

# Choosing a SaaS pricing model that fits your GTM strategy | Selected edits

<https://metronome.com/blog/choosing-a-saas-pricing-model-that-fits-your-gtm-strategy>

Stephanie 5:21 PM Nov 11

Trying to use more tangible action words that people might be searching for (i.e., "how do I choose a pricing model," etc.)

3:43 PM Nov 12

Picked the first one. love it

3:43 PM Nov 12

Suggestion accepted

Additional life options:

- Choosing a SaaS Pricing Model that Fits Your GTM Strategy
- Choosing the Most Effective SaaS Pricing Model to Your GTM Strategy
- Which SaaS Pricing Model is Best for Your GTM Strategy?

In today's dynamic market, cloud and SaaS companies often employ multiple go-to-market (GTM) motions, including product-led growth, product-led sales, sales-led growth, and channel- or partner-led growth. Each approach brings unique customer expectations around pricing and packaging, making pricing flexibility essential. Many companies adopt usage-based pricing models to align pricing with customer value, enabling them to adapt to diverse customer needs and maximize revenue potential. These models come with distinct advantages and trade-offs, influencing contract structures, billing methods, and cash flow management.

In this post, we'll explore trade-offs for the most common SaaS pricing and commercial models\* with usage-based and hybrid revenue strategies and look at how you can determine the best fit for your GTM motions.

\*Here, commercial models refer to the structure that defines how customers pay, detailing terms, conditions, payment methods, and pricing for purchasing products or services.

### 1. Pay-As-You-Go (PayGo), paid in arrears

With a PayGo model, customers pay only for what they use, without any upfront commitments or contracts.

**Key details**

Customers are billed in arrears based on consumption.

Since there's no upfront commitment, discounts are rare, and future price increases may apply.

**Example**

If a customer uses 1,000 units in one month at \$2.00 per unit, they'll receive a \$2,000 invoice for that month at the end of their billing cycle.

**Benefits**

Provides low friction and an accessible entry point, which is ideal for product-led growth.

Reduced sales and marketing overhead due to minimal commitment requirements.

Cost effective when used for self-service motions and standardization at scale.

Allows subscription-based or seat-based companies to trial new add-on offerings without changing core pricing models.

**Considerations**

- Unpredictable cash flow without upfront revenue: cash flow can be unpredictable, especially for companies with high variable usage. This can increase the risk of fraud and adds collection complexity.
- To lower collection risk, PayGo customers with large invoices should be converted to other commercial models.
- Potential difficulties in recovering investments if customer acquisition costs are high, especially in models requiring setup or integration.

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### 2. PayGo, paid in advance with prepaid credits

This pre-paid model involves upfront payments before usage, with automatic reload when balances fall below a set threshold.

**Key details**

Customers can purchase through self-service workflows, with optional pre-approved, commit-based discounts built in.

Prepaid units often have an expiration date, and unused credits typically do not roll over or get refunded after they expire.

As the service is used, the prepaid balance decreases accordingly.

When the balance reaches a specific threshold, the customer is automatically charged to reload the prepaid balance. If the reload is unsuccessful, access to the service may be suspended.

If customers deplete their credit balance, they may be charged at an overage rate and revert to a paid-in-arrears PayGo-as-you-go payment model.

**Benefits**

- Strong protection against fraud when securing with this model allows companies to secure payment up front, providing strong protection against fraud—a widely favored approach in the AI industry.
- Easier budgeting and expense tracking for customers when they prepay, and no large, unexpected charges at the end of a billing cycle.
- More economical for customers with consistent usage patterns if the business offers discounts that avoid over-pricing rates.
- Ideal for product-led growth or product-led sales with minimum sales engagement required.
- Ideal for markets with consistent, predictable customer payment behavior and minimal risk of disputes over unused balances.

**Considerations**

Low-latency alerts from real-time billing are essential for auto-reload mechanisms, preventing service disruptions for users and avoiding revenue loss.

Requiring upfront payment may hinder adoption, making this model more suitable for higher-tier offerings, while lower-tier or startup SaaS might benefit from a paid-in-arrears or a freemium model.

