

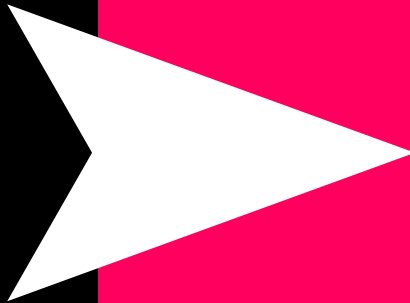
 **Valueships**

Pricing Intro Workshop

LAUNCHHUB
||| VENTURES



**To ensure a
constructive
conversation,
we will obey
the following
guiding
principles**



Be creative -

everyone should feel free to suggest and critique ideas

Be open minded –

the session is meant to push our collective thinking as a leadership team, and we will challenge your perspectives

Be concise –

we have limited time and we want to hear from everyone

Be understanding –

we want to make sure that we get through all the content, so may have to cut you off and/or park topics for later conversations

Workshop objectives



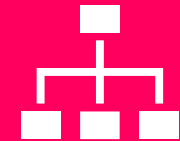
Learn about basic pricing principles



Unlock the WTP mindset perspective



Grow overall team capabilities



Meet new monetization models



Short introduction from our side.

We are Valueships, a value management consulting boutique.

We help Clients across multiple industries mostly with top-line growth

According to our previous studies we bring up to 10-15% more top-line growth (MRR in SaaS).

Industries

SaaS

Software

Traditional industries

Telecommunication & Media

CPG / Retail

Banking

Topics

Pricing and Monetization

Strategy and Business models

Value Selling

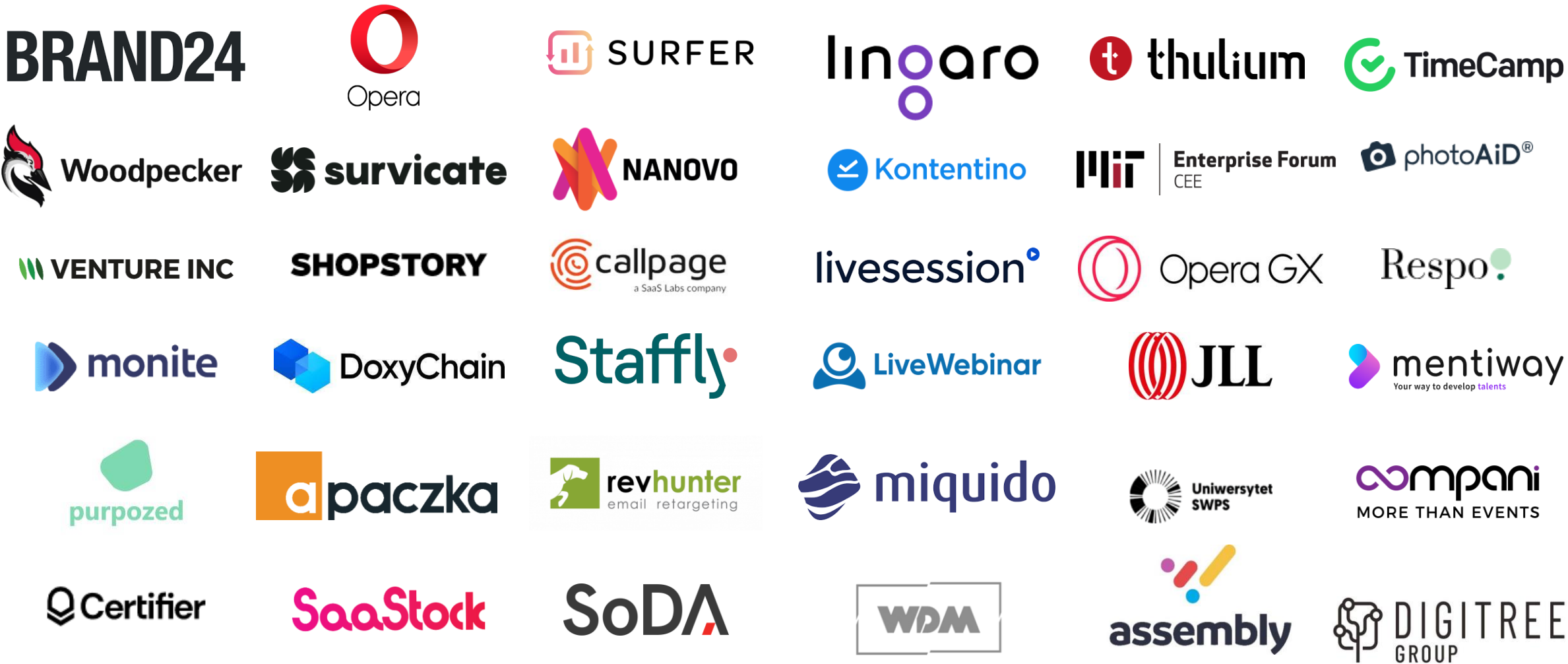
Churn and Retention

Special Projects and research

Digital Revolution

We have a long list of clients who recommend us and provide case studies – we know how to run revenue engagements across industries

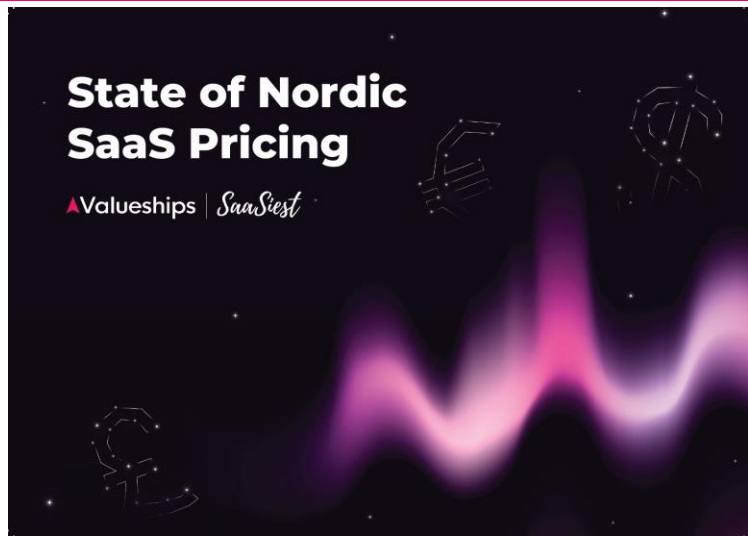
Our recent work



And many more...

We are a go-to pricing consultancy for leading SaaS communities in Europe

We have a databases of more than 4000 pricing pages across Europe updated yearly, Recent reports



We have partnered with leading SaaS community in the Nordics (1000+ companies) – [SaaSiest](#) - to understand the pricing landscape in the industry

[Click here to download the report](#)



State of German SaaS Pricing 2023

Valueships ARRtist hyrise

We have partnered with biggest DACH SaaS community (800+ companies) – [ARRtist](#) and leading Sales consultancy – [hyrise](#) – to benchmark SaaS landscape with deep-dive into pricing situation

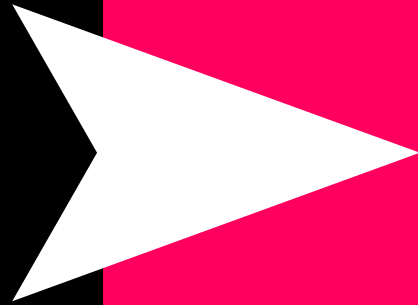
[Click here to download the report](#)



We have partnered with VC fund Innovation Nest and scanned over 300 Polish SaaS companies. We had a chance to collaborate with Bartek Pucek (well known Polish Angel Investor) on report distribution

[Click here to download the report](#)

**Introduction
to pricing**



$$\text{Profit} = (\text{Price} * \text{Unit volume}) - (\text{Fixed Costs} + \text{Variable costs})$$

Price has the biggest impact on profitability...

1% improvement in... → ... creates profitability improvement of:



1. Meehan, Simonetto Montan, Goodin, "Pricing and Profitability Management. A Practical Guide for Business Leaders, Wiley, 2011, 1000 Top Fortune companies

2. Baker, Marn, Zawada, "The Price Advantage", Wiley Finance, 2010, Global 1200 5-year trailing average economics

3 Marn, Rosiello, "Managing Price, Gaining Profit, Harvard Business Review, 1992, Based on average economics of 2,463 companies in Compustat Agg

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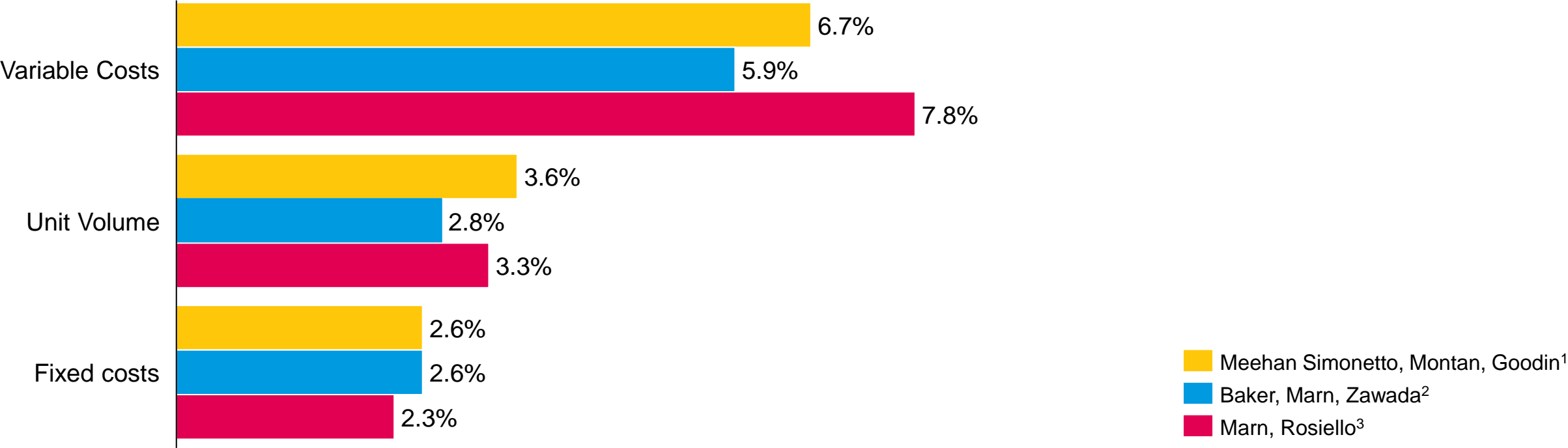
1. Meehan, Simonetto Montan, Goodin, "Pricing and Profitability Management. A Practical Guide for Business Leaders, Wiley, 2011, 1000 Top Fortune companies

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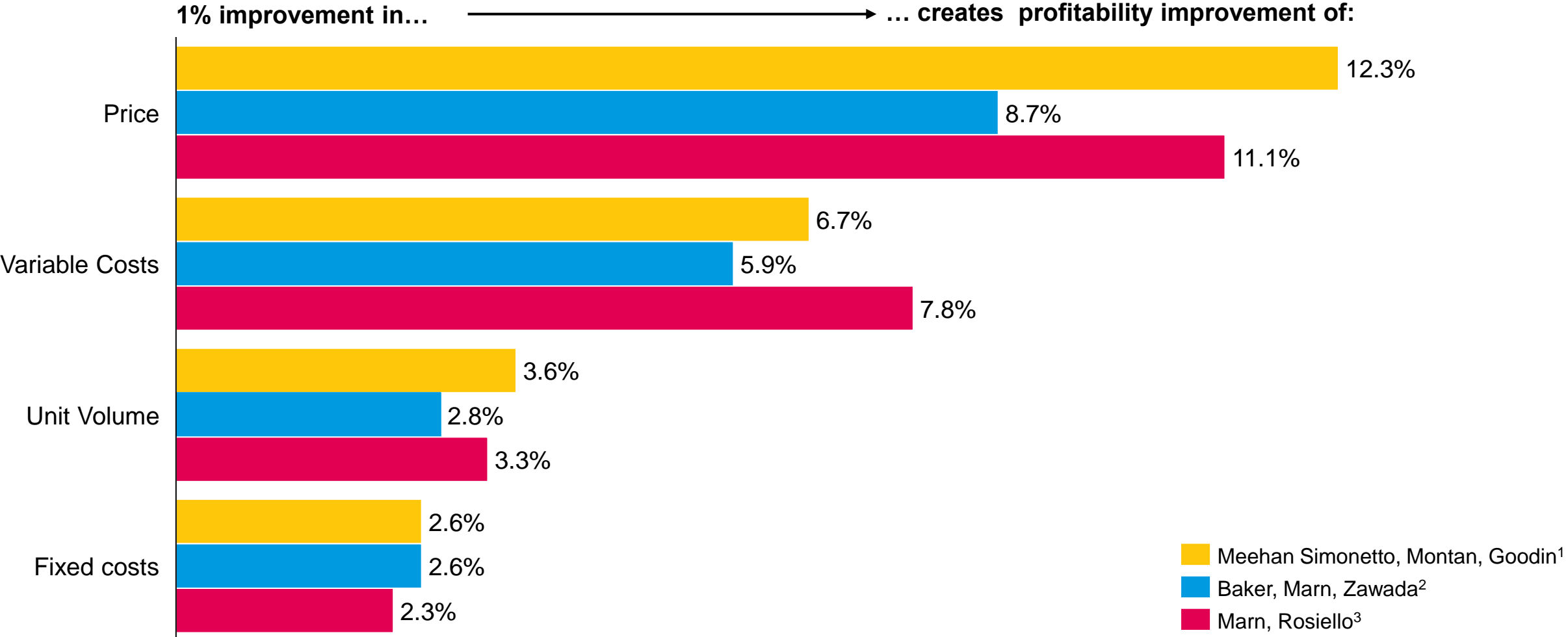


