

*The definitive guide to*  
**Sales Compensation**

Go-to-Market Series

*May 2023*



## DISCLOSURE

UNLESS OTHERWISE INDICATED, THE VIEWS EXPRESSED IN THIS PRESENTATION ARE THOSE OF ICONIQ GROWTH ("ICONIQ" OR THE "FIRM"), ARE THE RESULT OF PROPRIETARY RESEARCH, MAY BE SUBJECTIVE, AND MAY NOT BE RELIED UPON IN MAKING AN INVESTMENT DECISION. INFORMATION USED IN THIS PRESENTATION WAS OBTAINED FROM NUMEROUS SOURCES. CERTAIN OF THESE COMPANIES ARE PORTFOLIO COMPANIES OF ICONIQ GROWTH. ICONIQ GROWTH DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OF THE INFORMATION OBTAINED FROM THESE SOURCES.

THIS PRESENTATION IS FOR EDUCATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE INVESTMENT ADVICE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES WHICH WILL ONLY BE MADE PURSUANT TO DEFINITIVE OFFERING DOCUMENTS AND SUBSCRIPTION AGREEMENTS, INCLUDING, WITHOUT LIMITATION, ANY INVESTMENT FUND OR INVESTMENT PRODUCT REFERENCED HEREIN.

ANY REPRODUCTION OR DISTRIBUTION OF THIS PRESENTATION IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR CONSENT OF ICONIQ, IS PROHIBITED.

THIS PRESENTATION MAY CONTAIN FORWARD-LOOKING STATEMENTS BASED ON CURRENT PLANS, ESTIMATES AND PROJECTIONS. THE RECIPIENT OF THIS PRESENTATION ("YOU") ARE CAUTIONED THAT A NUMBER OF IMPORTANT FACTORS COULD CAUSE ACTUAL RESULTS OR OUTCOMES TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN, OR IMPLIED BY, THE FORWARD-LOOKING STATEMENTS. THE NUMBERS, FIGURES AND CASE STUDIES INCLUDED IN THIS PRESENTATION HAVE BEEN INCLUDED FOR PURPOSES OF ILLUSTRATION ONLY, AND NO ASSURANCE CAN BE GIVEN THAT THE ACTUAL RESULTS OF ICONIQ OR ANY OF ITS PARTNERS AND AFFILIATES WILL CORRESPOND WITH THE RESULTS CONTEMPLATED IN THE PRESENTATION. NO INFORMATION IS CONTAINED HEREIN WITH RESPECT TO CONFLICTS OF INTEREST, WHICH MAY BE SIGNIFICANT. THE PORTFOLIO COMPANIES AND OTHER PARTIES MENTIONED HEREIN MAY REFLECT A SELECTIVE LIST OF THE PRIOR INVESTMENTS MADE BY ICONIQ.

CERTAIN OF THE ECONOMIC AND MARKET INFORMATION CONTAINED HEREIN MAY HAVE BEEN OBTAINED FROM PUBLISHED SOURCES AND/OR PREPARED BY OTHER PARTIES. WHILE SUCH SOURCES ARE BELIEVED TO BE RELIABLE, NONE OF ICONIQ OR ANY OF ITS AFFILIATES AND PARTNERS, EMPLOYEES AND REPRESENTATIVES ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OF SUCH INFORMATION.

ALL OF THE INFORMATION IN THE PRESENTATION IS PRESENTED AS OF THE DATE MADE AVAILABLE TO YOU (EXCEPT AS OTHERWISE SPECIFIED), AND IS SUBJECT TO CHANGE WITHOUT NOTICE, AND MAY NOT BE CURRENT OR MAY HAVE CHANGED (POSSIBLY MATERIALLY) BETWEEN THE DATE MADE AVAILABLE TO YOU AND THE DATE ACTUALLY RECEIVED OR REVIEWED BY YOU. ICONIQ ASSUMES NO OBLIGATION TO UPDATE OR OTHERWISE REVISE ANY INFORMATION, PROJECTIONS, FORECASTS OR ESTIMATES CONTAINED IN THE PRESENTATION, INCLUDING ANY REVISIONS TO REFLECT CHANGES IN ECONOMIC OR MARKET CONDITIONS OR OTHER CIRCUMSTANCES ARISING AFTER THE DATE THE ITEMS WERE MADE AVAILABLE TO YOU OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

FOR AVOIDANCE OF DOUBT, ICONIQ IS NOT ACTING AS AN ADVISER OR FIDUCIARY IN ANY RESPECT IN CONNECTION WITH PROVIDING THIS PRESENTATION AND NO RELATIONSHIP SHALL ARISE BETWEEN YOU AND ICONIQ AS A RESULT OF THIS PRESENTATION BEING MADE AVAILABLE TO YOU.

ICONIQ IS A DIVERSIFIED FINANCIAL SERVICES FIRM AND HAS DIRECT CLIENT RELATIONSHIPS WITH PERSONS THAT MAY BECOME LIMITED PARTNERS OF ICONIQ FUNDS. NOTWITHSTANDING THAT A PERSON MAY BE REFERRED TO HEREIN AS A "CLIENT" OF THE FIRM, NO LIMITED PARTNER OF ANY FUND WILL, IN ITS CAPACITY AS SUCH, BE A CLIENT OF ICONIQ. THERE CAN BE NO ASSURANCE THAT THE INVESTMENTS MADE BY ANY ICONIQ FUND WILL BE PROFITABLE OR WILL EQUAL THE PERFORMANCE OF PRIOR INVESTMENTS MADE BY PERSONS DESCRIBED IN THIS PRESENTATION.

THESE MATERIALS ARE PROVIDED FOR GENERAL INFORMATION AND DISCUSSION PURPOSES ONLY AND MAY NOT BE RELIED UPON.

THIS MATERIAL MAY BE DISTRIBUTED TO, OR DIRECTED AT, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "FP ORDER"), (II) HIGH-NET-WORTH ENTITIES FALLING WITHIN ARTICLE 49(2) OF THE FP ORDER, AND (III) ANY OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "FPO RELEVANT PERSONS"). PERSONS WHO ARE NOT FPO RELEVANT PERSONS MUST NOT ACT ON OR RELY ON THIS MATERIAL OR ANY OF ITS CONTENTS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS MATERIAL RELATES IS AVAILABLE ONLY TO FPO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH FPO RELEVANT PERSONS. RECIPIENTS MUST NOT DISTRIBUTE, PUBLISH, REPRODUCE, OR DISCLOSE THIS MATERIAL, IN WHOLE OR IN PART, TO ANY OTHER PERSON.

COPYRIGHT © 2023 ICONIQ CAPITAL, LLC. ALL RIGHTS RESERVED.

# 1 Introduction

About the research

The authors

Table of contents

Data sources & methodology

Collaborators & industry perspectives

Key terms

The go-to-market organization

Sales compensation

The sales funnel

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.

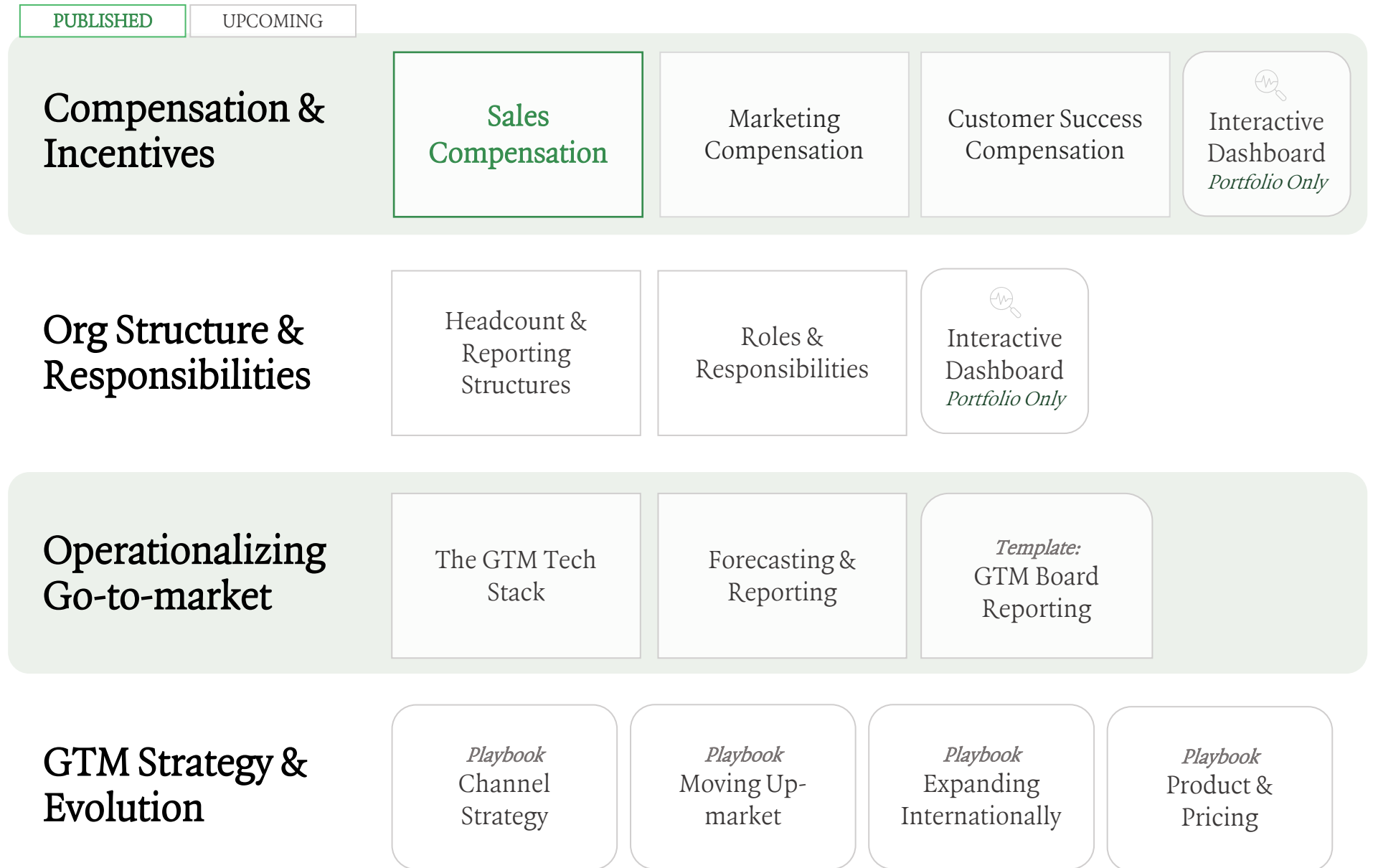
## *This report*

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](#).



# The Authors

ICONIQ Growth

## Analytics & Leadership Advisory

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

[ICONIQGrowthAnalytics@iconiqcapital.com](mailto:ICONIQGrowthAnalytics@iconiqcapital.com)



**Christine Edmonds**  
Head of Portfolio Analytics



**Claire Davis**  
Portfolio Analytics



**Vivian Guo**  
Portfolio Analytics



**Addison Anders**  
Portfolio Analytics



**Sam O'Neill**  
Portfolio Data Manager



**Brad Delaplaine**  
Functional Lead – GTM



**Caroline Brand**  
Leadership Analytics



**Zack Osman**  
Portfolio Compensation

# Table of Contents

Executive summary: how do B2B SaaS companies structure GTM incentives?

|  |       |
|--|-------|
| <u>Executive summary</u>   | 15-16 |
| <u>Recent trends in sales compensation</u>                       | 17    |
| <u>Incentives and compensation across the GTM org</u>            | 18-20 |
| <u>Key sales compensation differentiators</u>                    | 21-23 |
| <u>How cash compensation has changed over the last few years</u> | 24    |

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

|   |              |   |              |   |              |
|---|--------------|---|--------------|---|--------------|
| <b>SDRs</b>                             | <b>26-30</b> | <b>Account Executives</b>               | <b>31-39</b> | <b>Account Managers</b>                 | <b>40-47</b> |
| <u>Overall incentives &amp; metrics</u> | 27           | <u>Overall incentives &amp; metrics</u> | 32           | <u>Overall incentives &amp; metrics</u> | 41           |
| <u>Cash compensation</u>                | 28           | <u>Cash compensation</u>                | 33           | <u>Cash compensation</u>                | 42           |
| <u>Meetings quota</u>                   | 29           | <u>Quota and OTE ratios</u>             | 34           | <u>Quota and OTE Ratios</u>             | 43           |
| <u>Pipeline goal to OTE ratio</u>       | 30           | <u>Commissions &amp; accelerators</u>   | 35-38        | <u>Commissions &amp; accelerators</u>   | 44-45        |
|   |              | <u>SPIFFs</u>                           | 39           | <u>AM vs. CSM incentives</u>            | 46-47        |

How do companies implement & operationalize sales compensation?

|                                      |       |   |       |
|--------------------------------------|-------|---|-------|
| <u>Ramp and quota capacity</u>       | 51-52 | <u>Over-assignment &amp; quota relief</u> | 57-58 |
| <u>Draws</u>                         | 53    | <u>Clawbacks</u>                          | 59    |
| <u>Attainment &amp; quota ratios</u> | 54-55 | <u>Commission caps</u>                    | 60    |
| <u>Leverage</u>                      | 56    | <u>Decelerators</u>                       | 61    |

What do sales incentives look like at PLG companies?

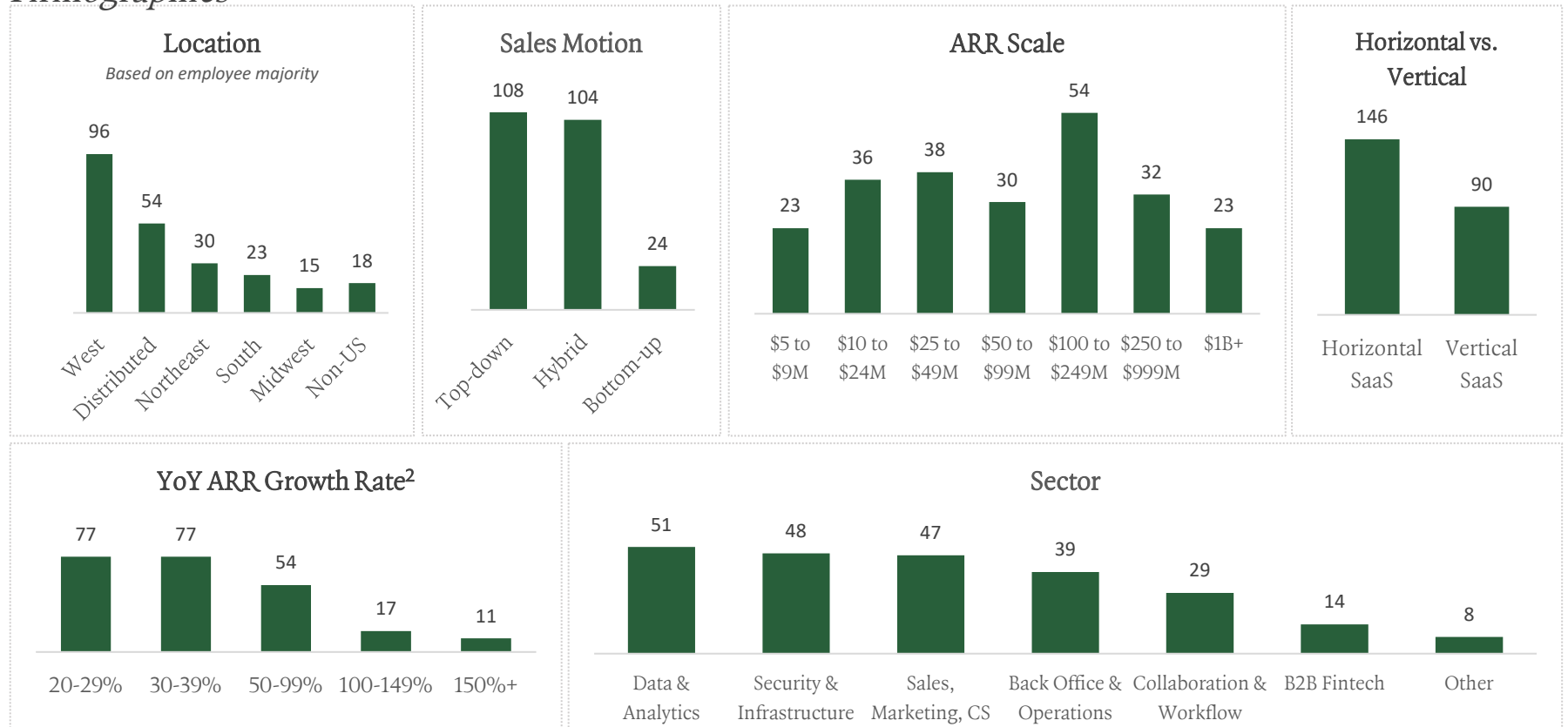
|                                   |       |                                  |    |
|-----------------------------------|-------|----------------------------------|----|
| <u>“Flavors” of GTM motions</u>   | 63    | <u>PLG variable compensation</u> | 68 |
| <u>SLG vs. PLG incentives</u>     | 64    | <u>PLG quota and OTE ratios</u>  | 69 |
| <u>Incentives on self-service</u> | 65-67 |                                  |    |

# 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.<sup>1</sup>

Where relevant, we compare results to a March 2021<sup>1</sup> survey conducted by ICONIQ Growth to a similar cohort of 200+ GTM executives.

## Firmographics

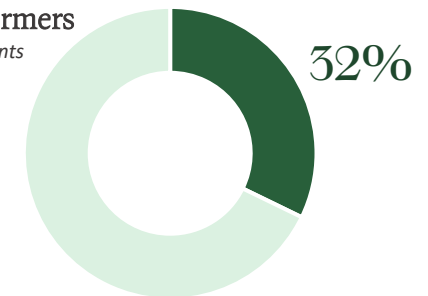


## Methodology

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+

**Top Performers**  
% of respondents



<sup>1</sup> Surveys included responses from some but not all ICONIQ Growth portfolio companies as well as companies not part of ICONIQ Growth's portfolio

<sup>2</sup> 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.



**1Password**  
Shannon Hughes  
VP, Corporate Marketing



**1Password**  
Johanie Marcoux  
Sr Director, Marketing Strategy



**DRATA**  
Conor Nolen  
Chief Customer Officer



**DATADOG**  
Angie Holt  
SVP, Customer Success



**DRATA**  
Adam Aarons  
Chief Revenue Officer



**Everlance**  
Cindy Chow  
Head, B2B Marketing



**HIGHSPOT**  
Stephen Hallowell  
VP, Strategic Services



**people.ai**  
Sam Yang  
President, Field Operations

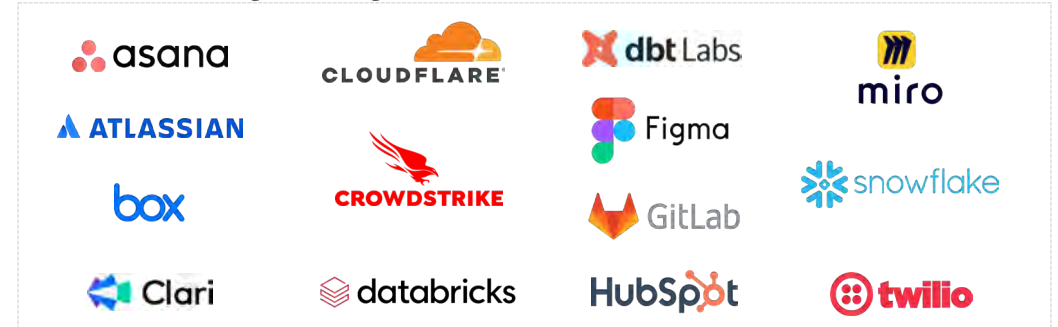


**QGenda**  
Brad Lochman  
Chief Sales Officer

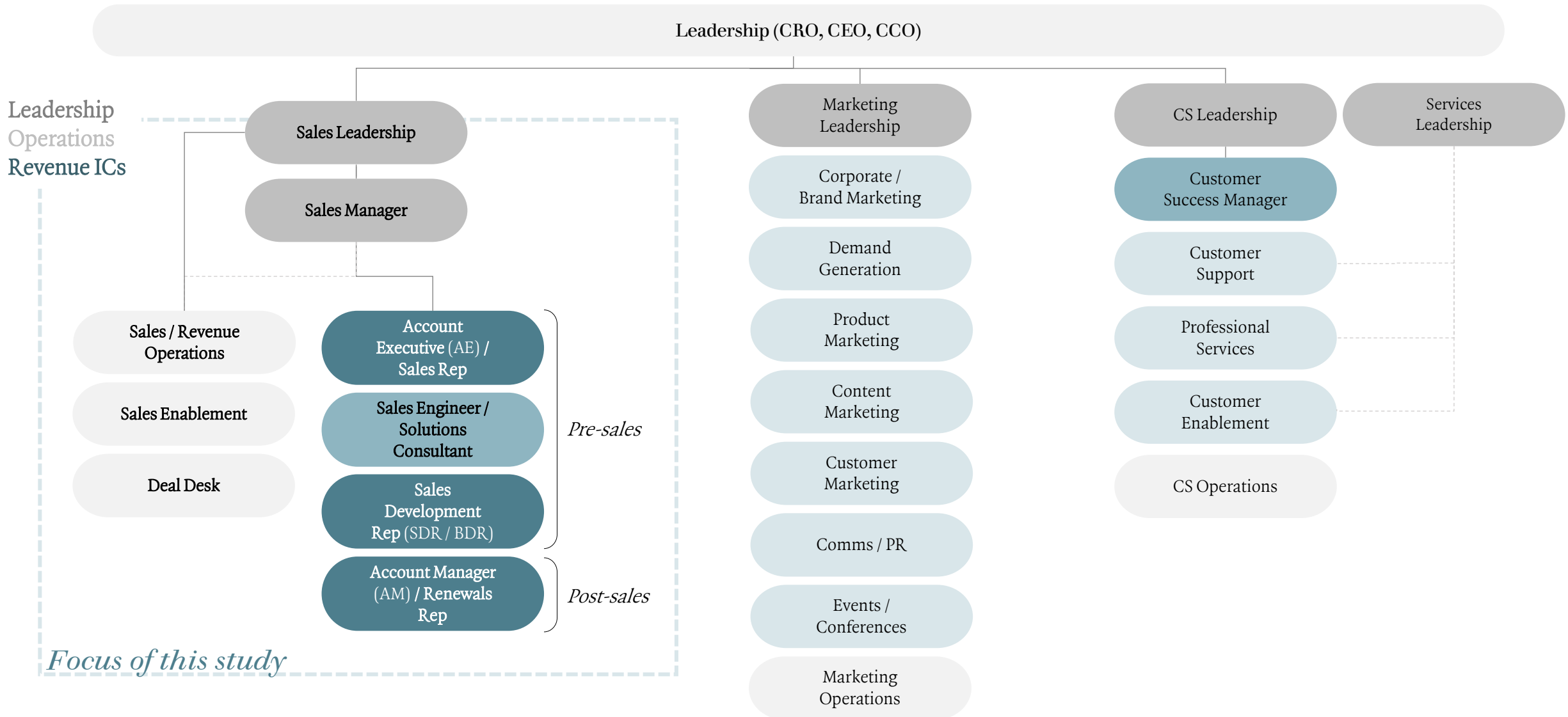


**yapi**  
Jack Montgomery  
CFO, Head of Sales & Marketing

*And additional insights from go-to-market leaders from:*



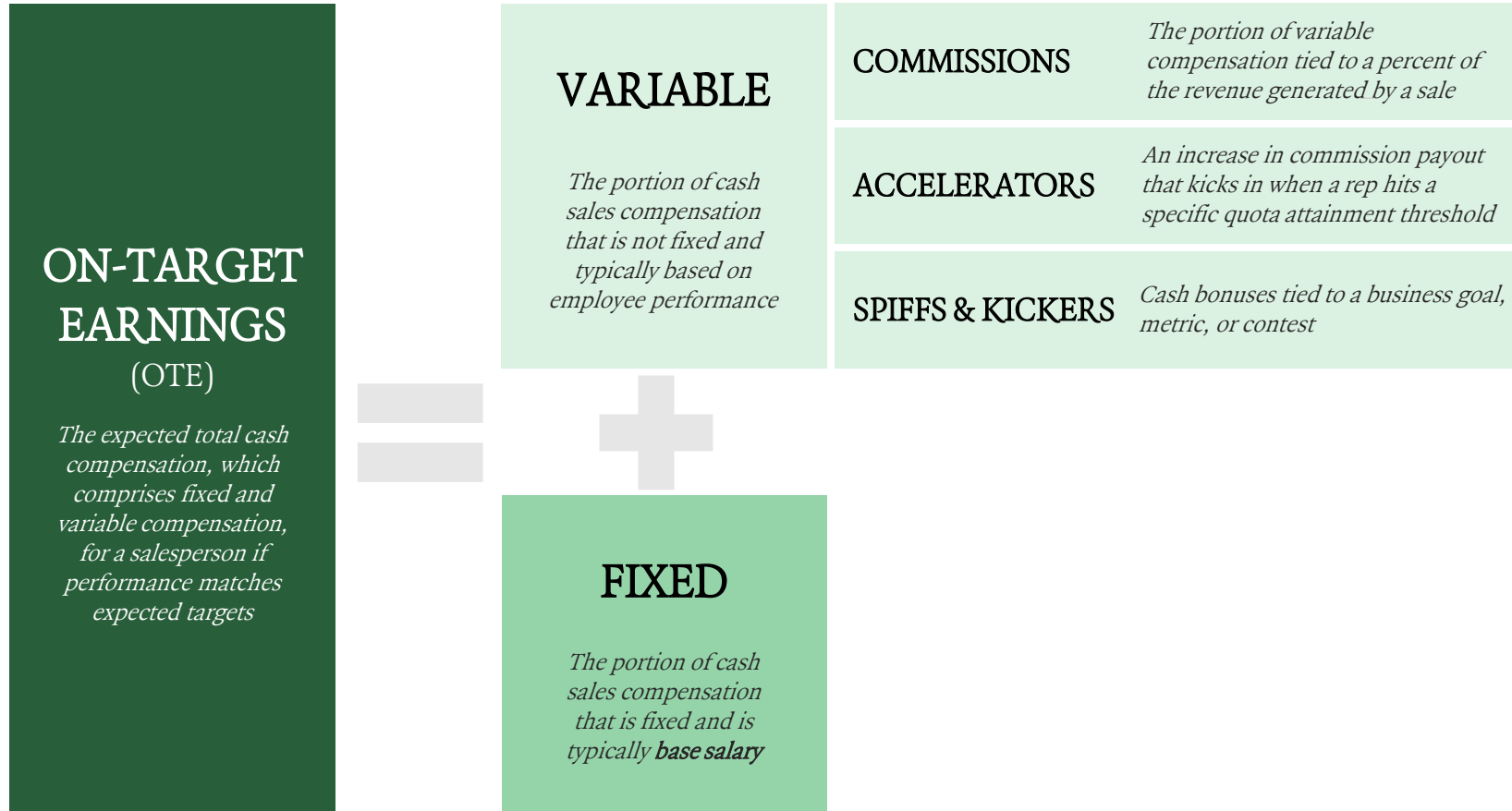
# The Go-to-Market Org



This is an illustrative GTM organization framework; not all organizations will have each role shown here depending on maturity and some may benefit from a different reporting hierarchy than the one shown

