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Sales Commission *Structure Template*

Three commission models for B2B founders hiring their first or second AE.
Ready to adapt, with worked examples and guidance on setting OTE correctly.

3 MODELS WITH WORKED EXAMPLES UNFYS.COM

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OTE

Before You Build: Five Principles



A commission plan should be simple enough for a rep to calculate their own payout in their head. If it requires a spreadsheet to understand, it won't motivate the behaviour you want.

- **Simplicity over cleverness.** A plan a rep doesn't understand doesn't drive the right behaviour. If you're explaining it three times, simplify it.
- **Set OTE at market rate.** Under-market OTE means you lose candidates or get people who can't get a better offer. Over-market OTE creates a compensation problem that's painful to unwind later.
- **Separate ramp from quota.** New hires in ramp should have ramp-adjusted quotas, not full quota with a "grace period". This protects both parties.
- **Clawback is standard.** A clawback provision for deals that churn within 90 days is normal and expected. Include it.
- **Don't design for the exception.** Build for your average rep, not your worst-case scenario. You can add complexity later.

Model A — Base + OTE

BEST FOR: FIRST AE HIRE

The simplest and most common structure for a first AE hire. A fixed base salary plus a variable commission component, paid on closed revenue at a fixed percentage. Predictable for the rep, easy to administer, and easy to explain.

Structure

- Fixed base salary (typically 50–60% of OTE)
- Variable commission at a fixed rate on all closed ARR
- Commission paid monthly or quarterly in arrears
- No cap (optional — uncapped plans attract better performers)

Worked Example

COMPONENT	FIGURE	NOTES
Base salary	£50,000	~55% of OTE
OTE (target total)	£90,000	At 100% of quota

COMPONENT	FIGURE	NOTES
Variable at target	£40,000	~44% of OTE
Annual quota	£400,000 ARR	10x variable at target
Commission rate	10%	£40,000 ÷ £400,000
Monthly quota	£33,333	Even spread
Monthly commission at 100%	£3,333	

YOUR VERSION — FILL IN BELOW

Base salary (£)

OTE target (£)

Annual quota (£ ARR)

Commission rate (%)

Commission paid

Clawback period

Model B — Tiered Accelerator

BEST FOR: SCALING TEAMS

The same base structure as Model A, but with commission rates that increase in tiers above quota. This rewards over-performance and motivates your top performers to push hard in Q4 when they've already hit their number.

Commission Rate Tiers

QUOTA ATTAINMENT	COMMISSION RATE	ON DEALS IN THIS TIER
0–50% of quota	5%	No accelerator until threshold
50–100% of quota	10%	Standard rate

QUOTA ATTAINMENT	COMMISSION RATE	ON DEALS IN THIS TIER
100–125% of quota	14%	First accelerator
125%+ of quota	18%	Full accelerator

Note: Accelerator rates apply only to deals closed within that tier — not retroactively to all deals. "Retroactive accelerators" are more generous but harder to administer.

Worked Example

QUARTER PERFORMANCE	ARR CLOSED	COMMISSION EARNED
£100k quota — hit 80%	£80,000	£5,000 (0–50%) + £3,000 (50–100%) = £8,000
£100k quota — hit 100%	£100,000	£5,000 + £5,000 = £10,000
£100k quota — hit 120%	£120,000	£10,000 + £2,800 = £12,800
£100k quota — hit 140%	£140,000	£10,000 + £3,500 + £2,700 = £16,200

YOUR VERSION — FILL IN THE TIERS

Threshold tier rate (%)

Standard rate (%)

First accelerator rate (%)

Full accelerator rate (%)

Model C — Milestone-Based

BEST FOR: LONG DEAL CYCLES (90–180 DAYS)

When deal cycles are long and quota periods are quarterly, reps can have "bad quarters" despite working well. A milestone-based plan pays commission at multiple points in the sales cycle, not just on close — reducing income volatility and maintaining motivation.

Payment Milestones

- **20% on qualified opportunity creation** (deal passes MEDDPIC threshold, added to pipeline at Stage 2+)
- **30% on proposal sent / verbal agreement** (confirmed pricing discussion)
- **50% on contract signed** (deal closed)

Important: If the deal is lost before close, the milestone payments are not clawed back — but they are netted against any recoverable amounts if the deal reverses post-signature. Define this clearly in the contract.

When to Use This Model

- Average deal cycle is longer than 60 days
- ACV is high enough that close frequency is low (e.g., 4–10 deals per quarter)
- You need to motivate pipeline creation, not just closing
- Revenue recognition doesn't require upfront cash collection

YOUR MILESTONE SPLIT

Milestone 1 (e.g. qualified opp) — %

Milestone 2 (e.g. proposal) — %

Milestone 3 (close) — %

Milestone 1 criteria

Setting OTE Correctly

OTE (on-target earnings) is the total compensation a rep earns when they hit 100% of quota. Getting this wrong is one of the most common and costly mistakes in early-stage sales hiring.

How to calculate OTE

- Research what reps with similar experience and deal size earn at comparable companies. Glassdoor, LinkedIn, and industry benchmarks are imperfect but useful starting points.
- Set quota at 4–6× OTE for a well-calibrated plan. If your quota is £400k ARR and OTE is £90k, the ratio is 4.4× — reasonable for a B2B SaaS AE.
- If you've never had a quota-carrying rep before, your quota assumption is probably wrong. Build in a buffer or start with a lower quota and adjust at the 6-month mark.

Ramp Period Adjustments

New hires in ramp should have lower quota expectations with proportionally adjusted OTE, or a draw against commission that smooths their income during ramp. Two approaches:

- **Ramp quota:** Month 1: 25% of full quota. Month 2: 50%. Month 3: 75%. Full from Month 4. Commission applies at standard rate on whatever they close.
- **Draw:** Guaranteed minimum payment during ramp (e.g., £3,000/month regardless of commission earned), offset against future commission once ramp ends. Cleaner for cash flow but requires clear documentation.

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