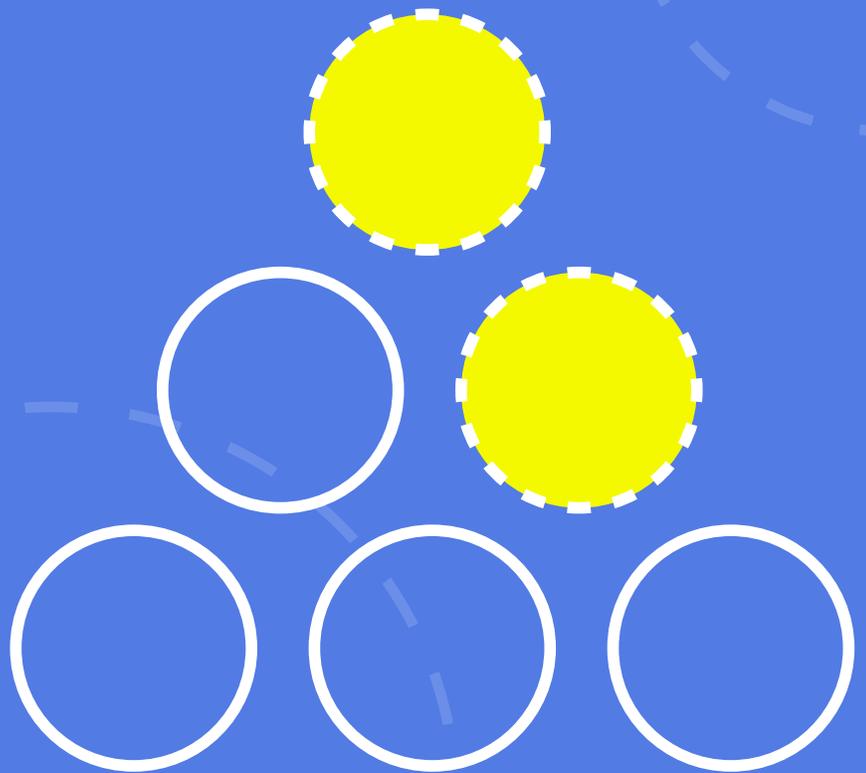


# Usage-Based Compensation Plans

Trends, Models & Examples from  
High-Growth Revenue Teams

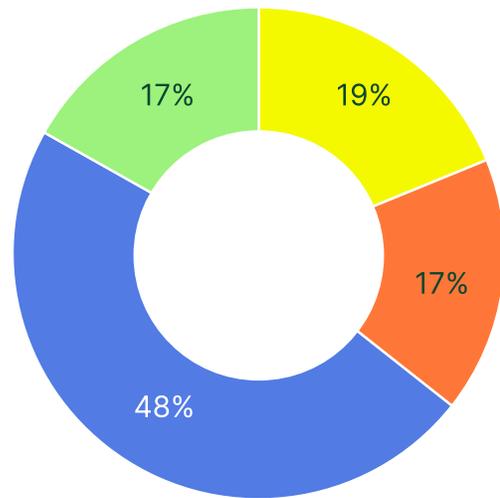


# Introduction

Usage-based pricing models are gaining momentum, especially among high-growth SaaS and fintech companies.

At a recent private event featuring Insight Partners' portfolio companies shared where they are at with usage-based pricing.

- Currently using a model
- Piloting or testing
- Exploring usage-based pricing
- Just starting to learn about it



This pricing model is particularly effective when **customer spend varies** and **revenue is tied to operational metrics** like data volume, payment transactions, or API calls. That's why it's not surprising that usage-based structures are most commonly used in **infrastructure, fintech, and vertical SaaS**.

Plus, when implemented successfully, this model creates a win-win for the customer (flexibility) and the business (improved revenue alignment). However, this shift also requires a **change to your sales compensation strategy**...and that change often comes with challenges.

*How can you accurately track usage without compromising motivation, predictability, or fairness?*

To help, we analyzed dozens of conversations with Revenue and RevOps leaders from our own compensation consultation calls and external interviews.