# Sales Compensation

## Cash compensation structure<sup>1</sup>



## Plan Terms & Conditions

|                              |   |
|------------------------------|---|
| <b>Quota over-assignment</b> | The practice of padding or allocating a larger per-rep quota than needed to hit broader company targets   |
| <b>Quota relief</b>          | An adjustment to a sales quota that has already been set  |
| <b>Contract term</b>         | Duration of the subscription agreement from start to end date, expressed in months or years in B2B SaaS   |
| <b>Caps</b>                  | Caps limit the amount of compensation that a sales rep can earn on a given deal based on a threshold deal size or attainment                                      |
| <b>Clawback</b>              | 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 |
| <b>Draw</b>                  | A draw is an advanced payout sales reps can receive, typically paid from expected future commission earnings  |
| <b>Quota ratio</b>           | The ratio between a sales employee's quota and their on-target earnings (quota / OTE)   |
| <b>Leverage ratio</b>        | The percent of variable compensation a sales rep achieves (variable actual earnings / variable OTE)   |

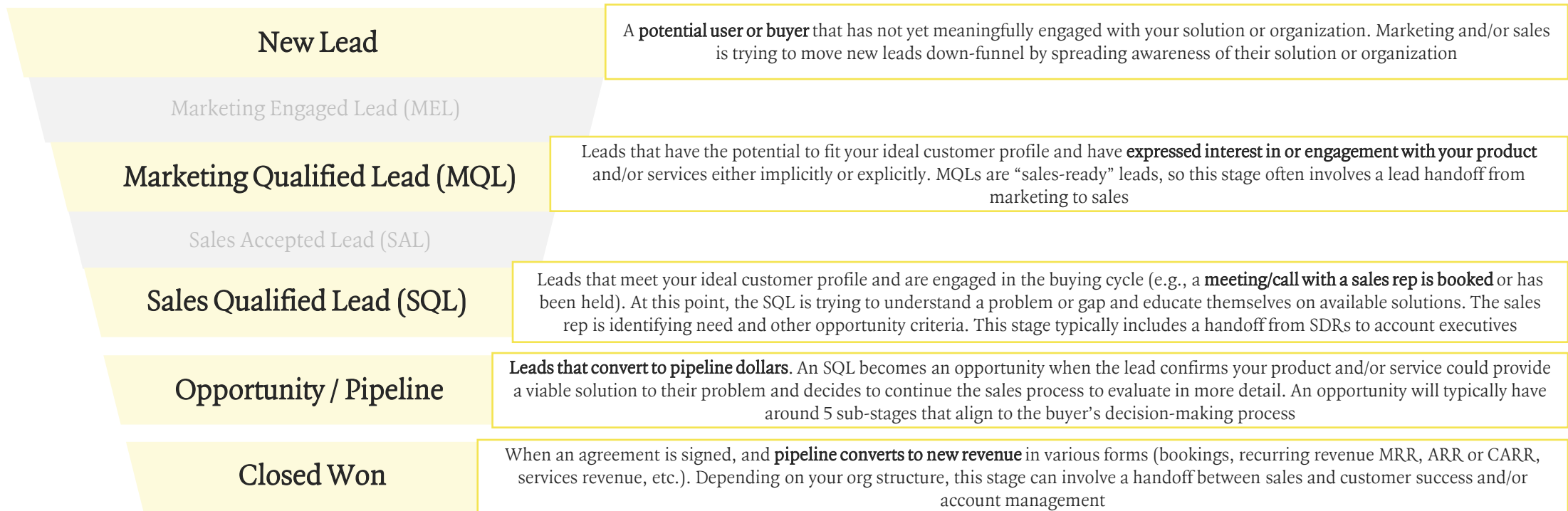
<sup>1</sup> This is an illustrative GTM compensation framework; not all compensation plans will have each component shown here and some may benefit from a different compensation structure than the one shown

# 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



# 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](#)

| <i>Metric</i>                           | <i>Description</i>   | <i>Formulas<sup>1</sup></i>  |
|---|--|--|
| <b>Net Dollar Retention</b><br>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 | $\frac{\text{Beginning ARR} + \text{expansion} - \text{gross churn}}{\text{Average of beginning ARR} + \text{ending ARR}}$ |
| <b>Renewal Rate</b>                     | Measures the number of customers that renew out of the number of customers up for renewal (i.e., logo retention)   | $\frac{\text{Customers renewed}}{\text{Customers up for renewal}}$   |
| <b>Magic Number</b><br>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  | $\frac{\text{Current quarter net new ARR}}{\text{Last quarter S\&M\&CS operating expenses}}$                               |
| <b>Customer Acquisition Cost</b><br>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)  | $\frac{\text{S\&M\&CS operating expenses}}{\text{Gross new customers}}$  |
| <b>Payback Period</b>                   | Measures the amount of time needed to pay back any customer acquisition costs, effectively showing you break-even point  | $\frac{\text{CAC}}{(\text{ARPU or MRR}) \times \text{gross margin}}$   |
| <b>Net Promoter Score</b><br>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   | $\% \text{ of promoters} - \% \text{ of detractors}$   |
| <b>Customer Satisfaction</b><br>CSAT    | A measure of customer experience related to the customer's satisfaction with a specific product, service, or customer support interaction  | $\frac{\text{Number of satisfied responses}}{\text{Total responses}}$  |
| <b>Customer Effort Score</b><br>CES     | A measure of customer experience related to the ease with which customers interact with a specific product, service, or customer support experience  | $\frac{\text{Sum of customer effort scores}}{\text{Total responses}}$  |

<sup>1</sup> 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<br><i>Median range</i>                                    | % variable<br><i>Median range</i>                          | Quota to OTE ratio<br><i>Median range</i>                            | Commission rate<br><i>Median</i>  |
|---|---|--|--|--|---|
| <b>Sales Development Reps (SDRs/BDRs)</b> | Incentivized primarily on top-of-funnel metrics: <b>new leads and qualified leads</b> to pass on to AEs. Around one third of SDRs are also compensated for <b>sourcing pipeline</b> | <b>\$80-\$95K</b><br><i>SMB: \$70-\$80K<br/>Enterprise: \$100-\$115K</i>     | <b>30-40%</b><br><i>SMB: 30-40%<br/>Enterprise: 25-40%</i> | <b>10-15x<sup>1</sup></b><br><i>SMB: 5-8x<br/>Enterprise: 15-20x</i> | N/A   |
| <b>Account Executives (AEs)</b>           | Receive quotas and commission against new revenue, including recurring revenue from <b>new logos</b> and <b>customer expansion</b> as well as <b>services revenue</b>               | <b>\$235-\$250K</b><br><i>SMB: \$140-\$155K<br/>Enterprise: \$325-\$340K</i> | <b>45-55%</b><br><i>SMB: 45-50%<br/>Enterprise: 45-55%</i> | <b>5-9x</b><br><i>SMB: 5-7x<br/>Enterprise: 6-9x</i>                 | <i>New logo: 10%<br/>Expansion: 10%<br/>Services: 5%<br/>Renewals: 4%</i> |
| <b>Account Managers (AMs)</b>             | Commonly have a quota for <b>customer expansion</b> revenue and are incentivized to achieve targets against <b>net dollar retention</b> and <b>renewal rate</b>                     | <b>\$165-\$180K</b><br><i>SMB: \$110-\$165K<br/>Enterprise: \$170-\$195K</i> | <b>40-45%</b><br><i>SMB: 35-40%<br/>Enterprise: 35-45%</i> | <b>4-7x</b><br><i>SMB: 5-7x<br/>Enterprise: 6-7x</i>                 | <i>Expansion: 9%<br/>Services: 5%<br/>Renewals: 5%</i>                    |

<sup>1</sup> Pipeline goal to OTE ratio represented for SDRs/BDRs



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.<sup>2</sup>

*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.<sup>2</sup>

*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.<sup>2</sup>

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

**4** Setting a performance threshold for sales payout

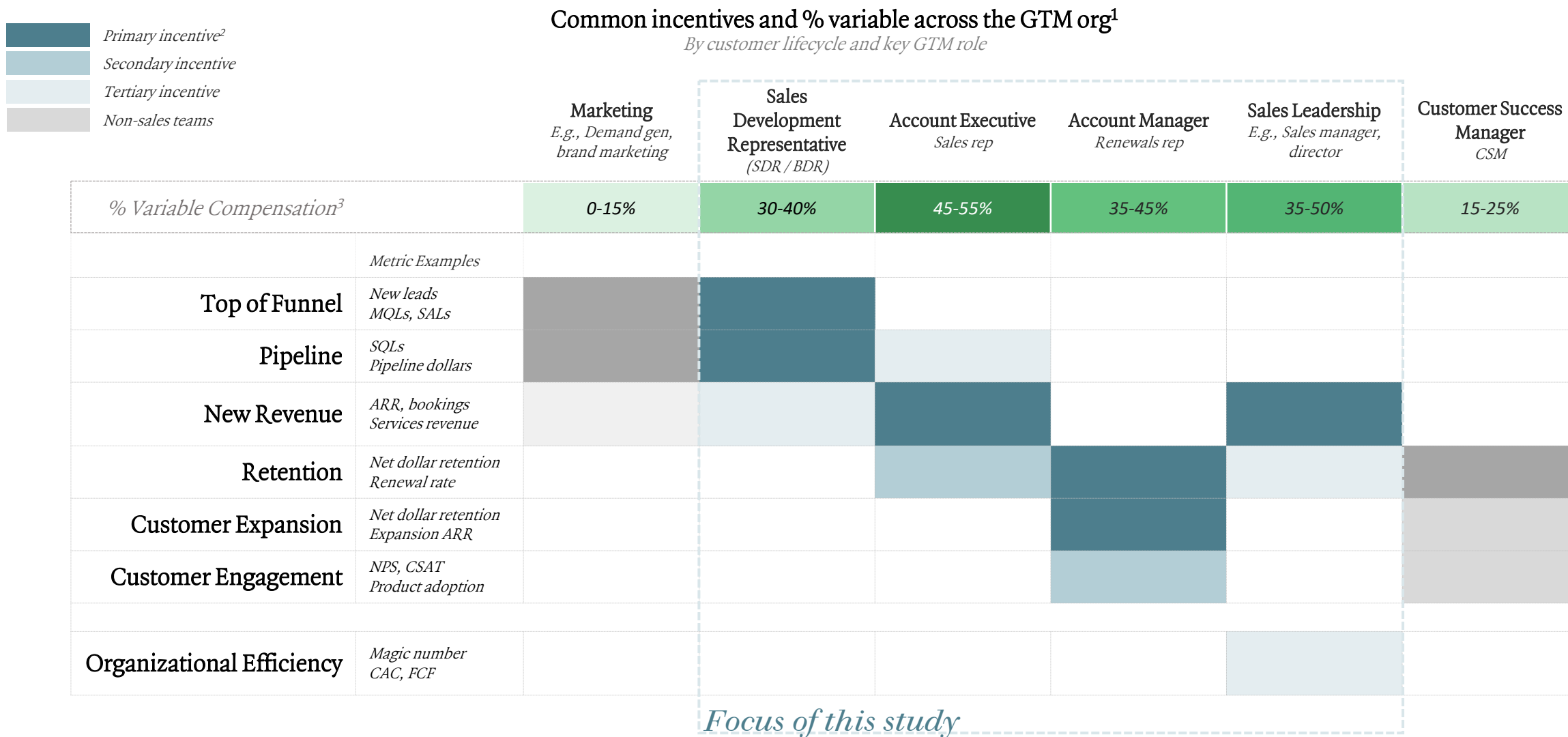


We set a **minimum threshold of attainment at which commission payouts kick-in** for our sales reps. Below this attainment threshold, reps are not paid for the deals they're bringing in. It's really helping us both reward top-performance and manage under-performers.<sup>2</sup>

*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



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

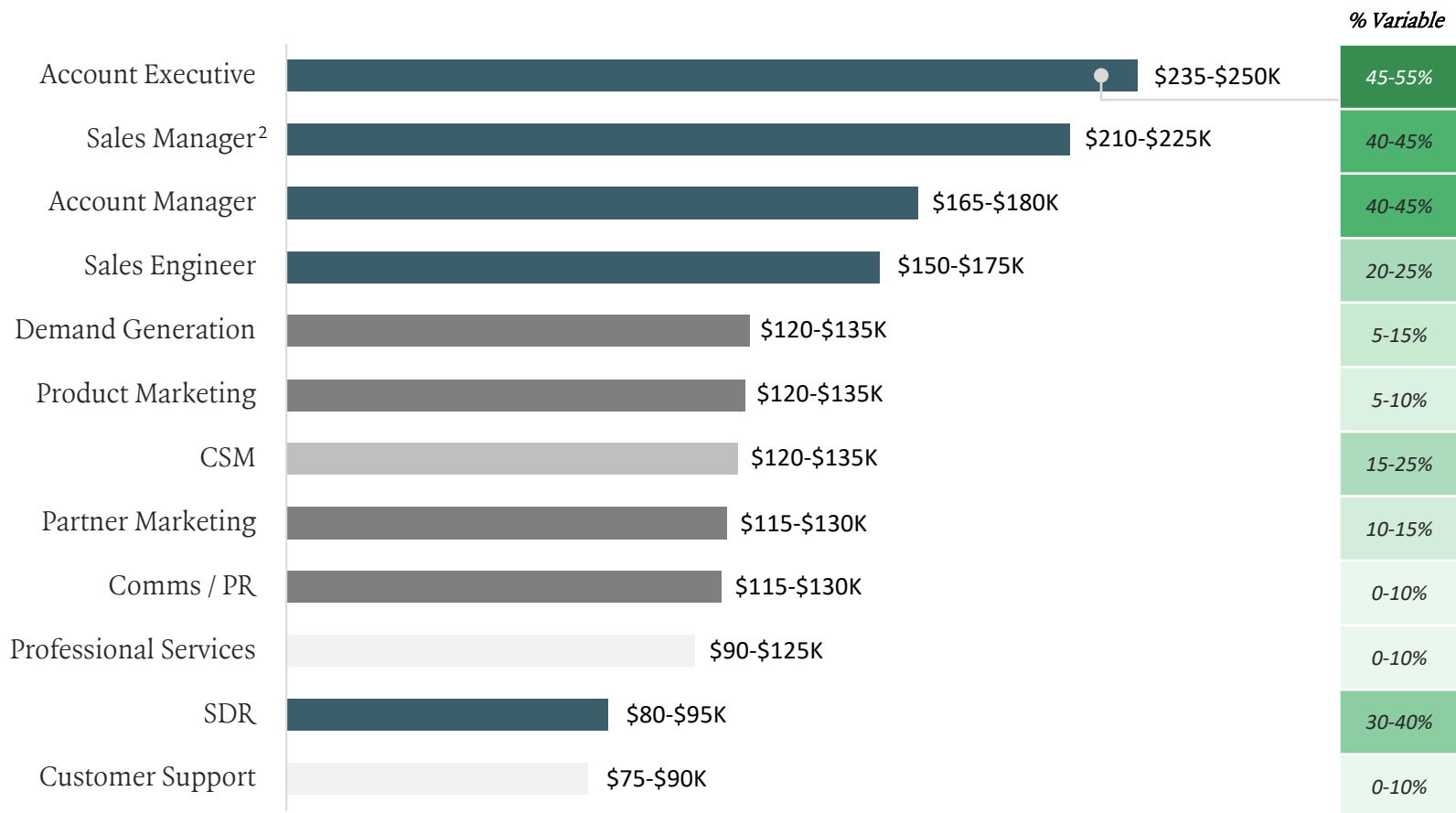
Incentives structures differ across GTM roles, with the highest all-in compensation allocated to employees most responsible for revenue generation such as account executives, sales managers, account managers, and sales engineers

### Sales *(focus of this study)*

Marketing  
Customer Success  
Cost of Revenue

### OTE (all-in cash compensation) range and % variable<sup>1</sup>

*Median range by key GTM role & team*



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

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Apart from director of sales and sales manager, all roles represent individual contributors

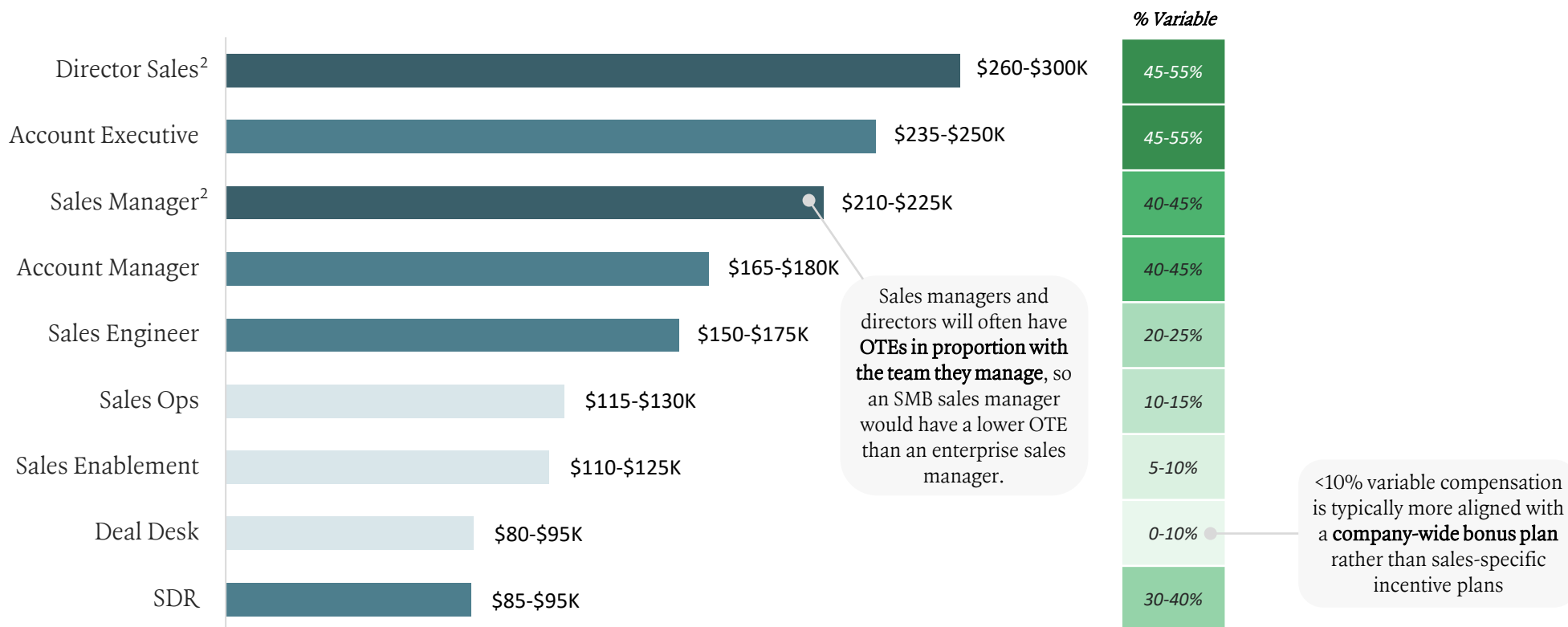
## Overview | Cash compensation within the sales org

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

### OTE (all-in cash compensation) range and % variable<sup>1</sup>

*Median range by key sales role*



<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)


<sup>2</sup> Apart from director of sales and sales manager, all roles represent individual contributors

## 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<sup>1</sup>

*Summary of compensation drivers, primarily based on account executives*

|   |  | OTE<br><i>All-in cash compensation</i>                          | % Variable  | Quota to OTE Ratio  |                           |
|---|--|---|---|---|---------------------------|
| <p>Highest degree of impact</p>  <p>Lowest degree of impact</p> | <b>Rep segment</b><br><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           | Pages 28-30; 33-37; 42-43 |
|   | <b>Company stage</b>                               | Reps at early-stage companies have a 5% premium on OTE          | Higher % variable at early-stage companies                    | Impact mostly driven by other factors (market segment, ACV) | Page 22                   |
|   | <b>Geography</b>                                   | Reps located in Tier 1 geographies have a 5%-20% premium on OTE | Impact mostly driven by other factors (market segment, stage) | Impact mostly driven by other factors (market segment, ACV) | Page 23                   |
|   | <b>Growth motion</b><br><i>E.g., SLG vs. PLG</i>   | Impact mostly driven by factors above (market segment, ACV)     | Reps at PLG companies have 2-5% higher variable compensation  | Larger quota to OTE ratios for account managers             | Pages 67, 69              |
|   | <b>Sector</b>                                      | Impact mostly driven by factors above (market segment, ACV)     | Impact mostly driven by factors above (market segment, ACV)   | Impact mostly driven by factors above (market segment, ACV) |                           |

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 stage<sup>1</sup>

Average by role

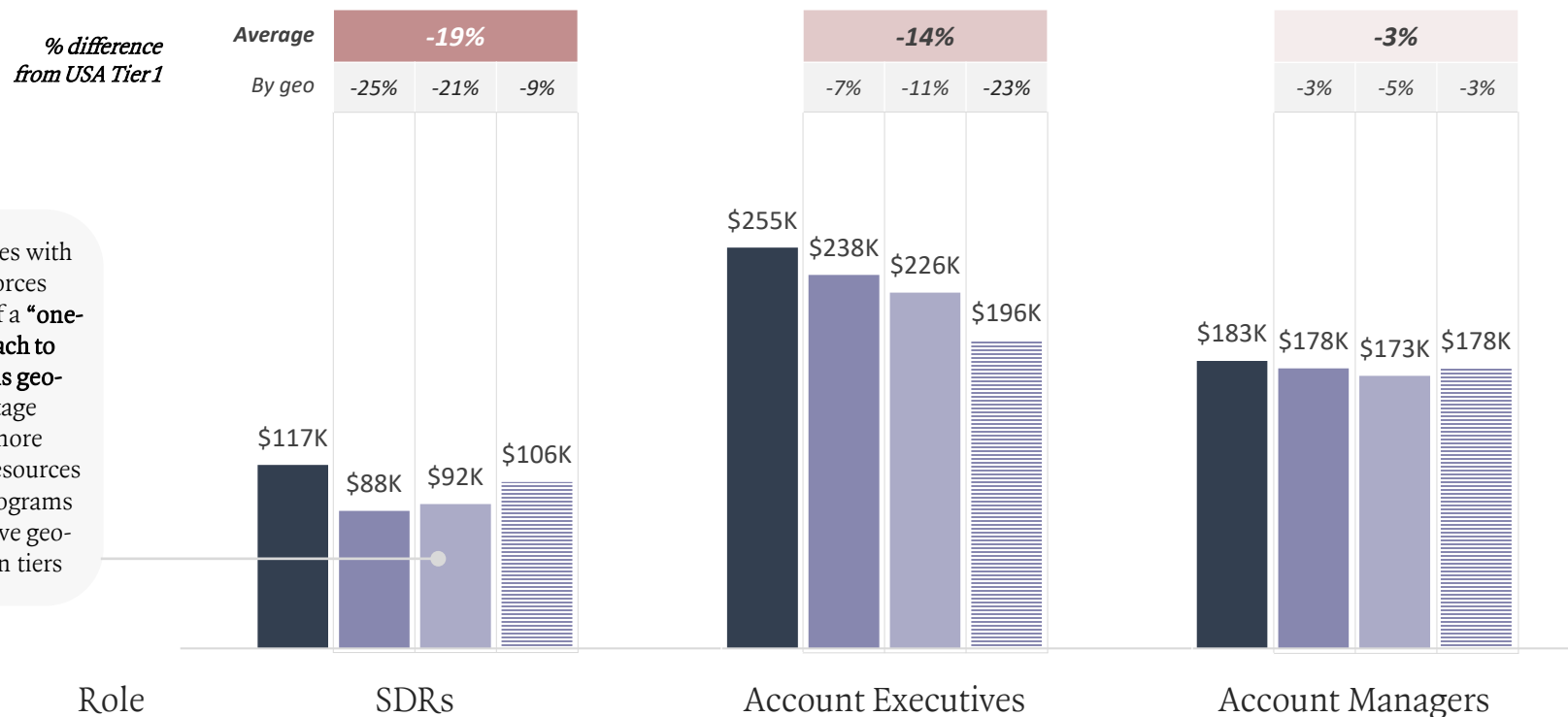


## Overview | How geography impacts sales compensation

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 geography<sup>1</sup>  
 And % difference from tier 1 geos<sup>2</sup> by key sales role



Early-stage companies with distributed workforces typically have more of a “one-size-fits-all” approach to compensation that is geagnostic. 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.”<sup>3</sup>

