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Qualitykiosk: drawing up a sales strategy

Sreeram Sivaramakrishnan and Anuroop Krishna wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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With our 360 degrees unified quality assurance, we have a wonderful opportunity to build an excellent customer base. This should ensure us good revenues for the foreseeable future, and help us achieve a stupendous five times revenues in five years.

Maneesh Jhawar

It was a bright morning in April 2016 in Mumbai, India. Anuroop Krishna, head of the banking vertical at QualityKiosk Technologies Private Limited (QualityKiosk), recalled the words of Maneesh Jhawar, QualityKiosk’s chief executive officer: Jhawar was expecting the software testing company to achieve exceptional growth. Since the company meeting in October 2015, where Jhawar had posed the challenge to his team, Krishna had developed a good sense of both the market and his customers. In the past six months, Krishna had experienced several crises and the inevitable revenue pressures that his role entailed. He realized that he had to develop and propose a comprehensive plan for continuing QualityKiosk’s foray into the banking sector.

As part of this plan, Krishna realized that he had to arrive at a sales strategy and determine the structure and composition of his sales force. A few questions were uppermost in his mind: he needed to understand where to expect the bulk of his sales to come from—existing customers or new customers; he also had to make a decision about whether to organize his sales force as hunters, farmers,[[1]](#footnote-1) or a combination thereof; and he had to decide on a compensation plan for his team.

Krishna knew that, at a higher level, Jhawar was wondering how to evaluate and reward him. QualityKiosk focused on two broad sets of customers—banking and insurance. The company’s penetration into the banking sector (Krishna’s vertical) was only 30 per cent. Jhawar had asked the vertical heads to recommend the parameters to be considered for evaluating them. Should the parameters be sales to existing customers, to new customers, or to a combination of both? Should Jhawar consider sales of new products, of existing products, or of a combination of both? Also, the basis for calculation of incentives for the vertical heads needed to be decided.

THE APPLICATION TESTING MARKET

The software and application testing industry in India had picked up pace since 2000. Up until then, the industry was quite small, since most applications were easy to understand and did not require special assistance from a third party to be tested. It was usually the software developer or the customer (typically a company) that conducted the requisite testing and certified the application prior to going live. However, within a decade, the testing market began to grow at a promising pace. This growth was mainly attributed to the increasing complexity of business applications, which ran into millions of lines of code. Testing such applications was too onerous for the customer and, eventually, the software development companies (developers) took ownership of testing themselves.

By this time, the testing market had developed substantially, coming to be treated as a separate profit centre for developers. Most developers invested in this business, and it subsequently became a large revenue stream. However, as application development cycles reduced from years to months, developers were forced to reduce the time available for testing. This had a negative effect on the quality of testing, which consequently compromised the quality of the applications. Slowly, customers started noticing significant security and functional loopholes in the applications, which resulted in poor end-customer[[2]](#footnote-2) experience and, many times, in financial loss because of fraud or erratic system behaviour.

Customers realized the need to resolve this conflict of interest, which led to the emergence of the third-party independent quality assurance (testing) provider. The third-party vendor would work with the customer, gain an understanding of the application function and design, prepare the test cases, and execute the test cases to detect any functional flaws within the application. The results were reported to the customer, who in turn directed the developer to fix the bugs. The bugs were fixed and again re-tested. This process ensured nearly defect-free releases in production and a better end-customer experience.

The Indian market for software testing stood at approximately US$5 billion[[3]](#footnote-3) in 2015 with an estimated growth rate of 20 per cent year over year (YOY).[[4]](#footnote-4) The promising growth rate was simply because only 34 per cent of projects in the industry met the objectives for which they were developed.[[5]](#footnote-5) Going live with a bad application would tarnish the brand image of both the customer and the developer. Companies invested huge amounts of money in testing to prevent such catastrophes.

QUALITYKIOSK

QualityKiosk was founded in 2000 by a few graduates of the Indian Institutes of Technology, the premier engineering institutes in India. The company sought to cater to the niche testing market at that time. Over the next fifteen years, QualityKiosk emerged as one of the top players in the BFSI[[6]](#footnote-6) space by providing independent software quality assurance service to its customers. Since its inception, QualityKiosk had managed to garner an impressive list of customers in the BFSI space. These included private sector players such as ICICI Bank, HDFC Bank Ltd., Axis Bank, Kotak Mahindra Bank Ltd. (Kotak Bank), Yes Bank, and IndusInd Bank, among others. In 2006, as its business grew, QualityKiosk ventured into the performance assurance domain, wherein a customer could pre-empt the experience the application would provide in production (the go-live stage).[[7]](#footnote-7) This was done by firing thousands of transactions on the server and recording the response times. It helped the customer approximate the ultimate customer experience that could be expected once the application went live.

