



# Sales Compensation - Usage Based Pricing Edition



# Foreword

We are happy to share another edition of Viola's Sales Compensation Survey.

Sales Compensation has been in our focus for the past few years. We've developed benchmarks and published data on companies using a SaaS business model.

In the past year, we have seen a growth in adoption of Usage Based Pricing (UBP) strategies in lieu of the traditional Subscription strategy.

Both UBP and Subscription are alternative strategies for pricing SaaS. Each has its own advantages and is best suited for different circumstances based on the type of product, market structure, sales dynamics etc.

UBP and Subscription, differ, not only in the environments that they thrive in but also in operational elements such as organizational structure, compensation, incentives, etc.

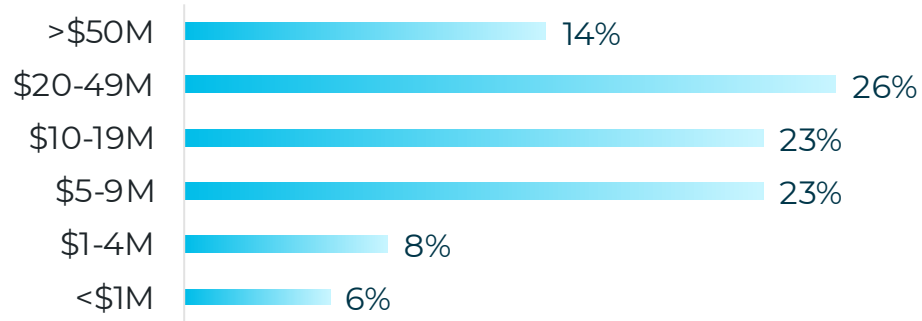
As the deployment of UBP is still a relatively nascent phenomenon, we sought to benchmark existing practices and provide guidelines for entrepreneurs and executives across a variety of sales compensation topics.

Our questions in this survey focused on two main categories: sales organization structure and compensation structure.

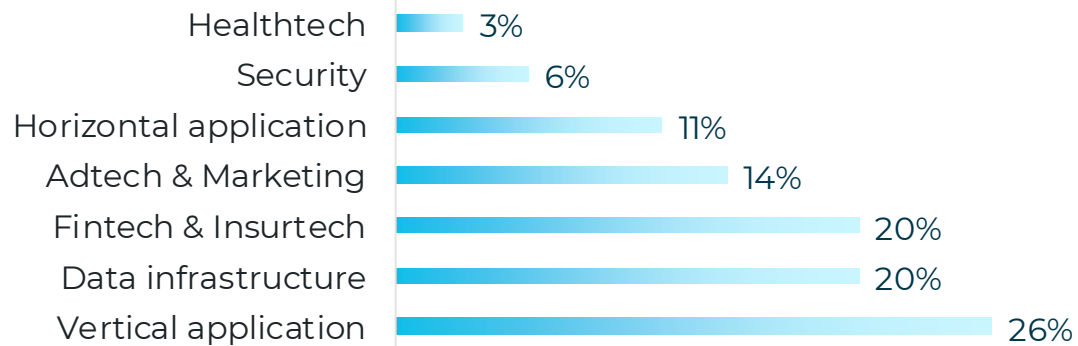
With dozens of responses, we believe this dataset can shine a light on emerging best practices.

# Who took the survey

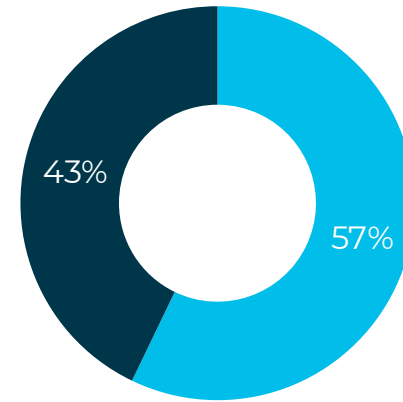
## Annual Revenue



## Industry or Domain



## Primary Pricing Strategy

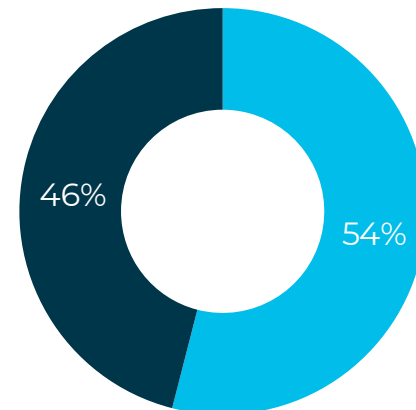


**57%**  
Subscription



**43%**  
Usage Based Pricing

## Primary Sales Strategy



■ Field sales

■ Inside sales

# Summary and key takaways

- 1 Ratio between ASP and ACV is an outcome of pricing strategy; **UBP companies grows 3x on average from ASP to ACV, reaching similar levels as Subscription**
- 2 Both Sales and Customer Success act in tandem to generate revenues; **Compared to Subscription, UBP relies more heavily on CS vs. Sales, creating more leverage for each Salesperson**
- 3 **Quotas for Inside Sales and Field Sales have increased over time;** UBP with higher quotas than Subscription
- 4 **Customer Success compensation is evolving to mimic Sales compensation,** which is structured around Base plus OTE commissions or bonuses; UBP is still behind in standardization
- 5 **UBP quota measurement is still evolving;** We encourage companies to retire quota against revenue or usage metrics such as total usage or revenue, incremental usage or revenue etc.



