Do you have to have a prayer session before raising the price by 10%?

Do you have to have a prayer session before raising the price by 10%?

Pricing is where the push comes to shove.

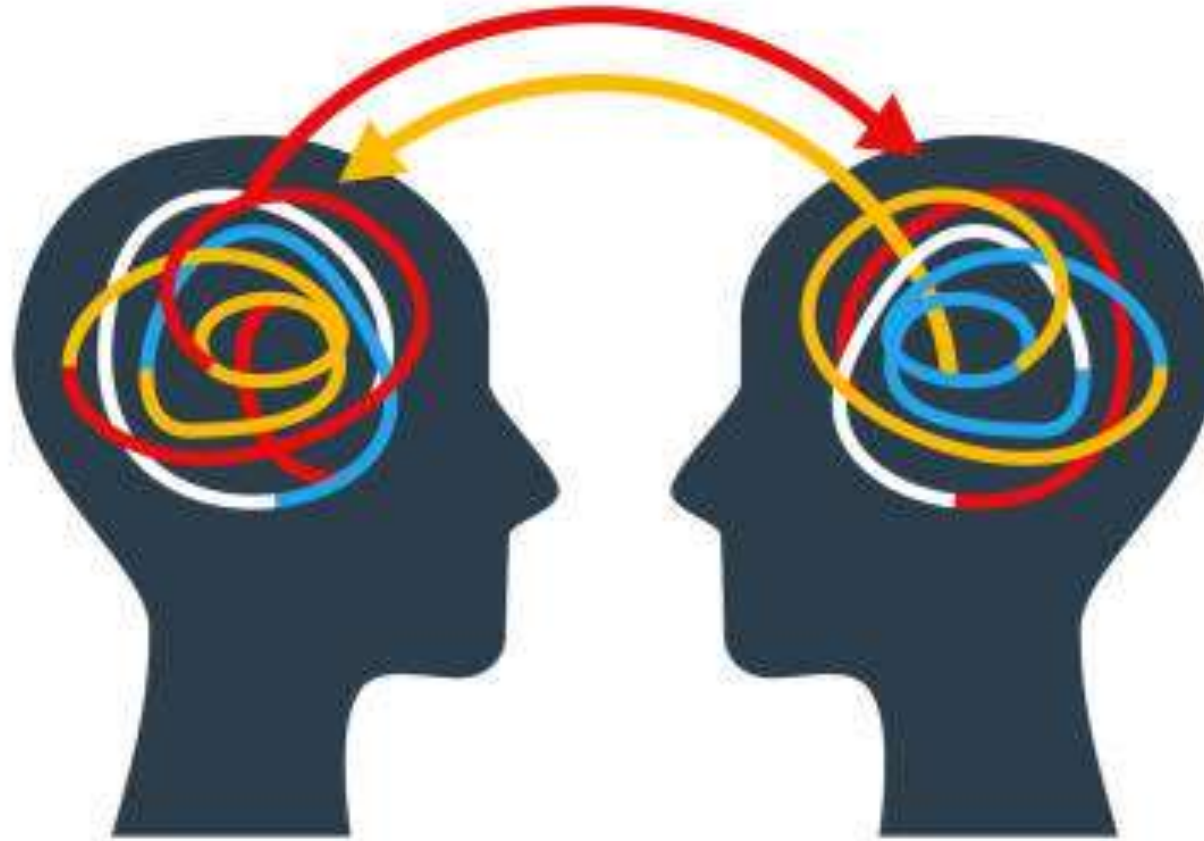You can have the smartest strategy and best innovations.

But if you can't monetize it, what's the point?

Maciej Kraus Ph.D.

✓ You have faith in a greater force

✓ Your product sucks and all customers will leave

✓ You don't belive in what you do (imposter syndrome)

✓ You've never done it before

✓ ~~You have faith in a greater force~~

✓ ~~Your product sucks and all customers will leave~~

✓ ~~You don't belive in your product (imposter syndrome)~~

✓ You've never done it before

Exchanging ideas platform
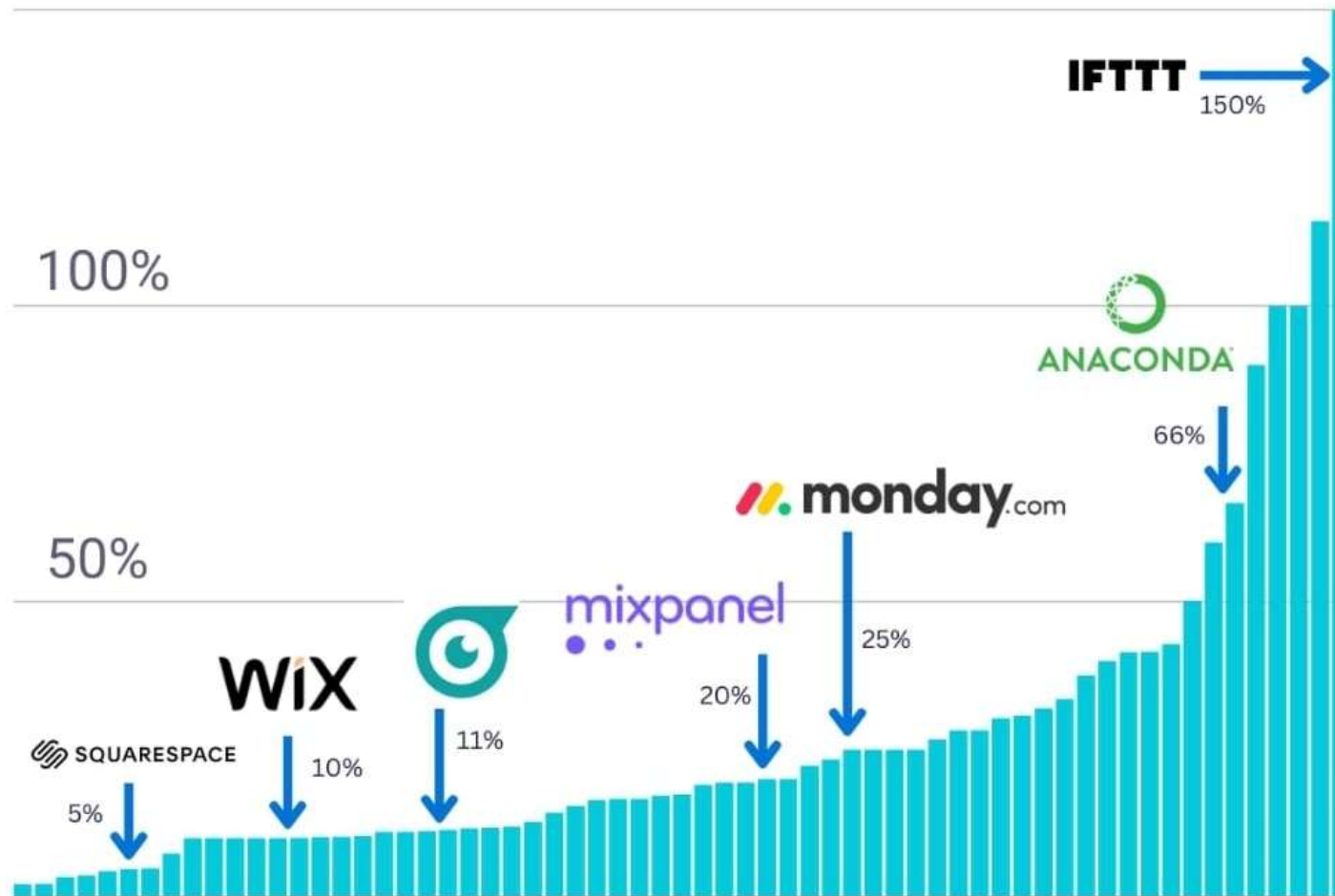
Question

Did you raise your price in 2024?
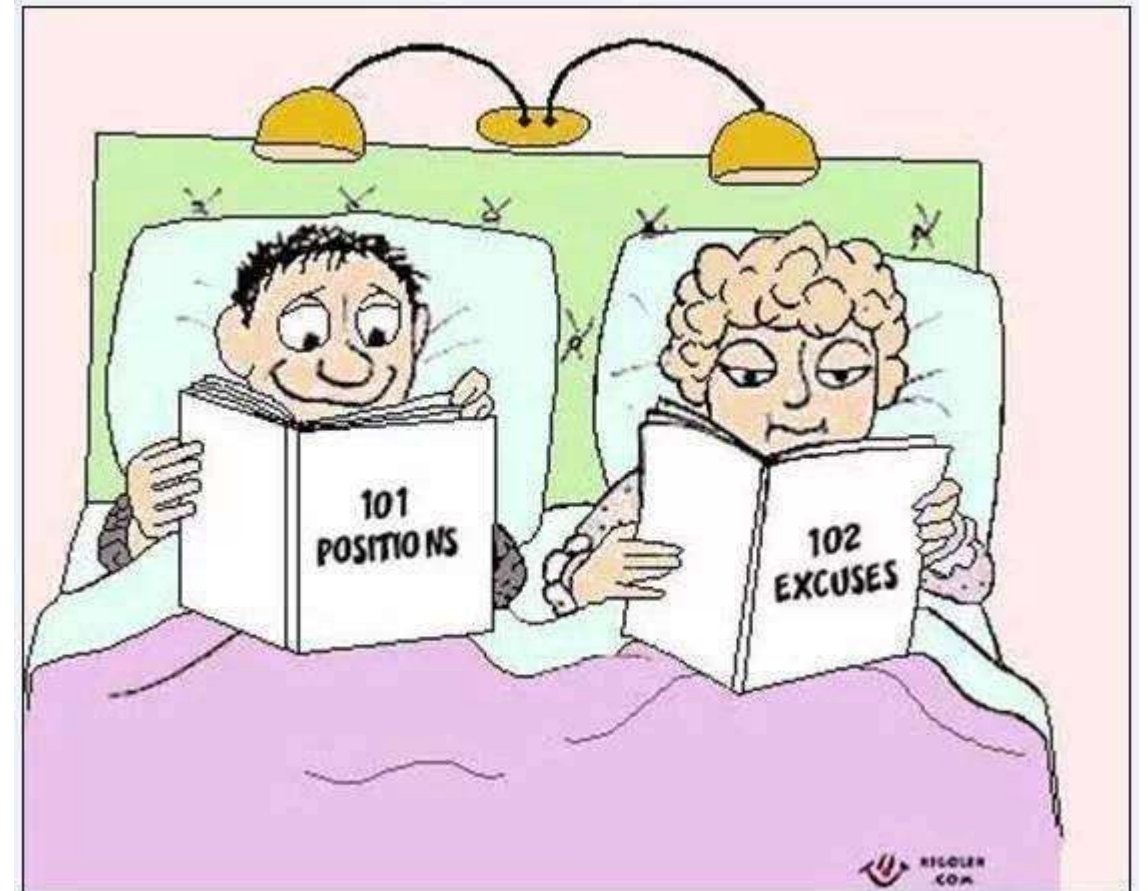
2024 SaaS Pricing Index
Average Price Increase

IFTTT 150%

ANACONDA 66%

monday.com 25%

mixpanel 20%

11%

WiX 10%

SQUARESPACE 5%

100%

50%

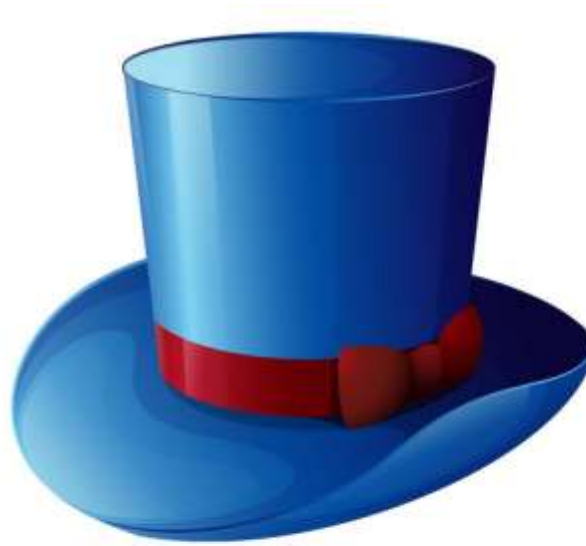PricingSaaS.com/pricingIndex (January 1st - September 30th, 2024)

"**Pricing is like teenage sex:**

everyone SAYS they're doing it, few are, and if they are then it's not as great as they say it is."
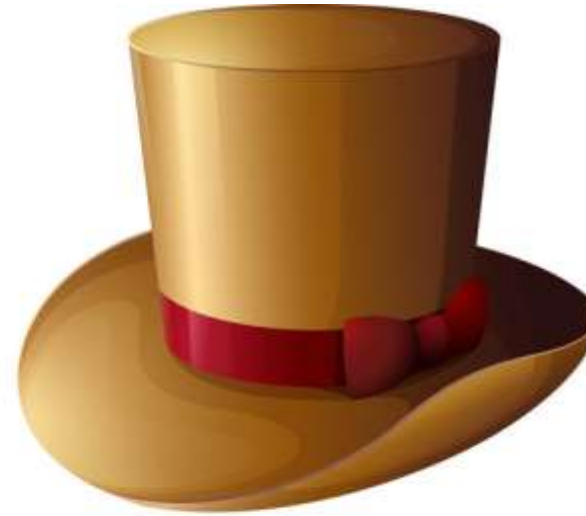
4 pricing hats

Entrepreneur

Advisor

Investor/ VC

Ph.D. / lecturer

Number of pricing projects:
----
200 +

Cumulative profit & performance improvement experience:
----
20 years +

Software

Business Services

Healthcare

Manufacturing

Business Services

Other

All startup advice is only useful in context, and I am a firm believer that the only good generic startup advice is that there is no good generic startup advice. So take what is written here with a grain of salt—it is very much one person's experiences, not a rulebook for what is correct for every company in every context.

If the high-growth stage at your company feels like a chaotic, scary, stressful shitshow, don't worry. It feels that way for everyone the first time around. Buckle up and enjoy the ride!

Elad
@eladgil

„High Growth Handbook: Scaling Startups from 10 to 10,000 People" Elad Gil

CHAPTER ①

What is pricing?

Pricing can teach you:

✓ Who wants your product (lower paing customers churn faster)

✓ How much they want it (PMF justification)

✓ How much value your product provides

✓ Which channels you can use to acquire customers

- Work of monetizing is often viewed as **unsavory, dirty, and detrimental to true innovation and business**

- Asking product manager and engeeners to think about pricing and willingness to pay **infringes on their creativity**

