

The definitive guide to

Sales Compensation

Go-to-Market Series

May 2023

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1 Introduction

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Metrics glossary



About the research

A holistic and well-executed go-to-market strategy is one of the key pillars that drives sustainable, long-term growth for software companies. Regardless of your organization's growth motion, effective go-to-market teams represent the voice of the customer and serve as critical feedback loops for product and engineering.

In this series

we use organizational data and industry perspectives to **provide detailed answers to the key go-to-market questions** we receive from B2B SaaS leaders.

We will examine myriad topics across GTM compensation, incentives, org structure, roles and responsibilities, forecasting, and enablement, in order to share best practices and proprietary benchmarks to help you scale your go-to-market organization.

This report

details **compensation structure for key employees of a sales organization**, with particular focus on the individual contributor roles that drive revenue: **account executives / sales reps, sales development representatives, and account managers**. Incentives and compensation structures are a critical component of go-to-market strategy, helping to align your go-to-market teams towards shared business objectives.

About the Go-to- Market Series

ICONIQ Growth's GTM series provides detailed answers to **key questions** across the following **operating topics** utilizing proprietary data and industry perspectives from 230+ B2B SaaS leaders.

If you're not on our mailing list and are interested in receiving these studies directly, please [let us know here](#).

Operationalizing Go-to-market

The GTM Tech Stack

Forecasting & Reporting

Template:
GTM Board Reporting

GTM Strategy & Evolution

Playbook
Channel Strategy

Playbook
Moving Up-market

Playbook
Expanding Internationally

Playbook
Product & Pricing

PUBLISHED

UPCOMING

Compensation & Incentives

Sales
Compensation

Marketing
Compensation

Customer Success
Compensation



Interactive
Dashboard
Portfolio Only

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Seeking to empower our portfolio with proprietary analytics, insights, and advisory across business operations and strategy.



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How do companies implement & operationalize sales compensation?

What do sales incentives look like at PLG companies?

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Data Sources & Methodology

This study summarizes data from a March 2023 survey of **236 GTM executives** at B2B SaaS companies, including heads of sales, marketing, and customer success.¹

Where relevant, we compare results to a March 2021¹ survey conducted by ICONIQ Growth to a similar cohort of 200+ GTM executives.

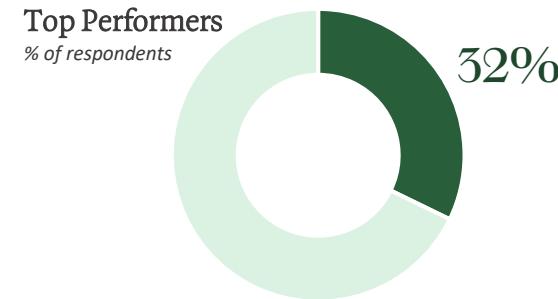
Firmographics



Methodology

Select companies in this dataset are referred to as “top performers” because they meet the following criteria:

- **Scale:** Annual Recurring Revenue (ARR) > \$10M
- **Growth:** 2022 YoY ARR growth >50%
- **Retention:** Annual net dollar retention 120%+
- **Efficiency:** ARR per FTE \$150,000+



¹ Surveys included responses from some but not all ICONIQ Growth portfolio companies as well as companies not part of ICONIQ Growth’s portfolio

² YoY ARR Growth Rate between 2021 and 2022

Collaborators & Industry Perspectives

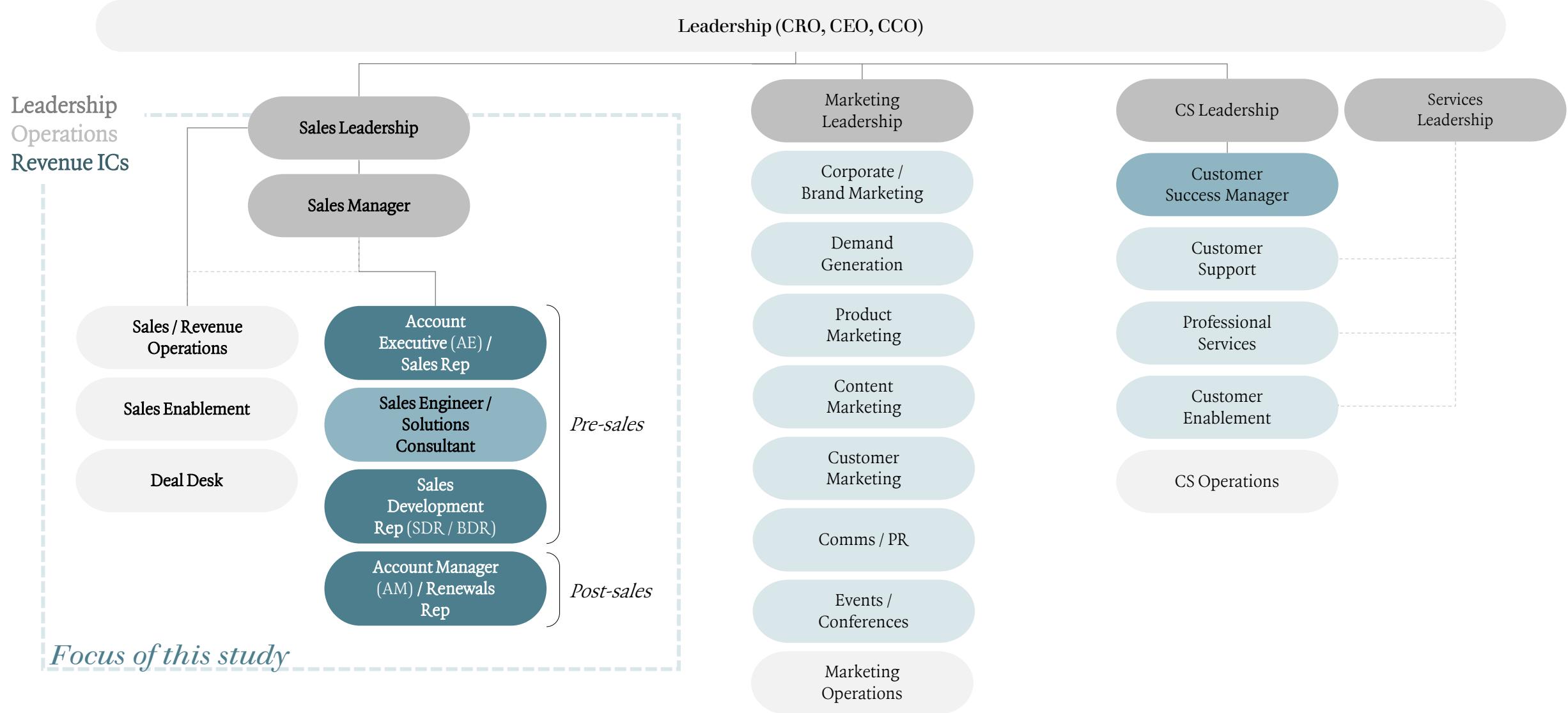
Throughout this report, we also weave in perspectives, insights, and best practices from go-to-market executives in the ICONIQ Growth B2B SaaS portfolio and network.

Perspectives were gathered via interviews with the following collaborators as well as other generational leaders via ICONIQ Growth communities and events.

All industry perspectives shared in this report have been anonymized to protect company-level information.

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 <p>yap! Jack Montgomery CFO, Head of Sales & Marketing</p>	<p><i>And additional insights from go-to-market leaders from:</i></p> <div style="display: flex; justify-content: space-around; align-items: flex-end;"><div style="text-align: center;"> asana</div><div style="text-align: center;"> CLOUDFLARE</div><div style="text-align: center;"> dbt Labs</div><div style="text-align: center;"> miro</div></div> <div style="display: flex; justify-content: space-around; align-items: flex-end;"><div style="text-align: center;"> ATLASSIAN</div><div style="text-align: center;"> box</div><div style="text-align: center;"> CROWDSTRIKE</div><div style="text-align: center;"> Figma</div><div style="text-align: center;"> GitLab</div><div style="text-align: center;"> snowflake</div></div> <div style="display: flex; justify-content: space-around; align-items: flex-end;"><div style="text-align: center;"> Clari</div><div style="text-align: center;"> databricks</div><div style="text-align: center;"> HubSpot</div><div style="text-align: center;"> twilio</div></div>	

The Go-to-Market Org



Sales Compensation

ON-TARGET EARNINGS (OTE)

The expected total cash compensation, which comprises fixed and variable compensation, for a salesperson if performance matches expected targets

Cash compensation structure¹

VARIABLE

The portion of cash sales compensation that is not fixed and typically based on employee performance



FIXED

The portion of cash sales compensation that is fixed and is typically base salary

COMMISSIONS

The portion of variable compensation tied to a percent of the revenue generated by a sale

ACCELERATORS

An increase in commission payout that kicks in when a rep hits a specific quota attainment threshold

SPIFFS & KICKERS

Cash bonuses tied to a business goal, metric, or contest

Plan Terms & Conditions

Quota over-assignment

The practice of padding or allocating a larger perrep quota than needed to hit broader company targets

Quota relief

An adjustment to a sales quota that has already been set

Contract term

Duration of the subscription agreement from start to end date, expressed in months or years in B2B SaaS

Caps

Caps limit the amount of compensation that a sales rep can earn on a given deal based on a threshold deal size or attainment

Clawback

When a sales rep has already been paid commissions on a sale and has to pay back the commissions, for example, if the customer cancels the contract or never pays

Draw

A draw is an advanced payout sales reps can receive, typically paid from expected future commission earnings

Quota ratio

The ratio between a sales employee's quota and their on-target earnings (quota / OTE)

Leverage ratio

The percent of variable compensation a sales rep achieves (variable actual earnings / variable OTE)

¹ This is an illustrative GTM compensation framework; not all compensation plans will have each component shown here and some may benefit from a different compensation structure than the one shown

The Sales Funnel

There are many ways to design your revenue cycle and many different naming conventions for funnel stages and sub-stages. This is a sales funnel archetype that we commonly see across sales-led B2B SaaS, but there is no “one-size-fits-all” approach

Referenced in this study

Not referenced in this study

New Lead

A **potential user or buyer** that has not yet meaningfully engaged with your solution or organization. Marketing and/or sales is trying to move new leads down-funnel by spreading awareness of their solution or organization

Marketing Engaged Lead (MEL)

Marketing Qualified Lead (MQL)

Leads that have the potential to fit your ideal customer profile and have **expressed interest in or engagement with your product** and/or services either implicitly or explicitly. MQLs are “sales-ready” leads, so this stage often involves a lead handoff from marketing to sales

Sales Accepted Lead (SAL)

Sales Qualified Lead (SQL)

Leads that meet your ideal customer profile and are engaged in the buying cycle (e.g., a **meeting/call with a sales rep is booked** or has been held). At this point, the SQL is trying to understand a problem or gap and educate themselves on available solutions. The sales rep is identifying need and other opportunity criteria. This stage typically includes a handoff from SDRs to account executives

Opportunity / Pipeline

Leads that convert to pipeline dollars. An SQL becomes an opportunity when the lead confirms your product and/or service could provide a viable solution to their problem and decides to continue the sales process to evaluate in more detail. An opportunity will typically have around 5 sub-stages that align to the buyer's decision-making process

Closed Won

When an agreement is signed, and **pipeline converts to new revenue** in various forms (bookings, recurring revenue MRR, ARR or CARR, services revenue, etc.). Depending on your org structure, this stage can involve a handoff between sales and customer success and/or account management

Metrics Glossary

This study also references the following key metrics related to GTM employee incentives. For additional SaaS metrics, formulas, and considerations, we invite you to read our [SaaS glossary](#)

Metric	Description	Formulas ¹
Net Dollar Retention NDR	Measures how well you are retaining existing revenue and upselling existing customers, making it a robust measure of growth efficiency. We typically like to look at NDR as a last twelve-month customer cohort analysis	$\frac{\text{Beginning ARR} + \text{expansion} - \text{gross churn}}{\text{Average of beginning ARR} + \text{ending ARR}}$
Renewal Rate	Measures the number of customers that renew out of the number of customers up for renewal (i.e., logo retention)	$\frac{\text{Customers renewed}}{\text{Customers up for renewal}}$
Magic Number Net or Gross	Measures dollars out vs. dollars in by comparing sales and marketing spend to revenue generated, while accounting for the lag of your sales cycle	$\frac{\text{Current quarter net new ARR}}{\text{Last quarter S&M&CS operating expenses}}$
Customer Acquisition Cost CAC	Measures the unit economics of the cost to acquire new customers versus the number of customers acquired (most relevant in the context of payback period and LTV)	$\frac{\text{S&M&CS operating expenses}}{\text{Gross new customers}}$
Payback Period	Measures the amount of time needed to pay back any customer acquisition costs, effectively showing you break-even point	$\frac{\text{CAC}}{(\text{ARPU or MRR}) \times \text{gross margin}}$
Net Promoter Score NPS	Considered a strong measure of customer health and product market fit, NPS measures the likelihood of a user to recommend your product to another potential user	$\% \text{ of promoters} - \% \text{ of detractors}$
Customer Satisfaction CSAT	A measure of customer experience related to the customer's satisfaction with a specific product, service, or customer support interaction	$\frac{\text{Number of satisfied responses}}{\text{Total responses}}$
Customer Effort Score CES	A measure of customer experience related to the ease with which customers interact with a specific product, service, or customer support experience	$\frac{\text{Sum of customer effort scores}}{\text{Total responses}}$

¹ There are multiple formula methodologies for many of the metrics shown. The formulas shown are examples of formulas we commonly see across our B2B SaaS portfolio

2

Executive Summary & Overview

Executive summary

Recent trends in sales incentives

Incentives & responsibilities across the GTM org

Cash compensation within the sales org

Key sales compensation differentiators

- How stage impacts sales compensation

- How geography impacts sales compensation

- How cash compensation has changed since 2021



Executive summary

Key insights (one of two)

1 Recent trends in sales incentives

Macroeconomic headwinds have had outsized impact on SaaS companies in 2022-2023, pushing go-to-market leaders to adjust their compensation and incentives strategies. Via interviews and industry perspectives, we identified four key incentive strategies GTM leaders are utilizing in this environment:

- **Aligning incentives with revenue outcomes over activities:** move incentives down-funnel towards pipeline, closed won, and net dollar retention
- **Rewarding quality over quantity:** incentivize healthy deals with potential for upsell that match your ideal customer profile. Some companies have started paying sales reps against net rather than gross revenue or number of new logos to optimize for quality over quantity
- **Incentivizing the “expand” more than the “land”:** reward expansion revenue over new logo revenue, and use net dollar retention as your north star
- **Setting a performance threshold for sales payout:** use compensation structure to drive performance management and non-regrettable turnover by setting a minimum attainment threshold for payout for sales reps

2 Sales compensation differentiators

Within sales roles, compensation and incentives structures vary primarily by market segment, followed by company-level variables such as stage and geography.

- **Segment:** Sales employees are typically segmented by company size (e.g., SMB, mid-market, enterprise, strategic). Up-market reps have significantly higher average OTE, higher percent variable compensation, and larger quota to OTE ratios compared to lower-market reps
- **Company Stage:** Early-stage companies are more performance-driven, with higher percent variable for AEs and SDRs. While OTEs are higher at later-stage companies for SDRs and account managers, account executives at early-stage companies have a slight (5%) premium on OTE compared to those at later-stage companies
- **Geography:** On average, sales reps in “tier 1” geographies have a 5% to 20% premium on cash compensation. SDRs in “tier 1” geographies have the highest pay premium followed (20%) by account executives (15%), while account managers had relatively consistent OTE across geos
- **Growth motion:** Around half of **product-led growth** companies pay employees commissions on self-service conversion, which becomes less common as these companies scale. PLG sales reps and managers are typically exclusively focused on customer expansion revenue and have 2-5% higher variable compensation and slightly higher quota to OTE ratios compared to SLG sales reps

Executive summary

Key insights (two of two)

3 Operationalizing sales compensation

- Rewarding strong performance:** 82% of sales organizations offer accelerators and 71% offer SPIFFs to reward strong performance against quota or other objectives
- Quota and payout during ramp periods:** During ramp periods, companies typically prorate quota in a curved or linear fashion to ease quota burden per rep. The most common approaches for compensating reps during ramp periods include paying out a portion of variable compensation at a base rate and offering draws. Only 17% of companies don't offer at least one solution to payout during ramp periods
- Attainment and the quota ratio “sweet spot”:** Once sales reps are ramped, team-wide quota attainment is between 60-70% on average, with top quartile attainment between 70-80%. There is a quota to OTE ratio “sweet spot” between 4.0-5.5x for account executives that is correlated with higher quota attainment
- Quota planning and capacity:** 58% of companies over-assign quotas (typically by 20-30%) to ensure cumulative sales attainment is aligned with the company-wide revenue plan. 29% of companies offer quota flexibility to sales reps via quota relief
- Mitigating risk:** Clawbacks are the most popular form of risk mitigation in sales comp plans, with 53% of companies formally enforcing clawbacks. Only 14% of companies reported capping commissions or having regressive rates / decelerators

4 Compensation summary for key sales employees

	Incentives	On-target earnings <i>Median range</i>	% variable <i>Median range</i>	Quota to OTE ratio <i>Median range</i>	Commission rate <i>Median</i>
Sales Development Reps (SDRs/BDRs)	Incentivized primarily on top-of-funnel metrics: new leads and qualified leads to pass on to AEs. Around one third of SDRs are also compensated for sourcing pipeline	\$80-\$95K <i>SMB: \$70-\$80K Enterprise: \$100-\$115K</i>	30-40% <i>SMB: 30-40% Enterprise: 25-40%</i>	10-15x¹ <i>SMB: 5-8x Enterprise: 15-20x</i>	N/A
Account Executives (AEs)	Receive quotas and commission against new revenue, including recurring revenue from new logos and customer expansion as well as services revenue	\$235-\$250K <i>SMB: \$140-\$155K Enterprise: \$325-\$340K</i>	45-55% <i>SMB: 45-50% Enterprise: 45-55%</i>	5-9x <i>SMB: 5-7x Enterprise: 6-9x</i>	<i>New logo: 10% Expansion: 10% Services: 5% Renewals: 4%</i>
Account Managers (AMs)	Commonly have a quota for customer expansion revenue and are incentivized to achieve targets against net dollar retention and renewal rate	\$165-\$180K <i>SMB: \$110-\$165K Enterprise: \$170-\$195K</i>	40-45% <i>SMB: 35-40% Enterprise: 35-45%</i>	4-7x <i>SMB: 5-7x Enterprise: 6-7x</i>	<i>Expansion: 9% Services: 5% Renewals: 5%</i>

¹ Pipeline goal to OTE ratio represented for SDRs/BDRs

Overview | Recent trends in sales incentives

Macroeconomic headwinds have had outsized impact on SaaS companies in 2022-2023, pushing go-to-market leaders to adjust their compensation and incentives strategies. Via interviews and industry perspectives, we identified four key incentive strategies GTM leaders are utilizing in this environment:

1 Aligning incentives with revenue outcomes over activities

We've been gradually shifting SDR goals to more down-funnel metrics over time as our sales process matures. First we were primarily incentivizing meetings booked, next meetings held, and now we're shifting to qualified opportunities and pipeline created for 2023.²

*Sales Leader
Infrastructure & Security
Early-stage (<\$50M ARR)*

2 Rewarding quality deals over quantity

We compensate our AEs on net rather than gross revenue. For example, if they close a \$50k deal but also have a \$50k churn, their commission nets out to zero. It takes change management to introduce this, but it's our way to incentivize reps on quality over quantity. It also incentivizes reps to focus on upsell and ultimately increases customer retention.²

*Sales Leader
Data & Analytics
Growth-stage (\$50-\$250M ARR)*

3 Incentivizing the "expand" more than the "land"

Expansion within accounts is more important than closing large one-off deals. It's okay to start with a low deal size if you know the customer can grow with you. For example, Snowflake did this well – they notoriously closed small deals at huge companies and increased pricing when adoption grew across the organization, leading to tremendous net dollar retention and strong unit economics.²

*Revenue Leader
Collaboration & Workflow
Late-stage (\$250M+ ARR)*

4 Setting a performance threshold for sales payout

We set a minimum threshold of attainment at which commission payouts kick-in for our sales reps. Below this attainment threshold, reps are not paid for the deals they're bringing in. It's really helping us both reward top-performance and manage under-performers.²

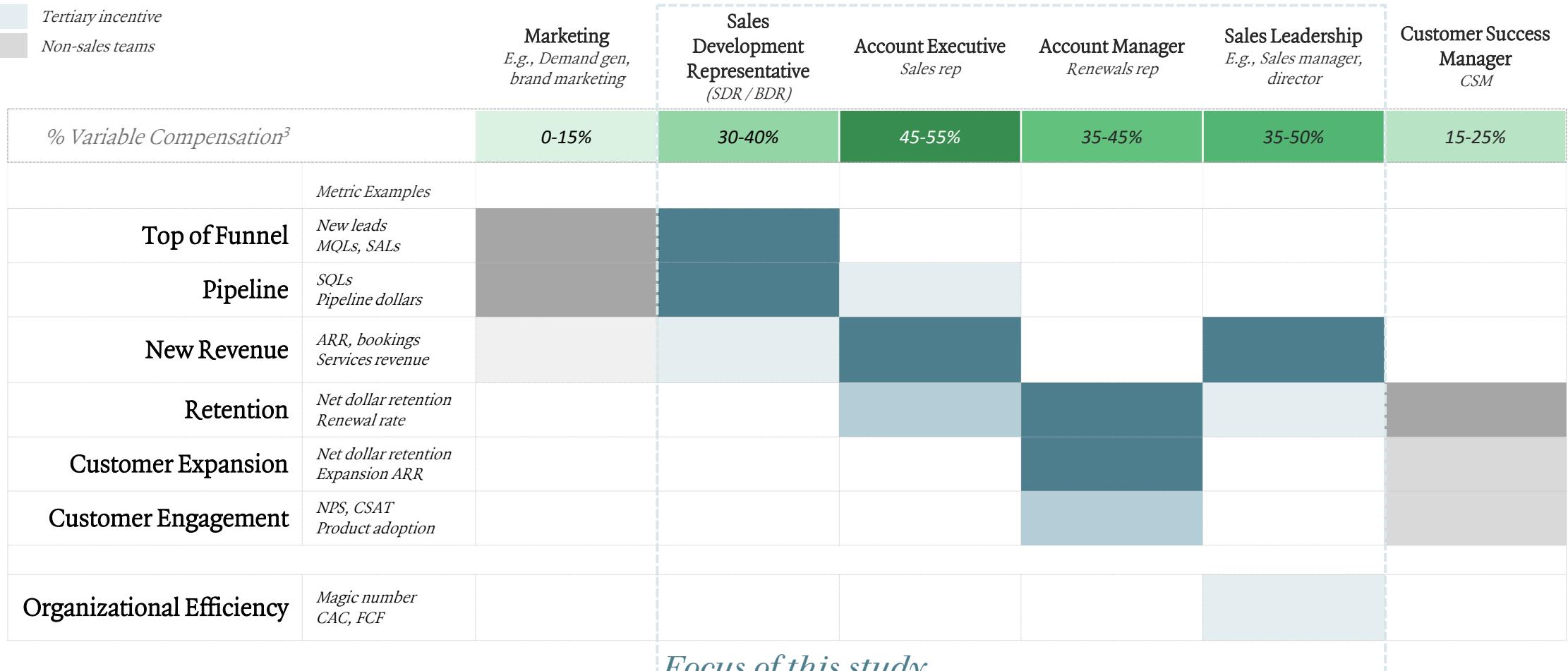
*Sales Leader
Infrastructure & Security
Growth-stage (\$50-\$250M ARR)*

Overview | Incentives and responsibilities across the GTM org

In terms of organization and team structure, SaaS go-to-market organizations typically have roles dedicated to each stage of the customer lifecycle and align incentives to metrics and business outcomes within each stage

	<i>Primary incentive2</i>
	<i>Secondary incentive</i>
	<i>Tertiary incentive</i>
	<i>Non-sales teams</i>

Common incentives and % variable across the GTM org¹
By customer lifecycle and key GTM role



Focus of this study

¹ ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

² Incentive categorization based on % of respondents that reported metric-based incentives

³ % variable range is based on multiple roles for Marketing and Sales Leadership

Overview | Cash compensation across the GTM org

Incentives structures differ across GTM roles, with the highest all-in compensation allocated to employees most responsible for revenue generation such as account executives, sales managers, account managers, and sales engineers

Sales (*focus of this study*)

Marketing

Customer Success

Cost of Revenue

Account Executive

Sales Manager²

Account Manager

Sales Engineer

Demand Generation

Product Marketing

CSM

Partner Marketing

Comms / PR

Professional Services

SDR

Customer Support

OTE (all-in cash compensation) range and % variable¹

Median range by key GTM role & team

\$235-\$250K

\$210-\$225K

\$165-\$180K

\$150-\$175K

\$120-\$135K

\$120-\$135K

\$120-\$135K

\$115-\$130K

\$115-\$130K

\$90-\$125K

\$80-\$95K

\$75-\$90K

% Variable

45-55%

40-45%

40-45%

20-25%

5-15%

5-10%

15-25%

10-15%

0-10%

0-10%

30-40%

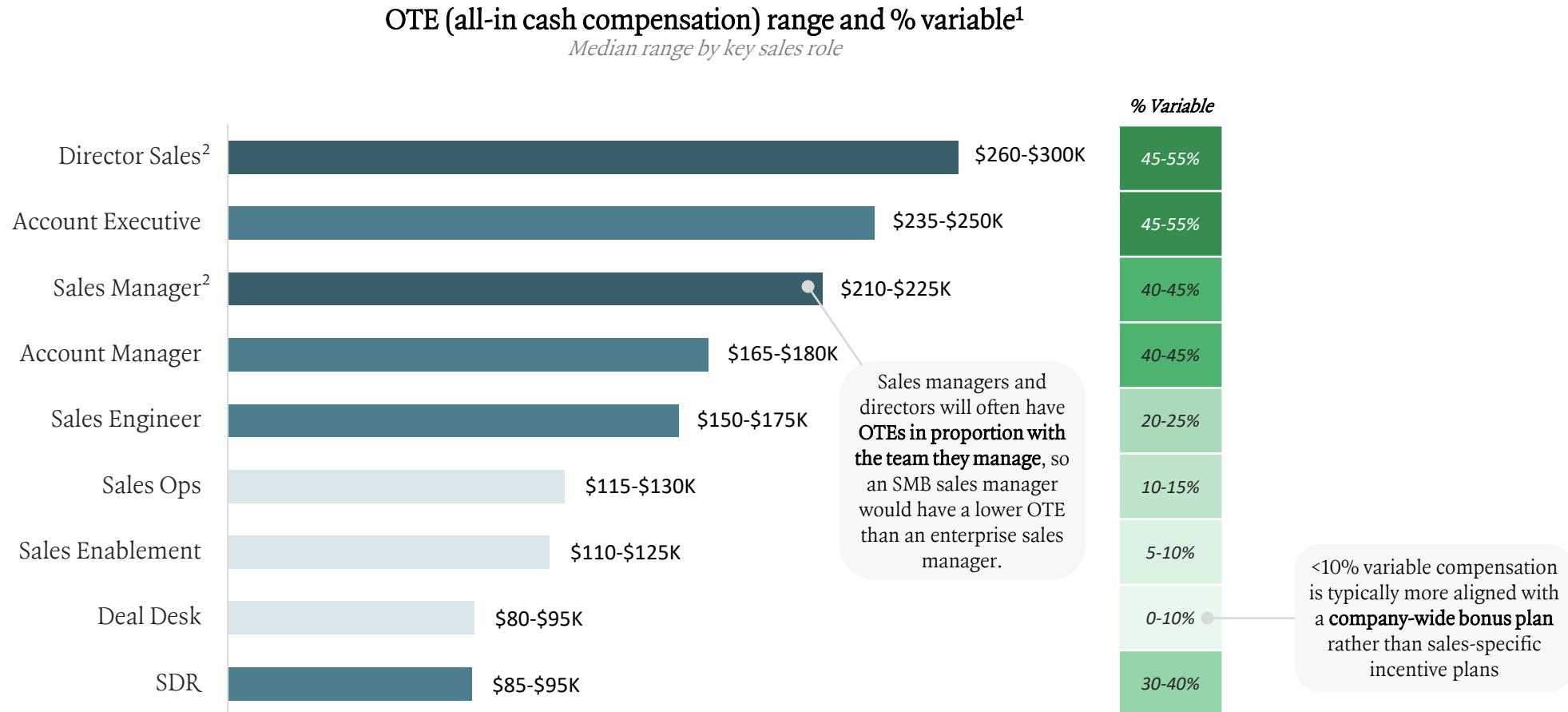
0-10%

Enterprise and strategic account executives typically have higher OTE, ranging between \$250-\$350K