Until 2006, the journey into testing was limited to the pre-production[[8]](#footnote-8) stage. There was still no way to guarantee the experience of an end customer. However, with increasing demand for superior customer experience, financial service firms began to demand better testing at the production stage to pre-empt any issues. It was essential to improve evaluation of the application at the production stage, considering the time and money spent on developing and testing an application. This transformed into a great opportunity for QualityKiosk, which was quick to deploy a service called “Application Performance Monitoring,” where an application was monitored 24/7 to assess its availability and response time. The response time became an important metric to assess the customer experience provided by the application, and customers became heavily dependent on data provided by QualityKiosk. This service also ensured that QualityKiosk was one of the very few companies in the industry that could provide an end-to-end offering with respect to the quality assurance of business applications (see Exhibit 1).

As mentioned earlier, QualityKiosk focused on only the banking and insurance sectors. These two verticals were the most lucrative among the BFSI space and were being actively pursued by most players in the industry. With the ambitious goal QualityKiosk had set for itself, each of its verticals had to grow by at least 40 per cent YOY. The banking vertical was contributing 40 per cent of the company’s overall business, with far greater profitability than the insurance vertical. The potential was greater among banking customers. Krishna, having recently joined the company as the head of the banking vertical, was given the responsibility of creating an action plan for 2016–17.

In 2015–16, QualityKiosk crossed the ₹1 billion mark for the first time in its history with a growth rate of almost 50 per cent YOY. This growth was going to be challenging to sustain as the company’s revenue base continued to increase. The company was also awarded the CIO Choice award for testing services for 2014.[[9]](#footnote-9) Seeing the abundance of application releases in the market and the focus on customer experience, QualityKiosk was bullish about the future, and it spurred Jhawar to set an aggressive target to grow revenues by over five times in the next five years.

QualityKiosk’s Services

QualityKiosk provided three main services: functional assurance, performance assurance, and customer experience management. Each service had its own challenges and opportunities.

Functional assurance services were offered by QualityKiosk for enterprise and digital domains. This service ensured that any software or application behaved to specification and as intended for the end user. It was found that, generally, customers who understood the cost of defects valued this service highly. For banking and insurance customers, for instance, any functional defect could easily result in irreparable damage to the company’s balance sheet and image. There had been many cases globally where hackers had found loopholes within systems and caused millions of dollars’ worth of damage. Hence, the functional assurance of applications was a religious mandate within many firms. It contributed 50 per cent of QualityKiosk’s revenues, and it was growing at 20 per cent YOY.

Performance assurance was the result of end customers becoming more demanding about an application’s performance. It was estimated that around 91 per cent of end customers[[10]](#footnote-10) expected mobile applications to open within four seconds. Actually, 49 per cent of users expected an application to open in two seconds. This was a challenging task for developers, who needed to focus on an application’s look and feel (usability), features, integration with multiple third-party services, and other aspects that needed to be delivered within challenging time lines. Businesses were thus under tremendous pressure to create quality applications that delivered great customer experiences. According to a survey, 48 per cent of end users uninstalled an application and 33 per cent stopped using an application because of a single bad experience with it. Performance assurance tried to assess the performance of an application before it went live, and identified areas for further optimization to remove bottlenecks related to performance. Sensitivity toward performance assurance had been growing rapidly, thus contributing nearly 40 per cent of QualityKiosk’s revenues while growing robustly by 50 per cent YOY.

While functional assurance and performance assurance were conducted before the application went live, customer experience management helped identify gaps in a production (live) environment by continuously monitoring the application, identifying any system downtime, and resolving issues on a real-time basis. This usually prevented a spark from becoming a fire and helped control issues while the application was live. QualityKiosk had developed a technique of managing customer experience that was technically and commercially effective. As a result, almost all of its customers had subscribed to this service, and it generated 10 per cent of the company’s revenues—though, due to the low revenue base, Krishna expected this to grow at a rate of 100 per cent for the next five years.

