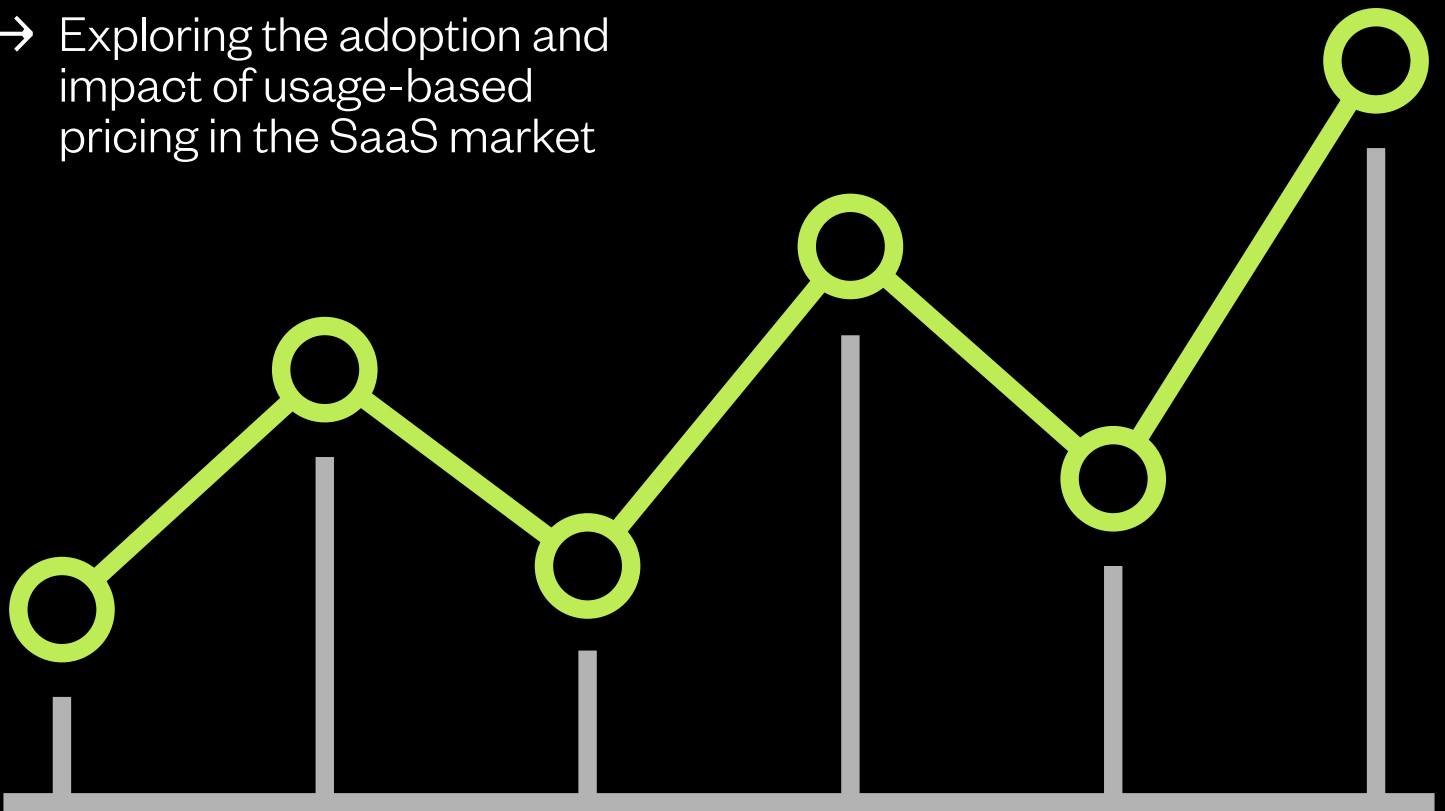Report:

Usage-Based Pricing Benchmarks in B2B SaaS

→ Exploring the adoption and impact of usage-based pricing in the SaaS market

❄ MAXIO

Introduction

In July 2022, **Maxio**, in partnership with **The SaaS CFO** and **RevOps Squared**, surveyed 490 SaaS professionals to understand the prevalence of usage-based pricing, learn how it fits into SaaS monetization strategies, and understand best practices for this pricing model today.

This ebook presents our key takeaways accompanied by commentary from professionals in the industry.

What makes this research unique is that all benchmarks are segmented by company attributes, including company size, average contract value, industry segment, distribution model, target customer market(s), and go-to-market motion.

This approach provides more granular and relevant insights into how companies are deploying usage-based pricing models and highlights opportunities to optimize revenue growth.

