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Business Case Study: When Lower Prices Increased Revenue at a Mid-Size SaaS Company

Executive Summary

This case study analyzes how a mid-size SaaS company increased revenue and reduced customer churn by redesigning its pricing model. The company struggled with flat subscription pricing that failed to reflect how customers actually used the product. Leadership introduced usage-based billing paired with a lower base fee. Within two quarters, retention improved, lifetime value increased, and customer satisfaction rose. The case shows how pricing alignment can change financial outcomes without adding new features.

Background & Context

The company operated a project management platform used by creative agencies and internal product teams. Customers ranged from small groups managing a few projects to larger teams running high volumes of automated workflows. Despite steady signups, annual recurring revenue stopped growing for over a year. Renewal conversations often stalled, and discount requests increased. Customer support logs repeatedly pointed to pricing frustration rather than dissatisfaction with functionality. Leadership recognized that the existing pricing model no longer matched customer behavior or expectations.

Problem Identification (The Challenge)

The core challenge involved misaligned value perception. Every customer paid the same monthly rate, regardless of how frequently they used the platform. Light users felt the cost outweighed the benefit and often canceled before renewal. Heavy users extracted significant value without paying more, which limited revenue growth. Internal data showed churn spiking near renewal points, signaling dissatisfaction tied to cost rather than product quality.

Analysis & Evaluation

A cohort analysis revealed that low-usage accounts churned at nearly twice the rate of high-usage accounts. Net revenue retention fell below 90 percent, which raised concern among leadership. Support tickets and exit surveys confirmed that customers viewed the pricing as inflexible and unfair. Competitive research showed emerging usage-based models across similar SaaS tools. Financial simulations suggested that a lower entry price combined with usage fees could stabilize revenue while improving retention.

Proposed Solutions

The company proposed a hybrid pricing model. Customers would pay a reduced base subscription fee, with additional charges tied to measurable actions such as completed projects and automation runs. Usage thresholds reflected historical averages to avoid penalizing typical users. This approach aimed to balance fairness, transparency, and revenue stability while preserving access for smaller teams.

Implementation Plan

Leadership approved a limited pilot across two customer segments. Product teams built usage tracking dashboards and automated alerts. Marketing developed onboarding guides and pricing explainers. Customer success teams received training to address billing questions during renewals. Finance adjusted forecasting models to account for variable usage revenue. The pilot launched at the beginning of a billing cycle to minimize disruption.

Results & Recommendations

After two billing cycles, churn among pilot users dropped by 28%. Average revenue per user increased by 14% due to usage charges among high-activity teams. Net revenue retention exceeded 105% for the first time in over a year. Customer feedback showed improved trust and clarity around billing. Leadership rolled out the model company wide and recommended quarterly reviews of usage thresholds to maintain balance as customer behavior evolves.

References & Appendices

Supporting materials included internal billing data, churn reports, customer surveys, and financial projections. Detailed usage tables and pricing simulations appear in the appendices to support transparency and replication.