Overview | Cash compensation within the sales org

On-target earnings within the sales organization are heavily tied to performance via 40-55% variable compensation. Revenue operations employees are more tied to company-wide incentive plans than sales performance, with 0-15% variable compensation

Sales Leadership
Sales Revenue ICs
Revenue Operations



Overview | Key sales rep compensation differentiators

Within sales roles, compensation and incentives structures vary primarily by market segment, followed by company-level variables such as stage and geography. Other variables such as growth motion and sector have less of a direct impact on incentive structures

Drivers of differences in sales incentive structures across companies ¹			
<i>Summary of compensation drivers, primarily based on account executives</i>			
	OTE <i>All-in cash compensation</i>	% Variable	Quota to OTE Ratio
Rep segment <i>E.g., Enterprise, SMB</i>	Higher OTE for up-market segments	Slightly higher % variable for up-market segments	Larger quota to OTE ratios for up-market segments
Company stage	Reps at early-stage companies have a 5% premium on OTE	Higher % variable at early-stage companies	<i>Impact mostly driven by other factors (market segment, ACV)</i>
Geography	Reps located in Tier 1 geographies have a 5%-20% premium on OTE	<i>Impact mostly driven by other factors (market segment, stage)</i>	<i>Impact mostly driven by other factors (market segment, ACV)</i>
Growth motion <i>E.g., SLG vs. PLG</i>	<i>Impact mostly driven by factors above (market segment, ACV)</i>	Reps at PLG companies have 2-5% higher variable compensation	Larger quota to OTE ratios for account managers
Sector	<i>Impact mostly driven by factors above (market segment, ACV)</i>	<i>Impact mostly driven by factors above (market segment, ACV)</i>	<i>Impact mostly driven by factors above (market segment, ACV)</i>

Highest degree of impact ↑

↓ **Lowest degree of impact**

Overview | How stage impacts sales compensation

While OTEs within sales roles are relatively consistent regardless of company stage, the proportion of variable compensation differs across stages. Early-stage companies have more performance-driven incentives for pre-sales employees, offering 5-10% higher variable compensation for both AEs and SDRs

Early-Stage

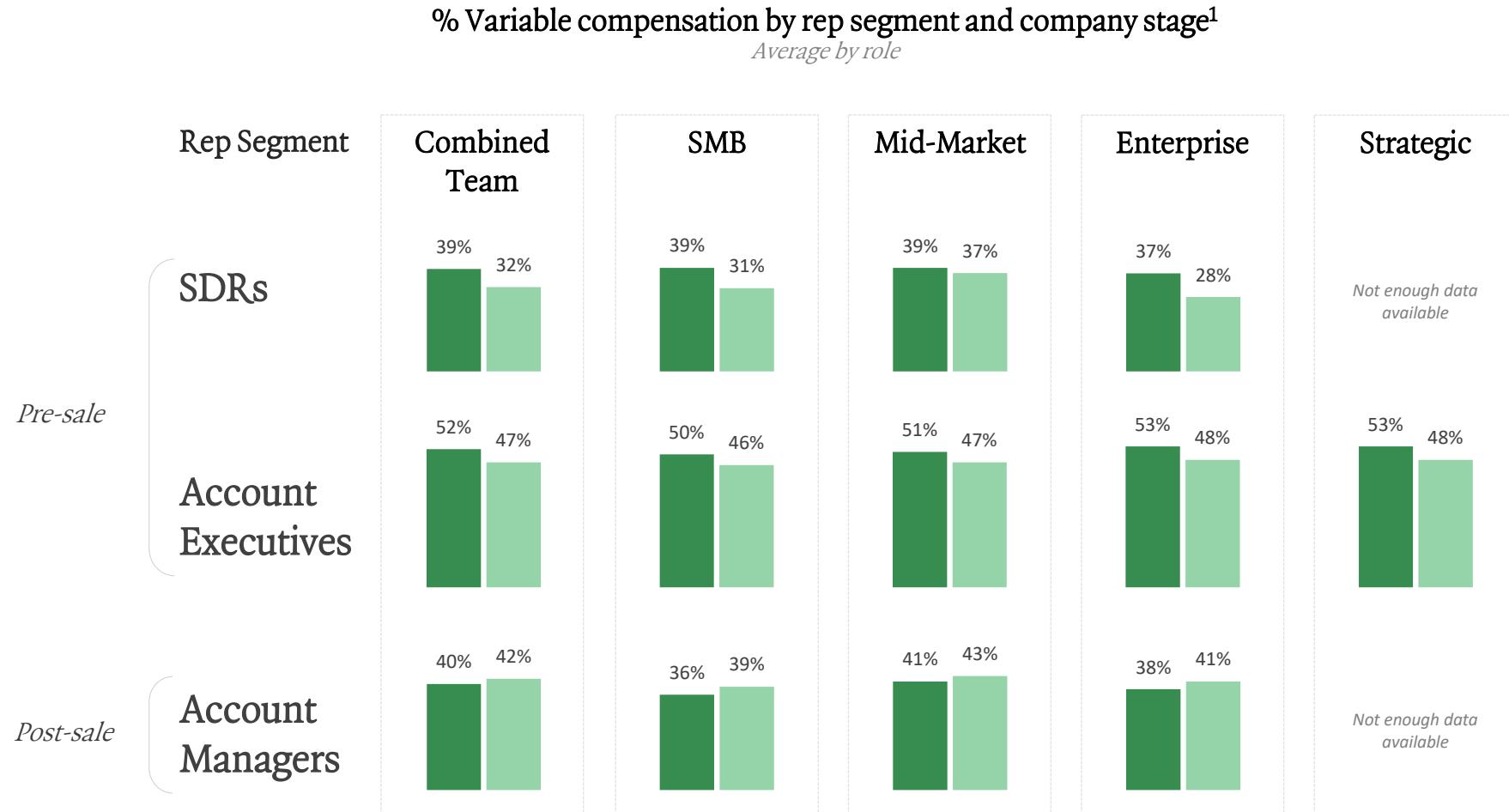
<\$50M ARR

Later-Stage

\$50M+ ARR

% Variable compensation by rep segment and company stage¹

Average by role



Overview | How geography impacts sales compensation

On average, sales reps at companies located in “tier 1” geographies have a 5% to 20% premium on OTE. SDRs in “tier 1” geos have the highest pay premium (~20%) followed by account executives (~15%), while account managers had relatively consistent pay across geos

USA Tier 1: West, Northeast

USA Tier 2: South, Midwest

Evenly Distributed: USA, Remote

Canada & Europe

Average OTE (all-in cash compensation) by geography¹
And % difference from tier 1 geos² by key sales role



Early-stage companies with distributed workforces typically have more of a “one-size-fits-all” approach to compensation that is geo-agnostic. Later-stage companies with more established human resources and total rewards programs are more likely to have geo-based compensation tiers

Sales reps should be located in the territory they cover, even if your organization is entirely remote. Reps need to be able to meet with a customer or prospect the next day and customers want to work with people that are local.³

*Revenue Leader
Infrastructure & Security
Late-stage (\$250M+ ARR)*

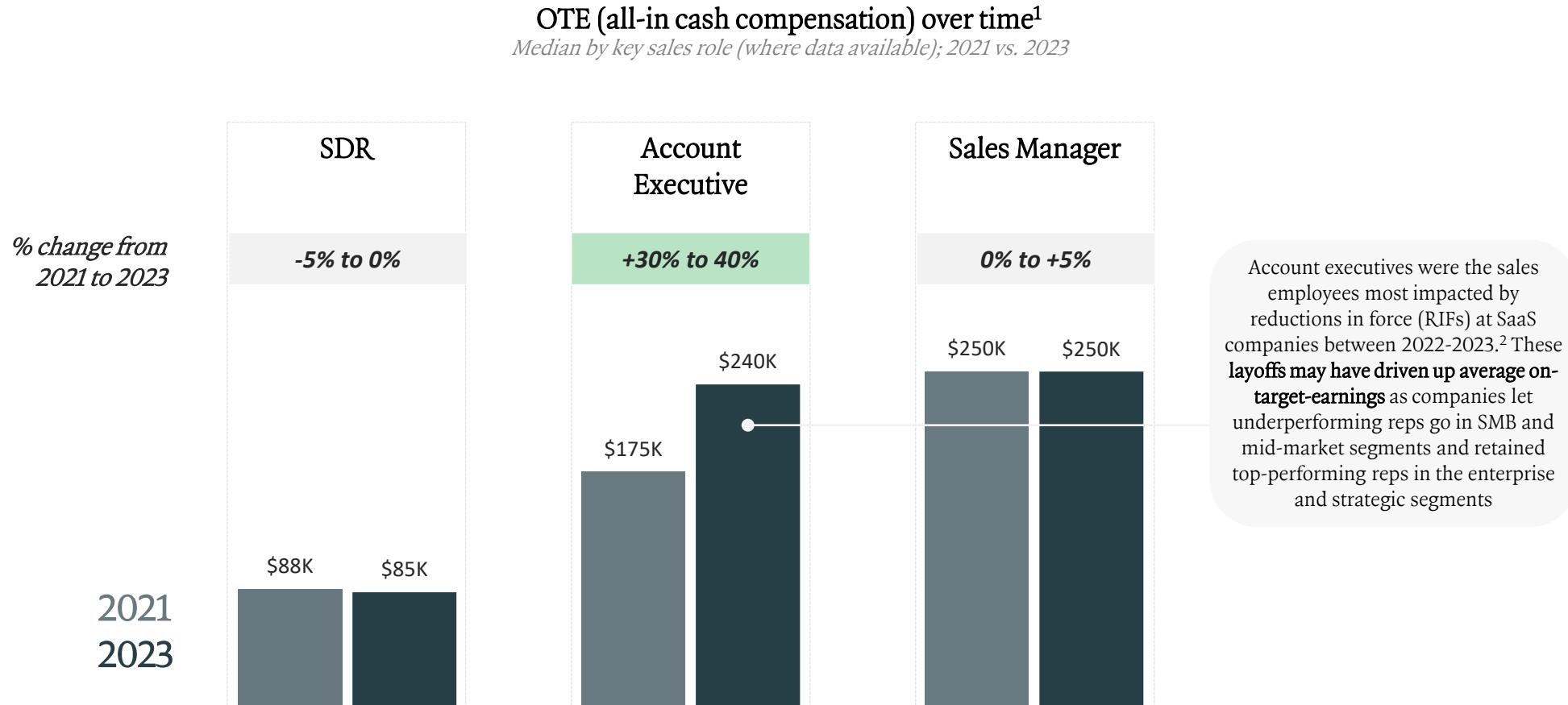
¹ ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023); geography based on location of majority of company's employees

² Geographies tiered based on cost of living; see appendix for tier categories

³ Perspectives from the ICONIQ Growth network

Overview | How cash compensation has changed over the last few years

While median OTE for SDRs and sales managers has stayed relatively consistent over the last few years, it has increased by 30-40% for account executives, likely inflated initially by the employee-driven labor market of 2H 2021 followed by performance-based sales layoffs in 2022-23



3

What do sales incentive plans look like for key sales employees?

Deep-dives for sales ICs: SDRs, AEs, and account managers

Compensation metrics

OTE and fixed vs. variable mix

Quotas and quota to OTE ratios

Commission rates and accelerators

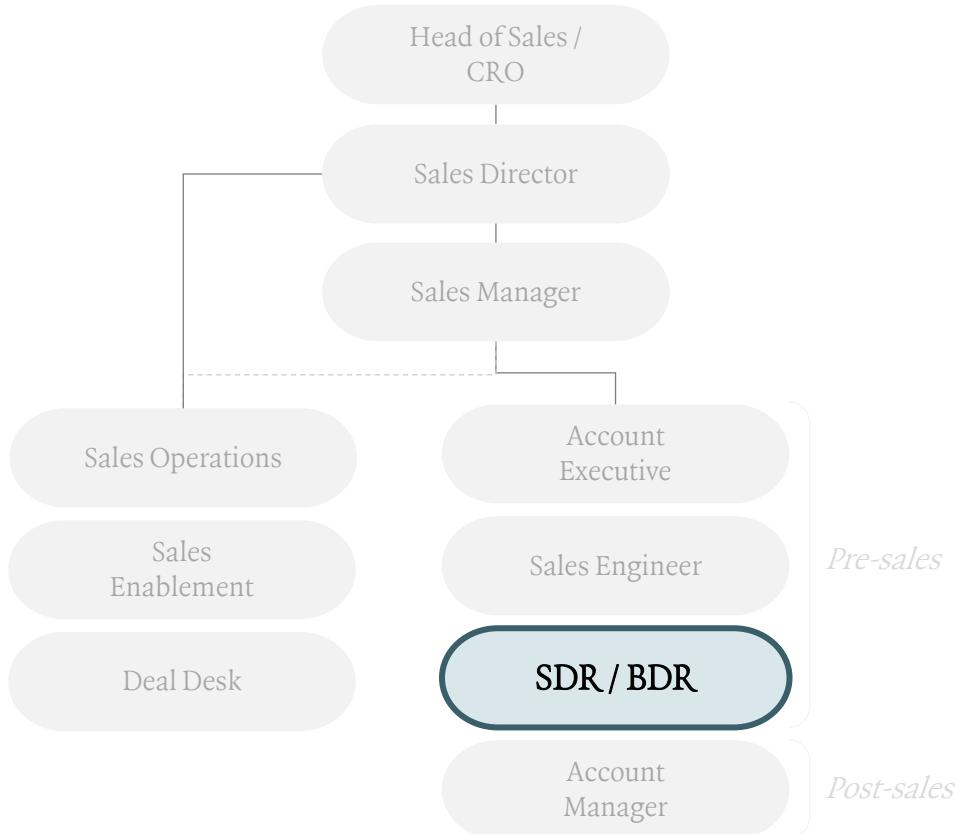
SPIFFs and other variable pay

Account manager vs. CSM incentives

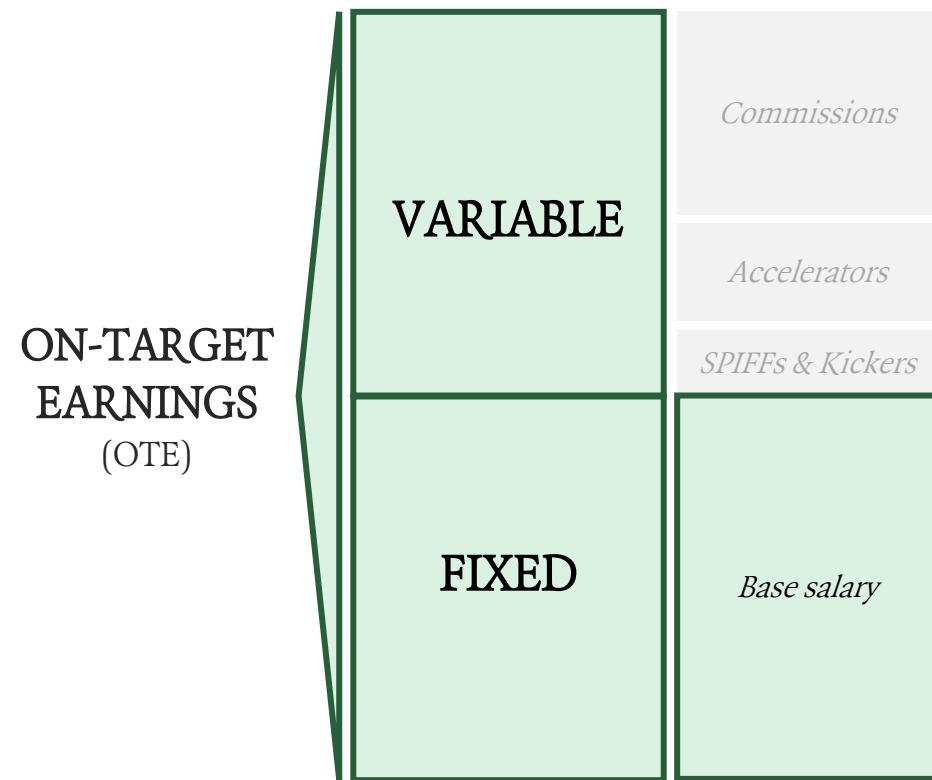
Sales leadership incentives



Typical Sales Org Structure



Key Components of Sales Compensation



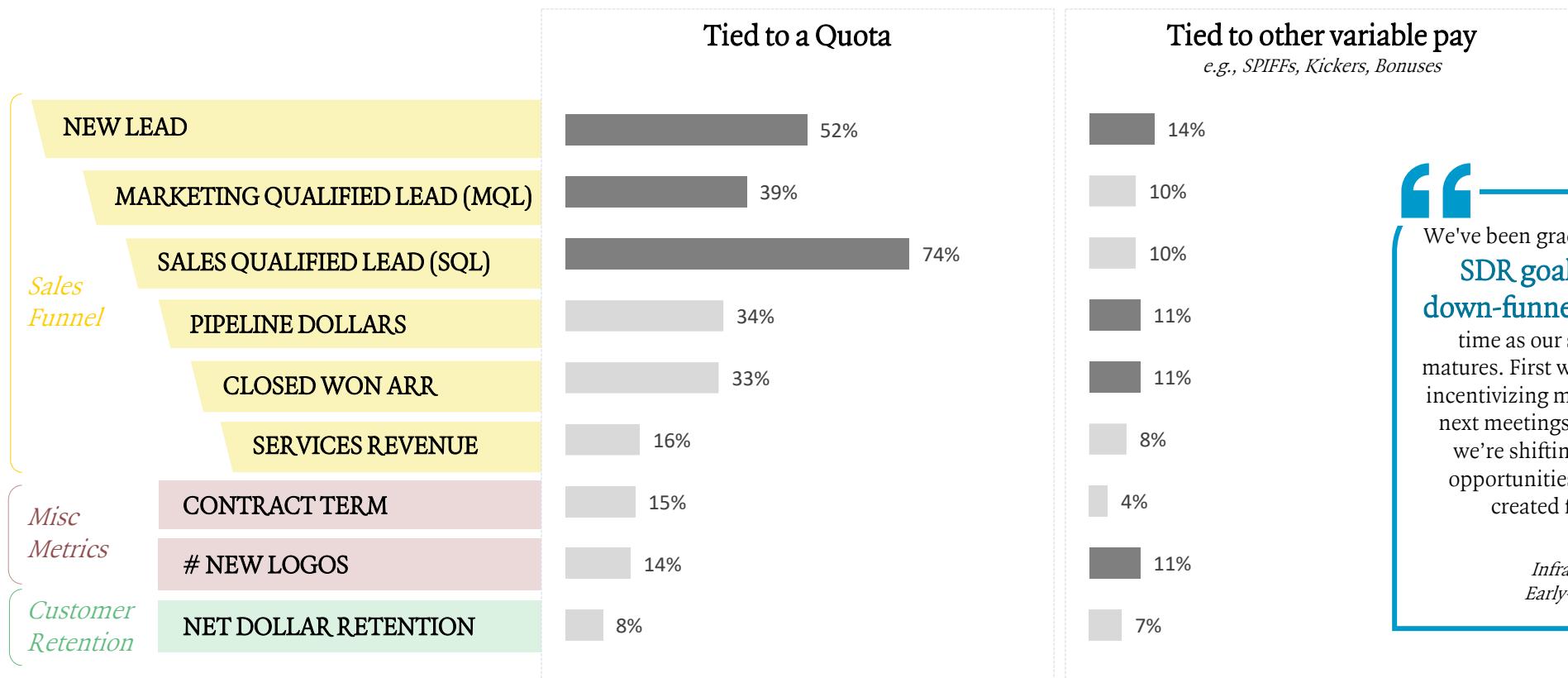
SDRs are primarily incentivized to focus on the top-of-funnel. SDRs typically receive quotas against new leads and qualified leads, and some are also compensated for sourcing new pipeline dollars

SDR	VARIABLE
AE	
AM	FIXED

Top Metrics
Other Metrics

What metrics are tied to SDR compensation?¹

% of respondents by quota-based metrics vs. other; select all that apply



We've been gradually shifting SDR goals to more down-funnel metrics over time as our sales process matures. First we were primarily incentivizing meetings booked, next meetings held, and now we're shifting to qualified opportunities and pipeline created for 2023.²

*Sales Leader
Infrastructure & Security
Early-stage (<\$50M ARR)*

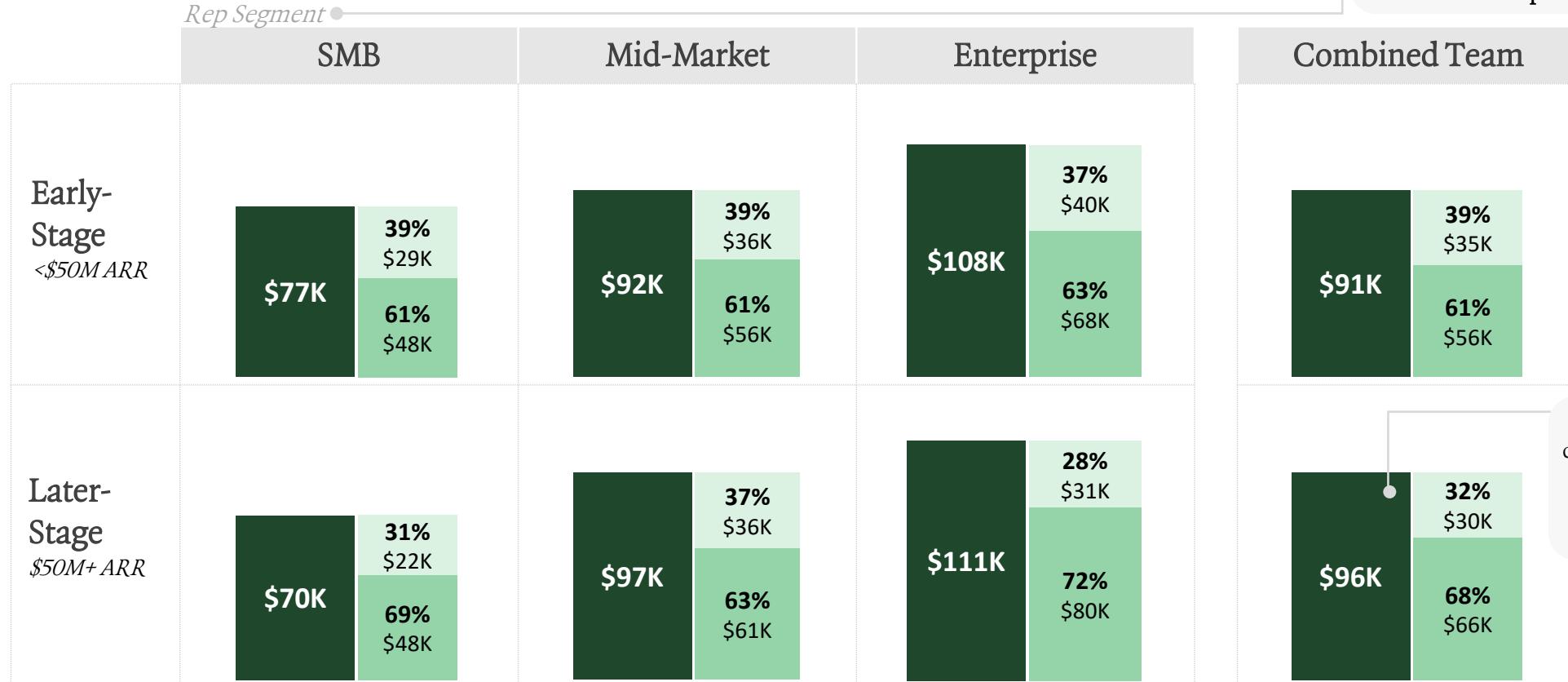
SDRs | Cash Compensation Detail

OTEs for SDRs range from \$70K to \$110K depending on market segment, composed of 30-40% variable compensation. Early-stage companies index more towards performance-driven incentives, offering higher percent variable compensation for SDRs

SDR	VARIABLE
AE	
AM	FIXED

ON-TARGET EARNINGS (OTE)	VARIABLE
	FIXED

Average OTE, variable, and fixed compensation for SDRs¹
By rep segment and company stage