## In this Report:

① When it makes sense to implement this model (and when not to)

② Usage-based comp plans design considerations

③ Best practices and frameworks

④ Usage-based comp plan examples

## Adoption & Popularity

**60%** of SaaS companies now use some form of usage-based pricing

**84%** of Insight Partners' portfolio are exploring, testing, or using usage-based pricing

## Common Challenges

- Complex commission calculations, especially for variable usage.
- Motivating reps when revenue realization is delayed.
- Forecasting difficulties and clawback scenarios.
- Educating customers and sales teams on the new model.

## Best Practices

- Implement hybrid or phased payout models.
- Use true-ups to ensure fairness over time.
- Align quota retirement to usage forecasts with performance thresholds.
- Design for predictability, clarity, and fairness.

# When It Makes Sense to Switch to a Usage-Based Pricing Model

As hot as this pricing and comp structure is, not every org is a good fit.

Switching to a usage-based pricing model makes sense when your product's value is closely tied to how much it's used and **your customers' consumption patterns** are **consistent** and **trackable**.

This is often the case in infrastructure SaaS, payments, or data platforms, where usage metrics like API calls or payment volume reflect the actual value delivered. In these scenarios, usage-based pricing aligns revenue with value, encourages expansion without renegotiation, and improves customer retention by offering flexibility.

However, it does not make sense to switch if your **customers' usage is erratic**, **seasonal**, or **hard to predict**, or if your **internal systems can't reliably track consumption**.

Early-stage companies with limited data infrastructure or low usage volume may find the complexity of forecasting, comp design, and revenue recognition outweighs the benefits.

Additionally, if your sales team is optimized for fixed-value contracts, a sudden shift to a variable usage model can disrupt motivation, especially if comp plans rely on unpredictable post-sale performance.

Usage-based pricing **works best** when **value scales linearly with usage and your organization can support the operational and cultural shifts** it requires.

If your product has a long ramp to value, limited usage visibility, or a sales team that depends on large upfront payouts, sticking to a more traditional or hybrid pricing model is often the better move.

# When It Makes Sense to Switch to a Usage-Based Compensation Plan

You don't necessarily need a usage-based compensation plan just because your pricing is usage-based, but aligning the two can create powerful incentives.

Based on dozens of consultations and internal data, here are the **key signals** that suggest it makes sense to move, along with common red flags when it doesn't.

## 1 Your Revenue is Increasingly Tied to Usage

If your pricing model relies on consumption (think: per API call, per GB transferred, or per transaction volume), aligning comp with actual usage makes intuitive and financial sense.

Take Tremendous, for example, a financial platform that sends global payouts and rewards through gift cards, prepaid cards, cash, and more. Spend is directly tied to customer usage, calling for a usage-based comp plan.

“We are fintech... the way that we make money is **when people spend money**. We wanted to tie AE behaviors to the underlying thing we care about, which is gross profit to the business, which all comes down to spend.”



Scott Shepard | Head of Sales @ Tremendous

When customer usage determines revenue, rewarding reps based on realized spend or gross profit **encourages alignment between deal quality and long-term profitability**.

## 2 Forecasting Customer Spend Is Improving or Reaching Scale

Another reason to look into switching is how accurately your organization can forecast customer spend.

One of the biggest risks with usage-based compensation models is inaccurate forecasting. But once you have **solid historical data** or a **scaled customer base**, the risk of overpaying (or clawing back) diminishes.

“Some industries have it much easier to get a reasonable estimate, like data warehouses that charge per API call... a consistent, predictable number of API calls. In those cases, usage-based comp becomes much more scalable and easier to operationalize because the forecasted spend closely mirrors actual customer behavior.”



Graham Collins | Head of Partnership @ QuotaPath

Reliable forecasting enables you to confidently utilize hybrid models, such as estimated revenue payouts or true-ups, with manageable risk.

## CRO PERSPECTIVE ON USAGE-BASED PRICING

Andrea Kayal, CRO at HelpScout, highlighted usage-based models as a key lever for increasing ACV and driving Net Dollar Retention (NDR).

Her advice:

- Pick a clear value metric that aligns with customer outcomes.
- Prepare your teams with internal doctrine and change management (a successful rollout starts with internal alignment).