We trust you'll find these insights helpful to evaluate usage-based pricing and establish a winning monetization strategy for your business.
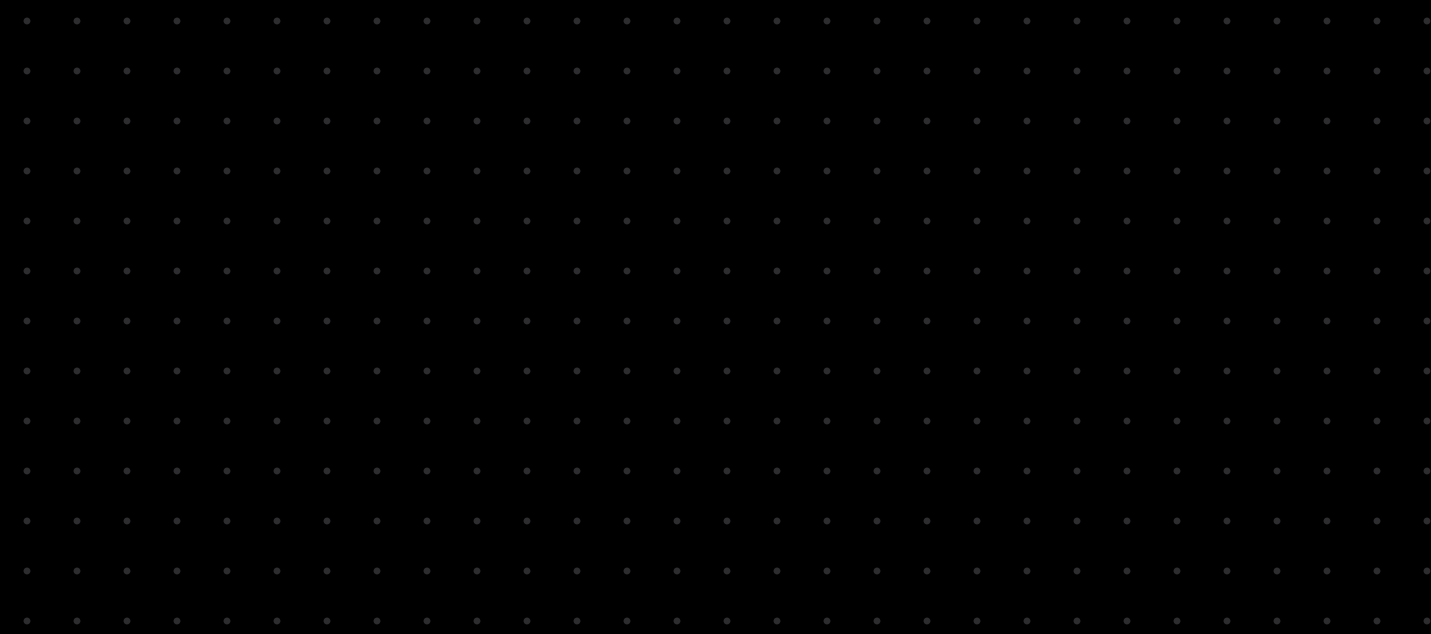
52% of SaaS companies employ a usage-based pricing strategy (regardless of GTM strategy)

→ Sales-led, product-led, and hybrid companies are all equally likely to employ some form of usage-based pricing.

> " Efficient revenue growth is top of mind in 2022. Usage-based pricing is a good strategy to align revenue growth directly with customer value received. Equally important, the correlation of revenue growth to customer value offered by usage-based pricing is available to capitalize on in both a product-led and sales-led motion.
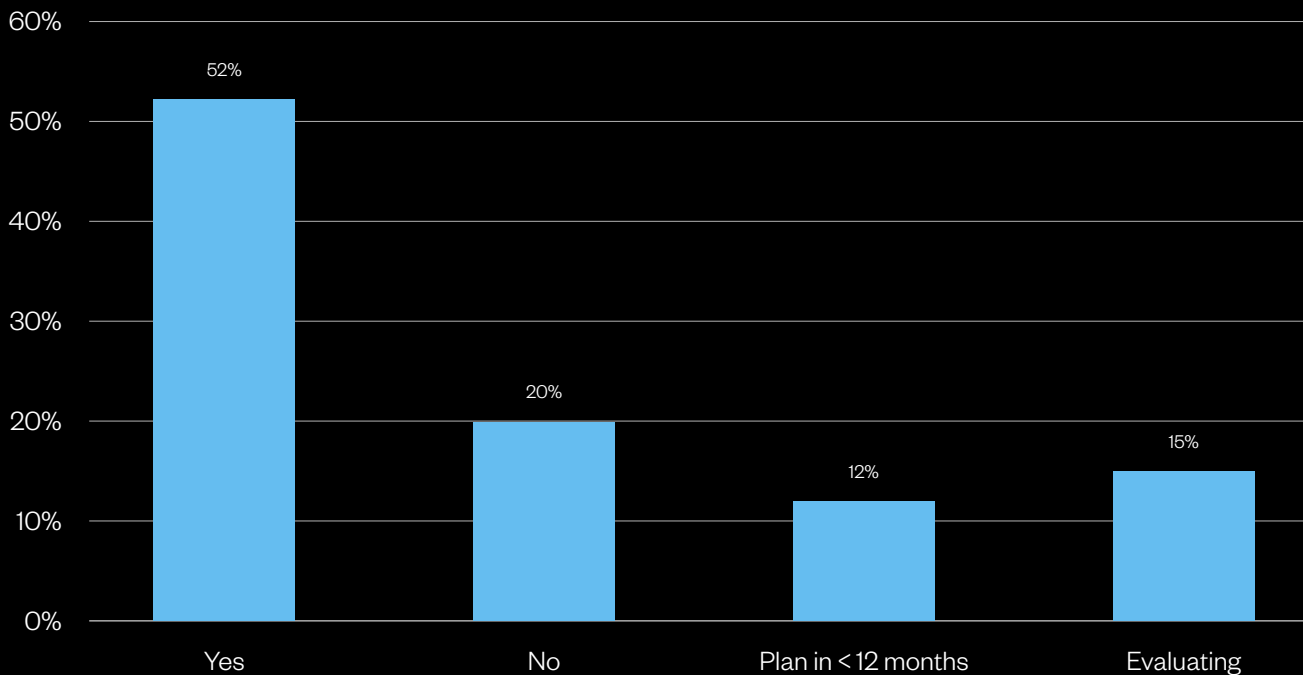>
> Based on the tight alignment of revenue to customer value, it's not surprising to see that 52% of SaaS companies already use some level of usage-based pricing and another 27% of SaaS companies are evaluating or planning to implement some level of usage-based pricing!