Confidential | 4

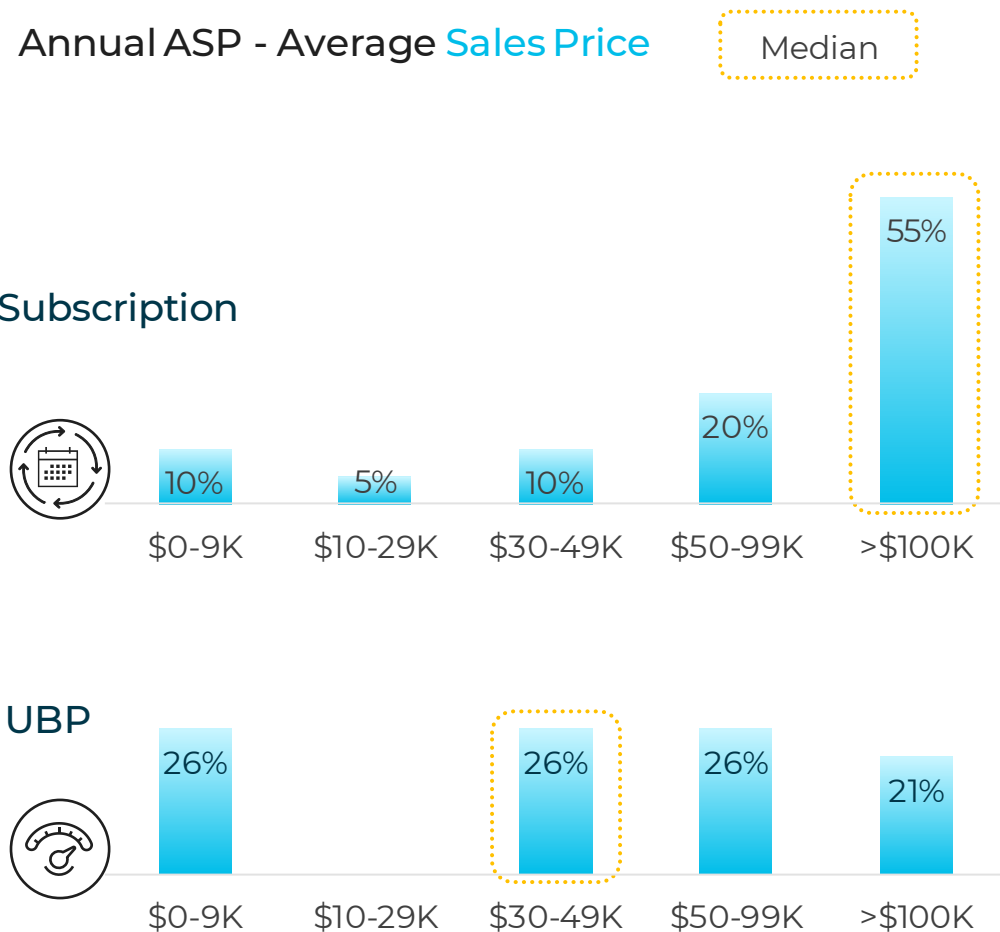


# Sales Organization Structure and Methodologies





# Subscription pricing strategies characterized with ~3x higher annual ASP or Average Sales Price than UBP



- On average companies deploying Subscription pricing show lower variance and have an Average Sales Price (ASP) of \$100K or higher
- UBP companies show higher variance and have a LOWER annual Average Sales Price of \$30-49K, compared to Subscription
- These results are inline with the idea that with Subscription, most of the value is captured initially compared to UBP, where value is built throughout the contract

Note: ASP terminology is more appropriate for Subscription companies whereas for UBP, initial consumption or “Land” is more accurate, but for purposes of this survey we use them interchangeably

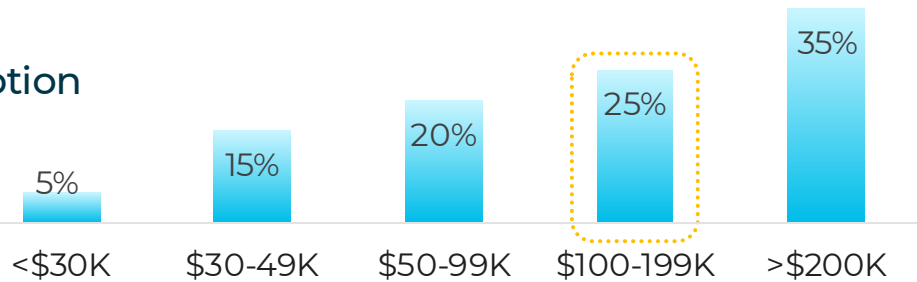


# UBP characterized with similar annual Average Contract Value to Subscription, showing 3x growth from ASP to ACV

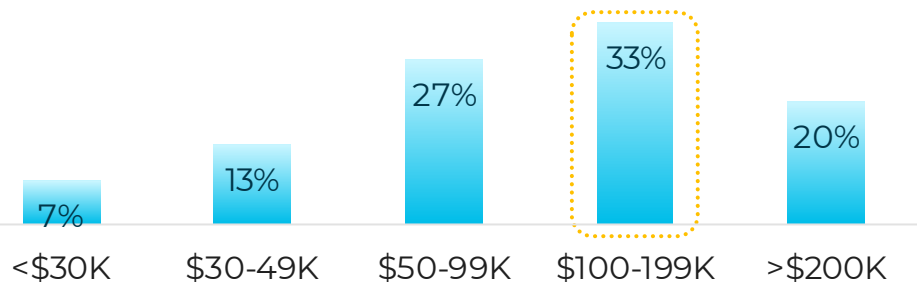
Annual ACV – Average Contract Value

Median

Subscription



UBP



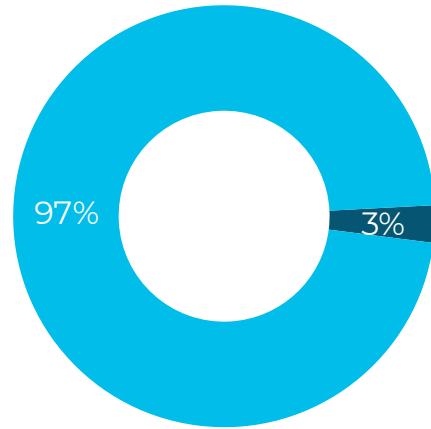
Note: ACV terminology is more appropriate for Subscription companies whereas for UBP, annual consumption is more accurate, but for purposes of this survey we use them interchangeably

- On average companies deploying UBP have a similar Average Contract Value compared with Subscription
- We believe that going forward, as UBP companies mature, their ACV might surpass Subscription companies
- UBP companies show 3x growth from ASP to ACV
- These results are inline with the idea that UBP is synonymous with entering with a small ASP and expand over time (Land and Expand)

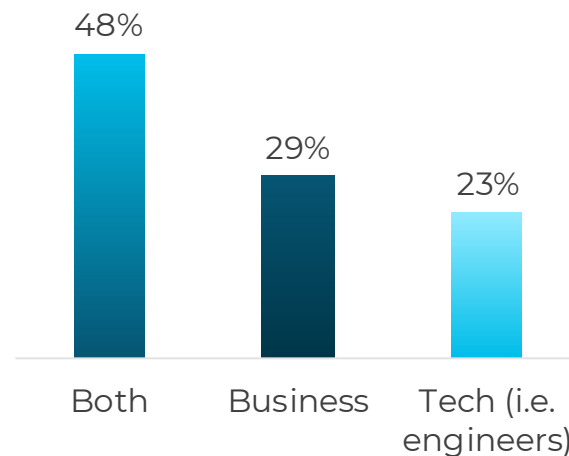
# Customer Success acts as a standalone organization focused on expansion for both UBP and Subscription

Do you separate sales & customer success teams?

