

Commission Cost of Sales Report

FY 2023

Dummy Client <> Visdum



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A major break in SEA!

India continues to be our top market in the current financial year. However, FY23 saw major breakthroughs for Dummy Client in the non-Indian markets, especially in the South East Asia (SEA) region (see Fig. 1). Besides, there were a few transactions from the US and Africa regions in Q2 FY23 as well.

FYI, India made up 100% of total revenue in FY22.

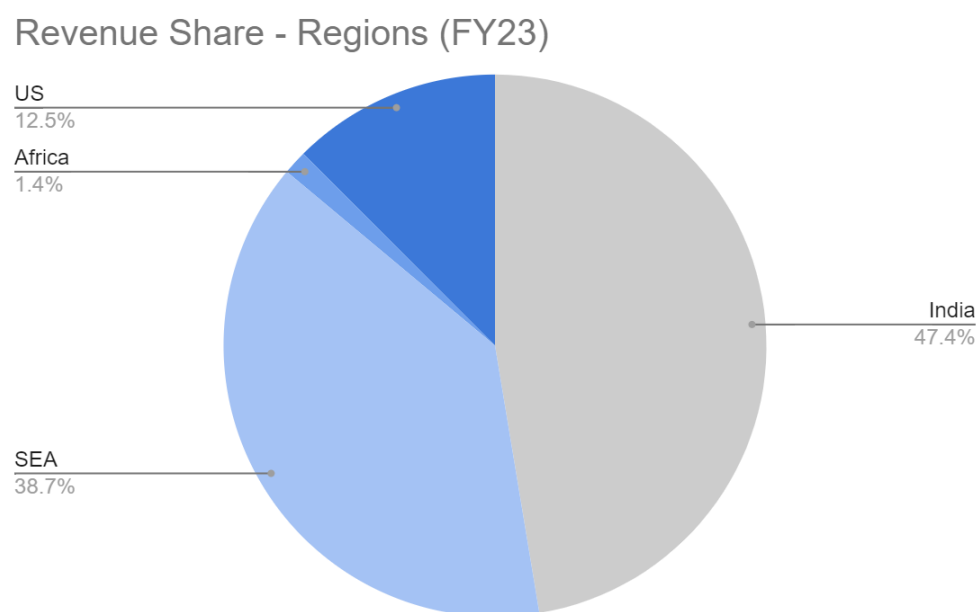


Figure 1: Revenue Share of Different Regions (Q1-Q3 FY23)

The total revenue has increased by 30% in Q1-Q3 this year, compared to the same period last year, while India revenue has declined, which I presume is intentional.

Table 1: Revenues*

Region	FY22 (INR)	FY23 (INR)
India	73,185,006	45,291,040
SEA		36,985,315
US		11,929,056
Africa		1,370,832
Total	73,185,006	95,576,243

*Revenue only for Q1-Q3 FY22 & FY23.

A comparison of CCOS (%) for different regions is illustrated in Figure 2. You will notice that the cost is comparable in India and SEA while it's much higher in the US region. This is due to the higher base rate/ variable pay per dollar of sales to sales reps and managers operating from the US region (refer to Table 2).

In our experience, CCOS is generally higher in the US and EMEA region as compared to the APAC region.