COMPETITION

The software quality assurance market had grown significantly from 2000 to 2016, attracting several different types of players. Based on their scale of operations and expertise levels, these companies could be classified as niche players, information technology (IT) multinational corporations, or commoditized testing agencies.

Niche players comprised companies set up by the founders or top managers of large IT companies such as Infosys Ltd. and Tata Consultancy Services Ltd. (Tata Consultancy). With their experience, these players knew the system environment and the pain points of clients. They offered highly specialized solutions catering to sectors that had complex application landscapes and thus needed in-depth knowledge of the applications to be tested. A Bengaluru-based application testing company was among the few in the market that could also perform application code-level tuning, which was tricky, since it meant tuning the code that had been initially written by the developer. However, the expertise possessed by this application testing company had caught the attention of the market since it improved the performance of the application with no additional hardware. The company was thus able to charge a premium for this service, well justified by the return on investment the service generated for customers.

IT multinational companies included heavyweights Tata Consultancy, Infosys, and Wipro Ltd., who were well established across the world, especially in the United States and Europe. Their global standards earned them a positive reputation for their people and processes. Over the years, they had grown to have a large pool of resources from which they could cater to multiple requirements. Due to the great bench strength of these companies, they could promise a quick turnaround time in the deployment of resources. However, the consequence of this was higher overhead costs. Also, they were accustomed to charging higher rates in the United States and Europe and were thus unwilling to charge lower rates in India. This resulted in a relatively poor market share in India compared to developed nations.

Unlike sectors such as BFSI, which demanded domain expertise, sectors such as e-commerce and social media did not require sophisticated skill sets to test applications; rather, they required testers who could understand the application by browsing through it and who could prepare test strategies. The market was also price sensitive and outsourcing was necessary only when there was no one available internally to fulfil the requirement. The rules of the game were very clear—a quick turnaround time for testing applications and fewer employees without projects. This market consisted of many players who aimed for growth and competed hard to acquire large accounts since a high volume of business was key to success. These new sectors were thus provided services by a third category of companies, which QualityKiosk classified as commoditized testing agencies.

QualityKiosk considered itself a niche player for multiple reasons. While other players were predominantly in the development space with a fraction of their energies dedicated to testing, QualityKiosk was focused solely on testing. And while other players were spread across multiple verticals such as telecom, manufacturing, retail, e-commerce, and others, QualityKiosk was focused mainly on banking and insurance, where it had strong domain knowledge that not many in the industry were familiar with. The niche that QualityKiosk had carved for itself was a result of its presence in the production stage and its offerings across customer experience management. QualityKiosk always had an eye on the future and a clear road map for each of its service lines. This was the primary reason for customers’ loyalty to QualityKiosk throughout the life cycle.

the Banking Industry in india

Banking in India had been dominated by [public sector banks](https://en.wikipedia.org/wiki/Public_sector_banks_in_India) since 1969, when several large banks were nationalized by the Indian government. However, India liberalized its banking policies in the 1990s and, in addition to the entry into the country of foreign banks at that time, several Indian private sector banks also emerged. Private sector banks had grown at a breakneck pace in the two decades since liberalization, using the latest technology, and providing contemporary innovations and state-of-the-art products and services. In 2015, QualityKiosk identified 20 public and 20 private sector banks in India as possible customers.

Out of the 20 private sector banks, 60 per cent were old banks not nationalized between 1969 and 1980 because of their small size and regional focus. These included Dhanlaxmi Bank Ltd., the Federal Bank Ltd., Karnataka Bank Ltd., South Indian Bank Ltd., RBL Bank Ltd., and Tamilnad Mercantile Bank Ltd. New private sector banks began operations after 1991 with the introduction of economic reforms and financial sector reforms. These new banks included ICICI Bank, HDFC Bank, Axis Bank, Kotak Bank, Yes Bank, and IndusInd Bank.

Since public sector banks had a virtual monopoly until the 1990s, there was no pressure on them to innovate or respond favourably to customers. The customer responsiveness, products, and services of these banks were well behind international standards. In the 1990s, banks slowly and steadily moved from the traditional to a more sophisticated way of banking, which offered convenience and provided greater customer satisfaction. Long bank queues, which had previously been a common phenomenon, reduced considerably due to investments in IT. Foreign banks showed the way initially, but many of the new private sector banks invested heavily in IT and began growing—at the expense of the public sector banks. Applications such as core banking, deposits, lending, branch applications, and payments helped these banks to leverage the strength of IT and make their daily operations more efficient.