97% Yes  
3% No



Do CS teams comprise mostly of technical or business people?

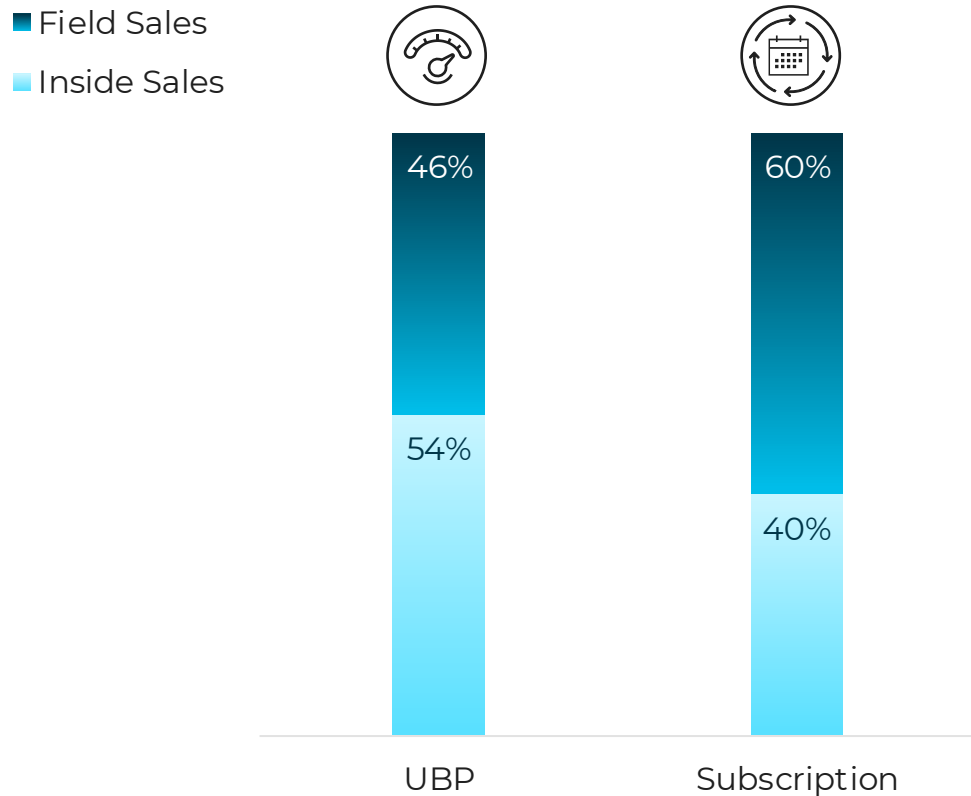


- Customer Success operates as a standalone unit focused on expansion, only in a fraction of our respondents CS and Sales are combined
- Most companies (48%) employ both technical and business-oriented teams within Customer Success to foster expansion



# Roughly half of companies use Inside Sales approach, across UBP and Subscription

## Primary Sales Strategy



- 54% of UBP companies use Inside Sales approach, and 40% of Subscription companies
- These results are inline with many UBP companies deploying Product Led Growth or PLG approach
- Overall, industry and vertical have a significant impact on the primary sales strategy, equally, if not more, than pricing strategy

# Relatively, UBP companies are heavier on CS FTEs while Subscription companies are heavier on Sales FTEs

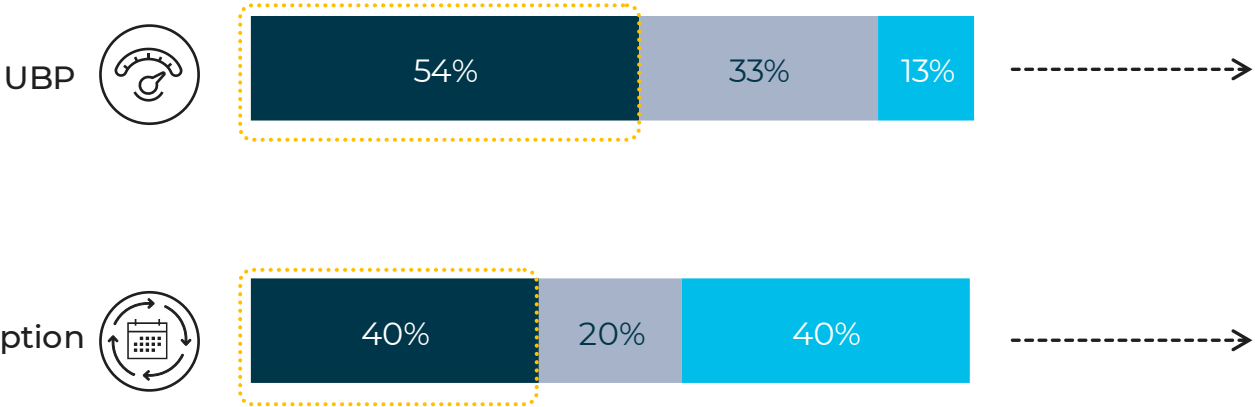
Sales FTE to Customer Success FTE ratio



- Within the revenue organization, Subscription companies have 2.1 Sales FTE for every CS FTE, while UBP companies have only 1.6 respectively
- For Every Sales FTE UBP companies have 30% more CS FTEs
- These results are inline with concept that UBP companies focus significantly more on expansion, and as evident before, grow 3x times on average from Land to Expand

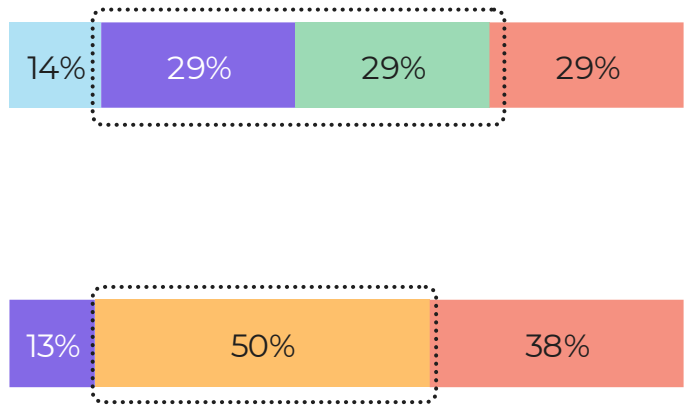
# UBP combine Sales & CS to lock renewals or expansions; ~60% allow Sales to retire quota against expansions within 6-12 months

Who is in Charge of Renewals or Expansion?