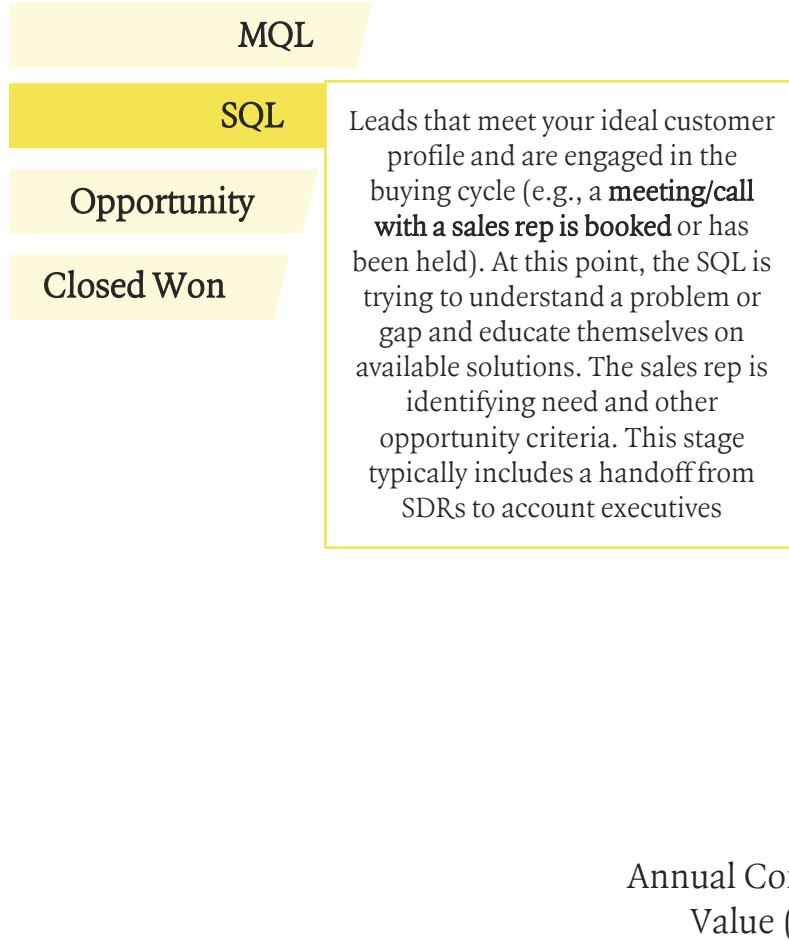
Apart from market segment, a common method of segmentation for SDRs is based on lead source (e.g., inbound vs. outbound). Outbound SDRs typically have higher OTEs and more variable upside than inbound SDRs

SDRs at later-stage companies have 5-6% higher OTEs than those at early-stage companies

SDRs | Meetings Quota

SDRs are primarily compensated based on the number of SQLs they source, which most companies define as meetings or calls booked with quality leads. SDRs are typically expected to source 5-20+ SQLs per month, which varies heavily by market segment

Sales Funnel²



Annual SDR SQL goal¹

Average by company ACV

Create strong qualification criteria and ensure your reps can articulate all qualification requirements before opening an opportunity. Our qualification criteria includes identification of a **champion**, a specific **pain-point our solution solves for** in the organization, and a **meaningful next step** that aligns to our sales process.³

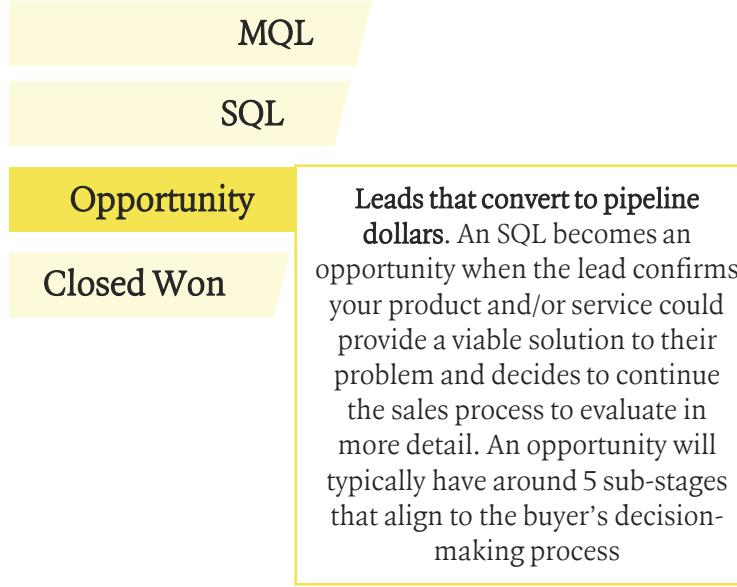
*Revenue Leader
Infrastructure & Security
Late-stage (\$250M+ ARR)*

SDRs | Pipeline Goal vs. OTE

Around one third of respondents also reported compensating SDRs based on pipeline dollars they source. These companies expect a 5-15x pipeline goal to OTE ratio for SDRs, with the ratio increasing as SDRs move up-market

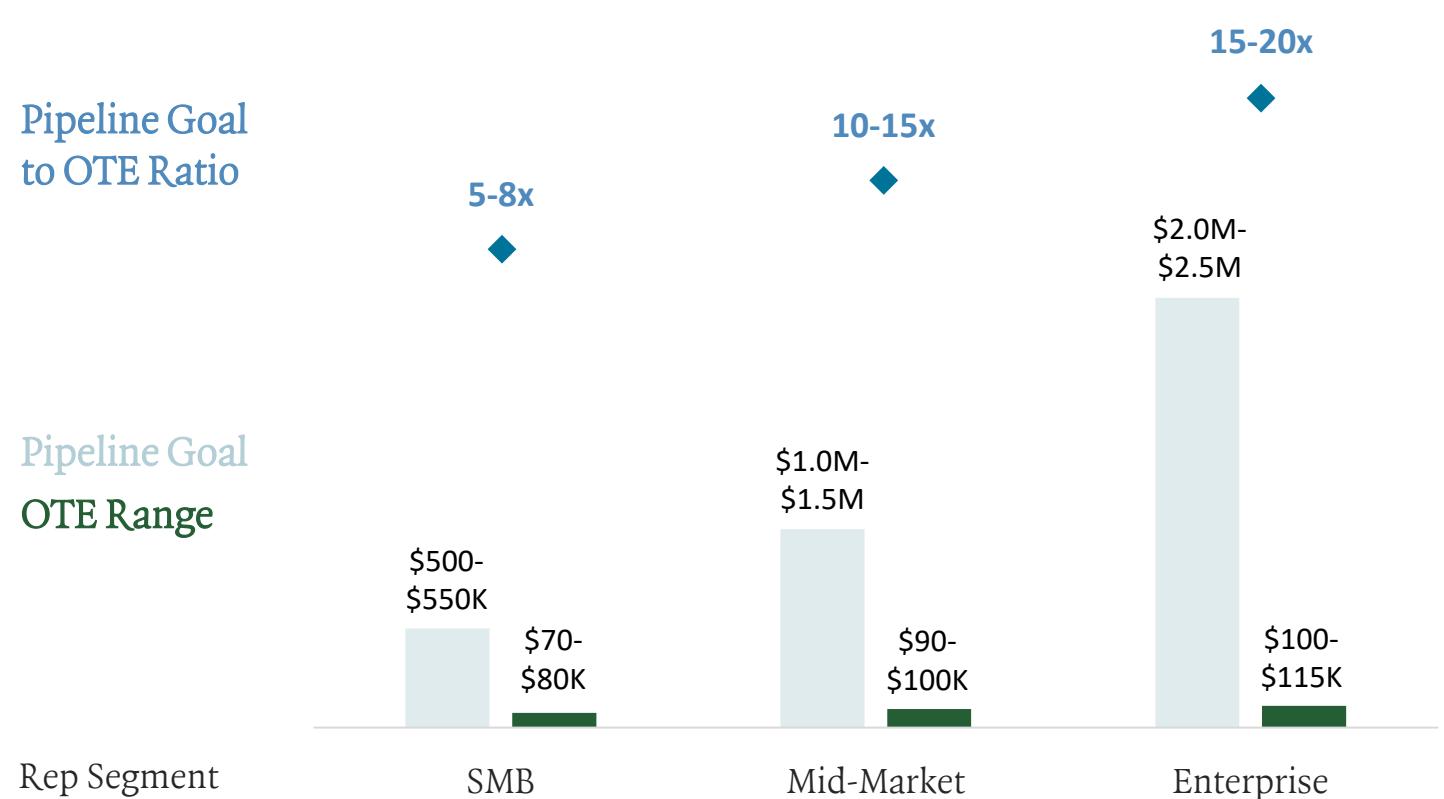
SDR	VARIABLE
AE	
AM	FIXED

Sales Funnel²

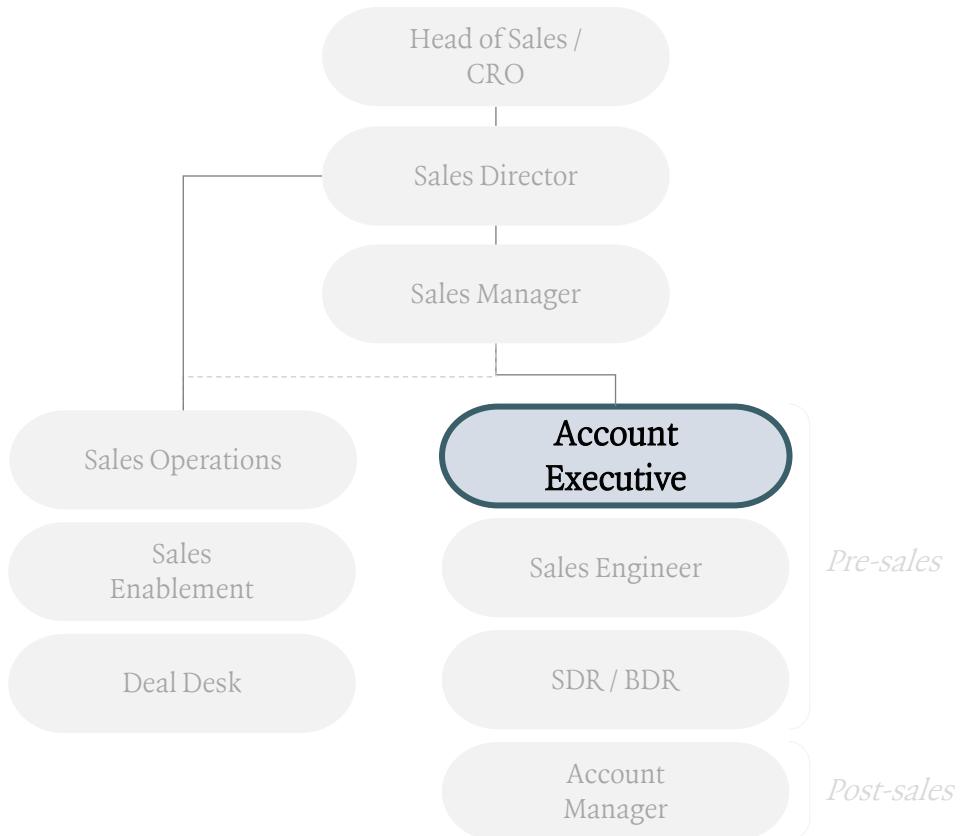


Annual SDR pipeline goal vs. OTE and OTE ratio¹

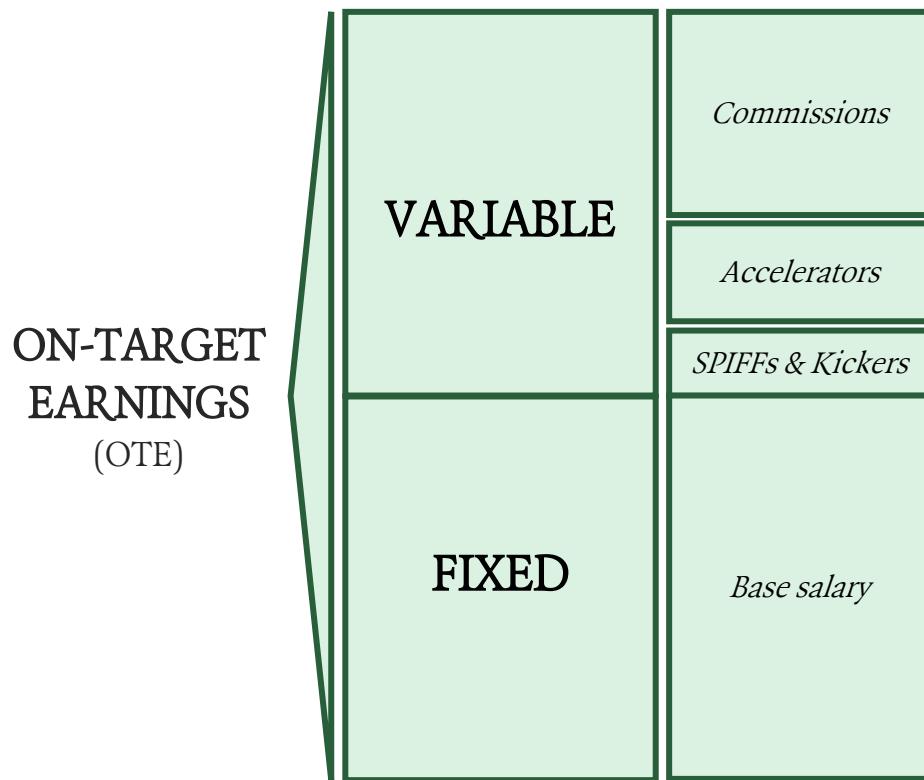
Average by rep segment



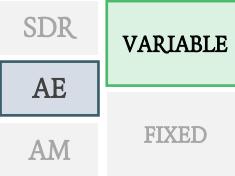
Typical Sales Org Structure



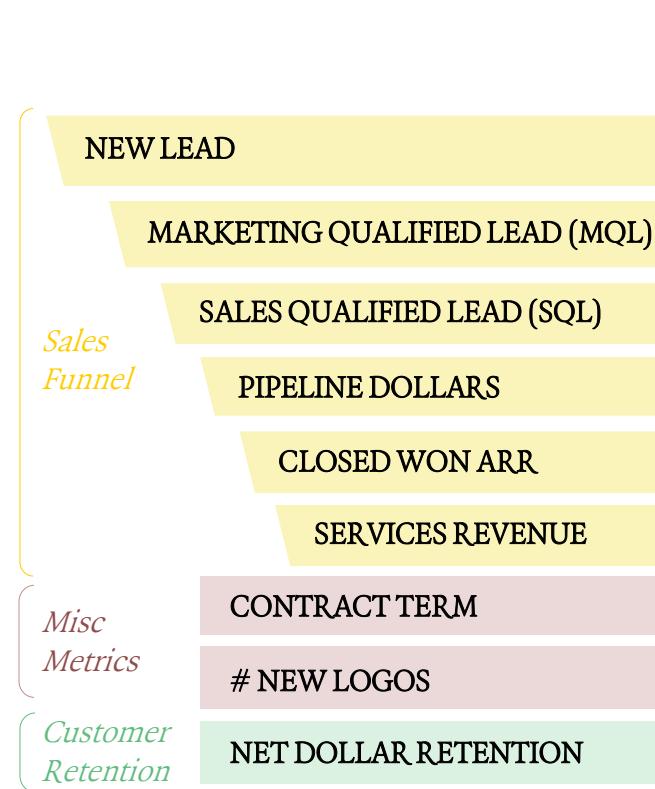
Key Components of Sales Compensation



Fueled by leads and pipeline created by marketing and SDRs, AEs are primarily incentivized to focus on the final stages of the sales funnel. Most often, AEs receive quotas and commission against new revenue, including recurring revenue and services revenue

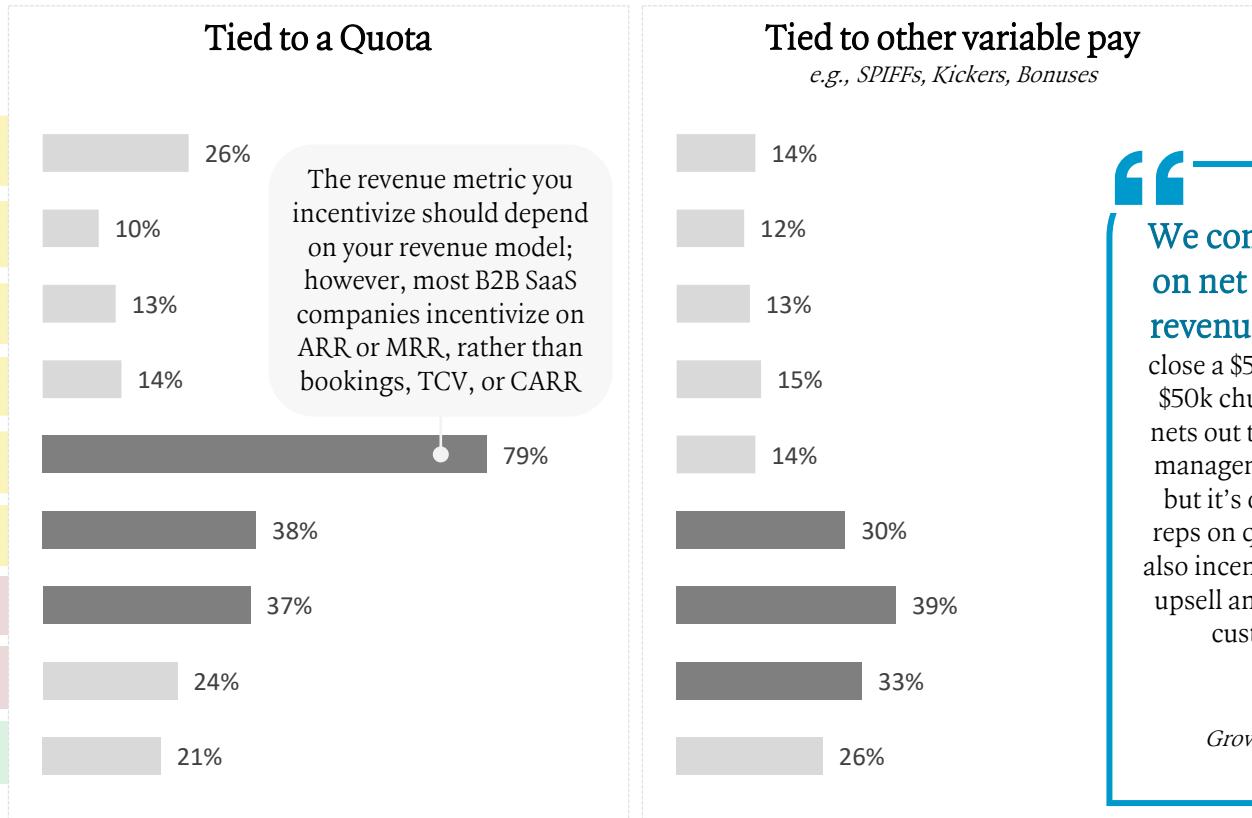


Top Metrics
Other Metrics



What metrics are tied to account executive compensation?¹

% of respondents by quota-based vs. other; select all that apply

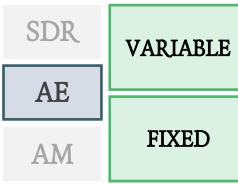


We compensate our AEs on net rather than gross revenue. For example, if they close a \$50k deal but also have a \$50k churn, their commission nets out to zero. It takes change management to introduce this, but it's our way to incentivize reps on quality over quantity. It also incentivizes reps to focus on upsell and ultimately increases customer retention.²

*Sales Leader
Data & Analytics
Growth-stage (\$50-\$250M ARR)*

Account Executives | Cash Compensation Detail

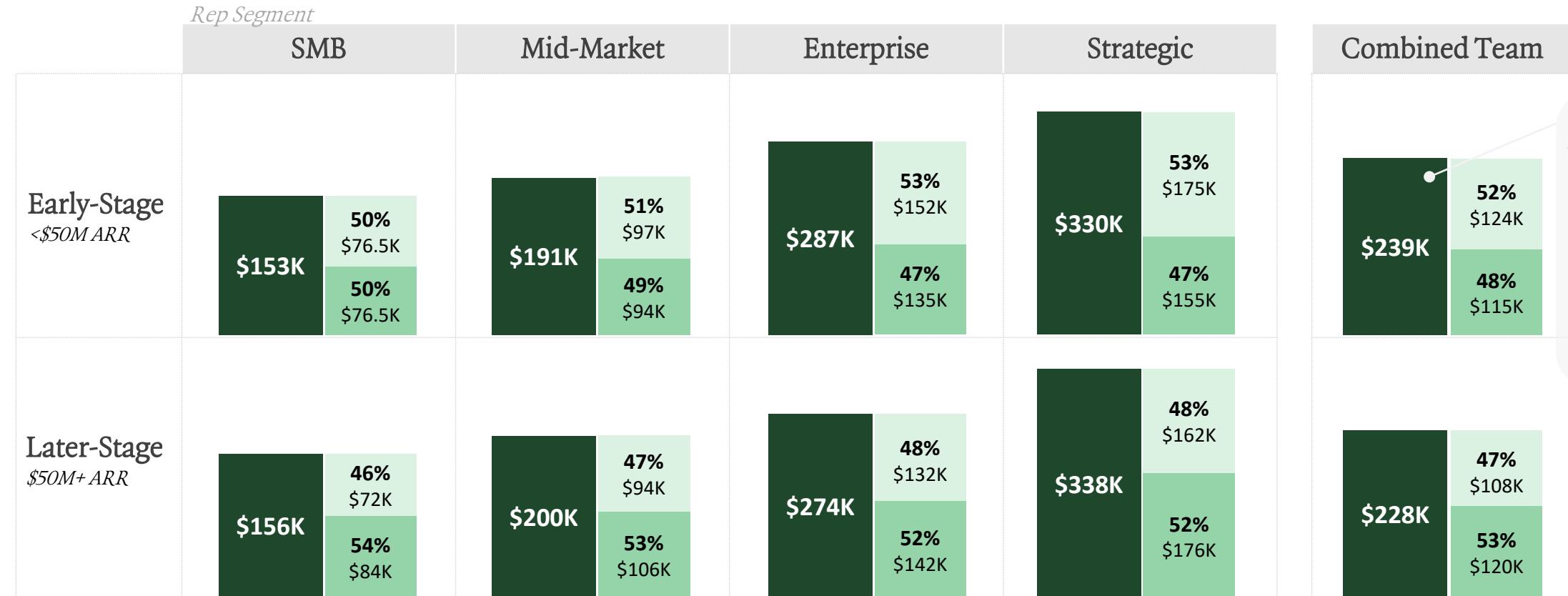
OTEs for AEs range from \$150K to \$350K depending on market segment, composed of 45%-55% variable compensation. As with SDRs, early-stage companies index more towards performance-based incentives for AEs with 50%+ variable



ON-TARGET EARNINGS (OTE)	VARIABLE
	FIXED

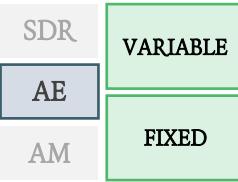
OTE, variable, and fixed compensation for account executives¹

Average by rep segment and company stage



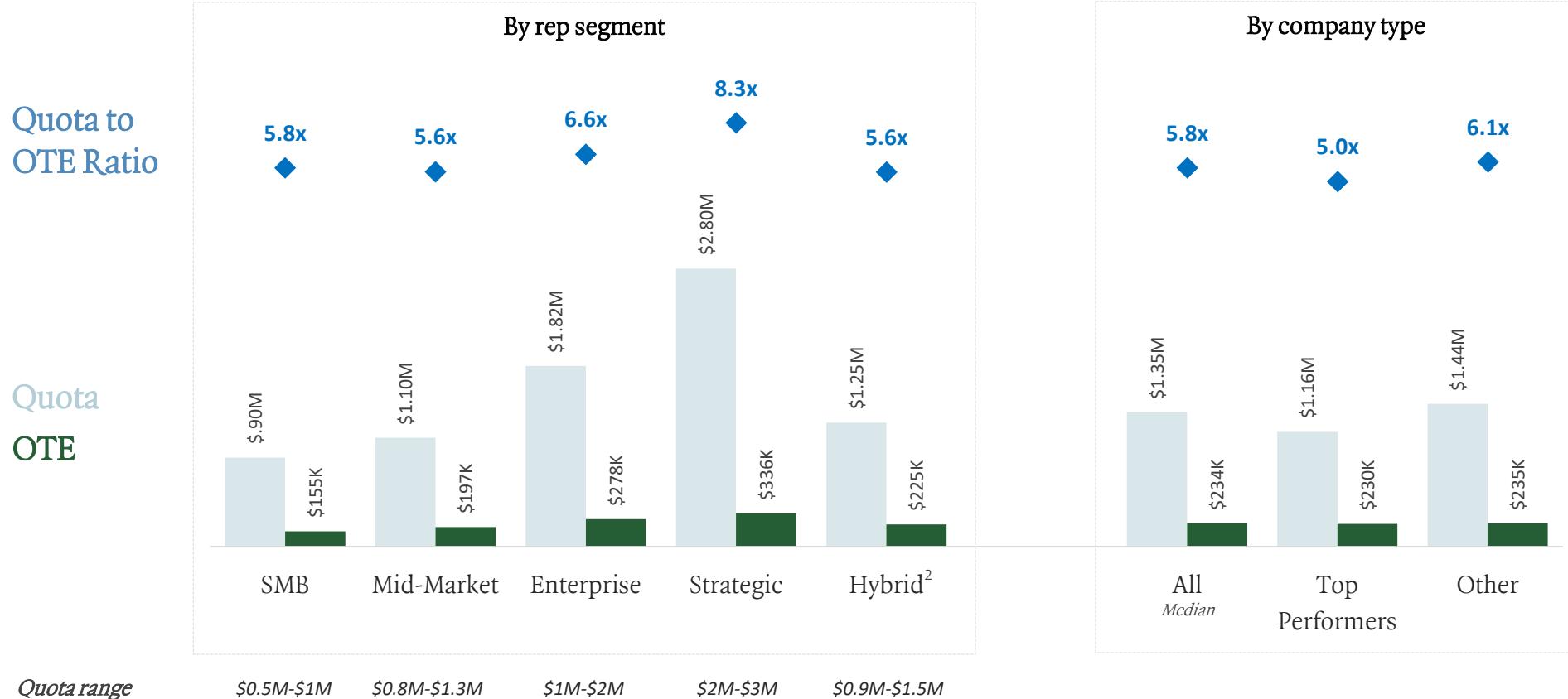
Unlike SDRs and account managers, AEs tend to have slightly higher OTEs (+5%) at early-stage companies than at later-stage companies, perhaps driven by nascent go-to-market motions and less revenue predictability

AEs are expected to generate 5x-7x more revenue than their earnings (quota to OTE ratio). Enterprise and strategic reps have higher quota to OTE ratios between 6x-9x, mostly driven by higher quota expectations resulting from large deal sizes



Quota, OTE, and quota to OTE ratio for account executives¹

Median by rep segment and company type



Companies will often have different quotas and commission rates for each revenue source, making quota, OTE, and quota to OTE ratios a combination of multiple factors

Most companies offer AEs commissions on new logo and customer expansion revenue. ~50% of respondents also offer AEs commissions on services (typically non-recurring revenue) and some companies also offer AEs commissions on renewals