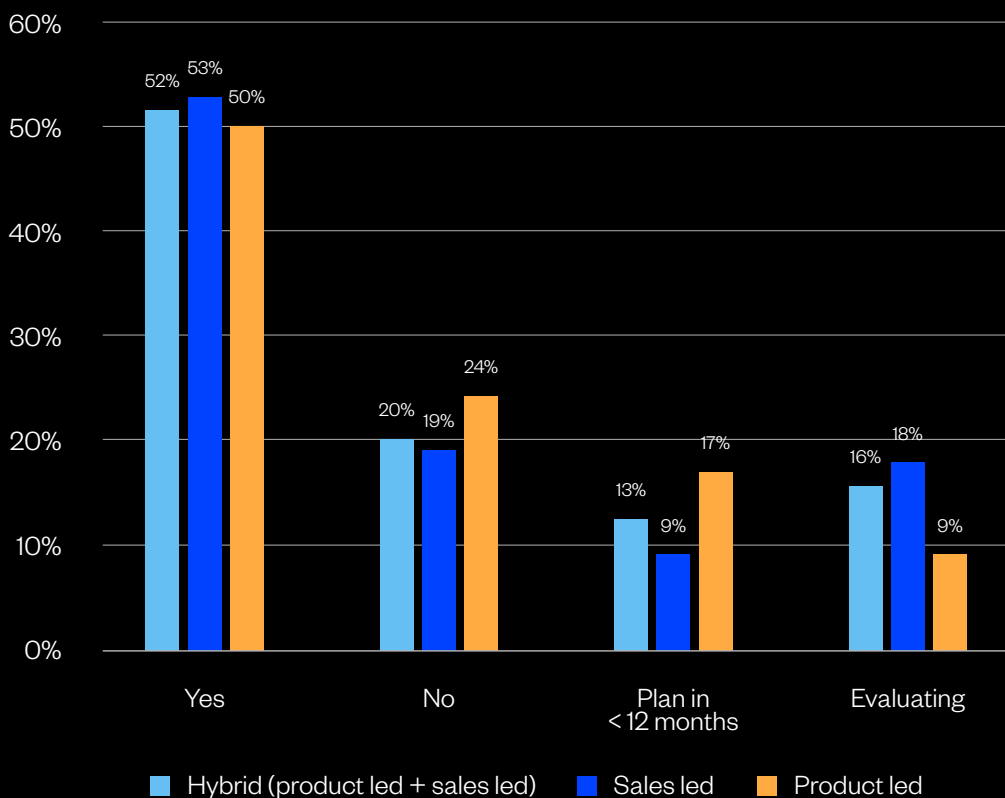**Ray Rike**
Founder and CEO
RevOps Squared

Usage-based pricing utilization

N = 490

Usage-based pricing utilization by GTM motion

N = 444

Hybrid (product led + sales led)　　　Sales led　　　Product led

43% of companies leveraging multi-attribute usage are product-led

→ While single-variable pricing is still preferred by sales-led companies (44%), hybrid companies are the most likely to employ a complex pricing strategy including 3 or more variables.