■ Combination ■ Customer success

How are Sales Compensated to Support Renewals or Expansions?



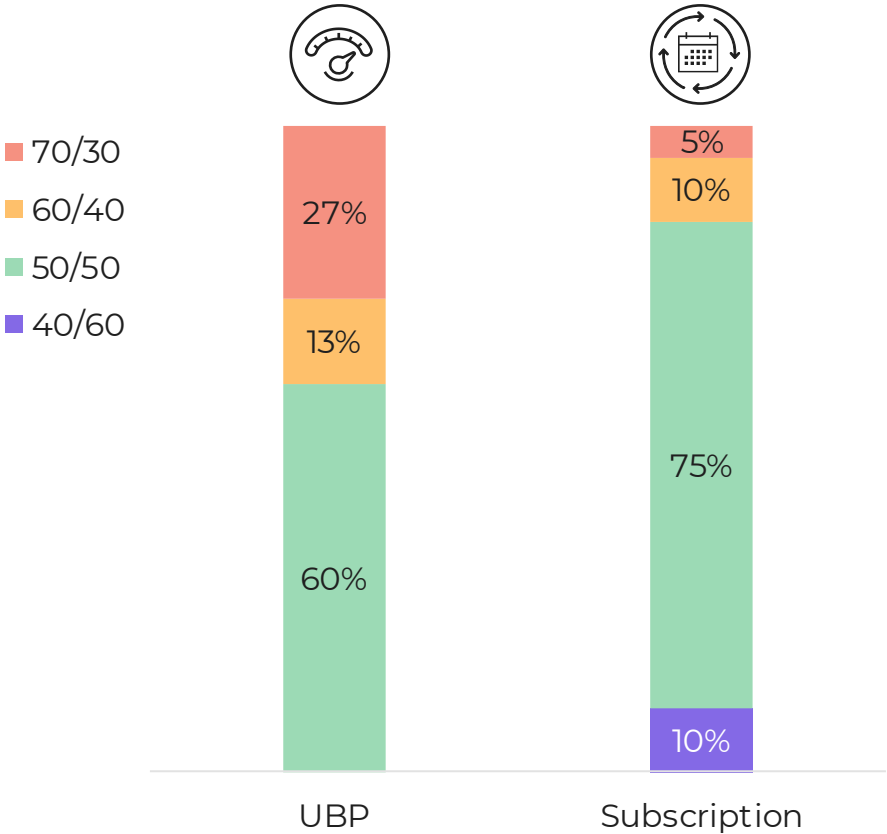
■ Sales don't retire quota against expansion  
 ■ Sales retire quota up to 6 months  
 ■ Sales retire quota up to 12 months  
 ■ Sales retire quota against all new revenue  
 ■ Other



# Sales & Customer Success Compensation

# Both UBP and Subscription companies set 50/50 split for Sales Base/OTE ratio

Base and OTE split for Salespersons  
(e.g. 70% base; 30% OTE)



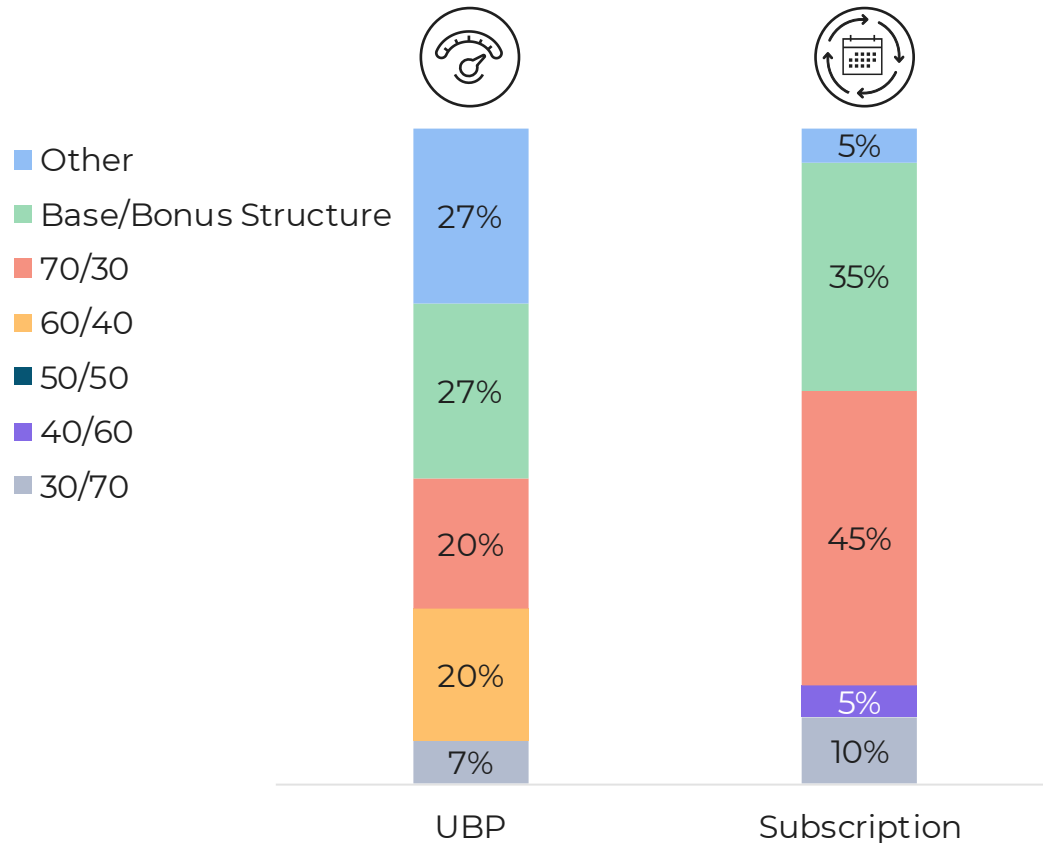
- Not surprisingly majority of companies, 60% of UBP and 75% of Subscription set Base/OTE at 50/50
- 27% of UBP companies set a higher base. We attribute this to UBP been relatively new and companies trying to mitigate Sales concerns around reaching quota through a new pricing strategy
- We expect that as UBP become more pronounce 50/50 split will reach Subscription levels