29
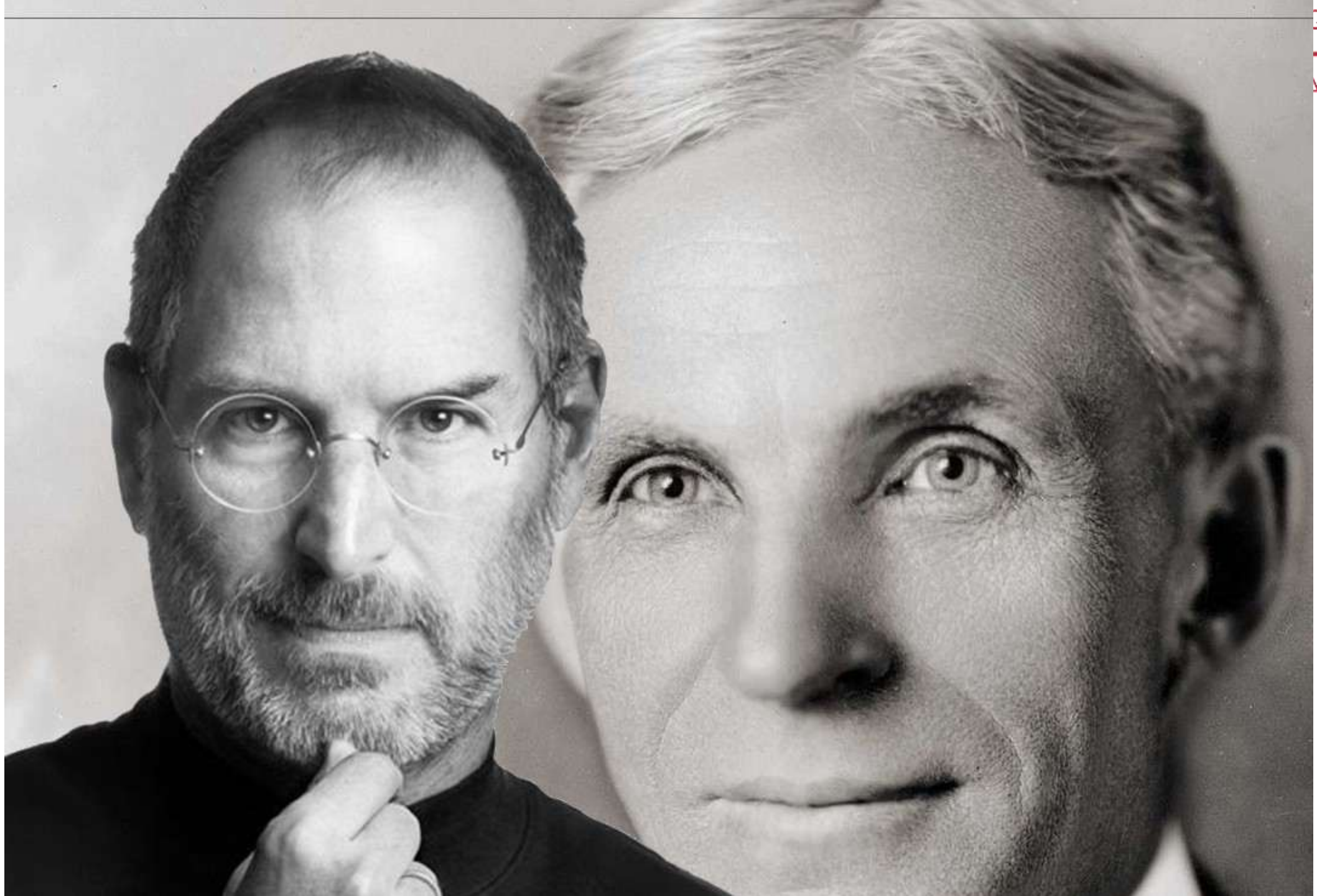
FASTER HORSES

H.FORD

PEOPLE DON'T KNOW WHAT THEY WANT UNTIL YOU SHOW IT TO THEM

S.JOBS

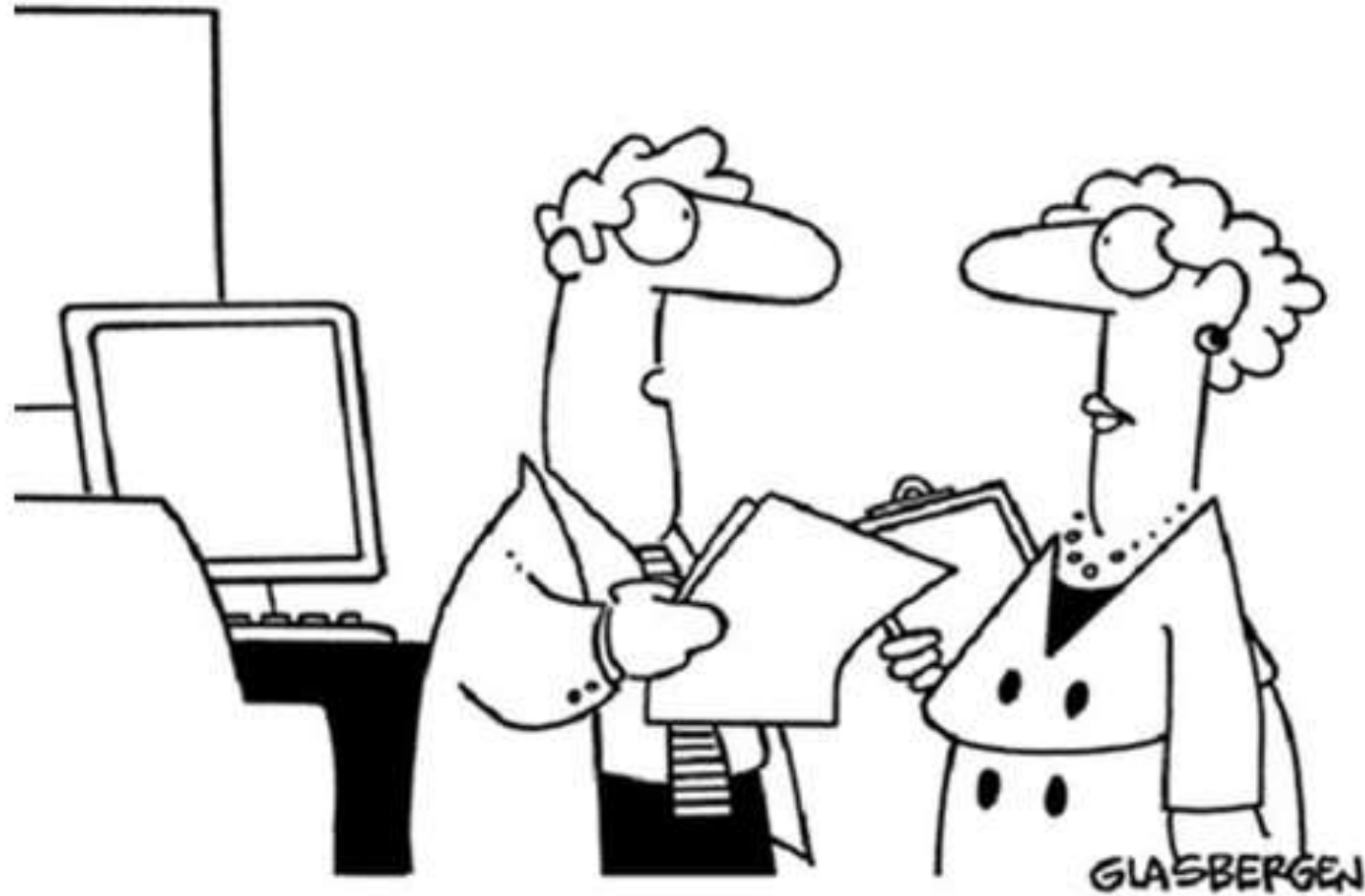# HOW MUCH DO YOU LIKE OUR NEW PRODUCT?

1-5

Make value to Customer the Center of Your Process

"My team has created a very innovative solution, but we're still looking for a problem to go with it."
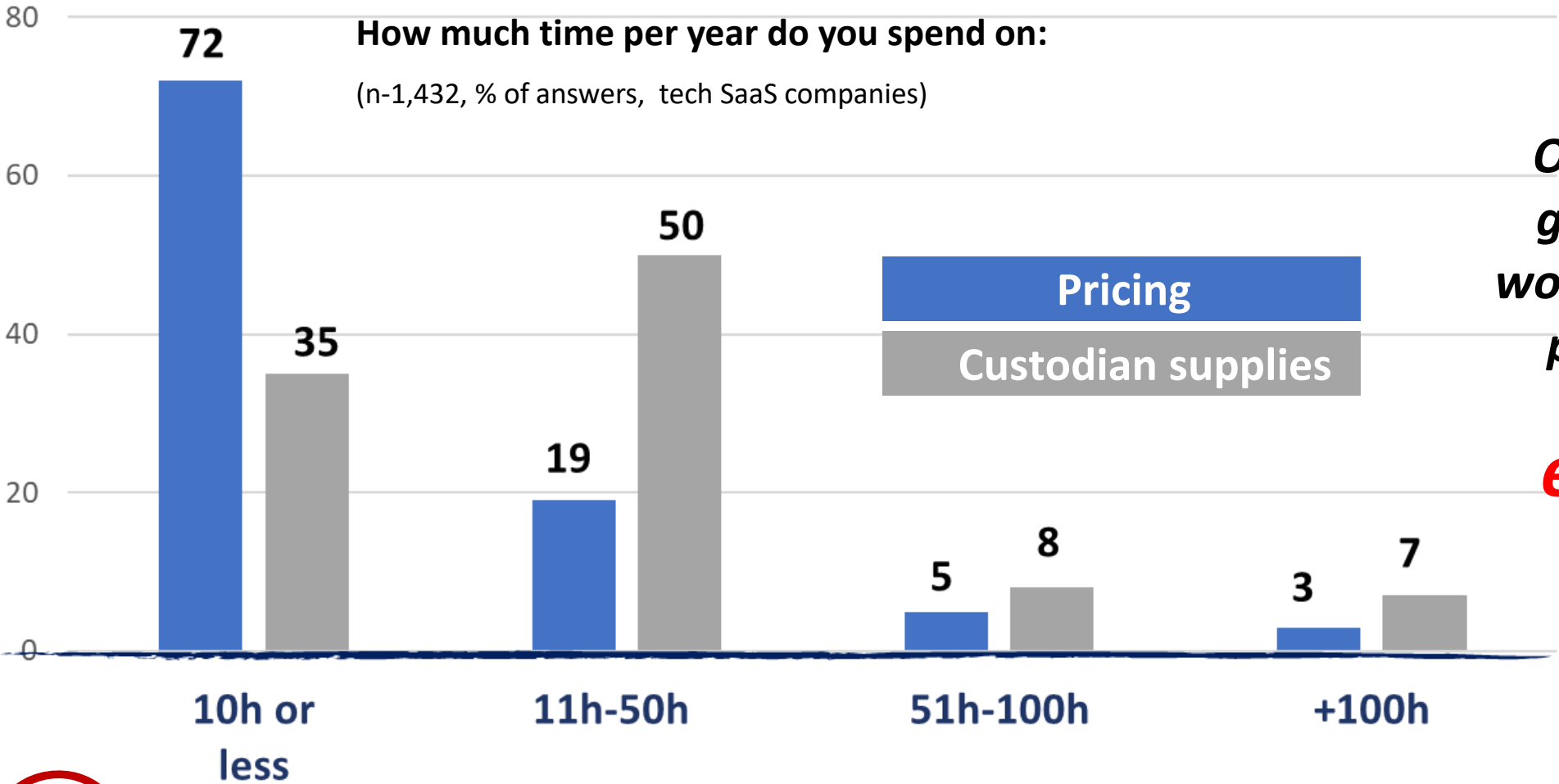
CHAPTER ②
PRICING STRATEGY

Pricing is a skill

you have to do the heavy-lifting yourself

Most growing companies spend more time on selecting toilet paper than on pricing

How much time per year do you spend on:

(n-1,432, % of answers, tech SaaS companies)

	Pricing
	Custodian supplies

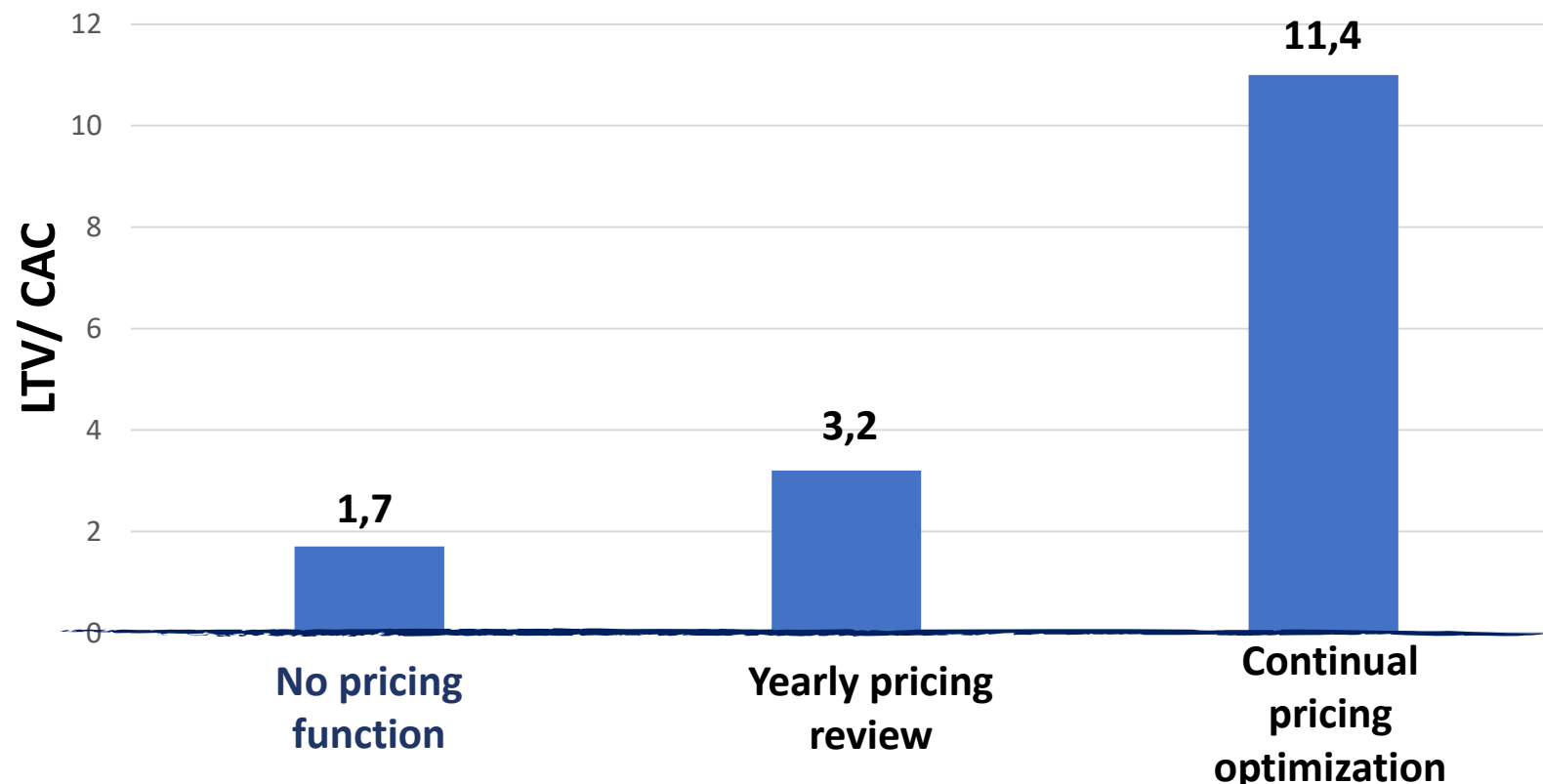*On average a growing tech would change its pricing logic*

every 2+ years

Startups spend 15 hours per year on picking out toilet paper, compared to an average of 12 hours in the entire history of their business on pricing

Pricing is a skill

why should I care?

You should spend much more time on your pricing

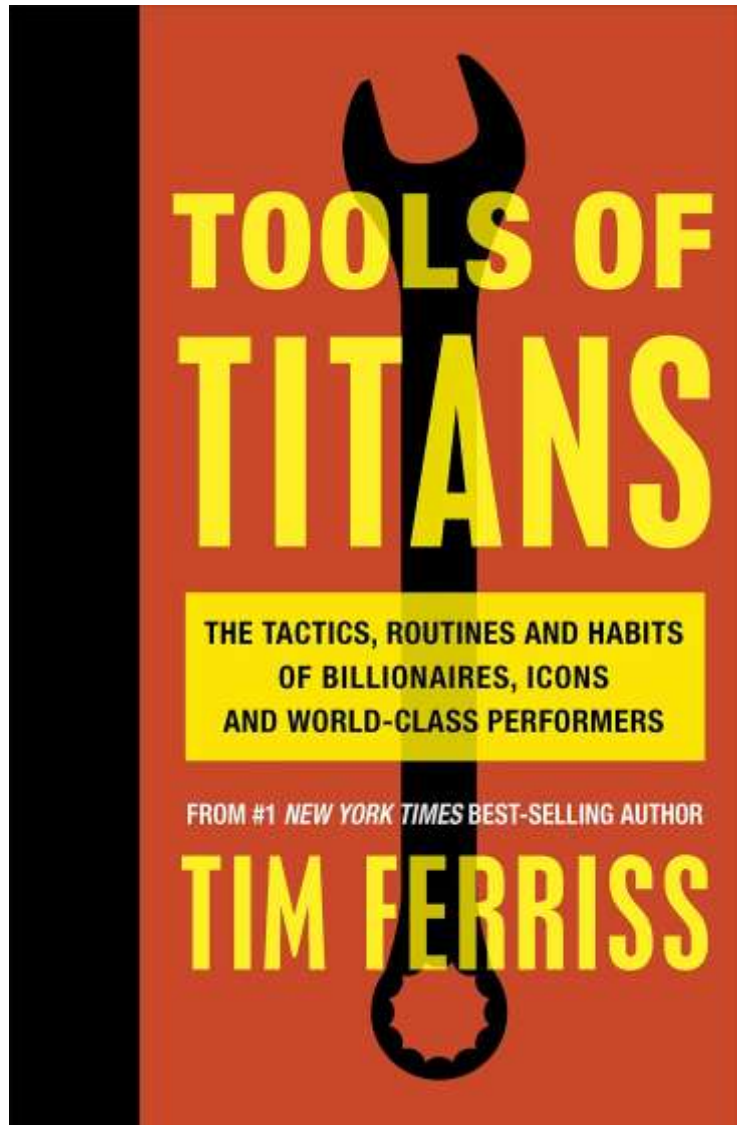**(n-734, SaaS companies)**

- Pricing is more than just the number on the page. It's packaging, positioning, localization, and dozens other pieces.

- Prepare for continual price optimization: You should be changing up your pricing every six to nine months.

- Pricing is a process and should be a continual effort. You don't have to do everything in one go, and shouldn't, because your market, customer, and product are constantly evolving.

If you want to be a successful CEO, build your pricing muscle!

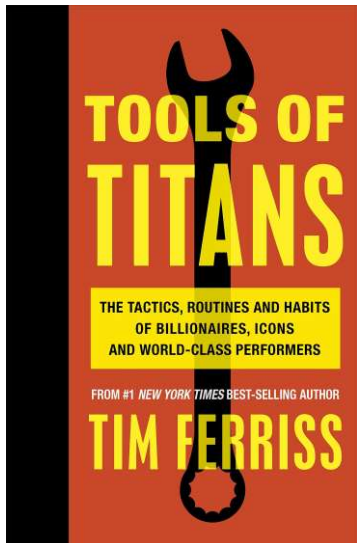Source: openviewpartners.com/blog/state-of-saas-pricing/

Tim Ferriss in his interview with Marc Adreeissen asked him a simple question: **If you could have a billboard anywhere, what would it say?**

Raise prices

Tools of titans: Marc Adreessen „Too hungry to eat"

If you could have a billboard anywhere, what would it say?

Raise prices

„It has become absolutely conventional wisdom in Silicon Valley that the way to succeed is to price your product as low as possible under the theory that if it's low-priced everybody can buy it and that's how you get the volume.

It's a problem called "too hungry to eat.

And so, probably the single number one thing we try to get our companies to do is raise prices

Is your product any good if people won't pay more for it?"

* Mark Anreeissen- funder of Andreessen Horowitz- one of the biggest VC funds in the world
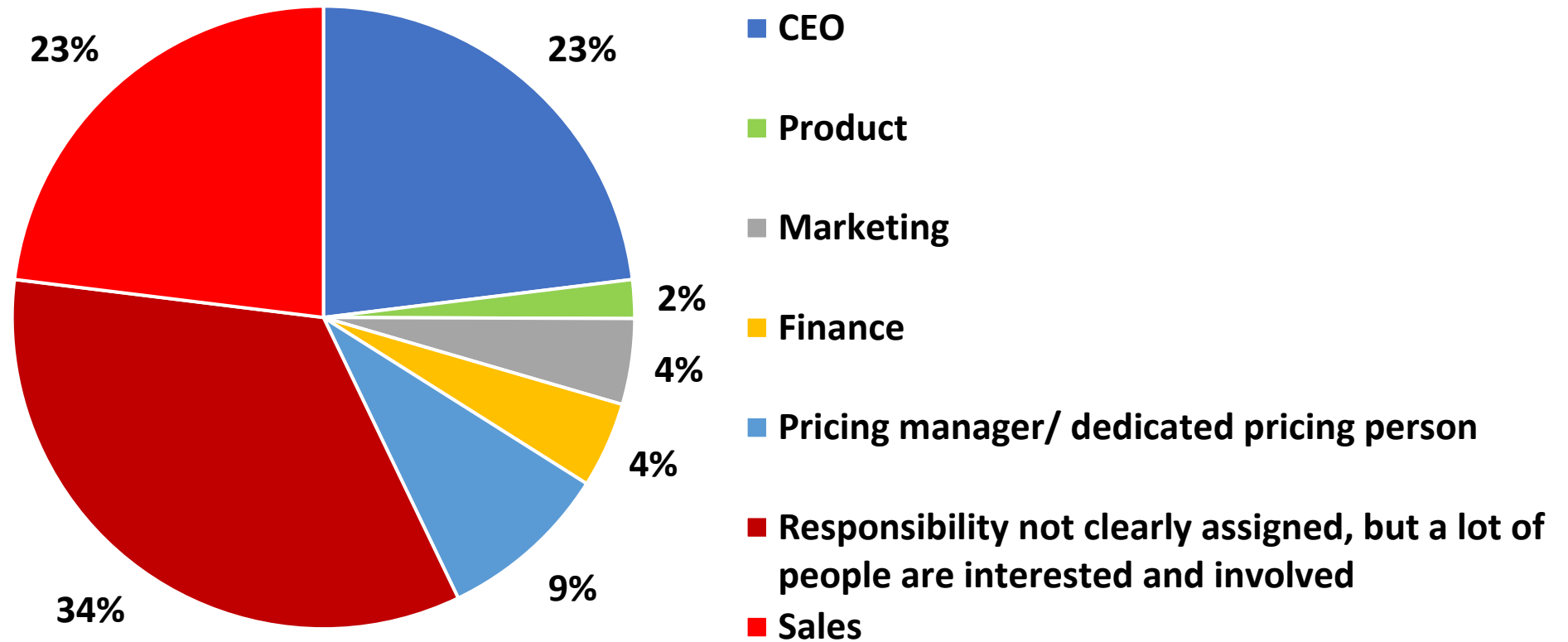
Ed https://www.youtube.com/watch?v=462a3SW8Ggs

PRICING TEAM

SALES TEAM

Who's responsible for pricing in your organization?