(Source: CRO Summit: The Future of SaaS Pricing)

### 3 Your Reps Are Already Focused on Expansion and Product Adoption

In usage-heavy models, the sale doesn't end at the contract.

If your sales team already leans into post-sale engagement, whether by design or necessity, these models can amplify those behaviors because the rep is incentivized to have the customer spend quickly.

This often leads to rep involvement during the onboarding process, which could **accelerate time-to-value**.

We see this especially relevant in companies with land-and-expand motions or complex integrations that impact how fast customers ramp up usage.

### 4 Your Onboarding Is Hands-On, and Reps Drive Early Usage

Are your reps critical to customer activation? Tying their comp to usage ensures they stay invested through onboarding, not just up to the signature.

At Tremendous, for example, they've explored ways to align this behavior by measuring the handoff point between sales and CS:

"We're looking at how many deals move from closed-won to the onboarding stage with the CSM stamp of approval. Because there's a lot of integration work... the technical side of the business takes over at onboarding."



Scott Shepard | Head of Sales @ Tremendous

This setup ensures that reps care about setting customers up for success, not just closing the contract.

# When It **Doesn't** Make Sense to Switch to a Usage-Based Compensation Plan

And, now for those who should avoid this approach.

## 1 Your product has long ramp times and inconsistent usage.

If customer usage is lumpy, seasonal, or hard to predict (e.g. hiring tools during a freeze), tying comp to consumption can backfire, with clawbacks and demotivated reps.

## 2 You're early-stage and still building the pricing model.

Companies still validating their usage metrics or pricing structure risk overpaying or demotivating sales with unreliable benchmarks.

"We just started selling our own payment rails... we really are kind of flying blind into this, said a Sales Ops leader from an AI company.

## 3 You need faster ramp or more predictable rep pay.

If your sales cycles are long and usage builds slowly, reps may not see earnings for months. This delays motivation and risks attrition.

## 4 Forecasting accuracy isn't there yet.

Without reliable usage projections, plans become difficult to administer and require frequent true-ups or clawbacks, hurting rep trust and finance confidence.

### ✓ Good Fit When:

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Revenue is tied to usage

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Forecasting is improving

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Reps drive expansion

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Reps guide onboarding

### ✗ Poor Fit When:

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Forecasting usage is difficult or volatile

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Product ramps slowly or erratically

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You need short ramp and early commission

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You're still testing pricing model

# Design Considerations for Usage-Based Compensation Plans

Understanding when to adopt a usage-based comp plan is only half the battle.

The real challenge lies in designing one that **aligns rep incentives with revenue realization** while maintaining **fairness and clarity**.

To help, we compiled the following usage-based comp plan examples and frameworks.

## Estimated vs. Actual Revenue Models

### Estimated Revenue

Fast and familiar. Reps receive quota credit and partial payout based on forecasted usage.

#### ✓ Pros:

Accelerates rep earnings and simplifies initial payout.

#### ✗ Cons:

Risky if forecasting is weak; can lead to clawbacks.

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“You take that assumption, pay the commissions based on that... rep gets a lot of cash upfront... but management is really messy.”



Ryan Milligan | VP of RevOps and Sales @ QuotaPath

### Actual Revenue

Ties comp directly to what the customer spends over the course of a set time period (most often the first 12 months).

#### ✓ Pros:

Reflects true value to the business.

#### ✗ Cons:

Delayed rep earnings and limited near-term motivation

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We don't love this one because, on a plan based on actual revenue, it would take a full year for a new rep to get commission credit.

# Hybrid Approaches: The Most Common Middle Ground

Most teams **blend forecast-based** and **usage-based mechanics**.

Here are a few examples:

- **Partial Upfront Payouts:** Pay a percentage of the estimated value at close; drip the rest as usage accrues.
- **True-Ups:** Pay based on estimated revenue and then reconcile with actual spend annually or quarterly to adjust for under/over-forecast. E.g., Pay 10% upfront, true-up if actual usage is  $\pm 20\%$  off.
- **Commission Triggers:** Pay based on estimates but tie payouts to milestones like onboarding completion or usage thresholds (e.g., 50% of projected spend, first spend, etc.).

“In this example, the rep could get one big hit... then earns two installments over 6–12 months.”