\*OTE (On Track Earnings)



# For Customer Success, both UBP and Subscription show higher variance in compensation structure compared to Sales

Base and OTE split for **Customer Success**  
(i.e. 30% base; 70% OTE)



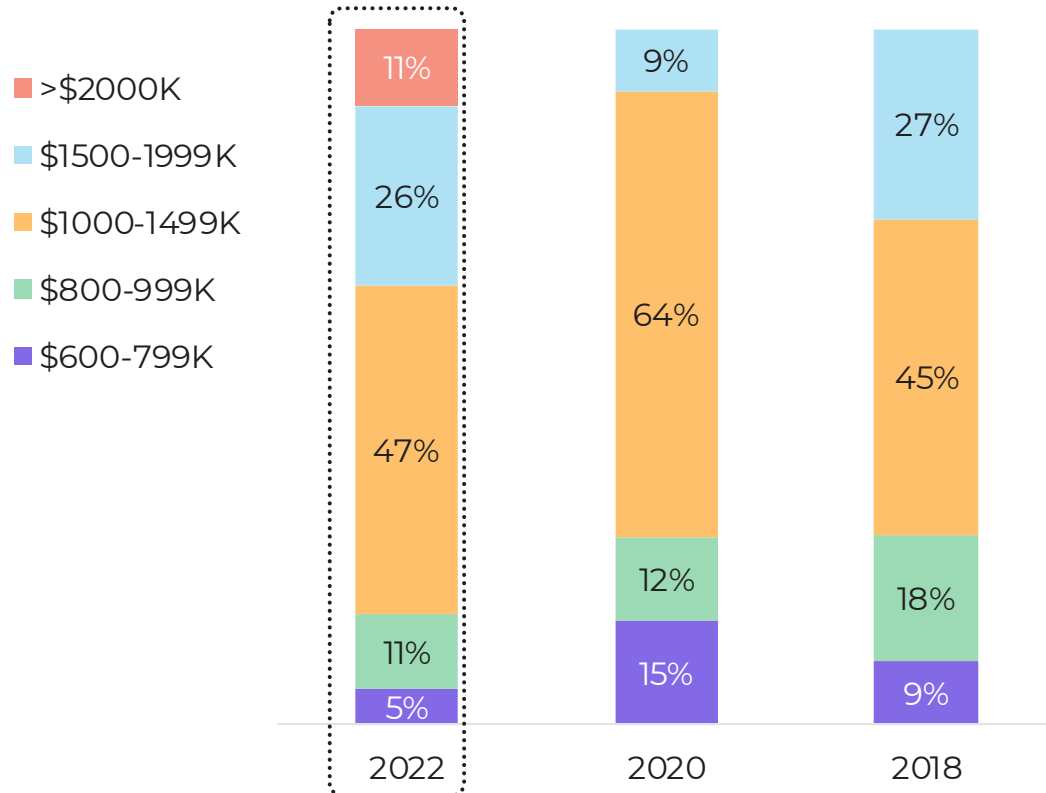
- For CS roles both UBP and Subscription companies use either Base/OTE or more traditional Base/Bonus structure
- CS OTE measurement varies from tracking \$ metrics to utilization, usage or other metrics
- As UBP becomes more prevalent we expect CS compensation structure to resemble Sales compensation structure to account for their important role in promoting expansion

\*OTE (On Track Earnings)



# 84% of companies, with a primary sales approach of FIELD Sales set an annual quota over \$1M

Annual Quota for Field Salesperson (USD terms)

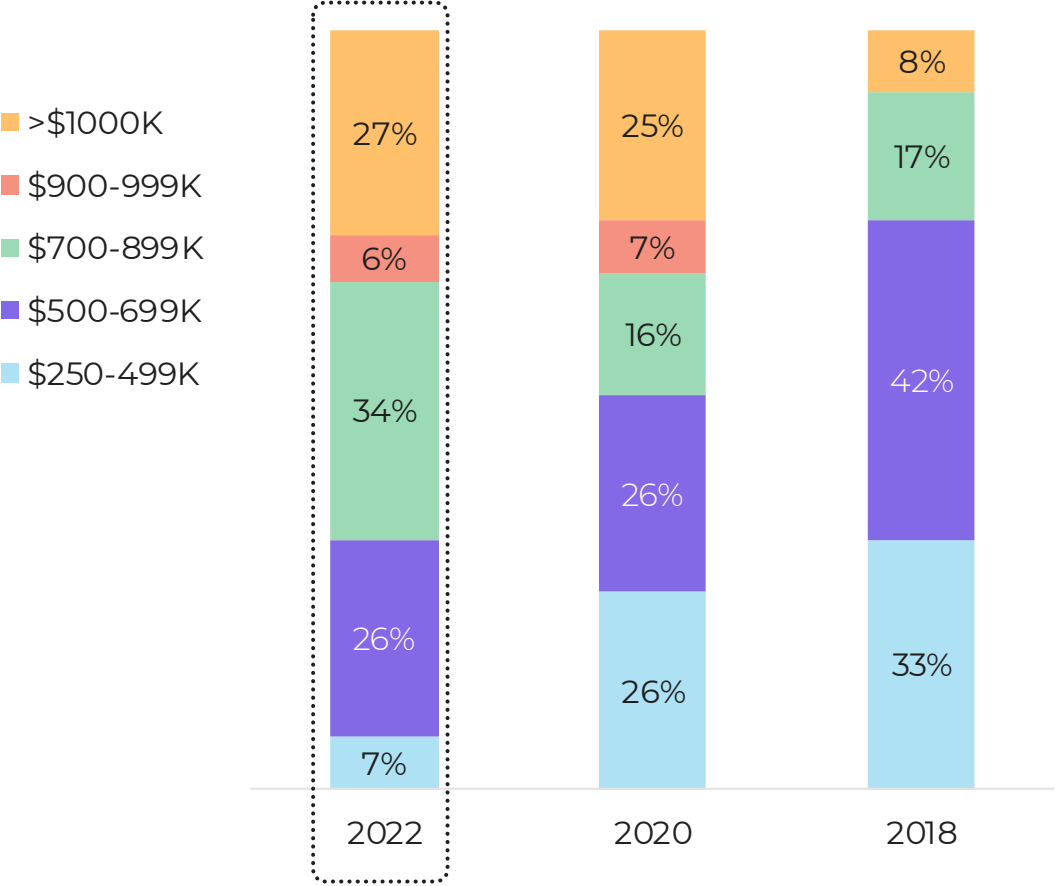


- 84% of companies using Field Sales set an annual quota of over \$1M with 37% exceeding \$1.5M
- Over the years we see a steady increase in annual Field Sales Quota
- We believe the strong tailwinds brought by Covid recovery contributed to this increase