> " Product-led growth (PLG) companies are 21% more likely to use a multi-variable pricing model than sales-led, and 68% of PLG companies use multi-variable usage vs 56% of sales-led companies.
>
> I think this is because more variables equates to more alignment with value delivery in most customers' minds. In a PLG model, aligning to value has two key benefits:
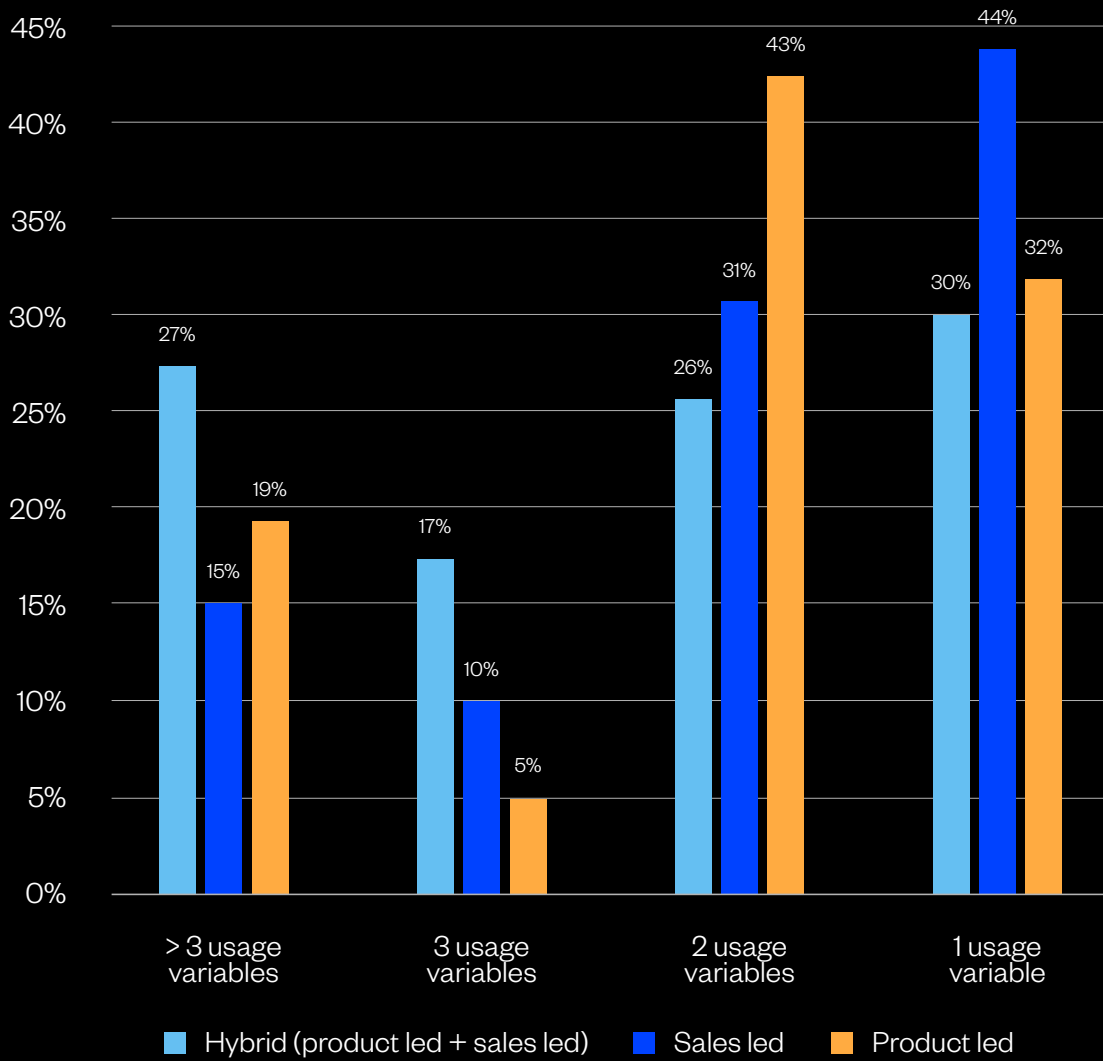>
> 1. Low barrier to consumption (try it out at a low cost and only pay for what you use)
>
> 2. The PLG company gets the benefit of growing revenue via customer adoption as the customer's own business grows.
>
> **Grant Chambers**
> *Manager of Product*
> *Maxio*

Usage-based pricing factors by GTM motion

N = 211

Chart: Usage-based pricing factors by GTM motion

	> 3 usage variables	3 usage variables	2 usage variables	1 usage variable
Hybrid (product led + sales led)	27%	17%	26%	30%
Sales led	15%	10%	31%	44%
Product led	19%	5%	43%	32%

Legend:
- Hybrid (product led + sales led)
- Sales led
- Product led

77% of companies charge overages

> **"**
>
> Our data suggests that few SaaS businesses are introducing pure usage-based pricing models today. Most are starting by introducing usage as part of a tiered packaging strategy, where each tier has limits on an average of 3-5 key factors.
>
> These strategies are used in combination with traditional subscription pricing models that are priced per seat or flat fee. It makes sense that many are starting their UBP journey with this model, and then also incorporating overage charges that are based on true UBP models.
>
> This is the best of both worlds—predictable usage-aligned subscription revenue plus additional upside via overage pricing.
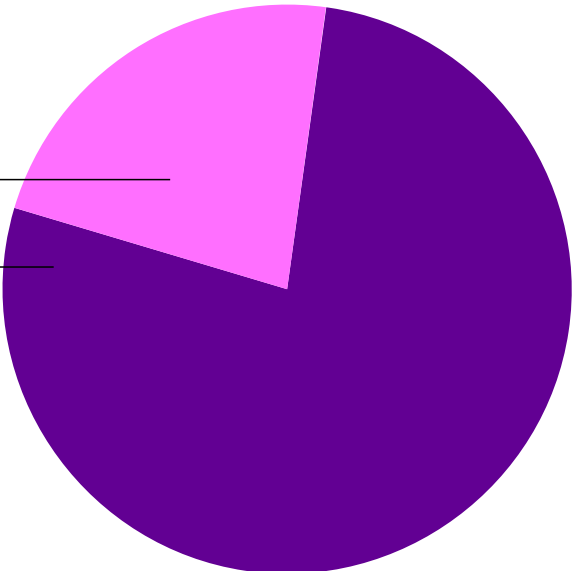
Bryan Belanger
Senior Director
XaaS Pricing

Charge for overage
N = 339

No
23%

Yes
77%

55% of companies monitor product usage on a monthly basis

→ And a whopping 67% opt for including usage charges as a separate line item on invoices.