Ryan Milligan | VP of RevOps and Sales @ QuotaPath

## Quota Retirement vs. Payout Mechanics

Lastly, when it comes to quota retirement, we recommend balancing motivation and cash flow by separating how reps retire quota from how they *get paid*.

- **Full Quota Credit at Close:** Reps retire the full estimated value toward quota, even if payout is staggered. This helps unlock accelerators.
- **Deferred Commission Payout:** Pay only part of commission upfront; the rest follows actual usage.

Separating quota retirement from commission payout is a smart way to keep reps motivated without overextending the business. It allows reps to **unlock accelerators** and feel rewarded for meaningful deals, regardless of how quickly usage ramps up.

Meanwhile, deferring part of the payout until actual spend occurs protects against overpayment and encourages post-sale engagement.

It's a **balanced approach** that aligns sales incentives with real customer value.

# Usage-based Comp Plan Best Practices & Recommendations

In addition to a balanced approach, the most successful teams start by thoughtfully layering in **usage-based mechanics**, blending **short-term motivation** with **long-term revenue alignment**.

Here are five best practices to consider:

1. Begin with a hybrid model to balance rep motivation with cash protection.
2. Anchor rep incentives around reliable value-indicating metrics like onboarding milestones or early usage.
3. Use true-ups and contribution windows to smooth discrepancies.
4. Monitor ramp length and reset expectations (e.g., 12–18 months) as needed.
5. Design for clarity: forecast-based quota credit, but payout aligned to actual use.

# Usage-Based Comp Plans Examples

If you're ready to build your first usage-based comp plan, we curated five examples to consider modeling yours off of.

## 1 Fintech Platform (15 Reps) | High-Volume Transaction Model

### Usage Metric

Gross profit from payments processed

### Quota

\$1M GP annually, spread monthly

### Comp Plan

Base + 10% commission on GP, paid monthly

### Notes

12-month contribution window; forecast-based quota credit; challenges with delayed attainment led to hybrid model testing

## 2 SaaS Data Infrastructure (20 AEs) | API Usage-Based Model

### Usage Metric

API calls

### Quota

\$500K quarterly; accelerators at 110% & 125%

### Comp Plan

Base + 12% on usage revenue, increasing to 15% and 18% post-quota

### Notes

True-ups conducted quarterly; high accuracy in forecasts

## 3 SMB SaaS (10-person GTM) | Blended Model

### Usage Metric

Number of payments processed

### Quota

Based on forecasted annual value

### Comp Plan

10% commission on forecasted value, 25% of commission payout upfront, 50% upon onboarding, final 25% at 50% usage threshold

### Notes

Finance-owned estimates; rep quota retirement not clawed back

# Usage-Based Comp Plans Examples Cont.

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## Cloud Services Provider (30 AEs) | *Hybrid Consumption Model*

### Usage Metric

GBs stored/month

### Quota

\$250K per quarter

### Comp Plan

5% commission on estimated value; adjusted by true-up at year end

### Notes

True-up activates only if account spend variance exceeds +/- 20%

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## Marketing Platform (25 AEs) | *Minimum Commit + Usage Overage*

### Usage Metric

Emails sent per month

### Quota

\$600K annually  
(minimum commit)

### Comp Plan

Commission on minimum upfront, overages paid at higher rate

### Notes

Clear customer commitment aids rep confidence and reduces variance

## Conclusion

By now, you should have a solid understanding of whether it makes sense to switch to a usage-based model, as well as some frameworks and best practices to guide you in doing so.

Remember, usage-based compensation plans are powerful tools for aligning sales incentives with the value customers actually realize. But, like traditional comp structures, they're only as effective as the thought that went into their design and the communication of the plan to your team.

As we highlighted above, the most successful teams **adopt hybrid models**, lean into **onboarding-driven metrics**, and **separate quota credit from commission payout** to balance motivation with accuracy.



## Ready to build or refine your usage-based comp plan?

Whether you're exploring usage-based pricing or already navigating the complexities of a rollout, QuotaPath can help. Our platform supports flexible plan structures, tracks usage-aligned performance, and simplifies payout management.

[Talk to Our Team](#)