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

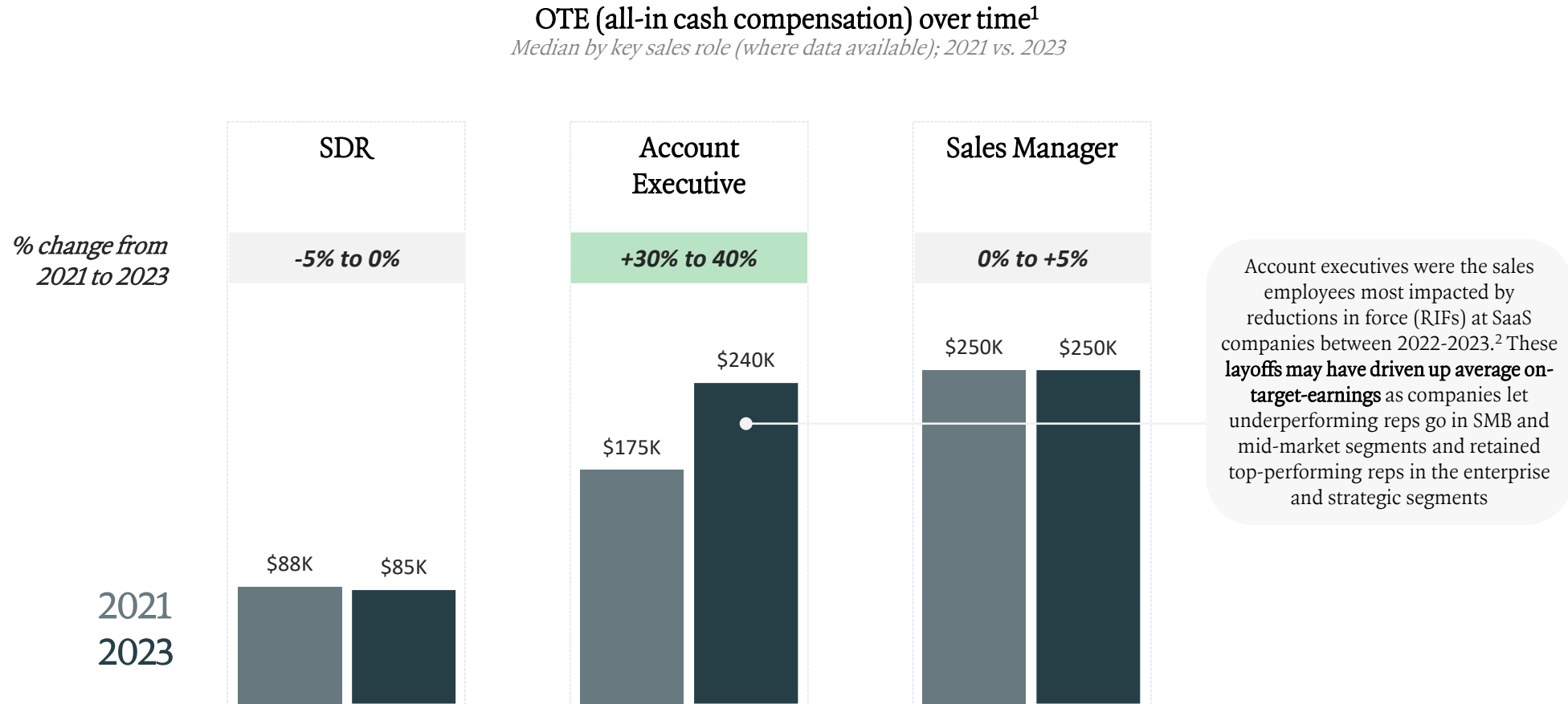
1 ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023); geography based on location of majority of company’s employees

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



<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> ICONIQ Growth Proprietary Survey (Nov 2022)



# 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

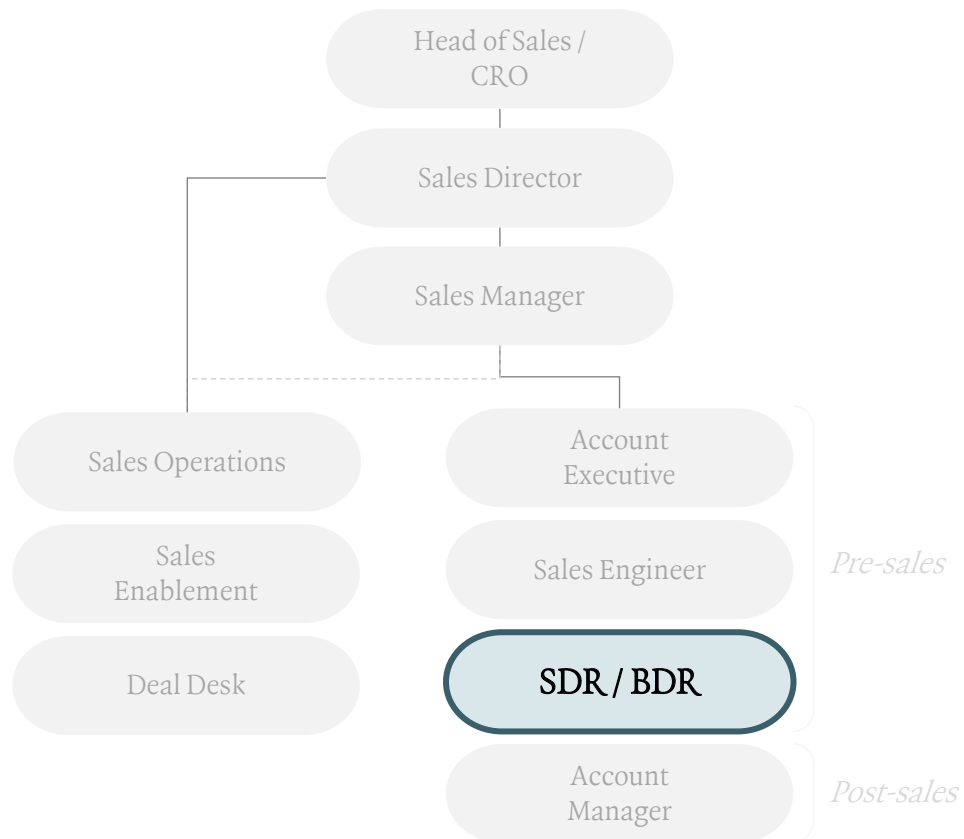
SPIFFs and other variable pay

Account manager vs. CSM incentives

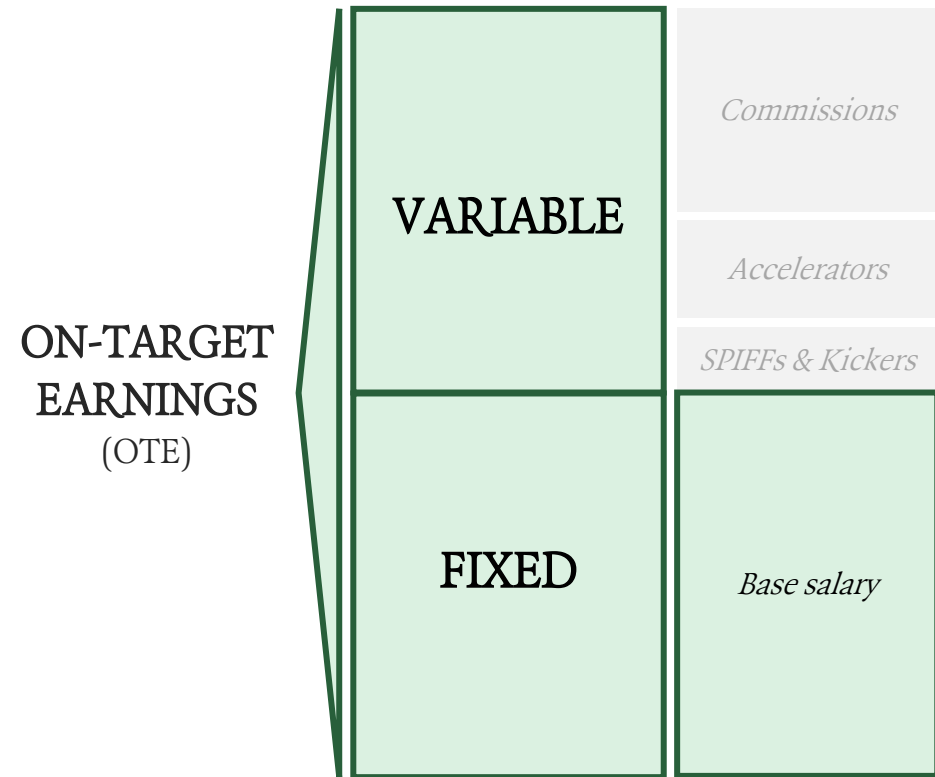
Sales leadership incentives



## Typical Sales Org Structure



## Key Components of Sales Compensation



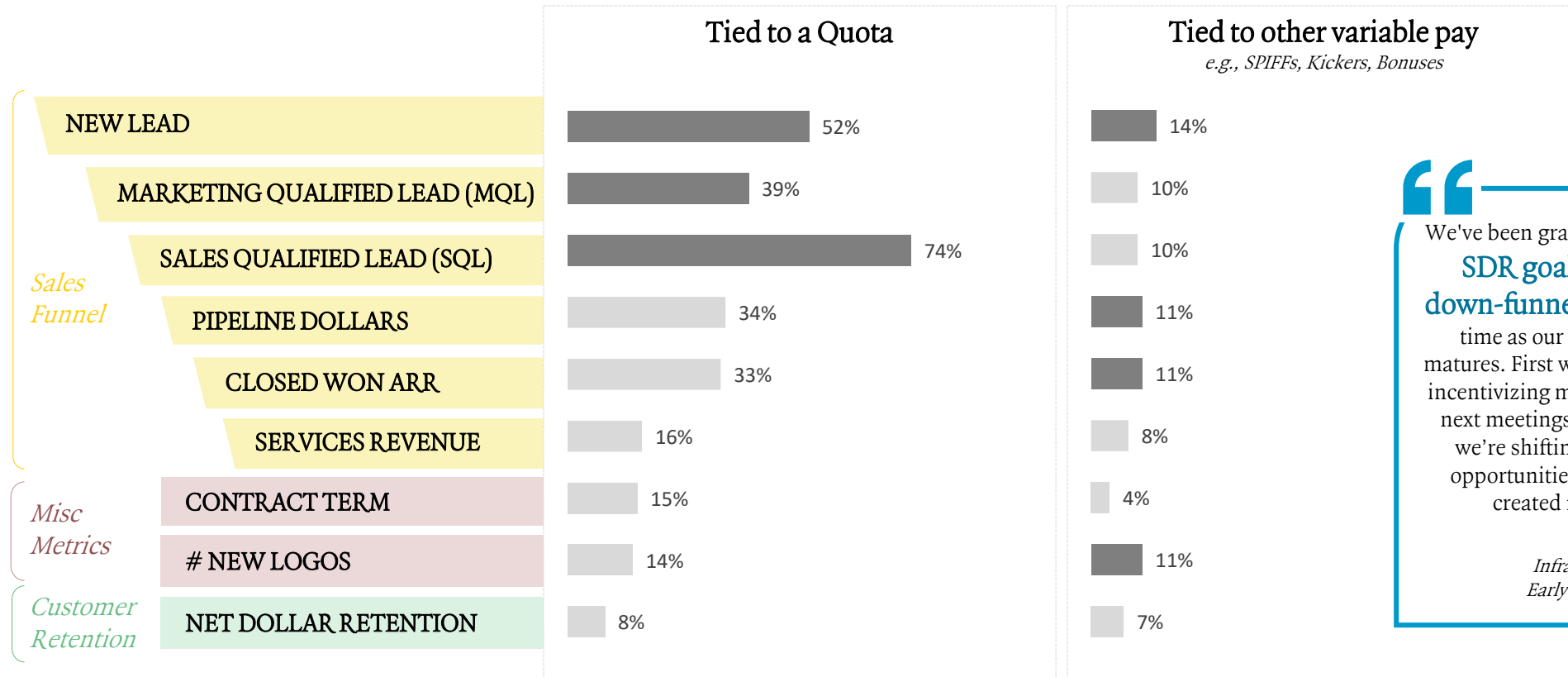
## SDRs | Overall Incentives

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?<sup>1</sup>  
% of respondents by quota-based metrics vs. other; select all that apply



<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network

# SDRs | Cash Compensation Detail

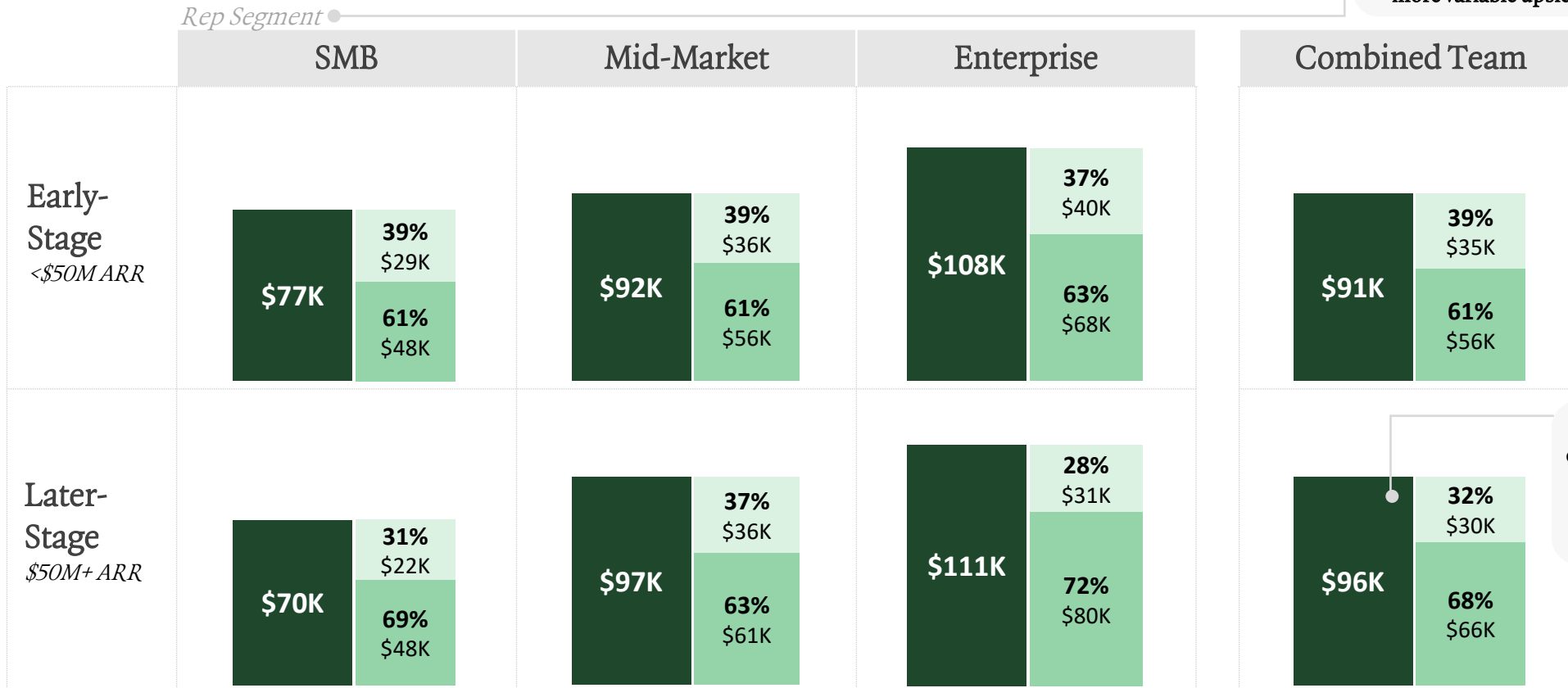
OTEs for SDRs range from \$70K to \$110K depending on market segment, composed of 30-40% variable compensation. Early-stage companies index more towards performance-driven incentives, offering higher percent variable compensation for SDRs

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

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

Average OTE, variable, and fixed compensation for SDRs<sup>1</sup>  
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

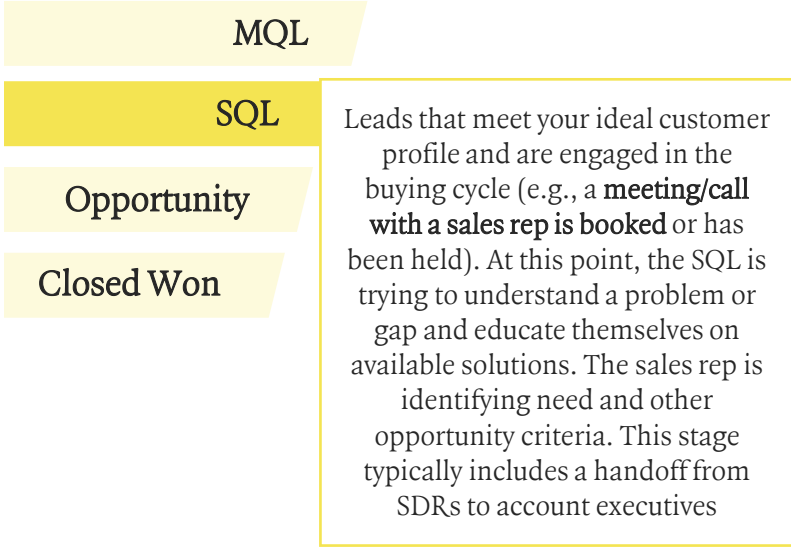


SDRs at later-stage companies have 5-6% higher OTEs than those at early-stage companies

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

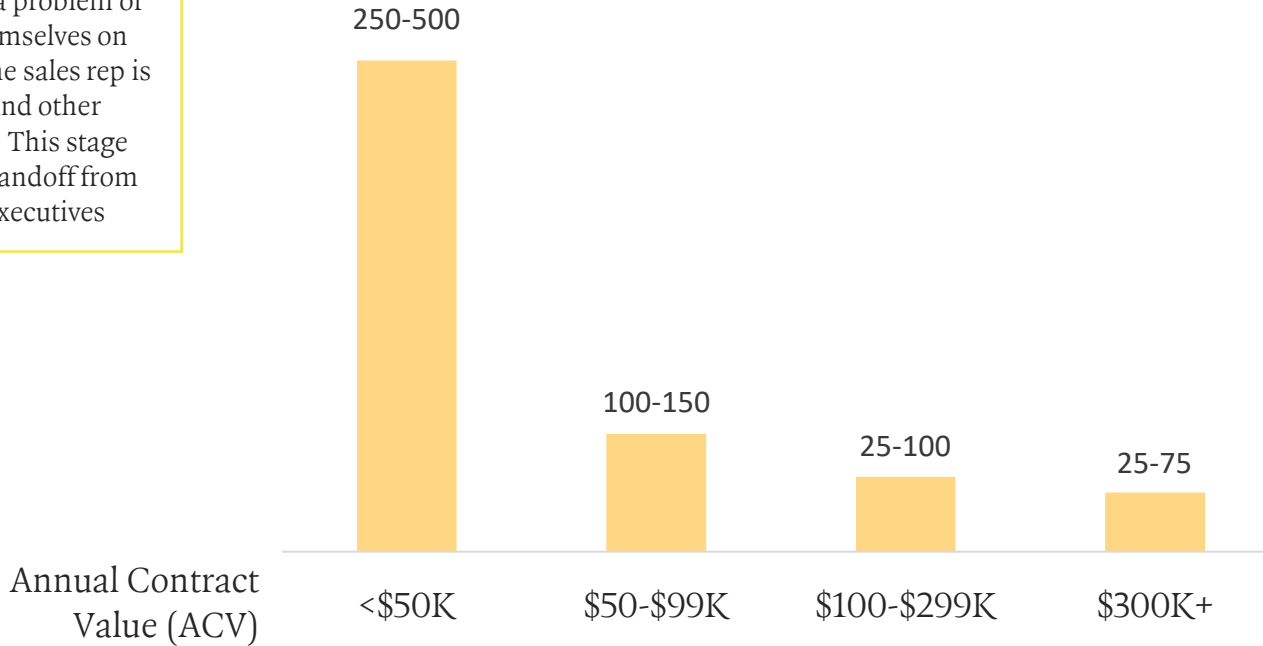
SDRs are primarily compensated based on the number of SQLs they source, which most companies define as meetings or calls booked with quality leads. SDRs are typically expected to source 5-20+ SQLs per month, which varies heavily by market segment

Sales Funnel<sup>2</sup>



Annual SDR SQL goal<sup>1</sup>

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.<sup>3</sup>

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

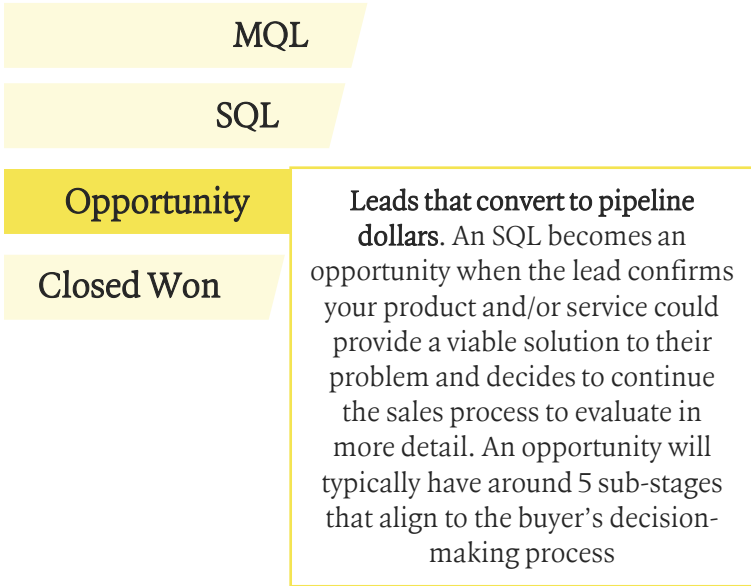
1 ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)  
 2 This is an archetype of the key sales funnel stages we commonly see across B2B SaaS  
 3 Perspectives from the ICONIQ Growth network

## 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

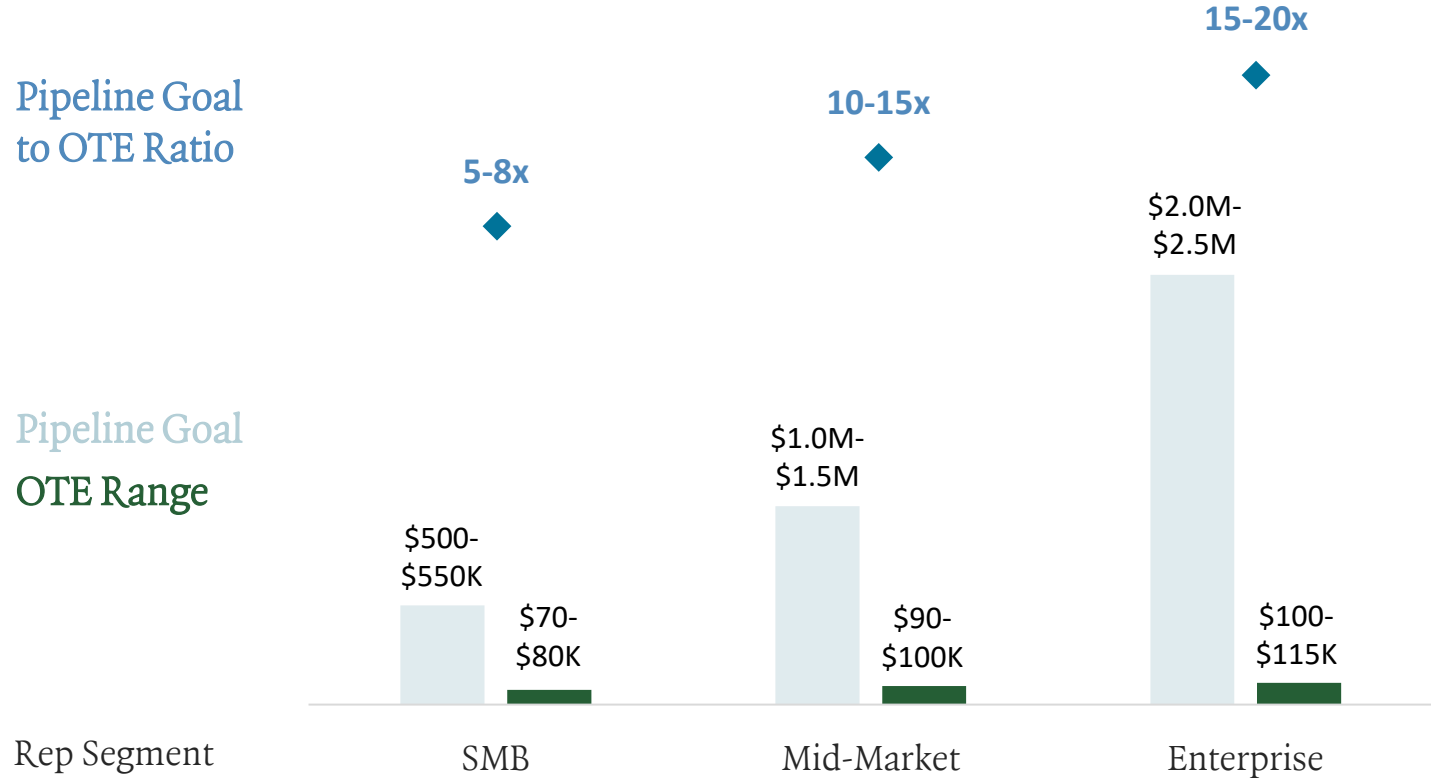
|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

Sales Funnel<sup>2</sup>



## Annual SDR pipeline goal vs. OTE and OTE ratio<sup>1</sup>

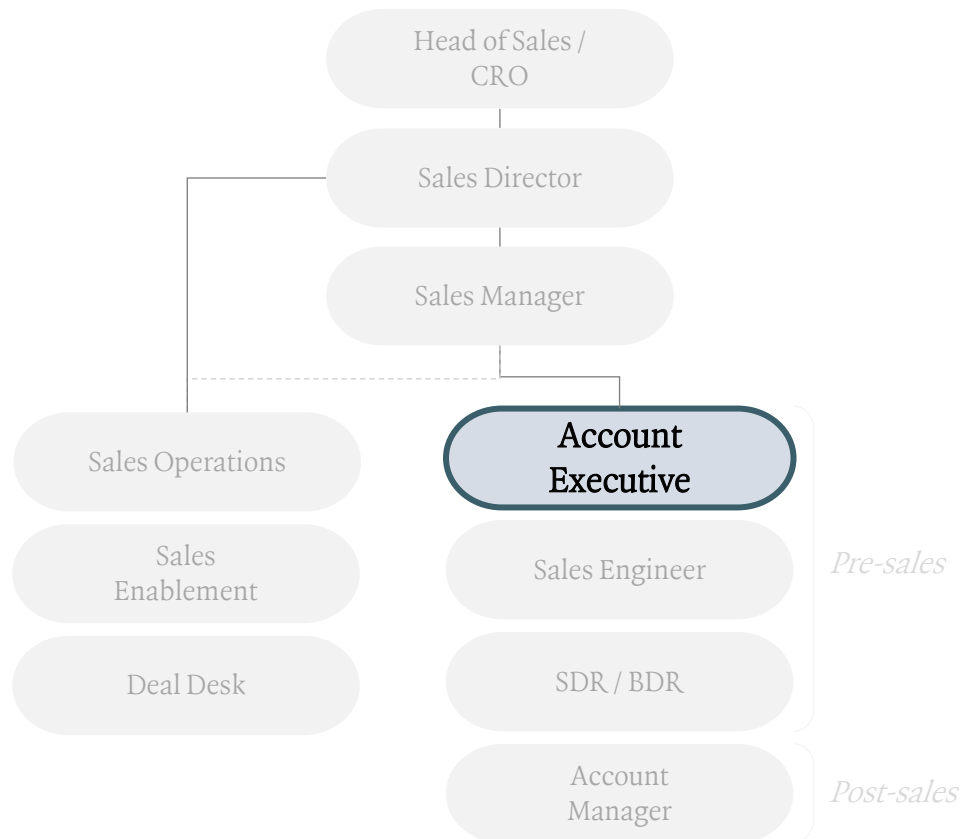
Average by rep segment



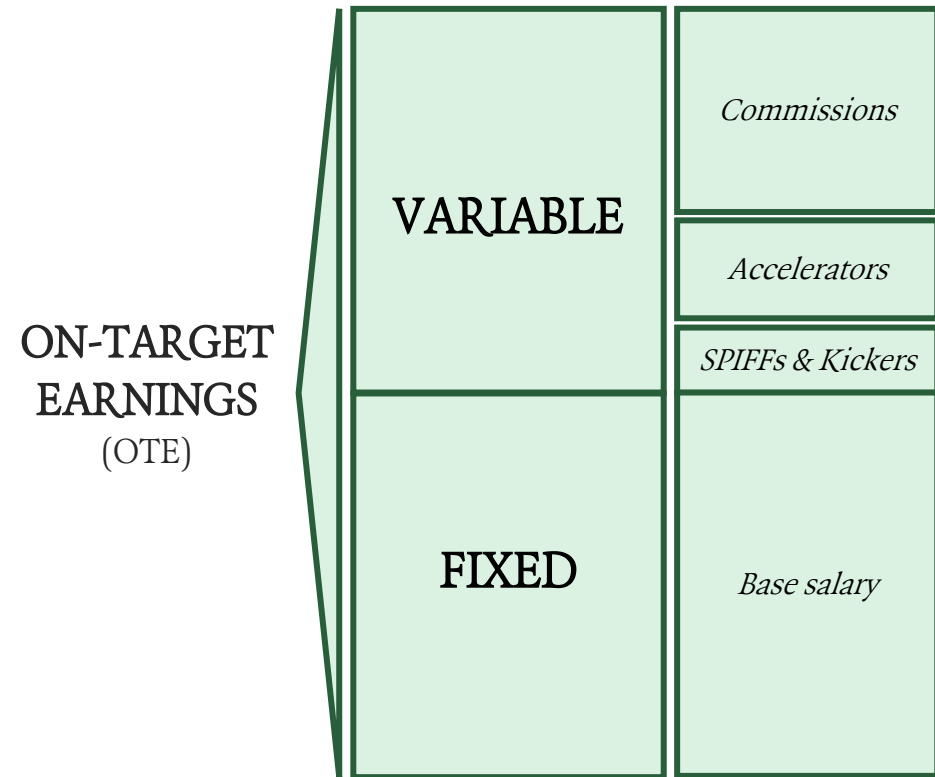
<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> This is an archetype of the key sales funnel stages we commonly see across B2B SaaS

