incentive processes. Their platform simplifies commission management and enables transparency for sales teams.	• Intuitive and easy-to-use interface • Automated commission tracking • Real-time insights and reporting	• Limited customization options • Integration with other systems can be challenging	Companies looking for streamlined commission management and transparency	Sequoia Capital (1/2022)
Everstage	Provides SPM software tailored for sales teams, offering features such as quota management, territory planning, and commission tracking. They aim to streamline sales operations and improve performance.	• Simple and intuitive interface • Affordable pricing options • Quick implementation process	• Limited advanced analytics features • Less customization	Small to mid-sized businesses looking for cost-effective SPM solutions	Private, Venture Backed (04/2022)
Forma.ai	Offers AI-powered sales compensation management software. Their platform automates incentive calculations, reduces errors, and provides insights to drive sales performance.	• AI-driven analytics • Automated incentive calculations • Integration with CRM and ERP systems	• Learning curve for AI functionality • Higher cost	Enterprises seeking advanced analytics and automation in incentive management	Private, Venture Backed (05/2022)
Optymyze	Offers commission, quota, and territory management to provide a full suite of solutions for revenue operations teams	• Straightforward implementation and on-boarding process • Ease of use across tools	• More limited functionality, especially for enterprise	SMB looking for more straightforward integration and implementation	Elverta Capital (12/2024)
Spiff	Provides commission tracking and management software designed to motivate sales teams. Their platform offers real-time visibility into commissions and incentives.	• Real-time commission tracking • Customizable incentive plans • Gamification features to boost motivation	• Limited reporting capabilities • Integration with other systems may require additional development	Companies focused on motivating sales teams through transparent commission tracking	Salesforce (12/2023)

% install base by SPM solution and revenue size

Solution	Market Positioning	More than $5B	$1-5B	$500-1B	$200-500M	Less than $200M
Anaplan for Sales	Enterprise	30%	30%	20%	15%	5%
Varicent Sales Planning	Enterprise	25%	25%	5%	20%	25%
Xactly AlignStar	Enterprise	15%	15%	25%	25%	20%
Xactly Sales Planning	Enterprise	0%	5%	25%	30%	40%
Aurochs Solutions	SMB	33%	33%	17%	17%	0%
Everstage	SMB	5%	5%	10%	20%	60%
Forma AI SPM	SMB	16%	26%	16%	26%	16%
Kennect SPM	SMB	0%	40%	60%	0%	0%
NICE Sales Performance Management (SPM)	SMB	95%	4%	1%	0%	0%
Optymyze	SMB	100%	0%	0%	0%	0%
Optymyze Sales Performance	SMB	20%	35%	25%	20%	0%
Spiff	SMB	9%	21%	52%	14%	4%

33% of survey respondents currently use Xactly, a common ICM solution used by companies of all sizes

Survey Data Summary	
Number of Companies Surveyed	81
Number of Companies ICM Software Using Software	42
Most Common Software Used	Xactly
Number of Companies Considering SPM Switch in Next 12 Months	5
Number of Companies That Have Switched in the Past 12 Months	4

% of companies using ICM software
(n=42)

- **5 respondents are considering a switch** within the next 12 months from the following solutions:
  - o Captivate IQ (n=2)
  - o Spiff (n=1)
  - o Xactly (n=1)
  - o Quotapath (n=1)

- **4 responses have switched to Everstage** from a competitor. **3/4 previously used Xactly** and switched due to multiple reasons including:
  - o Vendor relationship issues
  - o Contractual or cost issues
  - o Performance issues
  - o Implementation issues
  - o Business complexity issues
  - o Reporting and forecasting issues
  - o Administrative issues
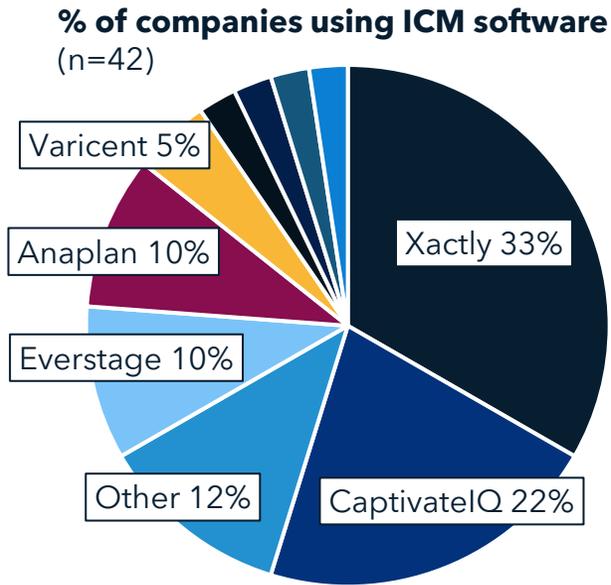
ICM Usage By Company Size (n=21)	
Any Size	• Xactly
Below $100M	• Elevate HQ • Quotapath • Everstage
$100M - $1B	• Captivate IQ • Spiff • Anaplan
Above $1B	• Varicent