Pie chart with legend:
- CEO — 23%
- Product — 2%
- Marketing — 4%
- Finance — 4%
- Pricing manager/ dedicated pricing person — 9%
- Responsibility not clearly assigned, but a lot of people are interested and involved — 34%
- Sales — 23%

Pricing is not changed because of politics. Noone owns it and is responsible but everyone is interested

The more people touch pricing in your company, the more it goes DOWN...

Price change – good idea?

Impact of pricing changes on revenue Growth (2022)

Source: openviewpartners.com/blog/state-of-saas-pricing/
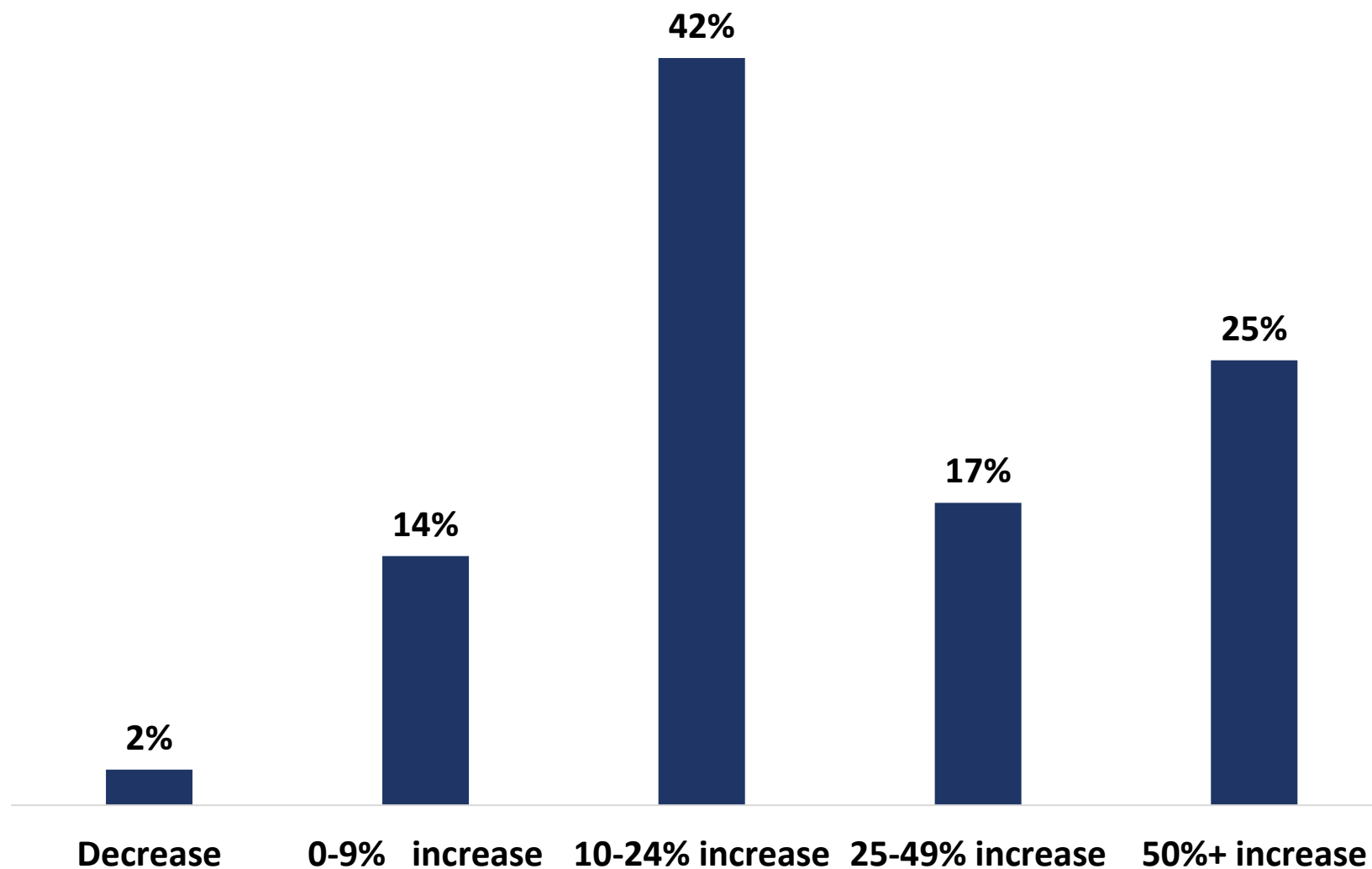
How do you do pricing today?

1. **Cost-Plus Pricing**

2. **Competitive Benchmarking**

3. **Value-Based Pricing**

4. **Dynamic**

5. **Subscription & Hybrid Models**

6. **Internal Decision-Making Processes**

7. **Time-Based Pricing**

8. **Ad Hoc & Experimental Approaches**

So, how can we set the price?

There are three approaches to pricing strategy

? **What do the particular elements mean?**

1 **Costs**

2 **Competition**

3 **Value for Customer**

- Making sure that **all cost elements** are properly **included in the price**

- **Understanding differences** in price compared to **competitors' price**
- Setting the **targeted difference (e.g. index) between** our and competitors'price
- Ensuring the **implementation of prices is in line with the assumptions**

- Understanding the customers' **Willingness to Pay** (WTP) for particular elements of the offer
- Proper pricing of the **value delivered to the client**

? **Popularity**

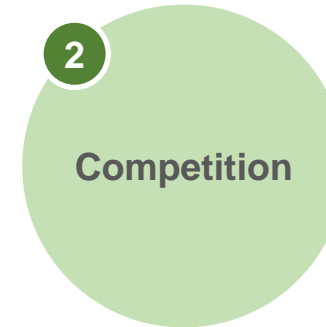# So, how can we set the price?

There are three approaches to pricing strategy

What do the particular elements mean?

Popularity

1 Costs

**2** Competition

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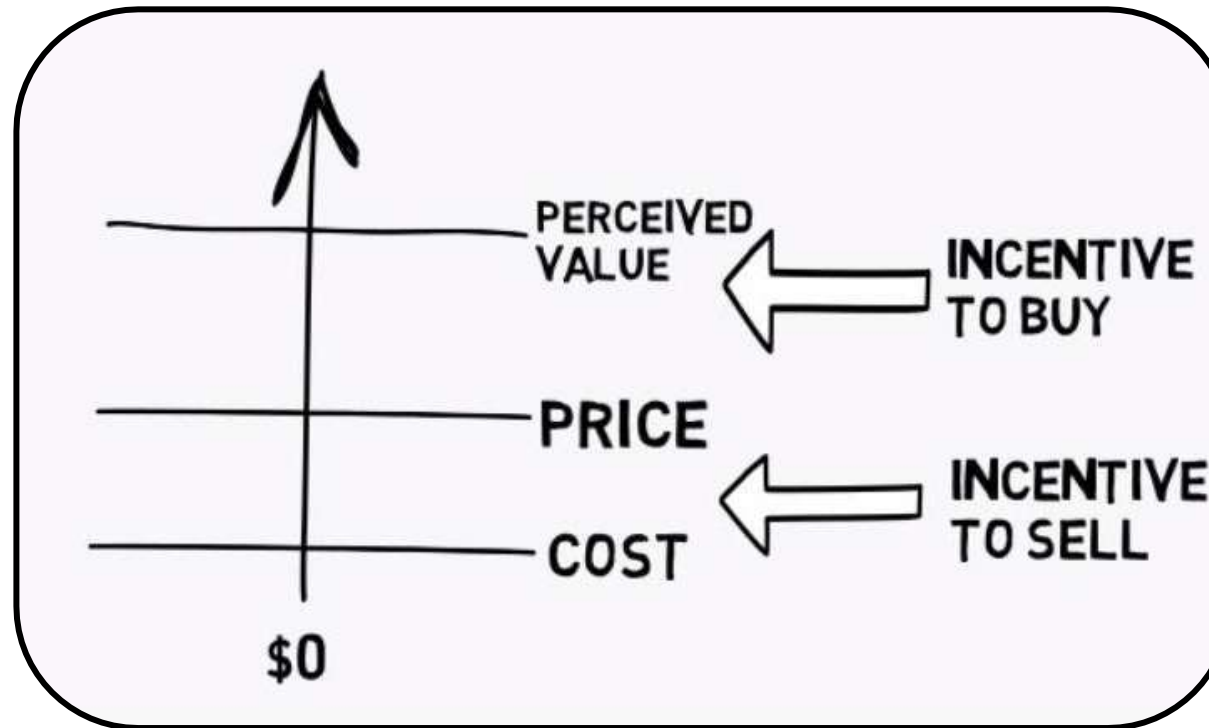- Ensuring the **implementation of prices is in line with the assumptions**

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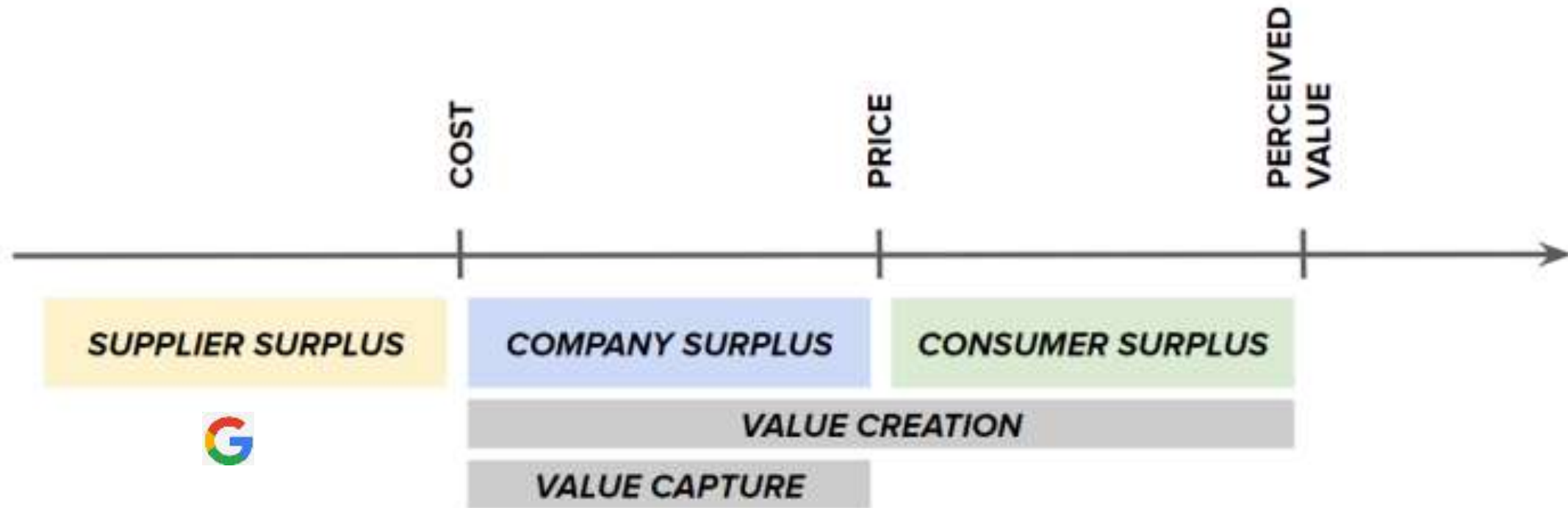
70%

20%

10%
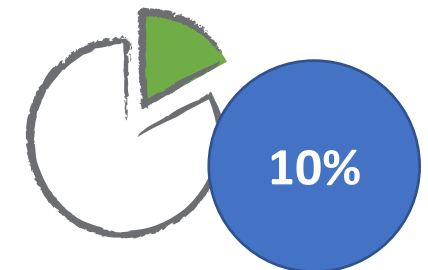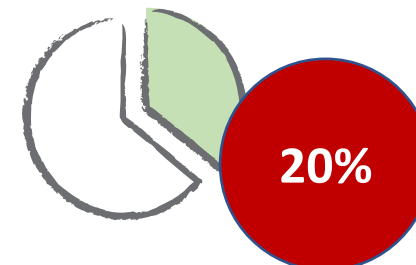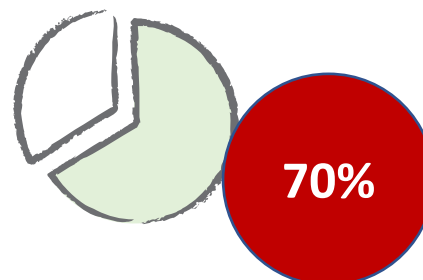
Sequoia Capital: pricing rule

Usually, companies fixate on the gap between how much their products cost to make and how much they charge for them. But you should also focus on the gap between your price and how much value customers think it delivers, a concept known as perceived value.

Price / value

Price positioning

Value delivered

You

A

B

C

Price positioning

You

A

B

C

Competitors
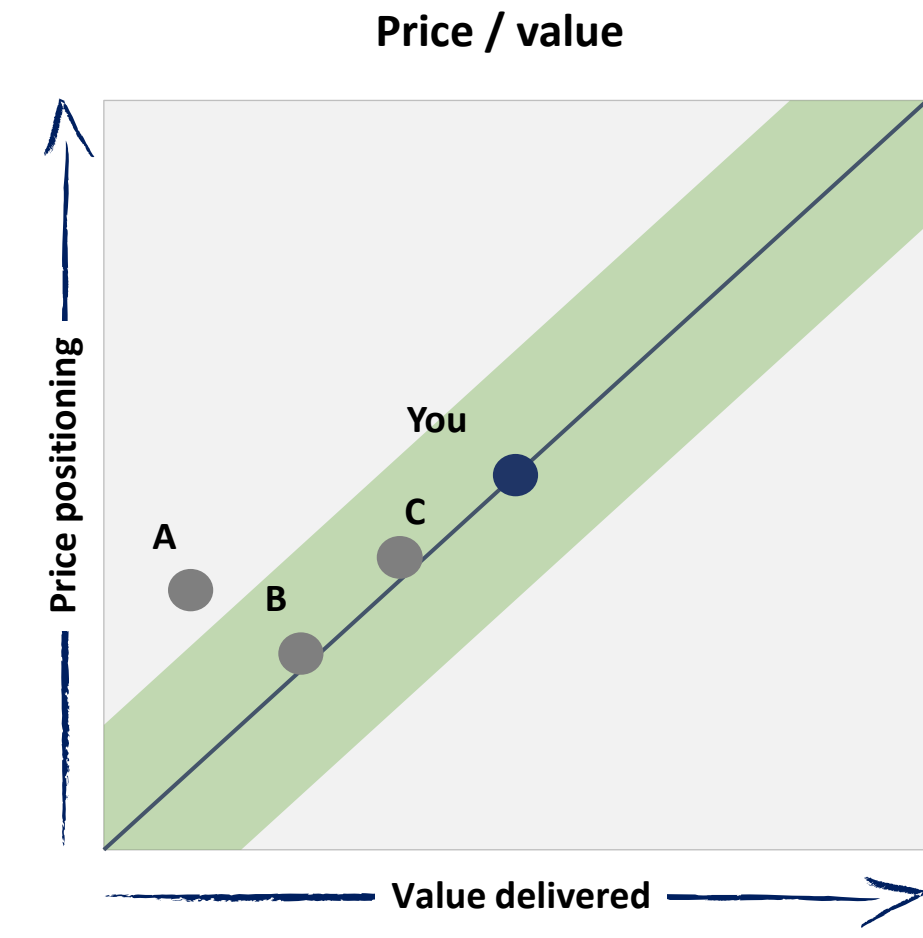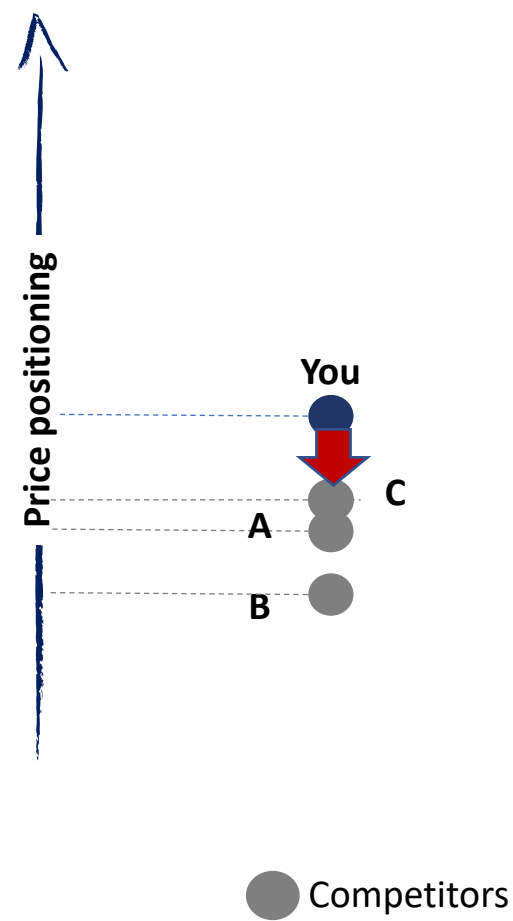
*Your pricing is the **exchange rate** on the **value** you're creating in the world*