# Companies with a primary approach of INSIDE Sales gravitate towards annual quotas of over \$700K

Annual Quota for Inside Salesperson (USD terms)



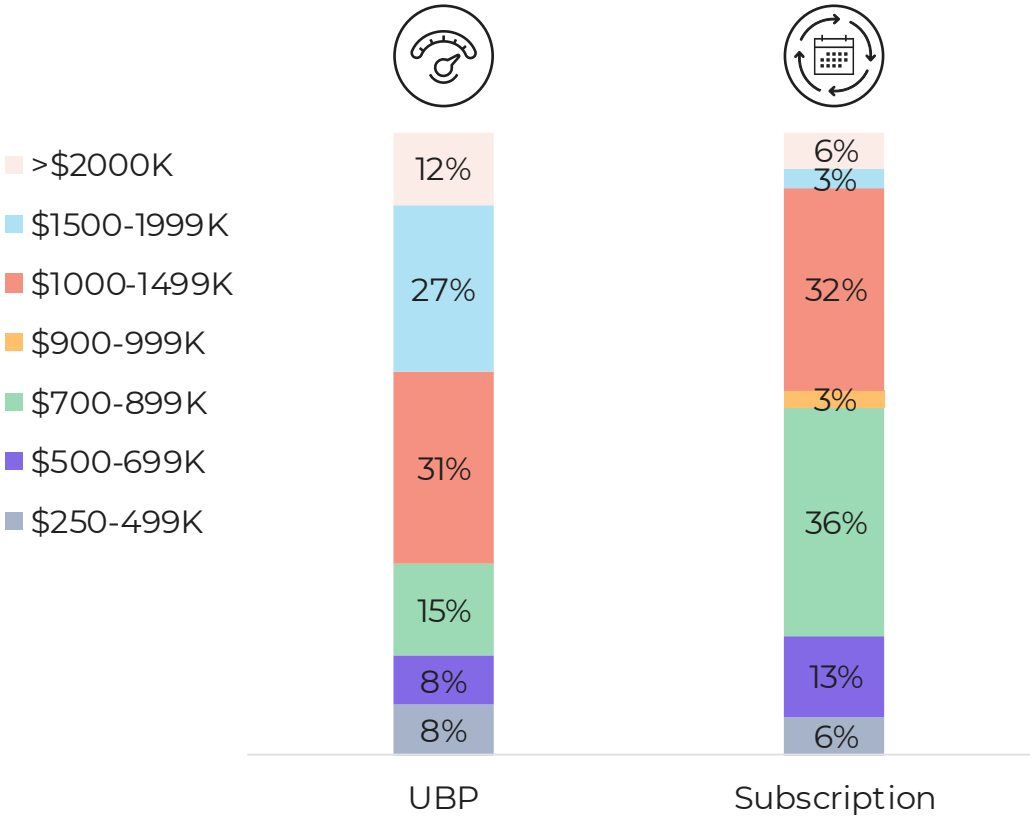
- Inside Salespersons quota is still lower than Field sales
- Over the years we see a steady increase in annual Inside Sales Quota
- If in 2018 only 25% of companies set a quota of over \$700K, in 2020 that figure was almost 50% and today almost 70%

Data from Viola previous sales compensation surveys



# Companies deploying UBP show higher annual quotas for Sales, compared with Subscription

Annual Quota for Salesperson  
(USD terms)

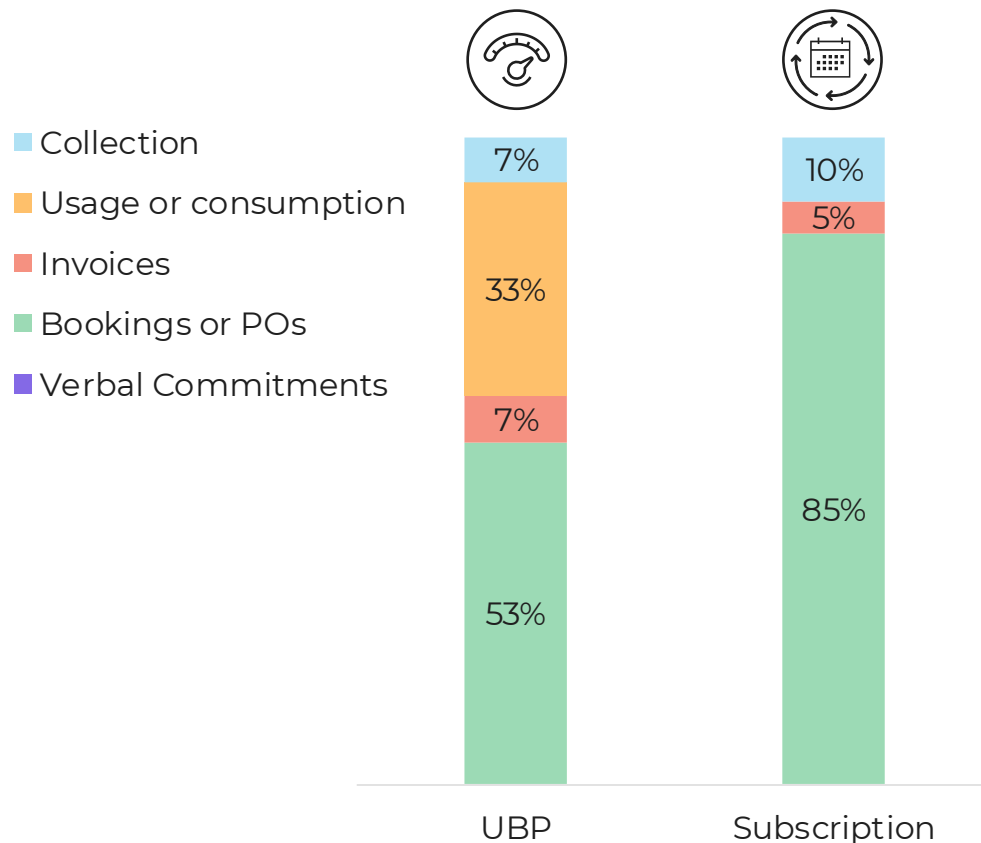


- The combination of UBPs high potential of expansion and heavier reliance on CS lead to overall higher quotas for Sale, compared to Subscription
- As responsibility of expansion usually lies both on Sales and CS with UBP companies, Sales retire quota beyond initial engagement and can deliver overall higher quota per Salesperson