**Summary**

Consideration	Ranking
Customer acquisition friction	Medium
Sales and marketing costs	Low
Cash flow and revenue predictability	Medium
Collections risk	None
Customer discounts	Sometimes

Edits here to frontload the benefit

### Choosing a SaaS pricing model that fits your GTM strategy

Additional life options:

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In today's dynamic market, cloud and SaaS companies often employ multiple go-to-market (GTM) motions, including product-led growth, product-led sales, sales-led growth, and channel- or partner-led growth. Each approach brings unique customer expectations around pricing and packaging, making pricing flexibility essential. Many companies adopt usage-based pricing models to align pricing with customer value, enabling them to adapt to diverse customer needs and maximize revenue potential. These models come with distinct advantages and trade-offs, influencing contract structures, billing methods, and cash flow management.

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### 3. Monthly minimum spend

With this model, the customer commits to spending a minimum amount per billing period (typically monthly or quarterly), without a long-term commitment.

**Key details**

Each month, the customer spends at least a pre-agreed minimum, regardless of actual usage.

- If the customer usage falls below the committed minimum within a billing period, they are still paid for that period's agreed-upon set amount.
- If, however, if they use more than the minimum, they pay for the total amount used, and the overage amount is sometimes billed at a different rate than the agreed-upon minimum or overage.

**Example**

Metaphor sets a minimum monthly charge based on the number of contacts and number of emails sent, ensuring a base revenue regardless of actual usage.

**Benefits**

Provides a predictable baseline spend without requiring a long-term commitment.

Suitable for customers who prefer flexibility but can commit to consistent monthly usage.

Offers new customers an easy, clear-cut way to start using your product without heavy sizing exercises.

Ideal for product-led growth or product-led sales.

**Considerations**

- May be less appealing for customers with high spend accounts who may prefer longer-term discounts, making this option less appealing for high-spending accounts.
- May lead to customer dissatisfaction if customers with lower-than-expected usage might feel they're overpaying due to lower-than-expected usage, leading to dissatisfaction.
- Requires more effort for customers to track and manage invoices when seasonal or variable usage fluctuates around the minimum threshold. This model may not accommodate customers with seasonal or variable demand, as it would require more effort to track and manage invoices when usage fluctuates around the minimum threshold.

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**Summary**

Consideration	Ranking
Customer acquisition friction	Low-Medium
Sales and marketing costs	Low-Medium
Cash flow and revenue predictability	Medium
Collections risk	Medium
Customer discounts	Sometimes

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### 4. Pre-paid commit

In this model, the customer commits to a specific spend or usage over a defined period, typically annually or multi-year. These contracts are negotiated based on anticipated usage, providing spending predictability that aligns with the customer's budget planning.

**Key details**

Commit contracts involve detailed wage negotiation to finalize terms, ensuring alignment with both the customer's budget and usage projections.

Customers may be asked to commit to pay the entire amount up front. Offering a flexible payment schedule, with installments and custom due dates, helps communicate that financial planning.

Customer access to the committed balance (also known as access schedule) is often tied to payment progress, so that they can only use their balance in proportion to their payments. This approach mitigates the risk of non-collection by aligning usage access with the customer's payment status, ensuring more balanced cash flow.

Commit contracts typically specify which products or services fall under the commit, along with any applicable discounts. For companies with multiple product offerings, varying discounts and eligible offerings can help maximize revenue while protecting margins.

**Example**

Snowflake offers a pre-paid commit model known as "Committed Capacity" or "Pre-Purchased Capacity." In this model, customers commit to a specific dollar spend commitment over a defined period (typically one or more years) in exchange for discounted rates compared to a pay-as-you-go model.

**Benefits**

Provides predictable revenue and cash flow, allowing for longer-term investment on both sides.

- Higher deployment success rates and long-term value realization for customers due to the upfront investment, which creates an urgency for customers to fully engage with the product, leading to a higher deployment success rate and long-term value realization.
- Reduced collection risk—especially compared to post-paid models—by collecting payments in advance, businesses reduce the risks associated with collections, especially in high-risk segments.
- PWPs provide predictable revenue and customer commitment that allows decisive resource allocation, businesses can confidently allocate resources to support customer success and product improvements.

**Considerations**

- Lower acquisition costs are levered as marketplaces provide an "upfront" customer pool and streamlined purchasing processes. Marketplaces provide flexibility for budget-conscious buyers who want to use pre-committed funds (public or private) with cloud service providers. Private and public commit options provide feasibility for budget-conscious buyers looking to use pre-committed funds with cloud service providers.
- Ability to cater to diverse customer needs through business can offer various pricing options, including PayGo, subscriptions, commit, and bring-your-own-license (BYOL) models, catering to diverse customer needs.