> " More frequent product usage monitoring helps companies identify up-sell opportunities earlier and identify product usage trends which can lead to increased customer satisfaction and net dollar retention rates.
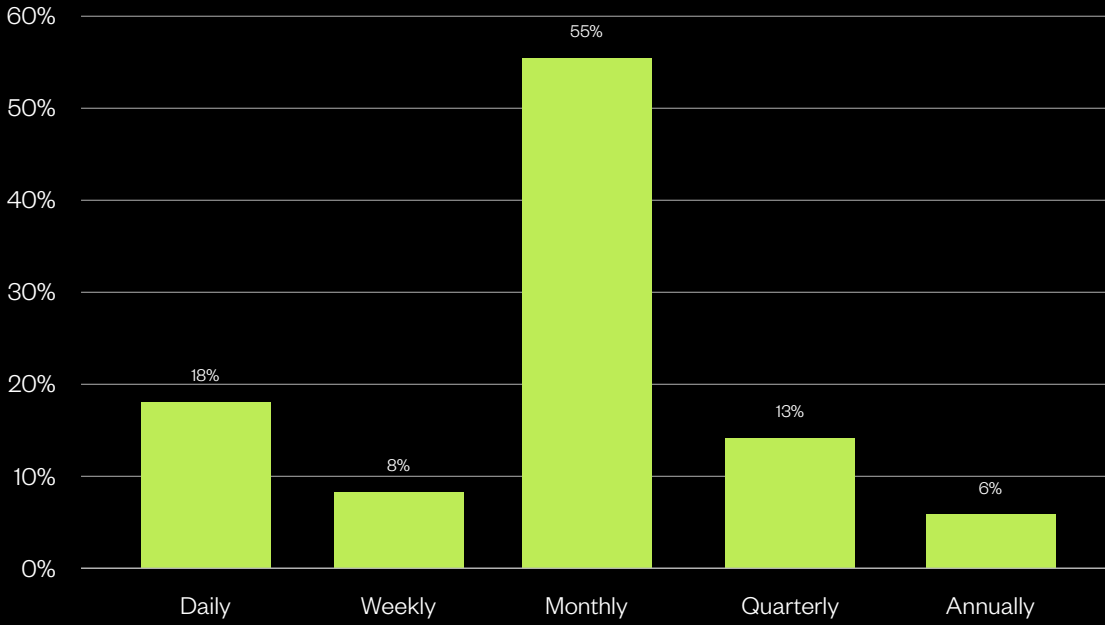>
> Providing customers early and detailed insights into their usage (by each usage-based pricing factor) can decrease customer confusion and billing support calls.
>
> **Ray Rike**
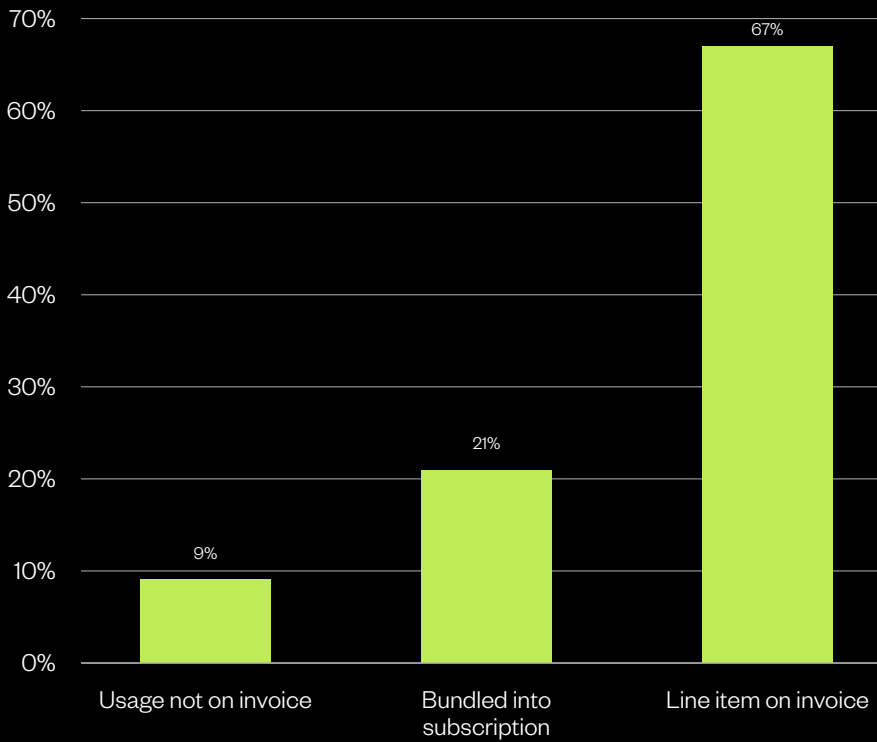> *Founder and CEO*
> *RevOps Squared*

Product usage
monitoring frequency

N = 177

Usage-based billing
reporting location

N = 339

39% of companies invoice on usage using a subscription billing platform

→ Usage-based pricing is complex. In order to accurately invoice on usage—and save their finance teams hours of work each month—most B2B SaaS businesses rely on a subscription billing platform for invoicing.