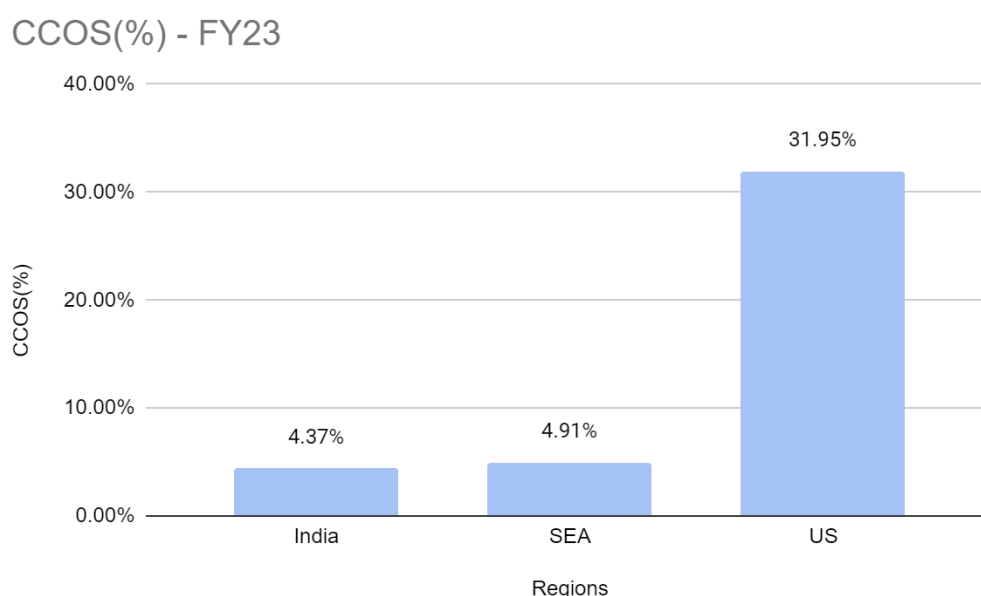


Figure 2: CCOS (%) of Different Regions*

* CCOS calculated as Total Revenue / Total Sales Commissions (excluding MS revenue and commissions paid on MS revenue).

Table 2: Base Rates

User Name	Role	Currency	Region	Quota	Variable	Base Rate (%)*
Nand Shashi	Manager	INR	Africa	2772000	244852.3	8.83
Aradhana Nirmala	IC	INR	India	2695000	115500	4.29
Anoop Sneha	IC	INR	India	3080000	127050	4.13
Aditi Priyanka	IC	INR	India	2695000	127050	4.71
Pradip Malini	IC	INR	India	1540000	127050	8.25
Anika Sudarshana	IC	INR	India	1540000	20079.675	1.3
Venkata Anjali	IC	INR	India	5005000	149901.29	3

Kishore Anita	IC	INR	India	4466000	154000	3.45
Lochana Shiv	IC	INR	India	5390000	127050	2.36
Aniruddha Sarvesh	Manager	INR	India	12166000	196350	1.61
Abhilasha Kalyan	Manager	INR	India	11165000	184800	1.66
Kavi Balwinder	Manager	INR	India	2310000	153156.85	6.63
Kavitha Praveena	Manager	INR	India,SEA	39624076.8	596750	1.51
Punit Anisha	IC	INR	SEA	8254276.8	107800	1.31
Daniel Radcliffe	IC	USD	SEA	2648800	246534.75	9.31
Suniti Mala	IC	EUR	US	13983200	1302840	9.32
Kavi Ratnam	Manager	USD	US	23324840	3248437.5	13.93

* Base Rate calculated as Variable / Quota, based on values for Q3 FY23.



What about the India market?

While India revenue has dropped by 38% in Q1-Q3 FY23, compared to the same period last year, commissions have not (see Fig. 2).

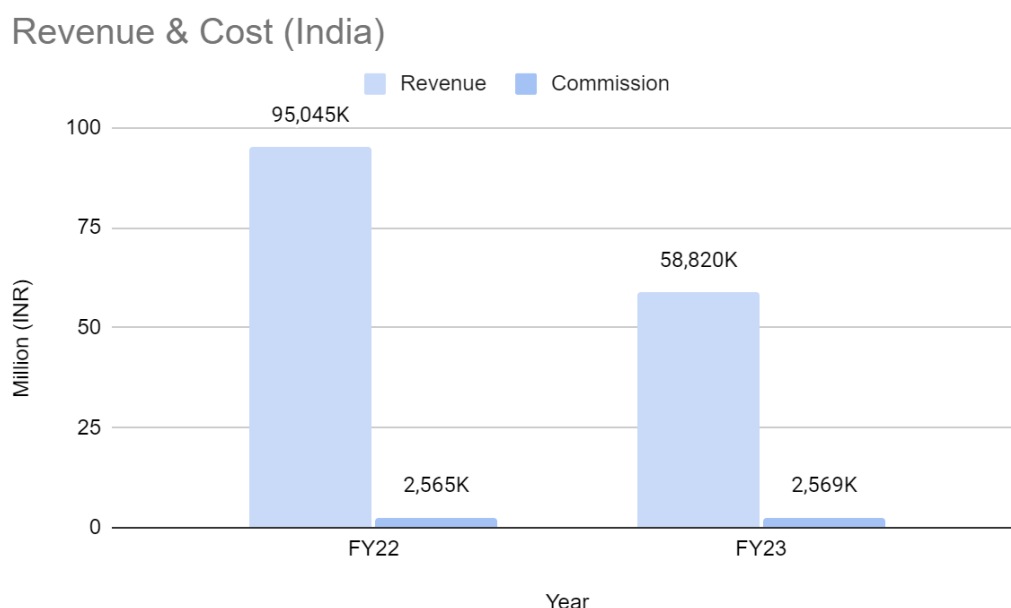


Figure 2: Revenue & Commissions Cost (Q1-Q3 FY22 vs. FY23) - India*

* Revenue and commissions excluding MS opportunities.

