

Salary.com Enters the Sales Compensation Market With Makana

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Salary.com acquired the assets and technology of Makana Solutions, an incentive compensation management vendor that targeted small businesses. This transaction opens a market opportunity for Salary.com with sales buying centers.

NEWS ANALYSIS

Event

On 29 September 2009, Salary.com announced its acquisition of incentive compensation management (ICM) vendor Makana Solutions' assets and technology. Terms of the deal were not disclosed because the purchase was considered immaterial to FY10 results.

Analysis

This move benefits both firms by providing Makana with an avenue to exit the market and by opening a new market opportunity for Salary.com. Salary.com is a public firm with considerably greater resources (\$42 million in FY09) than Makana, although Salary.com's resources are focused on the North American payroll, salary planning and talent management software-as-a-service (SaaS) markets for midsize and large enterprises. Salary.com had also supported general compensation requirements of HR departments. Makana complements Salary.com's portfolio by extending coverage to sales organizations with relatively greater spending power on a critical concern: Sales compensation is one of the largest cost items after salaries and decisively impacts sales behaviors.

Makana stood out in the North American sales ICM market with self-service applications based on a fully multitenant software-as-a-service (SaaS) model for small firms with five to 20 payees and few resources. Notably, it tackled modeling needs and usability issues early on to enable business users to utilize functionality on their own. Pricing was competitive, with \$29 per user per month for its flagship product Motivator Pro, and a startup fee of \$349. Makana acquired about 200 clients, but it targeted too far "down market" (where spreadsheet usage can be justified) and the recession stalled demand and market momentum.

Salary.com plans to keep Makana's products and pricing in place for the time being, but will target 20 to 50+ payees. This is a prudent move for Salary.com, as it will need to gain experience selling to sales, and must still overcome cost sensitivity and confirm practical deal sizes and volumes. It must also ensure the Motivator technology can scale for anticipated payee populations and retain a core Makana team with sufficient resources. Premature departures will handicap development and marketing efforts, particularly if a rewrite is required in the long term. This strategy will require substantial focus from Salary.com, which must also simultaneously achieve profitable growth, manage its flagship product lines and consolidate other acquisitions.

RECOMMENDATIONS

- **Makana prospects:** Request road maps on future product support and development before entering into an agreement.
- **Makana customers:** Expect the contingency of a rewrite within two years as Salary.com consolidates technical assets, and seek service-level agreements (SLAs) to limit disruption.
- **Salary.com customers:** If your organization has ICM requirements for up to 50 payees, begin examining Motivator Pro, but confirm product scalability and availability of support resources.

RECOMMENDED READING

- “Cool Vendors in CRM Sales, 2009” — This research reviews four cool vendors with offerings for sales that remain compelling options even in down markets. **By Michael Dunne, Ed Thompson and Gene Alvarez**
- “Hype Cycle for CRM Sales, 2009” — Use this research to understand the maturity, uptake and value of technologies for enhancing key sales processes. **By Gene Alvarez and others**

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