



## **Callidus Software:**

### **An introduction to Sales Performance Management for Financial Services**

#### **Overview**

This paper introduces Sales Performance Management with specific reference to the positive impact this technology can have on the Financial Services sector.

2009 witnessed a global economic downturn and as a result, the spotlight was focused firmly on the financial and insurance market sectors. Increased public awareness raised many questions around its business practices and the effectiveness of regulations - especially in the UK – around Treating Customers Fairly and the Retail Distribution Review.

This document highlights how Sales Performance Management is not only well equipped to address many of the issues the financial sector is facing, but it demonstrates a solid track record of dramatically reducing operational costs; contributing substantial cost savings through process efficiencies and adding revenue to the business bottom line, all of which prove very compelling arguments for any organisation today.

#### **Sales Performance Management**

So how is Sales Performance Management or SPM as it is more commonly known, defined?

SPM is less about technology and more about processes and capabilities. It manages the entire sales lifecycle from on-boarding and pay-for-performance to talent development while providing visibility into sales operations and financial performance. SPM manages dynamic, complex hierarchies of Agents, IFAs and employees, it encompasses compensation payment, compliance, reporting and analytics, but in essence it aligns sales performance with business objectives.

If the main challenges facing the financial and insurance sectors are now examined in turn, we can demonstrate how SPM directly addresses these issues.

## **On-Boarding**

On-boarding is an issue specific to the insurance sector. It is essentially verifying and recruiting new IFA's or Agents to sell products. Callidus' experience validates that on-boarding is fraught; primarily because it is steeped in manual paperwork, with one client citing over 100 processes to follow. This naturally impacts on on-boarding or recruitment timescales, with some insurance companies citing the process can take up to six months.

An SPM system helps quickly and efficiently on-board new Agents, helping to grow capacity, while ensuring risk is managed with comprehensive workflow capabilities. This has a number of advantages:

- Firstly, for a business it would reduce lost selling time. To put this into a monetary context, one insurance company showed an annual deficit of £16million in lost sales revenue prior to implementing an SPM solution. SPM ensures Agents can on-board and contract quickly with a business and receive transparency into contract status, product terms, transactions and payments
- Secondly, from an intermediary perspective, companies with an SPM solution are a highly attractive prospect because the transparent nature of the system ultimately makes doing business easier

This is an important point if we take into account an IFA's commission payments on policies. These are often complex, especially as investment products pay out over the long-term. The Agent needs to be assured commission will be paid accurately and on-time and any disputes can be resolved quickly. The transparent nature of a Callidus SPM application means there is always a clear audit trail for this to happen.

## **Overpayment**

Overpayment is a key issue for financial organisations; one insurance company when audited recently for an SPM solution found it was overpaying 33% of its Agency network. Analysts estimate 5-10% of lost sales opportunities are due to admin and optimisation inefficiencies, this is no surprise when commission is often still calculated in spreadsheets or bespoke systems. Spreadsheets are admin intensive therefore prone to error; payments are subject to delay and inaccurate payments occur regularly. This fosters a sales culture of distrust and doubt where shadow accounting or recalculating pay is rife, which in turn leads to lost sales time and distracts a salesforce from its key goal of driving sales revenue and aligning with company sales strategy. The SPM solution ensures independent Agents or IFAs are paid accurately and on-time based on contracted performance, ensuring long-term loyalty.

By implementing an SPM solution such as Callidus Producer Management, overpayments are virtually eliminated, typical figures show a recovery of between 2-5% of the total commission spend. Sales commission is calculated in real-time and delivered to the sales individual in a continually updated statement which reduces the need for shadow accounting.

The visible audit trail also means any disputes are handled quickly and efficiently. One insurance firm reported pay-related queries dropped substantially from taking over a day to action to typically just one phone call to resolve.