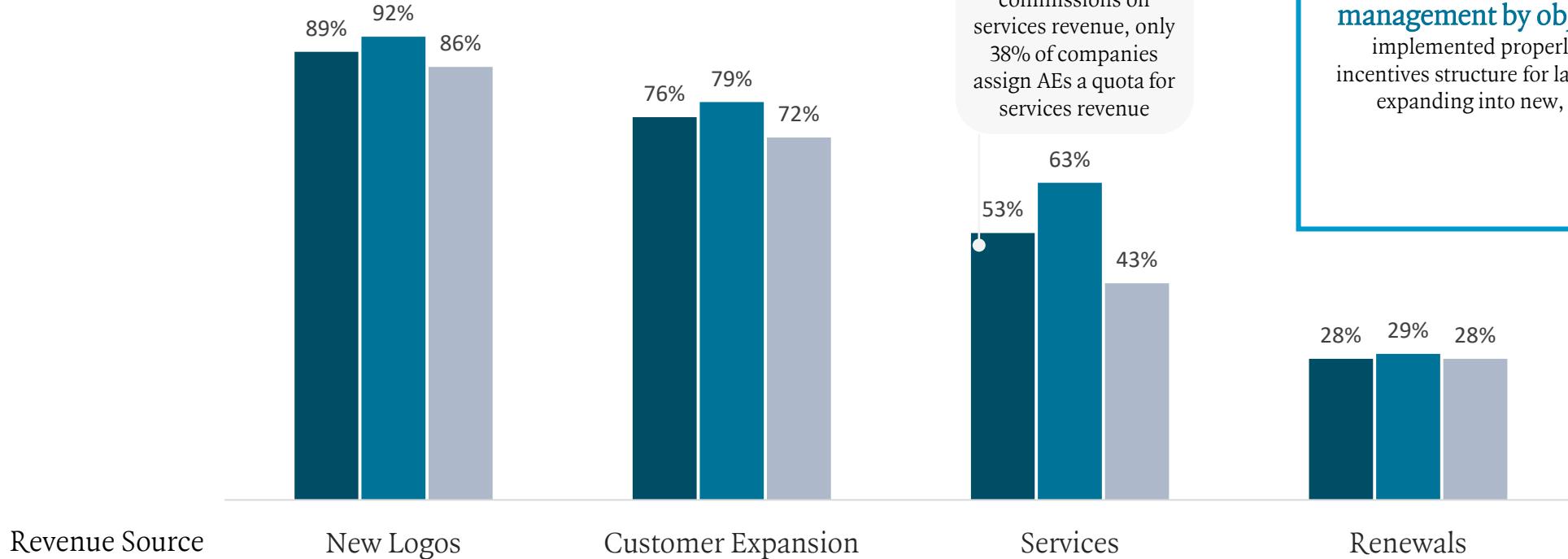
All

Early-Stage <\$50M ARR

Later-Stage \$50M+ ARR

For which of the following sources of revenue do you offer commissions to AEs?¹

% of respondents by company stage and revenue source



While 53% of companies pay AEs commissions on services revenue, only 38% of companies assign AEs a quota for services revenue



One alternative to quota and commission-based compensation for sales reps is a **commitment-based plan that is more aligned with management by objectives** (MBOs). When implemented properly, this can be a useful incentives structure for launching new products or expanding into new, untested territories.²

*Sales Leader
Go-to-market Enablement
Early-stage (<\$50M ARR)*

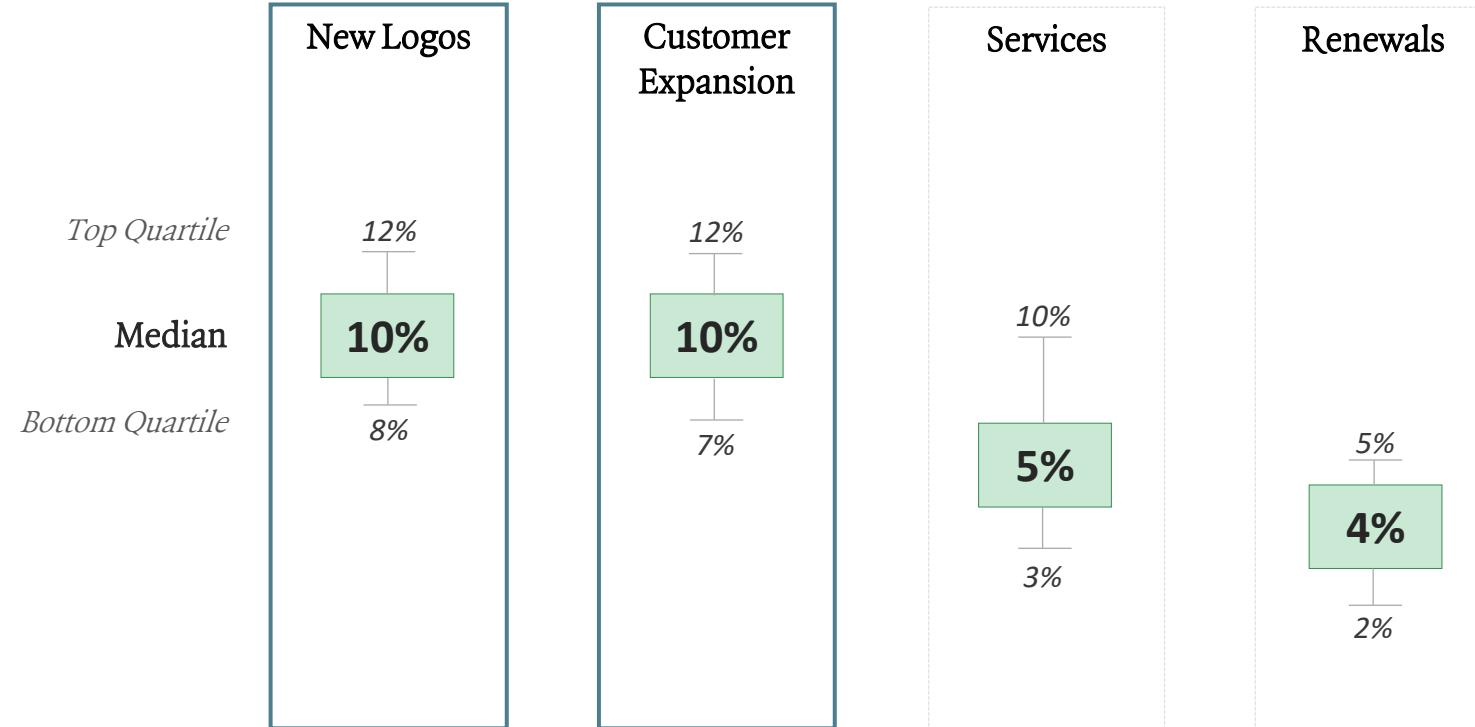
Median base commission rate is 10% for new logo and customer expansion revenue. AEs earn lower commission rates on services and renewal revenue, with median base commission rates between 4% and 5%.

Primary responsibility

Other

What is your base commission rate for AEs on revenue (ACV)?¹

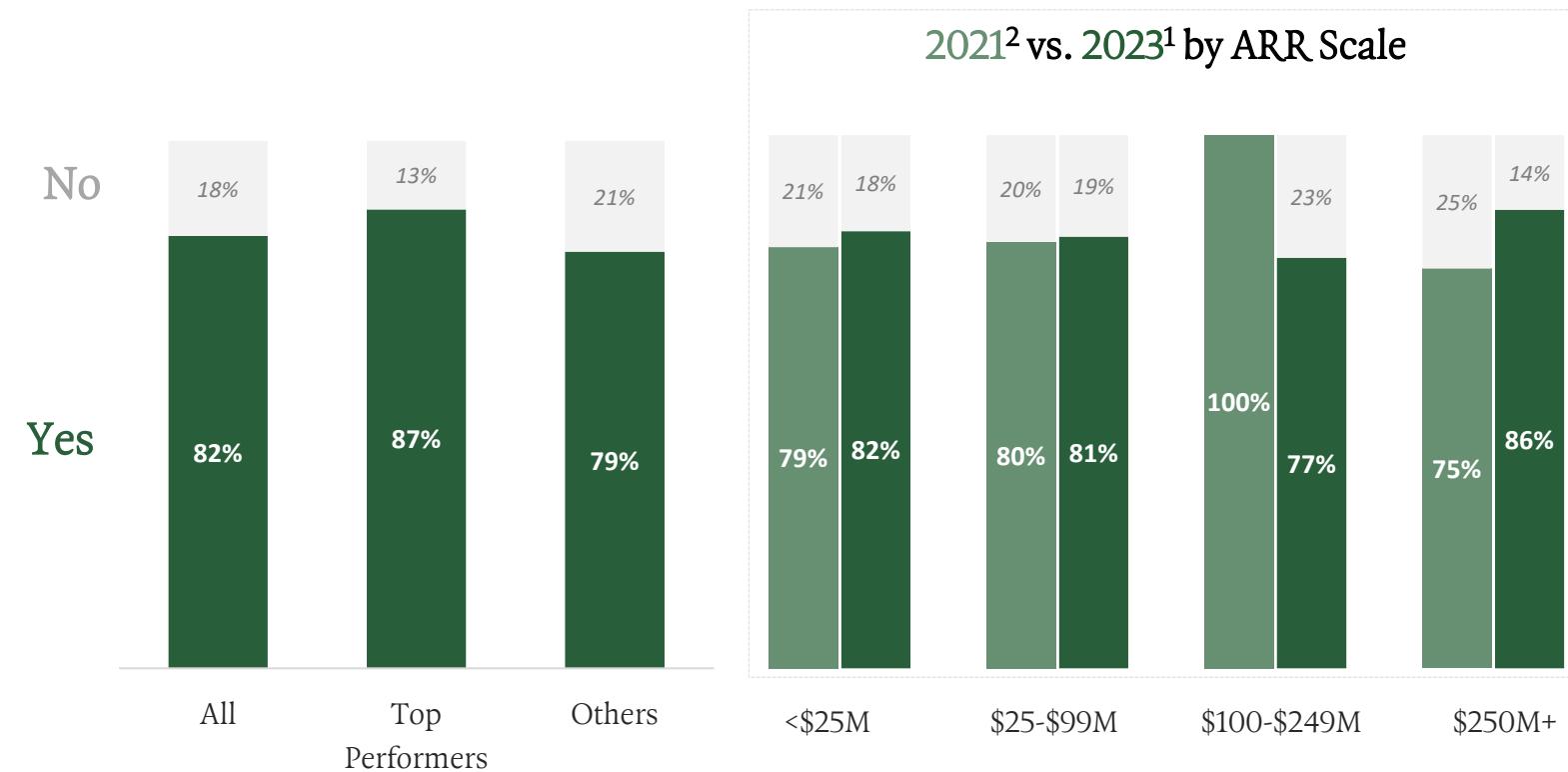
Quartiles by revenue source



To reward strong performance, 82% of sales organizations offer accelerators to their account executives, which increase commission rates once a rep hits a certain level of quota attainment



Do your AE comp plans include accelerators?¹ % of respondents

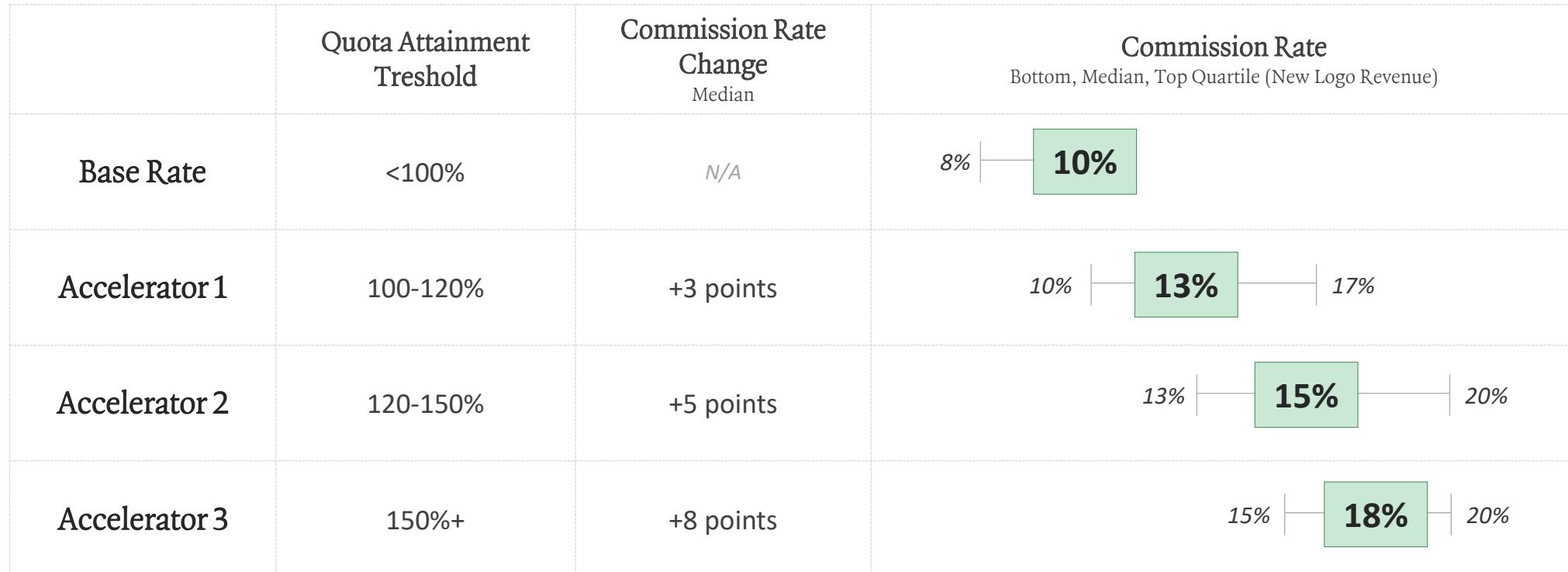


Account executive comp plans typically include two or three accelerators, which add a median 3-8 points to the base commission rate. The upper bound on accelerated commission rates is around 20%

Accelerators
Increased commission rates that usually kick in when a rep hits a specific amount over quota

What are your accelerators and at what quota attainment do they kick in?¹

% of respondents; new logo revenue

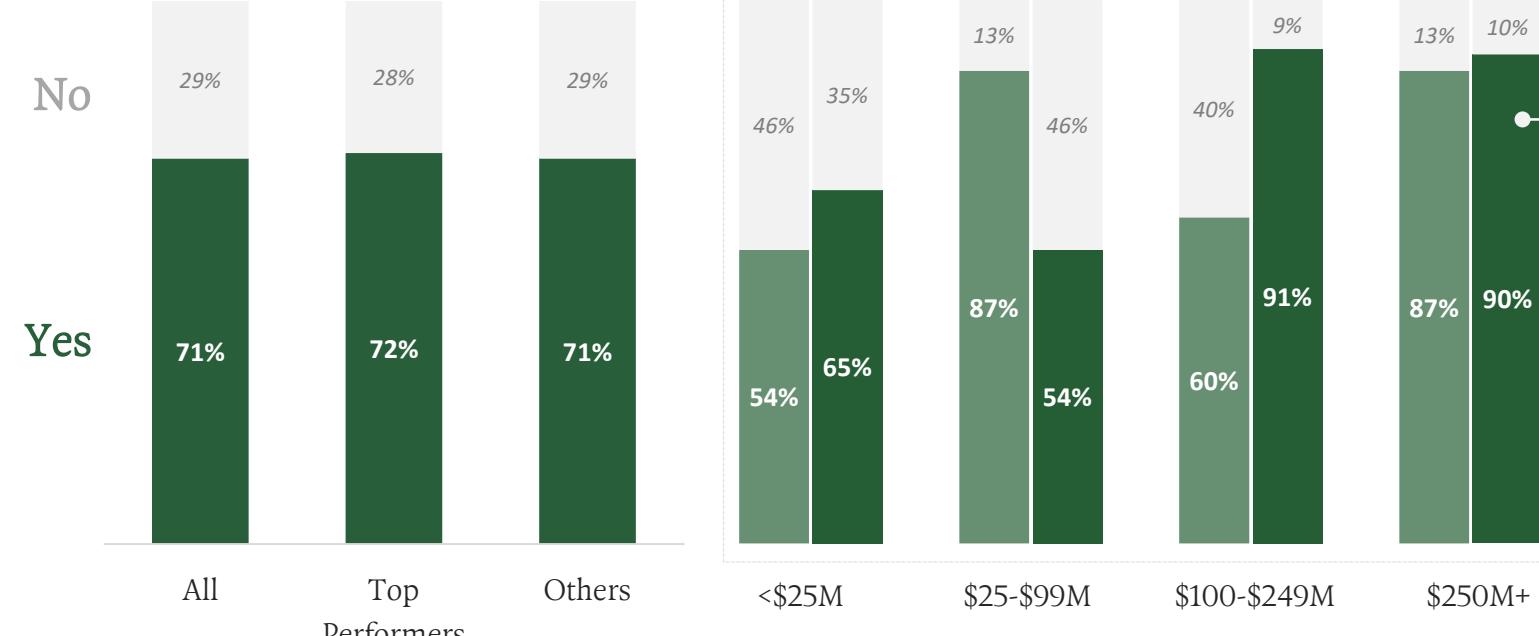


Most companies also offer additional sales incentives in the form of SPIFFs, which make up an average 10% of total variable comp for account executives. SPIFFs are more commonly offered at larger-scale companies in the form of bonuses or prizes



Do your AE comp plans include SPIFFs?¹

% of respondents



SPIFFs as a % of total variable
Average

10%

8%

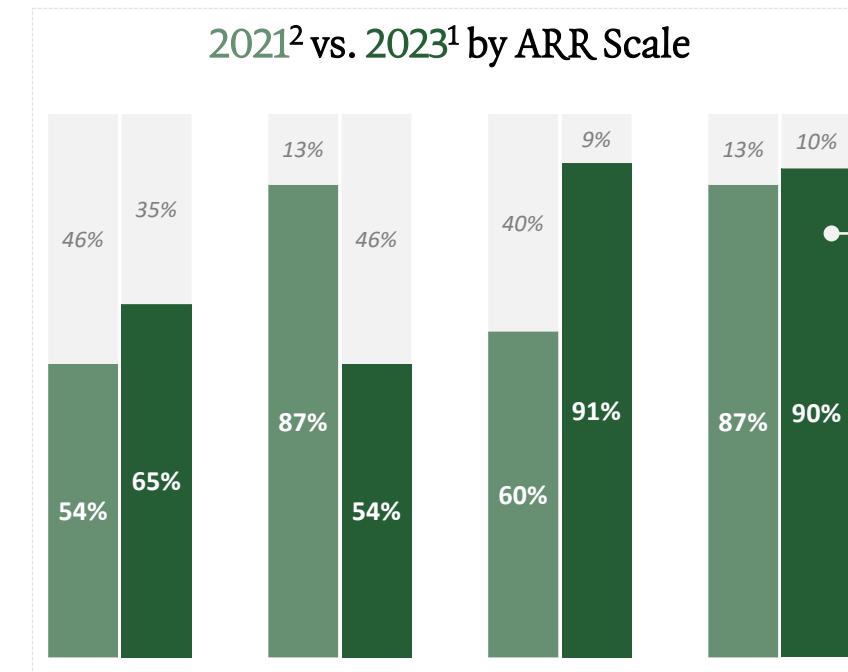
10%

10%

9%

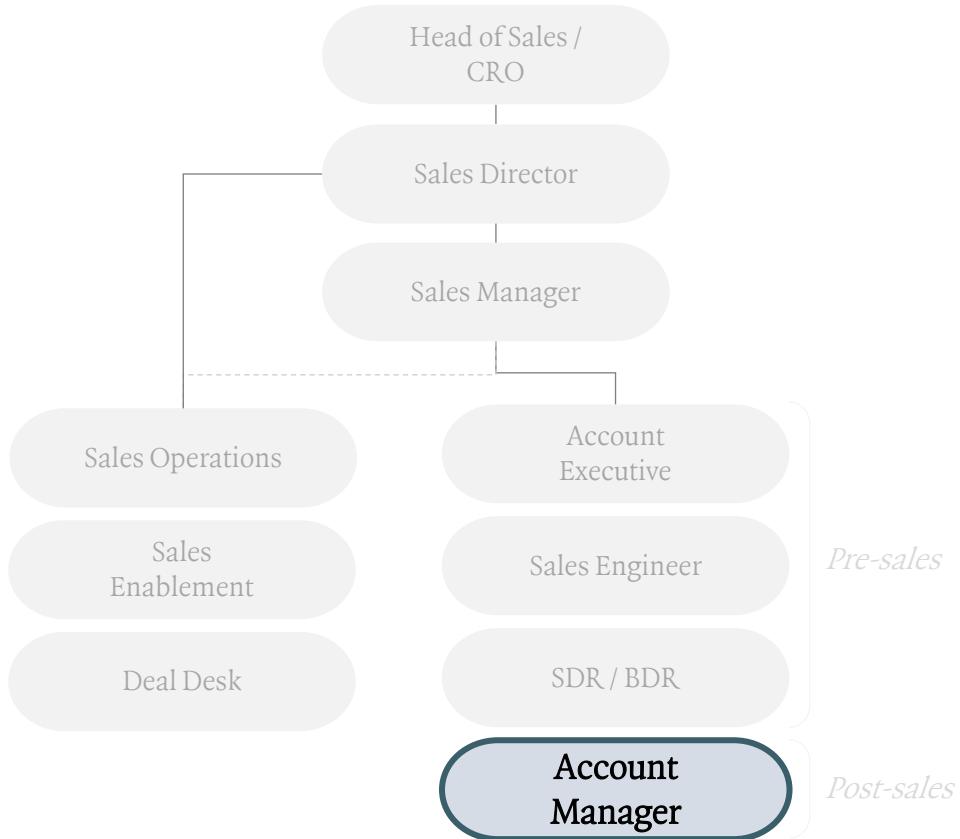
10%

9%

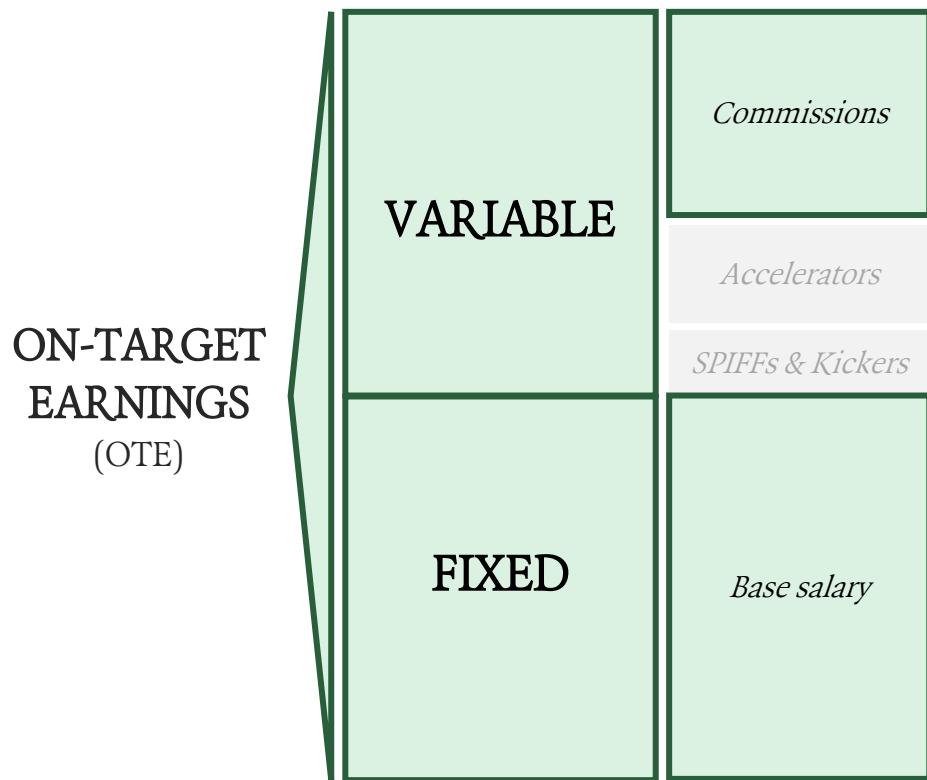


On average, the prevalence of SPIFFs has increased since 2021. SPIFFs can be a less expensive alternative to increasing salary or commission rates, lending them well to cash conservation during slow economic periods.