> **"**
>
> Usage billing is challenging to do accurately. Inaccurate billing is a huge problem for a business because it leads to unhappy customers and revenue loss. However, usage billing is not always a core competency of financial platforms or analytics platforms. And most companies don't [bill on usage] in-house or in Excel because it's expensive, time consuming, and error prone.
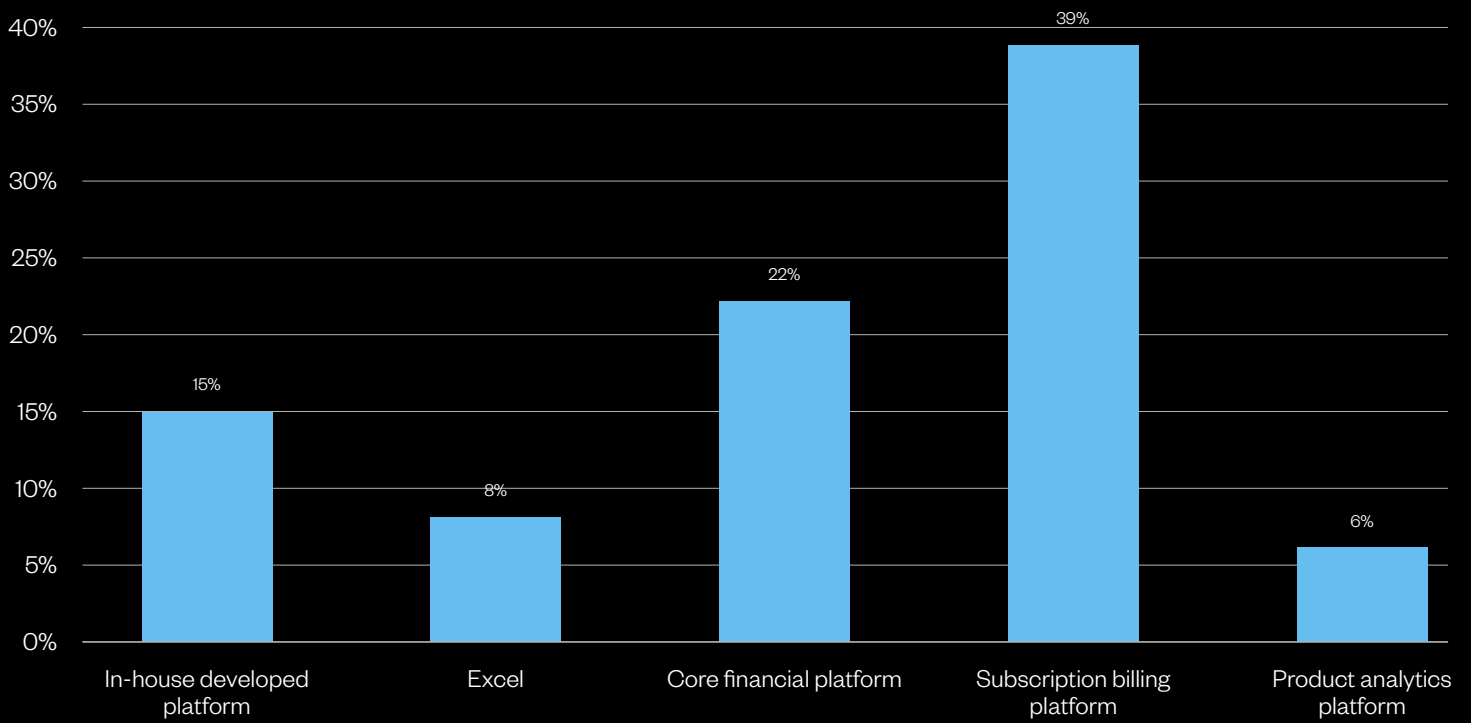>
> **Grant Chambers**
> *Manager of Product*
> *Maxio*

→ As usage-based pricing grows more prevalent and more complex, we expect increased demand for software that can rate and bill on increasingly large amounts of usage data.

Usage-based billing invoicing system

N = 170

Bar chart showing percentages by invoicing system:
- In-house developed platform: 15%
- Excel: 8%
- Core financial platform: 22%
- Subscription billing platform: 39%
- Product analytics platform: 6%

30% of companies use historical trends to project forecast usage-based revenue

→ SaaS companies prefer leveraging real data for usage prediction over the estimates of their sales teams, or even their customers.
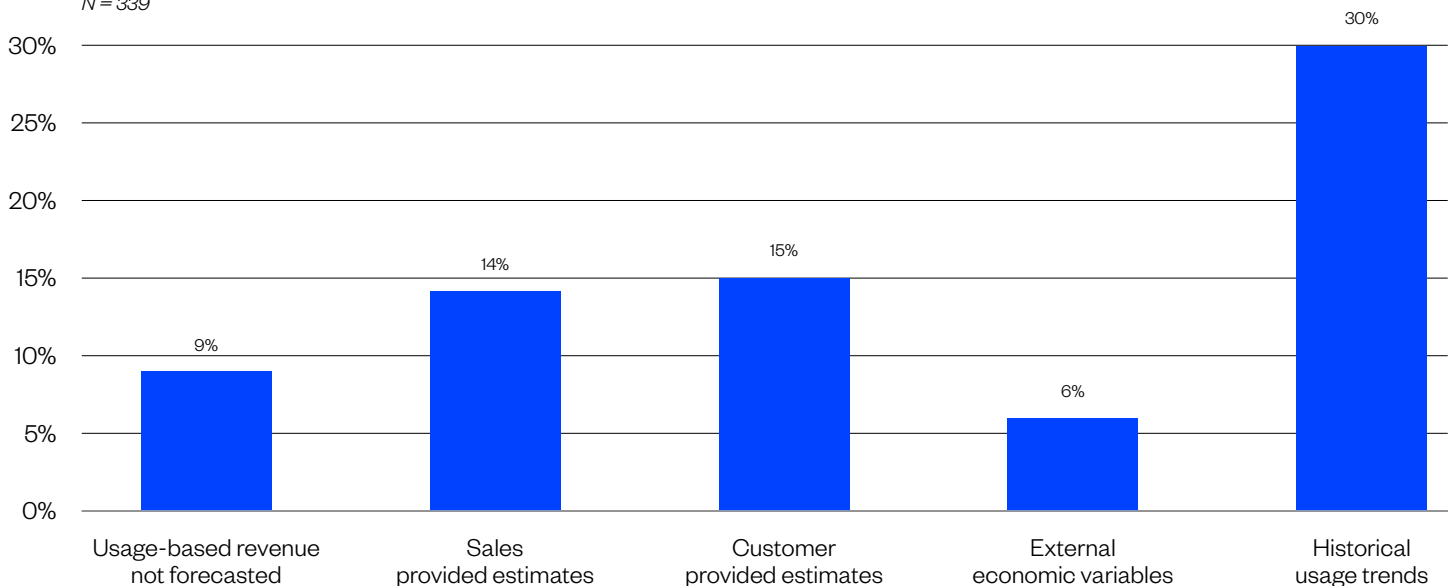
> " Keep in mind: historic usage trends take significant time to normalize and will not be able to accurately predict the impact of external usage factors such as customer specific, industry, or economic trends. Forecast accuracy for new customer acquisition, on average, has a +/- 10% or greater error of margin. SaaS companies should consider usage variability modeling, prediction, and forecasting when considering usage-based pricing.

