



FIELD NOTES / 04 / REVENUE OPERATIONS

A usage forecast is not a commission plan.

In usage-based software, a customer's forecast, contractual commitment and actual consumption are three different numbers. Pay rules must say which one counts.

WHAT YOU WILL DO

Agree which revenue earns commission, when it is paid and how credits are handled. A usage forecast is not a customer commitment.



SOURCE



INSIGHT



APPLICATION

ARTICLE / FILLABLE WORKSHEET / SOURCE NOTES

A forecast is not a customer obligation

If you lead sales or finance at a usage-based SaaS business, do not let an optimistic spreadsheet quietly become the commission plan. A buyer predicting £120,000 of usage has not necessarily agreed to pay £120,000. Paying on that estimate may be a deliberate incentive, but call it an advance or a forecast-based reward. Do not describe it as commission on revenue already earned.

First separate three numbers. Forecast usage is an estimate for planning. A contractual minimum is what the customer must pay under the agreement, subject to its cancellation and refund terms. Actual usage is what the customer has consumed. Delivered usage, invoiced amounts, cash collected and accounting revenue can also differ. Your plan needs a precise definition, not the vague instruction “pay on revenue”.

One fictional customer, three different amounts

Imagine an invented software contract. The customer forecasts £120,000 of annual usage and signs a £30,000 annual minimum, credited against usage. During the first quarter, it consumes and is invoiced for £18,000. The minimum is not another £30,000 to add to consumption. It is the contractual floor, assuming its terms remain enforceable.

For illustration only, this company's plan pays 10% of delivered usage invoiced in the quarter, after credits. It therefore pays £1,800: $10\% \times £18,000$. It does not pay £12,000 against the forecast. The 10% rate and the payment basis are invented assumptions, not compensation benchmarks or a recommended plan. Any unused minimum is handled separately under written rules.

Write the correction before the cheque

Suppose a later billing correction credits £3,000 of that quarter's usage. Eligible usage becomes £15,000 and the calculated commission becomes £1,500. There is a £300 difference to reconcile. The plan must say whether and how that changes a later payment, and comply with the applicable employment agreement and law.

Cancellation needs its own treatment. Can the customer cancel the remaining minimum? Is there a refund? Does the seller keep commission already earned? Finance must check the contract, and the employee must know the pay rule beforehand. A surprise clawback is not a substitute for a clear plan.



Pay for a commitment when that is the intention

You may decide that winning a dependable commitment deserves a reward before consumption occurs. That can make sense when sales secures a real minimum and implementation takes months. Define the qualifying commitment, the payment date and what happens if it shrinks. Keep that reward separate from usage commission so the same amount is not accidentally counted twice.

Alternatively, an explicitly recoverable advance might smooth a seller's earnings while usage develops. That has different consequences from an earned payment. Model the seller's cash flow as well as the company's exposure. Do not copy the fictional quarterly formula here if it rewards work your sellers cannot control or creates terms your team cannot reasonably accept.

Check what sales can actually influence

Before moving everyone onto consumption, investigate why usage varies. A seller can qualify demand, set realistic expectations and arrange a handover. They may have little control over a customer's deployment delay, your product outage or an implementation team's capacity. A plan that transfers every operational problem to sales can reward luck more than good selling.

Take three recent accounts: one that grew, one that stalled and one that cancelled. For each, show the forecast, minimum, delivered usage, credits and proposed payout. Ask the account owner to explain the difference. Include renewal ownership and account transfers. This exercise exposes disputes while the numbers are still a model, rather than somebody's payslip.

Put the pay rule on one page

Sales, finance and the person administering payroll should agree the data source, qualifying event, rate, payment timing and correction process. Show employees the worked examples, including cancellation and negative adjustments. Record who resolves a disputed bill and when the seller receives the answer. Reconcile the first payment period against the underlying account records.

This is GTM Architect's proposed approach; the listed references are historical further reading, not validation of the fictional formula. Your next action: open one usage-based deal and put its forecast, contractual minimum and actual usage side by side. If your commission calculation cannot explain the difference, fix the definition before the next payout.



Make the commission calculation explicit

Use one real account. The examples below continue the fictional contract in the article; replace every figure and assumption with your own agreed terms.

Type into the fields, or print. Save a copy to retain your answers.

01 Forecast and commitment

Record both separately. Example: £120k forecast; £30k annual minimum.

02 Delivered usage

Name the records and period. Example: Q1 usage invoiced at £18k.

03 Earning rule

State basis, rate and timing. Example: 10% of eligible quarterly usage.

04 Worked correction

Example: a £3k credit changes £1,800 to £1,500. Agree treatment of the £300 gap.

05 Cancellation and control

What can cancel or delay payment? Who controls each event?

06 Approval and explanation

Name the approvers and date. Show sellers a cancellation example.

Before changing pay, agree the qualifying amount and demonstrate a normal payout, a credit and a cancellation. A forecast must never silently become a contractual commitment.



Read further. Know the limits.

SOURCE 01 / PRACTITIONER FRAMEWORK

How Do I Build a Usage-based Sales Compensation Plan?

Mark Regan and Joe Morrissey / Andreessen Horowitz / 2024-02-08

Historical practitioner framework on usage-based compensation. Retained as further reading; no fresh source-support check was performed for this edition. The payout formula, figures and review steps are original GTM Architect illustrations.

<https://a16z.com/usage-based-sales-compensation/>

SOURCE 02 / PRIMARY PRACTITIONER INTERVIEW

What startups get wrong about enterprise | Lindsey Scrase (COO, Checkr)

Brett Berson interviewing Lindsey Scrase / First Round Review / 2026-07-30

Historical operator interview retained as further reading. No named-company practice or result is asserted in this edition, and no fresh source-support check was performed.

<https://review.firstround.com/what-startups-get-wrong-about-enterprise-lindsey-scrase-coo-checkr/>

SOURCE 03 / PRIMARY PRACTITIONER INTERVIEW

Snowflake's first sales hire on scaling from \$0 to \$3.5B | Chris Degnan

Brett Berson interviewing Chris Degnan / First Round Review / 2026-02-26

Historical operator interview retained as further reading, not a statement of current company pay policy. No fresh source-support check was performed for this edition.

<https://review.firstround.com/executive-function-chris-degnan-cro-snowflake/>

OUR GUIDANCE. YOUR COMPANY'S NUMBERS.

The article and worksheet are original GTM Architect guidance. References above are background reading, not proof that our proposed approach will produce a particular result. Source dates and limitations are preserved.

Rewritten 6 October 2026. Worked examples are fictional and use illustrative assumptions, not industry benchmarks. Named companies and publishers have not endorsed these guides.

Use the worksheet with one real task, deal or customer. Replace the example assumptions with your own information before acting.