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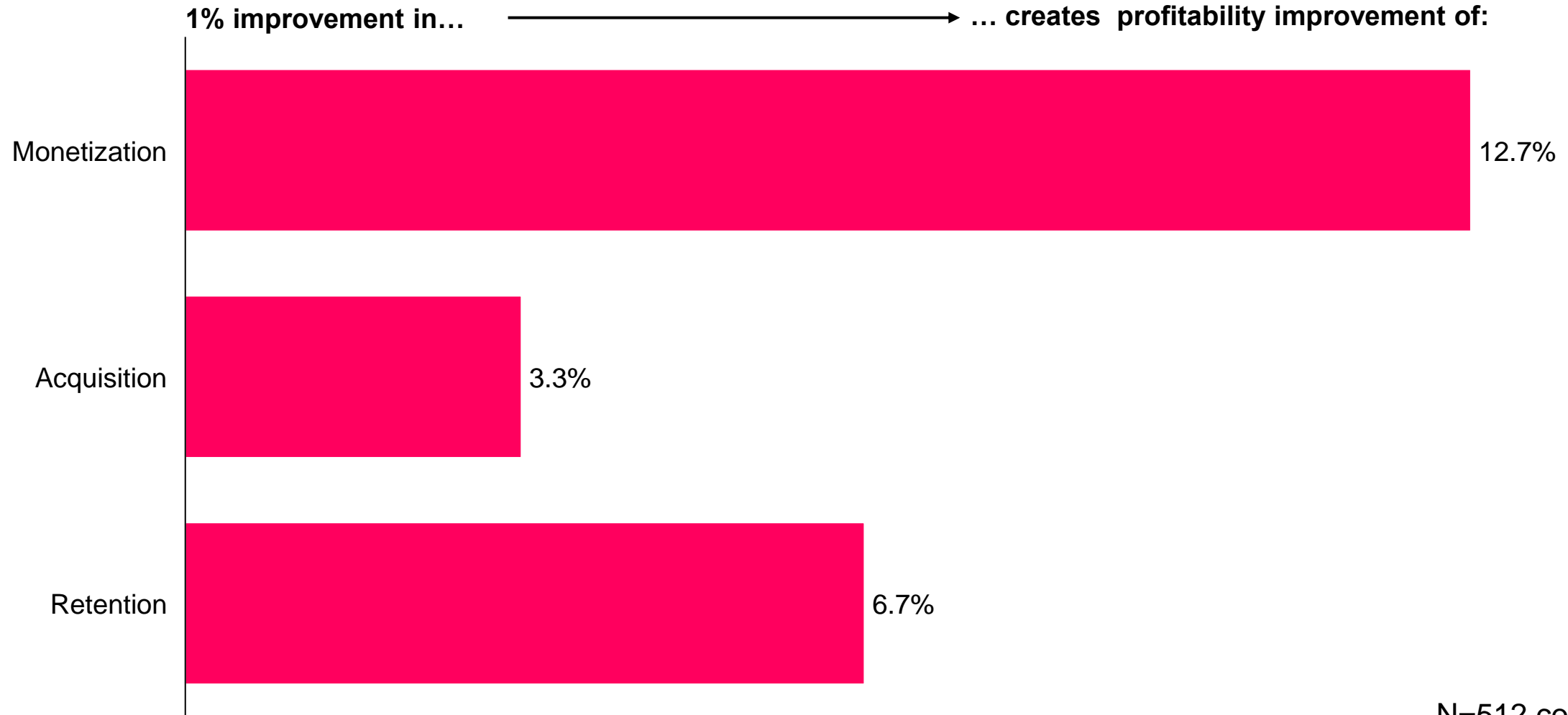
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... and it works exactly the same for digital companies



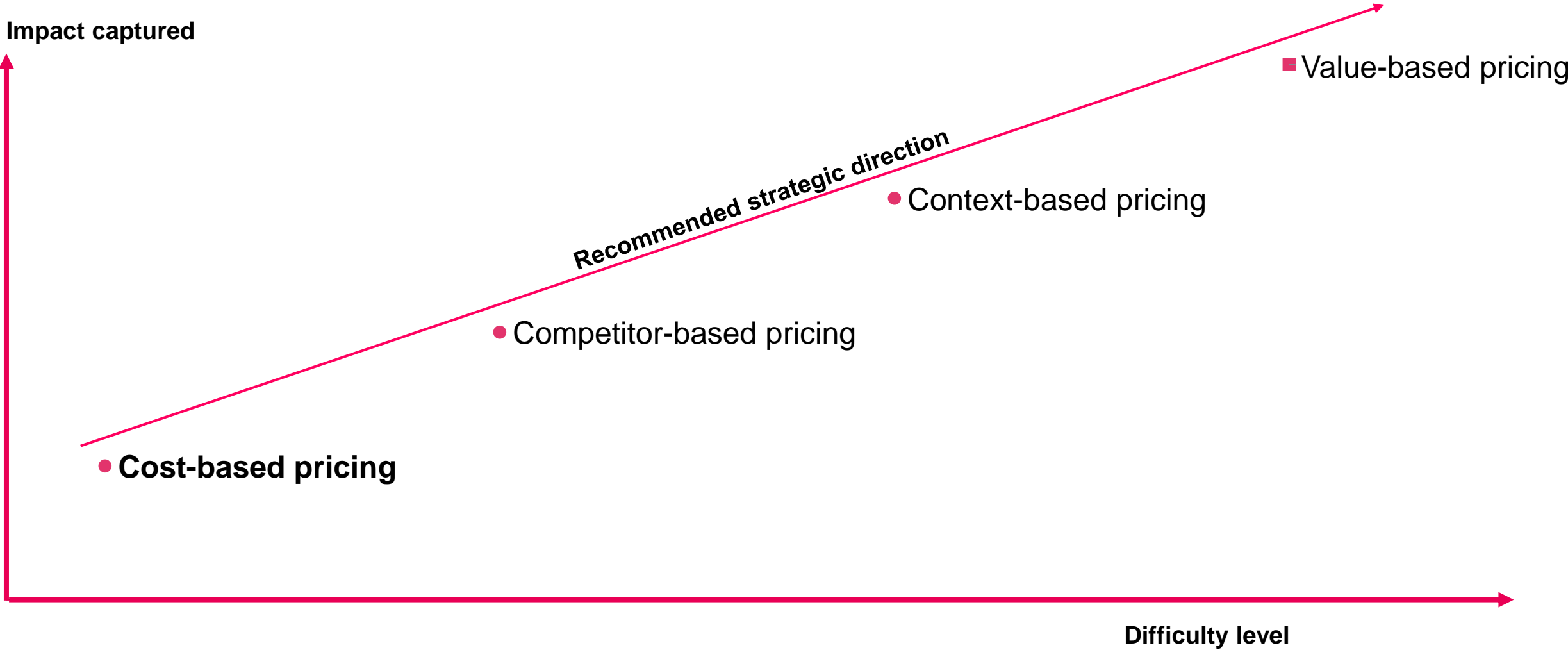
N=512 companies

PRICING

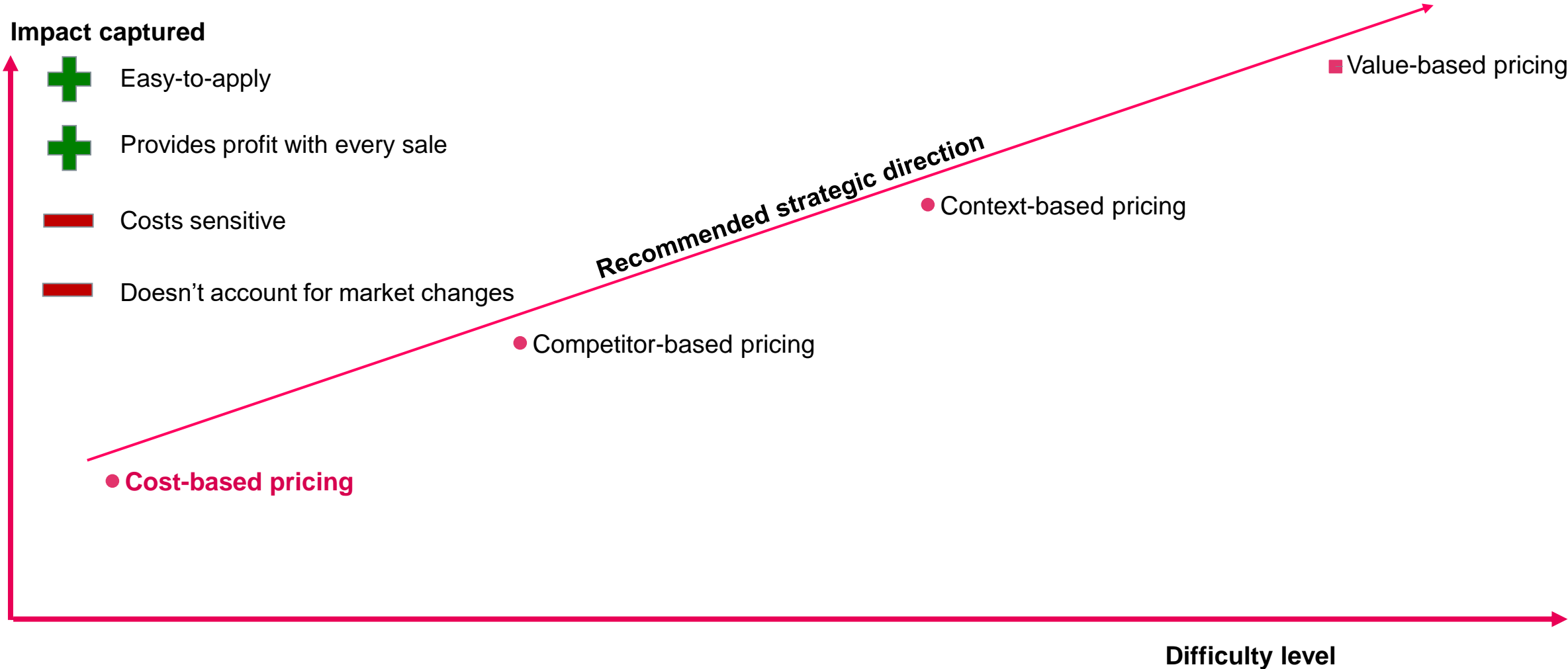


What Pricing strategies do you know?

We can differentiate four separate pricing strategies

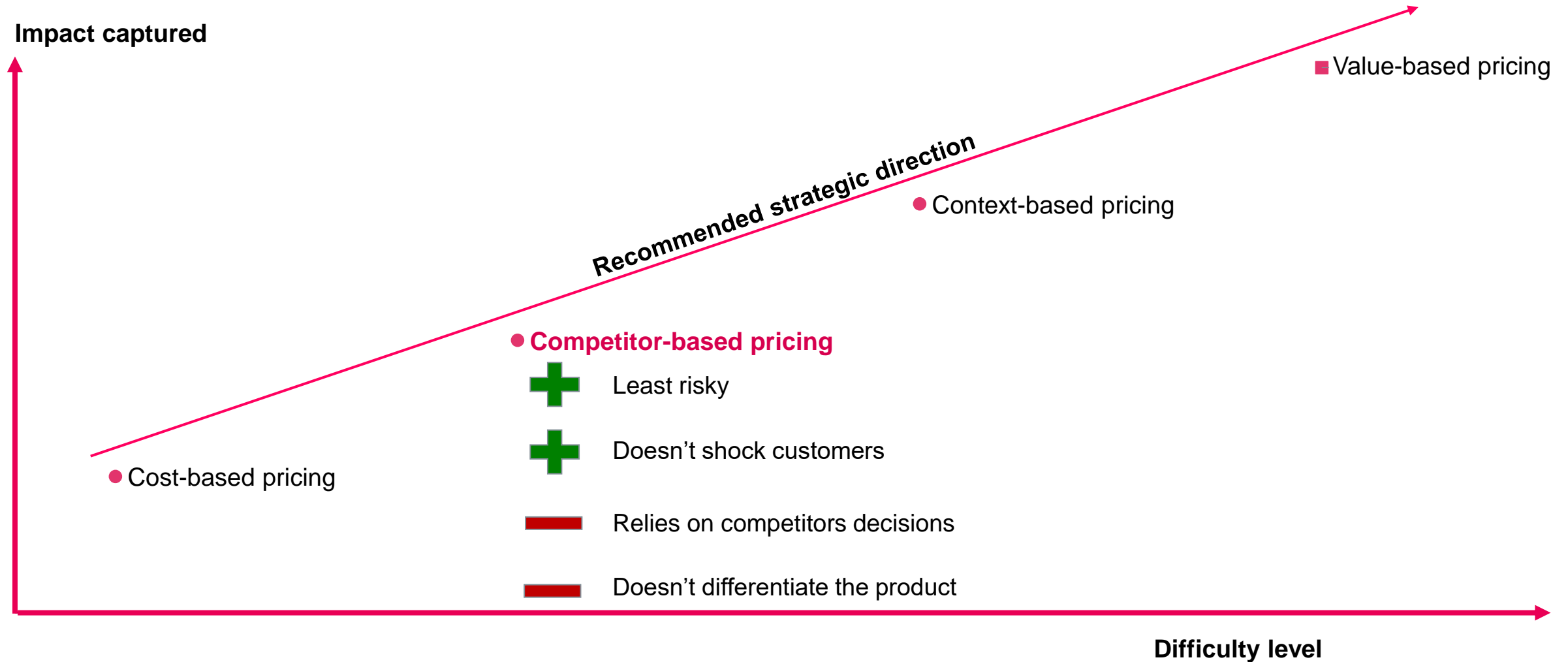


Cost-based pricing is easy, but you lose margins once costs go up

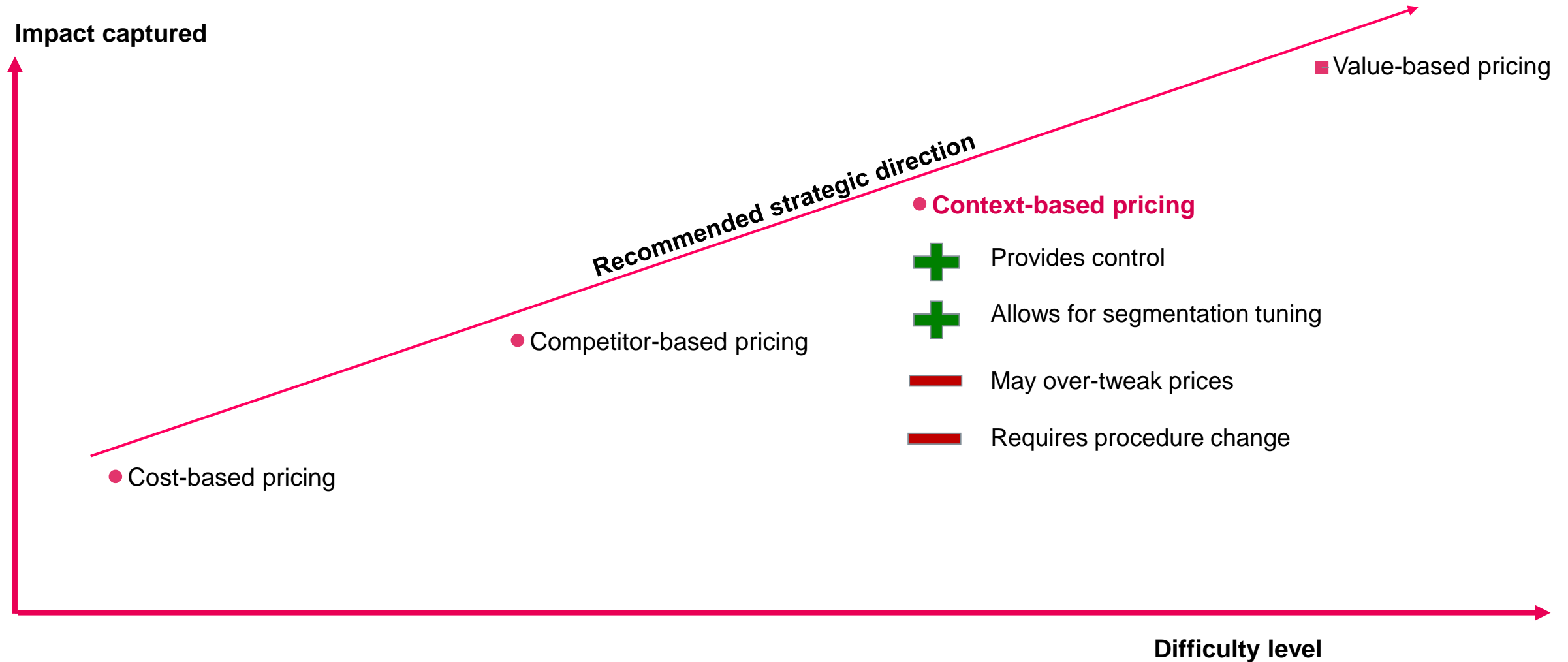


Source: Maciej Wilczynski, Meehan, Simonetto Montan, Goodin, "Pricing and Profitability Management. A Practical Guide for Business Leaders, Wiley, 2011