At the same time, the Sales Performance Efficiency (SPE) for the India region has also dropped by nearly a third.

Table 3: SPE - India (FY22 v. FY23)[#]

FY22			FY23		
Revenue (\$)	No. of Reps*	SPE**	Revenue (\$)	No. of Reps	SPE
73,185,006	12	6,098,751	45,291,040	11	4,117,367

[#] Based on Q1-Q3 data for FY22 and FY23.

* No. of reps only include the total number of sales reps (excluding managers).

** SPE stands for Sales Performance Efficiency and is calculated as the total revenue over the average number of sales reps.

Coming to the increased commissions per rupee of sales in the current financial year, we can break down the commissions cost quarter-wise to better understand

how commissions cost fared across different quarters. In Fig. 3, you can see huge variations in CCOS (%) in FY23 for the India region.

CCOS(%) - India

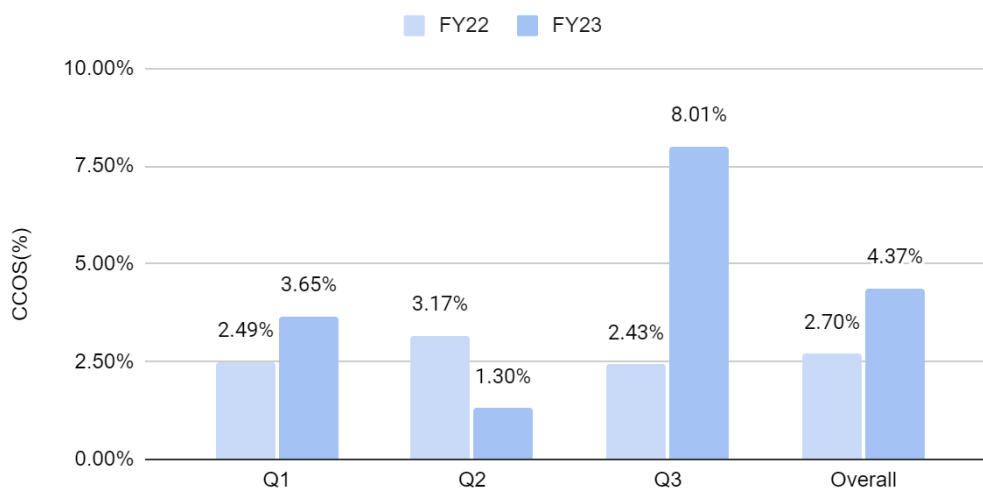


Figure 3: FY22 vs. FY23 CCOS (%) - India

Another odd thing you will notice in the graph is that the **CCOS has spiked to 8% in the last quarter (Q3 FY23)**, from 2.4% in Q3 FY22.

An initial impression might be that this is due to an increase in the base rate for reps and managers (see Fig. 4), which is true. However, the increase in the average base rate is common for all quarters, including Q2 where we notice a drop in the CCOS.

Base Rate (Sales Reps - India)