Rake levels

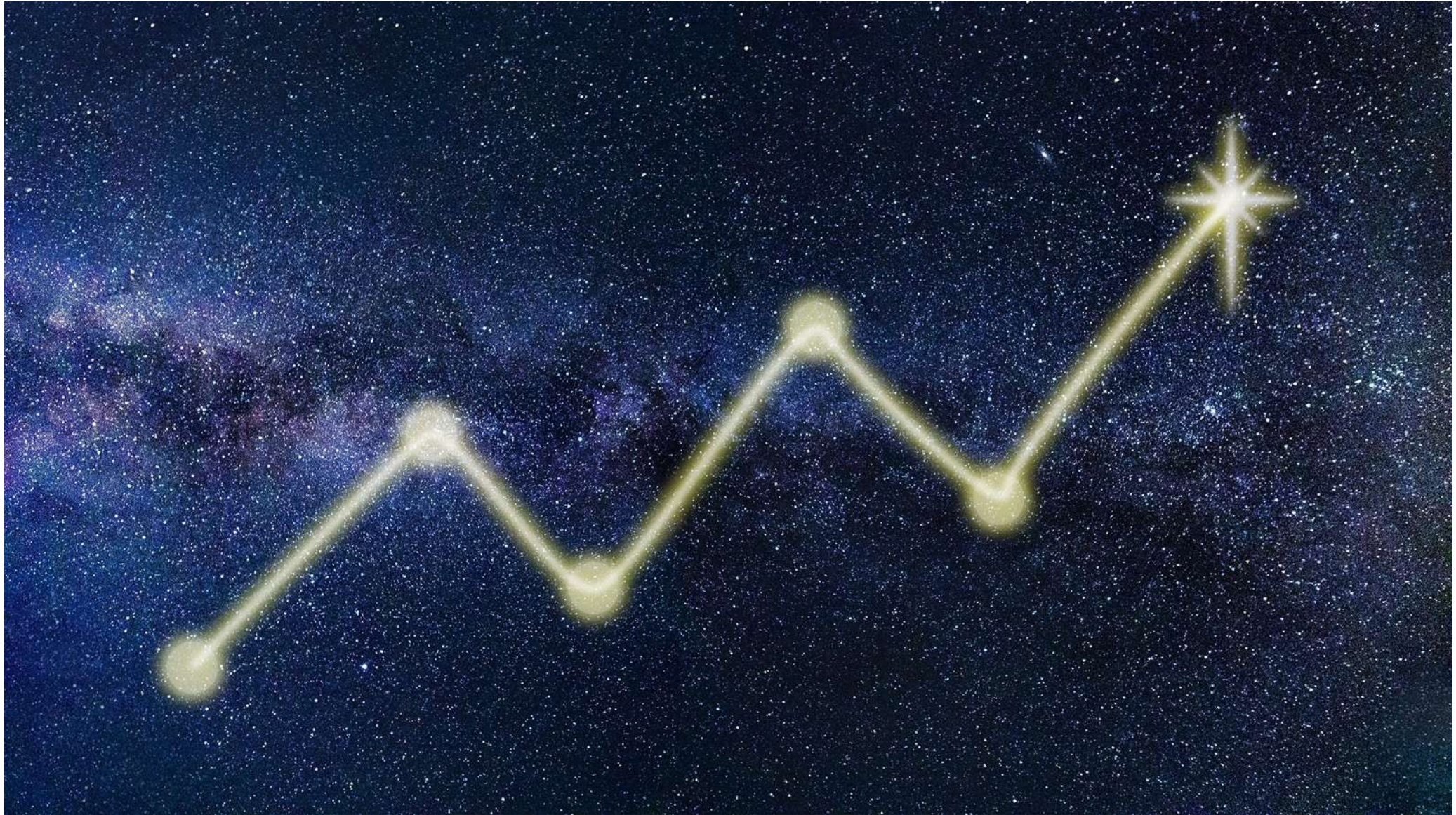| Company	Rake	Notes
Open Table	1.9%	Reservation fee / average meal per person
Homeaway	2.5%	Estimated (low due to use of listing model instead of transaction)
Comparison Shopping	6.0%	Estimated
ebay	9.9%	This is partially listing fees, partially marketing fees, and part PayPal.
oDesk	10.0%	10% on top of all work billed
AirBNB	11.0%	3% + 6-12% depending on size of transaction
Expedia	11.9%	Per 2012 10-K
Amazon Marketplace	12.0%	Guess based on rate table
Fandango	12.5%	Fee charged to user / ticket price
PriceLine	18.5%	Per 2012 10-K
TicketMaster	26.0%	Estimate for tickets sold by TM (non box office) - very har to discern
Steam	30.0%	Rate Card
iTunes	30.0%	Rate Card
Facebook Credits	30.0%	Rate Card
Groupon	38.2%	Calculated from 2012 10-K. Does not include direct goods.
Shutterstock	70.0%	From S-1

CHAPTER 2a

PRICING OBJECTIVES/ NSM

What's your north star metric?

What's the main priority in your pricing strategy?

Legend:
- Revenue growth
- Volume growth
- Profit margin %
- Profit margin $ (value)
- Market share
- Unit economics
- EBIDTA %, EBIDTA growth

Pie chart values: 55.6%, 22.2%, 11.1%, 11.1%
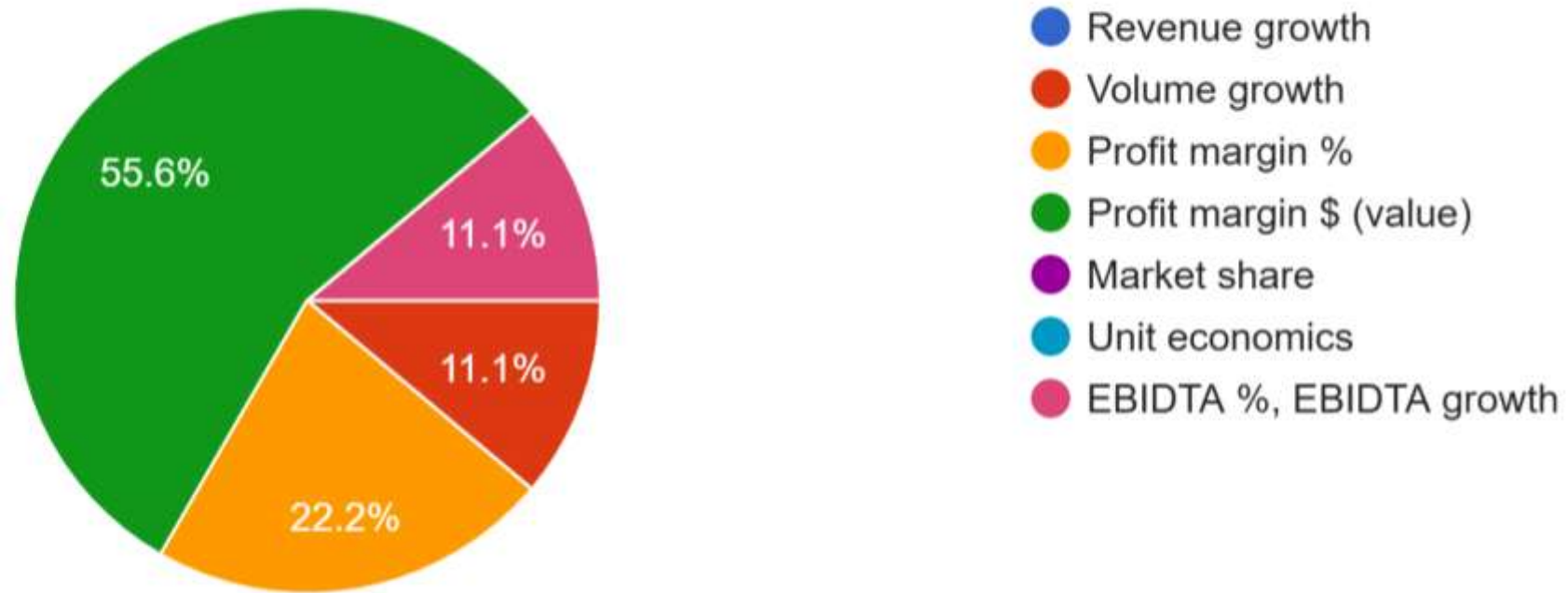
What answer would your team give???

Avoiding the "yo-yo" effect

Sales
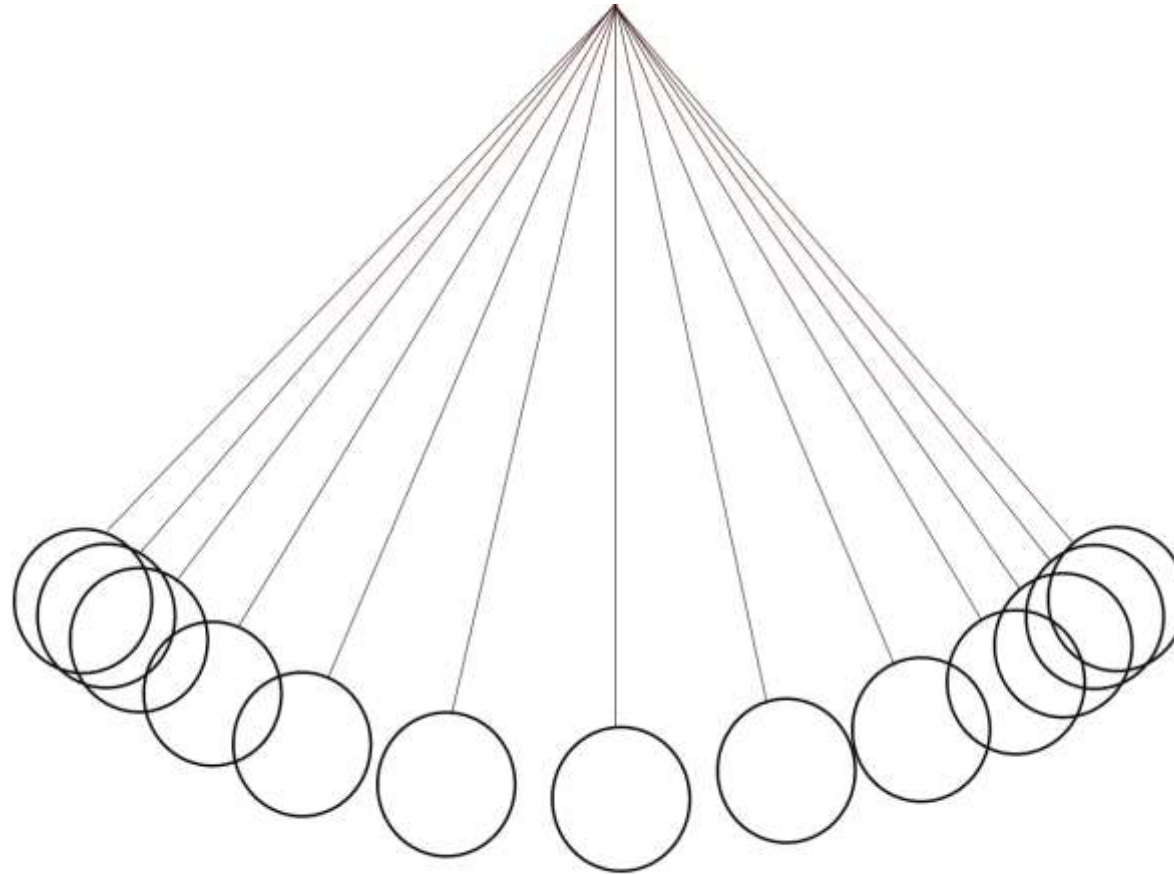
Profit

Define the priority and focus of your company

Volume ↑

Revenue ↑   Profit ↑

⚪ Finance   🟢 Marketing   🔵 Sales

vs

Volume ↑

Revenue ↑   Profit ↑

⚪ Finance   🟢 Marketing   🔵 Sales
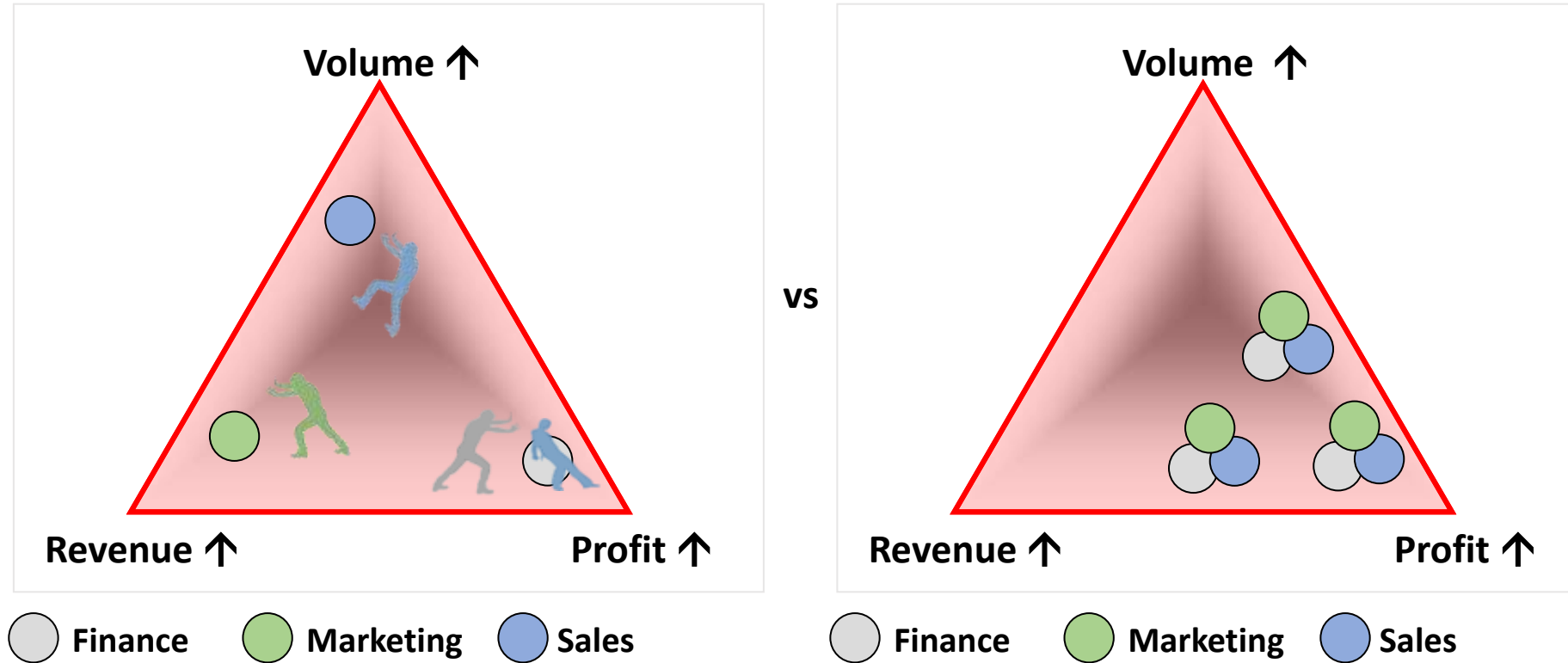
Profit equation

Profit=

volume * (price-variable costs)- fixed costs

?

What is the importance of price?

If we could, right now, with the use of magic wand:

1	Increase sales volume by 10%
2	Reduce variable costs by 10%
3	Reduce fixed costs by 10%
4	Increase prices by 10%

? **Which one would You choose to increase profit?**

Example : price change impact

	Lever		Revenue (mln)		Profit (m)		
	Old	New	Old	New	Old	New	
Price	100	110	100	110	10	20	100%
Variable cost	60	54	100	100	10	16	60%
Volume	1 mln	1.1 mln	100	110	10	14	40%
Fixed costs	30 mln	27 mln	100	100	10	13	30%

10% improvement in...   *...impact*

If we decrease price by...

And our current profitability is...	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
5%										
10%	100%									
15%	50%	200%								
20%	33%	100%	300%							
25%	25%	67%	150%	400%						
30%	20%	50%	100%	200%	500%					
35%	17%	40%	75%	133%	250%	600%				
40%	14%	33%	60%	100%	167%	300%	700%			
45%	13%	29%	50%	80%	125%	200%	350%	800%		
50%	11%	25%	43%	67%	100%	150%	233%	400%	900%	

Price reductions often demand impossible to achieve volume increases.

"... If our current profit margin is 25%, and we consider a 15% price decrease, we need to sell 150% more to keep our USD profit..."

The magic of pricing formula

And our current profitability is...	If we increase price by...									
	5%	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**	**45%**	**50%**
5%	50%	67%	75%	80%	83%	86%	88%	89%	90%	91%
10%	33%	50%	60%	67%	71%	75%	78%	80%	82%	83%
15%	25%	40%	50%	57%	63%	67%	70%	73%	75%	77%
20%	20%	33%	43%	50%	56%	60%	64%	67%	69%	71%
25%	17%	29%	38%	44%	50%	55%	58%	62%	64%	67%
30%	14%	25%	33%	40%	45%	50%	54%	57%	60%	63%
35%	13%	22%	30%	36%	42%	46%	50%	53%	56%	59%
40%	11%	20%	27%	33%	38%	43%	47%	50%	53%	56%
45%	10%	18%	25%	31%	36%	40%	44%	47%	50%	53%
50%	9%	17%	23%	29%	33%	38%	41%	44%	47%	50%

Price increases can bring Very profitable effects…

"... If our current profit margin is 25%, and we consider a 15% price increase, we can sell 38% less and will keep our USD profit..."

Initinal situaltion:

Price ($10), Volume (10), Revenue ($100), Profit ($20)

Volume (items)

10

Profit **$20**

Costs $80

Profit $20

$8 Costs $10 Price $
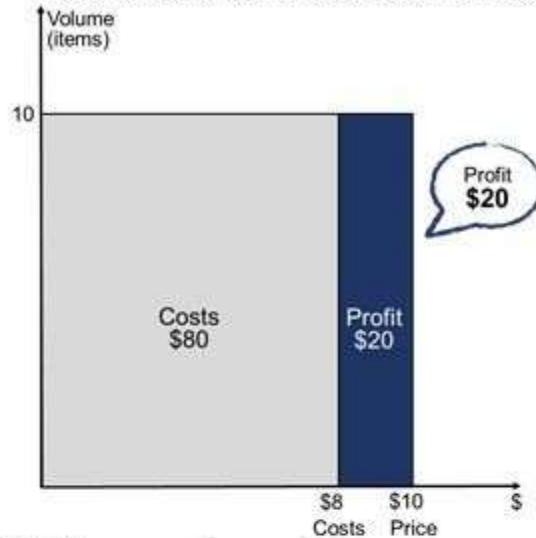
-10% Price, Revenue stable:

Price ($9), Volume (11.1), Revenue ($100), Profit ($11.1))

Volume (items)

11.1

10

Profit **$11.1**

Profit $11.1 **(-45%)**

Costs $88.9

$8 $9 $10
Costs Price $
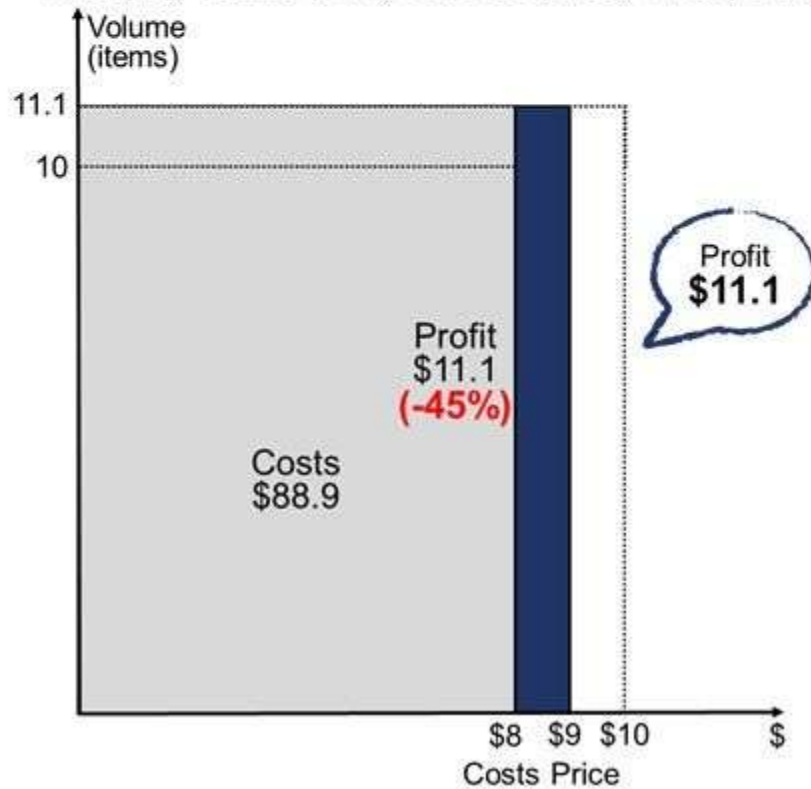
-10% Revenue, Price stable:

Price ($10), Volume (9), Revenue ($90), Profit ($80))

Volume (items)

10

9

Profit **$18**

Costs $72

Profit $18 **(-10%)**

$8 $10
Costs Price $
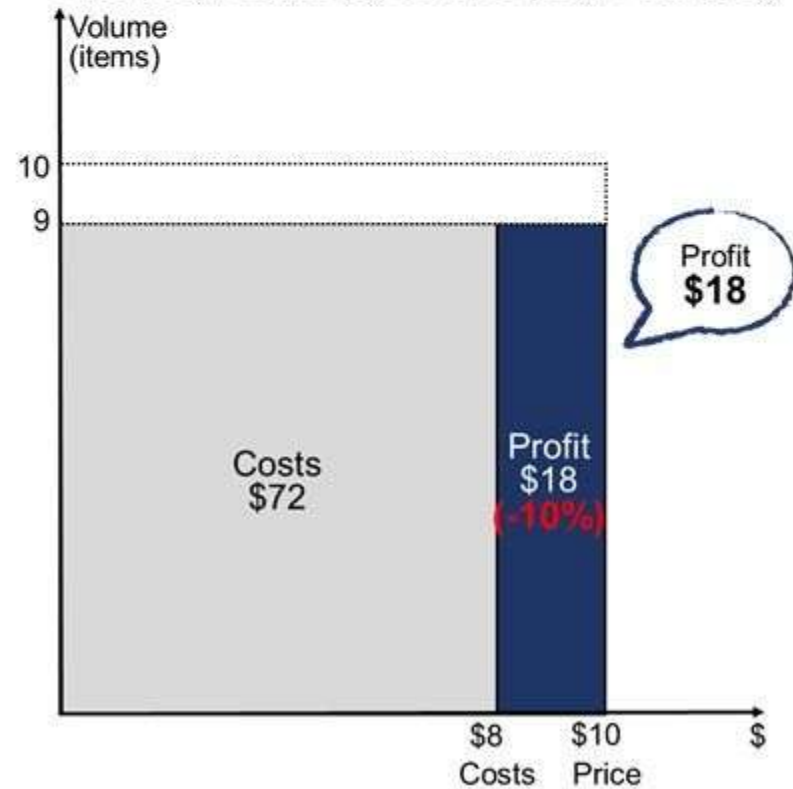
Formula?

$$\text{How much more (\%) we must sell} = \frac{|\% \text{ price change}|}{\% \text{ margin} +/- \% \text{ price change}}$$

How much more (%) we must sell $=\dfrac{|\% \text{ price change}|}{\% \text{ margin } +/- \% \text{ price change}}$

How much more (%) we must sell $=\dfrac{15\%}{25\% - 15\%} = \dfrac{15\%}{10\%} = $ **150%**

How much less (%) we can sell $=\dfrac{15\%}{25\% + 15\%} = \dfrac{15\%}{40\%} = $ **37,5%**

IF customers leave once you increase the price

So …

IF customers leave once you increase the price

You don't provide value!!!

(and it's not a pricing problem but a strategic problem…)

It's difficult to grow something that sucks…

PRICE/ VOLUME TRADE-OFF
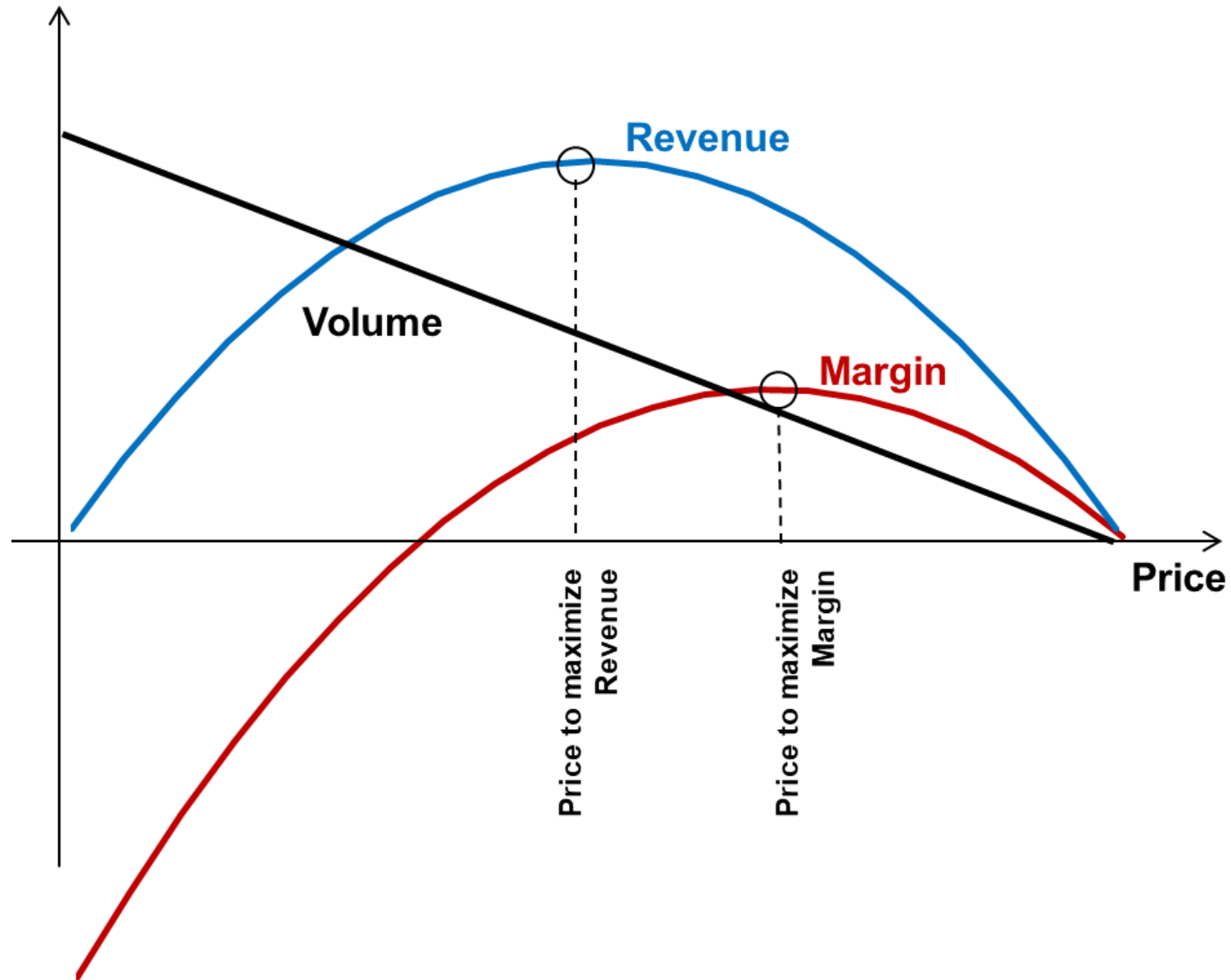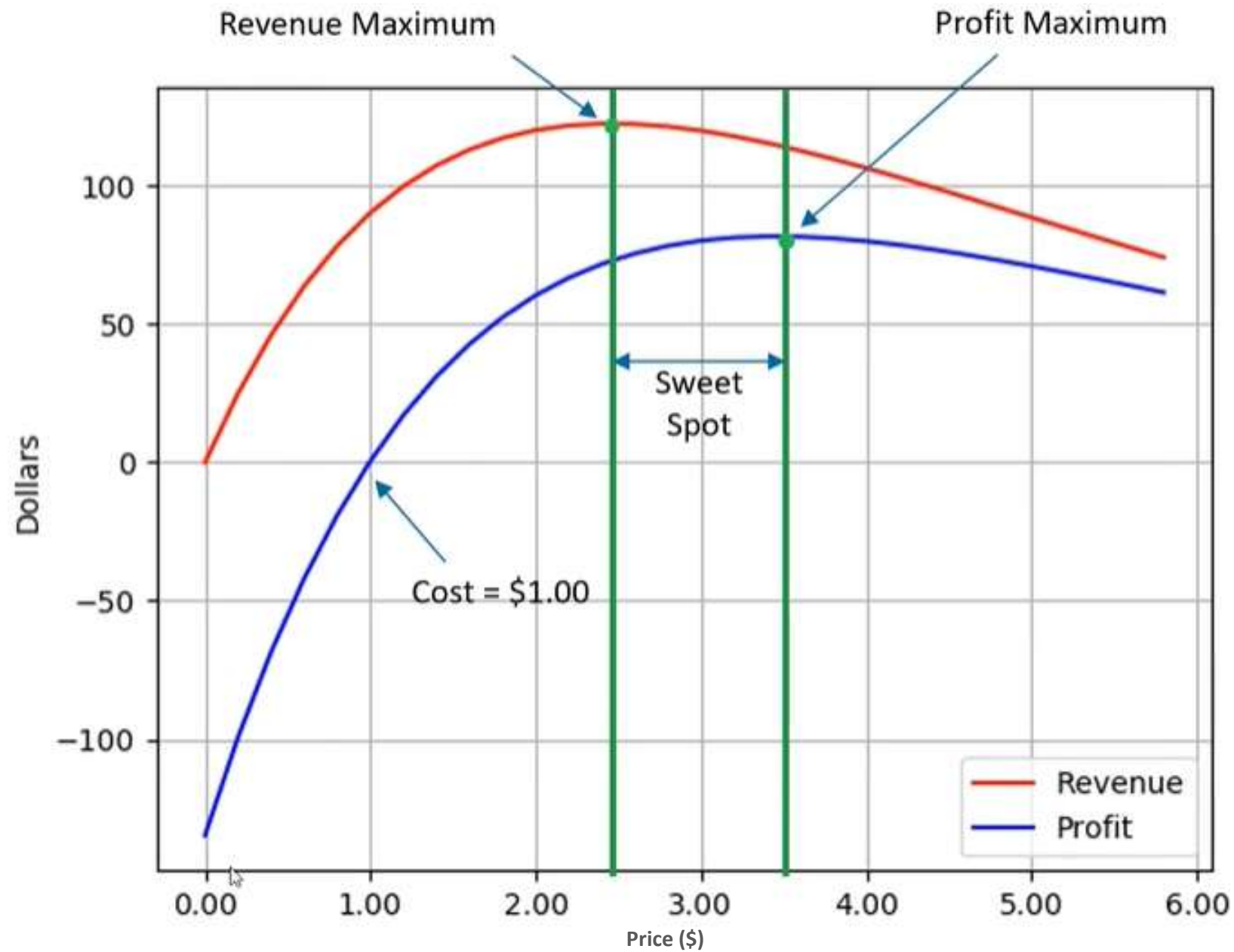
These days it's a mistake to chase volume. It's so much easier to make 100 people happy at a higher price than to make 1,000 people kind of happy at a lower price.

What would you chose?

- **10% volume decrease**
  (keep price unchanged)?

- **10% price decrease**
  (keep volume unchanged)?

June 2007

4GB

$499

8GB

$599

June 2007

4GB $499   8GB $599

...2months later

June 2007

4GB
$499

8GB
$599

...2months later

4GB
$499

8GB
$599

NOW $399

Smartphone Prices: Apple iPhone vs. Market Average
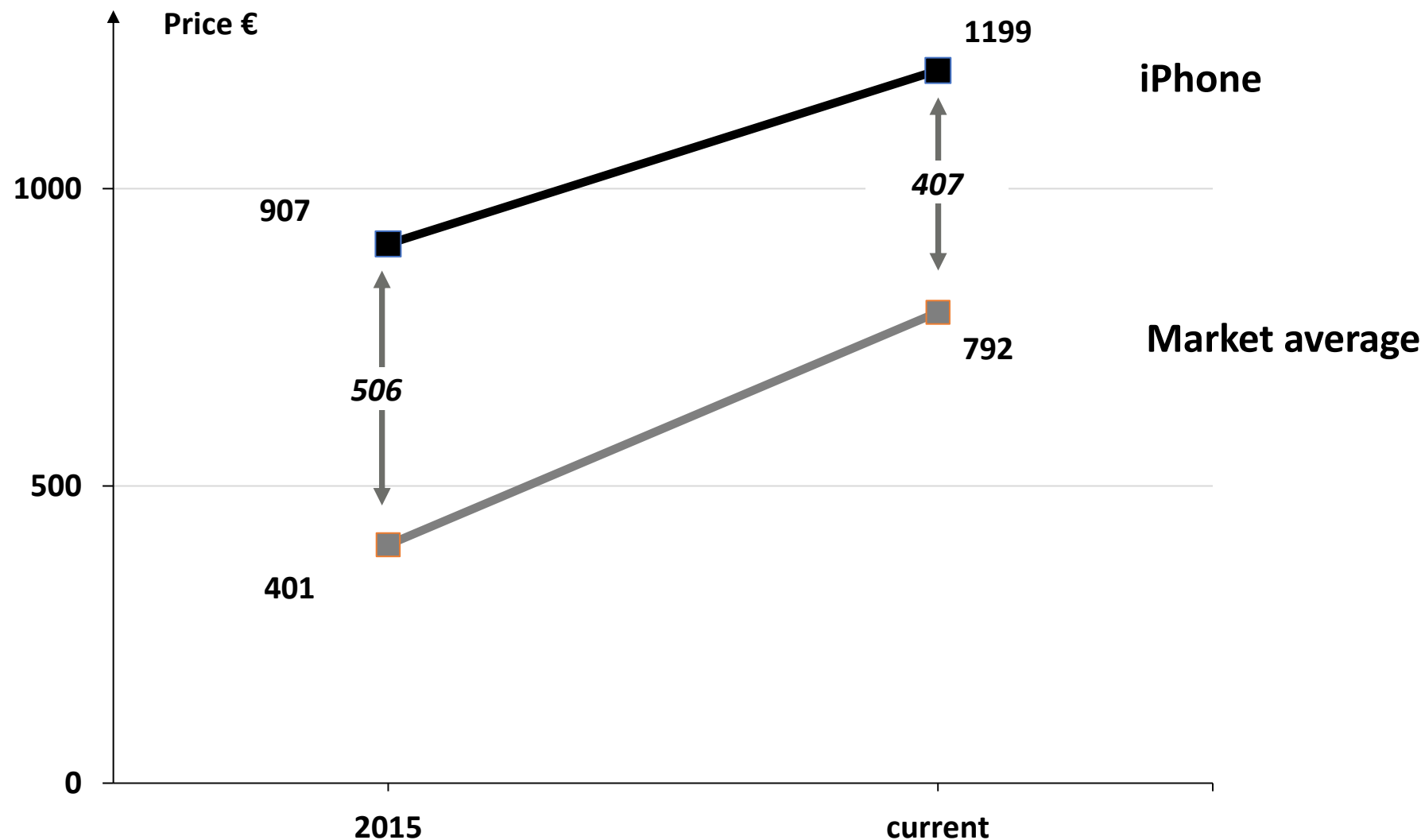
Apple's Product Revenue 2007–2023

iPhone $200.6B

Services $85.2B

Accessories $39.8B

iMac $29.4B

iPad $28.3B

iPad launched

iPod discontinued

2007   2010   2015   2020   2023

113
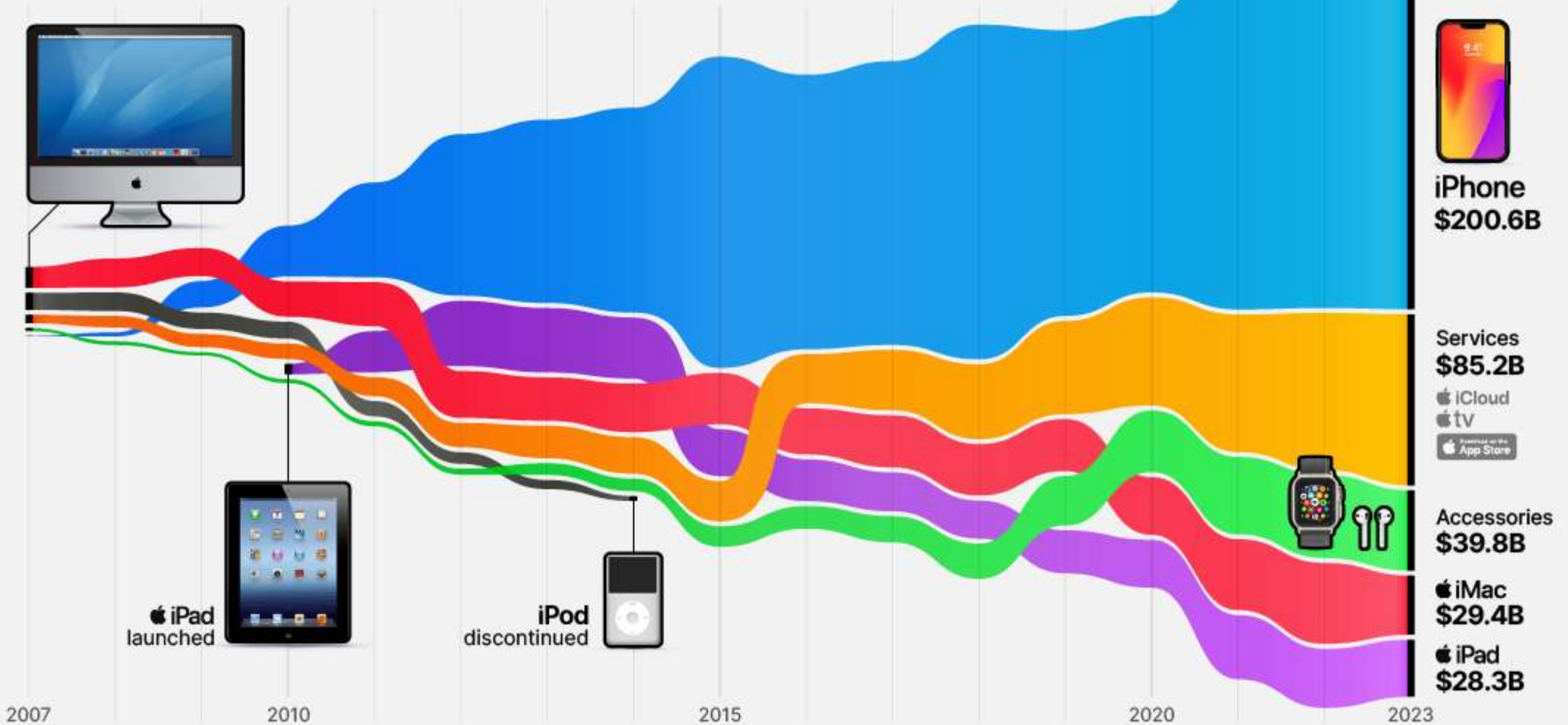
Okres	Dealer A			Dealer C			Zwycięzca rundy
	Cena (w zł)	Wolumen (w szt)	Zysk (w zł)	Cena (w zł)	Wolumen (w szt)	Zysk (w zł)	
0	80 000 zł	20	50 000 zł	80 000 zł	20	50 000 zł	
1	80 000 zł	21	55 000 zł	82 000 zł	19	83 000 zł	C
2	85 000 zł	17	120 000 zł	82 500 zł	20	100 000 zł	A
3	86 000 zł	17	137 000 zł	84 500 zł	19	130 500 zł	A
4	85 000 zł	18	130 000 zł	86 500 zł	17	145 500 zł	C
5	90 000 zł	14	160 000 zł	88 000 zł	17	171 000 zł	C
6	89 999 zł	15	174 985 zł	89 600 zł	16	183 600 zł	C
Średnia /Suma	86 000 zł	102	776 985 zł	85 517 zł	108	813 600 zł	

