



WHITE PAPER

# The Consumption-Based Compensation Playbook: **Modeling insights to power revenue growth**





## 61% of SaaS or xPaaS companies

have made the move to consumption-based pricing, so it's likely you're either on the path already or considering going down it.

**Customers enjoy the flexibility and transparency of a consumption-based model, while businesses are attracted by the opportunity to continually grow revenue after customers have signed up. But these benefits are only possible when your sales team's strategic direction is fully aligned with consumption-based pricing.**

Choosing consumption-based pricing is the first step in your revenue transformation. Maximizing the value your firm can achieve requires a rethink of your pre-sale and post-sale account-level planning, so that it drives smarter quota setting, cost reductions and continuous growth.

In this white paper we explore why it is critical to rethink your approach to sales organization and incentive design and look at three value estimation models that will help you achieve sustainable revenue growth under consumption-based pricing.





## Why do companies struggle to make consumption-based pricing work?

**Underestimating the strategic shift that's necessary during a consumption-based pricing transformation, and failing to evolve, will limit your sales team's potential for a number of reasons:**

- Sales quotas that remain tied to fixed revenue targets are **unrealistic and incompatible** with the variable customer usage patterns that come with consumption-based pricing.
- Compensation schemes that don't define new payout triggers won't incentivize reps to increase **customer lifetime value (CLV)**.
- Teams working in silos will **struggle to share** critical data insights and **work collaboratively** to create customer experiences that drive revenue growth.
- Usage data won't be accurately measured at the account and product level, leaving data gaps that **undermine modeling, quota setting, and commission processing**.

This is a snapshot of the interlinked challenges many firms face at the start of their consumption-based pricing journey if they do not recognise the need to rethink their account-level planning.

## Why consumption-based pricing demands a new approach to sales planning

Adopting a consumption-based model pivots sales towards the lifetime value of each client, and for your sales teams this represents a significant change. Revenues are no longer banked when a deal is done, in fact that's when the hard work of driving usage begins. In short, it's the worst time for sales teams to disengage.

Sales orgs and incentive plans that are misaligned with this new reality will hold back your company's revenue.

The first step in developing the alignment you need is carrying out modeling that predicts usage and sets credible revenue expectations for each account. Given the more fluid nature of consumption-based pricing, **predicting revenues and potential rewards is complex**, but it is possible and increasingly vital.





## Crafting a sales approach that supports account-level targeting

**Forward-thinking organizations are redesigning how they operate to align their sales deployment and quotas with consumption-based pricing, and by doing so, unlock greater value.**

According to Bain & Company, software firms that successfully implement consumption-based pricing earn, on average, 10 points higher revenue retention from existing customers, as measured by net dollar retention.

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In other words, getting consumption-based pricing right brings competitive advantage.

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## So, what does an organization that is ready to unlock the full potential of CBP look like?

### Growth beats closing

Incentive plans take a longer term view of value generation, encouraging reps to **build usage**, rather than close deals and move on.

How this plays out in your business will depend on variables such as the sector you operate in and the services and products you provide. But in our experience adopting consumption-based pricing-aligned account planning drives these structural changes, invariably leading to tangible positive outcomes.

### New model, new roles

Roles and responsibilities are structured to reflect the importance of account management and customer experience in **driving continuous revenue growth**.

This kind of sales team alignment doesn't just enable more effective revenue growth, it can also reduce cost. Smarter quota calibration, informed by data-led modeling, can save millions in commission spend while maintaining results.

### Visibility over volatility

**Sophisticated modeling** taps into the rich data at their fingertips, revealing insights about **client behavior and CLV** that guides enterprise-wide consumption-based pricing strategy.

## Smart quotas, smarter incentive plans

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Realistic sales quotas are a key cost control mechanism and a fundamental feature of effective sales strategy planning for consumption-based models.

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Misaligned quota setting  
can lead to unpredictable  
commission costs, even when  
revenues are stable.

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**When targets are too broad, performance varies widely** – some sellers significantly overachieve, while others fall short.

A hypothetical we've previously used to demonstrate the value of better quota setting takes an organisation with a total revenue reaching \$301 million, but with a standard deviation of sales target achievement of 0.4. Commission

payouts surge to \$13.7 million. High achievers earn disproportionately large bonuses, but that isn't balanced by lower earnings for underperformers.