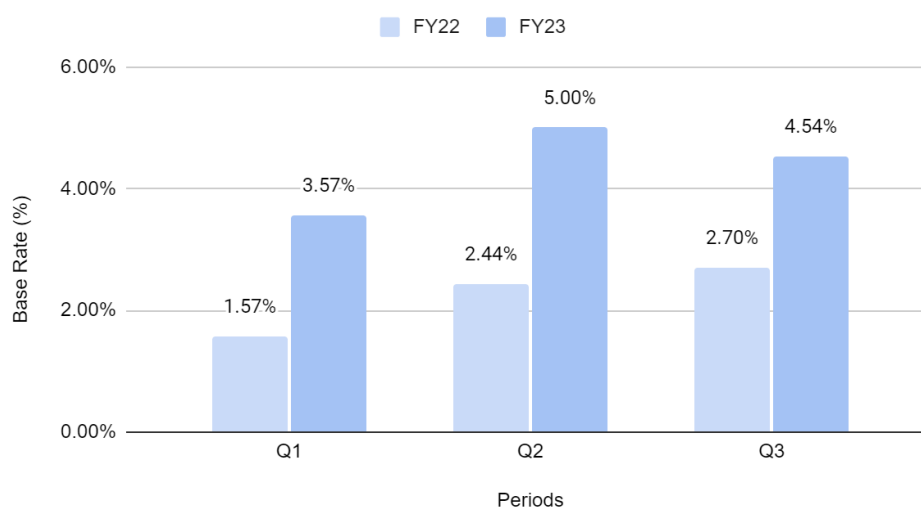


Figure 4: Average Base Rate (Sales Reps - India)*

* Average base rate calculated as the average of individual reps' base rates, which is calculated as rep's variable / rep's quota.

To answer these questions, let's first break down the cost further. Figures 4 and 5 further break down the CCOS into reps and managers.

Notice the difference in the reps to manager commissions ratio between Q3 FY22 and Q3 FY23. The ratio varies wildly in FY23, which is not the case with FY22.

You will also notice that no commission was paid to any manager in Q2 FY23 and that the revenue is also low for this period.

Upon probing further, we found that it is due to the gate criteria. The gate criteria was introduced in commission policies in Q1 FY23, according to which, a rep/ manager only qualifies for commissions if he/ she achieves a minimum of 50% of his/ her quarterly quota. As such, **no user but only one rep qualified for commissions in Q2 FY23** as others were unable to achieve the minimum 50% quota.