## Typical Sales Org Structure



## Key Components of Sales Compensation



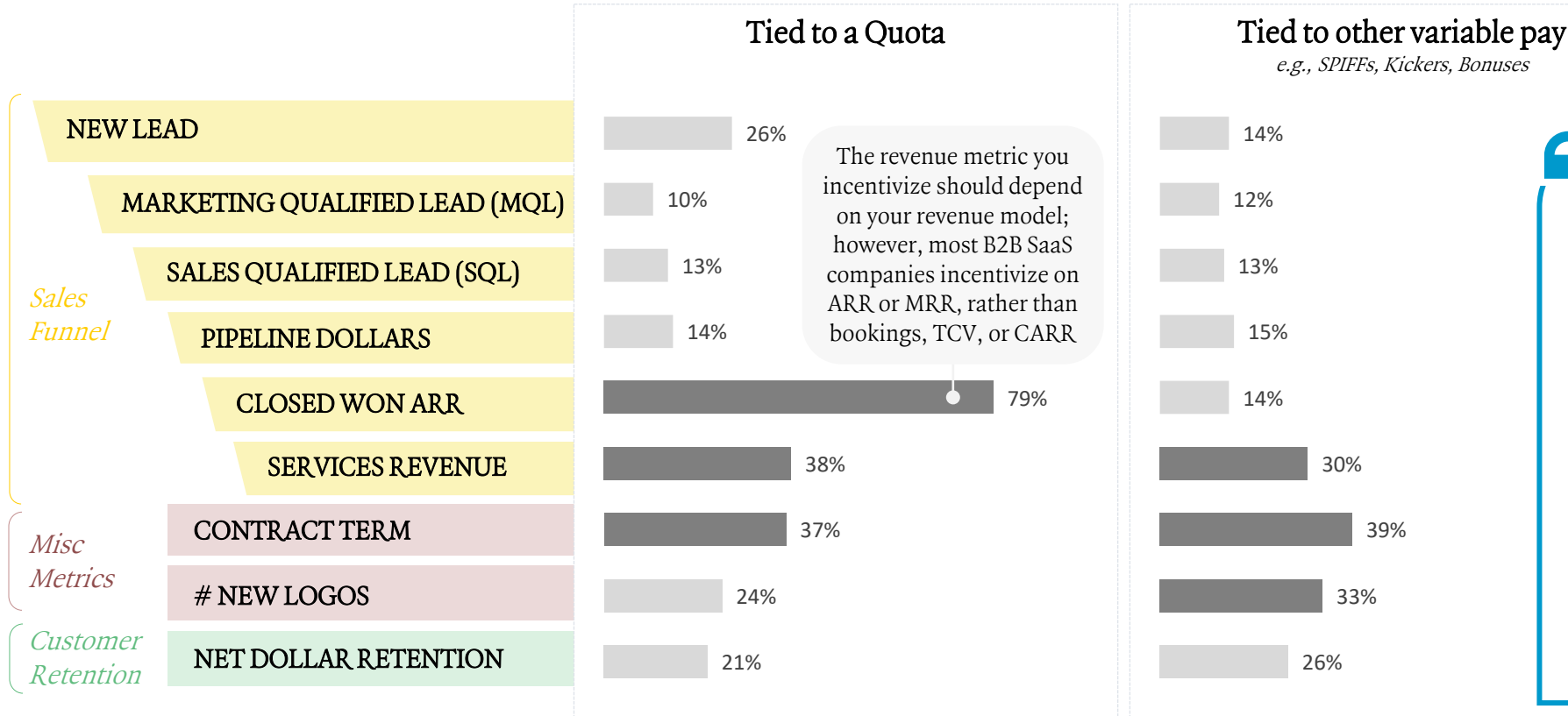
|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

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?<sup>1</sup>

*% 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.<sup>2</sup>

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

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network



## Account Executives | Cash Compensation Detail

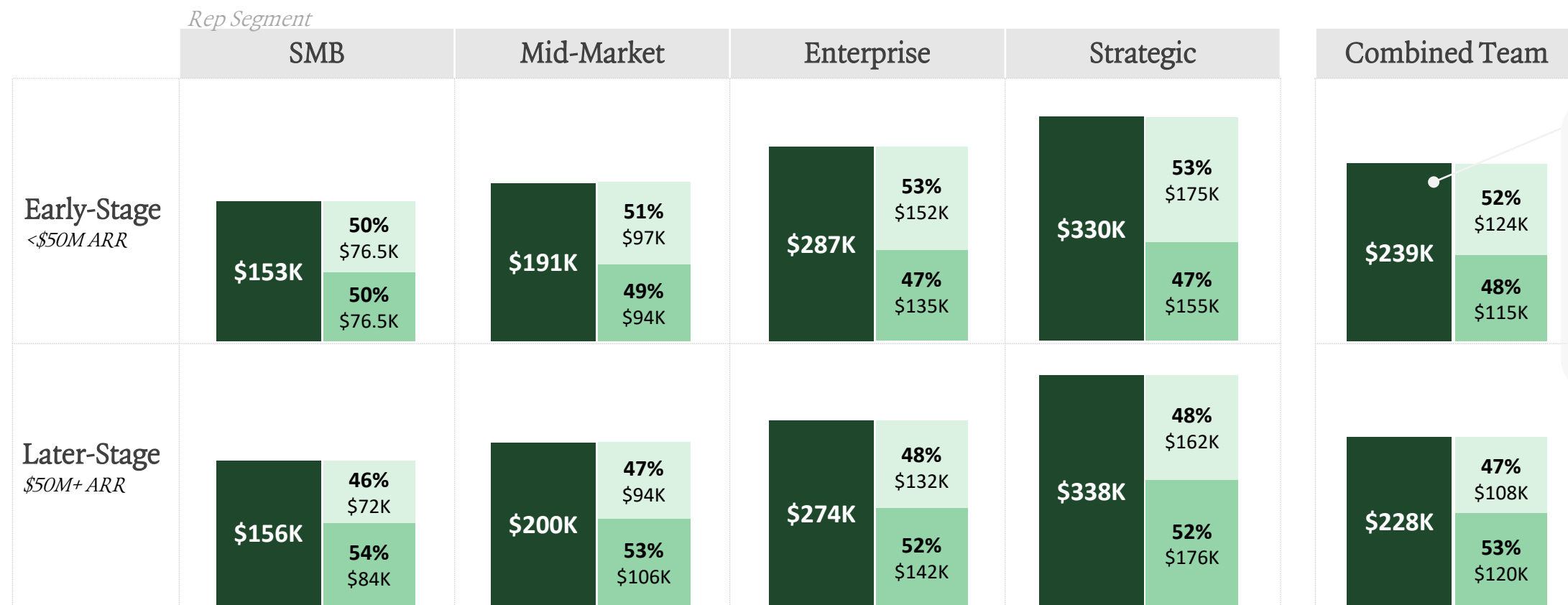
OTEs for AEs range from \$150K to \$350K depending on market segment, composed of 45%-55% variable compensation. As with SDRs, early-stage companies index more towards performance-based incentives for AEs with 50%+ variable

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

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

### OTE, variable, and fixed compensation for account executives<sup>1</sup>

Average by rep segment and company stage



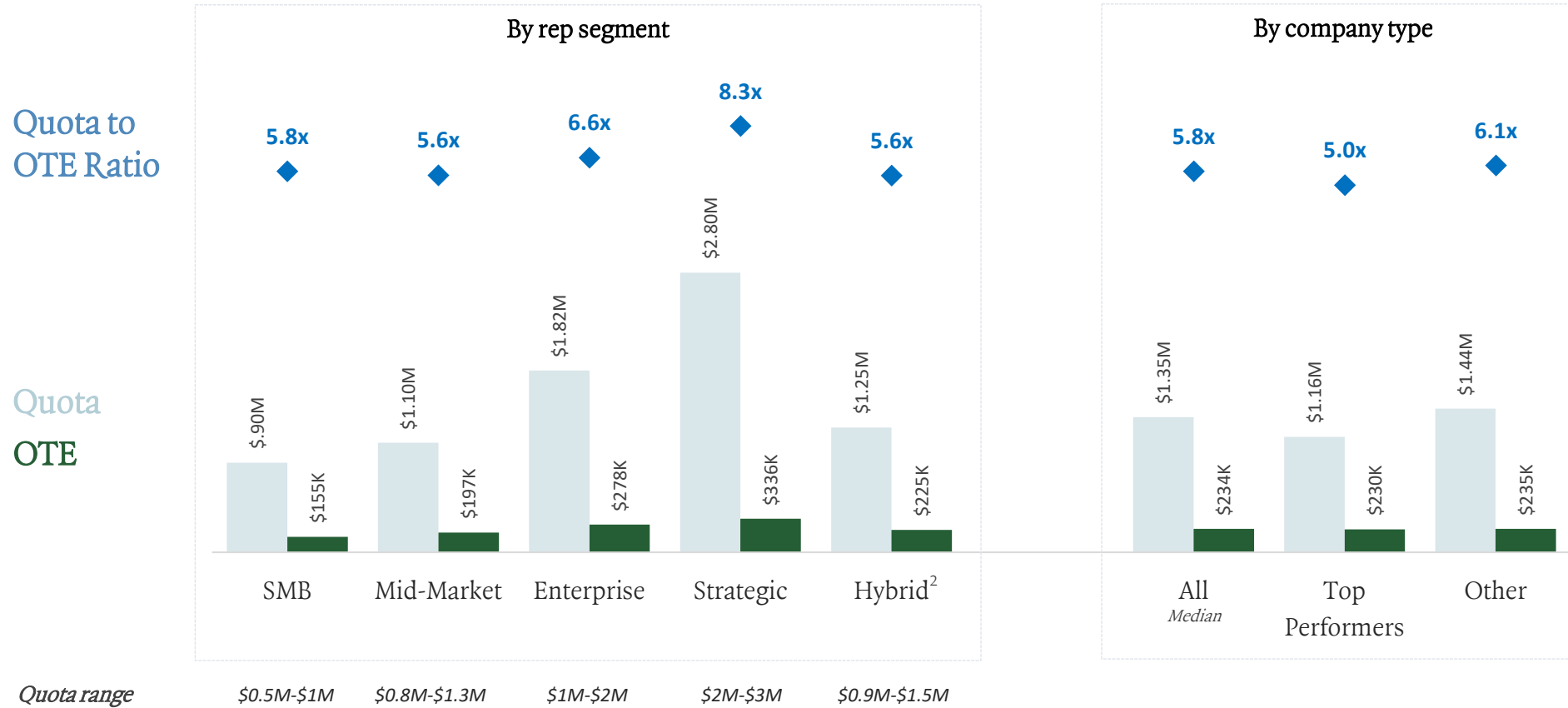
Unlike SDRs and account managers, AEs tend to have slightly higher OTEs (+5%) at early-stage companies than at later-stage companies, perhaps driven by nascent go-to-market motions and less revenue predictability

## Account Executives | Quota & OTE Ratios

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

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  | VARIABLE |
| AM  | FIXED    |

Quota, OTE, and quota ratio for account executives<sup>1</sup>  
 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

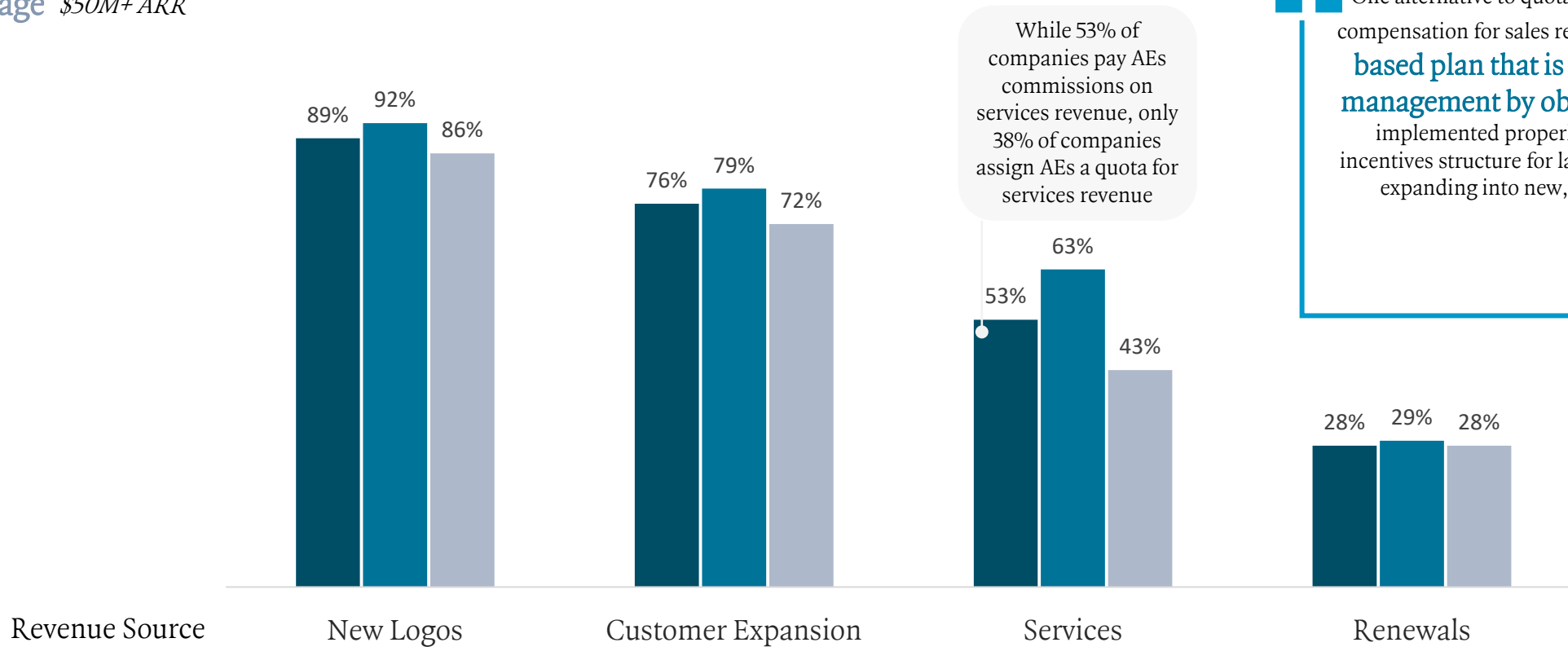
<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)  
<sup>2</sup> Reps cover all segments (more common in early-stage companies)

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

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?<sup>1</sup>  
 % 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.<sup>2</sup>

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

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

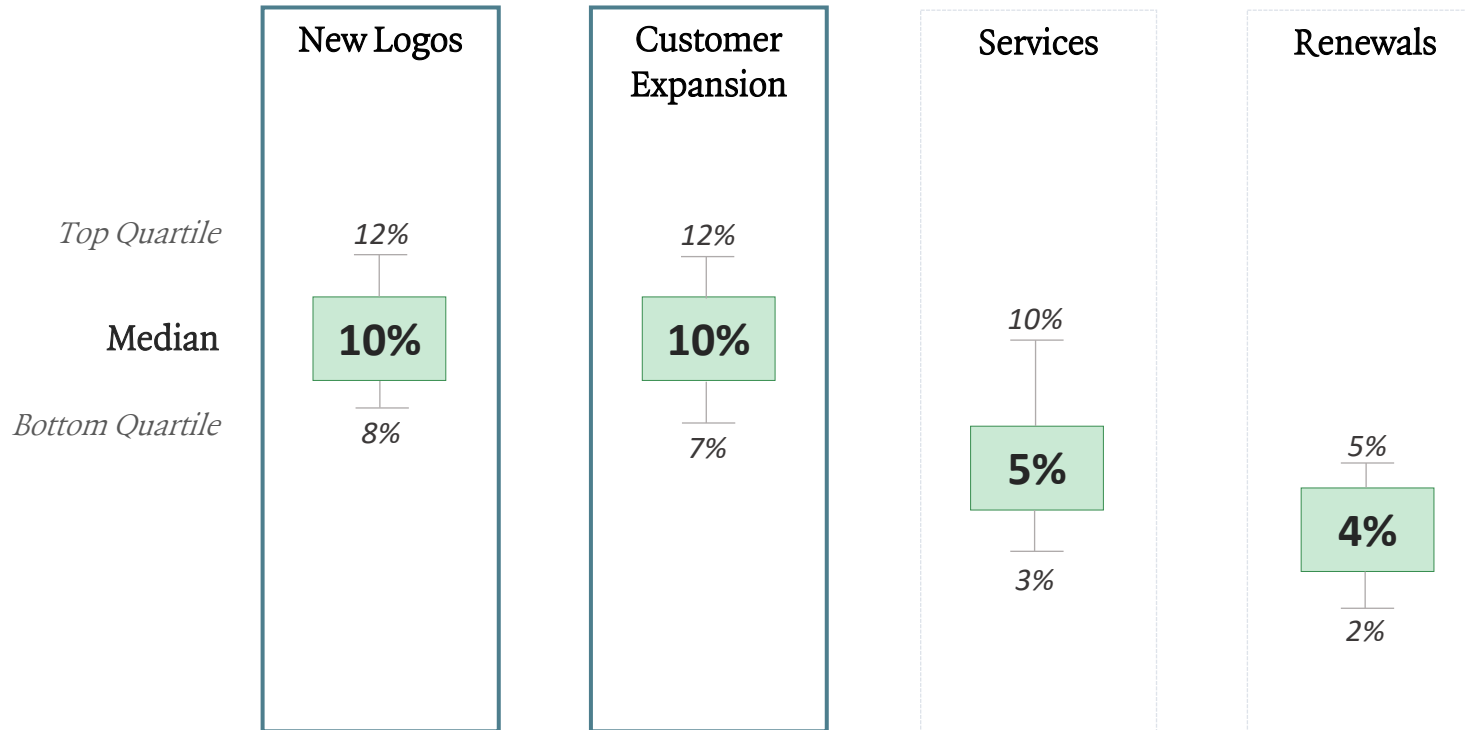
2 Perspectives from the ICONIQ Growth network

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%.

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

- Primary responsibility
- Other

What is your base commission rate for AEs on revenue (ACV)?<sup>1</sup>  
*Quartiles by revenue source*

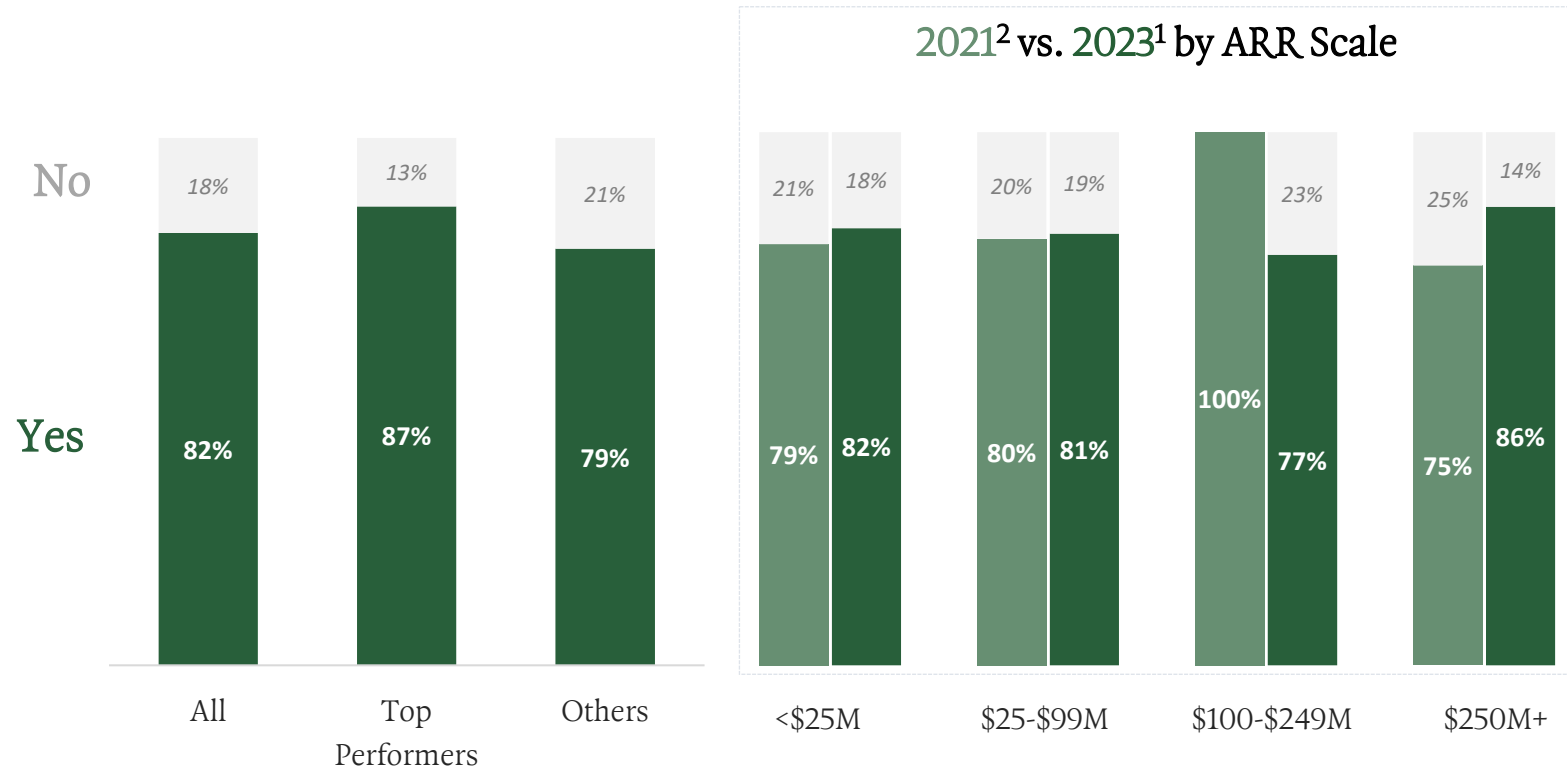


To reward strong performance, 82% of sales organizations offer accelerators to their account executives, which increase commission rates once a rep hits a certain level of quota attainment

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

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

**Do your AE comp plans include accelerators?<sup>1</sup>**  
 % of respondents



<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2021)

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?<sup>1</sup>

*% of respondents; new logo revenue*

|               | Quota Attainment Treshold | Commission Rate Change<br>Median | Commission Rate<br>Bottom, Median, Top Quartile (New Logo Revenue) |
|---------------|---------------------------|----------------------------------|--|
| Base Rate     | <100%                     | N/A                              | 8%   <b>10%</b>  |
| Accelerator 1 | 100-120%                  | +3 points                        | 10%   <b>13%</b>   17%   |
| Accelerator 2 | 120-150%                  | +5 points                        | 13%   <b>15%</b>   20%   |
| Accelerator 3 | 150%+                     | +8 points                        | 15%   <b>18%</b>   20%   |