By refining quotas based on consumption-based modeling the distribution curve can be narrowed, so that **more sellers achieve close to 100% of their target**. This creates a more predictable incentive structure. If the standard deviation of achievement is narrowed to 0.3, total revenues remain similar at \$300 million but commission payouts reduce to \$12.1 million, **saving \$1.6 million (11.6%) without impacting results**.

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Better quota-setting ensures  
incentives drive the right  
behaviors while keeping  
costs in check, potentially  
saving you millions.

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## The three approaches to modeling account value under consumption-based pricing

The cornerstone of successful account planning in the consumption-based pricing era is effective modeling. Done well it will inform and shape sales deployment and quota setting and support customer-led-value growth.

If your modeling hasn't evolved with your pricing strategy, it's impossible to fully align sales strategy with your new approach.

Modeling brings clarity and long-term predictability in a fluctuating landscape, providing accurate predictions based on real-time data. This helps leaders to **target opportunities, mitigate risks, and enhance financial resilience.**





To support sales leaders looking to ensure they are maximizing the potential of consumption-based pricing, a three-stage maturity model can help align long-term value with account planning:

#### Lookalike modeling

This relatively simple approach predicts the potential value an account will generate by **identifying patterns from similar high-performing accounts or customer segments**. It analyzes historical usage, matches key attributes, and estimates expected consumption. It's particularly useful when direct historical data on new customers is limited.

#### Market basket modeling

This approach uses Bayesian statistics to identify product or service consumption patterns. This **enables a deeper understanding of customer behaviors**, such as the likelihood they'll buy a product they're not currently using. It enhances cross-selling, improves customer retention, supports dynamic pricing based on real-time customer data, and optimizes bundling strategies.

#### Regression modeling

By analyzing historical data and key variables such as headcount, industry and geography, regression modeling **predicts customer consumption patterns**. It helps businesses forecast demand, and optimize pricing strategies so that resources can be allocated efficiently and pricing adjusted to match fluctuations in demand.

**These approaches can be applied at different stages of the sales journey to offer increasingly sophisticated insights into the value you can generate from consumption-based pricing.**

At the pre-sales stage lookalike modeling identifies high-value prospects based on existing customer

data. Post sale, regression modeling empowers businesses to forecast demand based on actual consumption trends, while market basket modeling drives usage growth.

The result is accurate account-level revenue planning that finely-tunes sales teams and equips them with the tools to target ongoing growth.

## When account planning unlocks 1.5x market value

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We recently worked with a globally recognised brand to improve how their 100-person sales team was deployed across a complex account portfolio. Our goal was to develop smarter account-based planning that enabled more efficient revenue capture.

**We leveraged rich sales data** to analyze account-level growth potential and develop a targeted model that illuminated where effort would yield the highest returns. This led to a retargeting of the company's existing 100-person salesforce toward higher-opportunity accounts.

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Without increasing headcount, the client was able to cover 1.5x more market value — the equivalent of adding 50 additional reps.

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## A partner for the consumption-based pricing age

Given the increasing popularity of consumption-based pricing, it is a pricing model that is here to stay and one that brings plenty of revenue growth opportunities. Accessing these opportunities takes more than pricing tweaks, it takes holistic change that embeds new incentives, new roles and new definitions of value.

By shifting from outdated forecasting methods to account-based modeling you can shape account-level revenue that unlocks greater value.

Applying the modeling approaches we've discussed in this paper will **uncover key insights from your sales data** that will help you drive smarter quota setting, enhance incentive plans and guide more precise client targeting.

These are the building blocks of a successful consumption-based pricing sales strategy that continues expanding usage and growing revenue long after a client has signed up for your service.

## Where **RevenueShift** fits in

The nature of consumption-based pricing makes the modeling process complex; more so than traditional pricing models. That's where **external expertise can help**. We have a track record of applying the latest modeling techniques and developing account planning approaches that maximize revenue.

Whether you're about to embark on a consumption-based pricing transformation or fine-tuning your existing model, **we can help you align your sales strategy**, from account planning and quota design to value modeling and sales deployment.

## Let's chat about how we can support you.

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