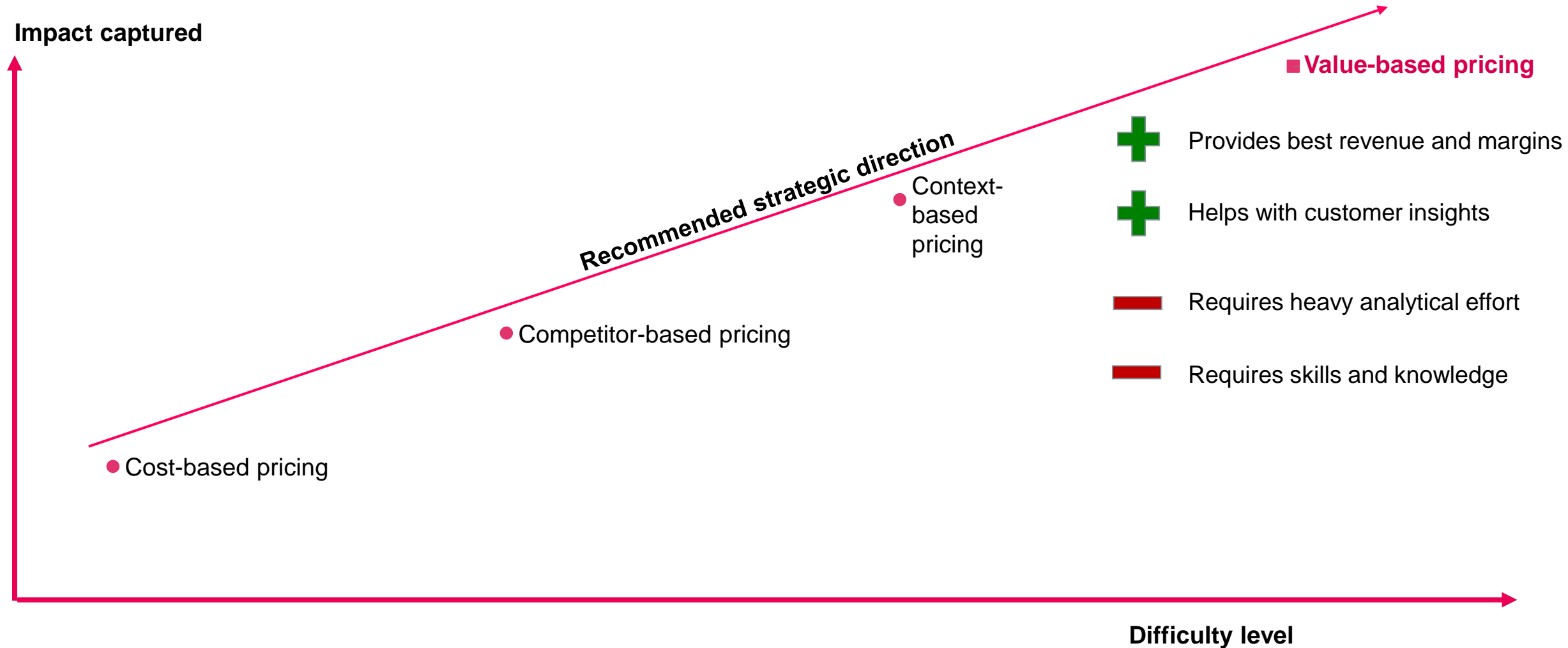
Competitor-based pricing works well as market benchmark, but you give the decision making to your peers



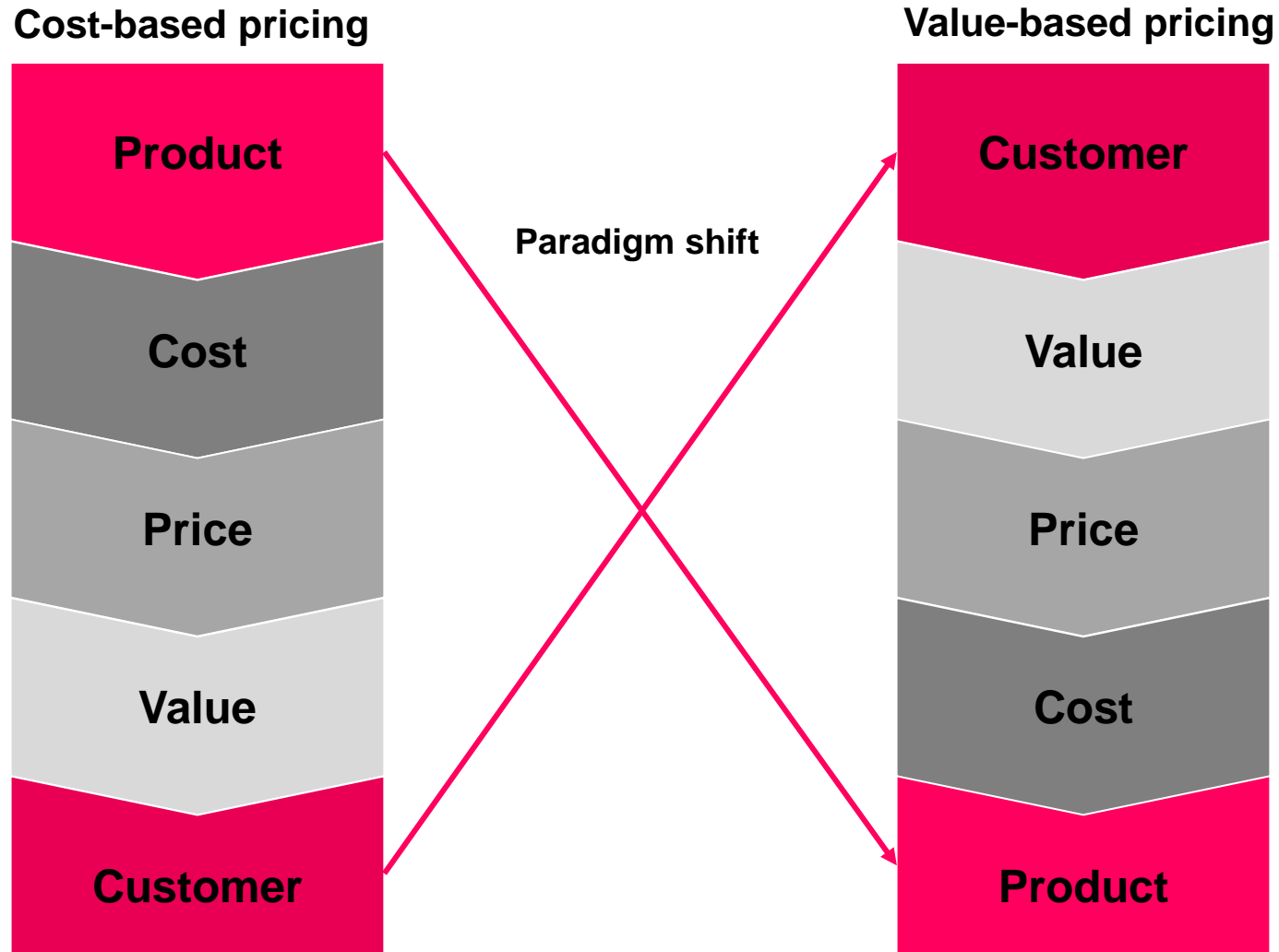
Context-based enables to differentiate price, but you can lose deals if you don't tune it properly



Value-based pricing has the strongest impact, but requires knowledge and analytics



Value-based pricing puts value you deliver to the customer as first and willingness-to-pay for your features



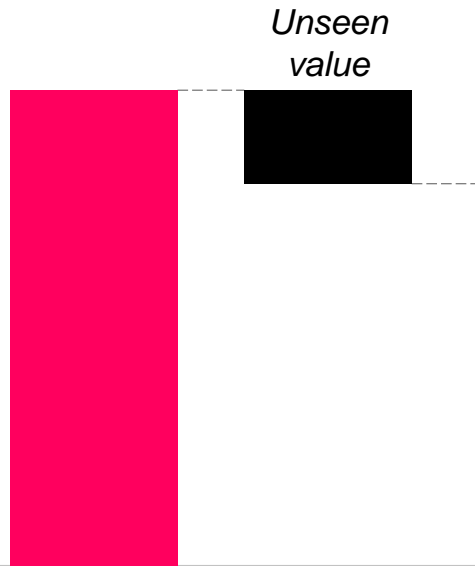
**To put it into perspective it's has changed from
Product Marketing to Marketing Product**

Value-based pricing



First of all, your product creates some value, but not everyone sees it

Value drivers



Actual Value Created

The **value your product/ service actually creates** for a customer

Determined by the quality of product, relationship, etc.

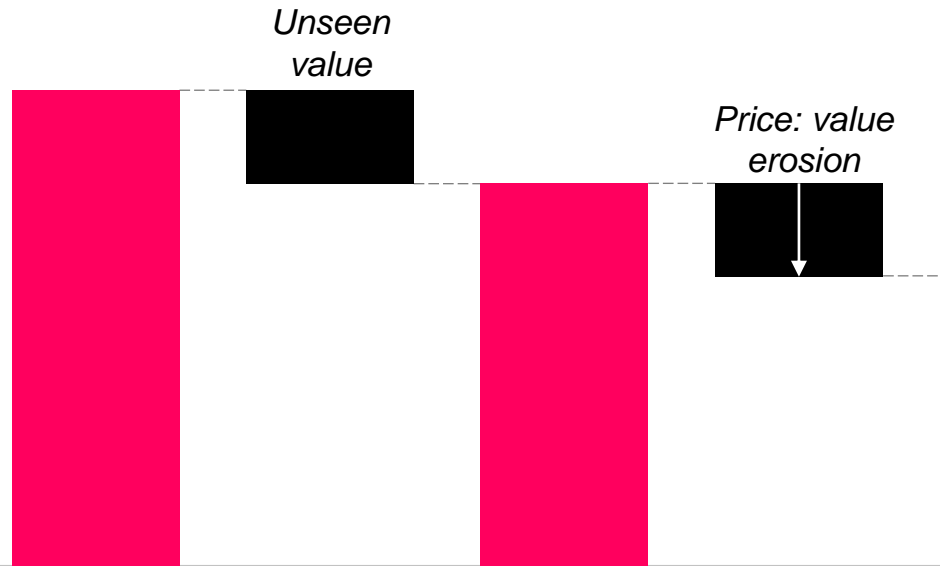


Klasa E
Instrukcja Obsługi

Mercedes-Benz

Secondly, what your customer believes is critical for value perception

Value drivers



Actual Value Created

The **value your product/ service actually creates** for a customer

Determined by the quality of product, relationship, etc.

Perceived Value

The **value the customer believes** your product/ service creates

Determined by how well you communicate the value delivered

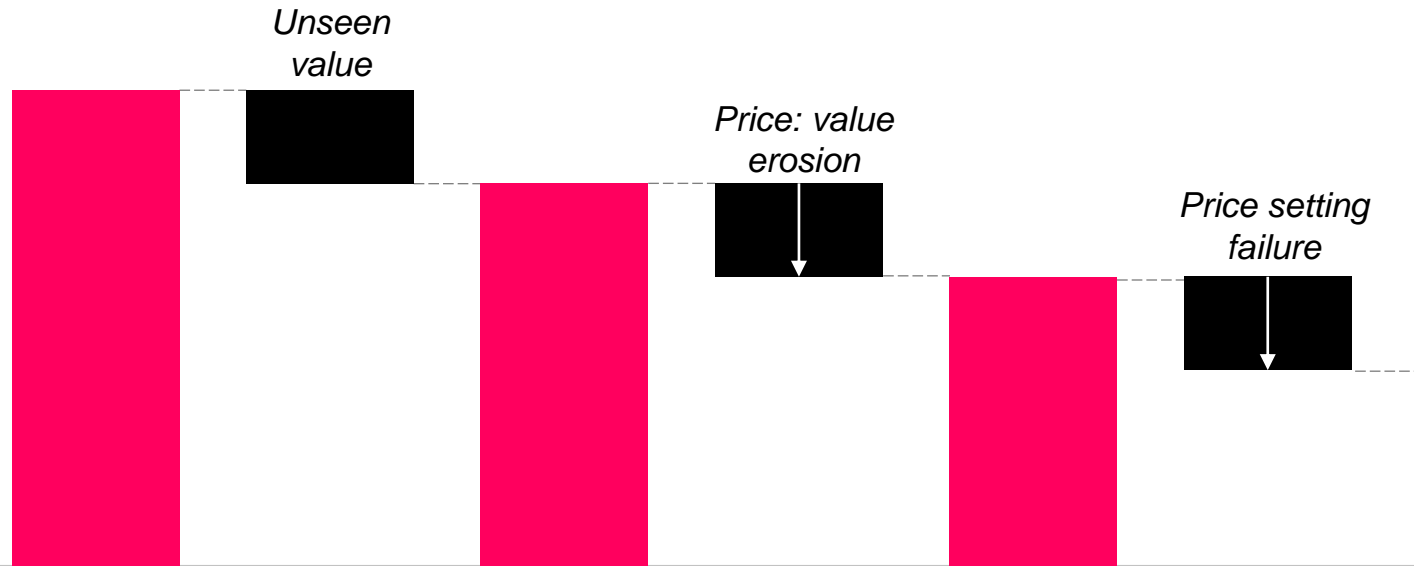
Jak wygląda praca w domu pogrzebowym?