Ray Rike
Founder and CEO
RevOps Squared

Usage-based billing forecast signals

N = 339

Category	Value
Usage-based revenue not forecasted	9%
Sales provided estimates	14%
Customer provided estimates	15%
External economic variables	6%
Historical usage trends	30%

80% of companies include usage-based revenue in ARR reporting

" In SaaS financial reporting, it's critical to have clear and distinct revenue streams. The lines are blurring among all the different pricing models and revenue lines. Despite this, we must report recurring revenue by its distinct segment.

For example, subscription revenue in the form of contracted MRR or ARR must be separate from usage, transaction, consumption, and processing revenue. Same goes for services revenue and one-time revenue.
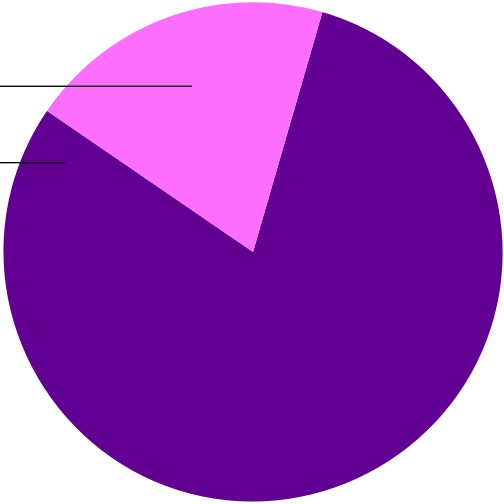
Ben Murray
The SaaS CFO

Usage-based revenue included in ARR

N = 205

No
20%

Yes
80%

13

Exploring usage-based pricing for your business?
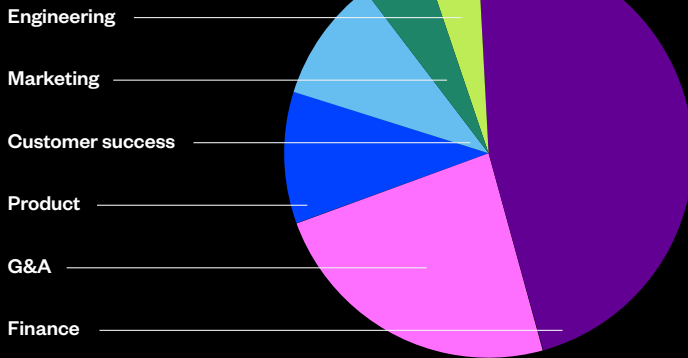
❋ MAXIO

Maxio is the leader in subscription billing for B2B SaaS. Our unrivaled usage billing engine enables you to build anything from a simple metered model to a fully-customized, multi-attribute billing strategy based on any trigger you can track.

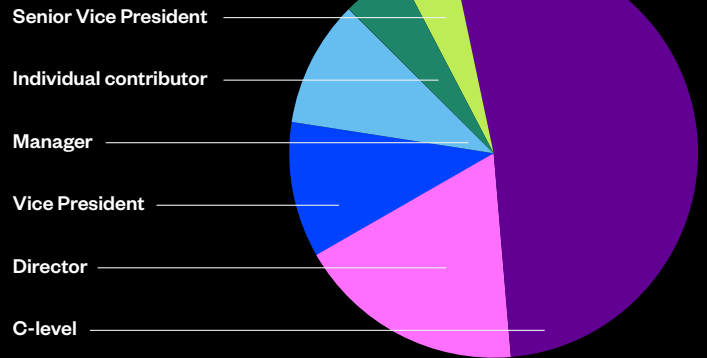**Discover the billing system you won't outgrow →**