Zwycięzca! **C**

Okres	Dealer B			Dealer D			Zwycięzca rundy
	Cena (w zł)	Wolumen (w szt)	Zysk (w zł)	Cena (w zł)	Wolumen (w szt)	Zysk (w zł)	
0	80 000 zł	20	50 000 zł	80 000 zł	20	50 000 zł	
1	80 000 zł	20	50 000 zł	79 999 zł	20	49 980 zł	B
2	81 700 zł	18	70 600 zł	78 000 zł	23	19 000 zł	B
3	85 370 zł	17	126 290 zł	85 000 zł	19	140 000 zł	D
4	84 970 zł	18	129 460 zł	86 500 zł	17	145 500 zł	D
5	86 700 zł	18	160 600 zł	90 000 zł	15	175 000 zł	D
6	88 400 zł	18	191 200 zł	95 000 zł	13	210 000 zł	D
Średnia /Suma	84 523 zł	109	728 150 zł	85 750 zł	107	739 480 zł	

Zwycięzca! **D**

Give lower price in exchange for:

- ✓ First user, first purchase
- ✓ A valuable logo, action
- ✓ If you get lock-in
- ✓ Renew at a higher price

We are in the midst of a ggenerational SHIFT to the SUBSCRIPTION ECONOMY
Products→ Services, retationships

STATIC Business Model
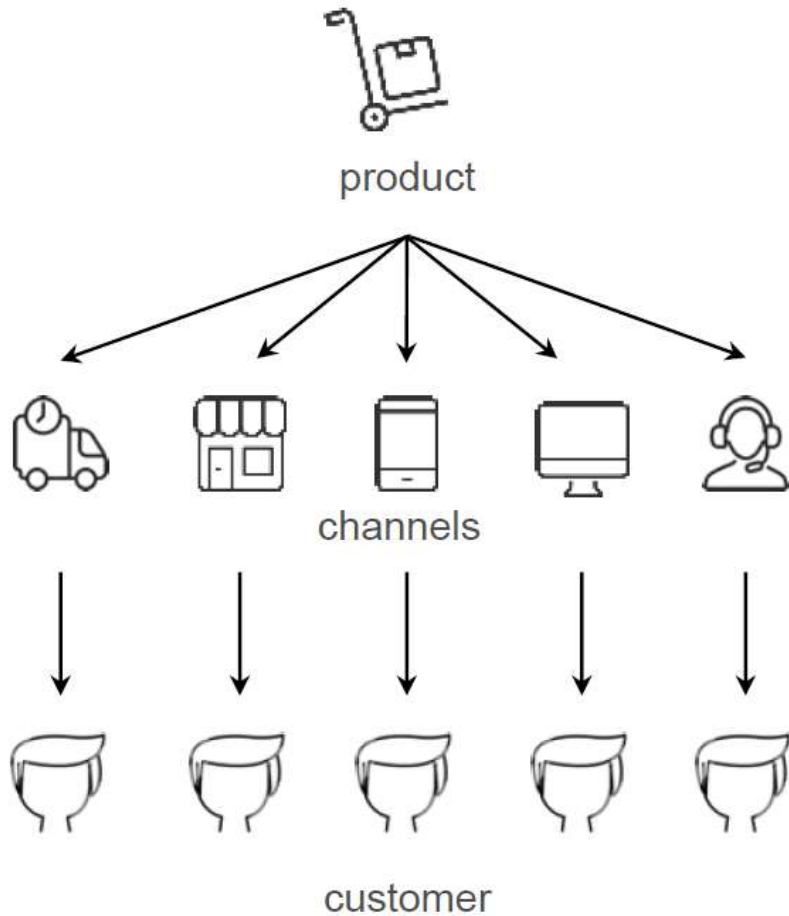
DYNAMIC Business Model

What part of your morning routine can we help with?

Shaving ☑

Showering ☑

Brushing Teeth ☐

% You qualify for a 15% Handsome Discount!

CONTINUE

STRICTLY CONFIDENTIAL

Double digit numer of competitors in the market....

Use, don't own- customer-centricity of subscirption business model

Subscription is a powerful business model because it creates an environment where the default customer behavior is retention, as opposed to one where the default behavior is churn

1

Appeal for businesses: predictability, recurring revenue, can grow as usage grows, customer insight, upsell/ cross sell, risk mitigation for R&D, drives relationships, quicker time to market

2

Appeal for customers: better alligned with value, cost, convenience, and customization, continious innovation, risk reduction,

Subscription model implementation
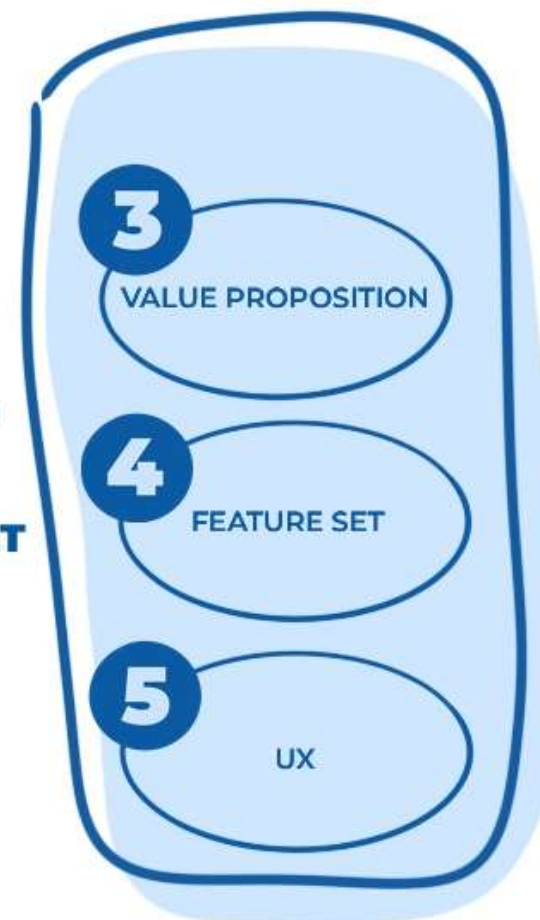
These streaming subscriptions are getting out of hand.

Annual Streaming Price

NETFLIX	$108
hulu	$72
You Tube Red	$120
SHOWTIME	$132
Disney+	$84
HARVARD UNIVERSITY	$50,420

Fundamental question: What do we want to achieve?

How do we define the top priority: acquisition of new customers, increase of ARPU or customer retention?

What would we like to achieve?

GET	**BOOST**	**KEEP**

- How to attract new customers?

- How to increase ARPU?

- How to improve retention?

Fundamental question: What do we want to achieve?

What do we want to achieve?

Acquire

- How to attract more potential clients? (Volume)
- How to convince them to buy? (Conversion)
- How to attract more clients faster? (Velocity)
- How to increase their willingness to pay? (A-ha moment)

Monetize

- How to increase ARPU? (monetize the current client base)
- How to cross-sell and up-sell?
- How to increase client referrals?

Retain

- How to increase client retention (limit the user churn)?
- How to increase revenue retention (limit discounts and downgrades)?
- How to improve product adoption?

Acquisiton is now table stakes

Pricing can have a real impact on a company's success

Revenue impact of different growth levers
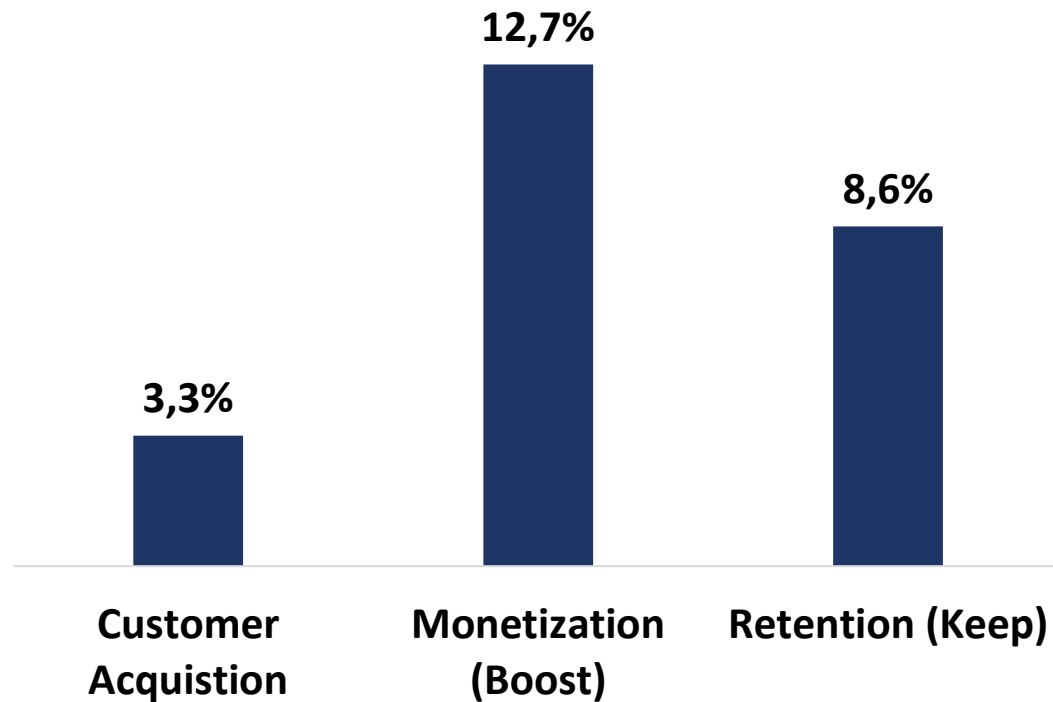
„This thing called price is really, really important. The only difference between companies that succeed and fall is that the winners figured out how to make money. The winners thought deeply through the revenue, price, and business model"*

Steve Ballmer, CEO Microsoft 2000-2014

Choose the right upsell path

There are 5 different upselling paths

All-in package	Category packages	Category packages	Good-Better-Best packages	Modular packages
One offer with everything included	Packages with all features in a product category	Packages tailored to segments or use cases	Packages with increasing features and services	Customized, build-your-own packages

Good-Better-Best is the most popular upselling path.

120% net dollar retention is the new standard

NDR (%) among SaaS IPOs from November 2020-2023

Snowflake 158%, Jforg 139%, Fastly 136%, Smartsheet 135%, Slack 132%, Elastic 130%, Datadog 130%, Zoom 130%, Sumo Logic 125%, CrowdStrike 124%, Dynatrace 123%, PagerDuty 122%, Asana 120%, Anaplan 120%, MongoDB 120%, Ping Identity 115%, Bandwidth 113%, Cloudflare 112%, Avalara 111%, SolarWinds 105%, Zuora 104%, Domo 100%, Surveymonkey 100%, Ceridian 96%
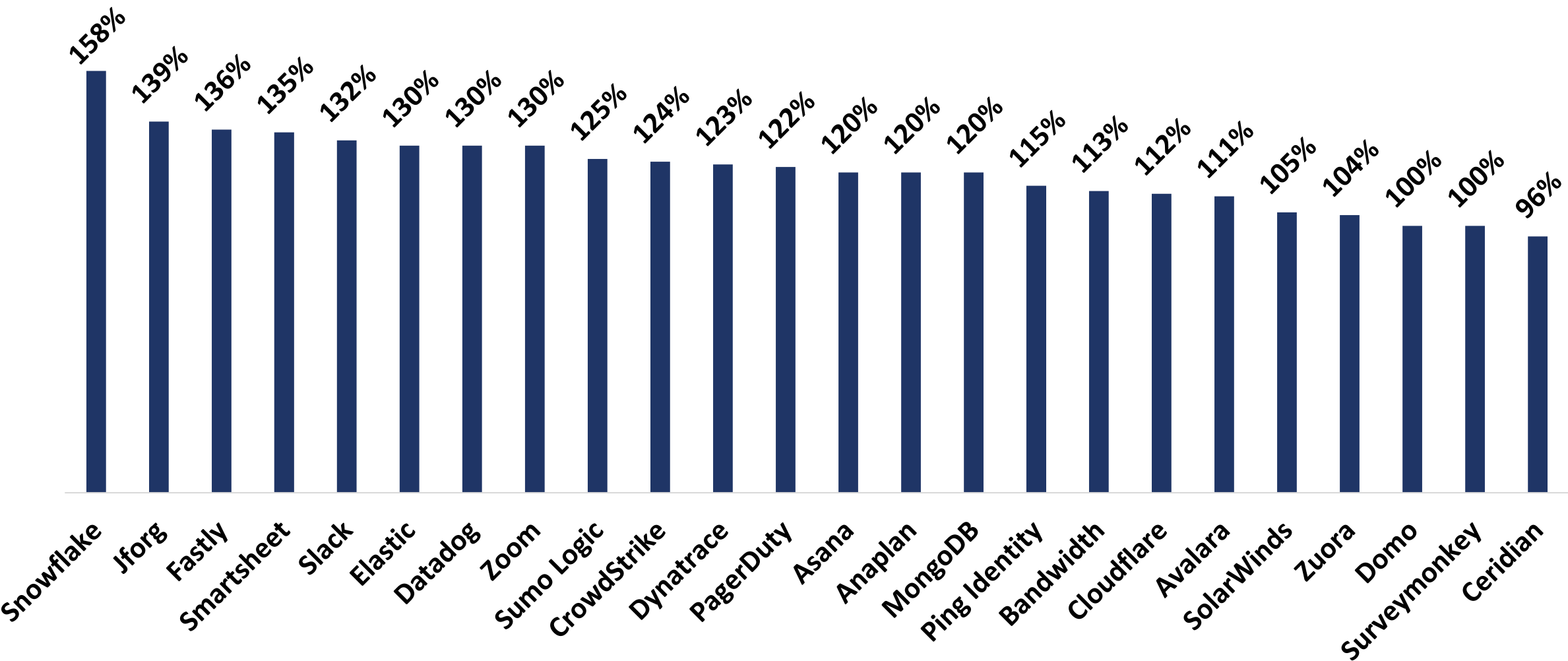
Source: public data,
What is Net Dollar Retention? Net dollar retention (or net revenue retention) is a metric used to measure a company's year-over-year performance. It compares the amount of revenue that a company brings in a given year from the previous year's existing clients.

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Usage-based pricing is popular among SaaS leaders

SaaS leaders using usage-based pricing

Legend:
- **Usage-based SaaS** (dark blue)
- **Subscription SaaS** (grey)

Company	Value
Snowflake	158%
Jforg	139%
Fastly	136%
Smartsheet	135%
Slack	132%
Elastic	130%
Datadog	130%
Zoom	130%
Sumo Logic	125%
CrowdStrike	124%
Dynatrace	123%
PagerDuty	122%
Asana	120%
Anaplan	120%
MongoDB	120%
Ping Identity	115%
Bandwidth	113%
Cloudflare	112%
Avalara	111%
SolarWinds	105%
Zuora	104%
Domo	100%
Surveymonkey	100%
Ceridian	96%

Source: public data

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Retention Curves for Android Apps

Legend:
- Top 10 Apps
- Next 50 Apps
- Next 100 Apps
- Next 5000 Apps

Y-axis: Percentage of Users Still Active (0, 20, 40, 60, 80, 100)

X-axis: Days since App Install (1, 3, 7, 14, 30, 60, 90)

Quettra | mobile intelligence.
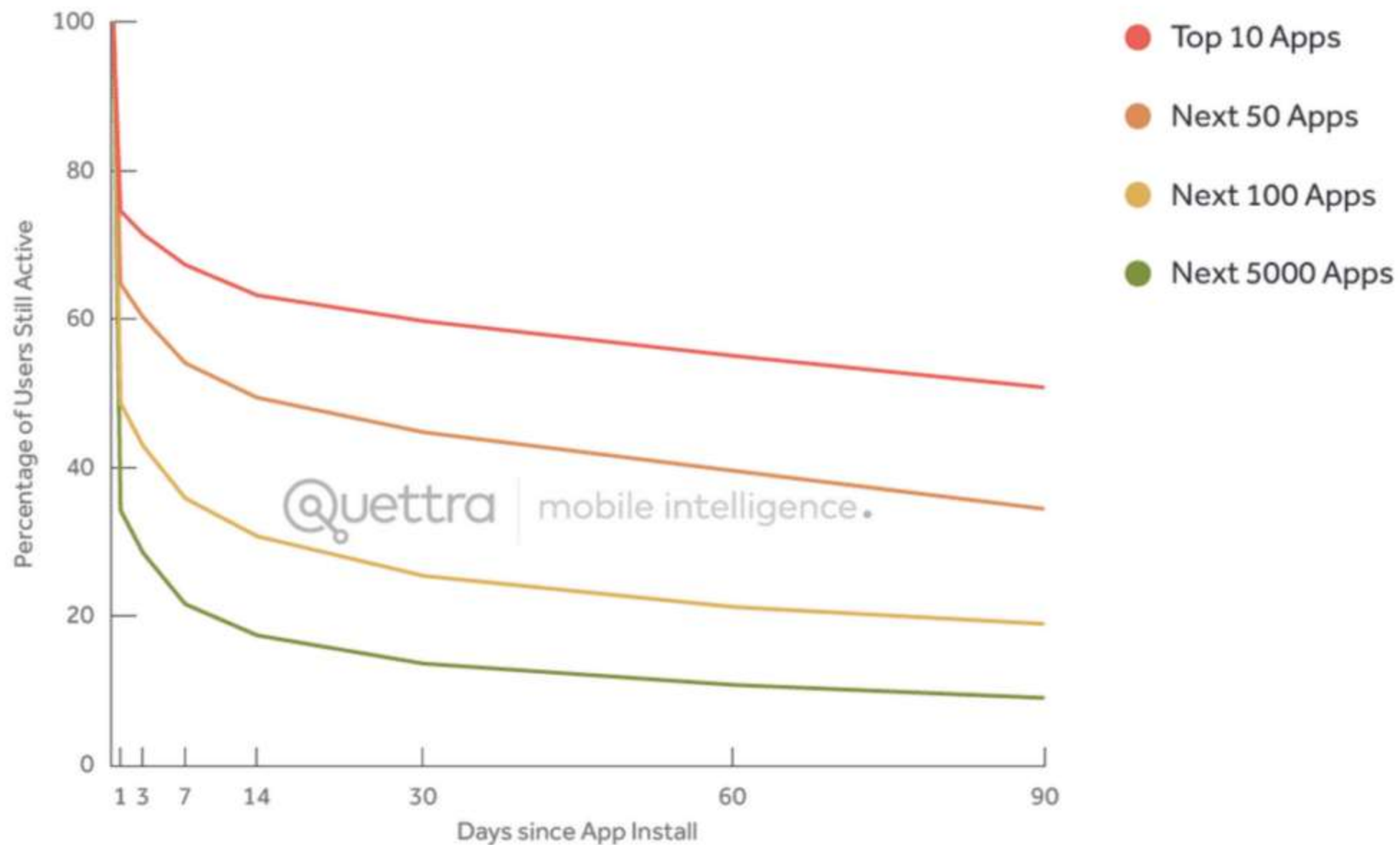
Clever ways to boost retention

Marketplace/ e-commerce Growth formula

A * B * C * D * E * F

A- Vertical expansion

B- Product Inventory per Vertical

C- Traffic per product page

D- Conversrion to Purchase

E- Average Purchase value

F- Repeart purchase Value

What's your Growth formula?