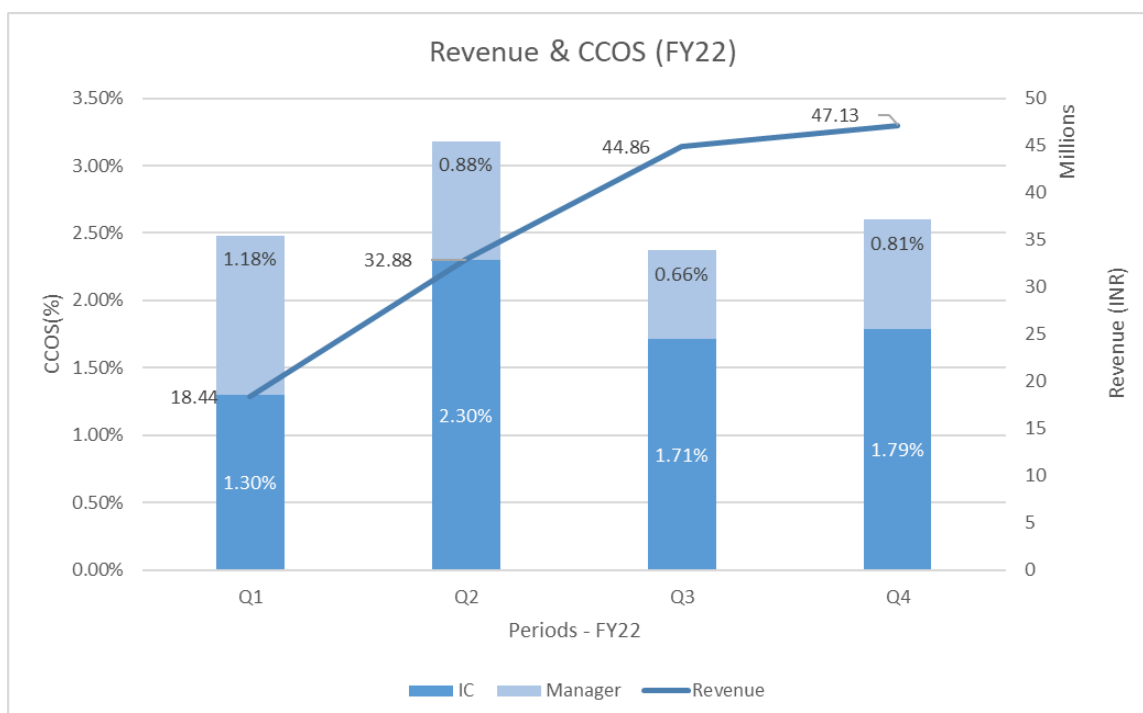


Figure 4: CCOS Breakup - FY22

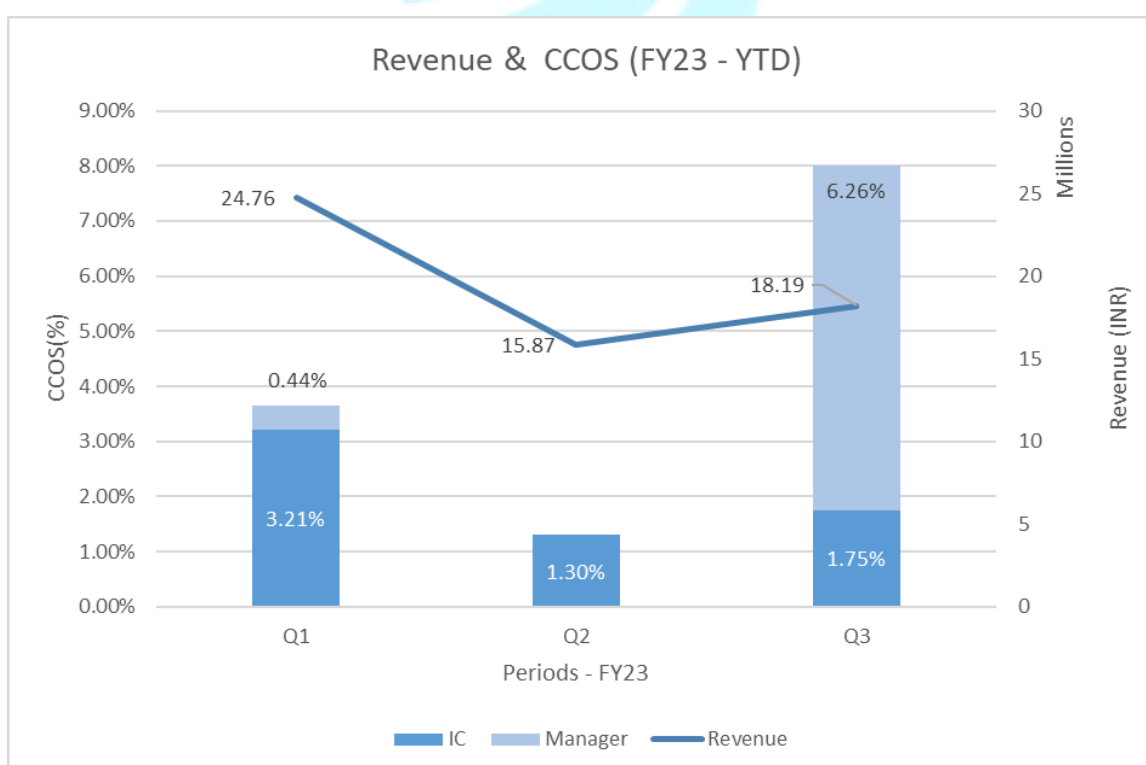


Figure 5: CCOS Breakup - FY23

Likewise, some users were disqualified from receiving commissions because of the gate criteria in Q1 and Q3 as well.

Coming to the anomaly in Q3 FY23, Table 3 lists the commissions paid to different users (reps and managers) during the period operating in India.

Our investigation suggests the following reasons behind the high commissions cost during the last quarter (Q3 FY23):

1. **A multi-level hierarchy (wherein reps report to managers who report to a senior manager) was introduced in Q3 FY23.** As a result, at least three people qualified for commissions on a single deal in Q3 (as opposed to only the rep and one manager).
2. **Karthik Raju (manager) accounts for nearly half the total commissions paid on Indian deals in Q3 FY23, and it is**
 - a. in part because he receives commissions at a much higher base rate (6.63%) than other managers in the India region (average 1.6%) (refer to Table 2), and
 - b. in part because he overachieved his quota and earned at 1.4x his base rate.