Participant Profile
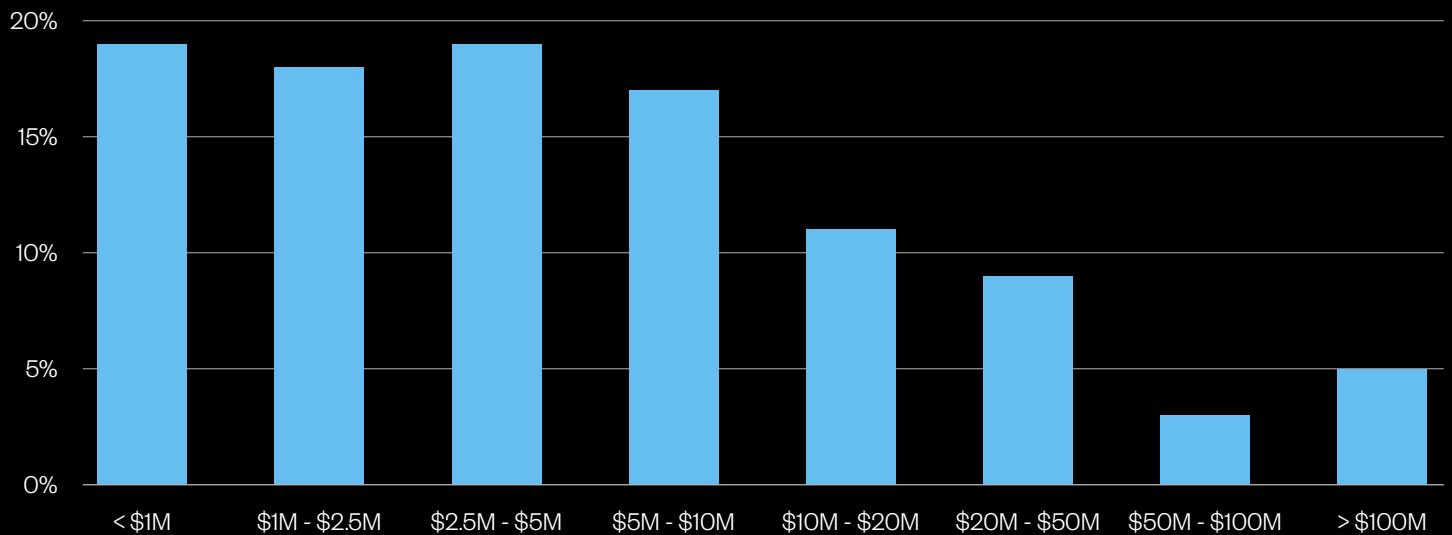
Participant profile
by department

N = 490

Engineering

Marketing

Customer success

Product

G&A

Finance

Participant profile
by title level

N = 490

Senior Vice President

Individual contributor

Manager

Vice President

Director

C-level

Participant profile
by company size

N = 490

20%	
15%	
10%	
5%	
0%	

< $1M $1M - $2.5M $2.5M - $5M $5M - $10M $10M - $20M $20M - $50M $50M - $100M   > $100M
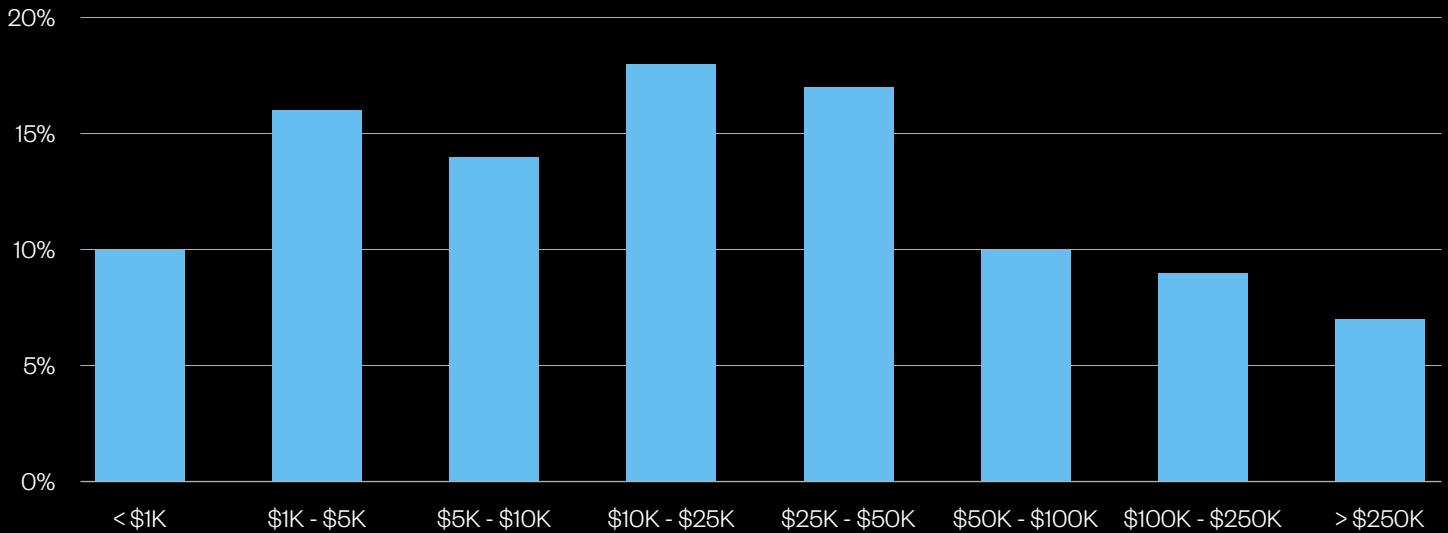
Participant Profile

**Participant profile
by ACV**

N = 490

**Participant profile
by GTM motion**

N = 490