Banking moved from being IT-enabled to being IT-dependent as both internal processes and customer interfaces were automated. A bank’s IT team, initially a cost centre, became the primary reason for a bank’s success. With the help of IT analytics, private sector banks were now able to launch targeted products and services. Moreover, with an increase in customer touch points, these banks were able to solve their customers’ queries and enhance customer satisfaction.

Huge investments were being made in IT during the late 1990s and early 2000s, sometimes of about 5–8 per cent of a private sector bank’s revenues. Services such as Internet banking, mobile banking, and cheque truncation created a revolution in banking and resulted in the shift of a large number of customers from older banks to new banks. Public sector banks, which had been slow to begin with, continued to trail the others in terms of growth and innovative products and services.

India’s central bank, the Reserve Bank of India, had been making efforts to increase the penetration of banking services in unbanked areas. In order to achieve this, in 2015 it awarded licences to 11 entities—new age banks called “payments banks.”[[11]](#footnote-11) Entities such as telecom service providers, e-commerce players, and other players dominant in rural areas in terms of financial service offerings were among those issued licences. Most of these players had ready bases of customers in their respective businesses. The next step for them was to extend to their customers offerings similar to those of a bank. For the IT sector, this meant further business in terms of the deployment of IT solutions and services.

Banks were also finding themselves under pressure from new players like mobile wallets[[12]](#footnote-12) who, with access to money from venture capital funds, had been investing heavily in technology and providing solutions typically provided by a bank. This new development, along with other fintech[[13]](#footnote-13) trends in the market, was putting the existence of regular banks in jeopardy. By early 2016, three of the 11 payment banks in India had surrendered their licences, leaving only eight in the fray.

For QualityKiosk, the current coverage of banking customers (excluding payments banks), out of a targeted 40 customers (public and private sector), was only 30 per cent. Moreover, QualityKiosk provided all three of its services to only three customers. With the inclusion of the eight payment banks, there was still a lot of ground to cover, and Jhawar was convinced that the majority of the company’s growth would be driven by the banking sector. Recurring revenue in the banking vertical for 2016 was projected to be around 60 per cent of 2015 revenues.

Jhawar had stressed to Krishna the importance of being able to learn from a customer in order to build capabilities in QualityKiosk. While taking on relatively easier projects and earning revenue was important, it was also vital to stay abreast of the latest technologies. In this respect, newer banks like the new private banks and payments banks were far more likely to offer learning opportunities than public sector banks, which were still trying to catch up. Older private banks, in this respect, were somewhere in between.

SALES STRATEGY

Although Krishna and his team had only 40-odd prospects to pursue in the banking space, they needed to choose between pursuing a few prospects and attempting to reach all of them. Krishna also had to decide whether to emphasize growing the existing business or signing up new business. He realized there was a need to differentiate between customers who were likely to be sticky and those who would switch service providers easily.

Public sector banks were run like government units, where the deciding factor was usually low cost. The government had put in place a tendering mechanism for public sector units. Thus, every year, these banks used this tendering mechanism to find lower cost service providers. This made it difficult for companies such as QualityKiosk who had to keep reducing costs to serve these customers. Older private banks were slightly better in this respect, but newer private banks and payments banks were expected to pay for quality and could be expected to strike longer-term partnerships with vendors.

Another interesting aspect of the type of business that QualityKiosk did with the banks was the flow of revenue. The initial revenue received from most banks, at the time of sign up, was substantially higher than later revenue (see Exhibit 6). There were thus two distinct stages of revenue generation, with the initial sign-up stage generating the bulk of the revenue from the relationship. The “business as usual” phase, which followed development and testing, did generate some revenue, but it was a fraction of the initial revenue.

The prevalent incentive structure was simple and based on the level of difficulty of a particular sales transaction. Krishna received a percentage of revenue generated. The incentives were highest for selling to new accounts, at 1 per cent of revenues, while the incentives for selling to existing accounts depended on whether revenues were generated from existing services or the sale of new services. The former yielded 0.15 per cent of revenues as incentives, while the latter yielded 0.75 per cent of revenues as incentives.

