Contracts & Commitments

Contracts & Commitments · https://learn.logisense.com/docs/331186884/

Last verified with: 10.8.6.0

Account Contracts are configured in Account / Profile / Contracts

Overview

Account Contracts & Commitments give organizations a structured way to offer special commercial terms while still protecting expected revenue.

Instead of relying on manual reviews, spreadsheets, or sales memory to manage contracted promises, a business can define the contract terms directly in the platform. That includes contract dates, renewal behavior, ramp periods, usage or spend commitments, and early termination rules. The system can then evaluate those commitments during billing and apply the appropriate outcomes automatically.

For customers, this creates a more flexible way to support enterprise deals, phased growth plans, and negotiated pricing. For the business, it helps ensure those commercial agreements are enforced consistently so margin is protected and revenue leakage is reduced.

What They Are

Account Contracts & Commitments are account-level commercial rules that define what a customer has agreed to in exchange for pricing, discounts, or other special terms.

At a business level, they make it possible to manage:

- contract terms and dates,
- future and active contract periods,
- auto-renewal and renewal-to-new-contract scenarios,
- spend or invoice minimums,

- service or package quantity commitments,
- usage and usage charge commitments,
- commitments that can apply across related account structures,
- staged ramp-up commitments over time,
- and early termination penalties.

In simple terms, this capability allows a business to say:

"We can offer flexible pricing, but the customer must meet the commitments tied to that agreement, and the system will enforce those rules."

How They Work

From a business perspective, the model is straightforward:

1. A contract is associated with an account.
2. The contract defines the term, renewal behavior, and any termination rules.
3. One or more commitments are added to the contract, such as minimum spend, minimum usage, minimum service counts, or package adoption targets.
4. Those commitments can be staged over time so the required levels increase as the customer ramps up.
5. During billing, the platform evaluates the completed billing period against the contract rules.
6. If the customer meets the commitment, billing proceeds normally.
7. If the customer falls short, the platform can calculate and apply the required penalty, top-up, or minimum charge outcome.

This turns commercial commitments into enforceable billing rules instead of informal expectations.

Why They Matter

Many businesses want the freedom to negotiate.

That often means offering:

- lower rates in exchange for committed usage,

- discounted pricing tied to minimum monthly spend,
- phased ramp-up deals for new customers,
- adoption-based pricing linked to package or service counts,
- or custom contract terms for strategic accounts.

Those deals can be commercially powerful, but they also introduce risk.

Without contract enforcement, a customer may receive preferred pricing without actually delivering the usage, spend, or growth that justified it. When that happens, the business absorbs the downside through underbilling, missed penalties, or inconsistent manual follow-up.

Account Contracts & Commitments reduce that risk by embedding the agreement into the billing process itself. This helps organizations offer flexible enterprise-style deals while maintaining control over the commercial outcome.

Business Benefits

Account Contracts & Commitments deliver value in several important ways:

- Greater flexibility in deal design. Businesses can support simple terms, ramp deals, minimums, and negotiated enterprise agreements within one operational model.
- Stronger enforcement of commercial agreements. Contract rules are evaluated automatically during billing rather than relying on manual oversight.
- Reduced revenue leakage. If a customer does not meet the agreed threshold, the system can apply the defined shortfall charge, minimum charge, or penalty.
- Better alignment between sales and finance. Sales can structure sophisticated deals while finance and billing retain confidence that the commitment rules will actually be applied.
- Support for growth over time. Contracts can reflect realistic onboarding or adoption curves rather than forcing a flat commitment from day one.
- Better control of negotiated pricing. Special pricing can be tied to enforceable obligations, helping protect margin on strategic accounts.

Commitment Scenarios

This capability is powerful because it supports several different ways to express customer obligations.

Ramp-Up Commitments

Not every customer is expected to reach full scale immediately.

Ramp-up commitments allow a contract to increase over time through staged commitment periods. A customer might commit to one level in the first few months, a higher level later in the term, and a higher level again once the deployment is fully mature.

Benefit:

- Supports realistic implementation and adoption curves.
- Makes it easier to close enterprise deals without overcommitting the customer too early.
- Preserves the commercial value of the agreement as the customer scales.

Spend Guarantees

Some agreements are based on minimum spend rather than minimum units.

This allows a business to define a required invoice amount or usage charge amount for each billing period. If the customer falls short, the platform can calculate the difference and apply the appropriate charge outcome.

Benefit:

- Protects expected contract value even when customer activity is lower than planned.
- Supports commercial agreements built around monthly spend guarantees.
- Provides a cleaner way to enforce minimum revenue expectations.

Usage Guarantees

Other agreements depend on minimum usage levels.