Wywiad z **Agnieszką Beczek**.
Tanatocosmetolożka,
autorka popularnego profilu
Pani z Domu Pogrzebowego
na Instagramie



Thirdly, price is what you pay and value is what you get – these two need to align

Value drivers



Actual Value Created

The **value your product/ service actually creates** for a customer

Determined by the quality of product, relationship, etc.

Perceived Value

The **value the customer believes** your product/ service creates

Determined by how well you communicate the value delivered

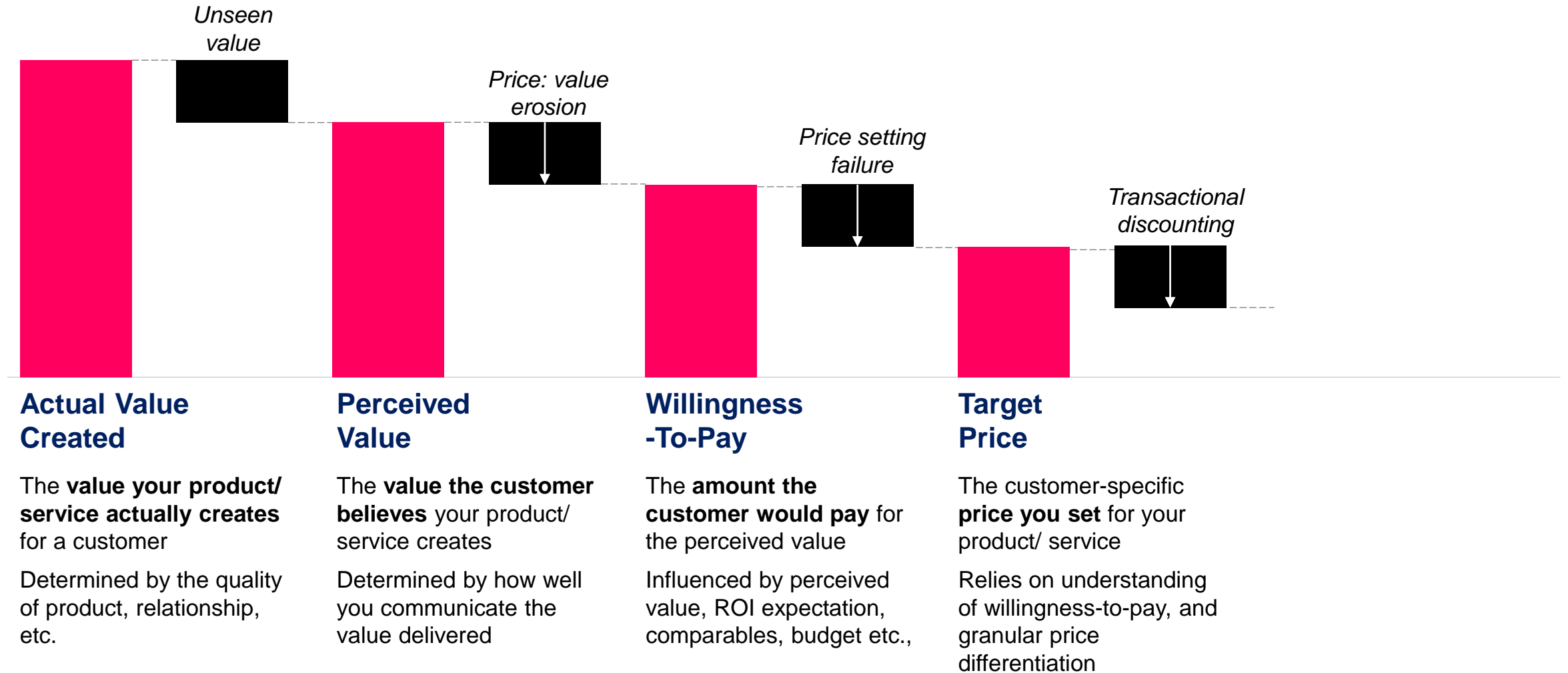
Willingness -To-Pay

The **amount the customer would pay** for the perceived value

Influenced by perceived value, ROI expectation, comparables, budget etc.,

Fourthly, your listing price must match the willingness-to-pay

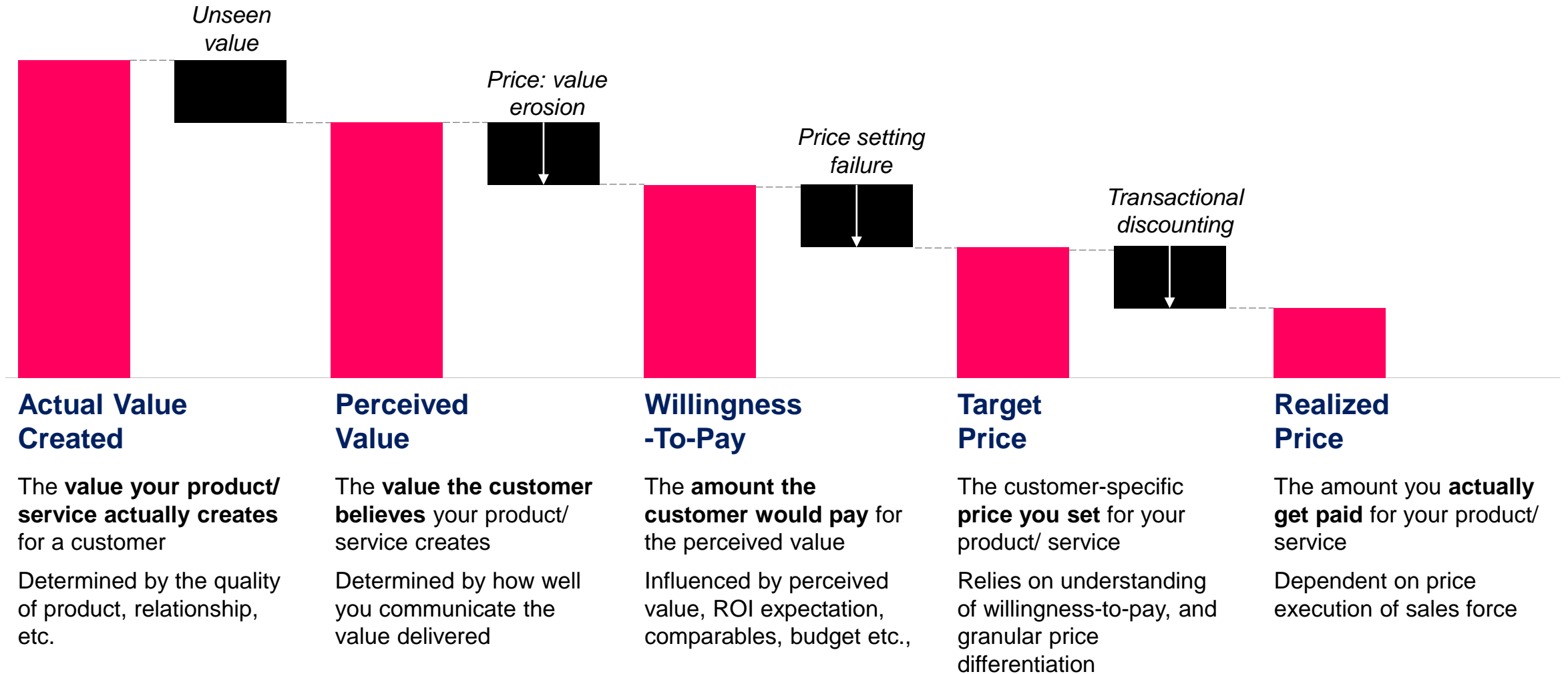
Value drivers





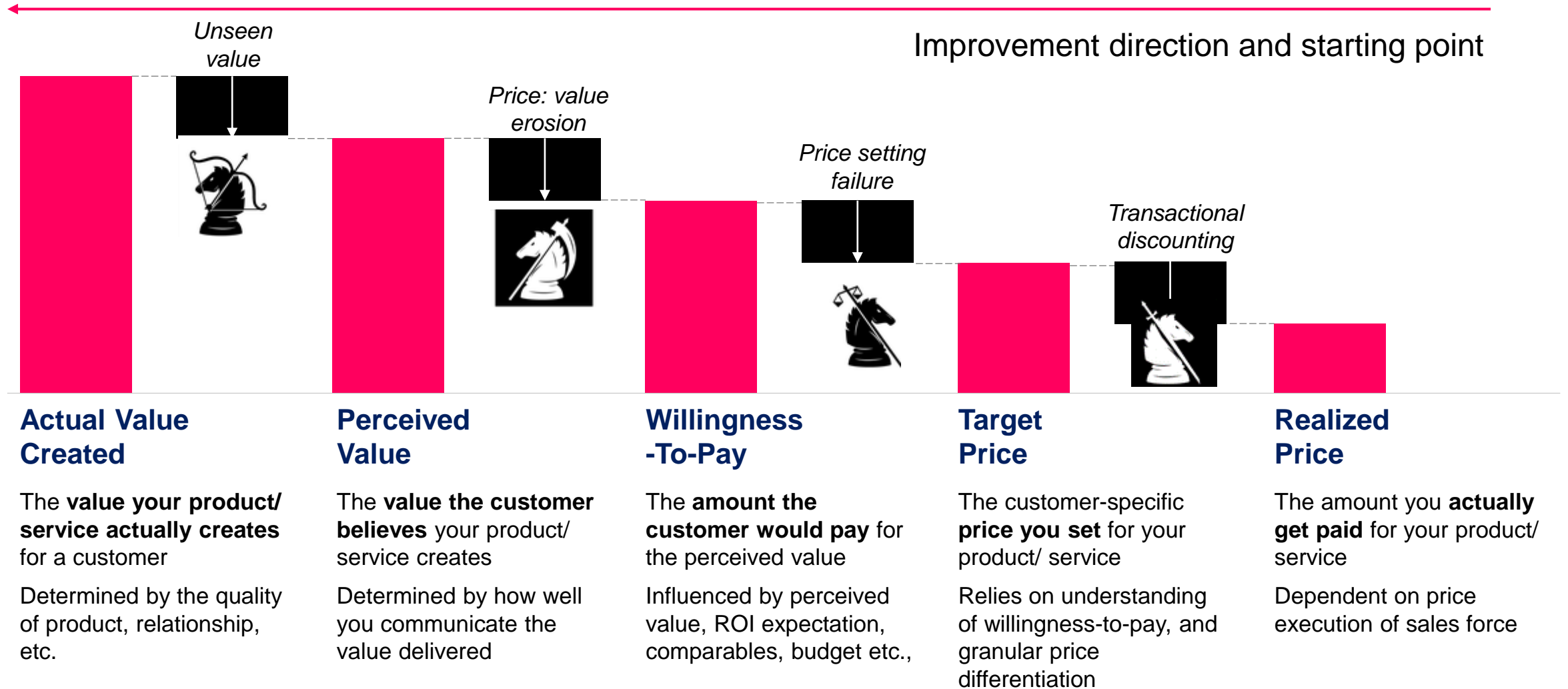
Last but not least, there is a difference between asked price and realized one

Value drivers



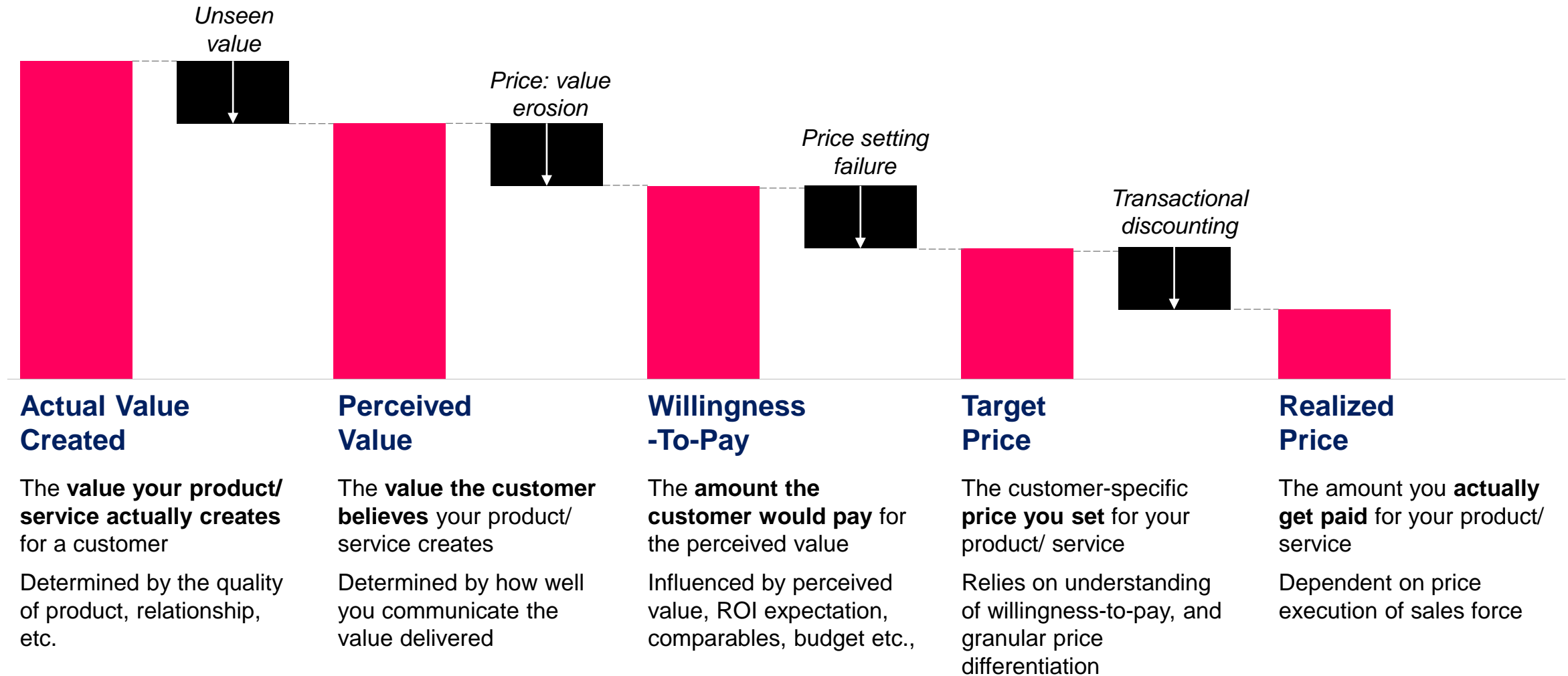
These are Four Horsemen of Pricing Apocalypse – let's cover them now!