Sales CYcle and process

Sales cycles varied from 15 days to one year (see Exhibit 7) and were a function of the service offering, the urgency for the customer, and the commercials involved. Service lines such as functional testing and pre-production performance testing were easily understood by the customer, and they did not require much explaining. However, post-production application performance monitoring required a great deal of education about the offering and involved considerable negotiations on the commercials, which led to longer sales cycles. Sales cycles to public sector banks were closer to one year, while sales cycles for older private sector banks were around six months. Sales cycles for new private sector banks and payments banks were shorter, with average sales cycles around two months and one month respectively.

Krishna realized there was a need to differentiate between easy and tough projects. Any customer would typically have a business team and an IT team. The business teams were the owners of their respective applications; however, they frequently required help from their IT teams regarding technical matters. Testing was usually the IT team’s responsibility and, hence, any of the business team’s testing requirements were routed through the IT team. Thus, the IT team were key influencers, and it was essential for companies such as QualityKiosk to keep in touch with them for meeting requirements.

However, the business teams were the final decision-makers when it came to signing off on application testers. Keeping in touch with the business teams helped QualityKiosk up-sell and cross-sell. Selling new service lines to business teams was challenging since they required more education. However, once familiarity with application protocols and other technical details were established, it became considerably easier to convince business teams. Since personnel in the older banks were not very IT savvy, the public sector banks were more likely to be tougher to manage during the project since there was a great deal of education required and considerable bureaucracy. The older private sector banks, in comparison, were slightly easier to manage. However, the new private sector banks and payments banks would be the most comfortable to work with.

Another phenomenon apparent in the market was a marked preference among public sector banks for working with large companies such as Tata Consultancy, Infosys, and Wipro. Government institutions, due to the threat of public scrutiny, were less likely to take chances with newer and smaller companies. In turn, larger IT companies tended to reduce their prices for government institutions, since government projects provided considerable revenue and bragging rights.

Based on his experiences and discussions with industry experts and his own team, Krishna was coming to the conclusion that, among all banks, new age banks like new private sector banks and payments banks should be far more receptive to QualityKiosk’s offerings and would be quicker with decision-making.

functions at qualitykiosk

The division of labour within QualityKiosk was well established. Business development managers (BDMs) managed the relationships with customers, which involved staying in touch with them, understanding their requirements, and responding to issues. When a BDM sensed an opportunity in a particular account, the manager would involve the technical delivery team, who did the detailed scoping for the particular opportunity. The delivery team then helped the BDM in creating a proposal, which was then sent to the customer. Once the customer approved the technical aspects of the proposal, the BDM would enter into commercial negotiations and close the deal. If the decision was in favour of QualityKiosk, the delivery team prepared to deliver the project. The BDM would introduce the delivery team to the customer and watch from the sidelines. At this stage, the role of the BDM would be limited to seeking feedback from the client on the project’s progress.

Krishna and his counterpart in the insurance vertical, as vertical heads, were responsible for delivering the business targets from their respective team of BDMs. However, both vertical heads carried individual targets.

Hunters and farmers

Krishna could classify each of his four BDMs (including himself) as either a hunter or a farmer, depending on the objective. Hunters would need to have 70 per cent of their revenues from new business while farmers would need to have 70 per cent of their business from existing customers. In this classification, Krishna believed his skills, background, and network were better suited to hunting. His seniority and references helped open doors; also, many of the decision-makers at the payments banks had moved from the new private sector banks and Krishna knew several of them.

The targets would depend on whether the BDM was a hunter or a farmer, and the cost to revenue for the business and compensation would be a function of the sources of revenue, the number of new customer signups, and the total revenue (see Exhibits 8 and 9).

Options for the sales structure

After extensive discussions with his BDMs, Krishna came up with three options to present to Jhawar. Krishna bounced his ideas off his counterpart in the insurance vertical, who was engaged in a similar exercise. Krishna saw that the choice of compensation plan, team structure, and focus of the teams were all linked to each other. Each of his options thus had an overall objective, a clear set of targets, an appropriate structure, and, finally, the most suitable compensation.

It could be argued that with only 30 per cent penetration into its possible customer base in the banking sector, QualityKiosk could choose to either focus on signing up new customers or increase its share of business with existing customers. Krishna’s three options for organizing his team were as follows: Option 1 was based on the overall objective of “high penetration and medium revenue” and comprised three hunters and one farmer. Option 2 was based on the overall objective of “low penetration and high revenue” and comprised one hunter and three farmers. The final option was a compromise, with an overall objective of “medium penetration–medium revenue,” comprising two hunters and two farmers.