These commitments can be tied to usage classes, services, or service-level usage patterns, making them useful when pricing depends on consumption behavior rather than simple subscription counts.

Benefit:

- Supports usage-based pricing models with contractual protection.
- Helps ensure discounted rates are backed by committed consumption.
- Creates accountability when volume is part of the pricing agreement.

Service And Package Commitments

Some contracts are based on how many services or packages a customer deploys.

This is useful when a business offers discounted terms based on expected rollout scale, such as a certain number of sites, seats, connections, licenses, or subscribed bundles.

Benefit:

- Connects pricing concessions to actual product adoption.
- Supports expansion-led contract structures.
- Makes it easier to enforce rollout-based commitments over time.

Aggregate Commitments Across Related Accounts

Some organizations bill through a parent or invoicing account while activity is generated across multiple related accounts.

Account Contracts & Commitments can support contract structures where the obligation is evaluated across that broader account relationship instead of only against one individual account.

Benefit:

- Supports enterprise billing models with parent-child account structures.
- Lets businesses negotiate at the customer relationship level instead of only at the individual account level.
- Improves enforcement when contract performance depends on the combined activity of a larger customer footprint.

Early Termination Protection

Enterprise agreements often include pricing or incentives that assume the customer will remain under contract for a defined period.

Early termination rules allow the business to protect that agreement if the customer exits before the term is complete. Depending on the commercial design, this can include fixed charges or charges based on the remaining commitment value.

Benefit:

- Protects the economics of longer-term agreements.
- Reduces the risk of customers taking discounted terms and exiting early.
- Gives finance teams a consistent way to apply exit-related contract consequences.

Telecom Examples

Connectivity Contract With Quarterly Ramp

A telecom provider may sign a multi-site customer that needs time to complete rollout across locations.

The contract can start with a lower commitment in the early period, then increase as additional circuits, services, or sites go live.

Benefit:

- Supports practical deployment timelines.
- Keeps the deal commercially attractive during rollout.
- Ensures the long-term contract value is still enforced.

Mobile Or Usage-Based Agreement With Minimum Spend

A provider may offer preferred rates on voice, messaging, or data in exchange for a minimum monthly spend commitment.

If the customer usage does not generate the agreed level of revenue, the system can enforce the shortfall automatically.

Benefit:

- Makes discounted rate plans safer to offer.
- Protects expected revenue from underperforming accounts.
- Reduces manual review of contract compliance.

Managed Services Or Site Commitments

A telecom business may price a deal assuming a customer will activate a minimum number of managed services, endpoints, or locations.

Service or package commitments make it possible to enforce that rollout expectation directly through the contract.

Benefit:

- Ties commercial terms to actual adoption.
- Supports phased enterprise deployment models.
- Helps prevent margin erosion when rollout volume is lower than promised.

SaaS Examples

Enterprise Subscription With Annual Growth Ramp

A SaaS provider may offer favorable pricing to a customer that expects to expand from one division to many over the life of the agreement.

The contract can define lower commitments at the start of the term and higher commitments later as users, environments, or subscribed modules increase.

Benefit:

- Supports land-and-expand selling models.
- Lets the provider match commercial terms to a realistic customer growth plan.
- Ensures the value of the agreement is enforced as adoption expands.

Platform Deal With Minimum Monthly Commitment

A software business may negotiate a discounted rate in exchange for a monthly minimum revenue commitment.

If customer usage or subscribed activity falls below that level, the platform can apply the defined minimum charge or shortfall amount.

Benefit:

- Protects the provider from low-volume underperformance.
- Encourages stronger alignment between pricing and expected consumption.
- Reduces revenue leakage from unmanaged negotiated deals.

Usage-Based Contract With Consumption Guarantees

For usage-based SaaS products, the customer may commit to a minimum level of transaction volume, API activity, data processing, or other measured usage.

The contract can enforce those expectations even when actual usage fluctuates.

Benefit:

- Makes usage-based deals more predictable commercially.
- Supports premium pricing strategies tied to volume commitments.
- Helps the business enforce the agreement without manual intervention.

Why Customers Value This Capability

Account Contracts & Commitments are especially valuable for organizations that:

- negotiate custom enterprise pricing,
- need to support ramp-up or phased rollout agreements,
- sell usage-based services with committed minimums,
- want to offer strategic discounts without losing commercial control,
- or need stronger protection against revenue leakage.

In those environments, flexibility alone is not enough. The real value comes from combining flexible contract design with automated enforcement.

That is what makes this capability powerful. It allows a business to make sophisticated customer commitments with confidence, knowing the billing platform can hold both sides of the agreement to the terms that were negotiated.