

What happens
when Finance
goes beyond
numbers

PREQUATE

Prequate Consultants Private Limited
#11/2, 3 Cross, Wilson Garden, Bangalore, India 560 027

About when we grew a
company's
bottom-line by 5%

How it began

Alpha Limited is a 5 year old company providing IT & ITes enabled services with a top-line of over USD 5Mn based out of India. Prequate was brought in to help Alpha manage growth during the period of rapid scaling.

Alpha was in a spurt stage with idea of expanding its service visibility overseas. They relied on a set of marketing consultants for their onground presence in the overseas locations.

Disclaimer: Alpha started a continuous engagement model that allowed Prequate to develop the management reporting frameworks within the CFO Office offering.



the problem set

Prequate as part of the standard delivery model was in charge of the MIS of the management reporting for Alpha. In the course of such delivery, Prequate noticed that:

- > Huge expenses on commission to Business development teams
- > Commission was a standard rate of paid out at a flat rate on sales upon collection
- > Established business practice was the logic/rationale behind the % paid and not visited periodically

While BD is critical function, the payment of standard rate did not achieve its goal.

This negotiation was based on several points of strength and not be attempted to replicated in the same manner. The calculator created for Alpha can be made available on a request placed at the email ID in the document.

the approach

The main questions to be addressed behind any variable based payment need to be addressed:

- > Does it keep the teams motivated?
- > Is there continuous incentive for continuous involvement?
- > Do incentive payments breed loyalty?
- > Do the incentives accrue for greater involvement?

A new incentive plan needed to facilitate these outcomes.

action steps

- >*Detailed contract study*: Identify and develop master tracker of all commission agreements
- >*Create responsibility matrix*: Break down the activities and related responsibilities over their critical parts
- >*Develop new scheme*: Create a scheme that rewards greater involvement while reducing cash outflow
- >*Renegotiate*: Communicate with current providers on new scope and greater opportunity

TOTAL COMMISSION				
	1 st PO	2 nd PO	Year 2	Year 3
Lead Generation				
< = USD 500,000	2%	1%	1%	0%
> USD 500,000	3%	2%	1%	0%
> USD 1,000,000	4%	3%	2%	0%
Conversion				
< = USD 500,000	3%	2%	0%	0%
> USD 500,000	4%	3%	0%	0%
> USD 1,000,000	5%	5%	0%	0%
Account Management				
< = USD 500,000	1%	1%	1%	1%
> USD 500,000	2%	2%	1%	1%
> USD 1,000,000	3%	3%	1%	1%
Final on USD 1.5 Mn	12%	11%	3%	1%
Total	12%	11%	3%	1%
New scheme average				7%
Earlier scheme average				12%
Net Savings				5%

- > **Net addition of 5%** to net profits over 3 years
- > Increased **efficiency and long term involvement** by the BD professionals
- > **High loyalty** for continuing accounts among BD teams
- > **Simplified measurement and monitoring** of the sales cycle

results matter

Need more clarity?

Prequate works with organizations to help them understand their environment and do business in a leaner and smarter way.

By helping businesses interpret their surroundings, Prequate helps amplify the impact of their strategies and executional strengths without worrying too much, or with a lot more clarity, as to how their environment may be respond.

PREQUATE www.prequate.in

General
connect@prequate.in

CFO Office
nag@prequate.in

Consulting
bordia@prequate.in

IB,M&A
roopa@prequate.in

Prequate Consultants Private Limited
11/2, 3 Cross, Wilson Garden
Bangalore, India, 560 027