Value drivers

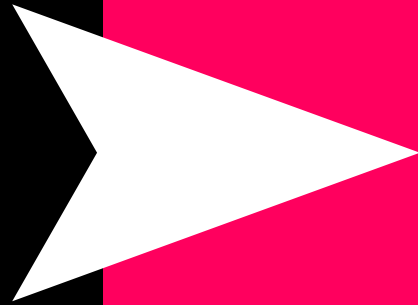


Quantifying value drivers significantly boosts perceived value, which pulls up willingness-to-pay

Value drivers



Pricing

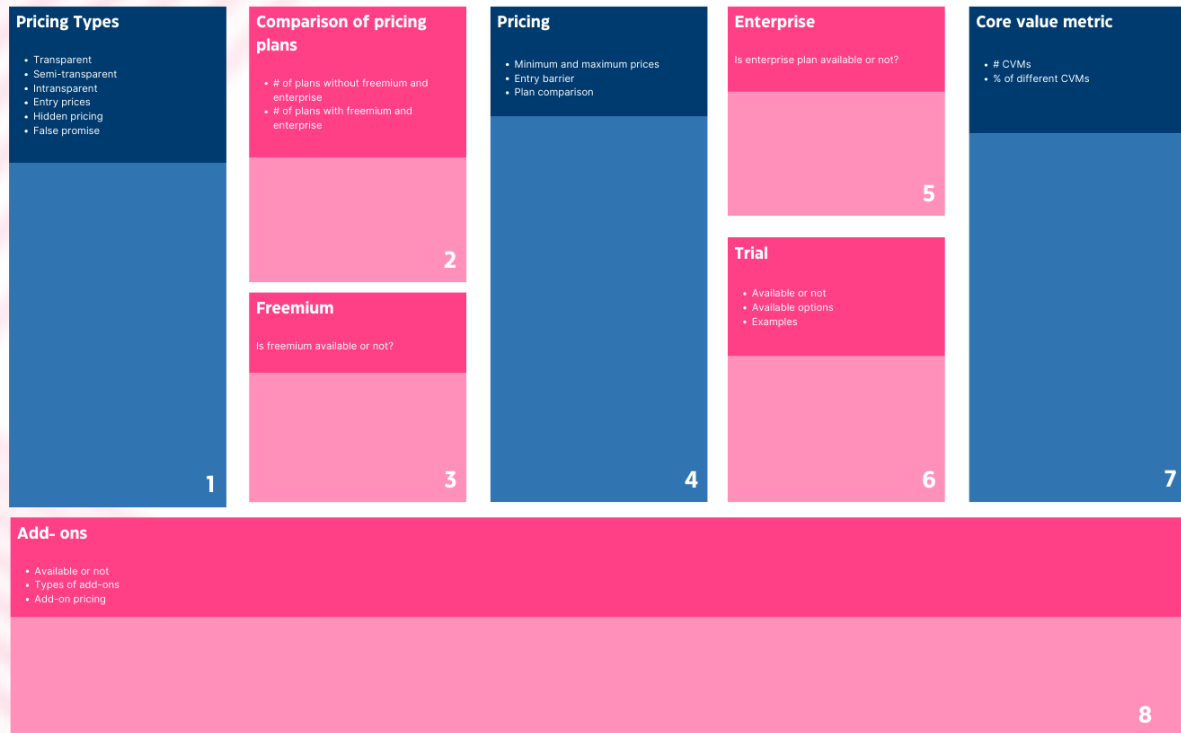


SaaS Pricing Framework

SaaS Pricing Framework (canvas)

SaaS Pricing Framework

▲ Valueships



It's a model we've developed over the years after analyzing more than **5000 pricing pages**.

This framework helps us identify quick wins and areas for improvement in every SaaS pricing plan we review.

Based on this framework, we have created three major reports on three European SaaS markets: **Polish, German, and Nordic**.

Our SaaS pricing framework consist of 8 areas

1

Pricing Types

- Transparent
- Semi-transparent
- Intransparent
- Entry prices
- Hidden pricing
- False promise

Our SaaS pricing framework consist of 8 areas

1

Pricing Types

- Transparent
- Semi-transparent
- Intransparent
- Entry prices
- Hidden pricing
- False promise

2

Comparison of pricing plans no.

- # of plans without freemium and enterprise
- # of plans with freemium and enterprise

Our SaaS pricing framework consist of 8 areas

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Pricing Types

- Transparent
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Comparison of pricing plans no.

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- # of plans with freemium and enterprise

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Freemium

- Available or not

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Freemium

- Available or not

4

Enterprise

- Available or not

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Freemium

- Available or not

4

Enterprise

- Available or not

5

Pricing

- Minimum and maximum prices
- Entry barrier
- Plan comparison

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Freemium

- Available or not

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Pricing

- Minimum and maximum prices
- Entry barrier
- Plan comparison

6

Trial

- Available or not
- Available options
- Examples

Our SaaS pricing framework consist of 8 areas

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- Transparent
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Trial

- Available or not
- Available options
- Examples

7

Core value metric

- # CVMs
- % of different CVMs

Our SaaS pricing framework consist of 8 areas

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Pricing Types

- Transparent
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Pricing

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Trial

- Available or not
- Available options
- Examples

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Core value metric

- # CVMs
- % of different CVMs

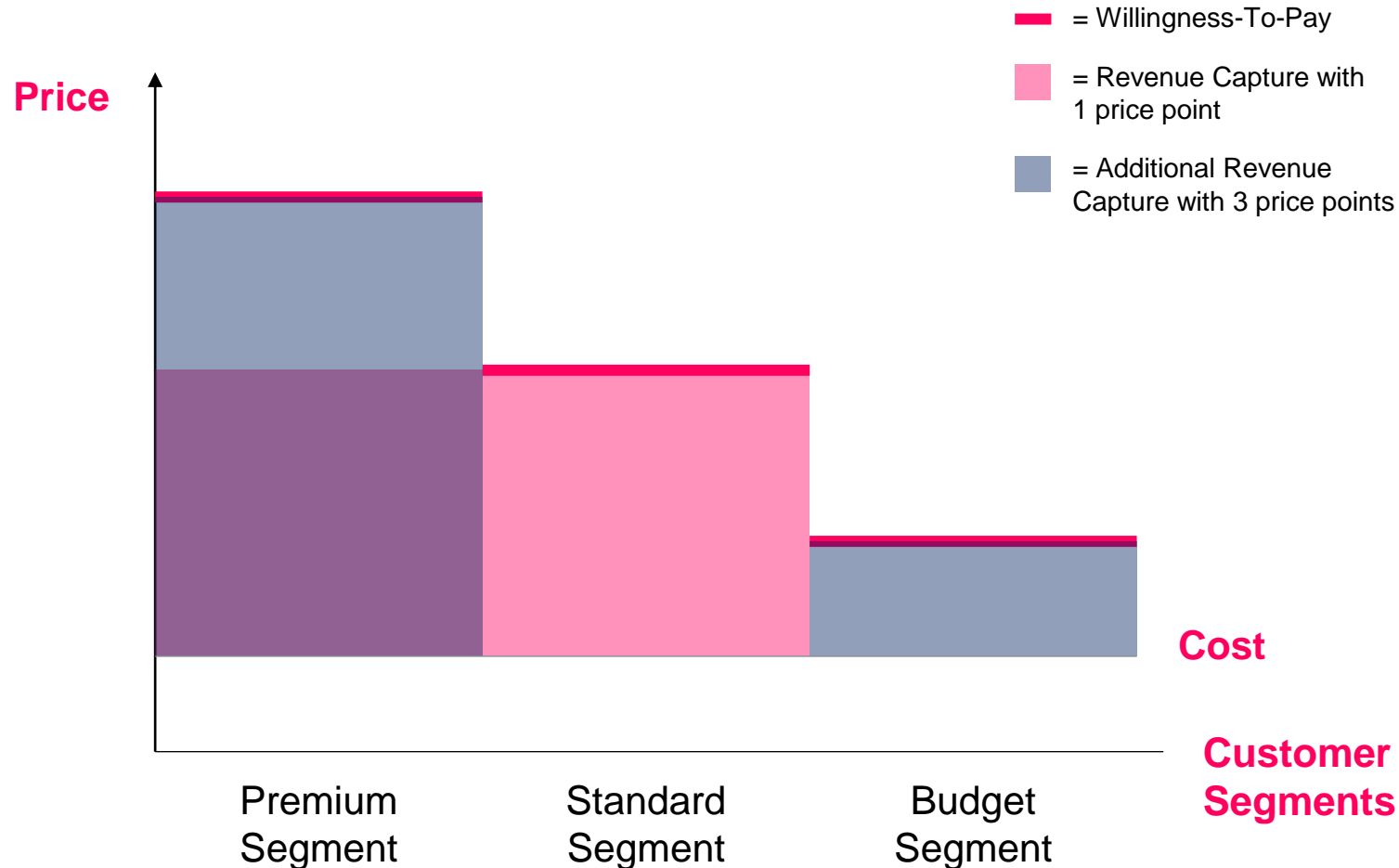
8

Add-ons

- Available or not
- Types of add-ons
- Add-on pricing

A key component of a winning pricing strategy is the ability to price differentiate across your customer base

Customer segmentation



With a **single price point**, we are only able to capture a portion of the market's potential revenue

- Budget segment ignored
- Premium segment not fully monetized

With **multiple price points** we are able to capture a **significantly greater portion of the market's value**

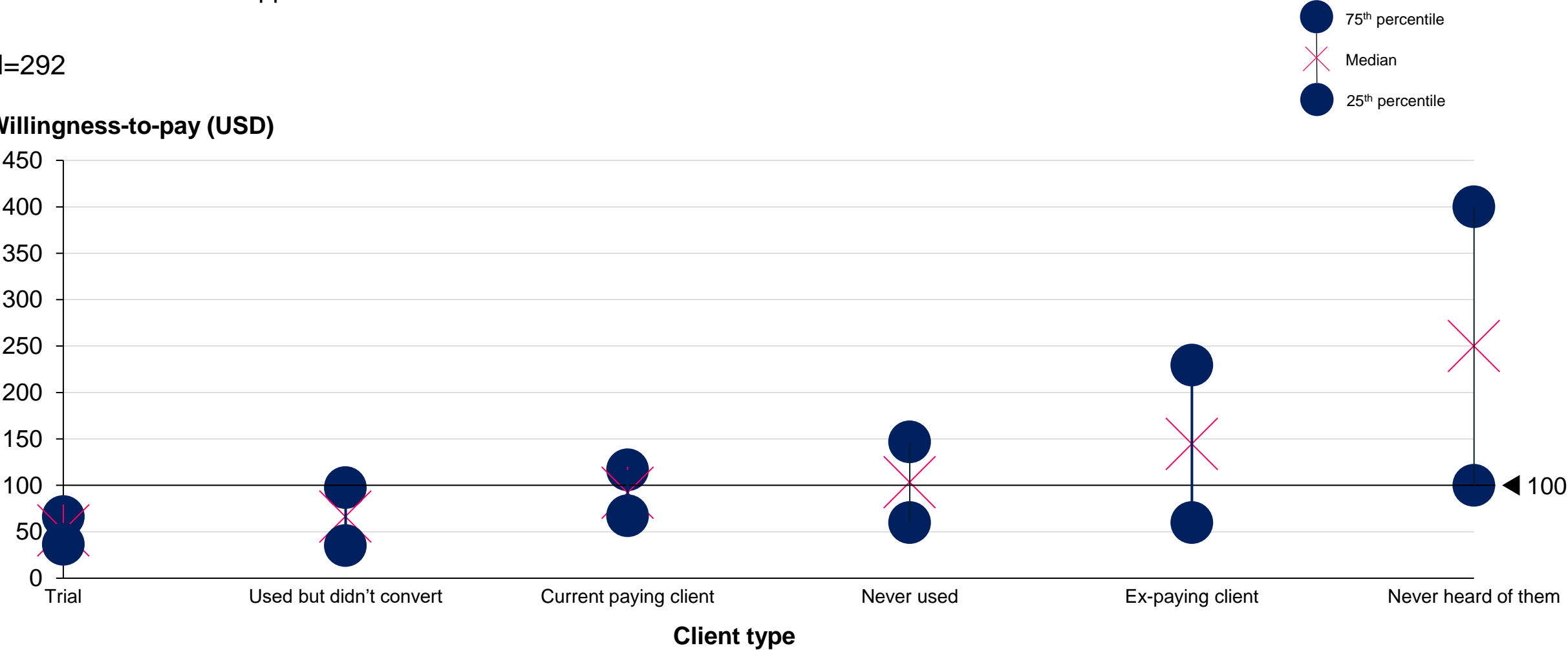
To do this we need to **give customers what they want at a price they are willing to pay**

We go deep into various personas, to ensure our pricing scheme aligns with most promising segments