Typical Sales Org Structure



Key Components of Sales Compensation



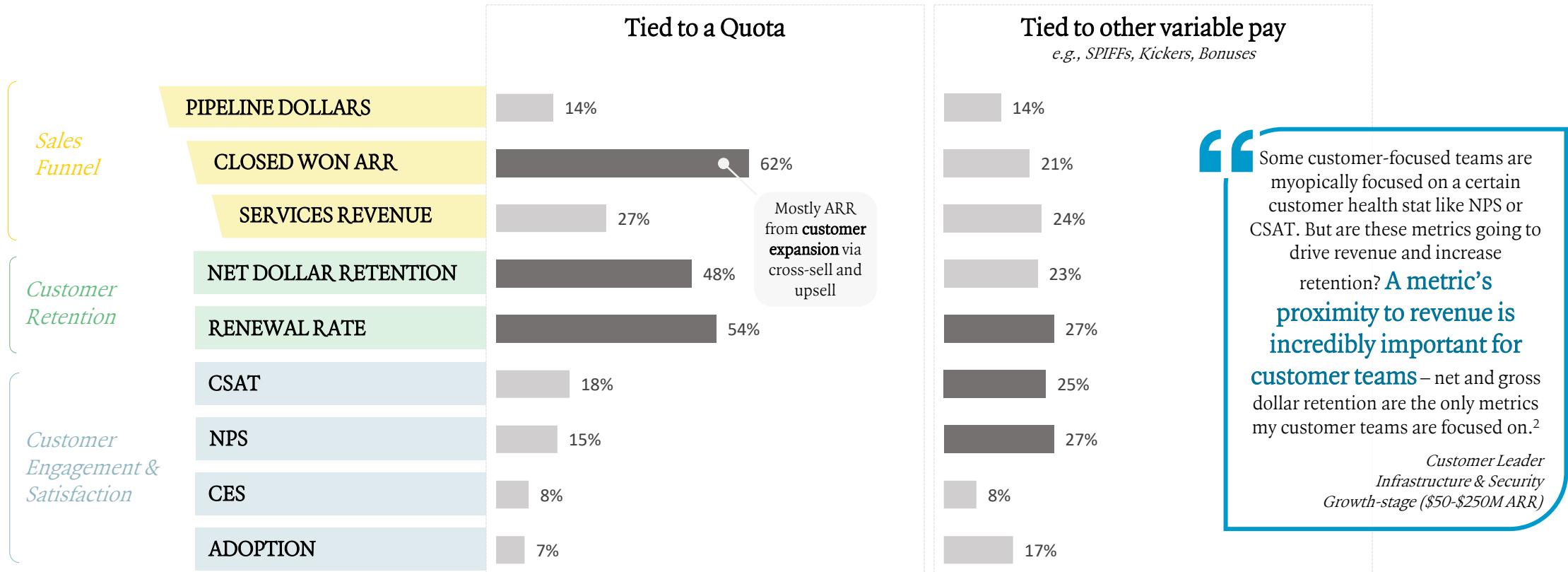
Account managers are primarily incentivized to focus on customer expansion and retention. They commonly have a quota against customer expansion revenue and are incentivized to achieve targets against net dollar retention and renewal rate

	VARIABLE
SDR	
AE	
AM	FIXED

Top Metrics
Other Metrics

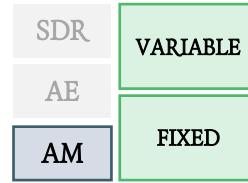
What metrics are tied to account manager compensation?¹

% of respondents by quota-based vs. other; select all that apply



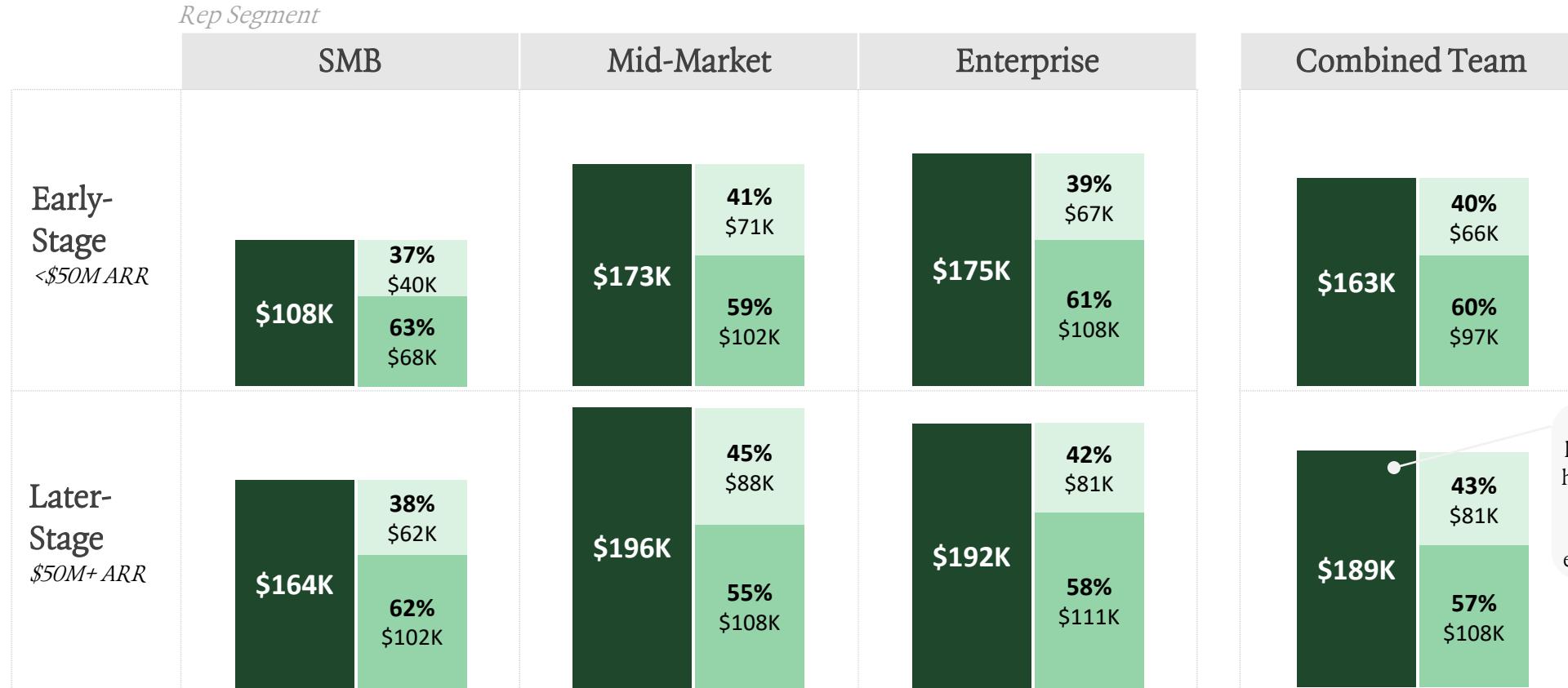
Account Managers | Cash Compensation Detail

Account manager OTEs range from \$100K to \$200K depending on market segment. Unlike AEs and SDRs, account managers at early-stage companies tend to have a lower proportion of variable compensation at approximately 40%



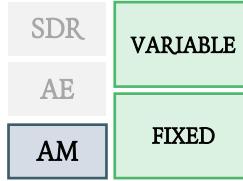
ON-TARGET EARNINGS (OTE)	VARIABLE
ON-TARGET EARNINGS (OTE)	FIXED

Average OTE, variable, and fixed compensation for account managers¹
By rep segment and company stage



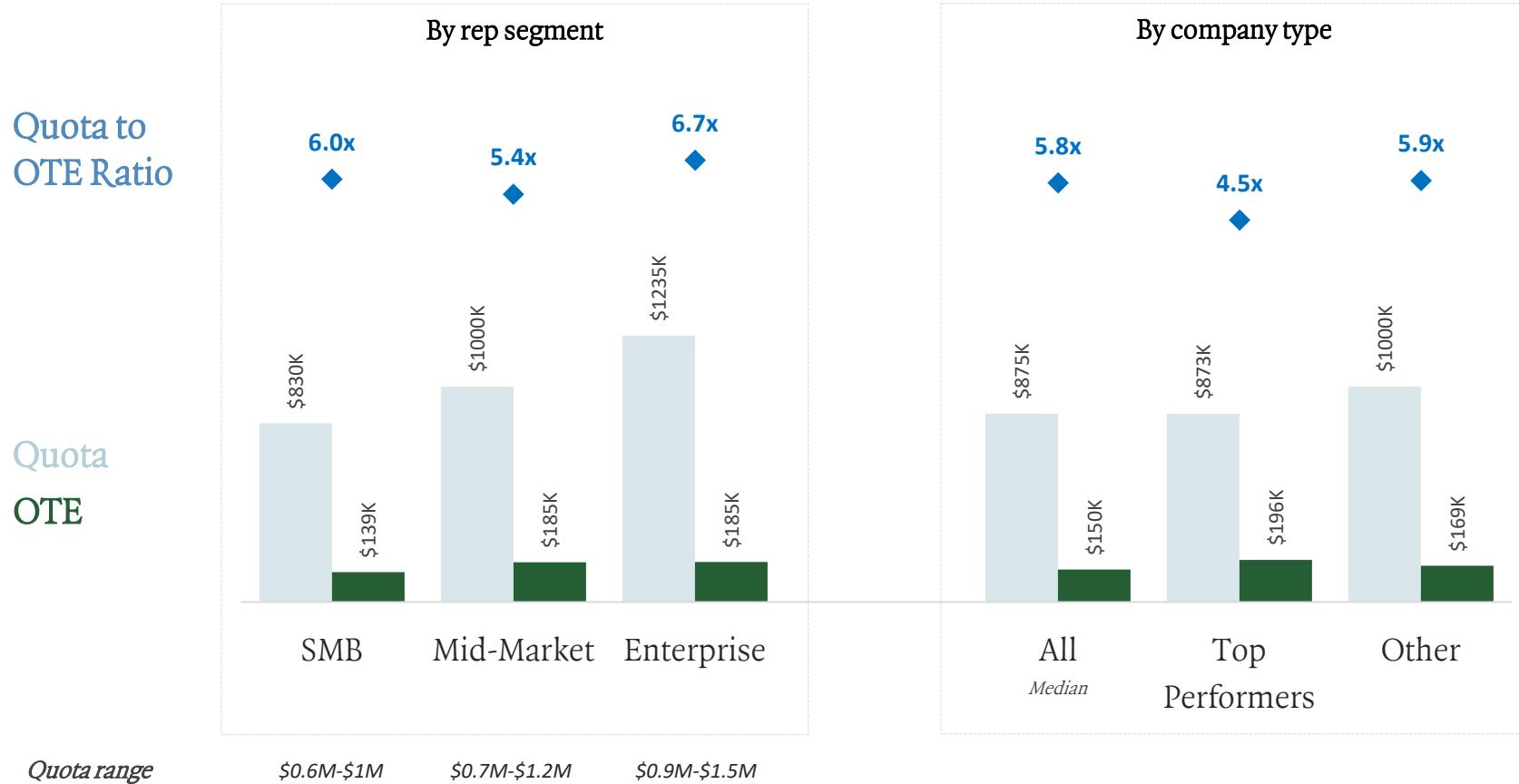
Account Managers | Quota & OTE Ratios

Like account executives, account managers have 4-7x quota to OTE ratios. However, as account managers are mainly focused on customer expansion, they tend to have lower quotas and OTEs compared to account executives focused on new logo deals



Median quota, OTE, and quota to OTE ratio for account managers¹

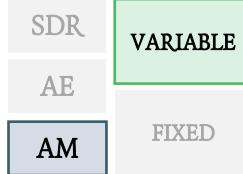
By rep segment and company type



Companies will often have different quotas and commission rates for each revenue source, making quota, OTE, and quota to OTE ratios a combination of multiple factors

Account Managers | Commissions

Account managers primarily earn commissions on customer expansion revenue and renewals. ~35% of companies also compensate AMs on new logo revenue and services revenue, though these incentives are secondary to retention and upsell



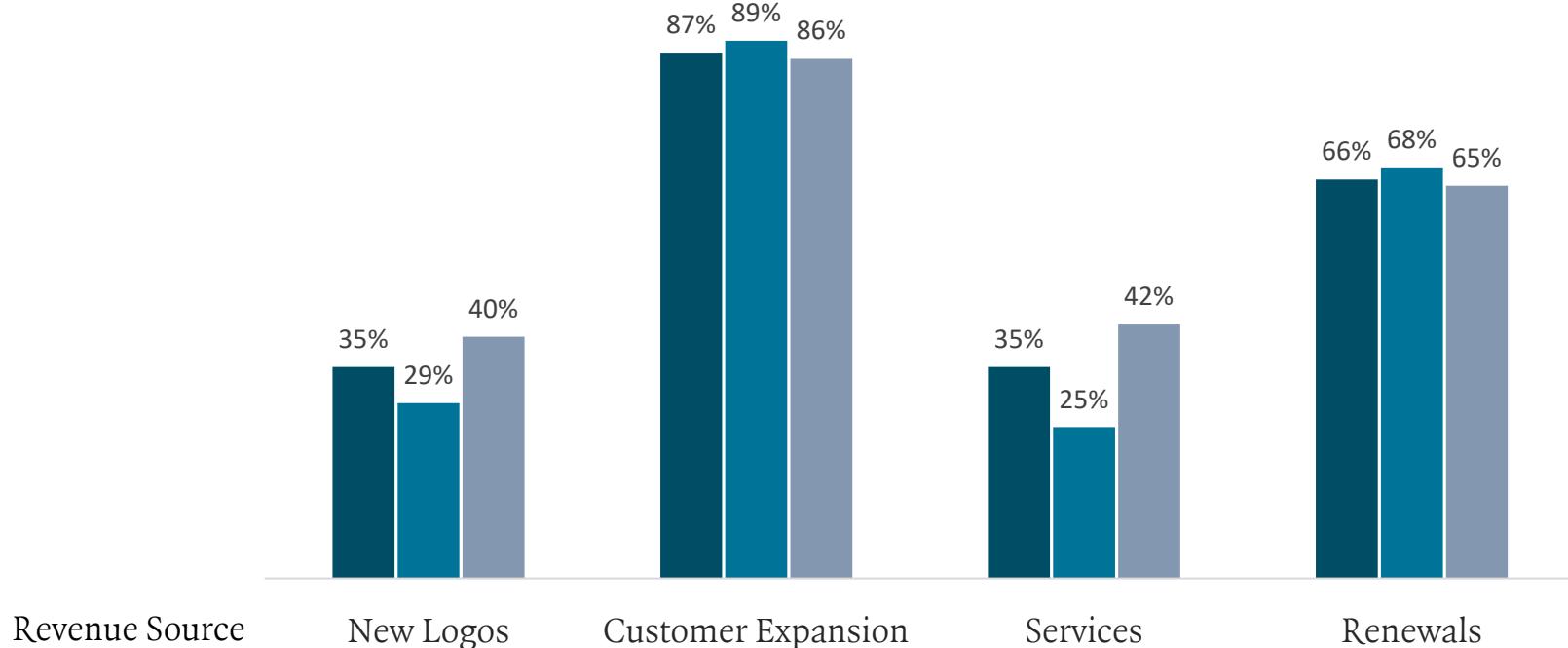
All

Early-Stage <\$50M ARR

Later-Stage \$50M+ ARR

For which of the following sources of revenue do you offer commissions to account managers?¹

% of respondents by ARR Stage



“ More SaaS companies should think of services as strategic – services are a key growth lever. Services can make your product even stickier, can accelerate adoption and incremental spend, and ultimately drive lifetime value and growth for your customers.²

*Customer Leader
Infrastructure & Security
Growth-stage (\$50-\$250M ARR)*

Account managers earn a median 9% commission rate on customer expansion revenue and 5% on renewals and services revenue. Some companies without dedicated new logo teams offer account managers 10% commissions on new logo revenue too

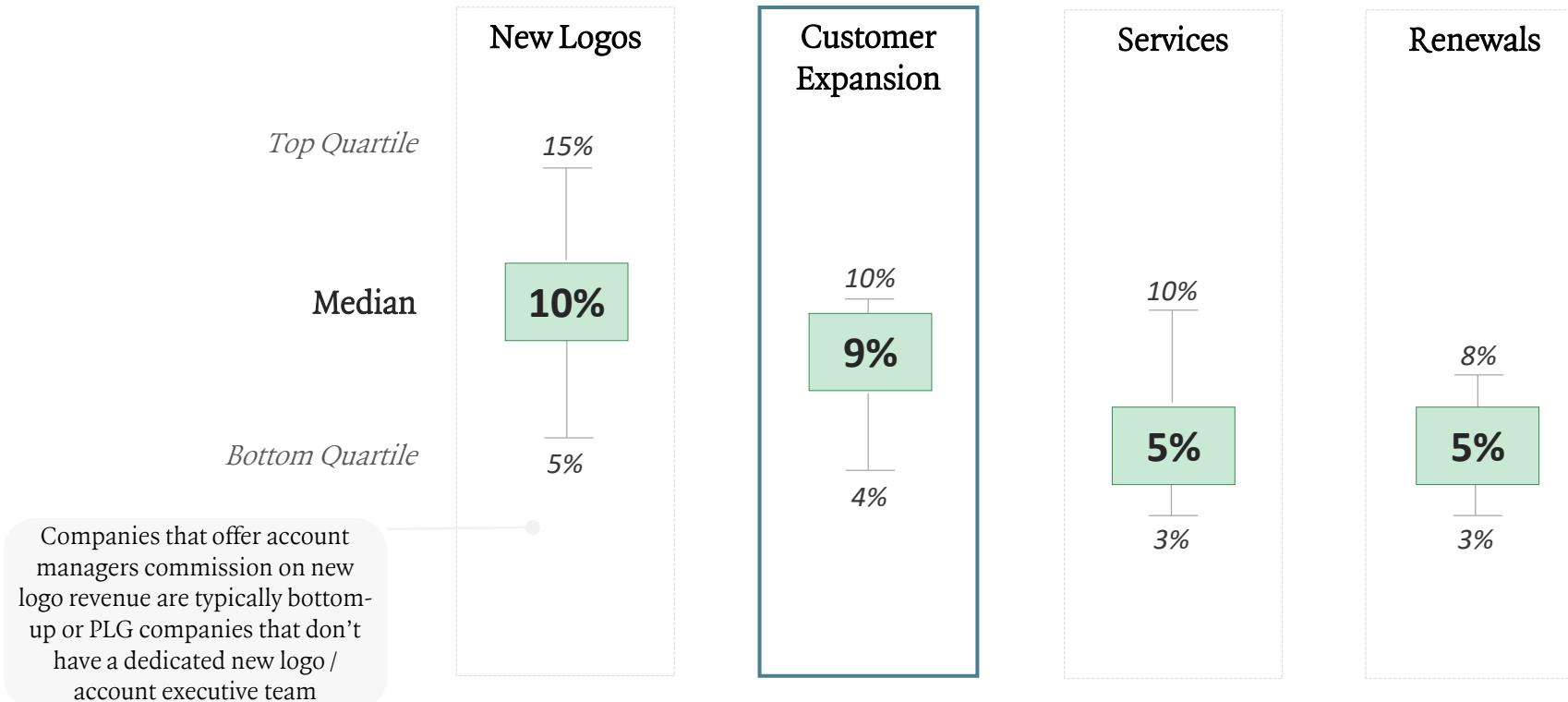


Primary responsibility

Other

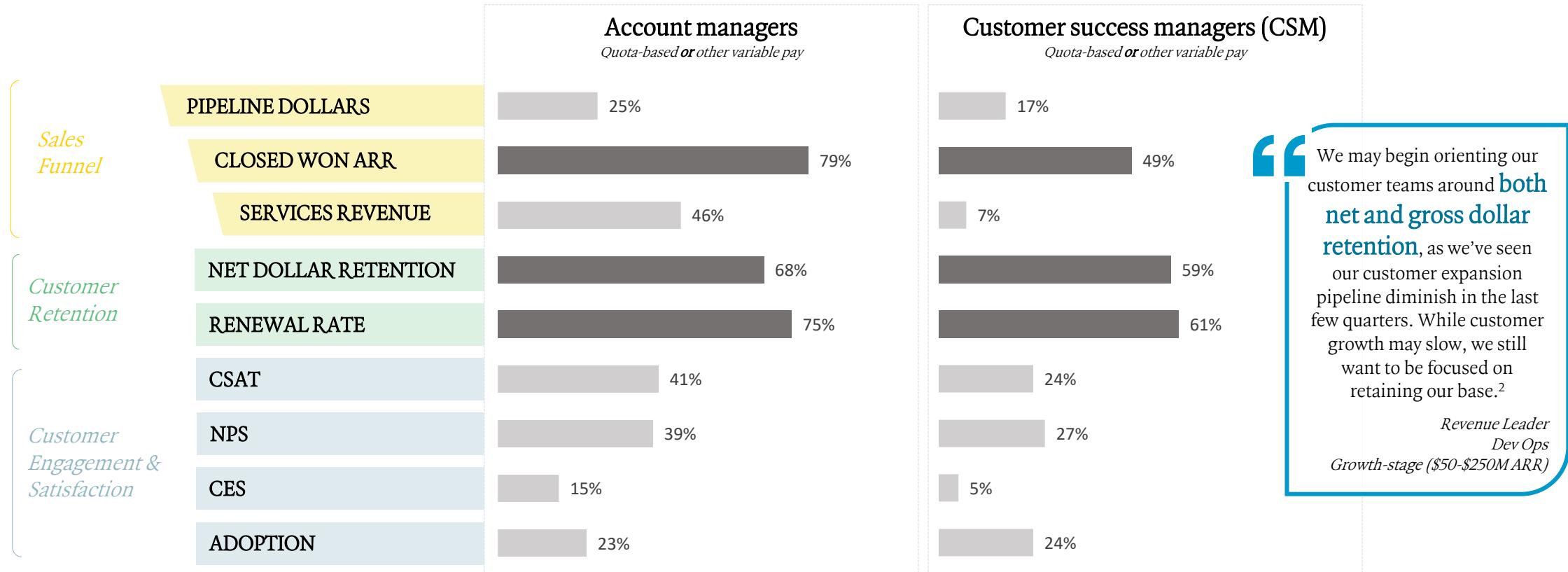
What is your base commission rate for account managers on revenue (ACV)?¹

Quartiles by revenue source



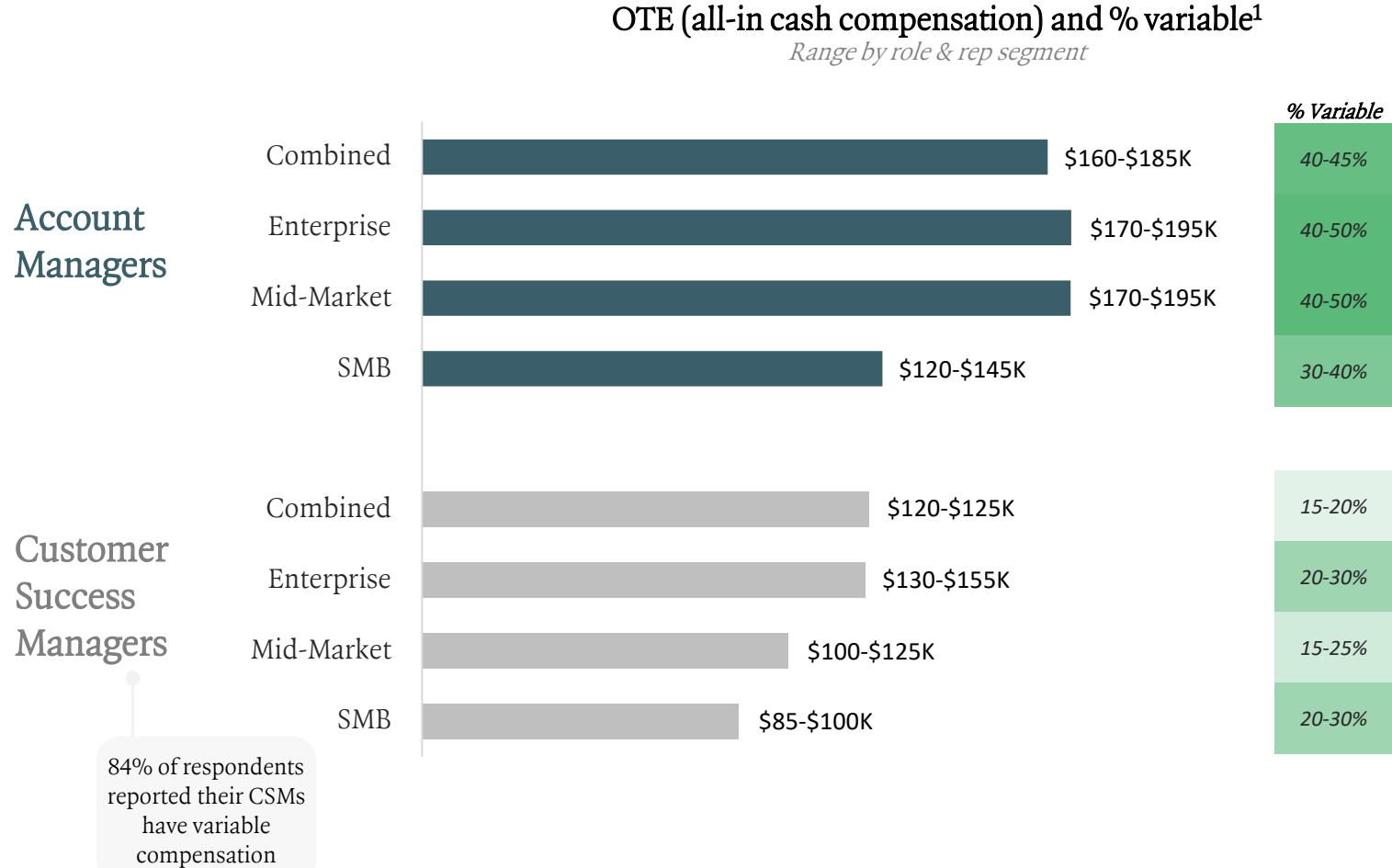
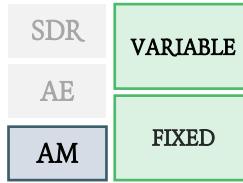
Top Metrics
Other Metrics

Metrics tied to account manager vs. customer success manager compensation¹
% of respondents by quota-based vs. other; select all that apply



Account Managers | versus Customer Success Manager compensation

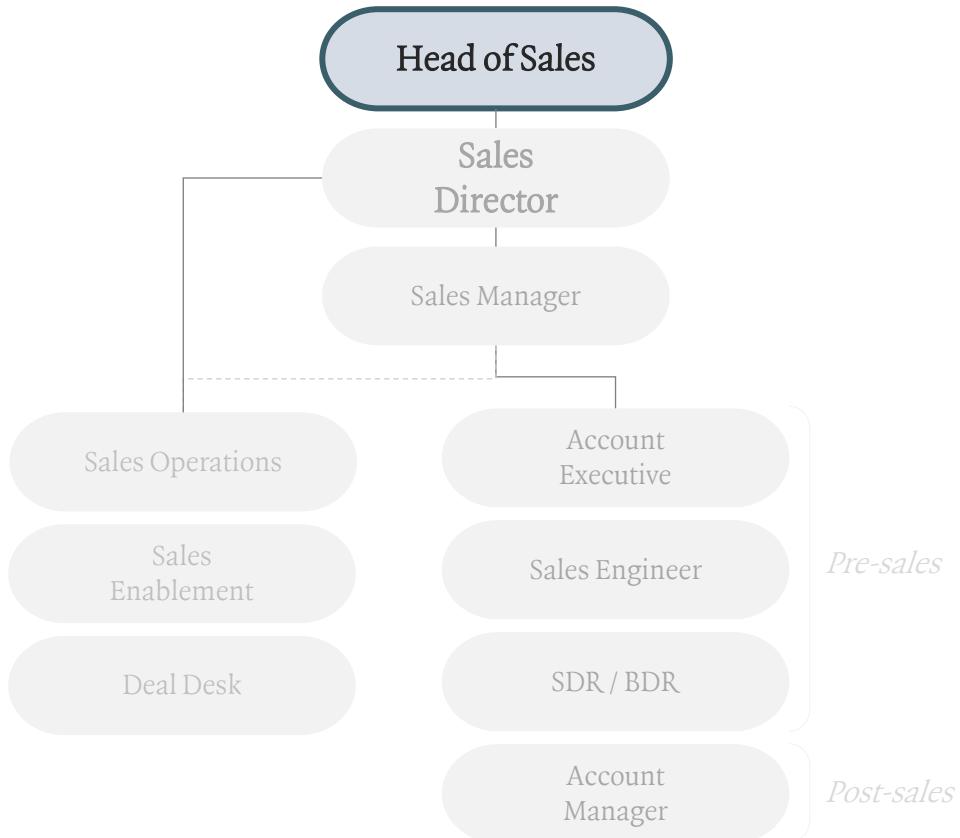
However, account managers are more quota and performance-driven than CSMs. While account managers have 35-45% variable, CSMs have 15-25% variable, which is more often tied to MBOs rather than quotas