Table 3: Commissions Paid on India LF Opportunities (Q3 FY23)*

User Name	Commission (INR)
Venkata Anjali	0
Lochana Shiv	89,244
Kishore Anita	0
Pradip Malini	103,768
Aradhana Nirmala	0
Anika Sudarshana	52,698
Anoop Sneha	0
Aditi Priyanka	0
Kavi Balwinder	543,315
Abhilasha Kalyan (M)	103,644
Aniruddha Sarvesh (M)	0
Kavitha Praveena (M)	229,642

Total	1,122,311
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* The table does not list the total commission paid to a user in Q3 FY23. It only accounts for commissions paid on recurring (LF) opportunities that were from India.



Visdum Performance Quadrant

Visdum performance quadrant helps you sort your best sales reps from the average ones. It is based on the “bank for buck” idea wherein we categorise reps into one of the following four quadrants based on their achievement (in absolute number) vis-a-vis their earnings (which is a cost to you). The four quadrants are briefed as follows:

1. **High Achievement Low Cost:** The first quadrant at the top left comprises reps with high achievement at low earnings. This quadrant should include your best performers in regions with low salary levels e.g., APAC.
2. **High Achievement High Cost:** The second quadrant at the top right comprises reps with high achievement at high earnings. This quadrant should include your best performers. This is the ideal quadrant where the reps bring you revenue and are likely earning good commissions too.
3. **Low Achievement Low Cost:** The third quadrant at the bottom left comprises reps with low achievement and low earnings.
4. **Low Achievement High Cost:** The final quadrant at the bottom right comprises reps with low achievement and high earnings. These reps are likely operating in a region where you have low penetration and where the salary standards are high.

Note that the quadrants are made by dividing the graph from the centre lines.

The quadrant that follows only includes reps from the India region. More reps are needed to make a quadrant for other regions.

Do also note that the quadrant is sensitive to time. That is, reps such as Aseem Goel and Manohar Reddy who joined later in the year (Q3) are compared to reps who have served all three quarters. So, please take the quadrant with a pinch of common sense.

Visdum Performance Quadrant (Sales Reps - India)

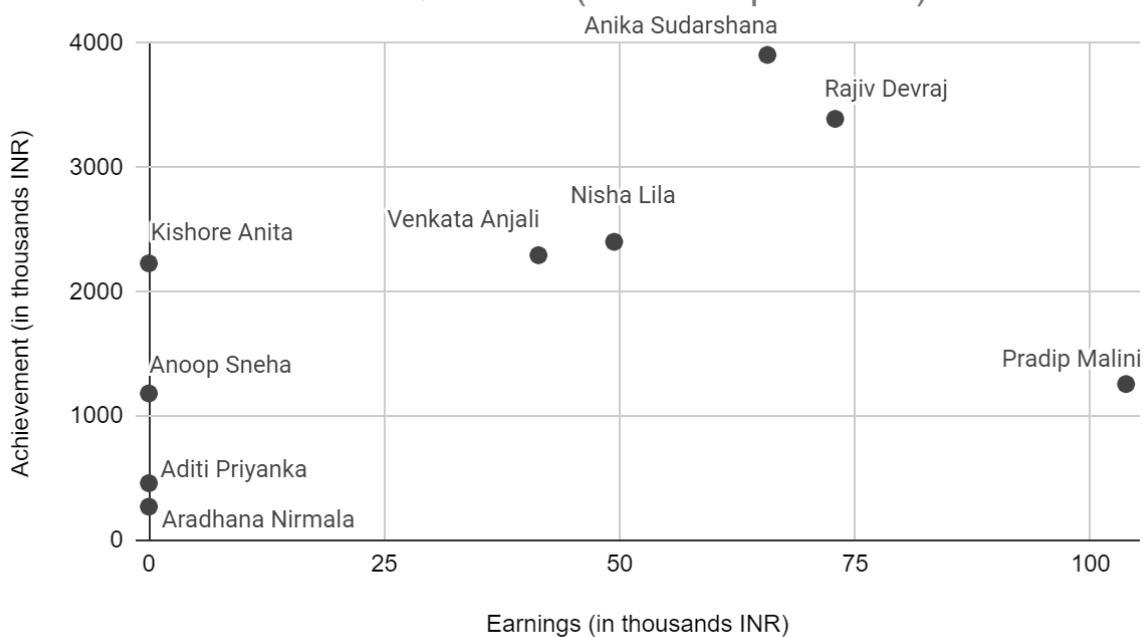


Figure 6: Visdum Performance Quadrant (Sales Reps - India)*

* Based on data for the period Q1-Q3 FY23.