

7 Commission Structures, Explained

WHAT REPS ACTUALLY
EARN UNDER EACH



- 01 Commission per sale**
- BEST FOR Short sales cycles, seasonal roles, and reps who want uncapped upside.

WHAT SOLD
\$10,000
Sale amount, gross profit, or quantity

×

COMMISSION RATE
5%
A percentage or a flat rate

=

COMMISSION EARNED
\$500
Total pay on every closed deal

- 02 Draw against commission**
- BEST FOR Long sales cycles, enterprise deals, ramping reps, and volatile markets.

COMMISSION EARNED
\$3,000
A slow month of sales

vs

GUARANTEED DRAW
\$4,000
Paid every month

=

TAKE-HOME PAY
\$4,000
Whichever is greater—
\$1,000 carries forward as draw debt

- 03 Residual commission**
- BEST FOR SaaS, insurance, subscriptions, and retention-led growth.

RECURRING REVENUE
\$12,000
Monthly subscriptions or premiums from the rep's book of business

×

RESIDUAL RATE
6%
A percentage or a flat rate

=

COMMISSION EARNED
\$720
Paid again every month the customers stay

- 04 Tiered commission**
- BEST FOR Keeping the whole team motivated while stretching top performers.

TIER 1: 5%
\$1,250
on the first \$25k in sales

+

TIER 2: 7.5%
\$1,875
on the next \$25k in sales

+

TIER 3: 10%
\$1,000
on the \$10k sold beyond \$50k

=

TOTAL COMMISSION
\$4,125
on \$60k in sales for the quarter

- 05 Multiplier commission**
- BEST FOR Plans where hitting quota is the single most important behavior.

SALES AMOUNT
\$200k
closed for the quarter

×

BASE RATE
5%
Paid at 100% quota

×

MULTIPLIER
1.5x
for beating quota by 25%

=

COMMISSION
\$15k
An effective rate of 7.5%

- 06 Gross margin commission**
- BEST FOR Tight-margin products and protecting price integrity.

SALES AMOUNT
\$50k
What the customer paid

−

COSTS
\$30k
Including any discount given

×

COMMISSION RATE
10%
Applied to profit, not revenue

=

COMMISSION
\$2,000
10% of \$20k in gross profit

- 07 Territory volume commission**
- BEST FOR New market entry, team-sell motions, and de-risking developing territories.

TERRITORY SALES
\$600k
Everything the region closed

÷

REPS IN TERRITORY
5
\$120k credited to each

×

TERRITORY RATE
4%
The same rate for the whole team

=

COMMISSION
\$4,800
Paid equally to every rep

See how your unique plans can run on Performio →

performio.co