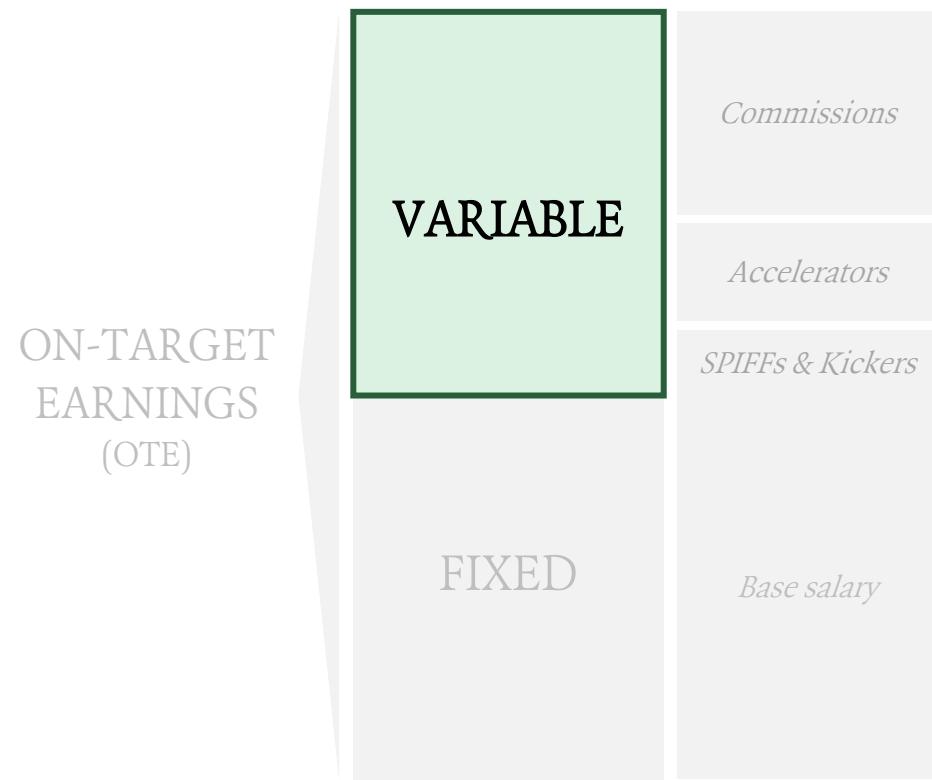
I see value in combining account management and CSM roles for some segments, and I think more companies will start incentivizing CSMs on renewals. However, there's a delicate balance. The customer should always feel like they have a trusted advisor and it's hard to find people that can do the job of consulting, nurturing, and selling at the same time.²

*Customer Leader
Data & Analytics
Late-stage (\$250M+ ARR)*

Typical Sales Org Structure



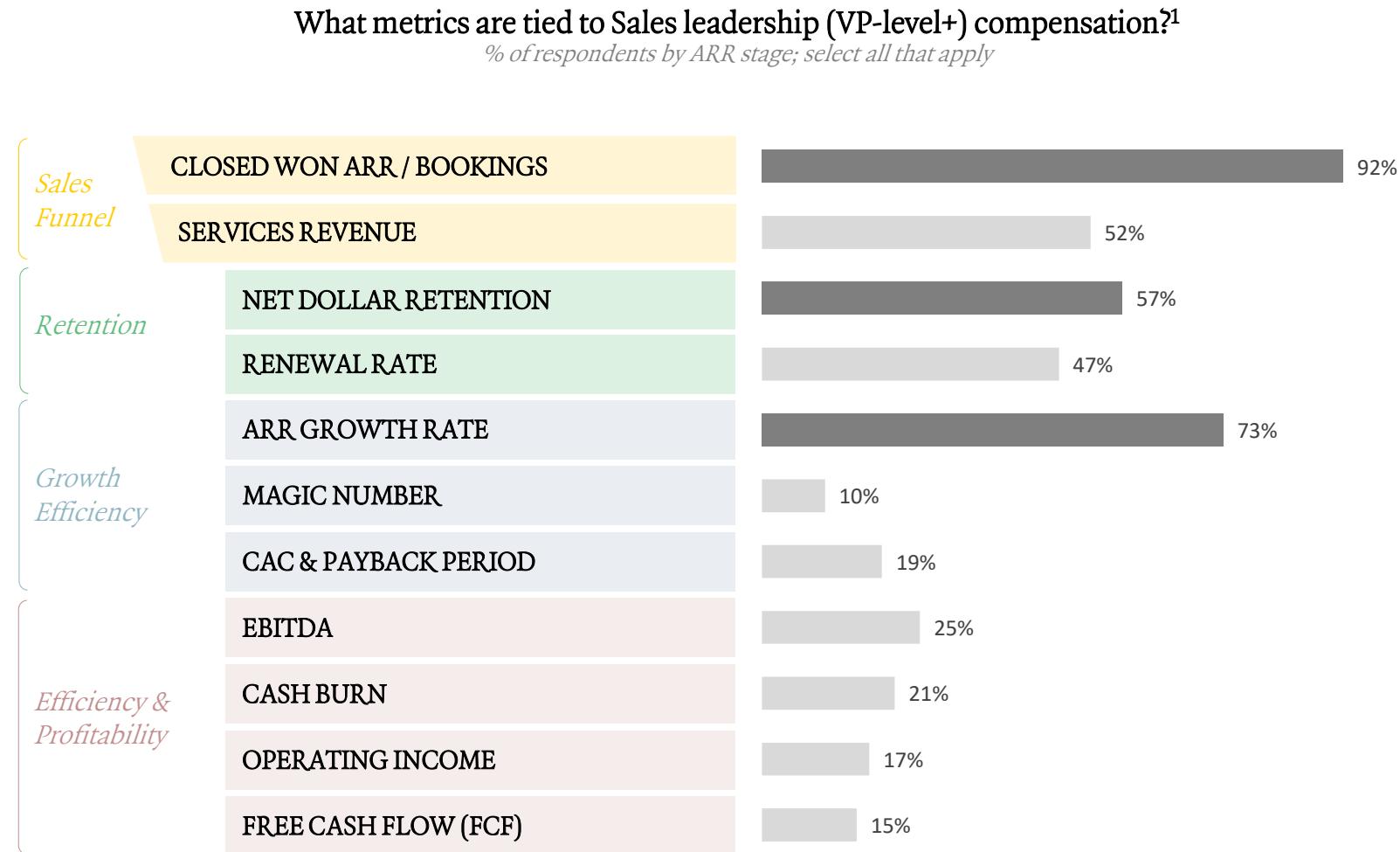
Key Components of Sales Compensation



Incentives for sales leadership are focused on topline growth via new revenue, net retention, and revenue growth rate. Later-stage companies focus slightly more on profitability metrics (operating income and FCF) and unit economics (CAC and payback period)

Top Metrics

Other Metrics



4

How do companies implement & operationalize sales compensation?

Ramp time

Quota & earnings during ramp time

Attainment & the quota ratio “sweet spot”

Leverage

Quota over-assignment

Quota relief

Clawbacks

Commission caps

Decelerators

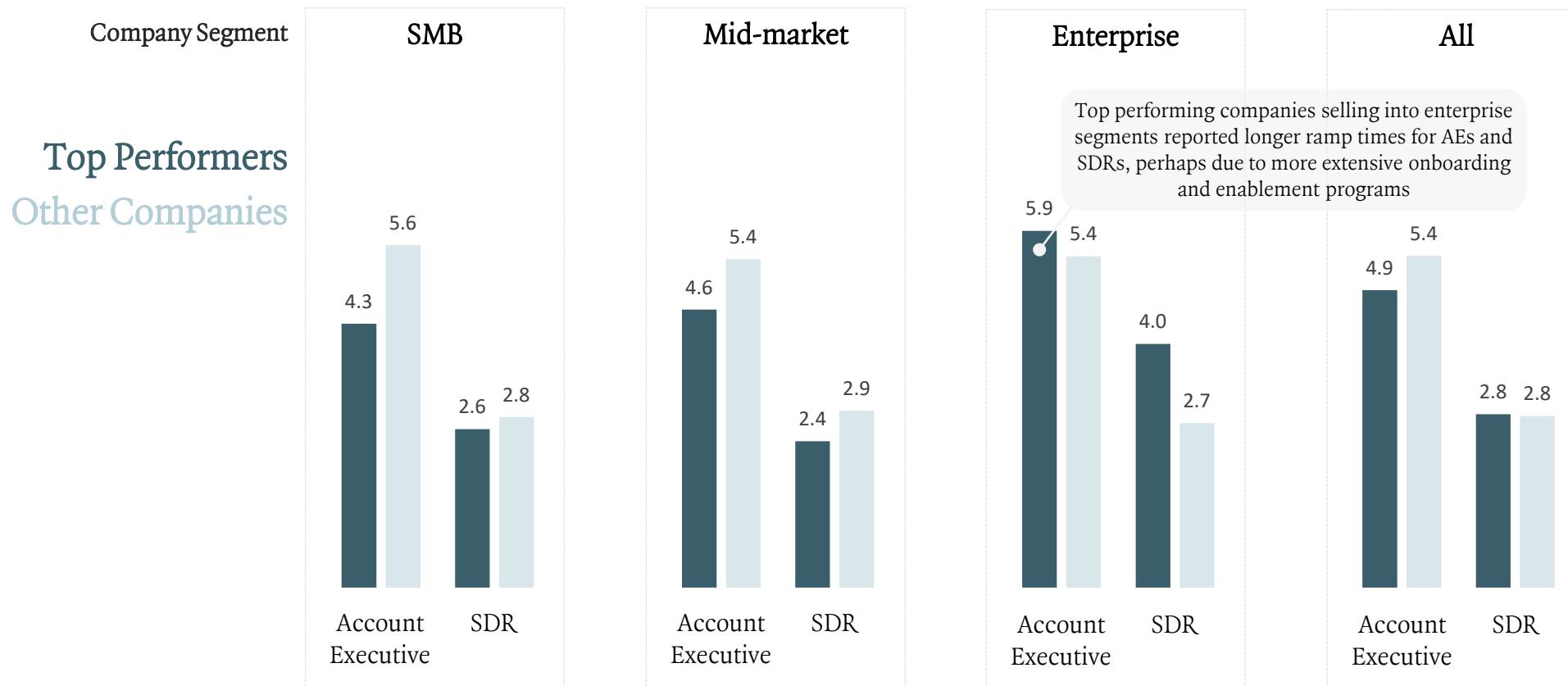


Operationalizing Sales Comp | Ramp time

Ramp time for new sales hires introduces a challenging variable when operationalizing sales compensation. AEs have 4-6-month and SDRs have 2–3-month ramp periods, during which they are typically not expected to achieve full quota or OTE expectations

What is your organization's average ramp time (months) for sales reps?¹

Median by company segment and type



When hiring sales reps, we value high ceilings and winning attitudes over software experience. This requires us to be more lenient on ramp times - rather than assigning a set ramp period, we track percent ramped, which is calculated based on progress against meetings held and pipeline generated in a rep's first few months.²

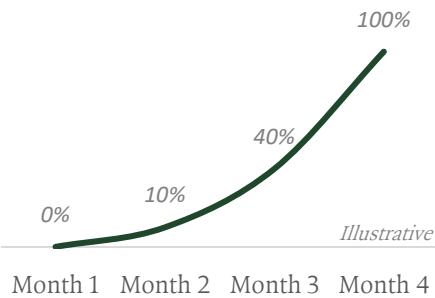
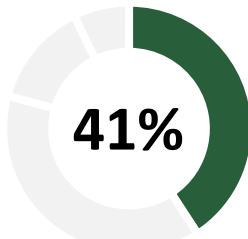
*Revenue Leader
Infrastructure & Security
Late-stage (\$250M+ ARR)*

Operationalizing Sales Comp | Quota during ramp time

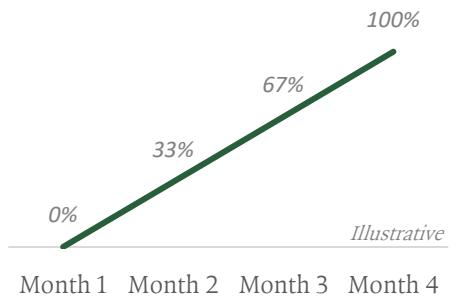
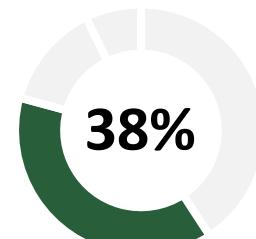
During ramp periods, companies typically prorate a rep's quota in a curved or linear fashion to ease the quota burden. As quota proration impacts a rep's achievable OTE, companies also have different approaches to compensating reps during ramp periods

How is quota typically allocated to sales reps as they're ramping?¹
% of respondents

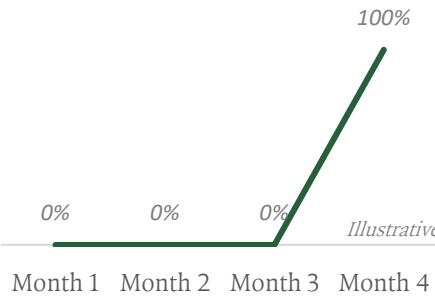
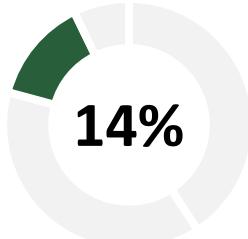
Curved Quota Proration



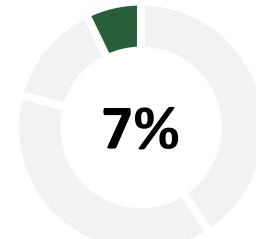
Linear Quota Proration



Zero to 100



No Proration



Building a strong coaching and enablement motion in your go-to-market organization better enables you to **promote from within**. Promoting from within your sales organization can significantly decrease ramp times and increase your overall quota capacity.²

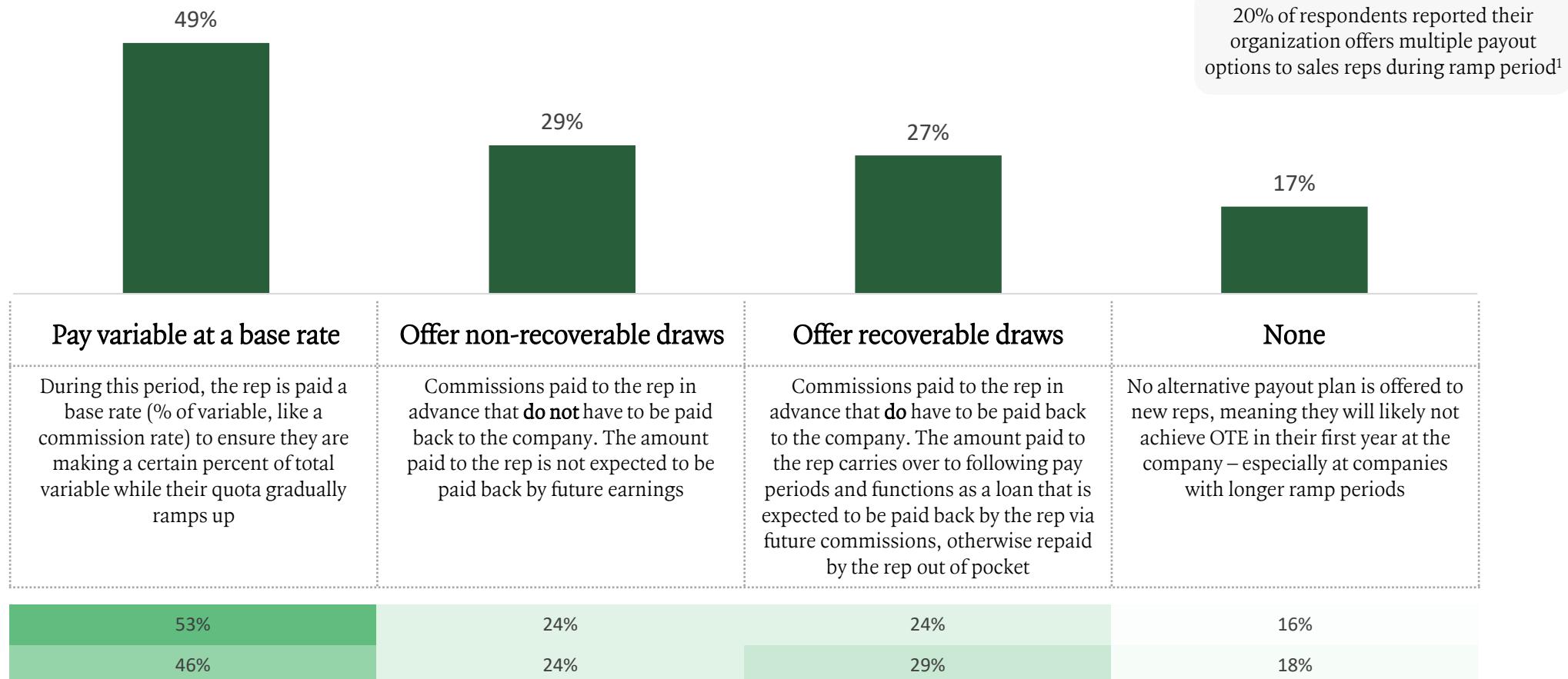
*Sales Leader
Vertical SaaS
Growth Stage (\$50-\$250M ARR)*

Operationalizing Sales Comp | Earnings during ramp time

The most common approaches for compensating reps during ramp periods include paying out a portion of variable compensation at a base rate and offering draws. Only 17% of companies report they don't offer at least one solution to payout during ramp periods

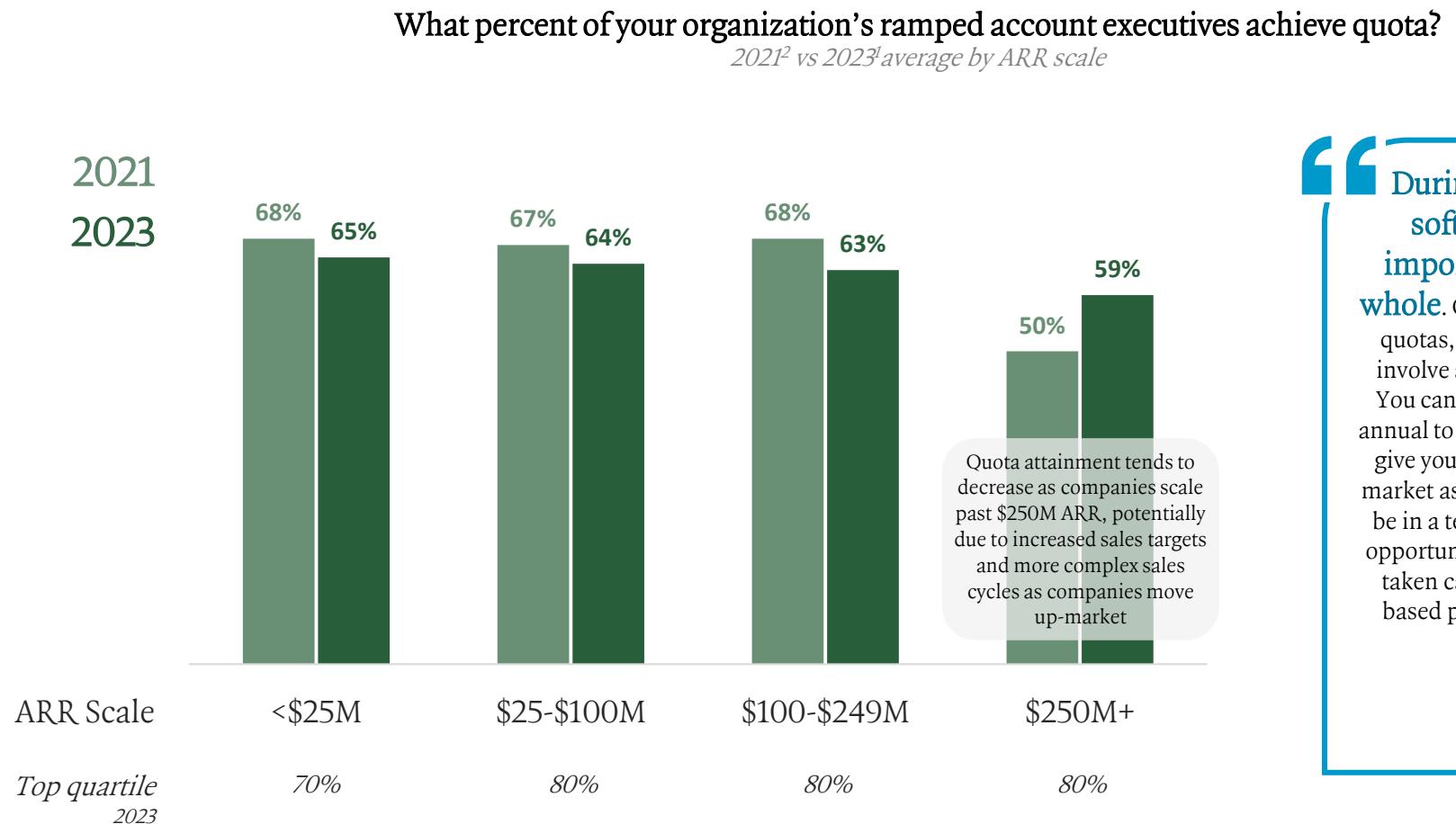
How does your organization pay sales reps as they're ramping?¹

Select all that apply; % of respondents



Operationalizing Sales Comp | Quota attainment

Once sales reps are ramped, team-wide quota attainment is between 60-70% on average, with top quartile attainment between 70-80%. Compared to 2021, average quota attainment is down ~5 points for early- and growth-stage companies



“During extended periods of softened attainment, it's important to make your reps whole. One approach is simply lowering quotas, but this can be tricky as it may involve adjusting company-level plans. You can also shorten quota cycles from annual to half-year or quarterly, which can give you more flexibility to adjust to the market as needed. Finally, some reps may be in a territory where there's not much opportunity. These individuals should be taken care of – maybe a commitment-based plan makes more sense for that segment.³

*Sales Leader
Go-to-market enablement
Early-stage (<\$50M ARR)*

¹ ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

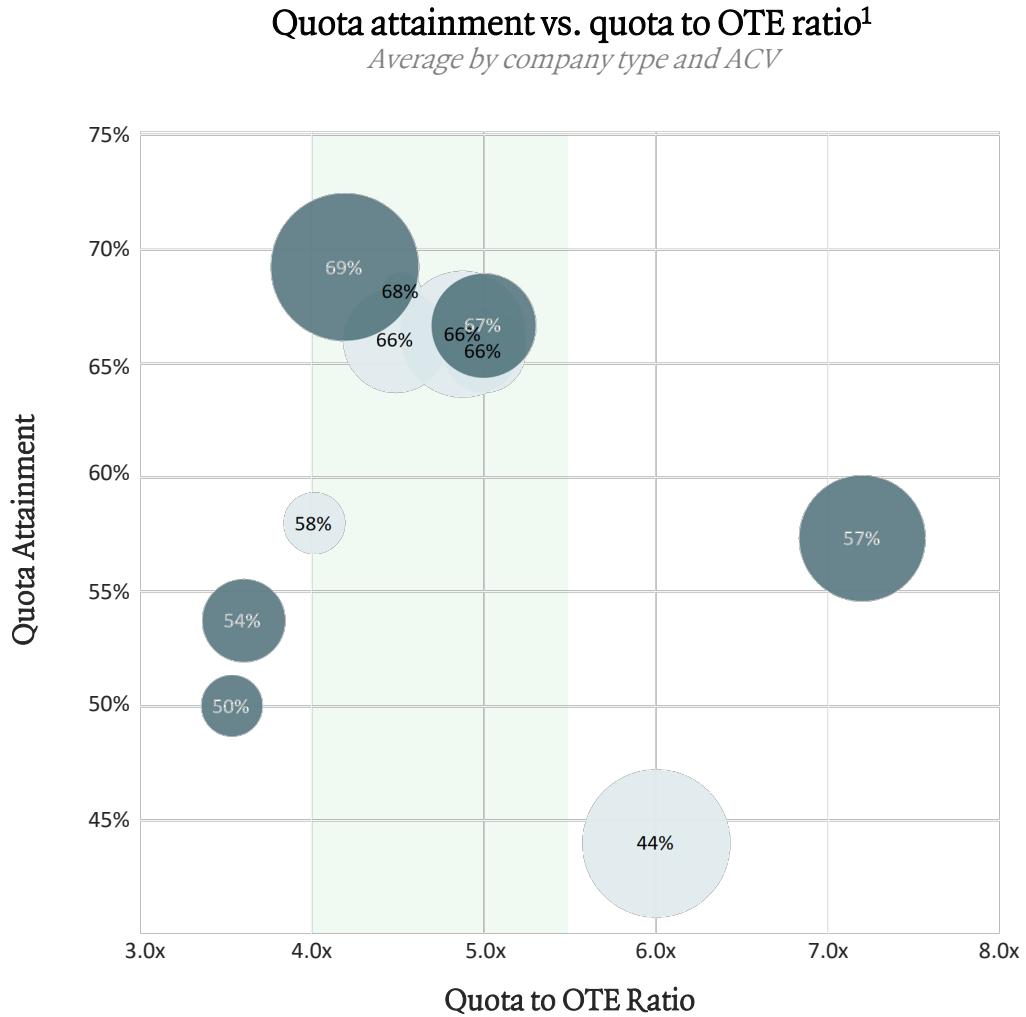
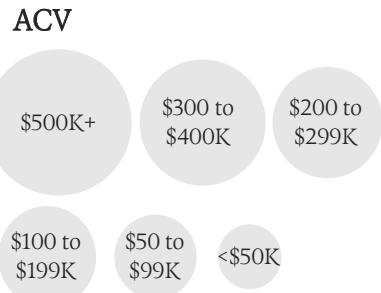
² ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2021)

³ Perspectives from the ICONIQ Growth network

Operationalizing Sales Comp | The quota ratio “sweet spot”

While ultimately tied to a company’s revenue plan, quotas should be set in relation to OTE as this has important implications for attainment. There is a quota to OTE ratio “sweet spot” between 4.0-5.5x that is correlated with higher attainment compared to companies in the upper and lower bands of quota ratios

Top Performers Other Companies



“ No matter what kind of economy you’re in, it’s a sales leader’s responsibility to **set quotas that are both challenging and attainable**. In these macroeconomic conditions, many companies are adjusting quotas down or decreasing their quota over-assignment buffers to remain within these goal posts. If you go too far past challenging to attainable, you’ll see attrition across your sales team.²