Knowing that his presentation would need to include his chosen option, since Jhawar would need a recommendation from him, Krishna looked over his estimates again.

Exhibit 1: sequence of activities in application performance testing

Application Developed for UAT

Functional Assurance

Performance Assurance

Customer Experience Mgmt

360-degree Unified Quality Assurance

Note: UAT = user acceptance testing; mgmt = management.

Source: Created by the authors based on company records.

Exhibit 2: organization chart at qualitykiosk

CEO

Global Project Mgmt Office

Technology

Delivery

Corporate

Technology (R & D)

Products and Platforms

Functional Assurance

Performance Assurance

Customer Experience Mgmt

Account Mgmt

Administration

Enterprise Risk Mgmt

Finance

Human Resources

Information Technology

Marketing

Sales

Banking

Insurance

BDM 1

BDM 2

BDM 3

Note: CEO = chief executive officer; R & D = research and development; mgmt = management; BDM = business development manager.

Source: Created by the authors based on company records, 2016.

Exhibit 3: projected financials for qualitykiosk

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| In INR millions | **FY 2015–16** | **FY 2016–17\*** | **FY 2017–18\*** | **FY 2018–19\*** | **FY 2019–20\*** | **FY 2020–21\*** |
| **Total Revenues** | **1,000** | **1,380** | **1,910** | **2,670** | **3,740** | **5,270** |
| *−Banking* | 400 | *600* | *900* | *1,350* | *2,030* | *3,040* |
| *−Insurance* | 600 | *780* | *1,010* | *1,320* | *1,710* | *2,230* |

Note: INR =₹ = Indian rupee; US$1 = ₹66.255 on March 31, 2016; FY = fiscal year; \*projected revenues.

Source: Created by the authors based on company records.

Exhibit 4: coverage in banking (in number of customers)

|  |  |  |  |
| --- | --- | --- | --- |
|  | New Private Banks | Old Private Banks | Public Sector Banks |
| Existing Customers | 7 | 3 | 2 |
| Total Potential | 8 | 12 | 20 |

Source: Created by the authors based on company records.

Exhibit 5: services for existing customers

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Accounts** | **Functional Assurance** | **Performance Assurance** | **Customer Experience Management** |
| New Private Sector Banks | Account 1 | 🗸 | 🗸 | 🗸 |
| Account 2 | 🗸 | 🗸 | 🗸 |
| Account 3 | 🗸 | 🗸 | 🗸 |
| Account 4 | 🗸 |  | 🗸 |
| Account 5 |  | 🗸 | 🗸 |
| Account 6 | 🗸 |  | 🗸 |
| Account 7 |  | 🗸 | 🗸 |
| Old Private Sector Banks | Account 8 |  | 🗸 |  |
| Account 9 |  |  | 🗸 |
| Account 10 | 🗸 |  | 🗸 |
| Public Sector Banks | Account 11 |  |  | 🗸 |
| Account 12 |  |  | 🗸 |

Note: The cells with check marks refer to specific product/service lines being used by the customer.

Source: Created by the authors based on company records.

Exhibit 6: revenue—time relationship

Time

Revenue

Initial Sign Up and Payment

Year 1

Year 2

Year 3

Business as Usual

Source: Created by the authors based on company records.

Exhibit 7: typical sales cycle

Lead Identification

Account Understanding

Finding the Gap– Creation of Storyline

Point of Contact and Proposal Submission

Negotiation

Closure

After Sales, Up-Sell, and Cross-Sell

Source: Created by the authors.

Exhibit 8: Targets and compensation for Farmers

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Target Parameter** | **Target Value** | **Weight in Points** |
| I | Total Revenue Generated | ₹100 million | 10 |
|  | ***Conditions to be Met*** | | |
|  | *Business Split* | *Minimum 70 per cent from existing customers* | |
|  | *Service Split* | *Business achieved through a new service to existing customers given 1.5 times weight* | |
| II | New Sign Ups | 2 per year | 10 |

Sample Incentive Calculation for a Farmer

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Target Parameter** | **Achievement** | **Weight in Points** |
| I | Total Revenue Generated | ₹90 million | Total Adjusted Revenue:  65 + 37.5 = 102.5  Points:  (102.5 ÷ 100) × 10 = 10.25 |
|  | ***Conditions to be Met*** | | |
|  | *Business Split* | *85 per cent from existing customers* | Condition Met |
|  | *Service Split* | ₹25 million—New Services  ₹65 million—Existing Services | New Services (counted as ₹37.5 million (1.5 × 25 million) |
| II | New Sign Ups | 1 |  |
| **Total** | | | **15.25** |

Stipulated at 1 per cent of total business, subject to achievement

Incentive payable in ₹ =

Note: ₹ = INR = Indian rupee; ₹1= US$0.02 on March 31, 2016.