## Account Executives | SPIFFs

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

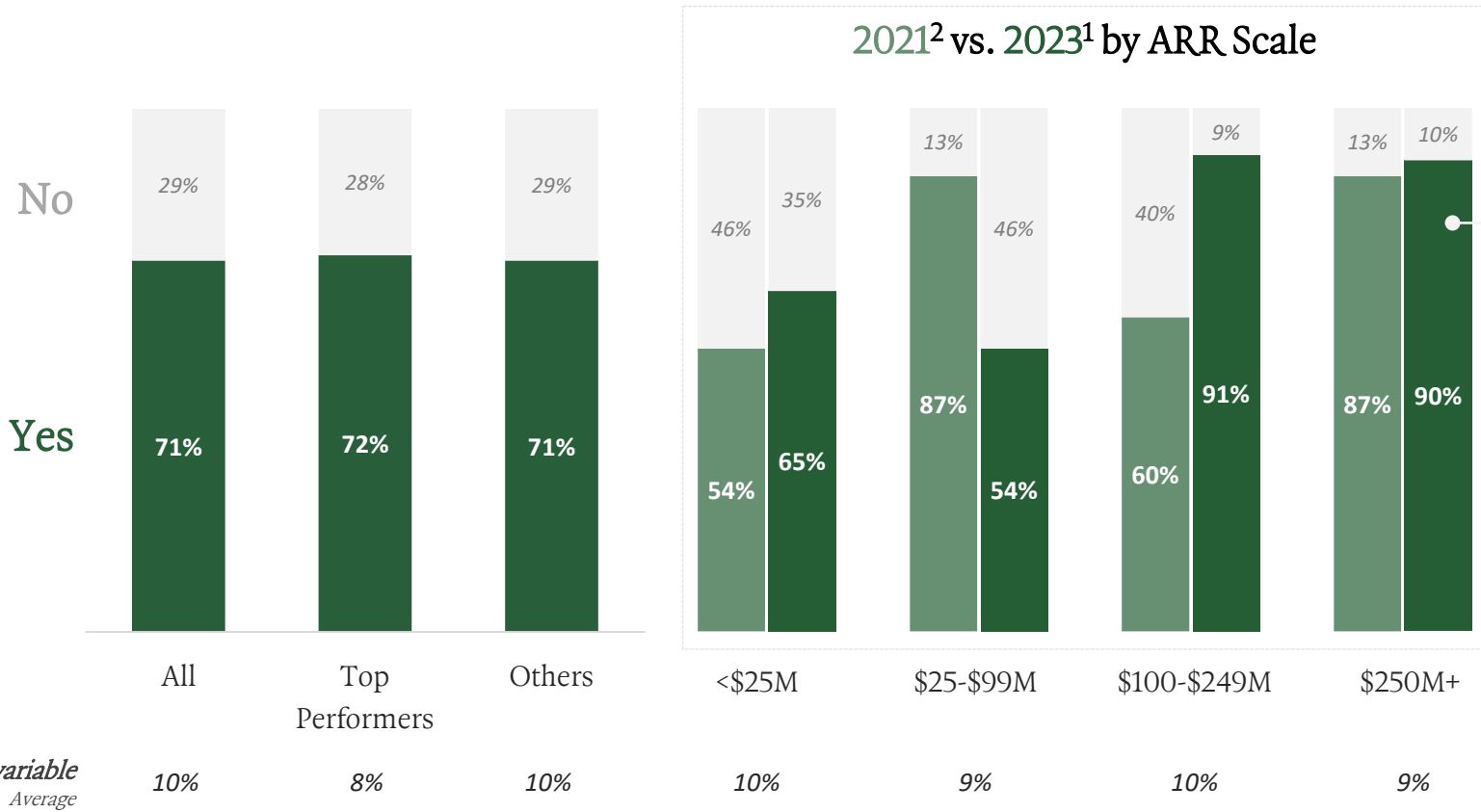
|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

**SPIFFs**

*A sales performance/program incentive fund is a monetary bonus usually tied to a business goal, metric, or contest*

### Do your AE comp plans include SPIFFs?<sup>1</sup>

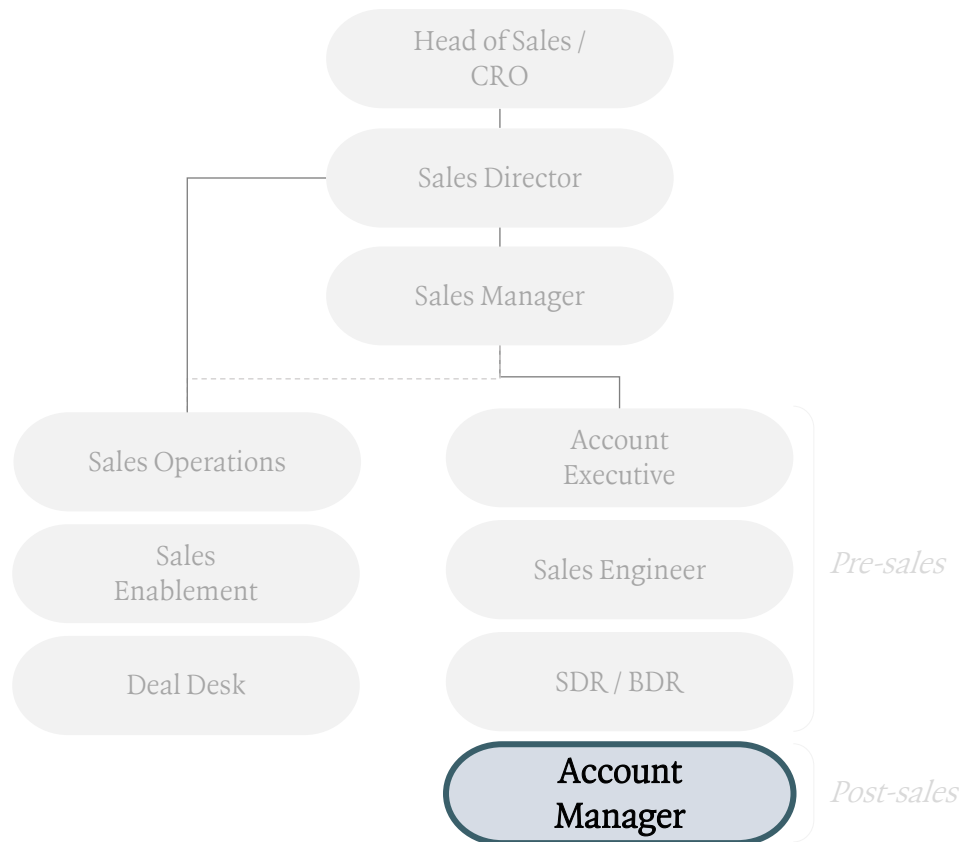
*% of respondents*



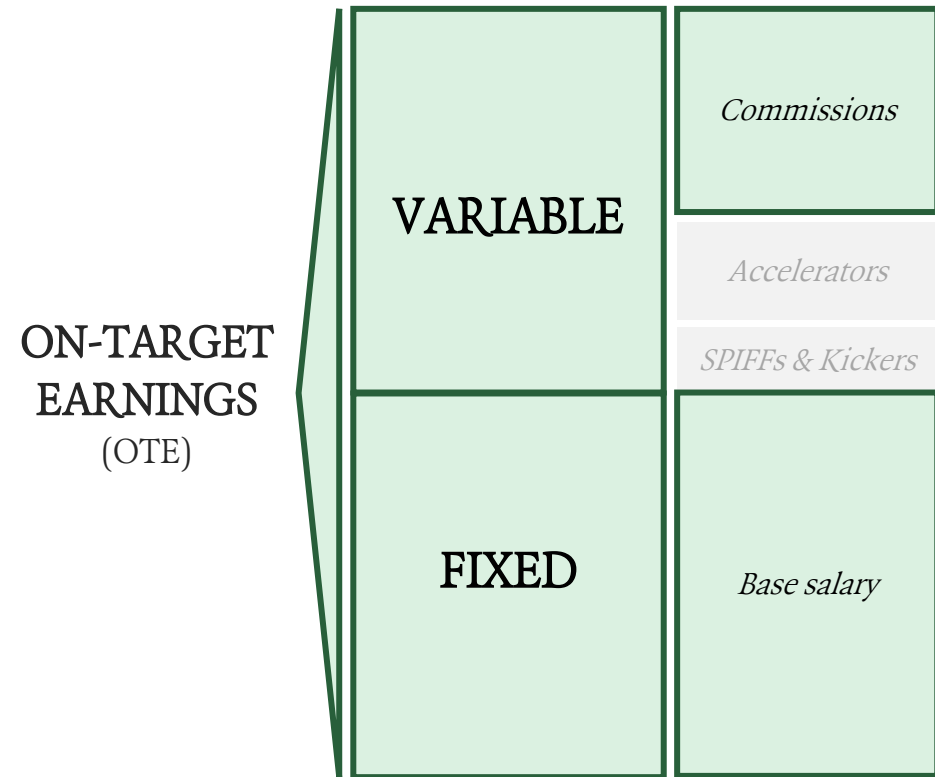
On average, the prevalence of SPIFFs has increased since 2021. SPIFFs can be a less expensive alternative to increasing salary or commission rates, lending them well to cash conservation during slow economic periods.

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)  
<sup>2</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2021)

## Typical Sales Org Structure



## Key Components of Sales Compensation

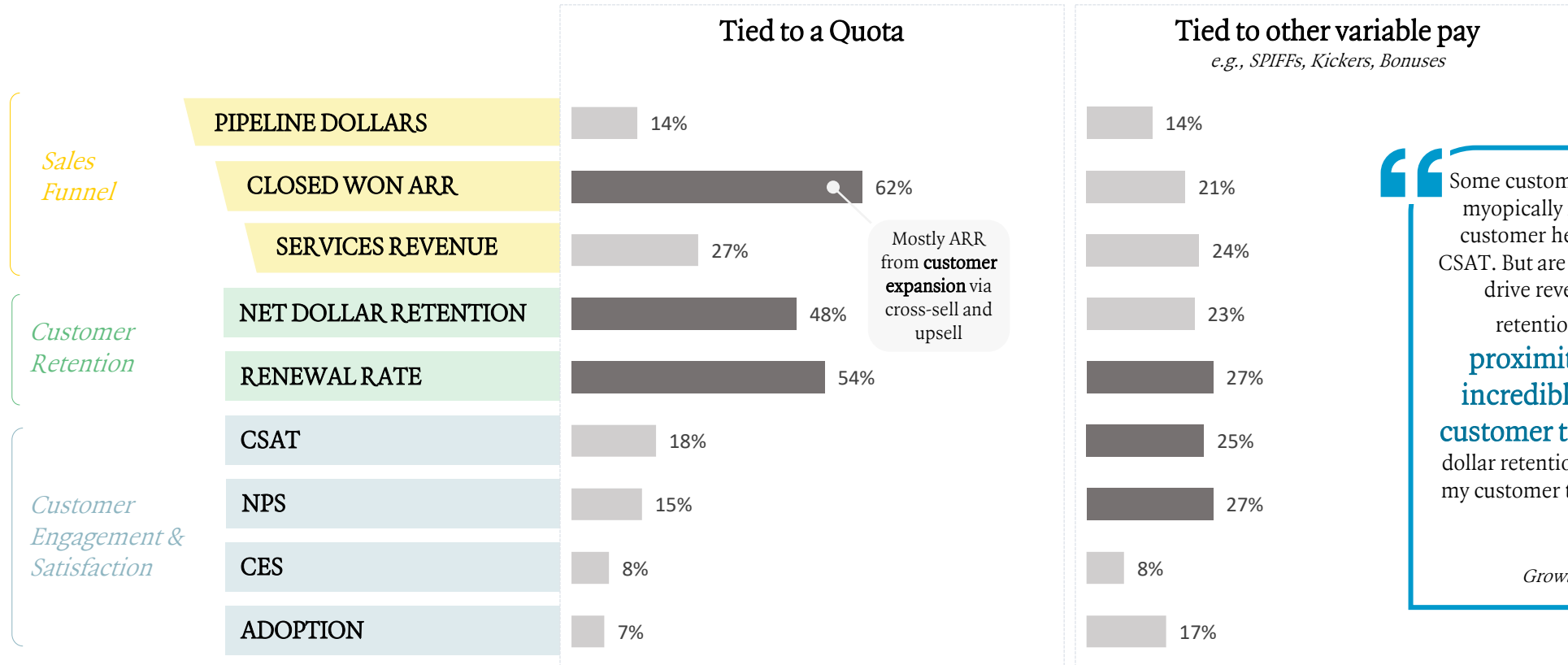




Account managers are primarily incentivized to focus on customer expansion and retention. They commonly have a quota against customer expansion revenue and are incentivized to achieve targets against net dollar retention and renewal rate

Top Metrics  
Other Metrics

What metrics are tied to account manager compensation?<sup>1</sup>  
% of respondents by quota-based vs. other; select all that apply



Some customer-focused teams are myopically focused on a certain customer health stat like NPS or CSAT. But are these metrics going to drive revenue and increase retention? **A metric's proximity to revenue is incredibly important for customer teams** – net and gross dollar retention are the only metrics my customer teams are focused on.<sup>2</sup>

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

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network

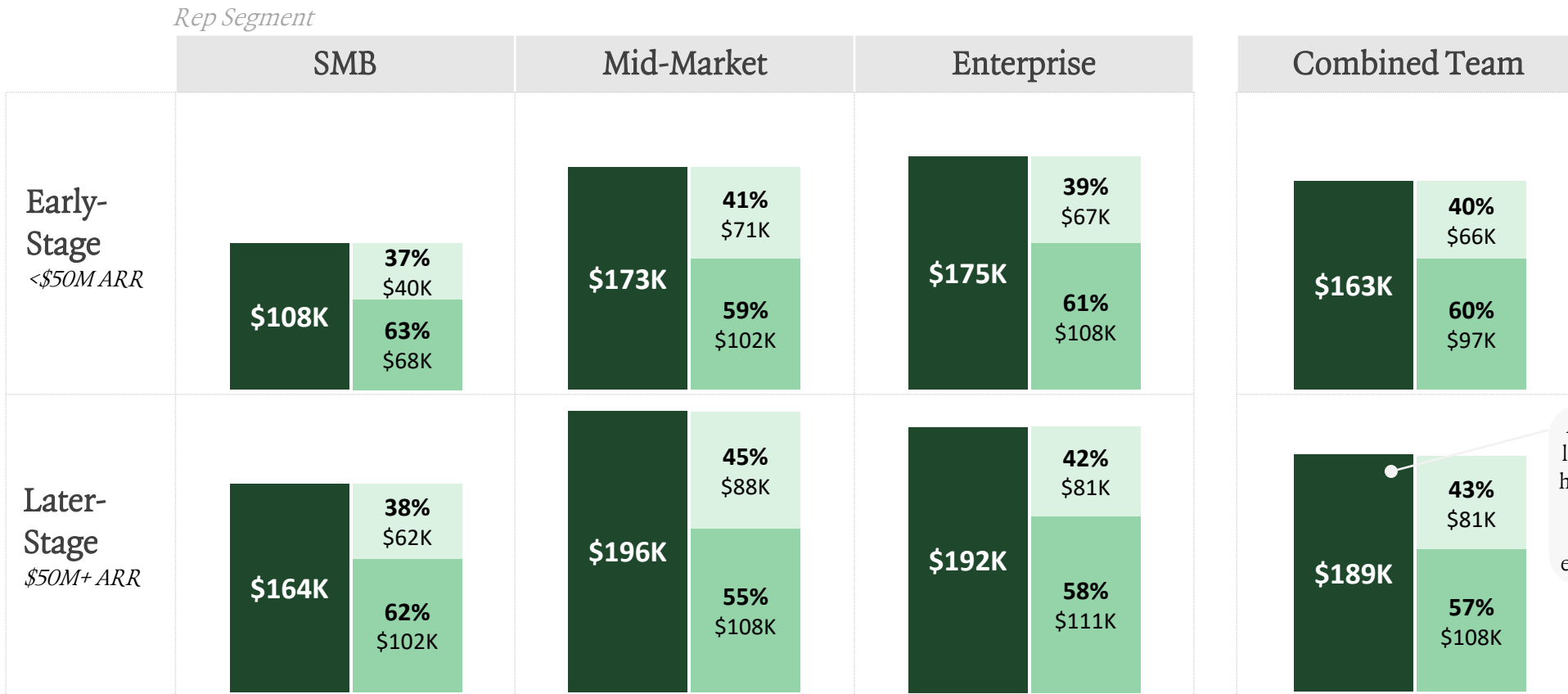
# Account Managers | Cash Compensation Detail

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%

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  | VARIABLE |
| AM  | FIXED    |

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

Average OTE, variable, and fixed compensation for account managers<sup>1</sup>  
By rep segment and company stage

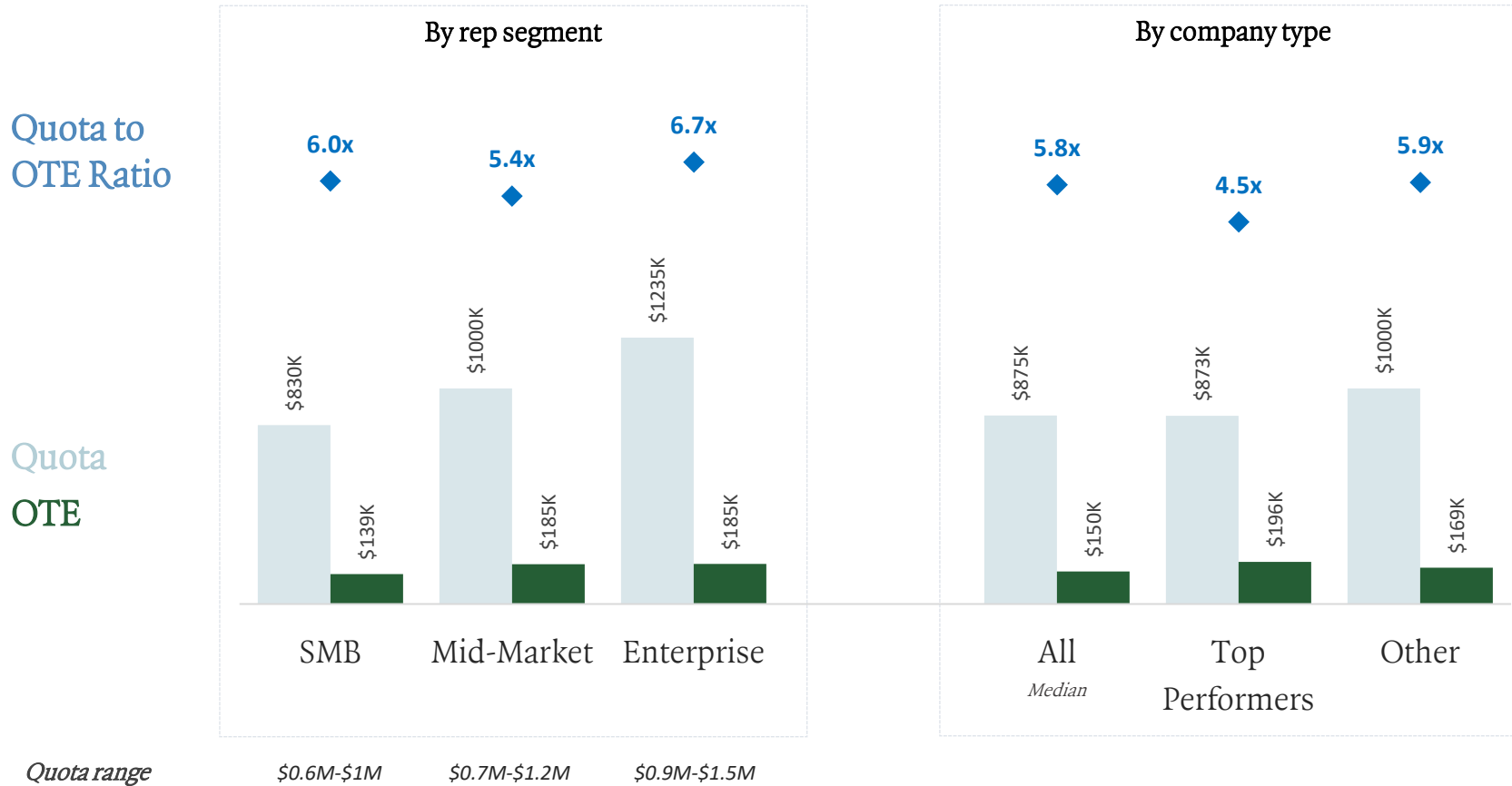


## Account Managers | Quota & OTE Ratios

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

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  | VARIABLE |
| AM  | FIXED    |

Median quota, OTE, and quota ratio for account managers<sup>1</sup>  
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

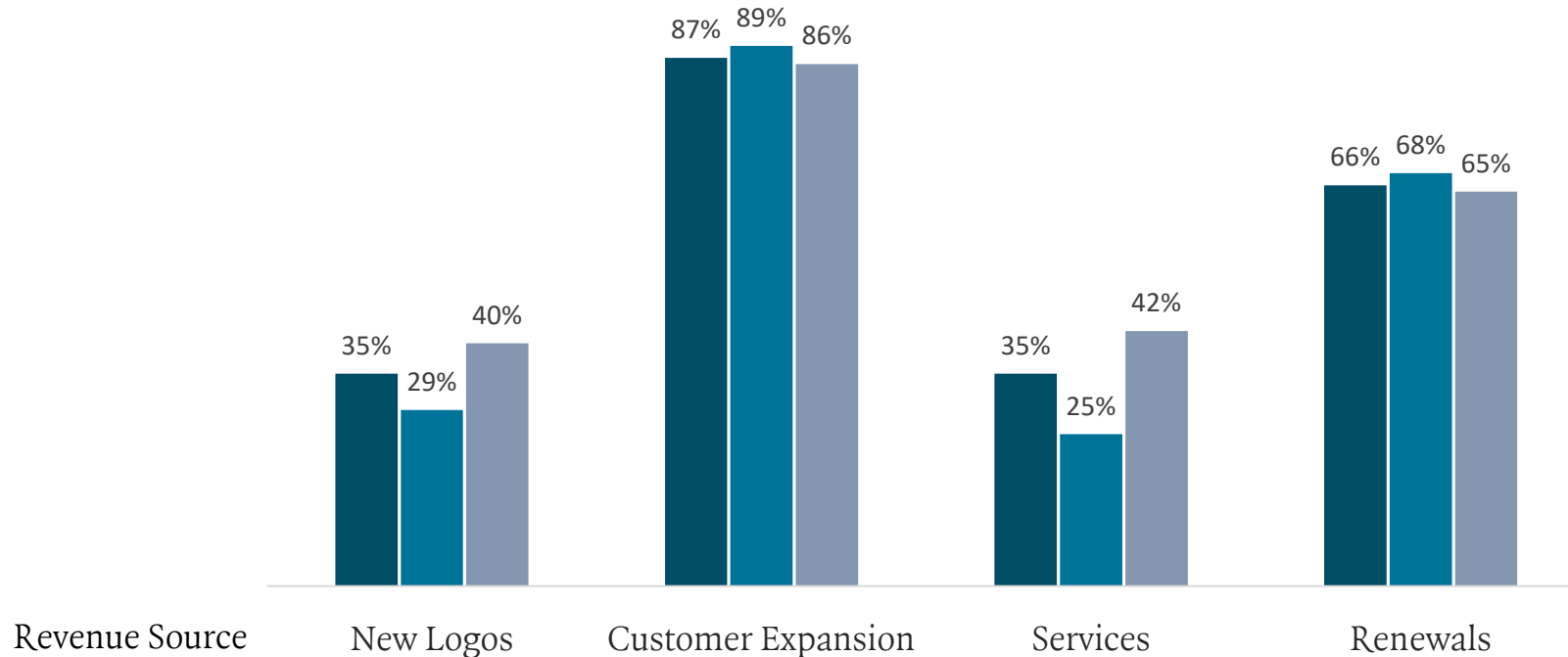
## Account Managers | Commissions

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

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

All  
 Early-Stage <\$50M ARR  
 Later-Stage \$50M+ ARR

For which of the following sources of revenue do you offer commissions to account managers?<sup>1</sup>  
 % 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.<sup>2</sup> ”

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

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network

## Account Managers | Commission rates

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

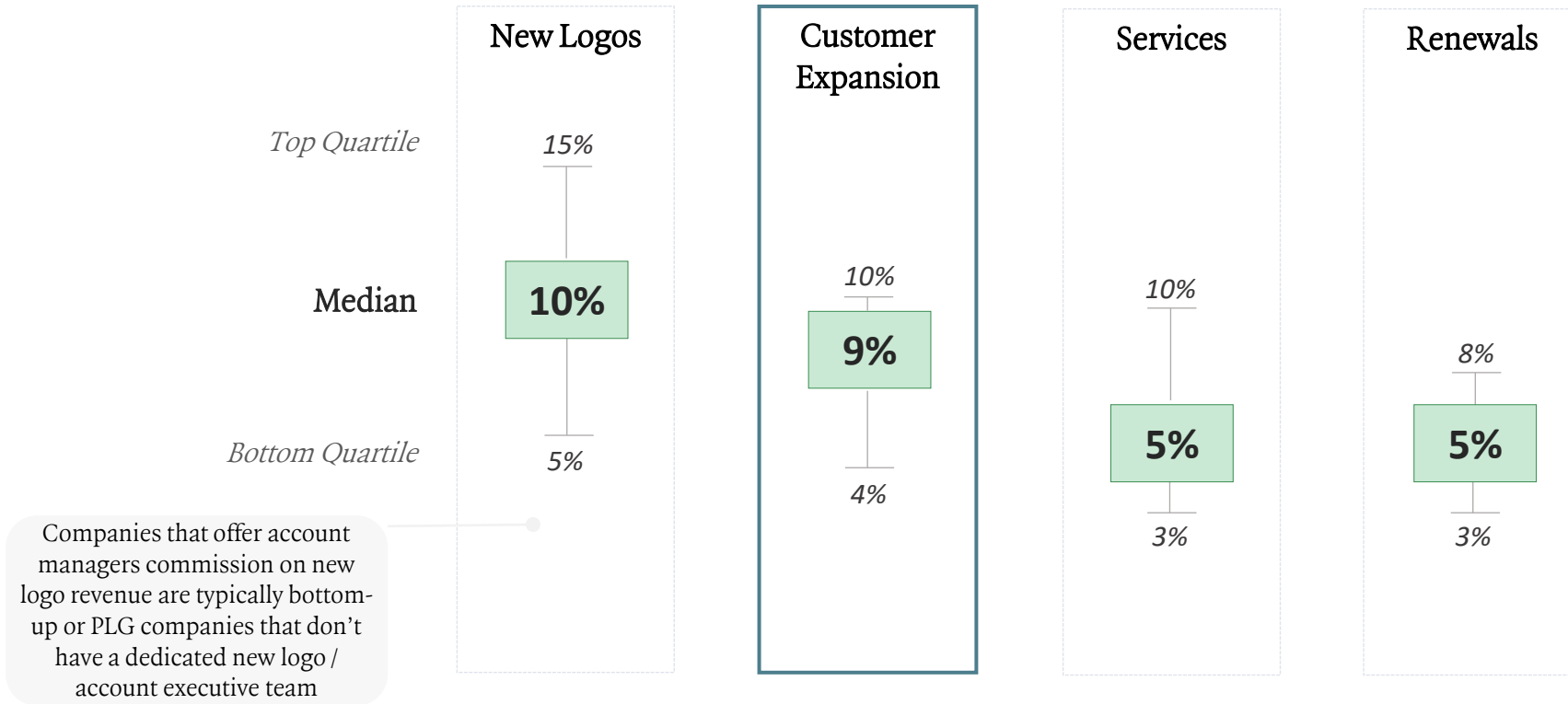
|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