*Sales Leader
Vertical SaaS
Growth Stage (\$50-\$250M ARR)*

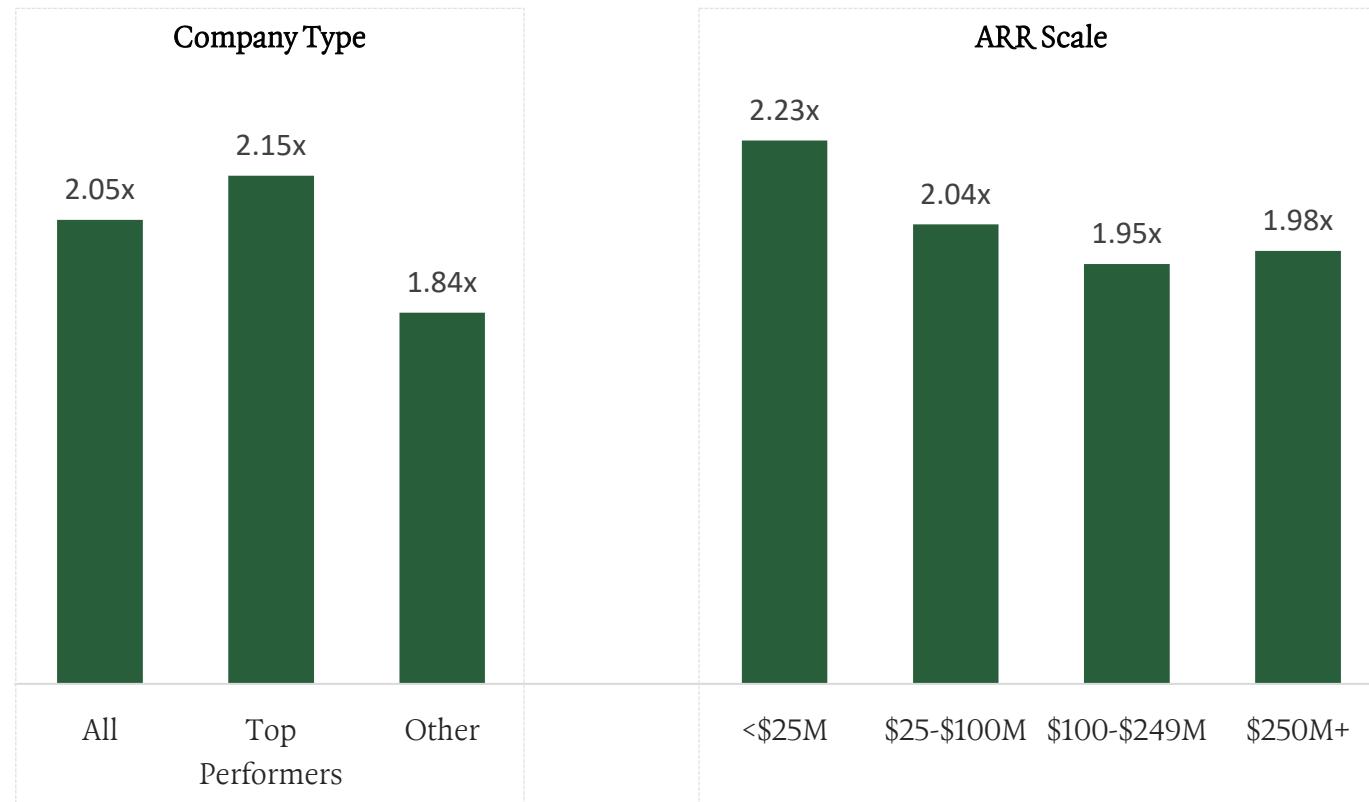
Operationalizing Sales Comp | Leverage

Many companies design their sales pay curves in relation to leverage ratios, the percent of variable achieved by a sales rep. Most companies report their top-performing sales reps should be making ~2x variable compensation on average, and early-stage companies aim for ~2.25x

Leverage ratio
The percent of variable achieved by a sales rep

What percent of variable compensation should top-performing AEs expect to make at your organization?¹

Average leverage ratio by company type and ARR scale



Operationalizing Sales Comp | Quota over-assignment

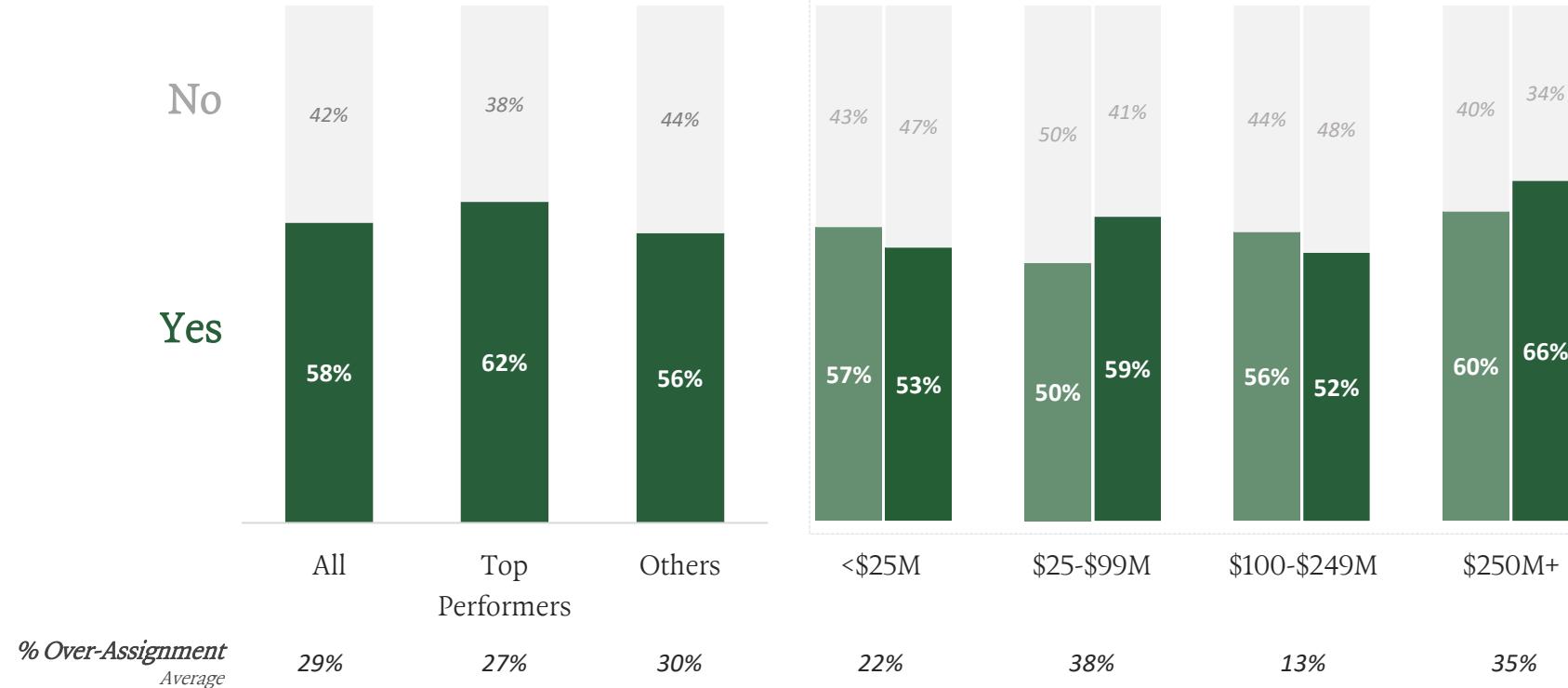
Most companies over-assign quotas by 20-30% to ensure quotas are aligned with the company-wide revenue plan. The prevalence of quota over-assignment has increased slightly over the last few years as attainment softened

Quota over-assignment
The practice of padding or allocating a larger per-rep quota than needed to hit broader company targets

Does your organization over-assign quotas to sales reps?¹

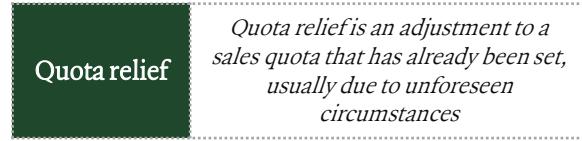
% of respondents

2021² vs. 2023¹ by ARR Scale

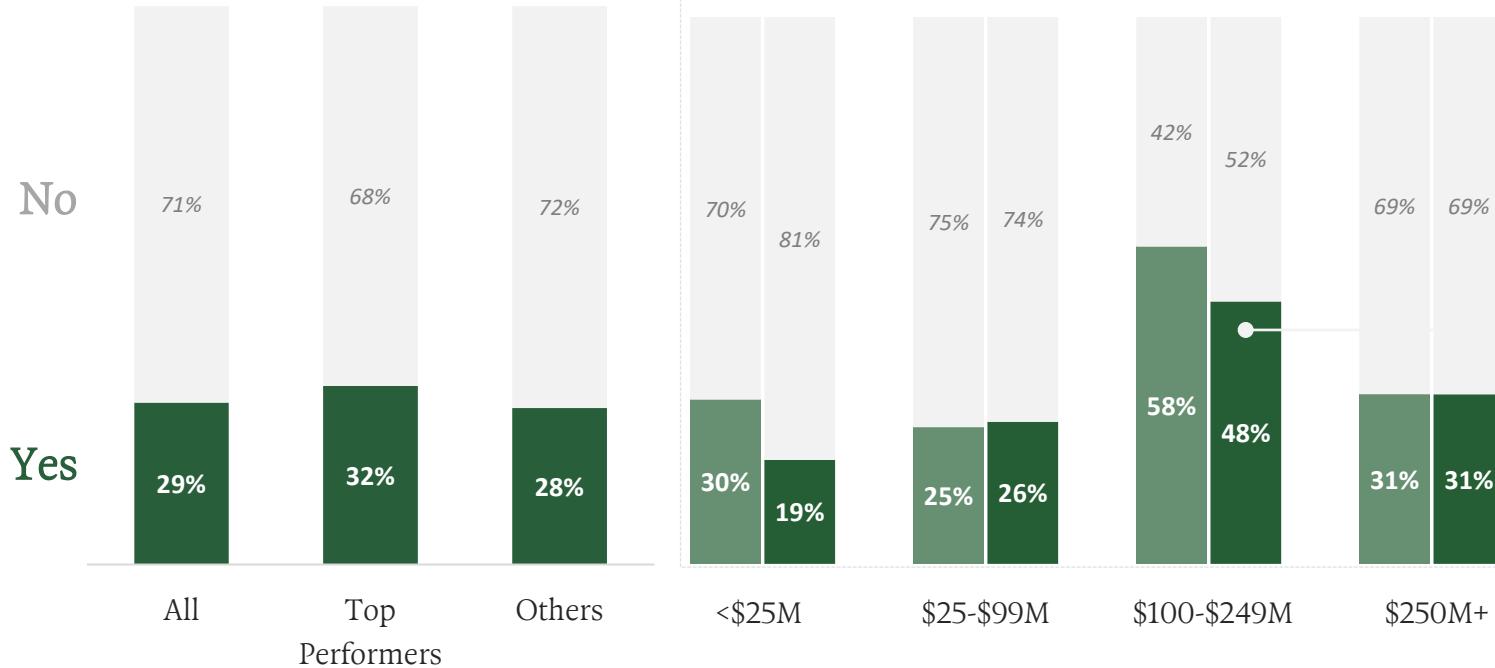


Operationalizing Sales Comp | Quota Relief

To provide quota flexibility, ~30% of companies offer quota relief to sales reps. Quota relief is more commonly offered at larger-scale companies and has become slightly less common in the last few years, perhaps as softened attainment has limited quota capacity flexibility



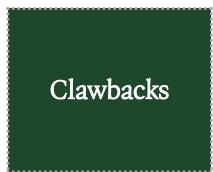
Does your organization provide quota relief to sales reps?¹ % of respondents



Higher prevalence of quota relief at growth-stage companies tends to be related to how these organizations are testing new and unproven go-to-market motions (e.g., expanding internationally, launching new products) at higher rates

Risk Mitigation | Clawbacks

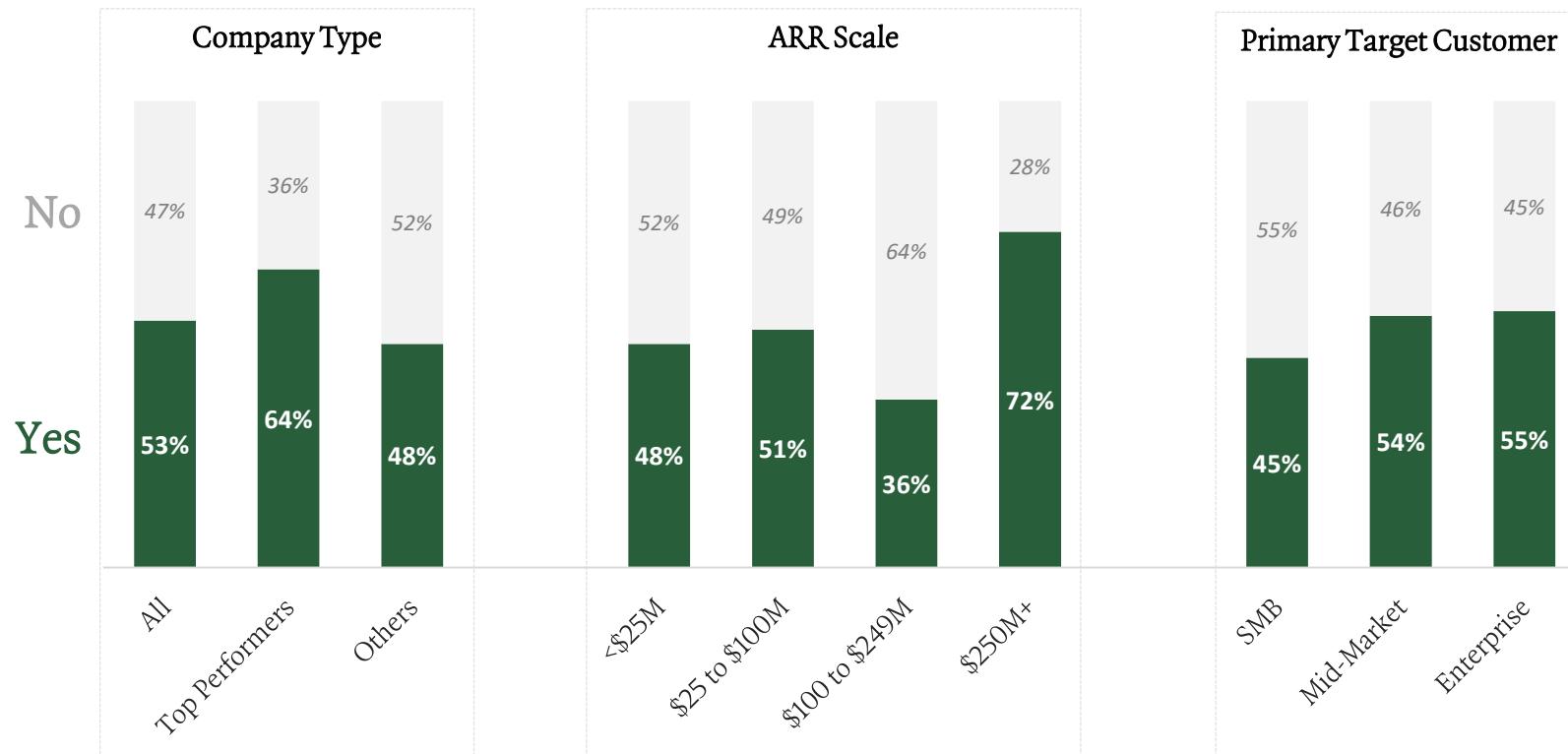
An important aspect of sales comp planning is mitigating organizational risk. Clawbacks are the most common form of risk mitigation, formally enforced by 53% of companies. Larger-scale companies with more mature accounting motions are more likely to enforce clawbacks



Clawbacks occur when a sales rep has already been paid commissions on a sale and has to pay back the commissions, for example, if the customer cancels the contract or never pays

Does your organization enforce clawbacks for sales reps?¹

% of respondents

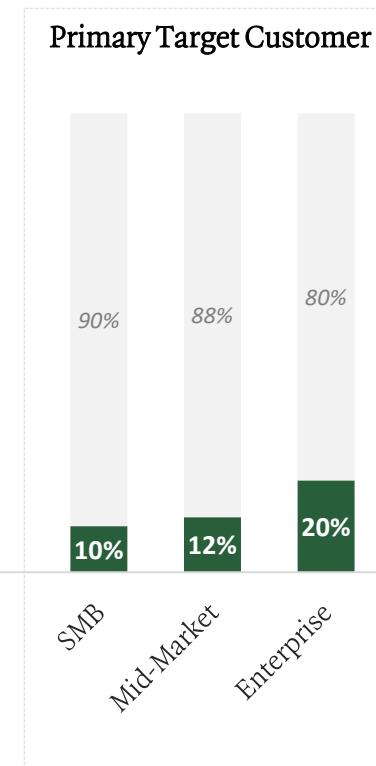
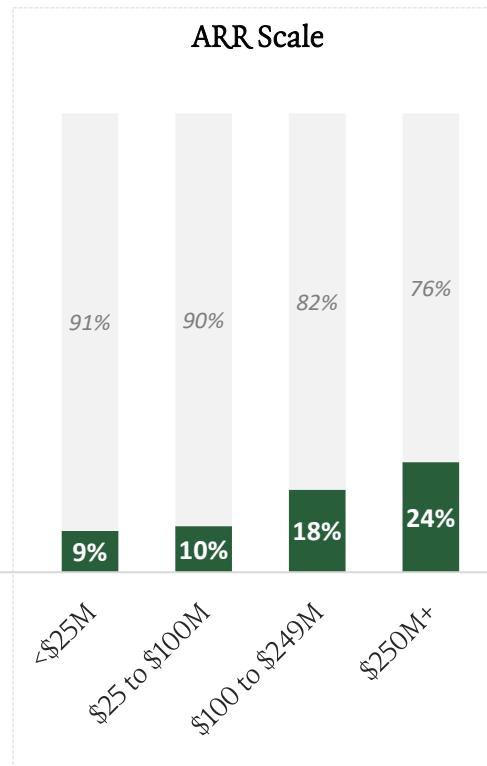
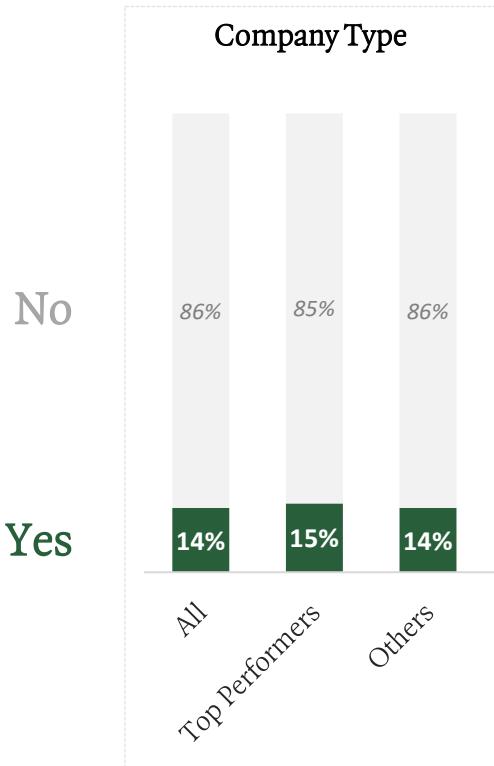


Risk Mitigation | Capping Commissions

Commission capping less popular, enforced by only 14% of companies as it de-incentivizes over-performance. Commission caps were most common at large-scale companies selling to enterprise customers, with caps applying primarily to large deals with exceptionally high ACVs

Commission caps
Caps limit the amount of compensation (typically commissions) that a sales rep can earn on a given deal, usually based on deal size or attainment

Does your organization cap commissions for sales reps?¹
% of respondents

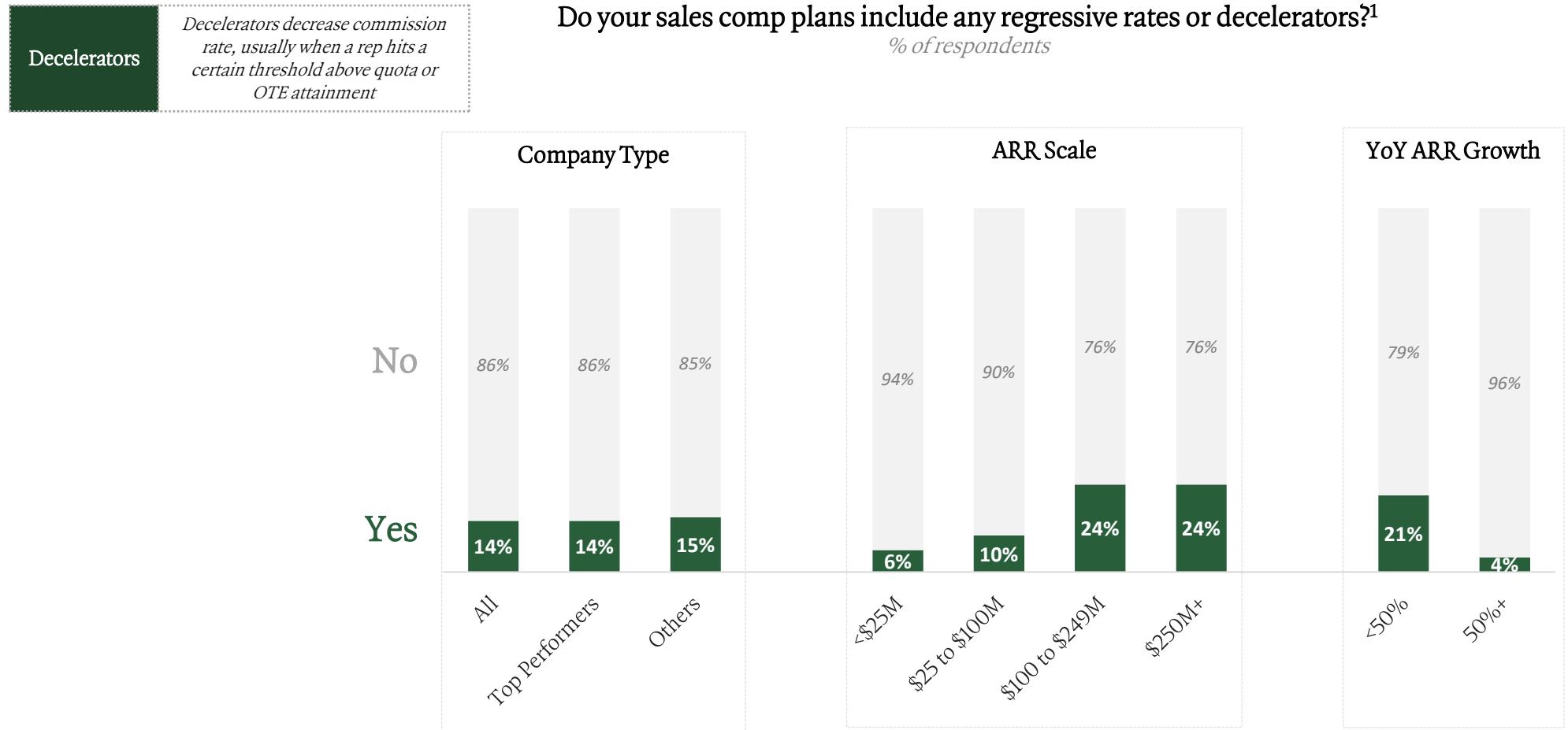


Cap Types
Select all that apply; % of respondents

Based on deal-size	7%
Based on OTE attainment	5%
Based on quota attainment	5%

Risk Mitigation | Decelerators

Like commission caps, decelerators (also known as regressive rates) are enforced by only 14% of companies, and by only 4% of the high-growth companies in this dataset



5

What do sales incentives look like at PLG companies?