Source: Created by the authors.

Exhibit 9: Targets and compensation for Hunters

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Target Parameter** | **Target Value** | **Weight in Points** |
| I | Total Revenue Generated | ₹70 million | 10 |
|  | ***Conditions to be Met*** | | |
|  | *Business Split* | *Minimum 70 per cent from new customers* | |
|  | *Service Split* | *Business achieved through a new service to existing customers given 1.5 times weightage* | |
| II | New Sign Ups | 5 per year | 10 |

Sample Incentive Calculation for a Hunter

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Target Parameter** | **Achievement** | **Weight in Points** |
| I | Total Revenue Generated | ₹110 million | Total Adjusted Revenue:  82.5 + 16.5 + 16.5 = 115.5  Points:  (115.5 ÷ 70) × 10 = 16.5 |
|  | ***Conditions to be Met*** | | |
|  | *Business Split* | *75 per cent from new customers* | Condition Met |
|  | *Service Split* | ₹11 million—New Services to Existing Customers  ₹16.5 million—Existing Services to Existing Customers | New Services to Existing Customers (counted as ₹16.5 million (1.5 × 11 million) |
| II | New Sign Ups | 2 |  |
| **Total** | | | **20.5** |

Stipulated at 1 per cent of total business, subject to achievement

Incentive payable in ₹

Note: ₹ = INR = Indian rupee; ₹1 = US$0.02 on March 31, 2016.

Source: Created by the authors.

1. Hunters and farmers were terms used to distinguish between two different types of sales persons. Hunters generally scouted for prospects and signed up new accounts, while farmers were account managers who nurtured and grew a relationship to higher revenue yields and profitability. [↑](#footnote-ref-1)
2. In this case, customer refers to the banking or insurance company, and end customer refers to these companies’ customers—either business consumers or retail consumers. [↑](#footnote-ref-2)
3. ₹= INR = Indian rupee; all currency amounts are in INR unless otherwise specified; ₹1= US$0.02 on March 31, 2016. [↑](#footnote-ref-3)
4. NASSCOM, *NASSCOM Annual Report 2014–2015*, 2015, accessed June 20, 2016, http://old.nasscom.in/sites/default/files/NASSCOM-Annual-Report-2015\_0.pdf. [↑](#footnote-ref-4)
5. Information Week, “Research: 2014 Enterprise Project Management Survey,” Tech Library, March 25, 2014, accessed June 15, 2016, www.informationweek.com/whitepaper/it-strategy/data-centers/research-2014-enterprise-project-management-survey/159383. [↑](#footnote-ref-5)
6. Banking, financial services, and insurance (BFSI) was an industry term for companies that provided a range of financial products and services. [↑](#footnote-ref-6)
7. Production was the stage when the application had gone live and could be accessed by people through the Internet, the intranet, or other networks. [↑](#footnote-ref-7)
8. Pre-production was the stage prior to the application going live, wherein the application underwent development and testing. [↑](#footnote-ref-8)
9. “2014 Recognized Brands,” CIO Choice 2015, accessed April 15, 2017, http://cio-choice.in/recognized-brands/2014-recognized-brands. [↑](#footnote-ref-9)
10. Dimensional Research, *Failing to Meet Mobile App User Expectations: A Mobile User Survey*,February 2015, accessed April 15, 2017, https://ssl.www8.hp.com/us/en/ssl/leadgen/secure\_document.html?objid=4AA5-7696ENW. [↑](#footnote-ref-10)
11. Payments banks were a new model of banks conceptualized by the Reserve Bank of India. These banks could accept a restricted amount of deposits but could not issue loans or credit cards. Payments banks opened accounts for their customers and could issue services such as ATM cards, debit cards, online banking, and mobile banking. [↑](#footnote-ref-11)
12. Mobile payment, also referred to as mobile money, mobile money transfer, and mobile wallet, referred generally to payment services operated under financial regulations and performed from or via a mobile device. [↑](#footnote-ref-12)
13. Fintech referred to technological innovation in the financial sector. [↑](#footnote-ref-13)