Primary responsibility

Other

### What is your base commission rate for account managers on revenue (ACV)?<sup>1</sup>

Quartiles by revenue source



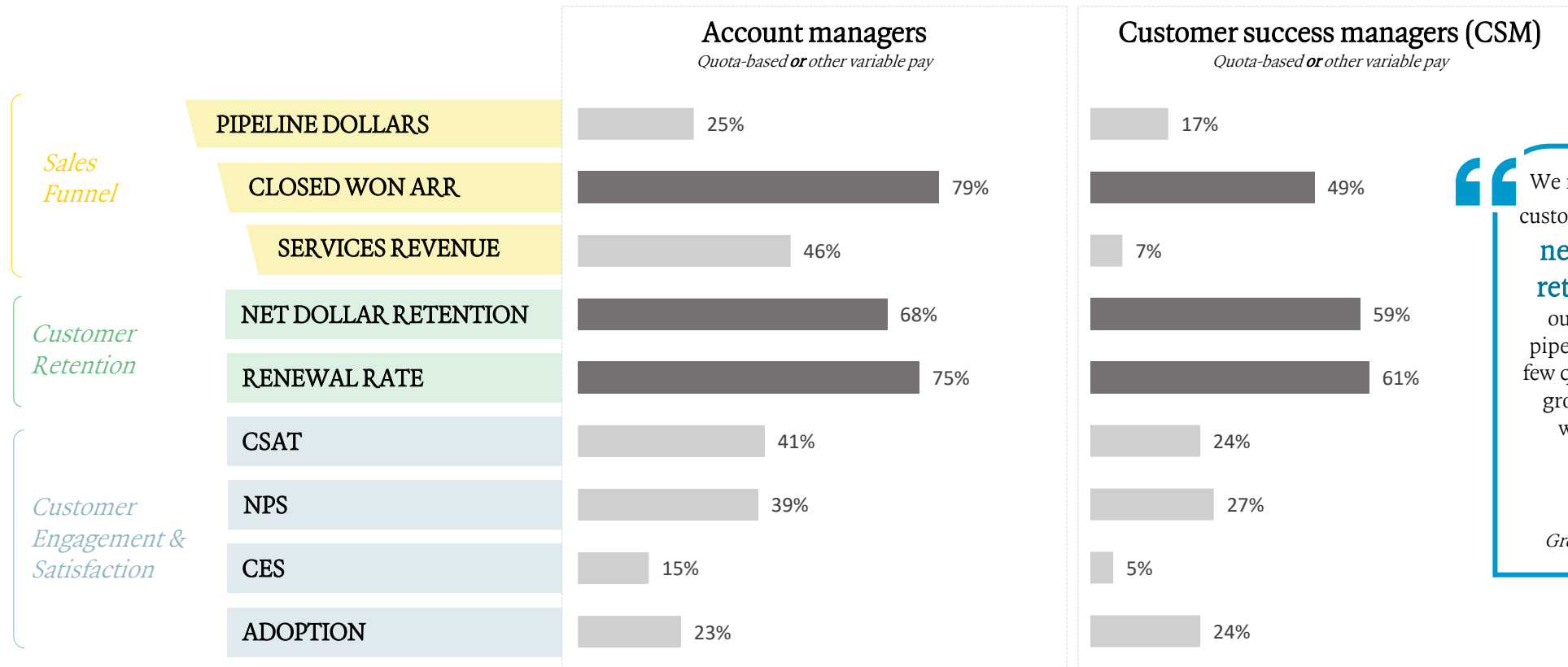
# Account Managers | versus Customer Success Manager incentives

Account managers and CSMs are incentivized based on the same primary metrics: customer expansion revenue, net dollar retention, and renewal rate

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

Top Metrics  
Other Metrics

Metrics tied to account manager vs. customer success manager compensation<sup>1</sup>  
% of respondents by quota-based vs. other; select all that apply



“ We may begin orienting our customer teams around **both net and gross dollar retention**, as we’ve seen our customer expansion pipeline diminish in the last few quarters. While customer growth may slow, we still want to be focused on retaining our base.<sup>2</sup> ”

*Revenue Leader  
Dev Ops  
Growth-stage (\$50-\$250M ARR)*

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network

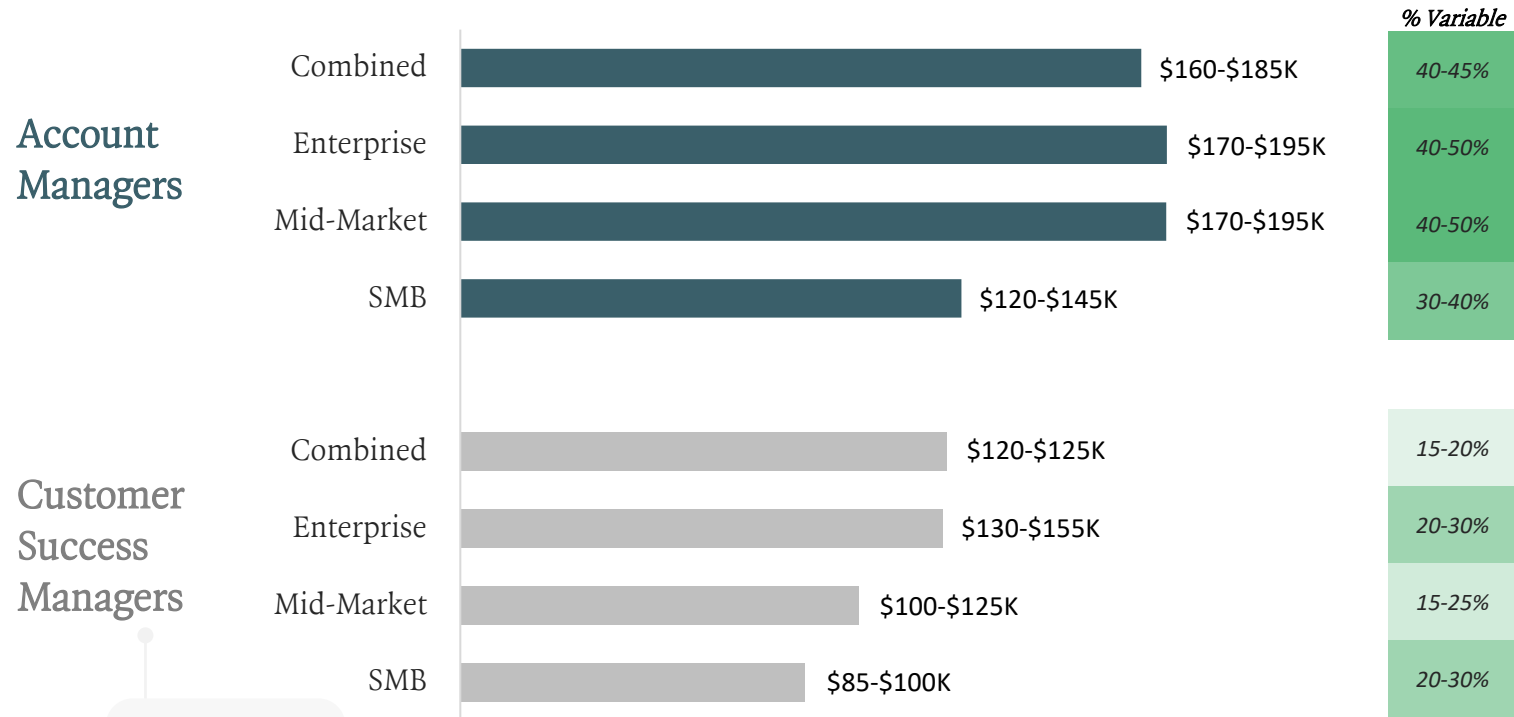
## Account Managers | versus Customer Success Manager compensation

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

|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  | VARIABLE |
| AM  | FIXED    |

### OTE (all-in cash compensation) and % variable<sup>1</sup>

Range by role & rep segment



84% of respondents reported their CSMs have variable compensation

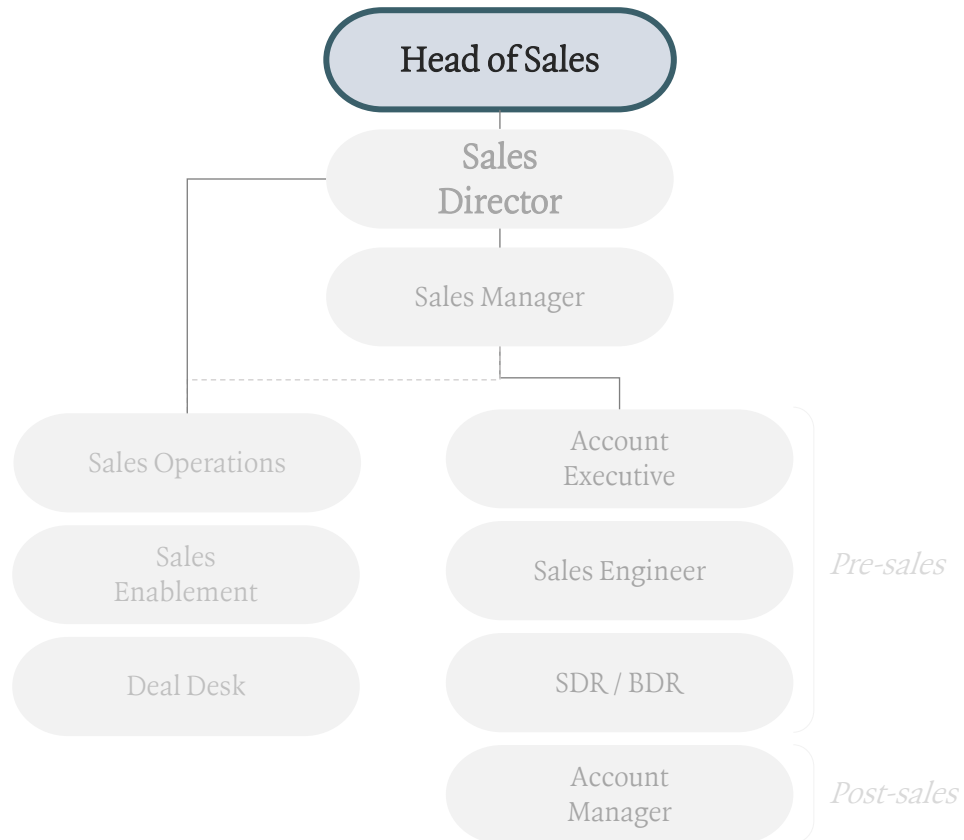
I see **value in combining account management and CSM roles** for some segments, and I think more companies will start incentivizing CSMs on renewals. However, there's a delicate balance. The customer should always feel like they have a trusted advisor and it's hard to find people that can do the job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

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

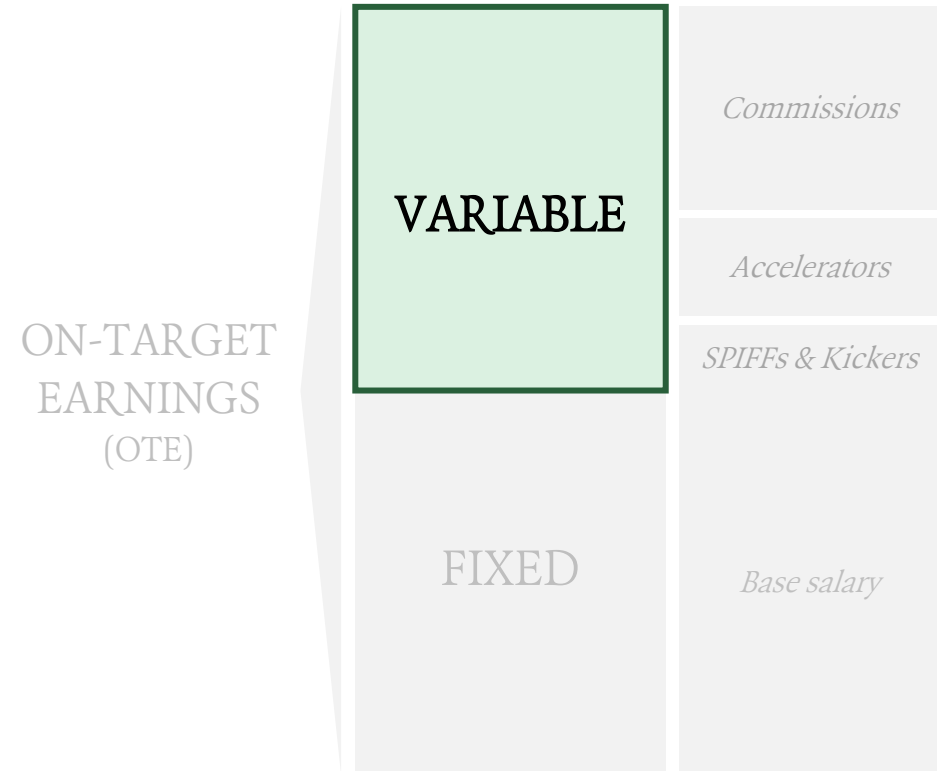
<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network

## Typical Sales Org Structure



## Key Components of Sales Compensation





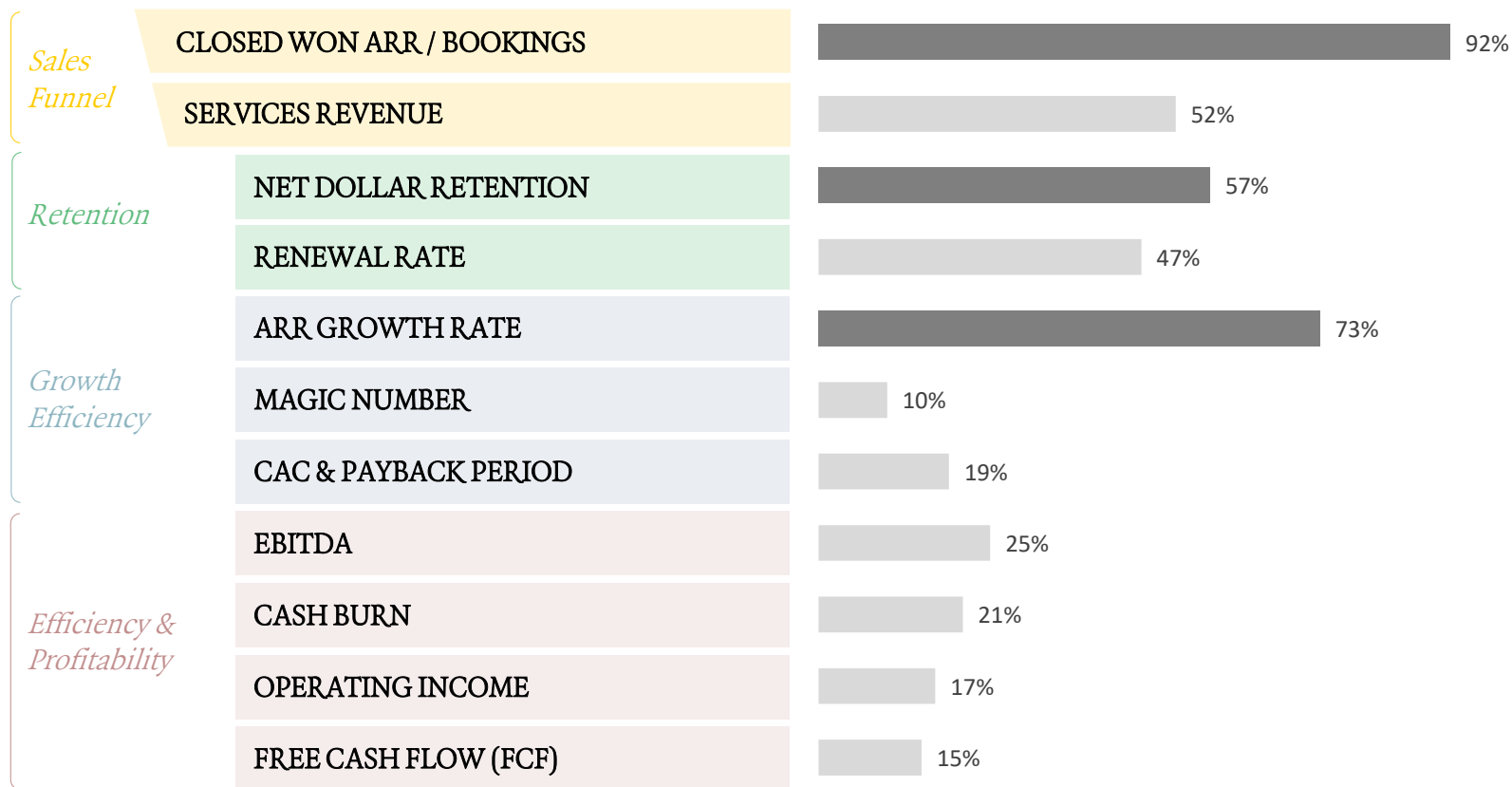
|     |          |
|-----|----------|
| SDR | VARIABLE |
| AE  |          |
| AM  | FIXED    |

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

### What metrics are tied to Sales leadership (VP-level+) compensation?<sup>1</sup>

*% of respondents by ARR stage; select all that apply*



# 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

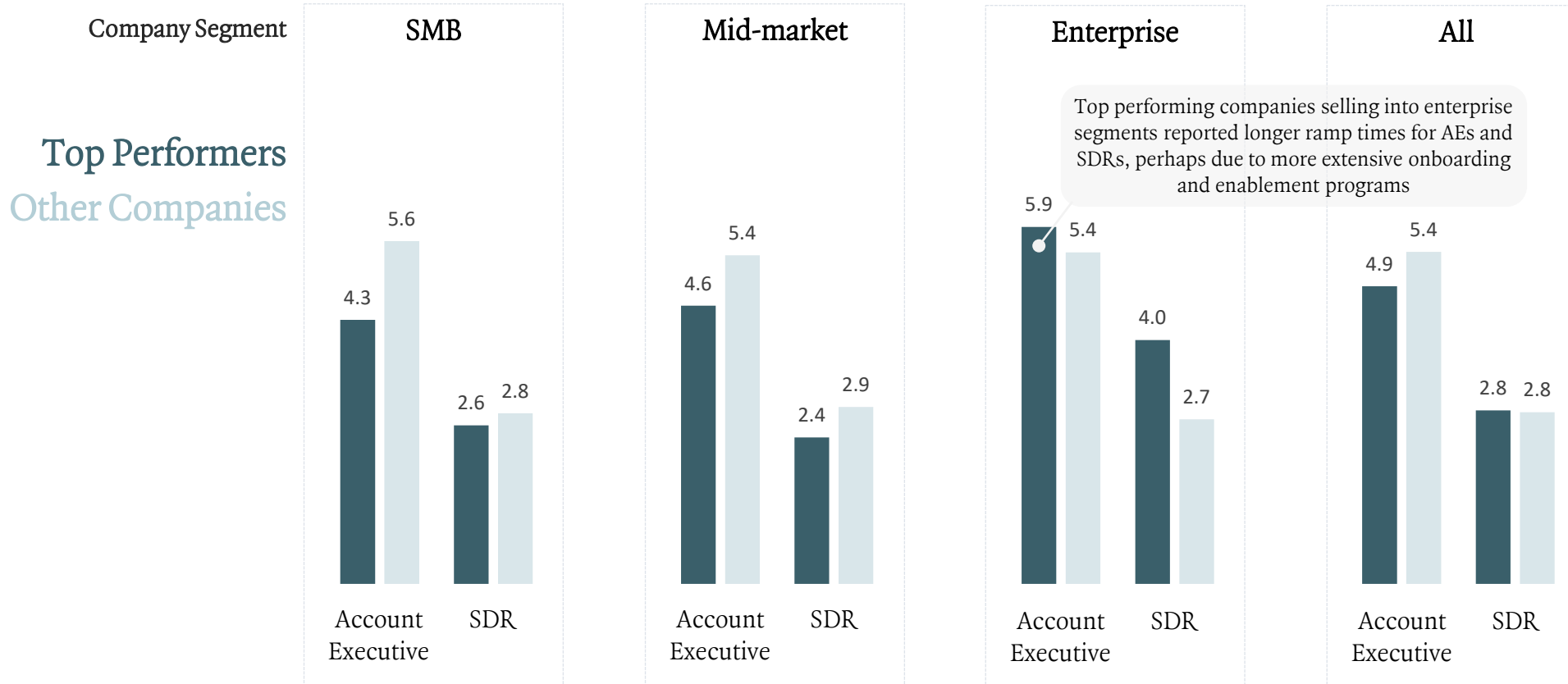
Decelerators



## 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?<sup>1</sup>  
*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.<sup>2</sup>

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

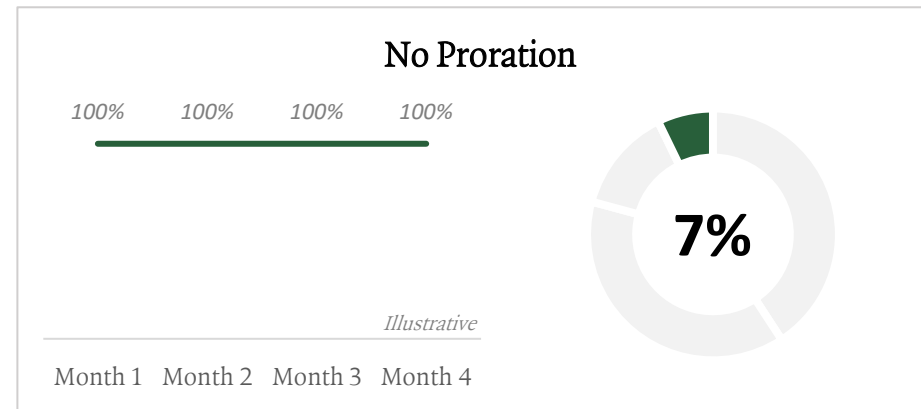
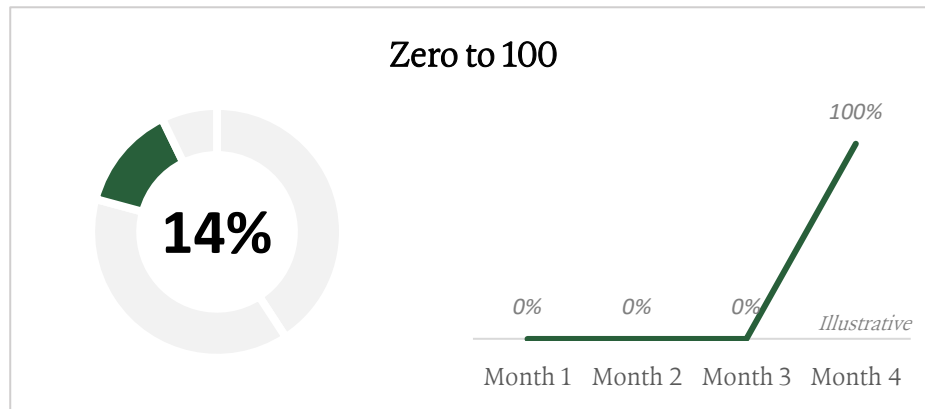
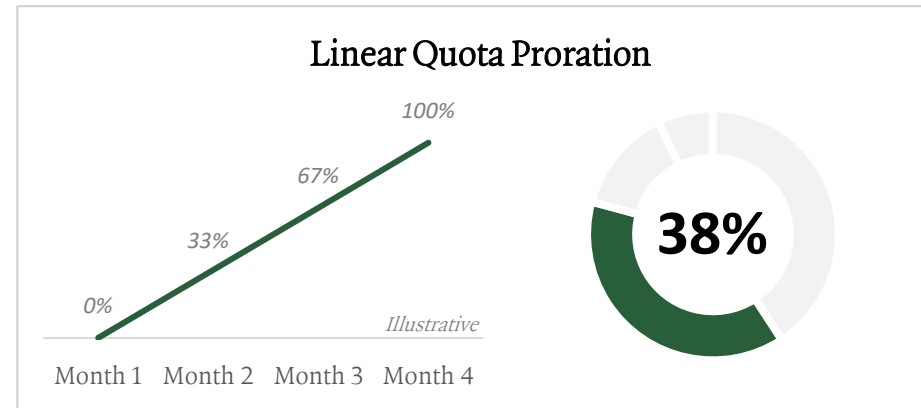
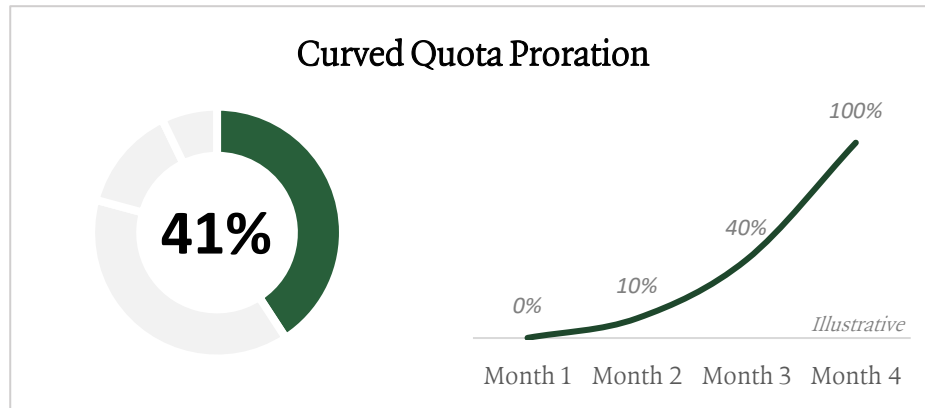
<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network

## 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?<sup>1</sup>  
*% of respondents*



“ 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**.<sup>2</sup>

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

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network

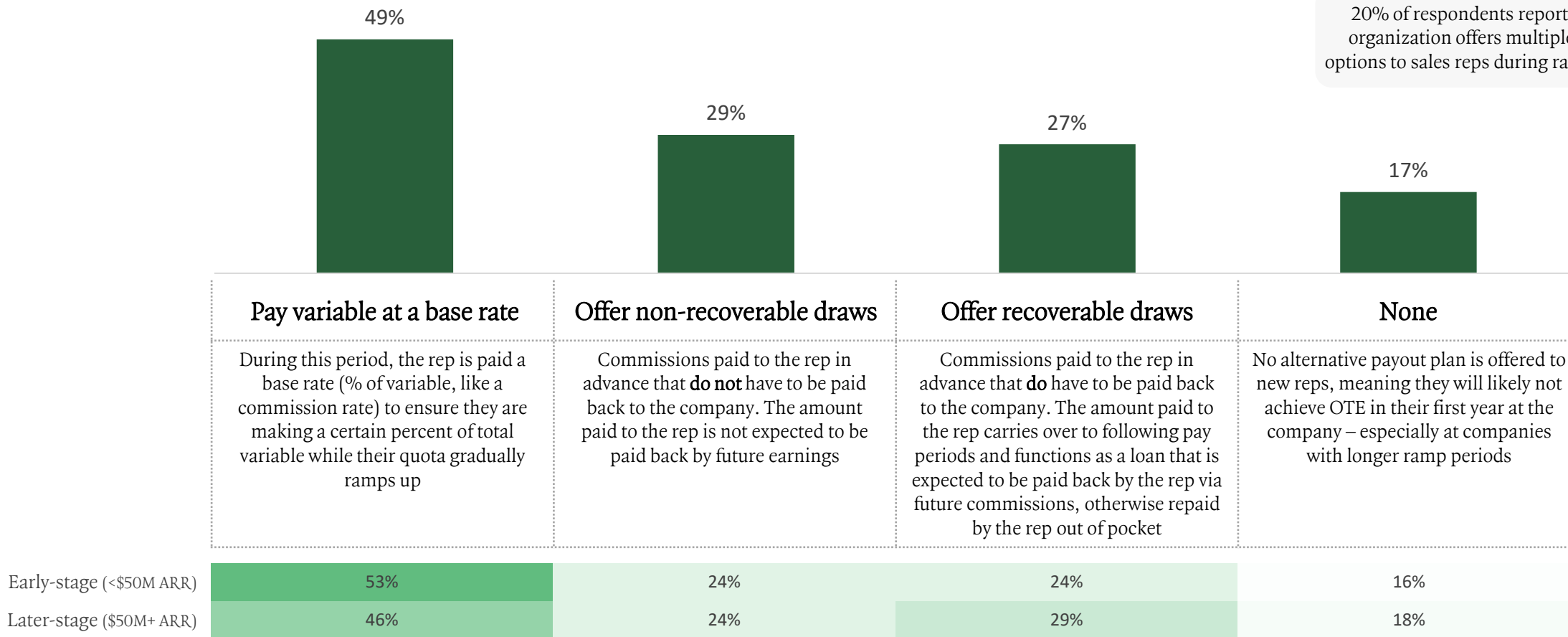
## Operationalizing Sales Comp | Earnings during ramp time

