

KNOWLEDGE HUB ARTICLE

# The Evolution of Commission and Incentives in a Consumption Economy

*Aligning incentive design with the realities of consumption-based business models.*

PUBLISHED

June 2026

READING TIME

12 minutes

---

PUBLISHED BY



Sales Excellence Hub

IN COLLABORATION WITH



## EXECUTIVE SUMMARY

## A summary of the argument

Consumption-based business models are changing how organisations create, measure and capture value. As revenue becomes more dependent on customer adoption, usage, expansion and retention, traditional commission structures based mainly on upfront bookings may no longer fully align with business objectives.

This article explores the implications of that shift for incentive design. It highlights the risks of misalignment between revenue generation and employee reward, the growing complexity of role attribution and payout timing, and the increasing importance of data, transparency and technology in managing modern compensation models.

The central argument is that compensation design must evolve alongside commercial strategy. Organisations that successfully align incentives with long-term customer value will be better positioned to improve revenue predictability, support customer outcomes and build more adaptive sales organisations.

### AT A GLANCE

- Consumption-based models shift revenue from upfront booking towards ongoing customer adoption and usage.
- Traditional sales incentives may no longer fully align with long-term customer value.
- Modern compensation design requires clearer attribution, better data, transparent governance and flexible technology.

### ABOUT THIS ARTICLE

Published by the Sales Excellence Hub at Warwick Business School in collaboration with Akeron. Intended to support discussion and knowledge exchange on incentive design, revenue models and sales performance.

## 01

## SECTION ONE

## Introduction

*From upfront licensing to consumption: how the locus of value creation has shifted from the point of sale to the lifetime of the customer relationship.*

Over the past decade, business models have undergone a fundamental transformation. The shift from traditional licence-based software to Software-as-a-Service (SaaS) marked a significant evolution in how organisations commercialise technology. However, compared to many other areas of economic activity, technology has historically lagged in adopting true consumption-based models. In most aspects of daily life, value is exchanged at the point of need; consumers purchase goods such as food, utilities, or transport based on immediate or short-term consumption rather than committing years in advance. By contrast, enterprise software has long required customers to pay upfront for anticipated usage, often before full deployment or adoption has occurred.

This dynamic is now changing. The rise of consumption, or usage-based pricing across industries reflects a broader shift toward aligning cost with realised value, where revenue is recognised progressively through customer adoption and engagement rather than at the point of sale. This transition represents more than a pricing adjustment; it reflects a deeper change in how value is created, measured, and sustained.

Consumption-based models align pricing more closely with customer value. Organisations monetise usage such as API calls, data consumption, compute time, or service interactions. This creates flexibility for customers and enables vendors to scale revenue alongside customer success. However, it also introduces variability, revenue is no longer guaranteed at the point of sale and may fluctuate based on adoption, economic conditions, and operational execution.

Despite these changes, many organisations continue to rely on traditional compensation models designed for transactional sales environments. This creates a structural misalignment between how revenue is generated and how employees are incentivised. In practice, organisations are recognising that compensation is often the final component to evolve, even though it plays a critical role in shaping behaviour and driving outcomes.

Moving to consumption-based business models represents a fundamental shift not just in pricing, but in how sales organisations think about their business. It reshapes how performance, risk, and value creation are managed. Yet compensation is often the last lever to adapt, despite being critical to aligning behaviours with long-term outcomes. In this context, technology becomes a fundamental enabler.

Commission & Incentives in a Consumption Economy

---

*"Compensation is often the last lever to adapt, despite being critical to aligning behaviours with long-term outcomes."*

KEY ARGUMENT

## 02

## SECTION TWO

## The misalignment between revenue and reward

Traditional compensation models were built around predictability. Revenue was recognised at contract signature, and incentives followed accordingly. Sales representatives were rewarded for closing deals, and performance measurement was straightforward. This created a strong link between effort and reward, reinforcing behaviours that prioritised deal closure.

Consumption-based models disrupt this relationship. Revenue is realised over time and depends on customer behaviour after the sale. Adoption, expansion, and retention become critical drivers of value. As a result, performance can no longer be measured solely by initial bookings. This weakens the direct link between effort and reward and introduces complexity into how incentives should be structured.

This dynamic reflects a principal-agent problem (Jensen and Meckling, 1976). If incentives remain tied to bookings, sales teams may prioritise short-term deal closure, even when it does not lead to sustained value. If incentives are tied entirely to consumption, rewards may be delayed, reducing motivation and creating uncertainty. Organisations must therefore balance these competing factors carefully. Exhibit 1 summarises the key differences between the two approaches.