Real life client – SaaS application

N=292

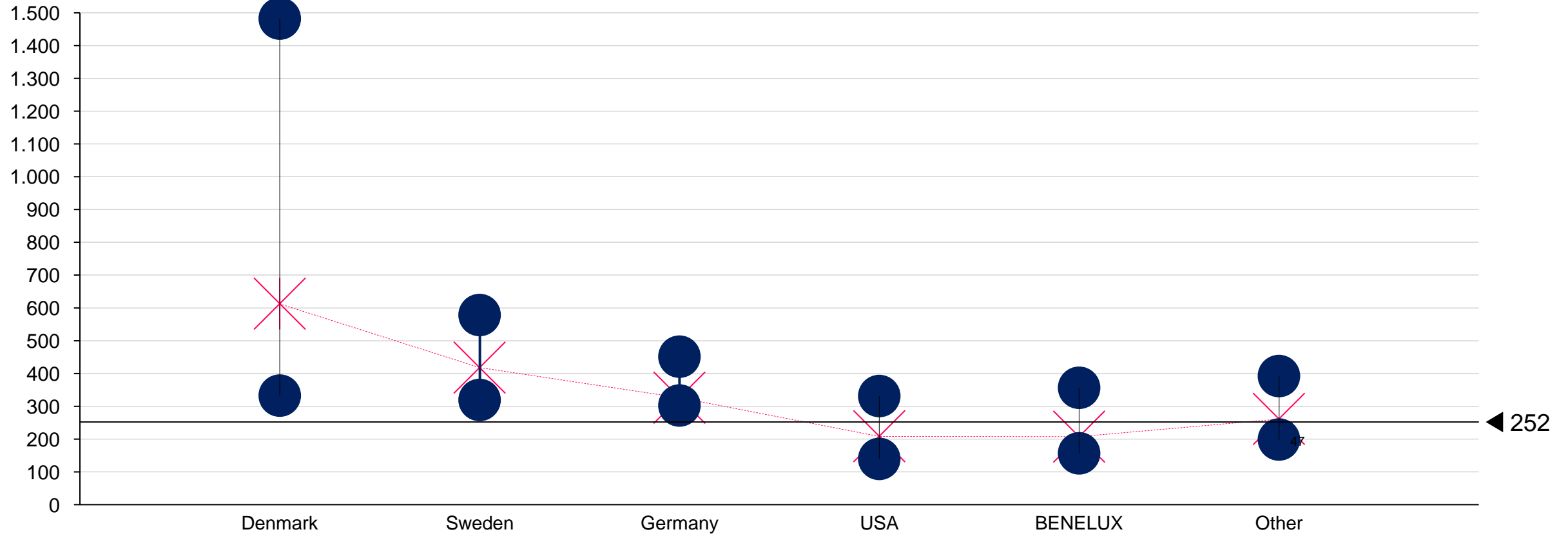
Willingness-to-pay (USD)



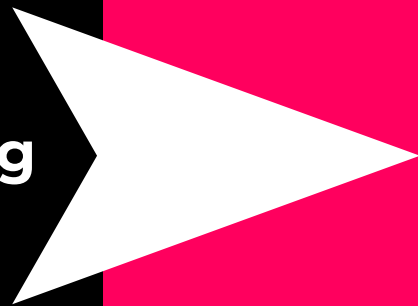
We cut the data on country-level to ensure we have geolocation aspects covered





















WTP vs region, N=262

Willingness-to-pay (USD)



Value Metric & Billing



		MOST POPULAR	
<p>Individual</p> <p>\$79</p> <p>per month, billed annually</p> <p>For tracking a small brand.</p>	<p>Team</p> <p>\$149</p> <p>per month, billed annually</p> <p>Ideal for startups and small businesses.</p>	<p>Pro</p> <p>\$199</p> <p>per month, billed annually</p> <p>Ideal for growing businesses and small agencies.</p>	<p>Enterprise</p> <p>\$399</p> <p>per month, billed annually</p> <p>Ideal for enterprise businesses and large agencies.</p>
<p> 3 keywords</p>	<p> 7 keywords</p>	<p> 12 keywords</p>	<p> 25 keywords</p>
<p> 2K mentions / mo</p>	<p> 5k mentions / mo</p>	<p> 25k mentions / mo</p>	<p> 100k mentions / mo</p>
<p> 1 user</p>	<p> Unlimited users</p>	<p> Unlimited users</p>	<p> Unlimited users</p>
<p> Update every 12h</p>	<p> Update every hour</p>	<p> Realtime update</p>	<p> Realtime update</p>
<p> Basic AI features</p>	<p> Basic AI features</p>	<p> Advanced AI features</p>	<p> Advanced AI features</p>
<p>About Individual</p>	<p>About Team</p>	<p>About Pro</p>	<p>About Enterprise</p>

There are 5 typical areas of pricing metrics that can be considered when pricing



User/time used

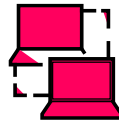
Named users
Concurrent users
Time used

ORACLE

zendesk

SAP

salesforce



Software usage

of marketing campaigns
Subscription revenue
API calls

Marketo

apigee

zuora



HW-linked resource usage

Cores
Devices
Data volume

Axeda

Palantir

amazon web services



Company business units

Employees
Annual revenue
Annual COGS

workday

SAP

ORACLE



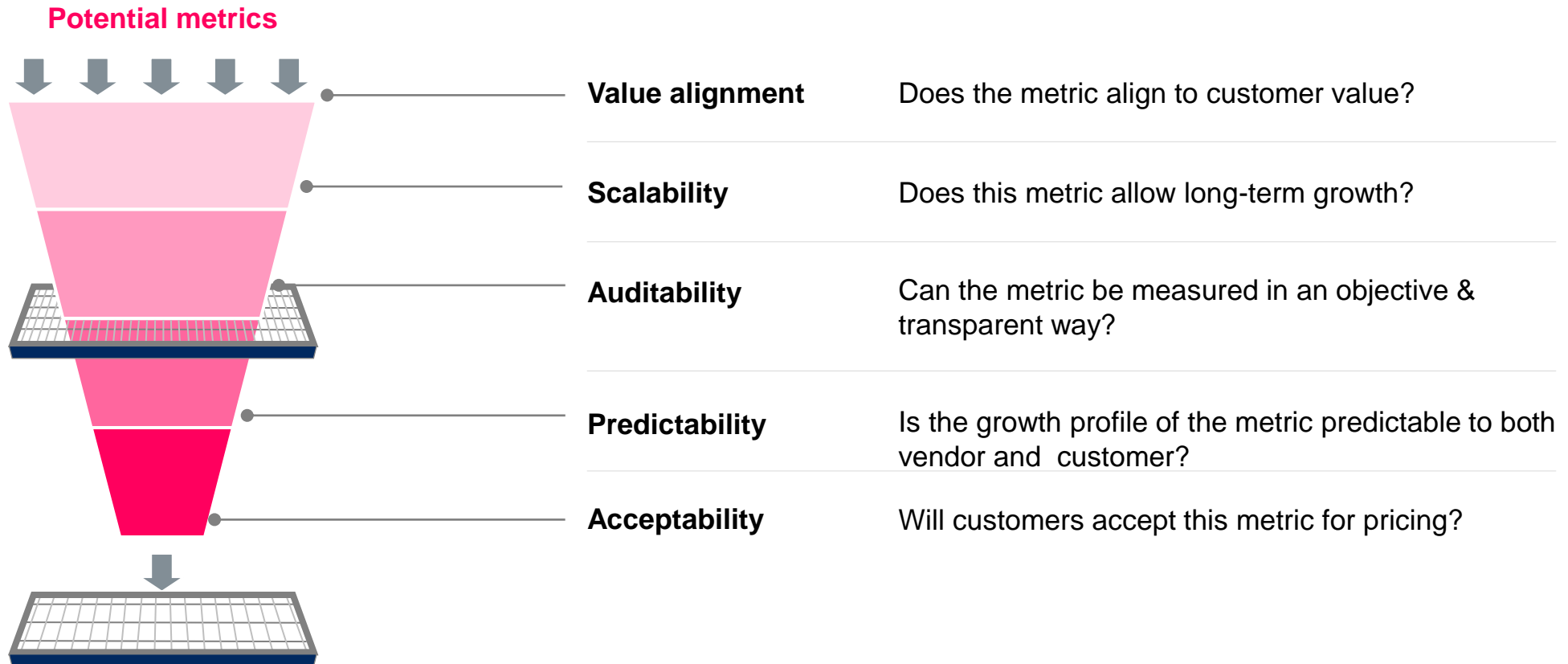
“Success” – based

Increase in MROI
Reduction in “days outstanding”

Not systematically used

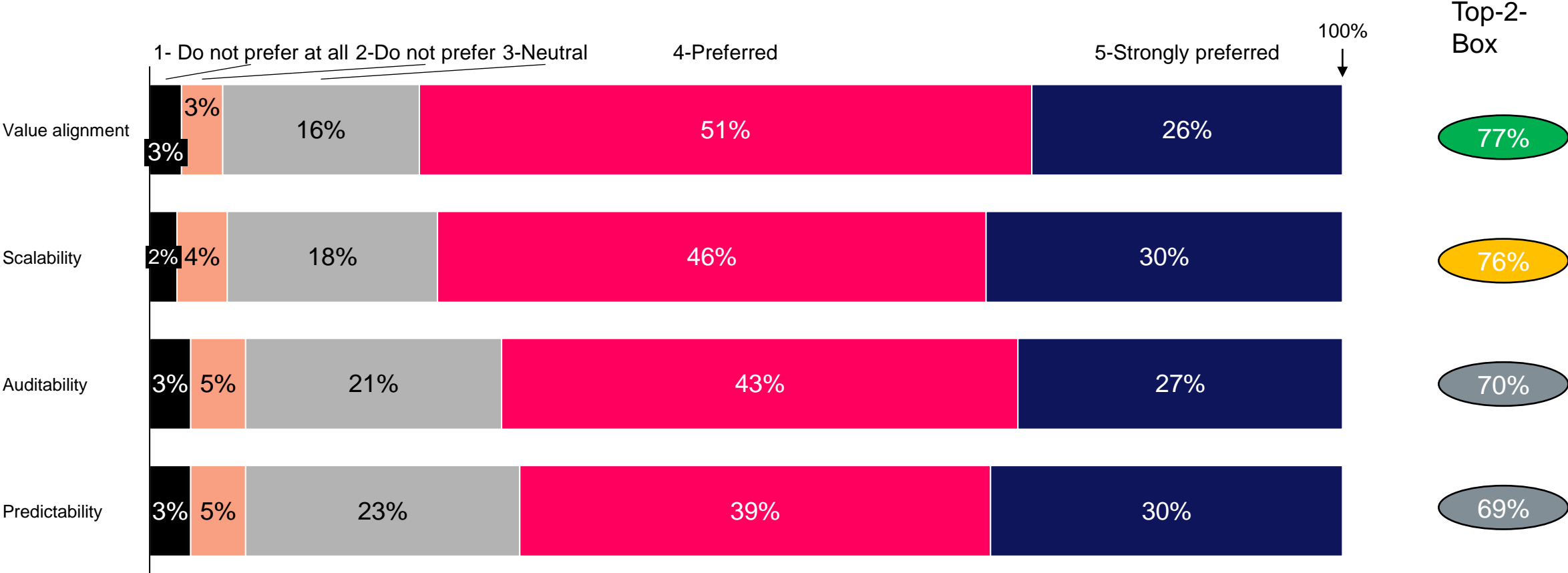
Examples

We need to get a good value metric which scores well across criteria that are important for the customer



We need to find a metric that allows for value alignment and scalability; although, all other aspects would be accepted as well

Value metrics preferences, N=261, Q: “How important for you are the following aspects of the value metrics (billing metrics)?”



It's critical how you create your entire billing model

More Transactional

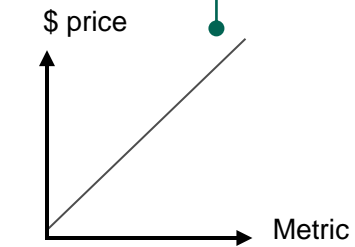
More Directly Monetizing

Less Predictable

More Fixed/stable

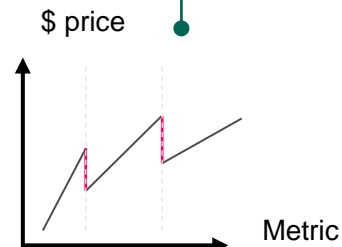
Less Directly Monetizing

More Predictable



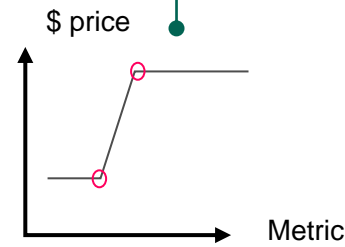
Direct/Linear

Price increases linearly with metric



Thresholds

Total metric/price relationship adjusts at thresholds



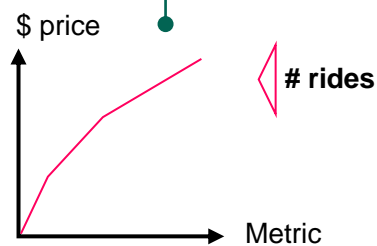
Cap/Floor

Metric scales with price above a "floor" and/or below a "cap"



Flat

Price "unrelated to metric"



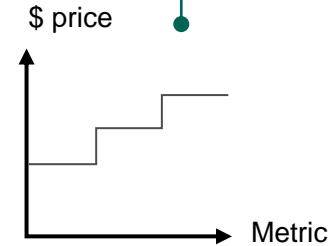
Sliding Scale

Incremental metric/price relationship adjusts at thresholds



2 Part tariff

Flat fee plus direct/linear price/metric relationship



Tiered

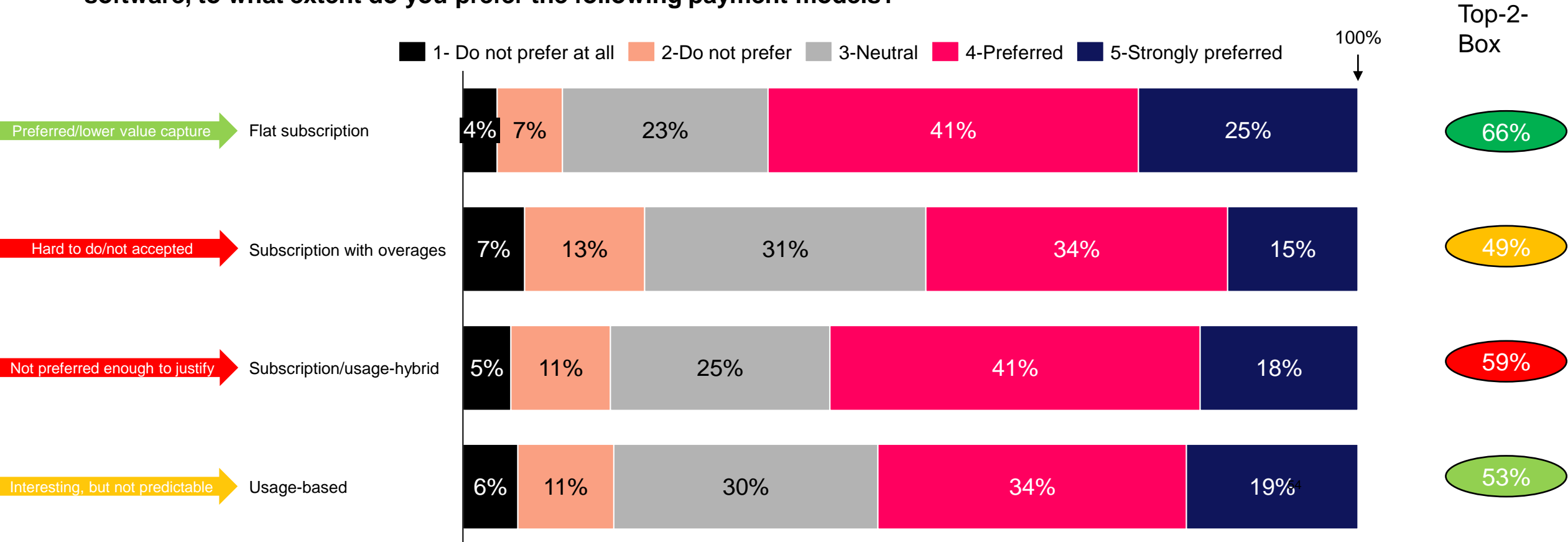
Price "band" keeps price the same up to a maximum