# Almost all Subscription companies measure quota against Bookings while UBP split more evenly between Usage and Bookings

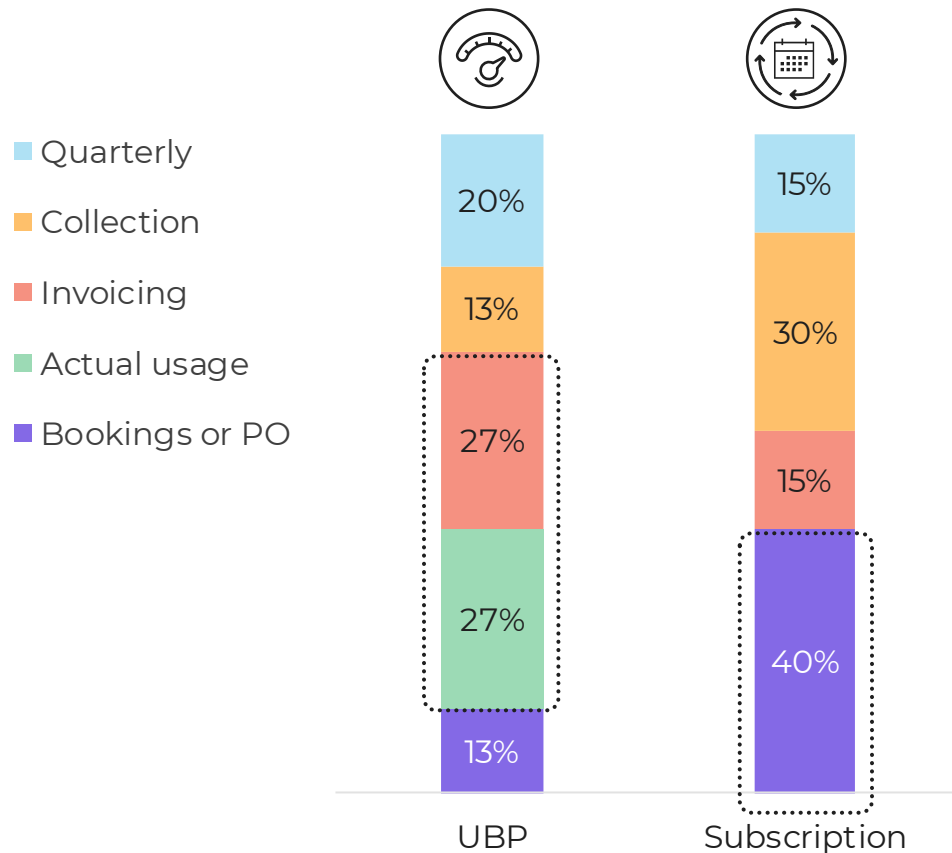
## Against What Metric is Quota Measured



- 85% of Subscription companies measure quota against Bookings or Purchase Orders. This structure is the standard as Bookings are usually highly correlated with Revenues
- For UBP the situation is different as evident by the different options companies choose for measuring quotas
- We encourage companies to measure quota against a metric that aligns Salespersons incentive with the company's incentives.
- For many UBP companies that metric would be some form of usage

# As with measurement, Commission payment time vary; Subscription tend to pay at Bookings & UBP at Usage or Invoicing

When is commission paid?

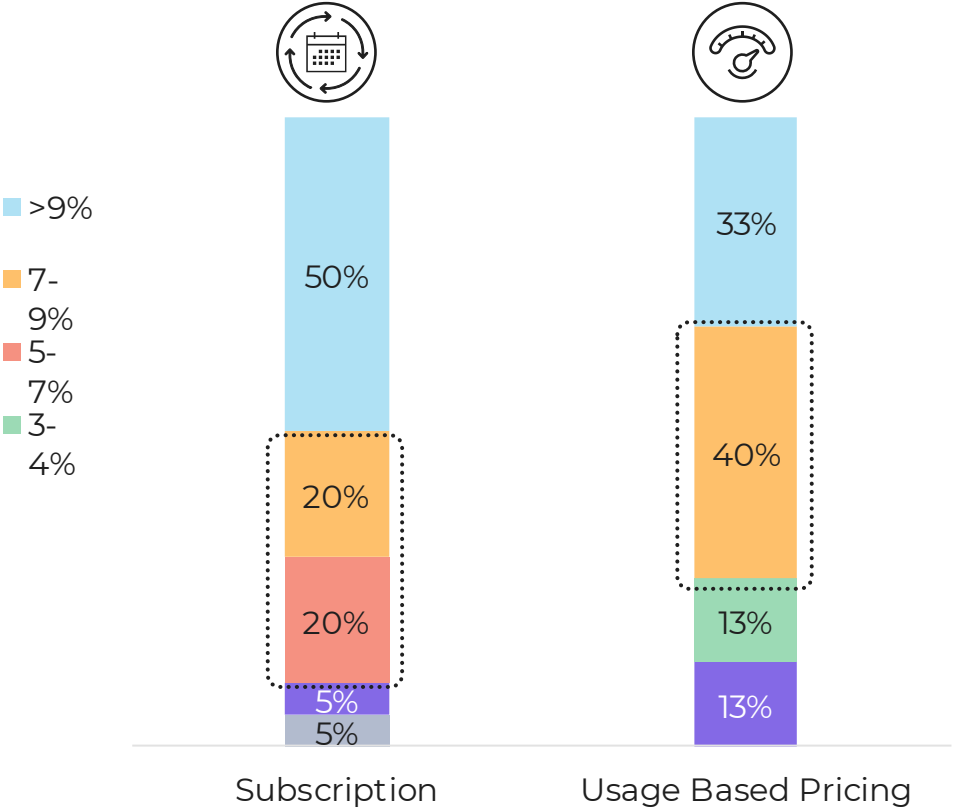


- Commission payment vary by pricing strategy, vertical, company culture and other factors
- Contrary to Subscription companies, UBP avoid paying commission at Bookings and gravitate to Usage or Invoicing which shortly follows
- When deciding commission payment timing companies should consider incentives alignment with Salespersons and cash flow implications