In practice, many organisations experience a lag between adopting consumption-based pricing and updating their compensation models. This delay is often driven by system limitations, data challenges, and organisational complexity. As a result, compensation structures may reinforce outdated behaviours that no longer align with the company's strategic objectives.

---

## 1976

Jensen & Meckling formalise the principal-agent problem, still the lens through which incentive misalignment is most clearly understood.

**EXHIBIT 1    Booking-based vs. consumption-based compensation**

DIMENSION	TRADITIONAL BOOKING-BASED	CONSUMPTION-BASED
<b>When value is realised</b>	At contract signature; predictable, front-loaded.	Progressively, as customers adopt and use the product.
<b>Who creates value</b>	Primarily account executives closing the deal.	Shared across AEs, customer success, solution engineering and service teams.
<b>Data required</b>	Transactional: contract value, close date, quota attainment.	Continuous: usage events, behavioural signals, expansion and retention metrics.
<b>Risk profile</b>	Low variability, revenue locked at signature; financial risk to the seller.	Higher variability, revenue fluctuates with adoption and economic conditions.
<b>Motivation dynamic</b>	Strong short-term incentive; weaker link to post-sale outcomes.	Aligned with long-term customer value; payout timing must be managed carefully.
<b>Technology requirement</b>	Periodic batch calculation; static plan documents.	Real-time data ingestion, scenario modelling, transparent multi-role attribution.

Source: Sales Excellence Hub analysis, drawing on Akeron (2024) and industry practice.

**DESIGN CHALLENGE**

If incentives remain tied to bookings, sales teams may focus on short-term deal closure.  
 If incentives are tied only to consumption, rewards may be delayed and motivation may weaken.

## 03

## SECTION THREE

## The emerging complexity of consumption-based compensation

Designing effective compensation models in a consumption-based environment introduces several layers of complexity. One of the most significant challenges lies in crediting and timing. Organisations must determine when value is created and how that value should translate into compensation. This requires balancing immediate incentives with long-term outcomes.

Upfront crediting can incentivise acquisition and provide clarity for sales teams, but it introduces financial risk if projected consumption is not realised. Usage-based crediting aligns incentives with actual outcomes but may delay rewards and reduce visibility. Many organisations adopt hybrid approaches that combine partial upfront credit with ongoing consumption-based payouts. These models require careful calibration to ensure fairness, motivation, and financial sustainability.

Another critical dimension is multi-role attribution. Revenue in consumption-based models is rarely generated by a single individual. Account executives secure the initial contract, while customer success managers, solution engineers, and service teams drive adoption and expansion. Compensation models must reflect this shared ownership of revenue outcomes.

Without clear attribution frameworks, organisations risk confusion, internal competition, or duplicated incentives. Effective models allocate credit across roles in a way that aligns with their contribution to the customer lifecycle. This encourages collaboration and ensures that all stakeholders are incentivised to drive long-term value.

Data dependency also increases significantly. Consumption-based compensation relies on real-time usage data, behavioural insights, and predictive modelling. This transforms compensation design into a data-driven discipline. Quota setting, performance measurement, and payout calculations require statistical approaches rather than fixed assumptions. Organisations must therefore invest in data capabilities to support these models.

### FOUR DESIGN QUESTIONS FOR CONSUMPTION-BASED COMPENSATION

1. When is value created?
2. Who contributed to that value?
3. What data proves the value?
4. How should reward be timed?

## 04

## SECTION FOUR

## Technology as an enabler of modern compensation

The transition from booking-based to consumption-based compensation represents a significant structural change, and one of the most critical considerations is the ability to model and simulate its impact before implementation. Organisations must be able to evaluate how new compensation structures will affect individual sales representatives, ensuring that earnings potential remains competitive and clearly understood. Without this capability, there is a substantial risk of resistance from sales teams, or even attrition, if the perceived value of the new model is unclear or unfavourable.

Beyond modelling, consumption-based compensation introduces a significant increase in the volume and granularity of data required. Compared to traditional models, where compensation can be calculated based on a limited set of transactional data points, consumption-based models rely on continuous streams of usage data, behavioural metrics, and performance indicators. Organisations must therefore ensure they have the capability to collect, transform, and manage significantly more detailed data, often requiring robust data governance and structured data pipelines to ensure accuracy and consistency.

At the same time, this transition is rarely a one-time event. Moving to consumption-based compensation is typically a progressive, long-term transformation, where organisations refine their models over time. This may involve gradually introducing new compensation components, adjusting weightings of variable compensation elements, or evolving crediting logic as the business matures. As such, organisations require systems that support continuous iteration and flexibility, enabling compensation models to evolve smoothly year over year or even more frequently.