Syncing from other applications, seller compensation calculators, and built-in performance analytics are critical when selecting an ICM software

Q: When thinking about your compensation management needs, how important are the following capabilities?
(n=51)

		Not Important	Somewhat	Important	Very Important	Business Critical
Most Important	Directly import or data sync from other applications using built-in connectors	1	1	6	19	24
	Personalized 'what-if' calculator for employees to understand expected payout based on their opportunity data in the CRM	5	5	6	19	16
	Built-in analytics capabilities to support plan design and measure performance	1	6	6	21	17
Least Important	Multiple operating companies can be set up on the same instance of the platform	19	7	11	8	6
	Plans can be distributed, and signatures can be captured digitally without special integration	13	5	8	13	12
	Mobile access: phone app	10	13	7	15	6

Interviews have provided key insights into the headwinds and tailwinds across the SPM industry going forward

Key SPM Market Growth Vectors (Tailwinds)

1. **Increase users by tapping into other variable comp needs and additional use cases**
   a. Traditional mindset of potential SPM purchases is that ICM software is only used for sellers
   b. As market has matured, use cases have expanded including other variable comp (e.g. truck drivers, 1099s)
2. **Expand feature set to include new innovations**
   a. Develop new capabilities with reporting and performance analysis
   b. Leverage AI to drive additional efficiency
3. **Expand to new and emerging geographies**
   a. US market is more highly penetrated/saturated
   b. International markets, particularly Europe and APAC, have additional opportunity for growth

Key SPM Market Challenges (Headwinds)

1. **Market saturation**
   a. The overall market, especially in United States SMB market, continues to become more saturated with multiple new entrants and reduced opportunity for differentiation
2. **Selling challenges because of product and data complexity**
   a. SPM/ICM solutions can be very nuanced solutions that have an array of complicated data and integration requirements
   b. BDT is a combo of Finance, RevOps, HR and increasingly IT, which can make overall sales motion more cumbersome
3. **Long-Term risk**
   a. As consolidation continues to occur and large ERP, Financial Planning, CRM, HRMS systems develop increased SPM/ICM functionality, the long-term viability of point-solution SPM/ICM products has potential risk

Interview observations

Interview Themes	Key Takeaways
Market Landscape and Outlook	• Market landscape, especially in the United States is becoming more concentrated/saturated for the SPM market • Biggest future opportunities lay in geographic or functional/capability expansion to drive additional growth
Enterprise Software Alignment and Integration	• Most SPM software providers can align/integrate relatively seamlessly with larger ERP providers (Oracle, SAP), etc. meaning generally integration is not typically a barrier • Purchase barriers generally result from product complexity where sophisticated tools (Xactly) provide use cases that are not always needed
Buyer Personas and Decision Criteria	• Buyer personas are generally concentrated among CFO, Sales/RevOps, and CHRO with influence from IT teams as a key decision-making partner around implementation and integration complexity • Revenue and Go-to-Market teams can influence in terms of outlining initial need for SPM tools • Varicent, Xactly, etc. provide a significant array of functionality that serve large organizations with complex compensation plans; for more straightforward enterprise accounts, native tools (e.g., Oracle) can be effective

Pricing	• Licensing costs can range from $35 -$100/month/user, however most common range is in the $50 - $75 range
	• Cost of ownership is a key driver of price and purchase decision for industries in addition to up-front costs
	  • Some of the key contributors to cost of ownership are data management, report generation, and implementation cost
	  • Implementation cost can cost as much as 1.5-2x of licensing fee for higher-cost solutions (~.75X for lower cost)
	  • Implementation timeline generally takes 6 – 9 months

Sales Structure	• Most common model for GTM structure is to organize by enterprise/SMB and/or geography. However, some industries with high levels of regulatory complexity and/or compliance requirements (e.g., financial services will have specialized sellers
	• Products can be very complicated to sell and don't always have a traditional sales motion
	  • For native tools, they are often sold as part of or an add on to larger EPM system
	  • Specialized SPM tools (Varicent, Xactly) will generally use smaller format events such as dinners, trade shows, and other interface with key stakeholders to effectively articulate product benefits and functionality

Interviews conducted: Two former salespeople/sales leaders in the SPM space, one former SPM buyer