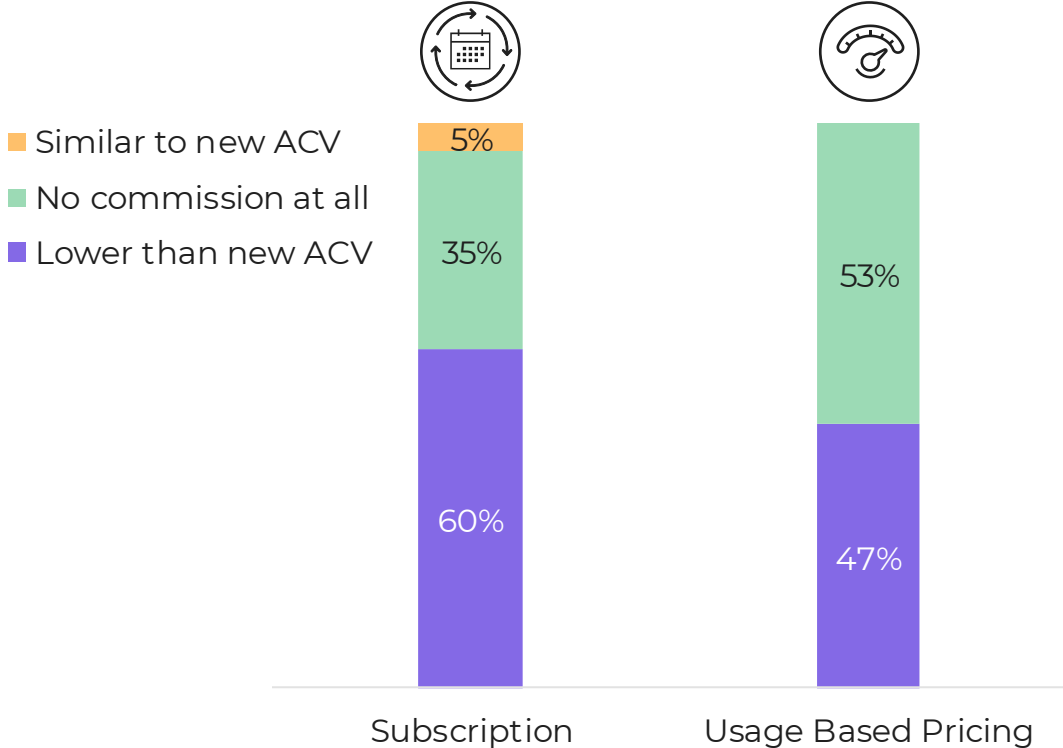
# Both Subscription & UBP pay similar commission for new ACV, with 70% of companies paying >7%; Renewals receive a lower rate

Average Commission for New ACV

Median



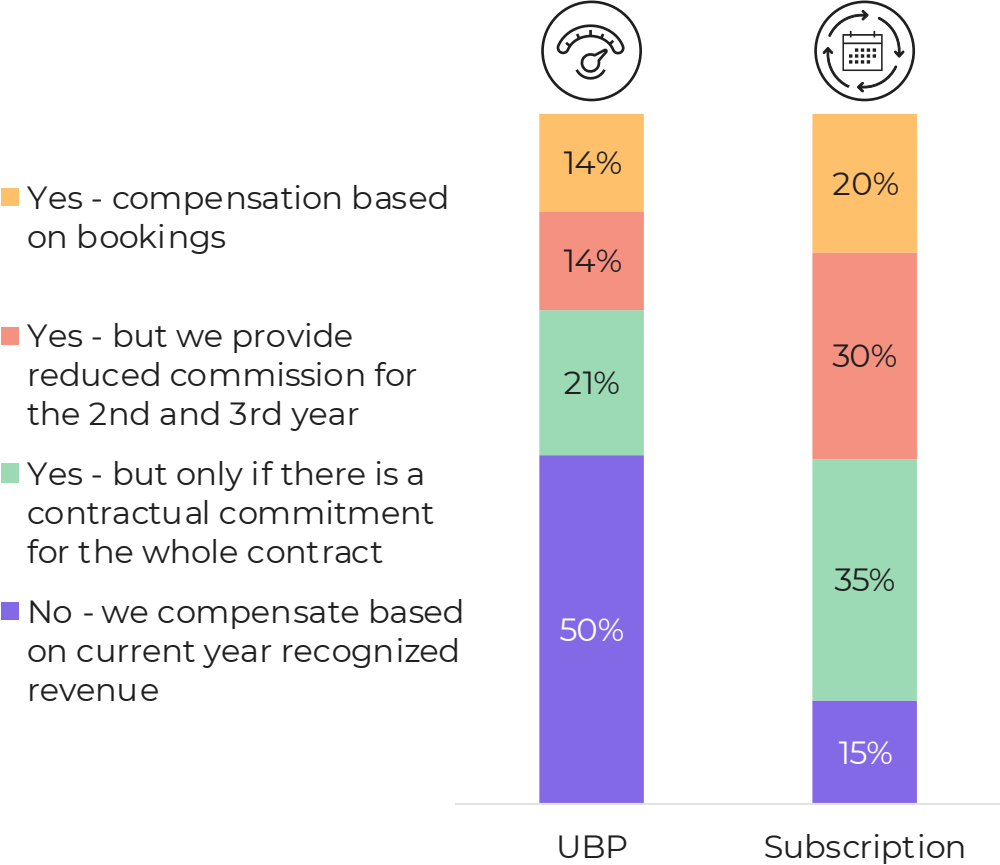
Commission Rate for Renewal





# Multi year accelerator are widely accepted for Subscription companies while UBP have yet to widely adopt them

Do you provide accelerators for multi year deals?



- As UBP adoption grows we expect more companies to use multi year accelerators
- As predictability is the key challenge with UBP multi year accelerators are more challenging compared to Subscription