These challenges extend beyond technology alone. Organisations must also navigate broader complexities, including organisational alignment, role attribution, and changes in hierarchy and responsibility across the revenue lifecycle. Together, these factors make the transition to consumption-based compensation both a strategic and operational challenge.

---

*"Technology is not simply a supporting tool, but a foundational enabler of successful transformation."*

KEY TAKEAWAY

## 04

## SECTION FOUR · CONTINUED

## Technology as an enabler of modern compensation

Modern incentive compensation management (ICM) platforms such as Vulki by Akeron play a critical role in addressing these challenges. By enabling scenario modelling, organisations can simulate the impact of compensation changes before rollout, ensuring alignment between business objectives and employee incentives. Advanced data capabilities allow for the ingestion, transformation, and governance of high-volume, high-granularity data required for consumption-based models.

In addition, platforms like Vulki support continuous evolution of compensation structures, allowing organisations to adapt models over time without introducing operational complexity. Real-time calculation, multi-role attribution, and transparent reporting ensure that all stakeholders from finance to frontline sales teams have clear visibility into performance and earnings.

In this context, technology is not simply a supporting tool, but a foundational enabler of successful transformation.

### TECHNOLOGY IMPLICATION

Modern compensation models require high-quality data, transparent calculations, scenario modelling and the ability to adapt incentive structures over time.

## 05

## SECTION FIVE

## Organisational implications

The transition to consumption-based compensation requires broader organisational change. Compensation becomes a cross-functional discipline involving sales, finance, operations, and data teams. Alignment across these functions is essential to ensure that incentives support strategic objectives.

Finance plays an increasingly important role, as compensation decisions intersect with revenue recognition, margin management, and forecasting. This requires closer collaboration between compensation leaders and financial stakeholders.

Compensation processes must also become more adaptive. Consumption patterns can change over time, and organisations must be able to monitor performance and adjust models accordingly. Static annual compensation cycles are often insufficient in this context.

Transparency and governance are critical. As compensation models become more complex, stakeholders must understand how incentives are calculated and trust their accuracy. Real-time visibility into earnings supports engagement and reinforces desired behaviours.

### Conclusion

The shift toward consumption-based business models represents a fundamental evolution in how organisations create and capture value. Aligning compensation with this model is essential to ensure that employee behaviour supports long-term outcomes.

Organisations that successfully adapt their incentive structures can improve customer outcomes, increase revenue predictability, and enhance operational efficiency. Those that do not risk reinforcing behaviours that undermine value creation.

As consumption-based models continue to expand, the ability to design and operationalise modern incentive structures will become a key competitive advantage. This will require a combination of strategic insight, data capability, and enabling technology.

## ABOUT

# The partners behind this article



## Sales Excellence Hub

The Sales Excellence Hub is based at Warwick Business School and connects sales professionals, business leaders and academic researchers to support evidence-based sales practice.

The Hub aims to transfer knowledge from academic research into sales practice, helping organisations and sales leaders address current challenges in areas such as sales management, incentive design, revenue growth, digital transformation, AI, professional development and the future of the sales profession.

Through events, research, reports and partner collaboration, the Sales Excellence Hub provides a platform for discussion, learning and the development of actionable insights for the sales community.

**Learn more →**  
[warwick.ac.uk/salesexcellencehub](http://warwick.ac.uk/salesexcellencehub)



## Akeron

Akeron is a technology partner supporting organisations in the design, management and optimisation of complex business processes, including incentive compensation and performance management. Through solutions such as Vulki, Akeron helps organisations model, simulate and manage compensation structures with greater flexibility, transparency and control.

Akeron works with organisations navigating the transition towards more data-driven and customer-value-led commercial models, helping them align incentive structures with strategic objectives and evolving revenue realities.

**Resources →**  
[Download the Akeron E-Book  
akeron.com/vulki/en/contact-us](https://akeron.com/vulki/en/contact-us)

## REFERENCES &amp; FURTHER READING

---

# References

- 01 Jensen, M.C. and Meckling, W.H. (1976) *Theory of the firm: Managerial behavior, agency costs and ownership structure*. Journal of Financial Economics.

---

- 02 OpenView (2023) *SaaS Benchmarks Report*.

---

- 03 Akeron (2024) *Consumption-Based Incentive Compensation*.

---

- 04 RevEng and Akeron (2024) *Webinar on consumption-based compensation design*.

---