The “flavors” of go-to-market motions

Sales-led vs. product-led incentives and responsibilities

Sales compensation at PLG companies

- Compensation for self-service conversion

- Variable compensation

- Commission rates

- Quotas and quota to OTE ratios



Product-led Growth | The “flavors” of go-to-market motions

GTM incentives should be aligned to your growth model. While there are many flavors and hybrid models, we typically see sales-led growth, which has top-down and bottom-up models, and product-led growth, in which the product and end-user drive the buying cycle



Overview of SaaS go-to-market motions ¹			
Key drivers of the buying cycle (Illustrative) & % of respondents in each category			
Sales-led Growth (SLG)			
Top-down SLG 46% of respondents		Bottom-up SLG 44% of respondents	Product-led Growth 10% of respondents
Awareness	Marketing targets potential buyers (typically executive-level budget owners) and makes them aware of the product	Marketing targets potential users and makes them aware of the product	Marketing targets potential users and makes them aware of the product
Consideration	Sales and company executives educate the buyer on the product to identify need and use cases	User educates themselves on the product to understand need and use cases	User educates themselves on the product to understand need and use cases
Purchase	Sales and company executives drive the purchase decision	User signs up for the product without human-touch	User signs up for the product without human-touch
Retention & Expansion	Sales or other GTM employee drives adoption, retention and expansion	Sales or other GTM employee drives adoption, retention and expansion	User onboards without human touch and the product drives adoption, retention, and expansion
Advocacy	CS and/or account managers drive user, engagement and advocacy via support, community forums, etc.	CS and/or account managers drive user, engagement and advocacy via support, community forums, etc.	The product drives user engagement and advocacy, and users are enabled to create communities and forums

Bottom-up motions can be “product-led”, wherein the end-user can sign up for a freemium product with a touchless onboarding. However, **if the product doesn’t drive expansion and a go-to-market employee still needs to be involved, this is not product-led growth.²**

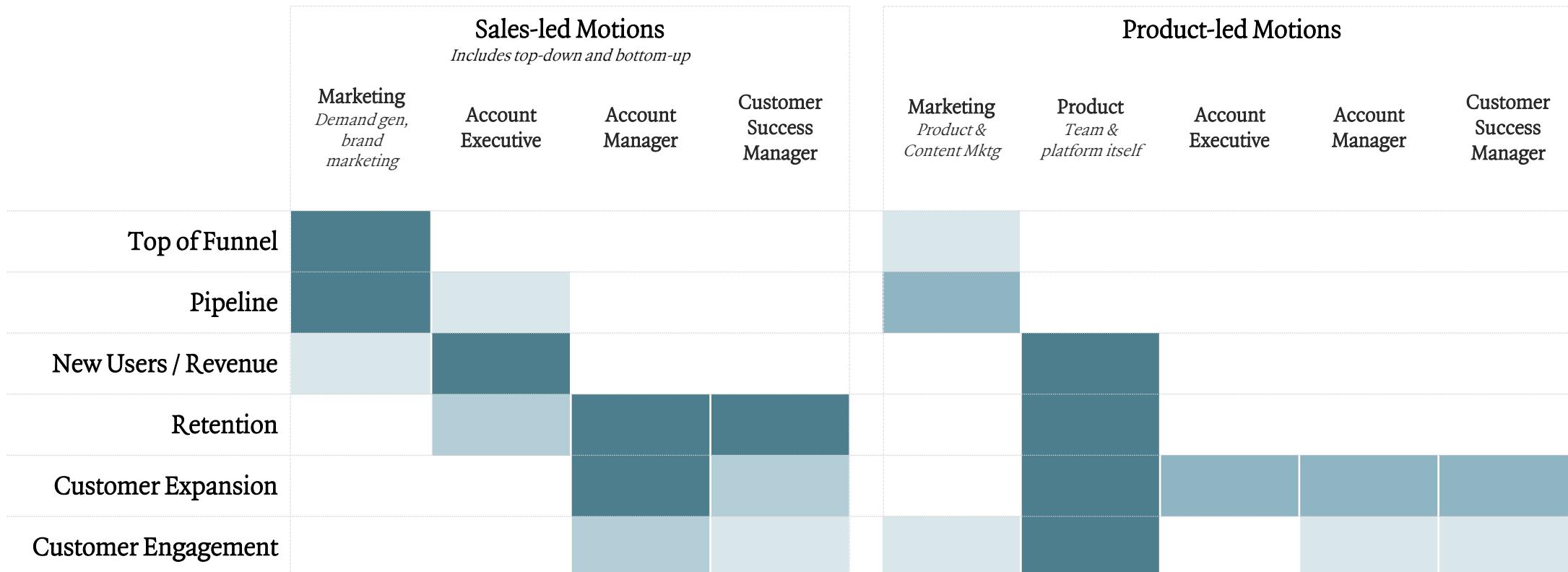
*Revenue Leader
Collaboration & Workflow, PLG
Late-stage (\$250M+ ARR)*

Product-led Growth | Sales-led vs. product-led incentives & responsibilities

Many PLG companies have both sales-led and product-led motions and have different teams dedicated to each. For PLG motions, top-of-funnel responsibilities are typically owned by marketing, and the product drives the rest of the customer lifecycle with support from sales and CS

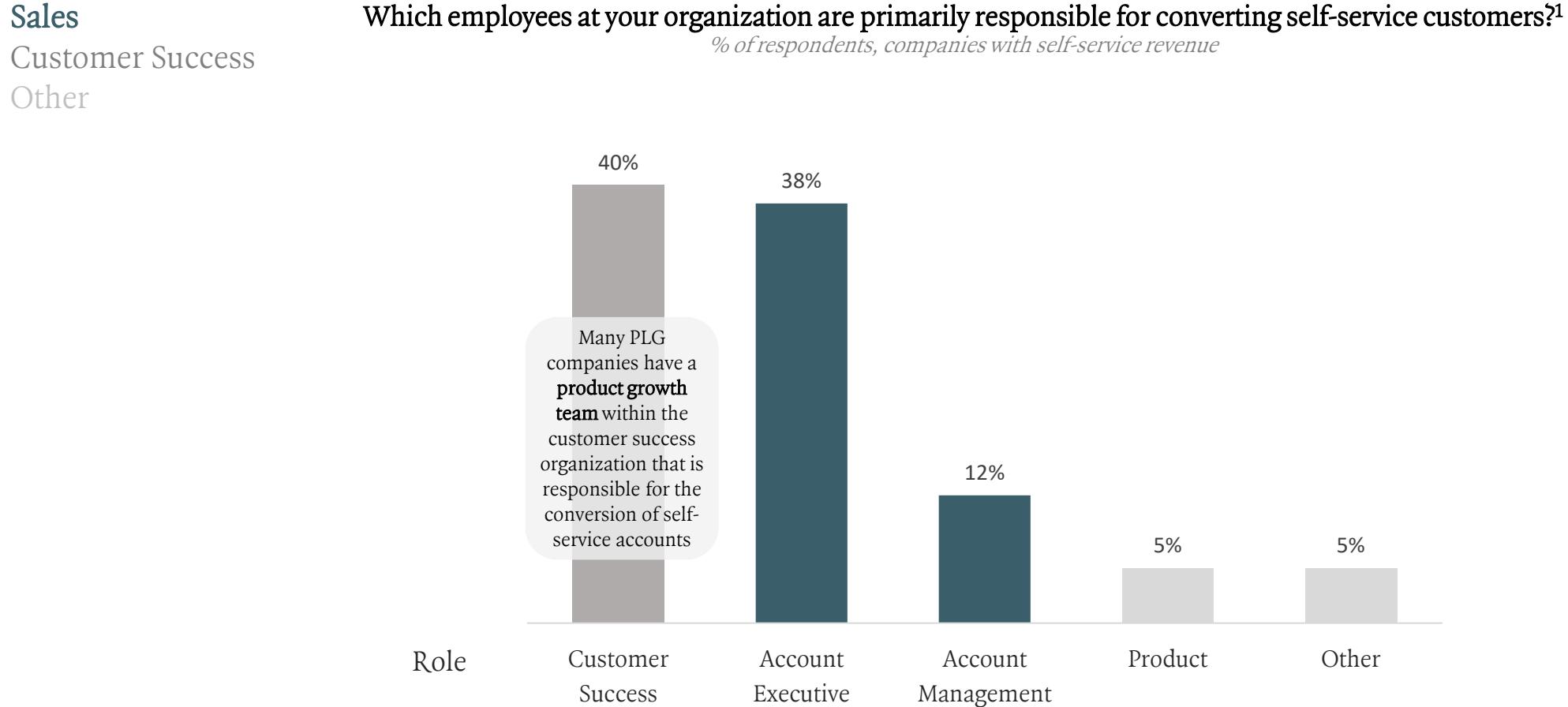


Common incentives across the GTM org by sales-led vs. product-led motions¹
By key role



Product-led Growth | Sales incentives on self-service conversion

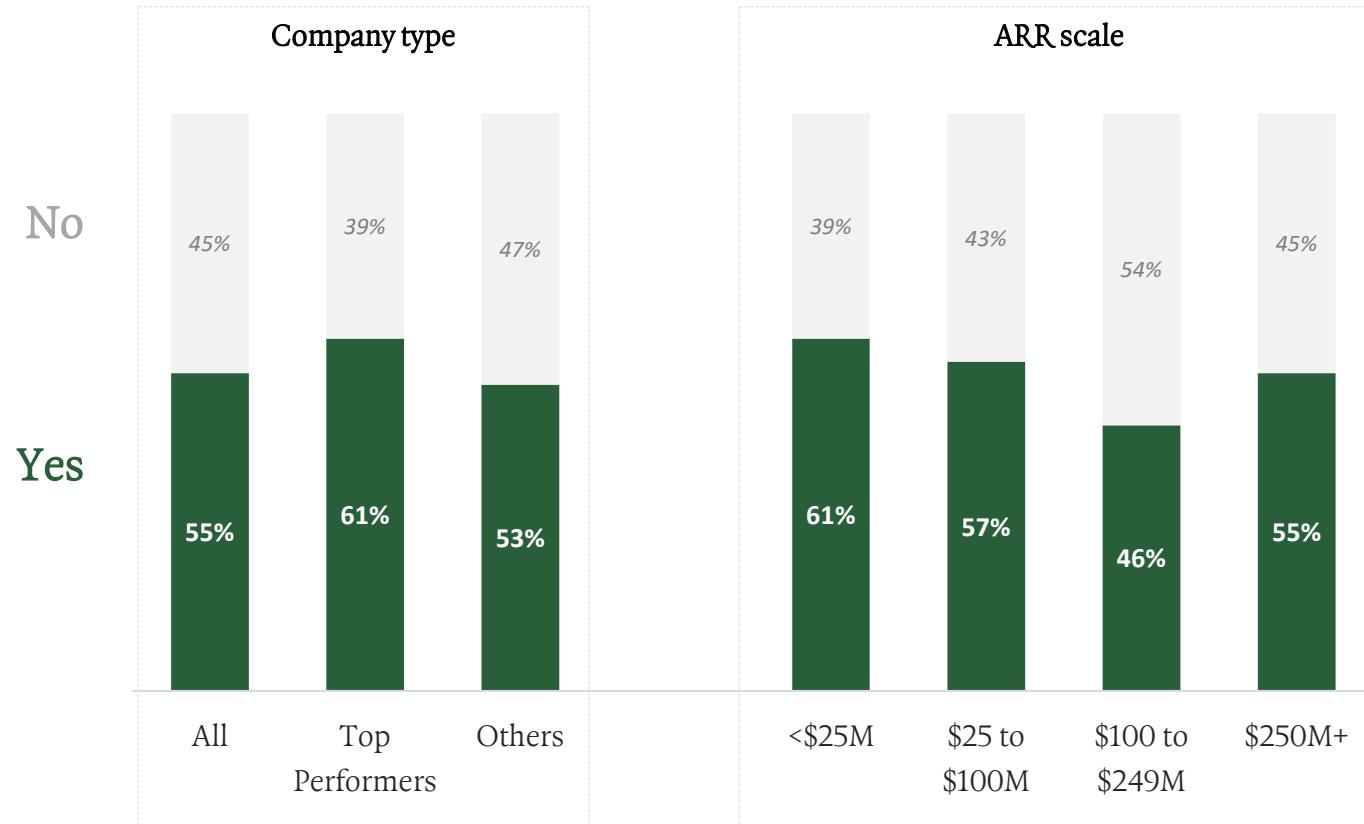
Many bottom-up and PLG companies have self-service customers, and they incentivize customer success or sales employees to expand these self-service accounts into paying customers



Product-led Growth | Sales incentives on self-service conversion

Around half of PLG companies pay employees commissions for self-service customers that convert to paid accounts without human touch. This becomes less common as PLG companies scale

Do employees responsible for product-led accounts receive commissions on customers expanding from self-service plans with no human touch?¹
% of respondents, PLG companies



Product-led Growth | Variable compensation

PLG companies have more performance-driven incentives for both pre- and post-sales employees, offering 2-5% higher variable compensation on average for AEs, SDRs, and account managers than SLG companies

Sales-led Growth

Product-led Growth

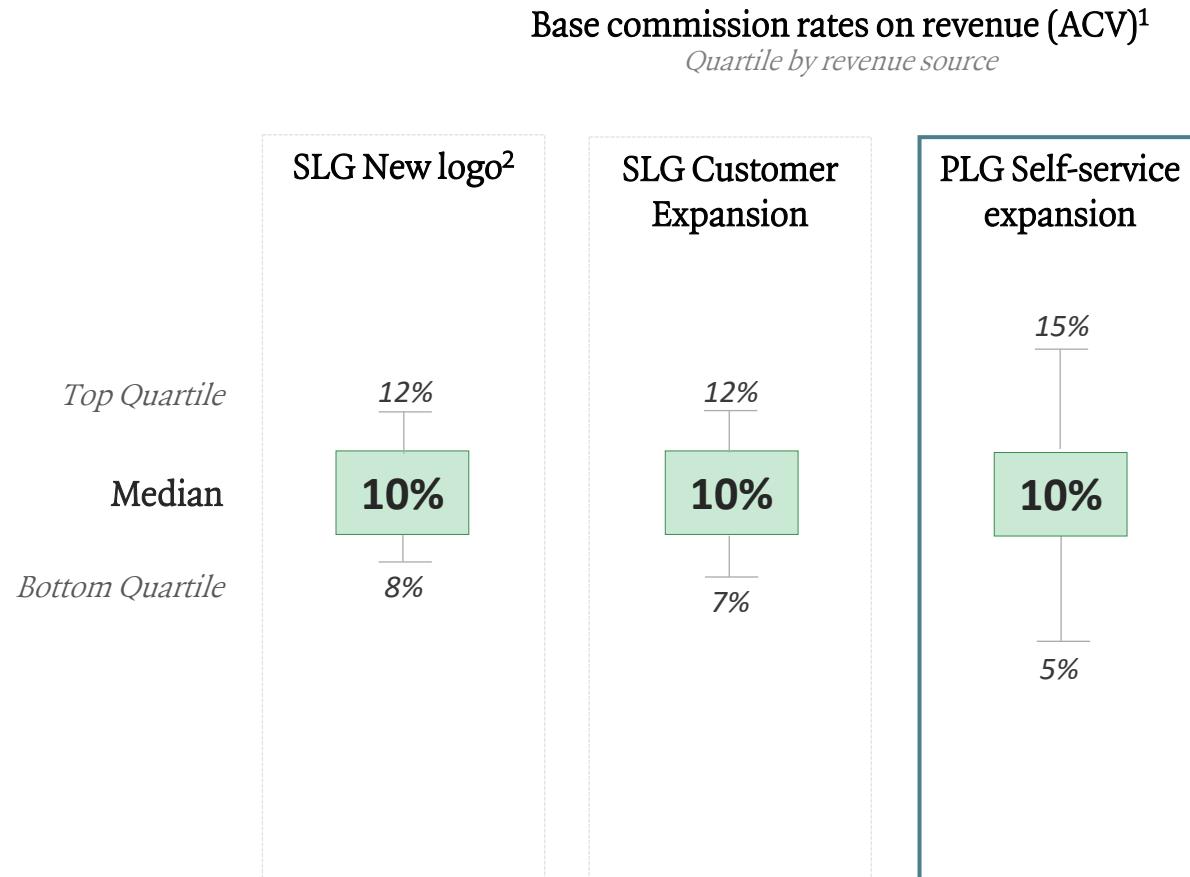


Marketing is more critical than ever now that buyers have enormous access to information. **In a PLG motion, marketing should generate the opportunities for sales** – true PLG companies may not even need an SDR team.²

*Marketing Leader
Collaboration & Workflow, PLG
Late-stage (\$250M+ ARR)*

Product-led Growth | Commission rates on self-service conversion

Employees responsible for converting self-service accounts at PLG companies have a broader band of commission rates (5-15%) compared to commission rates for sales-led revenue (7-12%)



We do not compensate our sales reps on new logos – it's all about expansion. In fact, sales reps are only assigned an account once the self-serve customer has reached a certain threshold of usage and potential expansion. In a self-service motion, sales people shouldn't be doing a bunch of \$5K deals, they should be doing a couple \$1M ACV deals.³

*Revenue Leader
Data & Analytics
Late-stage (\$250M+ ARR)*

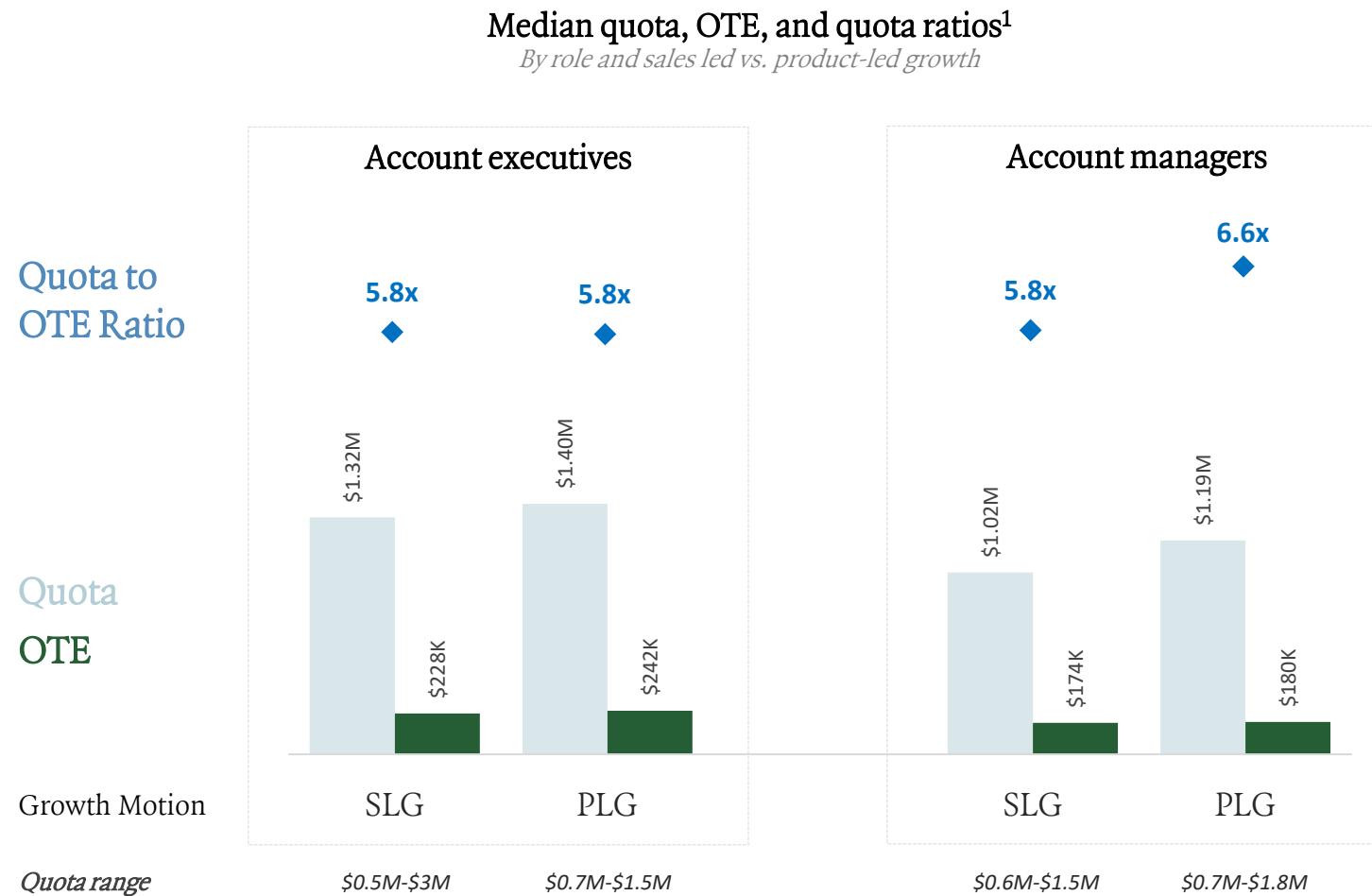
¹ ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

² 10% was the median and maximum base commission rate for new logo revenue

³ Perspectives from the ICONIQ Growth network

Product-led Growth | Quota to OTE ratios

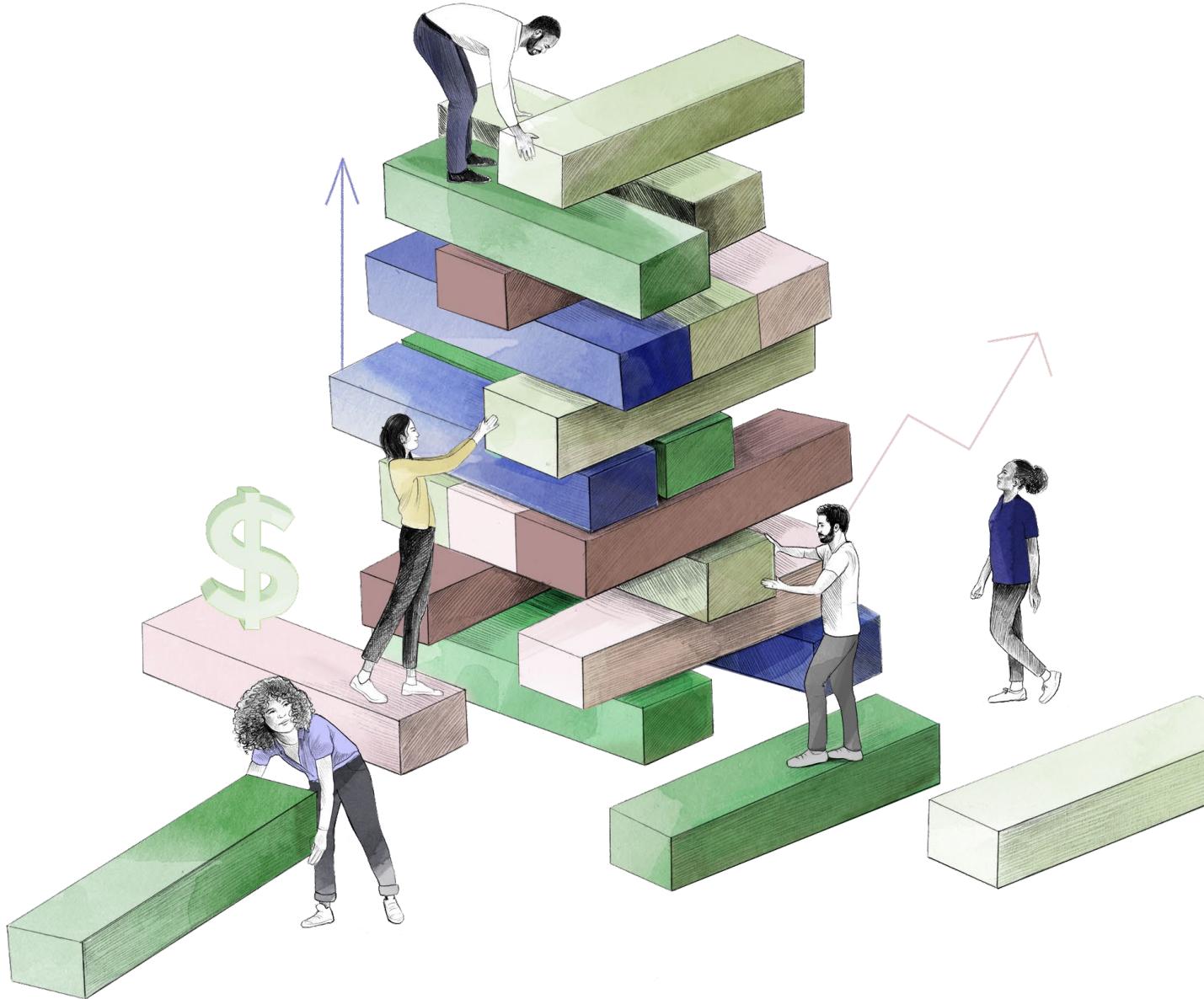
While average quota to OTE ratios are the same for AEs at sales-led and product-led growth companies, PLG companies are more focused on customer-expansion-based incentives and have higher quota to OTE ratios for account managers



Appendix

Geography tiers

About ICONIQ Growth



Geography tiers

The following tiers were utilized for geographical compensation analysis in this study. These categorizations are based primarily on cost of living

Pay tiers used in geographical compensation analysis¹
Only locations of survey respondents are included (list is not exhaustive)

All	Tier 1	Tier 2	Tier 3
All locations in tier 1-3	California	Colorado	Arizona
Evenly distributed	New York	Illinois	Florida
Canada	New Jersey	Maryland	Georgia
UK		Massachusetts	Indiana
Netherlands		Texas	Kansas
		Utah	Michigan
		Washington	Minnesota
			Montana
			Ohio
			Pennsylvania
			Tennessee

ABOUT

ICONIQ | Growth
Entrepreneurs Backing Entrepreneurs

A global portfolio of category-defining businesses



These companies represent the full list of companies that ICONIQ Growth has invested in since inception through ICONIQ Strategic Partners funds as of the date these materials were published (except those subject to confidentiality obligations). Trademarks are the property of their respective owners. None of the companies illustrated have endorsed or recommended the services of ICONIQ.

Technology matters. Strategy matters. People matter most.

Meet the ICONIQ Growth team

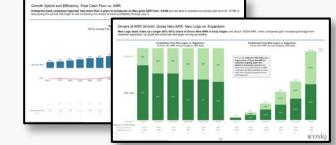


Other research from ICONIQ Growth

The ICONIQ Growth analytics mission is to empower our portfolio and network with **proprietary insights that inform business operations and strategy.**

SaaS Topline Growth & Operational Efficiency

- Our annual report on the data behind scaling a B2B SaaS business: we answer key questions on how these companies scale quickly and efficiently and explore what we believe to be early indicators of long-term success
- *Data source: quarterly financial and operating data from the ICONIQ Growth B2B SaaS portfolio*



IPO Preparedness & Performance

- Our annual software, consumer, and healthcare IT IPO reports answer key questions across several major topics related to successfully planning for an executing an IPO
- *Data source: Public filings for IPOs from 2013 to now*



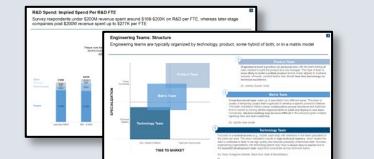
Navigating a Turbulent Environment

- Real-time insights into performance and attainment across top- and bottom-line forecasts, how key performance metrics have been impacted by the current market environment, and how companies are adjusting plan and strategy in response
- *Data source: quarterly attainment and budget data from and proprietary surveys of the ICONIQ Growth portfolio*



Engineering Efficiency

- Our annual report in collaboration with the ICONIQ Growth Technical Advisory Board on the data behind high-functioning engineering organizations
- *Data source: proprietary survey of ICONIQ Growth portfolio and broader network*



The Essential Tech Stack

- This report details the top tools powering modern-day software organizations across product development, data and security, go-to-market, and internal operations (in collaboration with G2)
- *Data source: proprietary survey of ICONIQ Growth portfolio engineering leaders and proprietary G2 review data*



Select research shown. We invite you to explore additional resources on our [ICONIQ Growth Insights page](#).

 These studies include proprietary information. Please reach out to iconiqgrowthanalytics@iconiqcapital.com to request access.

Other research from
ICONIQ Growth

Leadership Analytics

Executive hiring is the final frontier within the modern organization that is yet to see a proliferation of data. Despite having data to guide nearly every other business decision, CEOs and Founders have heretofore been forced to rely on anecdotal evidence. **ICONIQ Growth Leadership Analytics helps de-risk hiring decisions by empowering CEOs and Founders with executive hiring data:** we study every leadership hire between founding and IPO at high-caliber SaaS companies to create a series of first-of-their-kind playbooks that help guide decision-making across the entire company lifecycle.

Chief Marketing Officer Study

- Quantitative analysis of the most prevalent – and most successful – operational backgrounds and qualifications for Heads of Marketing at private SaaS companies, segmented by Growth Stage
- Data source: Proprietary dataset of >150 marketing leaders at 49 SaaS companies*



Chief People Officer Study

- Quantitative analysis of the most prevalent – and most successful – operational backgrounds and qualifications for Heads of People at private SaaS companies, segmented by Growth Stage
- Data source: Proprietary datasets of >100 people leaders at 59 companies; 2021 Cloud 100 People leaders*



President & Chief Operating Officer Study

- Examination of the advantages and challenges of having a COO and/or President role
- Data source: Proprietary dataset of every past and current COO/President at 61 SaaS companies*



Chief Financial Officer Study

- Quantitative analysis of the most prevalent – and most successful – operational backgrounds and qualifications for Heads of Finance at private SaaS companies, segmented by Growth Stage
- Data source: Proprietary dataset of >170 finance leaders at 72 companies*



Chief Revenue Officer Study (Two-Part Series)

- Quantitative analysis of the most prevalent – and most successful – operational backgrounds and qualifications for Heads of Sales/CROs at private SaaS companies, segmented by Growth Stage
- Data source: Proprietary dataset of >180 sales leaders at 72 companies*



★ These studies include proprietary information. Please reach out to leadershipadvisory@iconiqcapital.com to request access.

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