The way your price metric scales determines how **predictable** prices are for customers and how **monetizing** the pricing is

An unpredictable metric **can be made more predictable through structural changes** like banding and caps/ floors

Visible preferences for predictable subscription with flat monthly fees; current pricing doesn't fully support it

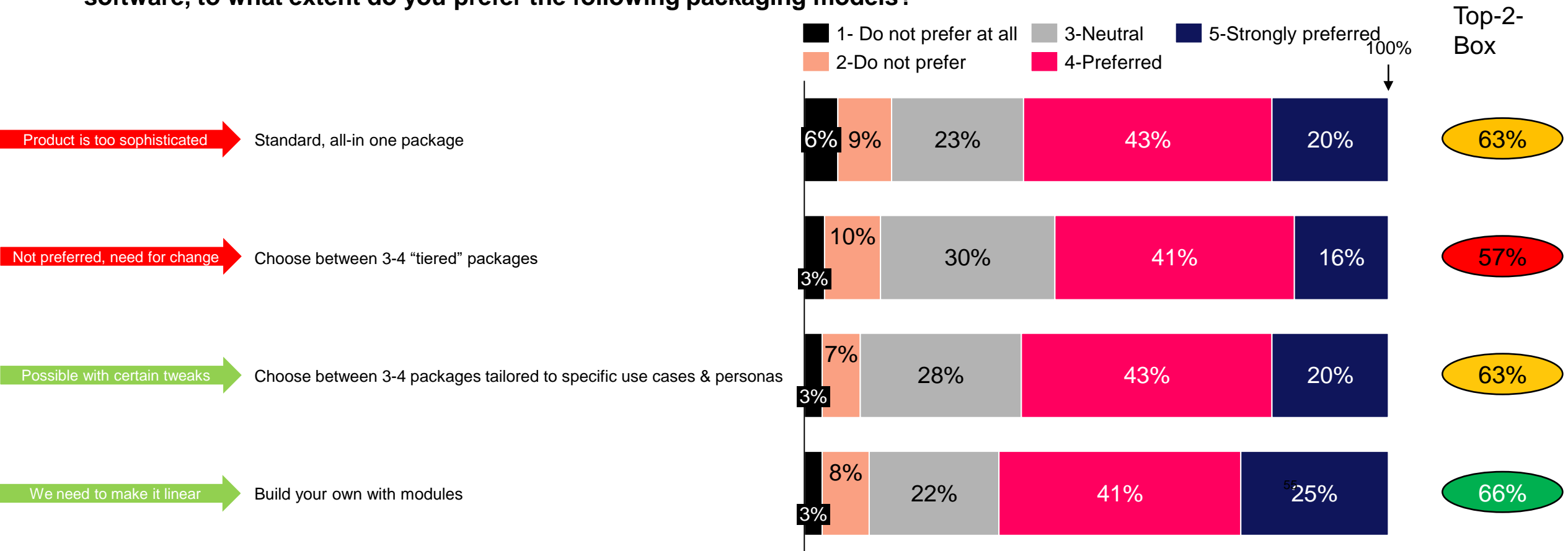
Payment model preferences, N=261, Q: "When purchasing a survey-based customer research & feedback software, to what extent do you prefer the following payment models?"



SOURCE: client survey

People are agnostic vs. packaging preferences – we propose to tailor them for various specific personas

Payment model preferences, N=261, Q: “When purchasing a survey-based customer research & feedback software, to what extent do you prefer the following packaging models?”



Steps to create a good billing model

Value drivers

1 Align on the key value metrics you want to leverage within your company?

- How they link to the value?
- How they fit against the checklist?
- Are they accepted externally and internally?

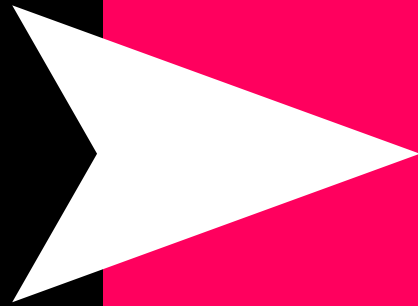
Determine other factors than value metrics

- ### 2
- overages
 - transparency
 - contract duration
 - Guardrails
 - freemium
- ### 3 Ideate how you want to package your product to communicate value – problem solve around checklist and various models
- ### 4 Create a round of initial ideas and mock-ups and **start iterating with clients**

What makes a good revenue model?

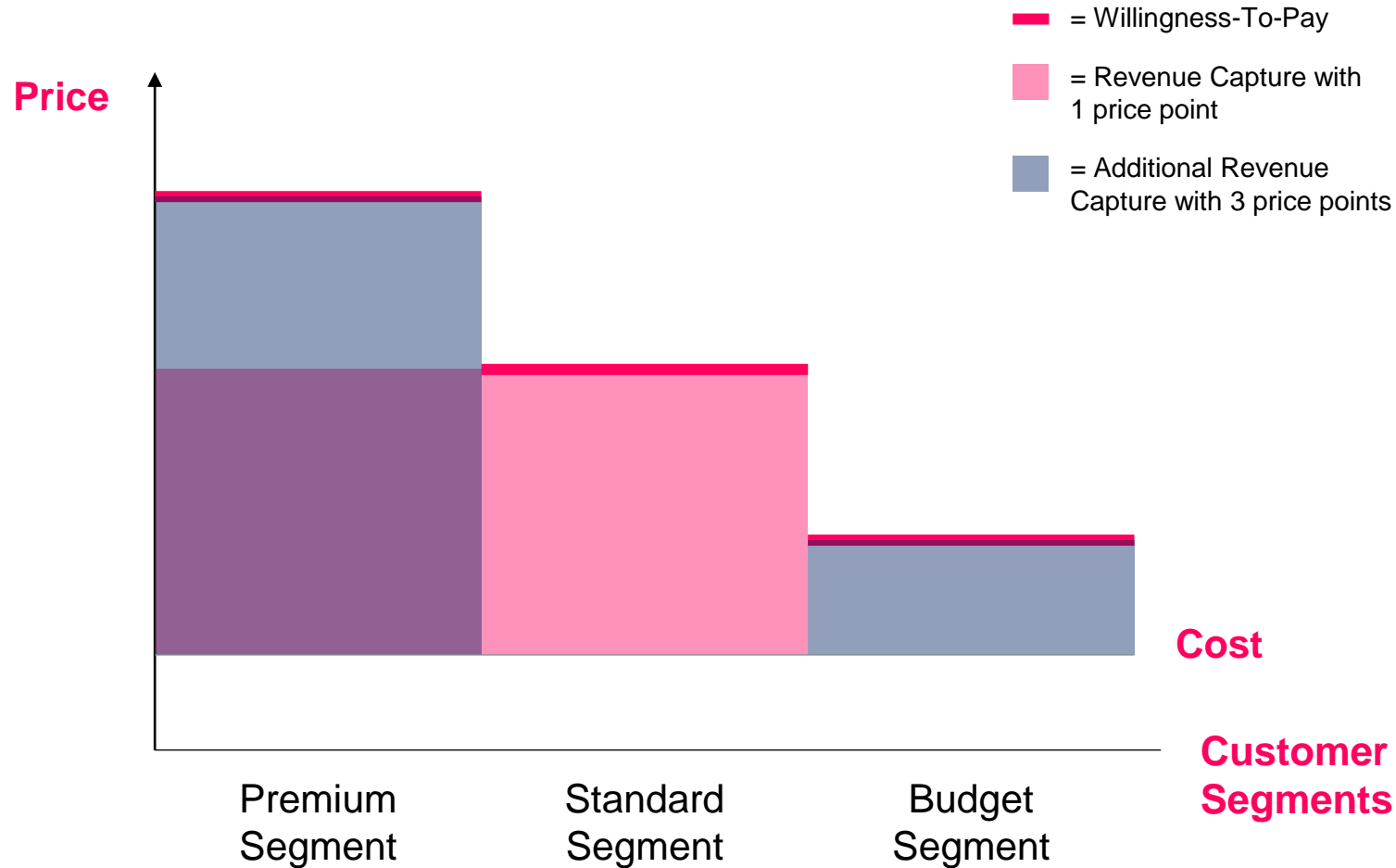
- It is **customer-centric** – it aligns to the customer's view of value received
- It is largely **fair** – customers need to see you're not trying to rip them off
- It is **simple** – everyone can model it on their own
- It **makes business**– ensure your model actually supports the overarching idea for your product

Features & WTP



A key component of a winning pricing strategy is the ability to price differentiate across your customer base

Customer segmentation



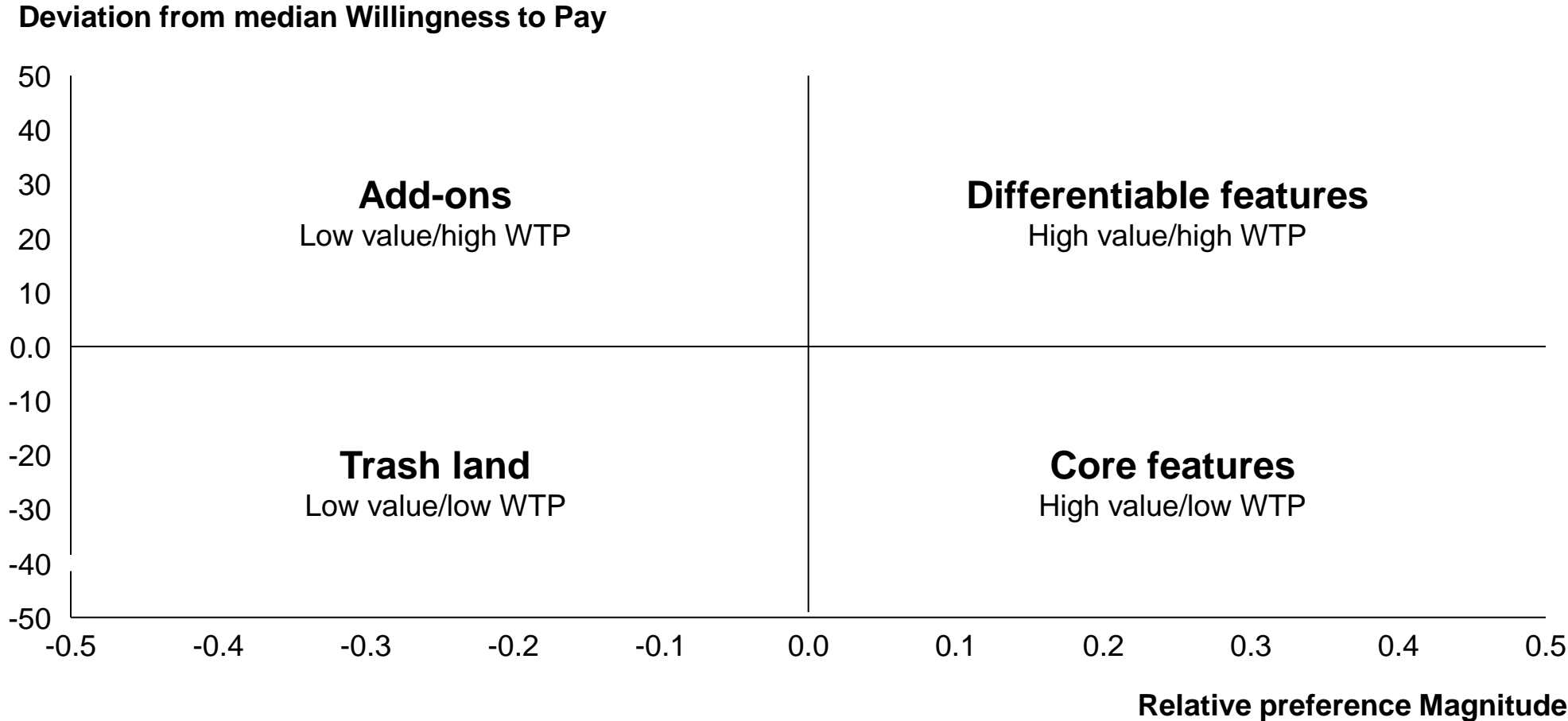
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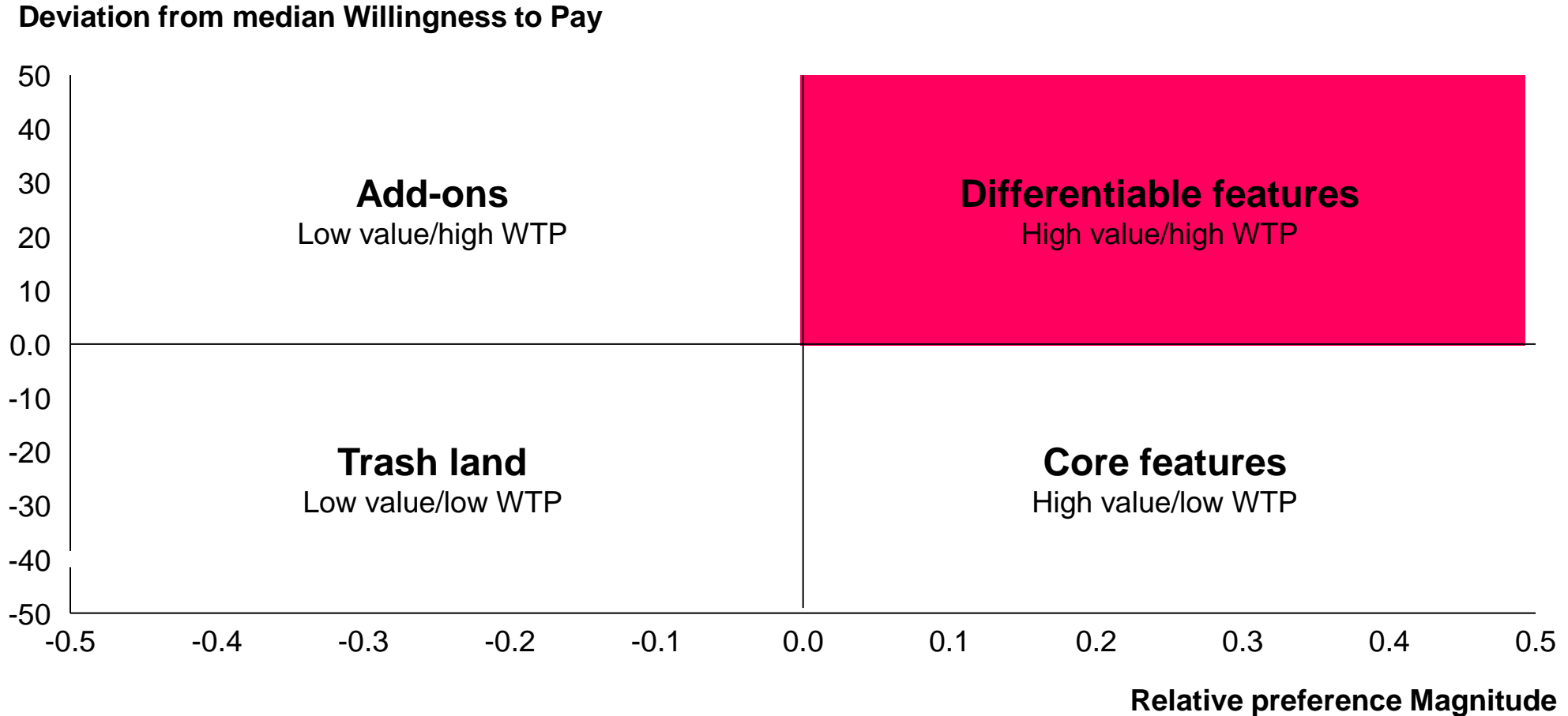
With **multiple price points** we are able to capture a **significantly greater portion of the market's value**