CHAPTER ③
PRICING METRICS AND GOALS

CASE SHARING

PRICING
METRIC

hector.montes@tupl.com

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Value metric

It's way more important **how you charge** than how much you charge!

Best case of value metric success?

#1

Lavazza (1kg, 2.2lb)- $13

Lavazza (1kg, 2.2lb)- $210

4gr, 1.34oz = $0.80 → 1kg, 2.2lb=$210 !
(16x more)

Best case of value metric success?

#2

Notable mentions

- Adobe
- Microsoft office
- Salesforce
- Hubspot (detailed case to follow)
- Autodesk AutoCAD
- Netflix
- Spotify
- …

1st choice:

money for your Customers

2nd choice:

derivative of money for your Customers

Why user-based pricing is crap for (almost) any SaaS

Pricing should encourage abuse instead of limiting the usage

! A common mistake in SaaS business is to adjust the pricing to „industry standard" price metrics without considering whether they are right for the business.

There are 5 broad categories of price metrics that can work for each team

Usage based	Seat based	Hardware based	Customer size	Success driven
How much or how frequently is the product used?	How many people is using the product?	How many connected devices or system resources is required?	What is the scale or performance of the customer (e.g. revenue, # of employees)?	What is the output or impact driven by the product (e.g. reduction in costs)?

How to find the perfect pricing metric in SaaS?

! A good price metric should be qualified by the important criteria for both customer and the company

Potential Metrics

Funnel level	Question
Value alignment	Does the metric align to customer value?
Scalability	Does the metric allow long-term growth?
Predictability	Is the growth profile of the metric predictable to both vendor and customer?
Auditability	Can the metric be measured in an objective & transparent way?
Acceptability	Will customers accept this metric for pricing?

Shortlist of viable metrics

What would be the right pricing metric

What Could LeadPages Charge For?

# Of Landing Pages	Traffic	# Of Leads	Users

Max Diff

What do you value the MOST and the LEAST?

MOST		LEAST
☐	# of Landing Pages	☐
☐	Traffic	☐
☒	# of Leads	☐
☐	Users	☒

Example: Leadpages
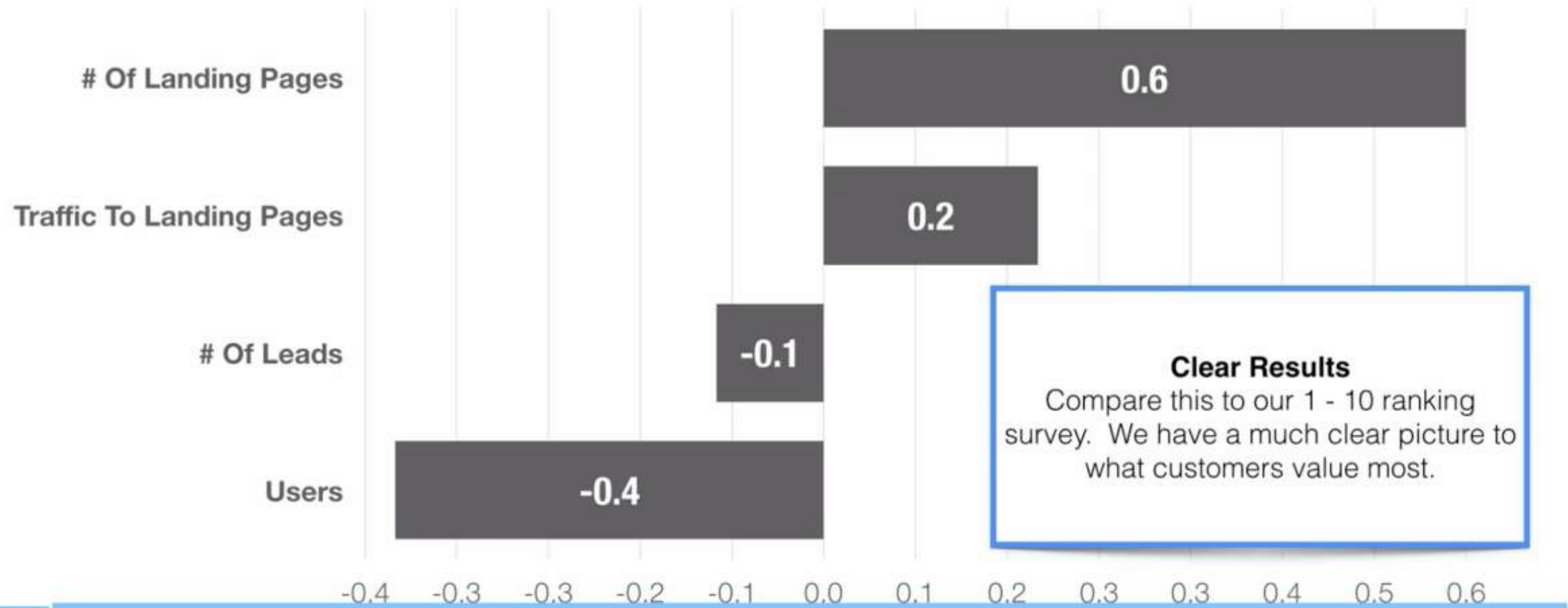
What do you value the MOST and the LEAST?

Category	Value
# Of Landing Pages	0.6
Traffic To Landing Pages	0.2
# Of Leads	-0.1
Users	-0.4

Clear Results
Compare this to our 1 - 10 ranking survey. We have a much clear picture to what customers value most.

JEEN
EDVIG
ADEMY
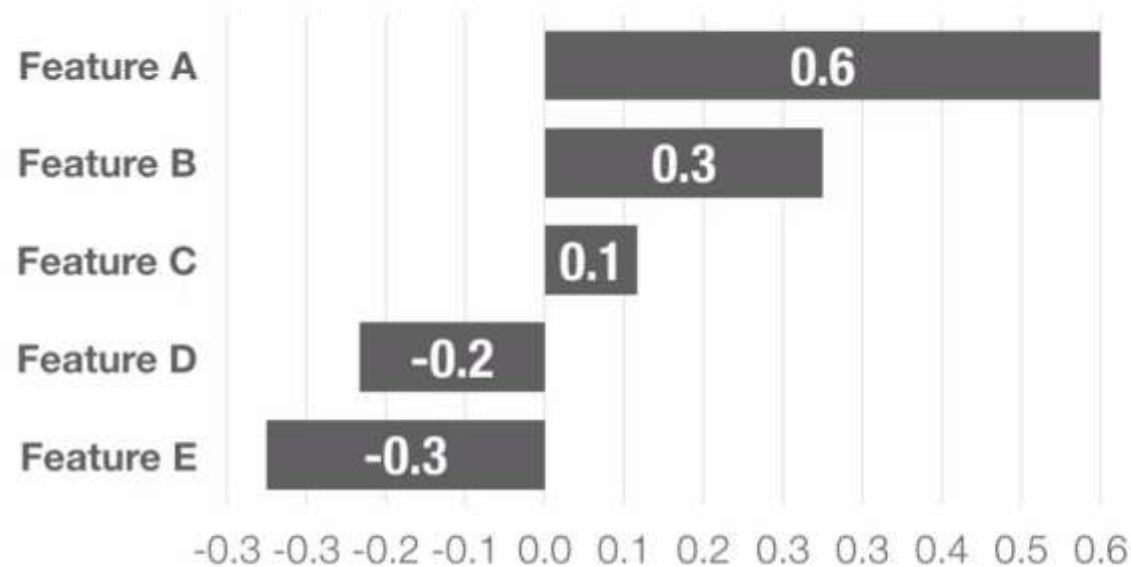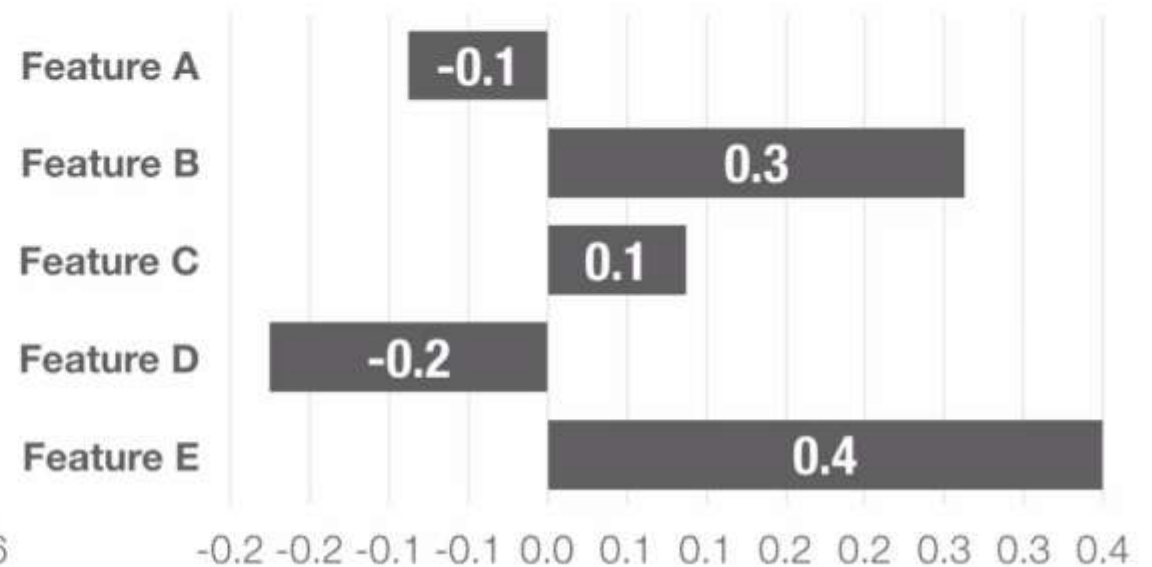
Pay Monthly 〇 **Pay Yearly** SAVE MORE

MOST POPULAR

PRO

$74 / Month

save $300/year | billed annually

Start For Free

STANDARD

$37 / Month

save $144/year | billed annually

Start For Free

2022

⊘ 3 Sites

⊘ Landing Pages, Pop-Ups, Alert Bars

⊘ Unlimited Traffic & Leads

⊘ Free Custom Domain*

⊘ Free Hosting

⊘ Mobile-Responsive Site Templates

⊘ Lead Notifications

⊘ Priority Tech Support
(Phone, Chat, Email)

⊘ 40+ Standard Integrations

⊘ 1-on-1 Quick Start Call

⊘ Online Sales & Payments

⊘ Unlimited A/B Split Testing

Advanced Integrations

Includes 5 Pro Sub Accounts

⊘ 1 Site

⊘ Landing Pages, Pop-Ups, Alert Bars

⊘ Unlimited Traffic & Leads

⊘ Free Custom Domain*

⊘ Free Hosting

⊘ Mobile-Responsive Site Templates

⊘ Lead Notifications

⊘ Tech Support
(Chat, Email)

⊘ 40+ Standard Integrations

⊘ 1-on-1 Quick Start Call

Online Sales & Payments

Unlimited A/B Split Testing

Advanced Integrations

Includes 5 Pro Sub Accounts

Start For Free

Start For Free

STANDARD

$37 / Month

save $144/year | billed annually

Start Free Trial

- ✓ **5** Landing Pages
- ✓ Unlimited Traffic & Leads
- ✓ **1** custom domain
- ✓ 200+ conversion-optimized templates
- ✓ Best-in-class conversion tools
- ✓ Standard integrations

BEST VALUE

PRO

$74 / Month

save $300/year | billed annually

Start Free Trial

- ✓ **Unlimited** Landing Pages
- ✓ Unlimited Traffic & Leads
- ✓ **3** custom domains
- ✓ 200+ conversion-optimized templates
- ✓ Best-in-class conversion tools
- ✓ Standard integrations
- ✓ Sell products and services
- ✓ Blog

CONVERSION

$697 / Month

billed monthly

Contact Us

- ✓ Full marketing funnel audit
- ✓ 1 conversion-optimized landing page (built for you)
- ✓ 1 paid media campaign (built and launched for you)
- ✓ Dedicated conversion expert
- ✓ Pro account
- ✓ **Unlimited** Landing Pages
- ✓ Unlimited Traffic & Leads
- ✓ Advanced integrations

2024

Q: What would you compare this product to?

Generic price increse letter

Subject: An Update on Your [Product/Service] Pricing

Dear [Customer's Name],

Over the past [time period], we've been dedicated to delivering exceptional value through [Product/Service Name]. Here's what we've accomplished together:

- Helped you achieve [specific benefit or result, e.g., "X% revenue growth," "Y hours saved per week"].

- Introduced [key feature/improvement] to enhance your experience.

- Provided ongoing support and innovation to ensure [specific customer pain point is addressed].

To continue investing in these improvements and delivering the quality you expect, we're updating our pricing. Starting [effective date], your new rate will be **$XXX/month (or other relevant pricing structure)**.

However, because you've been a valued customer for [time period], we're giving you a **grace period of [X months]** to continue at your current rate. After that, your price will adjust automatically.

If this change materially impacts your business, let us know—we're happy to discuss options that work for you.

We appreciate your trust and partnership. If you have any questions, feel free to reply to this email or reach out to [support contact].

- **Thank you for being a part of [Company Name]—we look forward to growing together!**

- Best,
  [Your Name]

If the only argument is the price;
it is always too high

Doug Leone Sequioa
https://www.youtube.com/clip/Ugkxm4nWHXpgC4SK7KXA-6a6Z2Xi5lDphI_F

The question should **NOT** be:

How much does this cost?

The question should be:

How much will the ROI of this investment be? 🥇 🥇 🥇

What is the problem that you are hoping that our product could solve?

- ✓ **Make more money**
- ✓ Reduce costs
- ✓ Move faster
- ✓ Avoid risk

This isn't what your business makes

Person who's a
potential customer

\+

Your product

\=

Awesome person
who can do rad shit!
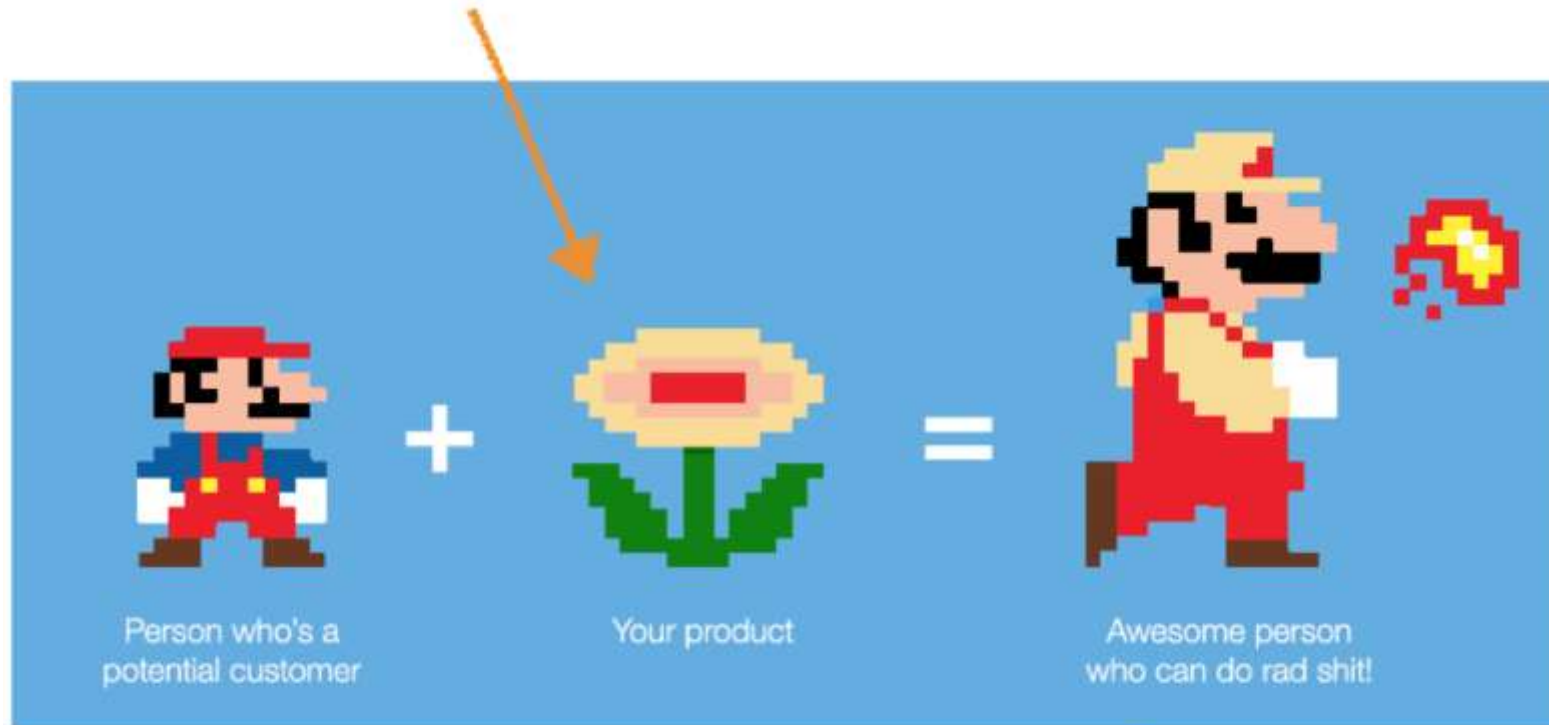
@UserOnboard

This is

Feature

Benefit

low calorie

Look better than the bitch from accounting at the end of year party

Dzięki Allegro Smart!

Twoje oszczędności na dostawie to:

4243,02 zł

Masz darmowy zwrot i dostęp do Smart okazji.

Your Weekly Activity

Hey there, here's how **Zapier** saved you time over the past week.