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?<sup>1</sup>

Select all that apply; % of respondents

20% of respondents reported their organization offers multiple payout options to sales reps during ramp period<sup>1</sup>

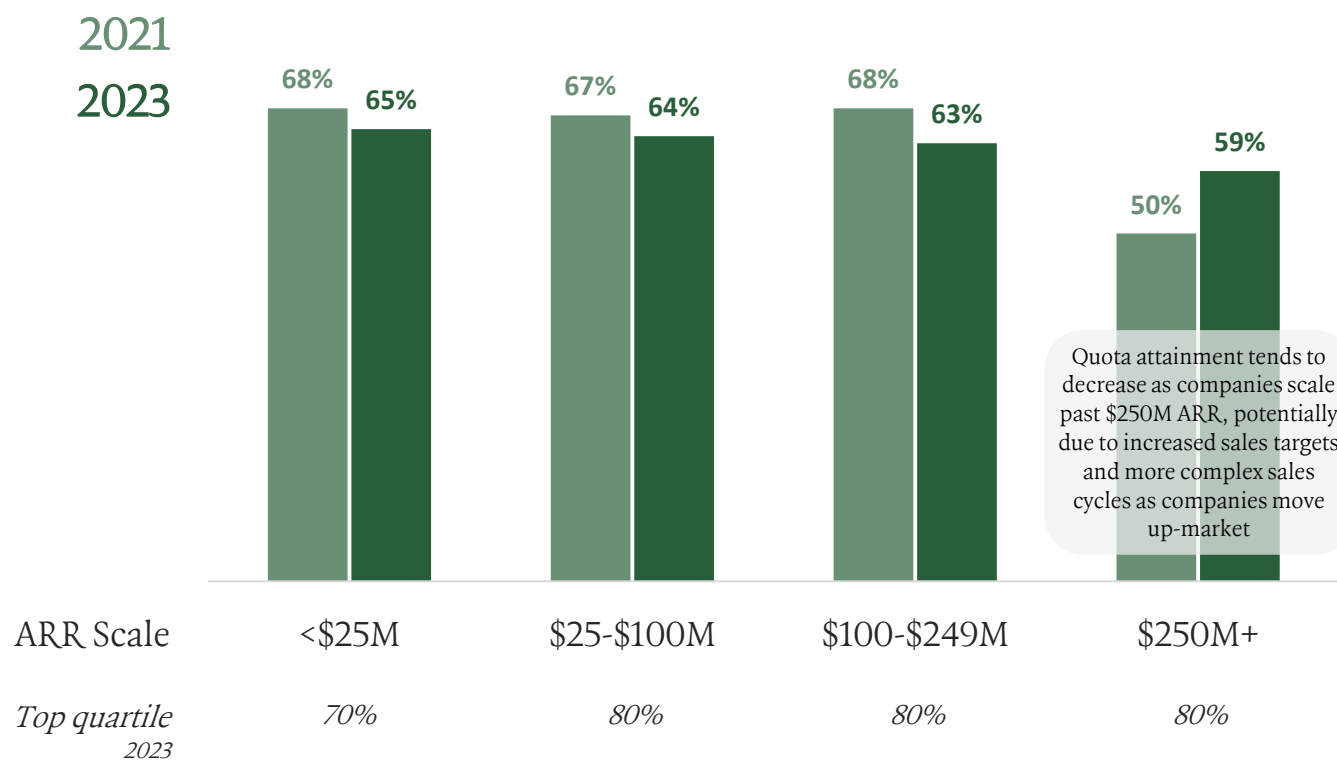


## Operationalizing Sales Comp | Quota attainment

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

### What percent of your organization's ramped account executives achieve quota?

2021<sup>2</sup> vs 2023<sup>1</sup> average by ARR scale



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.<sup>3</sup>

*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)

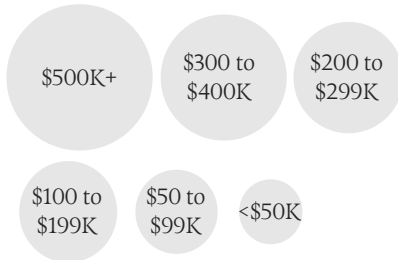
3 Perspectives from the ICONIQ Growth network

## 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

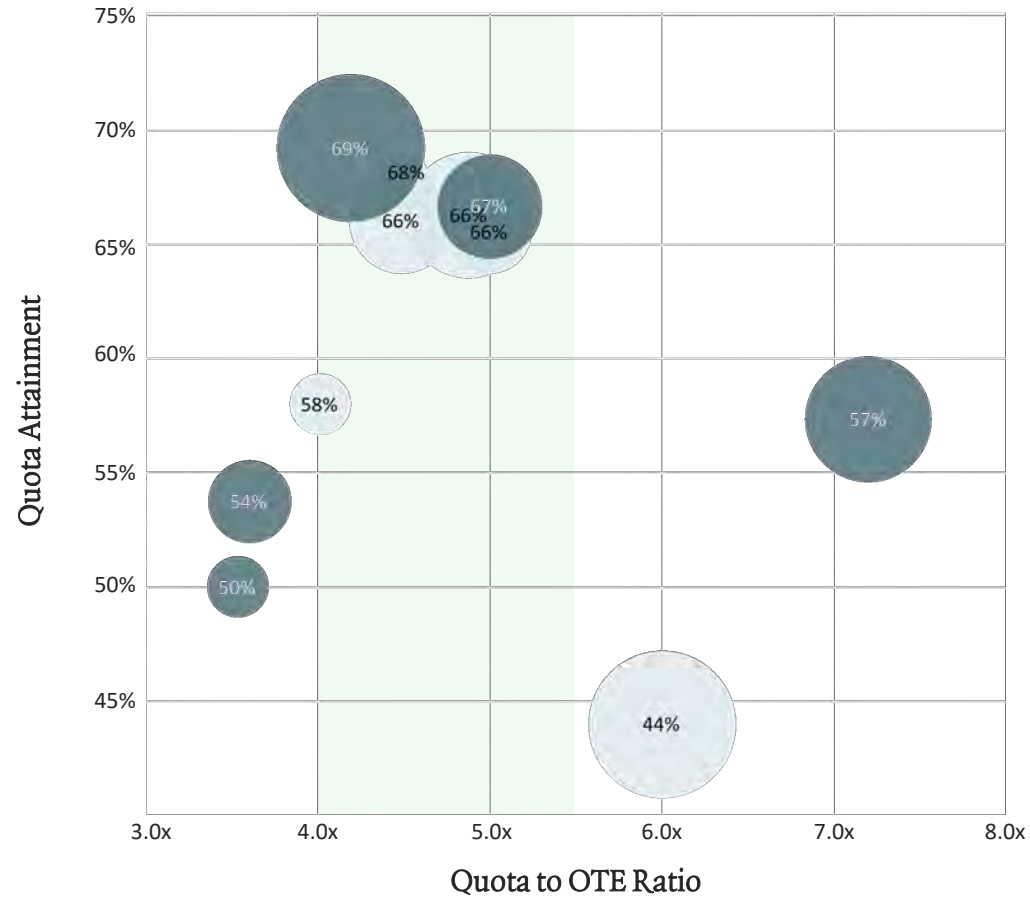
Top Performers  
Other Companies

ACV



### Quota attainment vs. quota to OTE ratio<sup>1</sup>

Average by company type and ACV



“ 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.<sup>2</sup>

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

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network

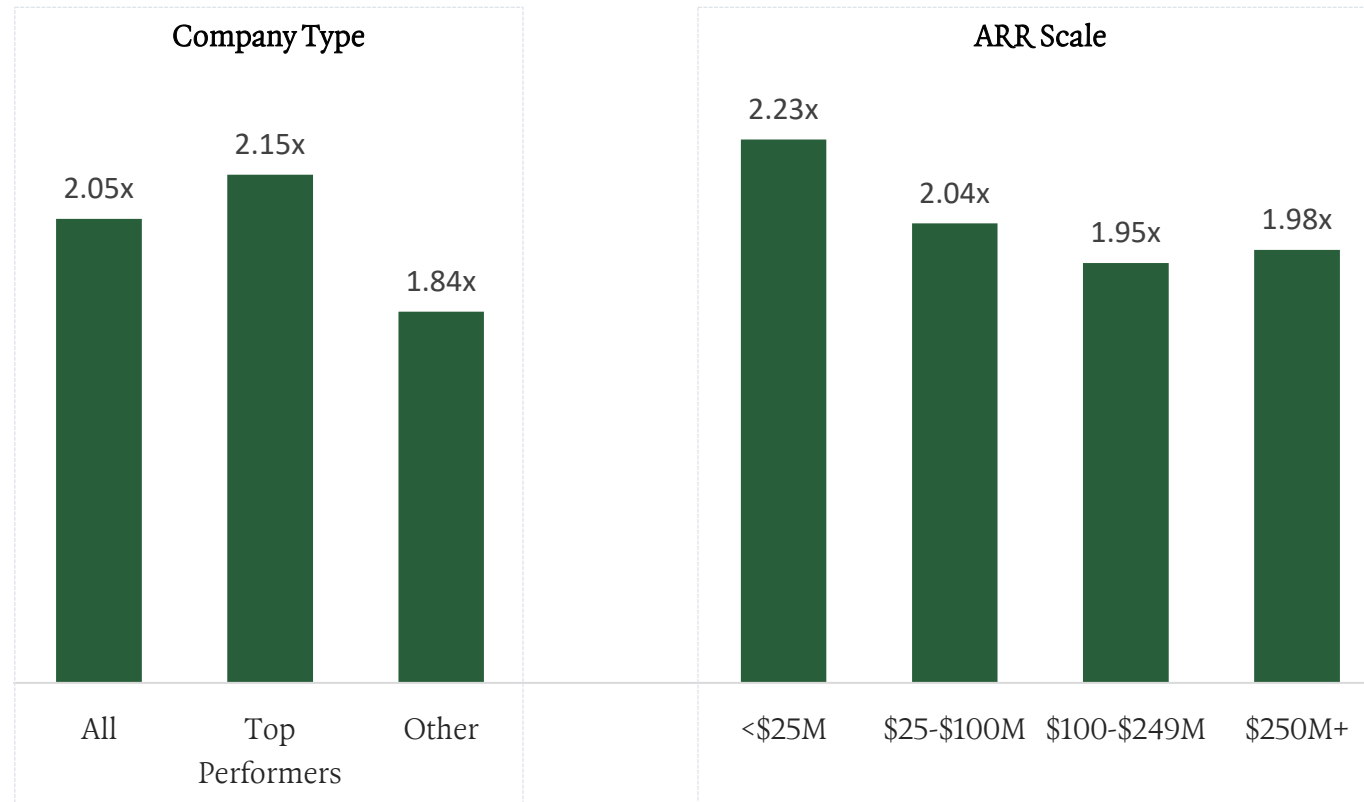
## Operationalizing Sales Comp | Leverage

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?<sup>1</sup>

*Average leverage ratio by company type and ARR scale*





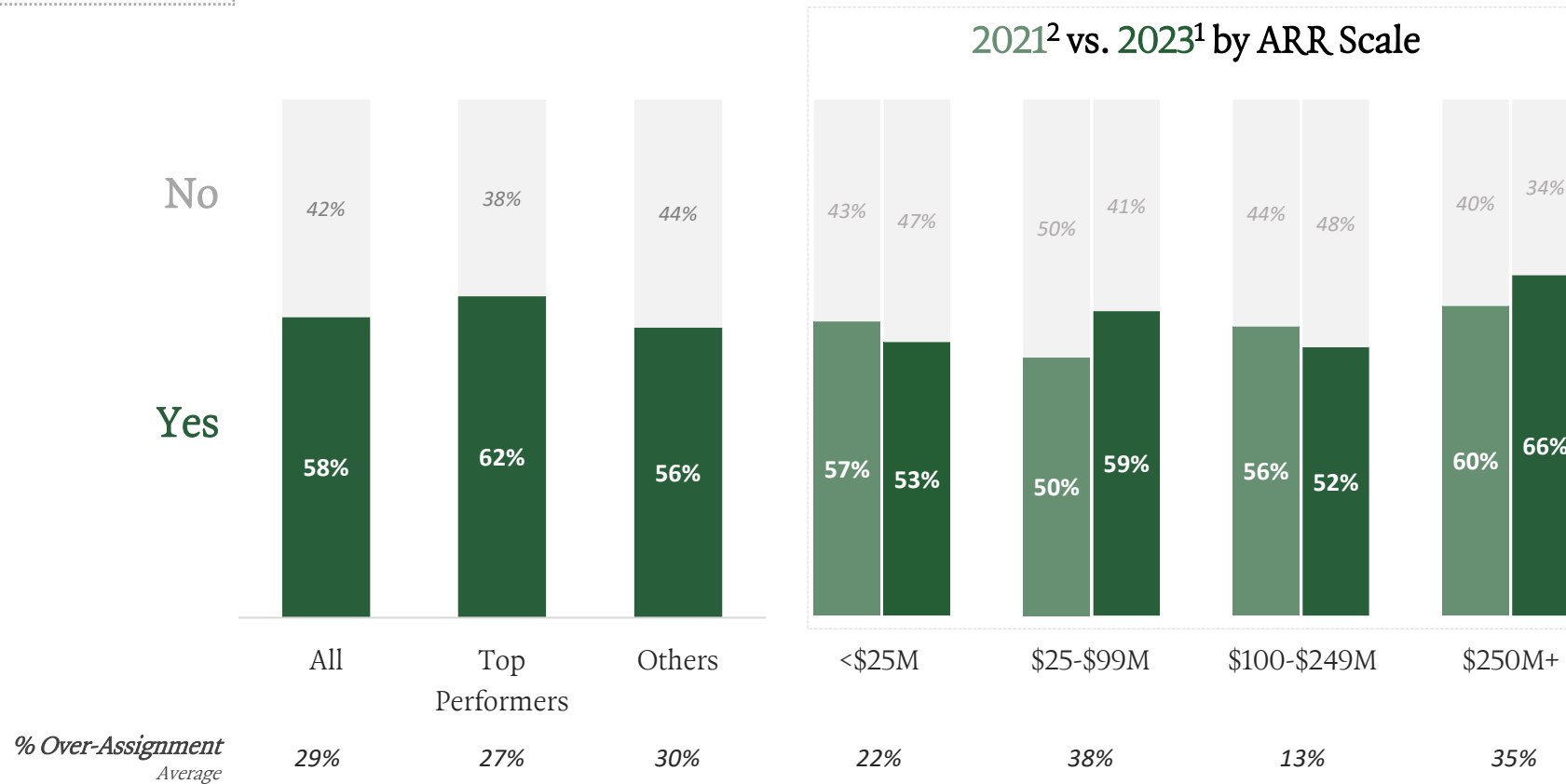
## Operationalizing Sales Comp | Quota over-assignment

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?<sup>1</sup>  
% of respondents



<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

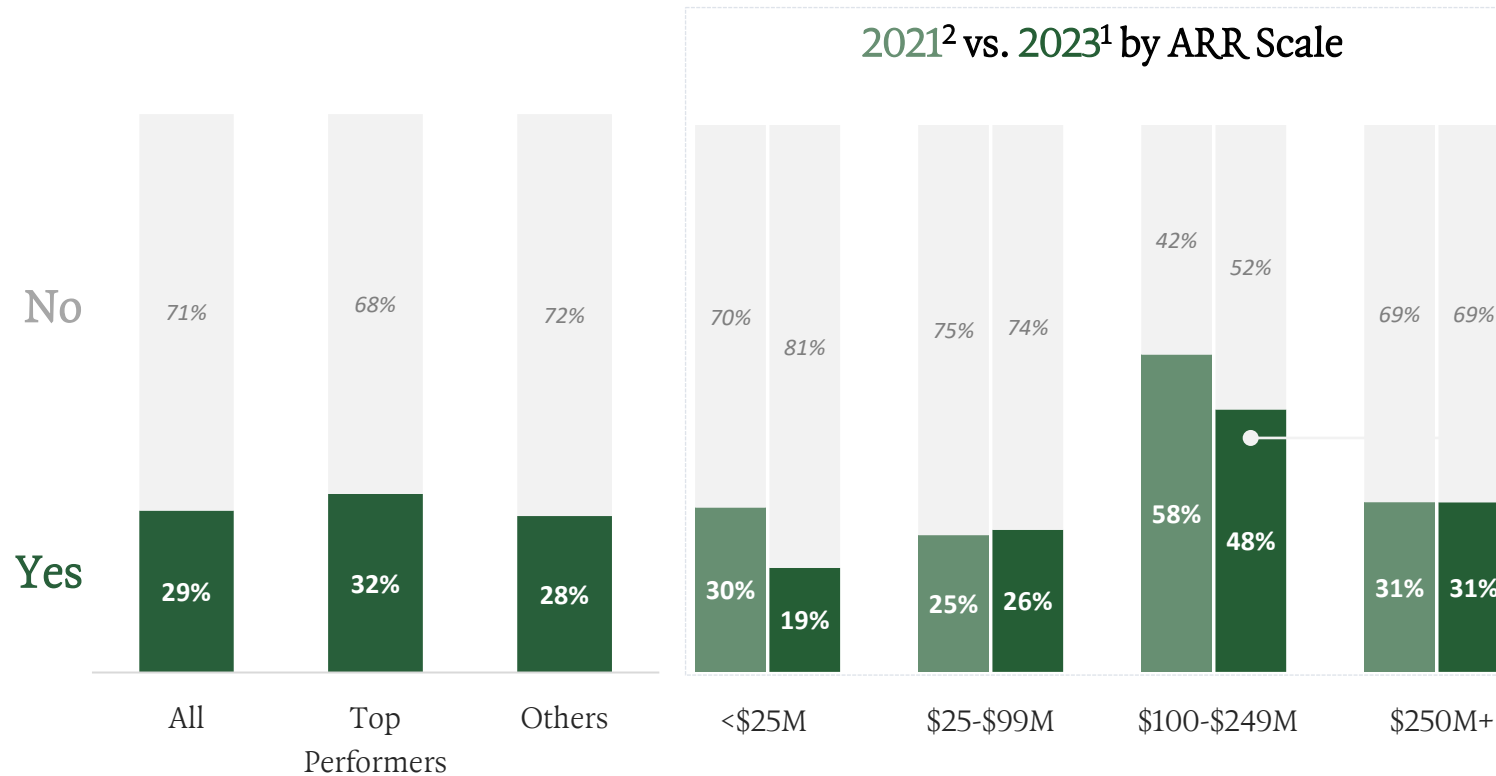
<sup>2</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2021)

## 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

**Quota relief**  
*Quota relief is an adjustment to a sales quota that has already been set, usually due to unforeseen circumstances*

Does your organization provide quota relief to sales reps?<sup>1</sup>  
 % 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

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2021)

## Risk Mitigation | Clawbacks

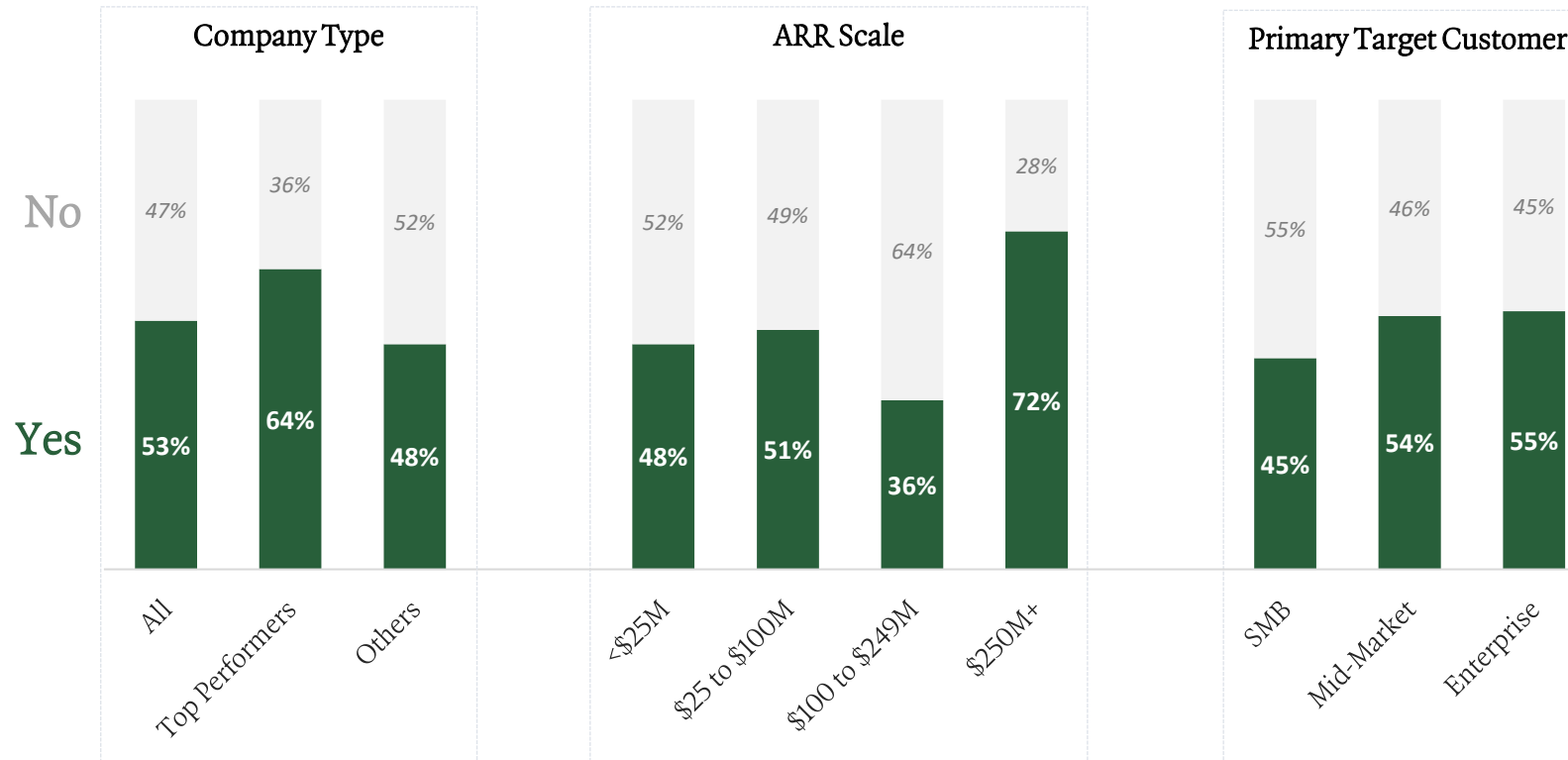
An important aspect of sales comp planning is mitigating organizational risk. Clawbacks are the most common form of risk mitigation, formally enforced by 53% of companies. Larger-scale companies with more mature accounting motions are more likely to enforce clawbacks

### Clawbacks

*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?<sup>1</sup>

*% of respondents*



## Risk Mitigation | Capping Commissions

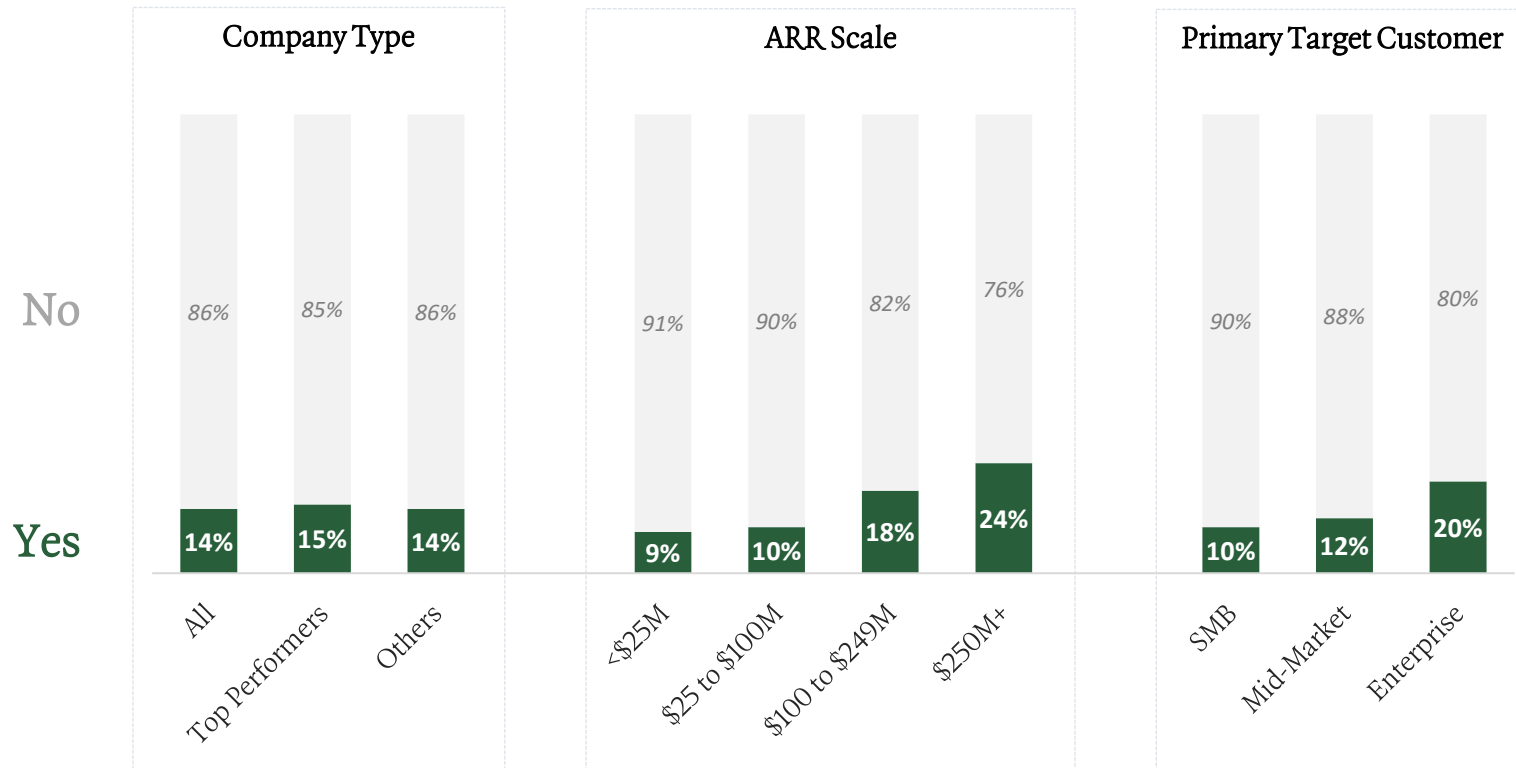
Commission capping less popular, enforced by only 14% of companies as it de-incentivizes over-performance. Commission caps were most common at large-scale companies selling to enterprise customers, with caps applying primarily to large deals with exceptionally high ACVs