To do this we need to **give customers what they want at a price they are willing to pay**

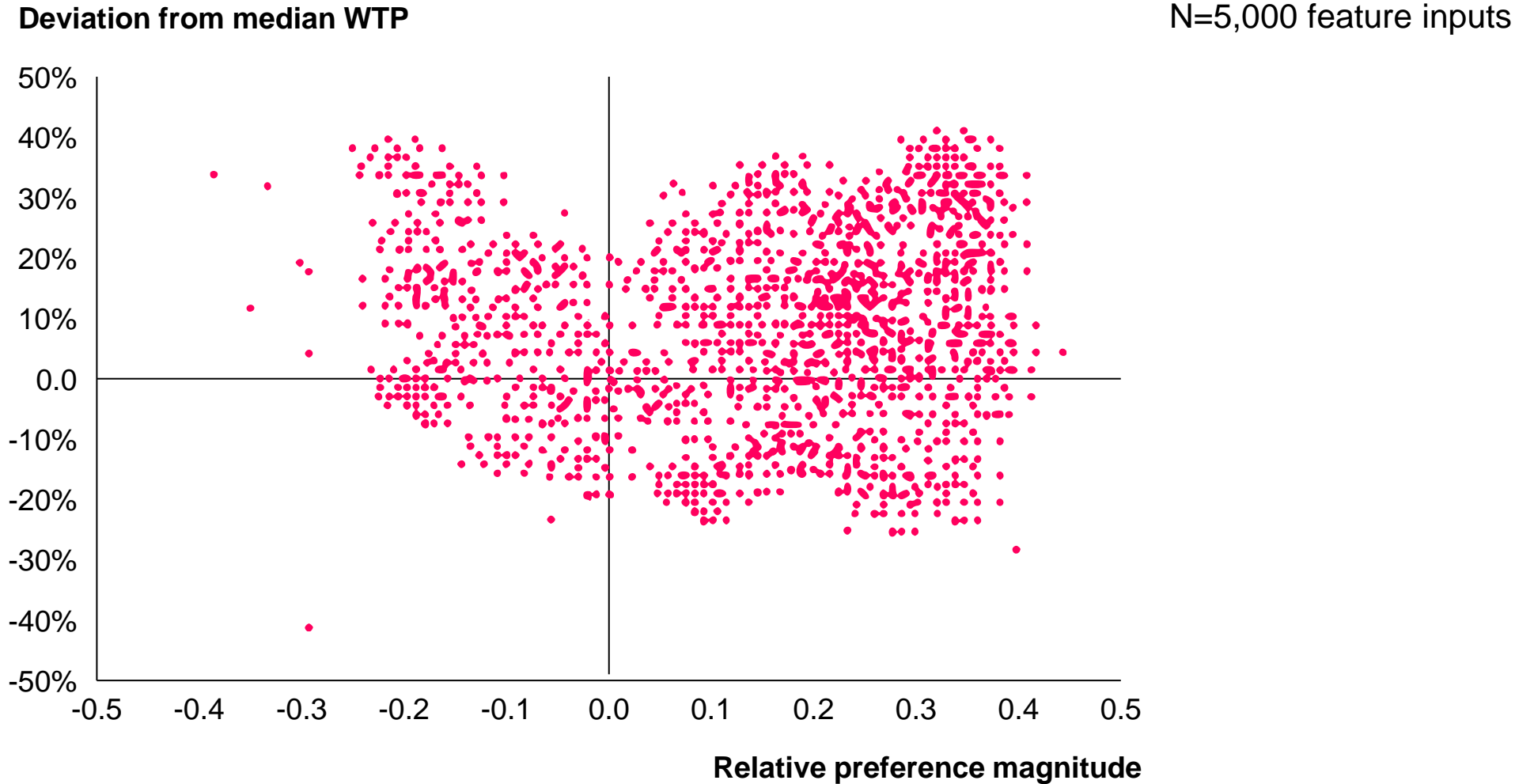
We can divide features by WTP and importance into four dimensions



We want to create features with high value for us and with high WTP for customers



This is what your product leaders indicated they're building

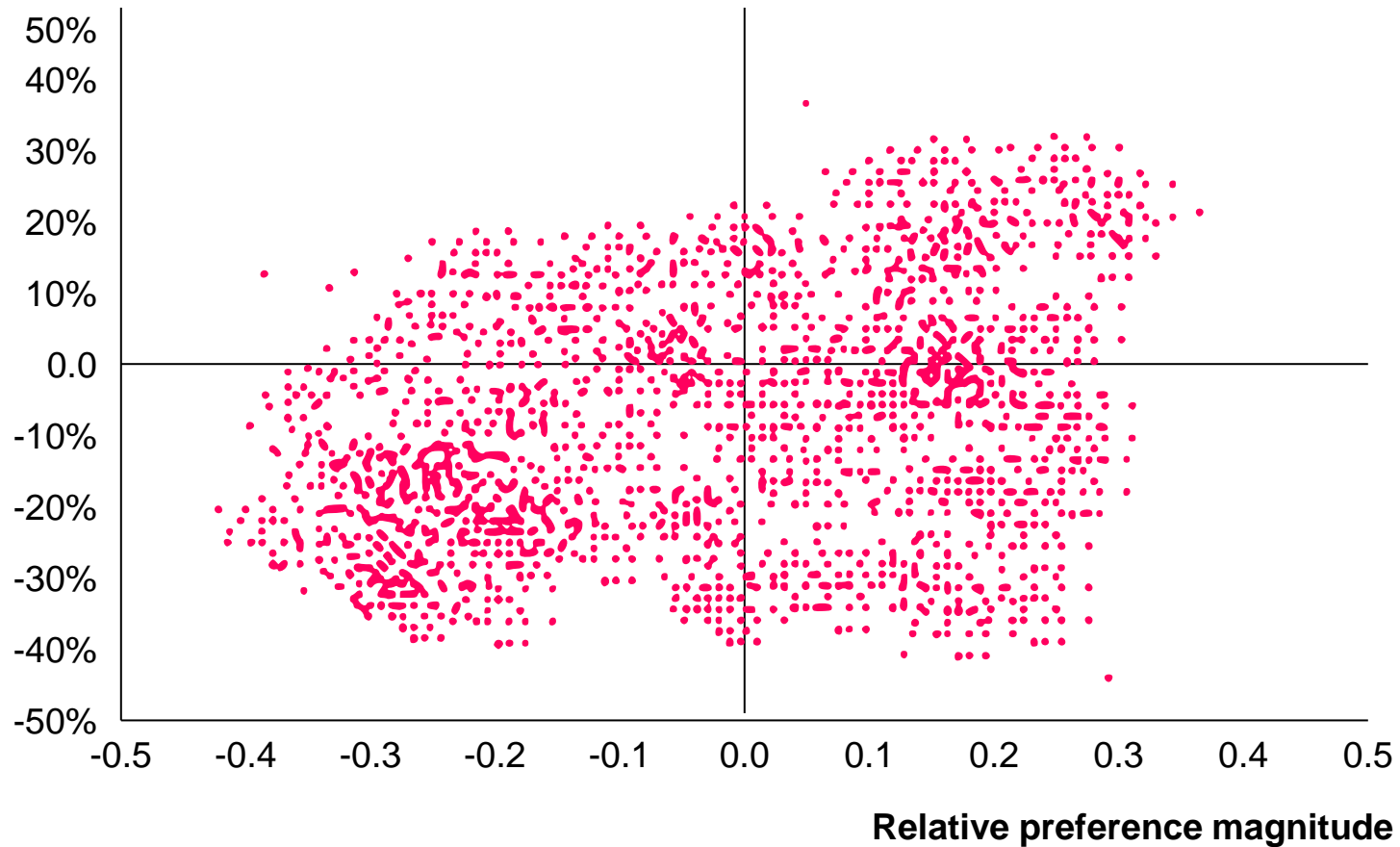


Note: N = 5,000+ inputs from 1,282 director, VP, or C-level product leaders; last five thousand features they built.

This is what customers indicated you're actually building

Deviation from median WTP

N=1.2 million

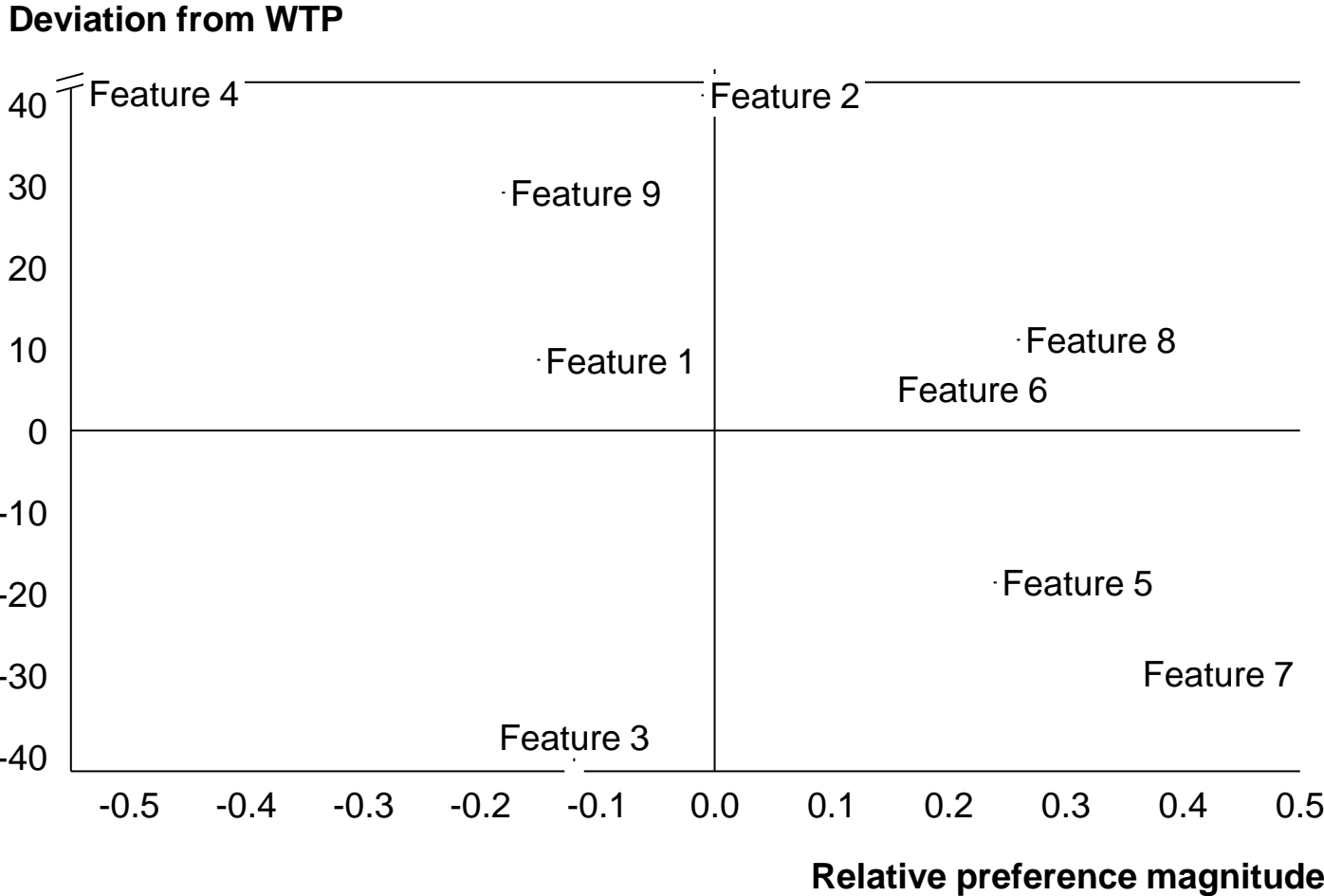


Note: N = composite data from 1.2 million customer inputs

Source: 2017 software market survey, Price Intelligently

Feature preferences example: Some features are more preferred than the others, and that helps with offer creation

N=292



- Valueships recommendation:**
- Feature 6 and 7 should be added to various premium plans
 - Feature 9 and 1 should be added as additional value drivers as they are important for some
 - Feature 5, despite its core positioning, should be in premium plans due to costs
 - Feature 7 usually have low WTP, but they can go up to fill the feature grid

Exercise: Features vs. willingness to pay

WTP

The objective of this exercise is to understand features preferences vs. willingness to pay

Each group will focus on your clients specific use case of their choice. You should:

- Create features list – top 10 features
- Assess their willingness to pay
- Assess their preferences



As part of the exercise, we'd like for each team to identify

- Table stakes features
- Differentiators
- Add-ons
- Trashland