**Summary**

Consideration	Ranking
Customer acquisition friction	High
Sales and marketing costs	High
Cash flow and revenue predictability	Medium
Collections risk	Medium
Customer discounts	Often

Edits here to frontload the benefit

### 5. Post-paid commit with true-up

In this model, the customer commits to a specified spend or usage over a set period without upfront payment. Instead, they are invoiced in arrears based on actual consumption, with a true-up adjustment if their spending falls short of the commitment.

**Key details**

Customers receive a discounted rate in exchange for the commitment.

Customers are billed at the end of each billing cycle based on actual usage.

If they use less than the commitment by the end of the period, a true-up charge is applied to cover the shortfall. The model allows customers to exceed their commitment without penalties.

**Example**

The AWS Enterprise Discount Program (EDP) offers an option that does not require an upfront payment, which allows companies to commit to a minimum annual spend and receive discounted rates without an initial payment. True-up adjustments are made if actual usage falls below the committed amount.

**Benefits**

- Ideal for self-service models with lower customer acquisition costs (CAC) and marginal delivery costs, where customers can easily reach the commitment.
- More attractive to customers, and easier entry, without an upfront payment requirement.
- Assists in securing large enterprise deals with customers who prioritize strategic use of capital and can leverage paying in arrears to keep funds available for high-return investments, rather than tying up cash in vendor deposits. Supporting this model can help secure large deals from this customer segment.

**Considerations**

- Increased risk of nonpayment due to challenges in collecting the true-up fees from customers who may be challenging. Customers might choose not to renew and may refuse to pay the true-up, increasing the risk of non-payment:
  - Not suitable for B2C due to fraud and collections overhead.
- Ability to incentivize up-front payment and mitigate financial risk by offering Companies may offer larger discounts with pre-paid commit and smaller discounts with postpaid commit to incentivize up-front payment and mitigate financial risk.
- Ability to Companies may reserve the postpaid commit model solely for enterprise customers where there is greater confidence in payment collection due to established relationships and creditworthiness.

**Summary**

Consideration	Ranking
Customer acquisition friction	Low
Sales and marketing costs	Low
Cash flow and revenue predictability	Medium
Collections risk	Medium
Customer discounts	Often

Find out how to model a post-paid commit model with Metronome.

### 6. Cloud marketplaces

Cloud marketplaces offer an accessible route for companies to tap into a large customer base, leveraging the marketplace's built-in payment and collection tools to simplify the sales process.

**Benefits**

- Lower acquisition costs through the existing customer pool and streamlined purchasing processes. Marketplaces provide flexibility for budget-conscious buyers who want to use pre-committed funds (public or private) with cloud service providers.
- Ability to cater to diverse customer needs through various pricing options, including PayGo, subscriptions, commit, and bring-your-own-license (BYOL) models.

**Considerations**

- Negative impact on margins due to marketplace fees.
- Limited direct engagement with customers since marketplaces often control the relationship.
- Future risks, including changes in marketplace policies or fees, which make it essential to weigh the risks of marketplace reliance against the benefits.

**Summary**

Consideration	Ranking
Customer acquisition friction	Low
Sales and marketing costs	Low
Cash flow and revenue predictability	Medium
Collections risk	Low
Customer discounts	Depend on private or public offer options

Find out how to invoice through marketplaces with Metronome.

### Next Steps

Each pricing model offers distinct trade-offs. Selecting the right one helps you align with customer expectations, GTM strategy, and cash flow goals. Whether you're leveraging a PayGo model for easy entry or a pre-paid commit for predictable B2B revenue, aligning your pricing approach with your business strategy is key to ensuring both profitability and sustained growth.

Metronome is the only usage-based billing platform designed to scale with you, from standard self-service plans to complex enterprise agreements. Whether launching your first product or expanding upmarket, Metronome empowers you to deploy optimal pricing with a full suite of ready-to-use pricing tools. Register [today](#) to join a live demo to learn more.

Visit the pricing lever page to explore how you can optimize your pricing strategy.

Commercial Models	Customer acquisition friction	Sales and marketing costs	Cash flow and revenue predictability	Collections risk	Customer discounts
PayGo - Paid In Arrears	Low	Low	Low	Med-High	Rare
PayGo - In Advance w/Credits	Med	Low	Med	None	Sometimes
Monthly Minimum Spend	Low-Med	Med	Med	Med	Sometimes
Pre-Paid Commit	High	High	High	Low	Often
Post-Paid Commit	High	High	Med	Med	Often
Cloud Marketplace	Low	Low	Med	Low	Conditional