### 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?<sup>1</sup>

*% 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

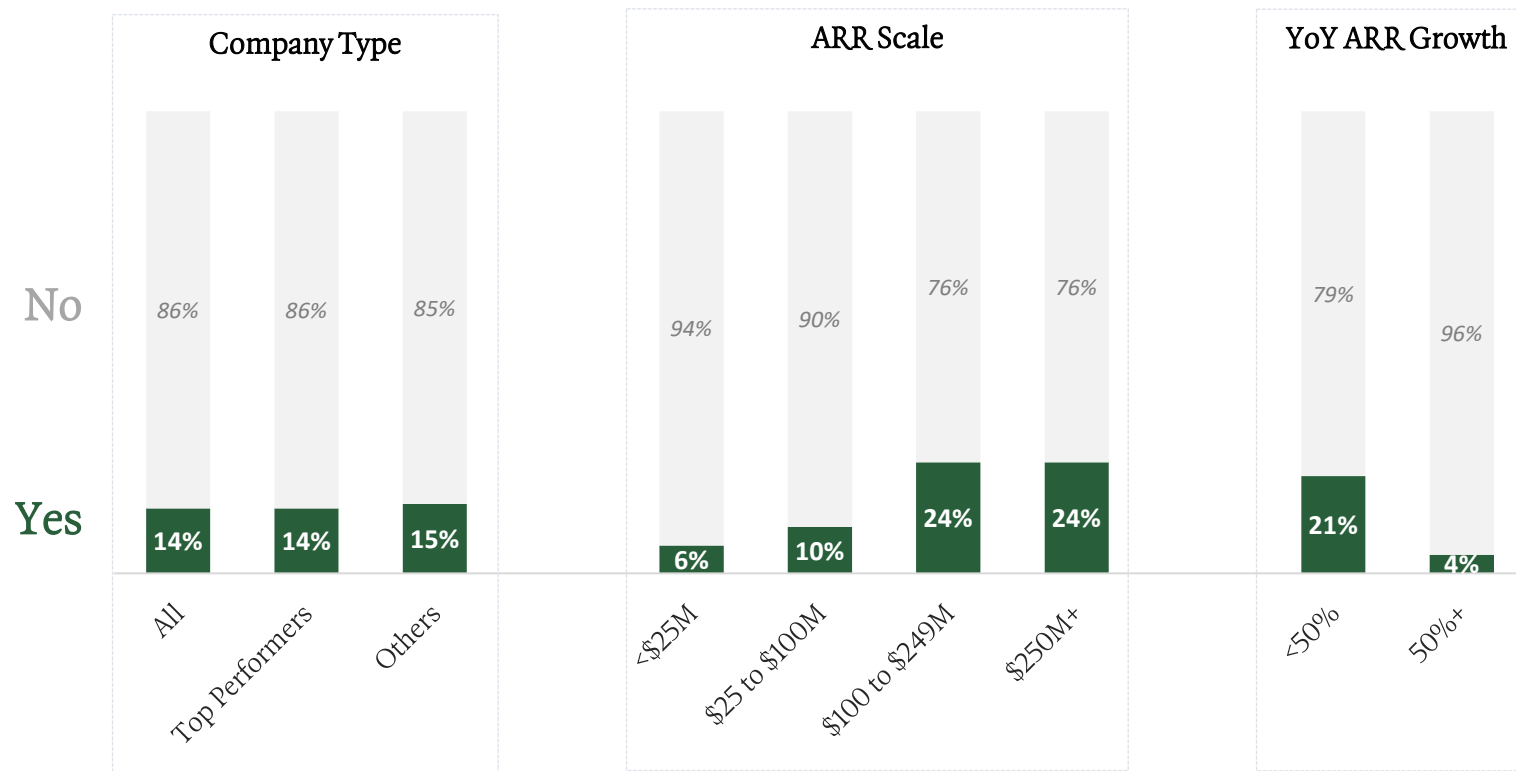
Like commission caps, decelerators (also known as regressive rates) are enforced by only 14% of companies, and by only 4% of the high-growth companies in this dataset

### Decelerators

*Decelerators decrease commission rate, usually when a rep hits a certain threshold above quota or OTE attainment*

### Do your sales comp plans include any regressive rates or decelerators?<sup>1</sup>

*% of respondents*



# 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<sup>1</sup>

Key drivers of the buying cycle (Illustrative) & % of respondents in each category

|                       | Sales-led Growth (SLG)   |  | Product-led Growth  |
|-----------------------|--|--|---|
|                       | Top-down SLG<br><i>46% of respondents</i>  | Bottom-up SLG<br><i>44% of respondents</i>   | <i>10% of respondents</i>   |
| 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.**<sup>2</sup>

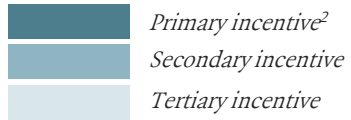
*Revenue Leader  
Collaboration & Workflow, PLG  
Late-stage (\$250M+ ARR)*

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network

## 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 motions<sup>1</sup>  
By key role

|                     | Sales-led Motions<br><i>Includes top-down and bottom-up</i> |                      |                    |                                | Product-led Motions                                |  |                      |                    |                                |
|---------------------|---|----------------------|--------------------|--------------------------------|--|--|----------------------|--------------------|--------------------------------|
|                     | Marketing<br><i>Demand gen,<br/>brand<br/>marketing</i>     | Account<br>Executive | Account<br>Manager | Customer<br>Success<br>Manager | Marketing<br><i>Product &amp;<br/>Content Mktg</i> | Product<br><i>Team &amp;<br/>platform itself</i> | Account<br>Executive | Account<br>Manager | Customer<br>Success<br>Manager |
| Top of Funnel       | Primary   |                      |                    |                                | Tertiary   |  |                      |                    |                                |
| Pipeline            | Primary   | Tertiary             |                    |                                | Secondary  |  |                      |                    |                                |
| New Users / Revenue | Tertiary  | Primary              |                    |                                |  | Primary  |                      |                    |                                |
| Retention           |   | Tertiary             | Primary            | Primary                        |  | Primary  |                      |                    |                                |
| Customer Expansion  |   |                      | Primary            | Tertiary                       |  | Primary  | Secondary            | Secondary          | Secondary                      |
| Customer Engagement |   |                      | Tertiary           | Tertiary                       | Tertiary   | Primary  |                      | Tertiary           | Tertiary                       |



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

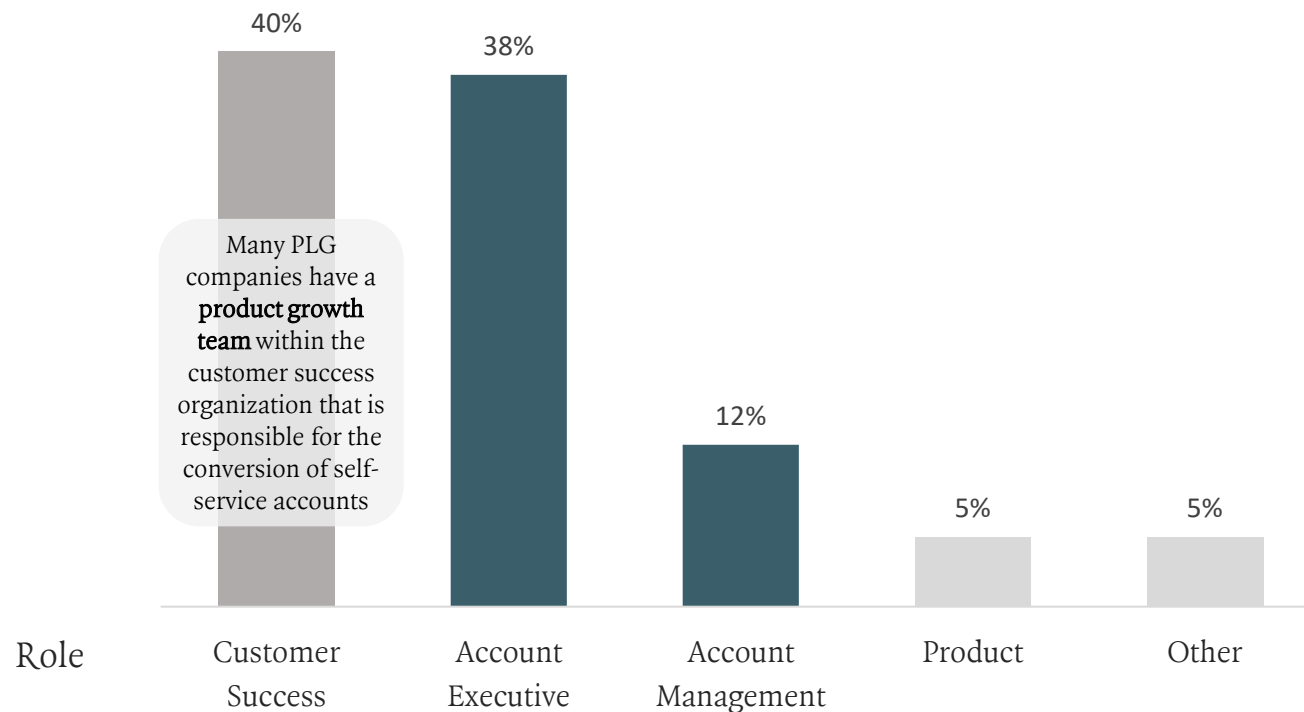
Sales

Customer Success

Other

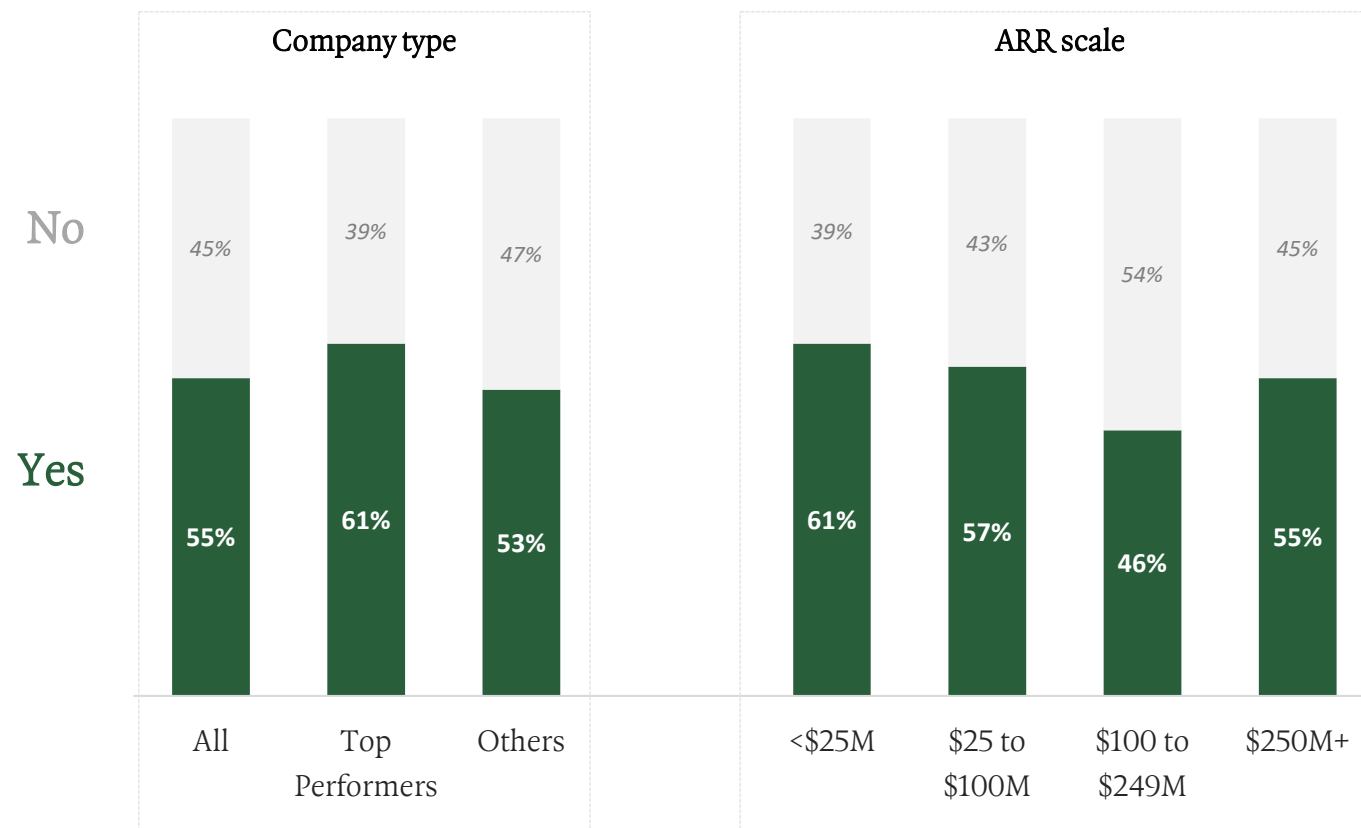
Which employees at your organization are primarily responsible for converting self-service customers?<sup>1</sup>

*% of respondents, companies with self-service revenue*



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?<sup>1</sup>  
*% 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

% Variable compensation by rep segment and growth motion<sup>1</sup>  
Average by role



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.<sup>2</sup>

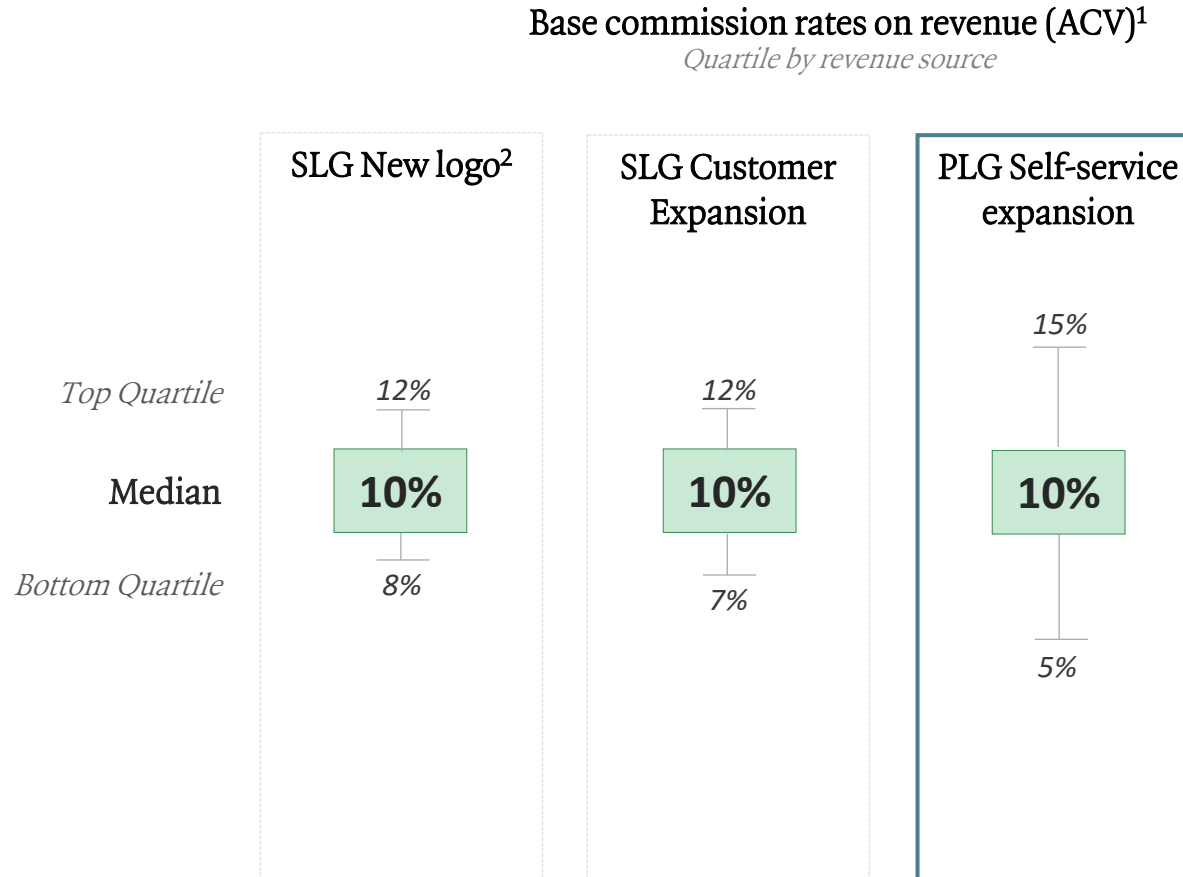
*Marketing Leader  
Collaboration & Workflow, PLG  
Late-stage (\$250M+ ARR)*

<sup>1</sup> ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023)

<sup>2</sup> Perspectives from the ICONIQ Growth network

## 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.<sup>3</sup>

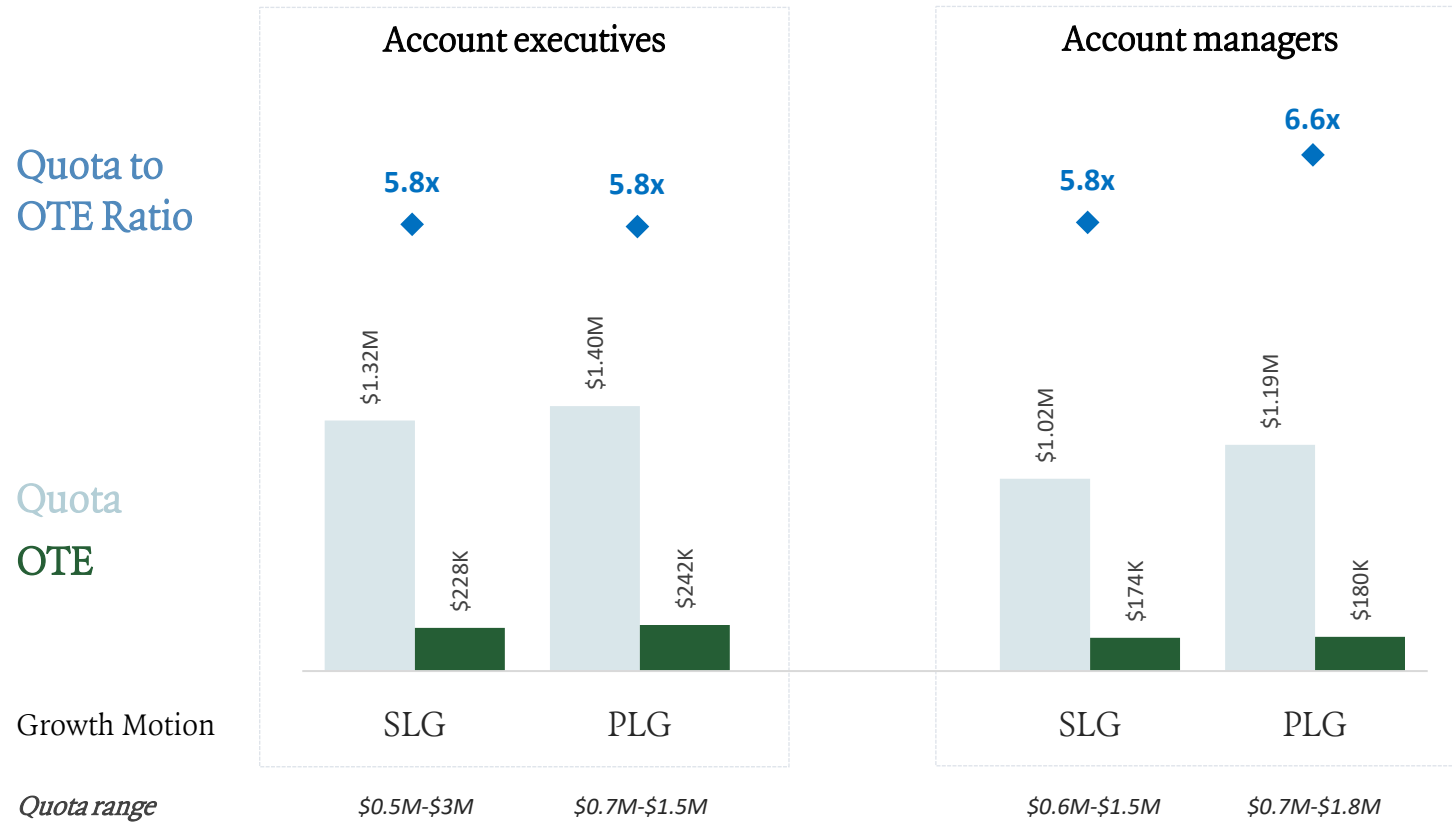
*Revenue Leader  
Data & Analytics  
Late-stage (\$250M+ ARR)*

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

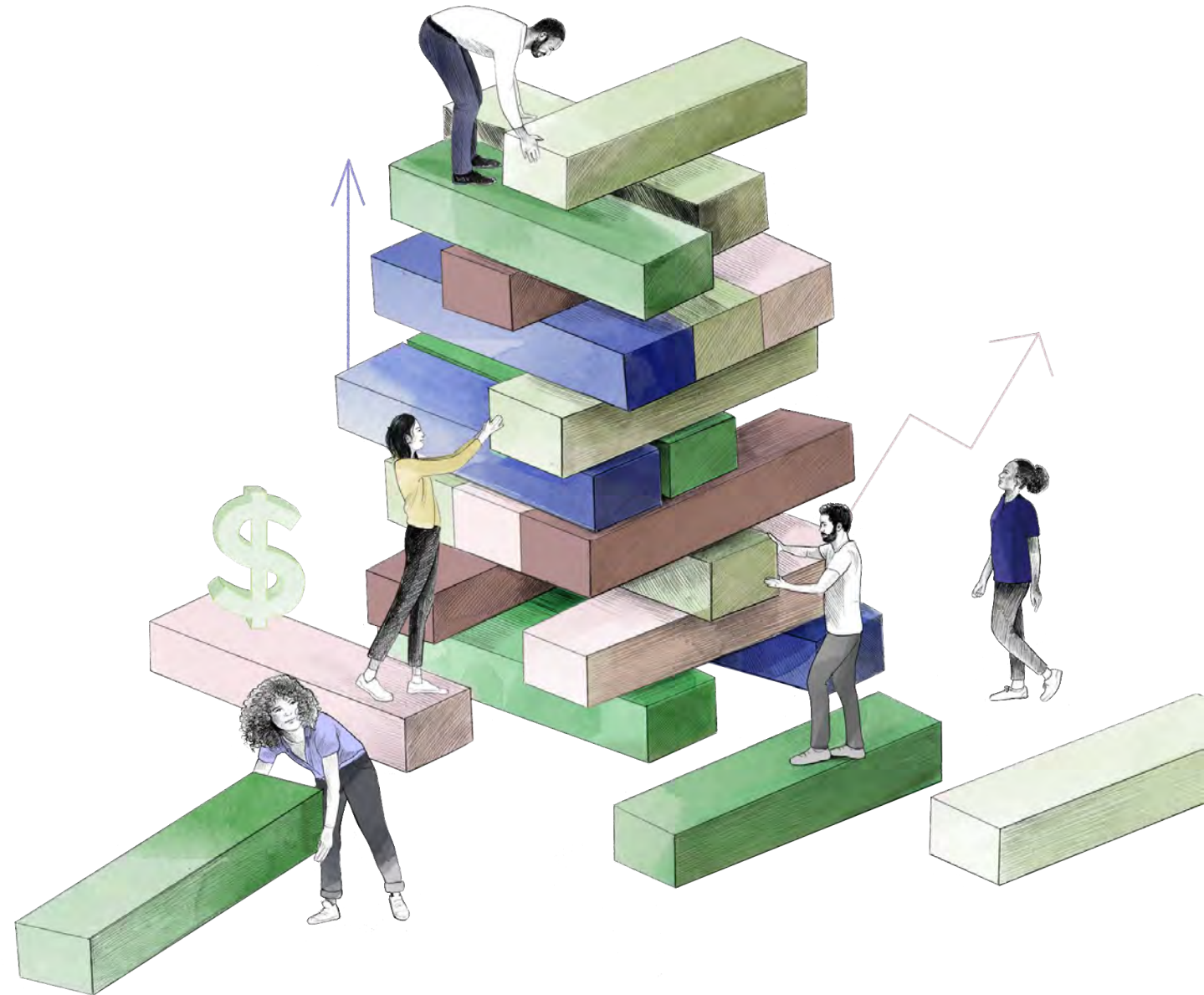
Median quota, OTE, and quota ratios<sup>1</sup>  
*By role and sales led vs. product-led growth*



# 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 analysis<sup>1</sup>**  
*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*



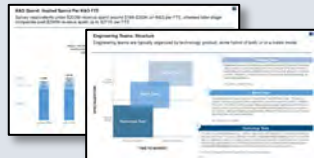
## Navigating a Turbulent Environment

- 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](mailto:iconiqgrowthanalytics@iconiqcapital.com) to request access.

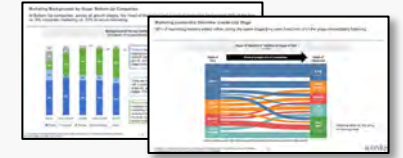
Other research from  
ICONIQ Growth

# 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*



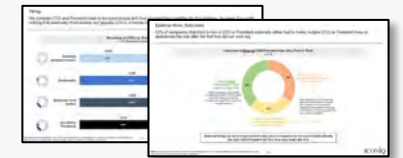
## Chief People Officer Study

- 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](mailto:leadershipadvisory@iconiqcapital.com) to request access.*

# ICONIQ | Growth

San Francisco | Palo Alto | New York | London

Join our community   