### **Transparency, Forecasting & Analytics**

Transparency is crucial for reporting and analytics. One particular insurance company was surprised to find an Agent who was hitting only 40% of target was more profitable to the company than others who were achieving 70% or even 100% of target. SPM tracks Agent payments and shows visibility into performance and profitability. This is invaluable information and is prompting companies to reevaluate sales targets on margin-led products. An SPM solution such as Callidus Producer Management can provide this information and a 'league-table' insight into sales patterns and the Agency network. The modeling capability also demonstrates the impact on revenue when for example, setting advice rates.

Transparency also means forecasting is more accurate. This is imperative when budgeting for annual commission spend – get it wrong and there may not be enough funds to pay out on commission earned or worse still accruals which were not paid out in commission, stay in the commission accrual pot causing a potential deficit in the company bottom-line.

### **Compliance & The UK Retail Distribution Review**

Financial regulation has a substantial impact on the financial services industry; in the UK the FSA's Retail Distribution Review (RDR) is due to come into effect in January 2013. This proposal, which seeks to establish a new level of consumer trust and confidence when receiving advice and buying long-term investment products, is challenging some of the fundamental practices adopted by the financial services sector today.

The RDR is still evolving; however it has the consumer at its heart by providing greater clarity and making a distinction between *independent* advice and *sales* advice provided by financial institutions.

Callidus Producer Management addresses two of the fundamental principals of the RDR:

- Changes to remuneration and commission around long-term investment products and advice
- Raising the entry level of professional qualifications for investment advisers

Callidus Producer Management is specifically designed for the financial sector and by its very nature addresses the many challenges laid out in the RDR. *For more specific information around the RDR and Callidus response to this review please request a separate white paper on this topic.*

## **ROI**

Measuring the return on investment is essential and an SPM solution is proven to pay dividends almost immediately after it has been implemented. This is because it addresses operational inefficiencies related to compensation payments, most notably overpayment and administration costs so that erroneous spending can be reined in and costs recouped. And secondly it is proven to increase revenue streams by up to 5%.

How is this achieved? Firstly, shadow accounting is virtually eliminated; a study from reward specialists Mercer indicated an individual sales person can spend just 30% of their time actually selling and an incredible 21% on admin and shadow accounting. An SPM system will help to eliminate up to 90% of the manual payment process which is frequently the root cause of payment issues leading to disputes.

In addition, an SPM solution provides an unparalleled, up-to-the-minute overview of the company's sales operation which gives the business a highly competitive advantage. For example, organisations can react within hours to market changes or shift focus to compensate for stock issues or even to push higher ticket items. In this way, the organisation is also able to influence the selling behaviours of its sales team by strategically incentivising the products it needs to sell – as opposed to letting the salesforce push what products are familiar to them.

## To Conclude

Callidus has a solid track record of addressing the issues the financial industry faces and its Producer Management application is designed specifically for financial and insurance companies with independent distribution channels as well as in-house Agents. Callidus SPM solutions have a proven track record of resolving the on-boarding challenges faced by this sector as well as significantly reducing operational costs, increasing revenue, delivering an ROI and ultimately makes doing business easier. As one of Callidus insurance clients quotes;

*"Callidus is in the top 3 most valuable applications in the company"*

[www.callidussoftware.com](http://www.callidussoftware.com)

## Recognition for Callidus SPM in the Finance Sector

**Gartner.** The Gartner analyst 'MarketScope for Insurance Incentive Compensation Management Applications' has ranked Callidus 'positive' for five consecutive years, which is the strongest ranking awarded to any vendor.

The latest report highlights:

*"Callidus is a strong competitor in the insurance market with a good cross-regional, cross-insurance-line solution set...It has implemented solutions for insurers with the most complex distribution channels."*



### The FinTech 100 of 2009

American Banker and Financial Insights ranked Callidus 86th in the FinTech 100 rankings. The list recognises the top vertical technology vendors in the world who derive more than one-third of their revenue from the financial services industry.



**The Times newspaper** 24<sup>th</sup> March 2010 states, in its special report on Sales Performance:

*"There are a number of specialist vendors offering SPM in Europe, of which Callidus is the leader"*