38 Zaps automated 881 Tasks

BB.com Form Bottom Post -> Autopilot Coelevate Organic

automated 216 tasks

Wistia Leads --> Google Sheets Test

automated 188 tasks

FPN New -> Add To Email Data Google Sheet Copy Copy

automated 168 tasks

BB Unsubscribe -> Email Data Sheet Copy

automated 109 tasks

Wistia -> Autopilot

automated 66 tasks

View full task history for 33 more Zaps

Find New Zaps to Try

zapier

Time Savings
Summary of automated tasks. "Here is how Zapier saved you time this past week."

Zappier sending emails reminding how much zippier helped you save time
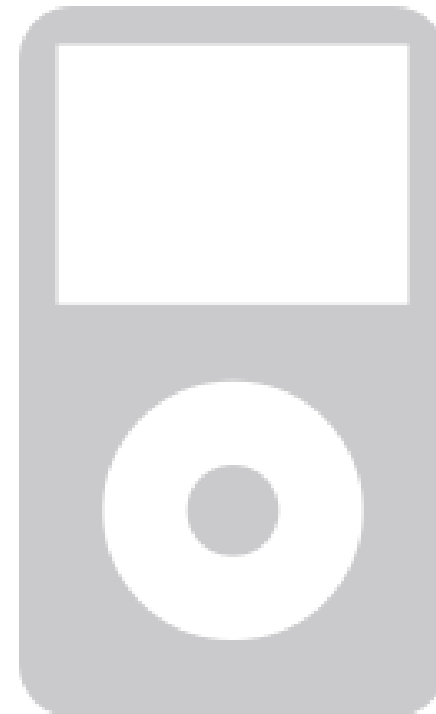
How much has Slack helped you reduce internal email?

80-100%	329
60-80%	296
40-60%	317
20-40%	357
0-20%	223
None	107

Fewer Emails

48.6% Weighted Avg.
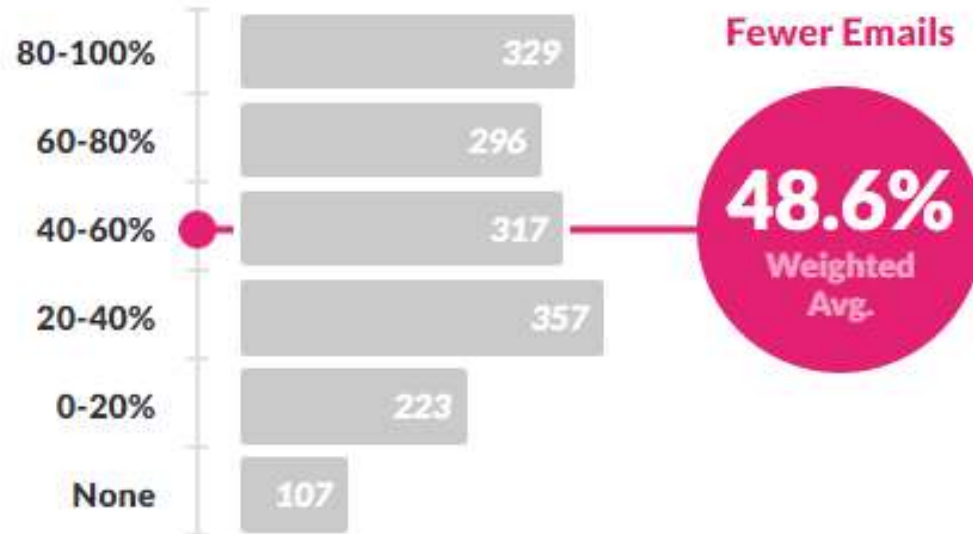
Based on 1,629 responses from Slack owners and administrators.

How much has Slack helped you reduce meetings?

80-100%	10
60-80%	29
40-60%	61
20-40%	144
0-20%	127
None	90

Fewer Meetings

25.1% Weighted Avg.
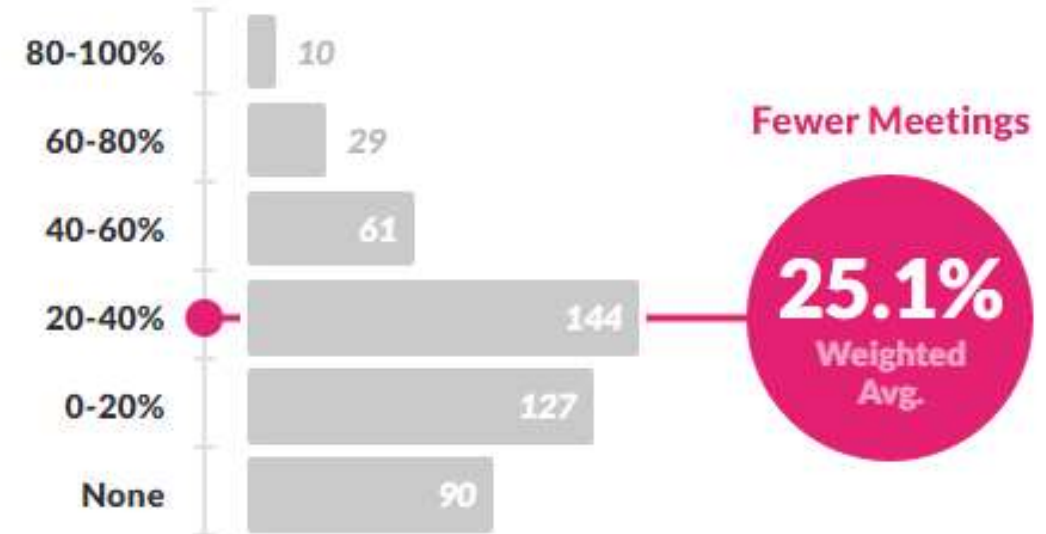
Based on 461 responses from Slack owners and administrators.
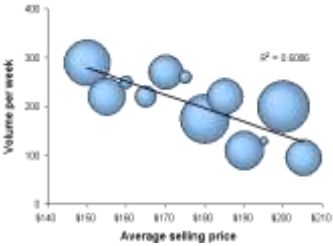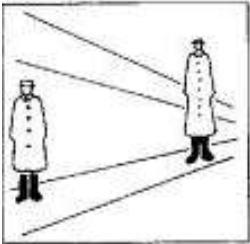
Exapmples of ROI calculators

https://www.hubspot.com/roi-calculator/sales

https://a.slack-edge.com/eaf4e/marketing/downloads/resources/IDC_The_Business_Value_of_Slack.pdf

http://icontact.postclickmarketing.com/dual-cta-calculator-example/marketing-app-calculator-18677K-16647LF.html?rid=37007384&rky=N74GLTYY&tky=132478500093661168&iPlanSubLim=

But where to get data from? 5 approaches

	Internal analyses	**Consumer research**	**Live market tests**	**Expert judgment**	**Benchmarks & analogs**
➕	Depict past buying behavior accurately	Allow complex modeling based on consumers reaction to scenarios	Actual market data & consumer responses	Estimations based on best assumptions and risk assessment	Can build confidence that others were successful with same idea
➖	Past behavior may not always predict current or future outcomes	Depends heavily on the study's design, which could create biases	Misleading if not designed properly	Relies heavily on managers' intuition and experience	Misleading if example does not fit perfectly; risking wrong conclusions

! **Don't forget: No single approach is perfect!**
Use multiple methods to cross check the results.

Volume per respondent - without competition reaction
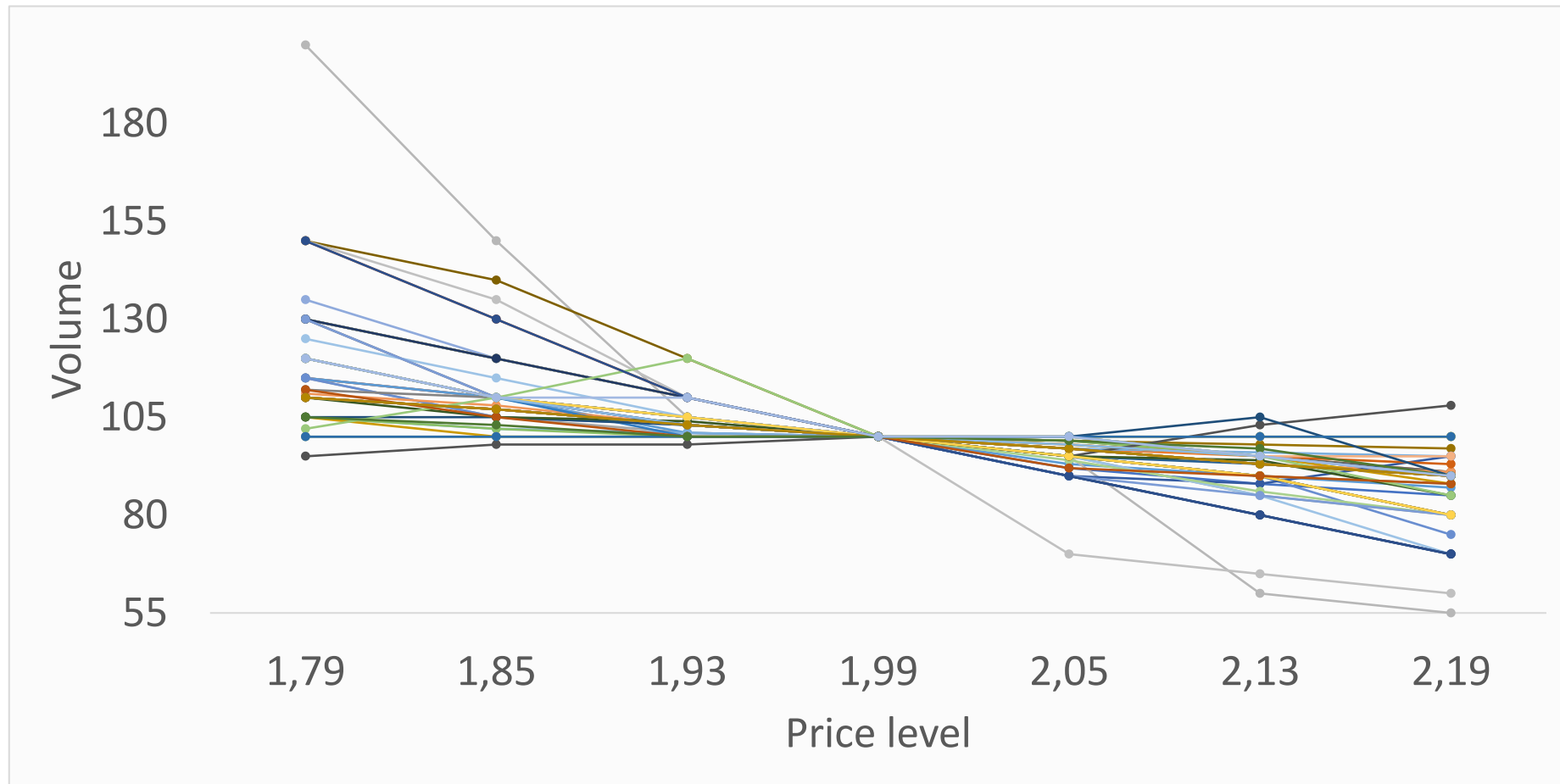
N = 23

Volume aggregated - without competition reaction

% delta price	-10%	-7%	-3%	0%	3%	7%	10%
% delta vol.	19,0%	10,0%	4,0%	0,0%	-5,0%	-9,0%	-14,0%
price elasticity	1,65	1,31	1,29	0,00	1,74	1,39	1,58

N = 23

Volume aggregated - with competition reaction

N = 63

Sales aggregated - without competition reaction
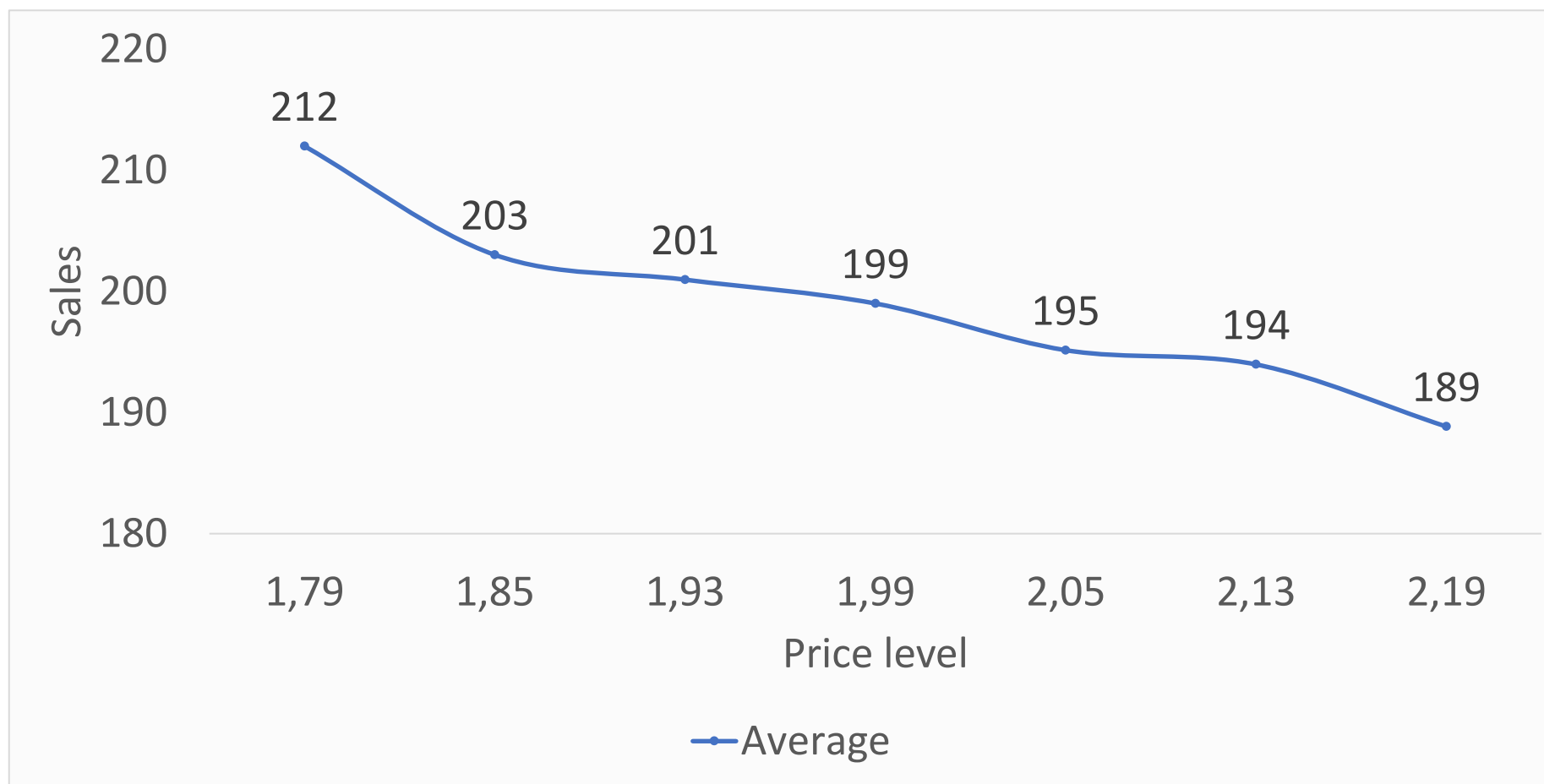
Sales aggregated - with competition reaction
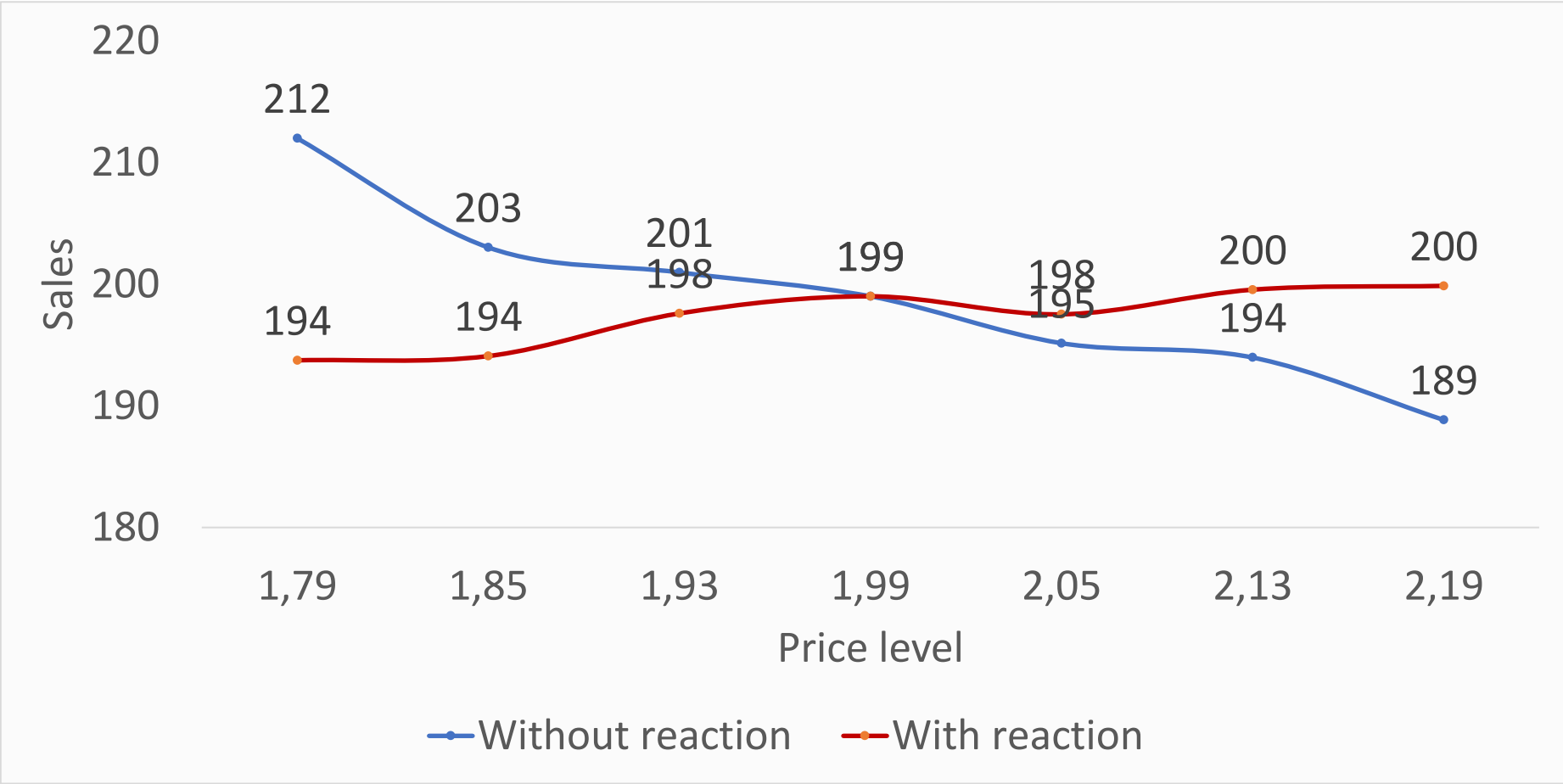
N = 63

Gross profit aggregated - with competition reaction

N = 63
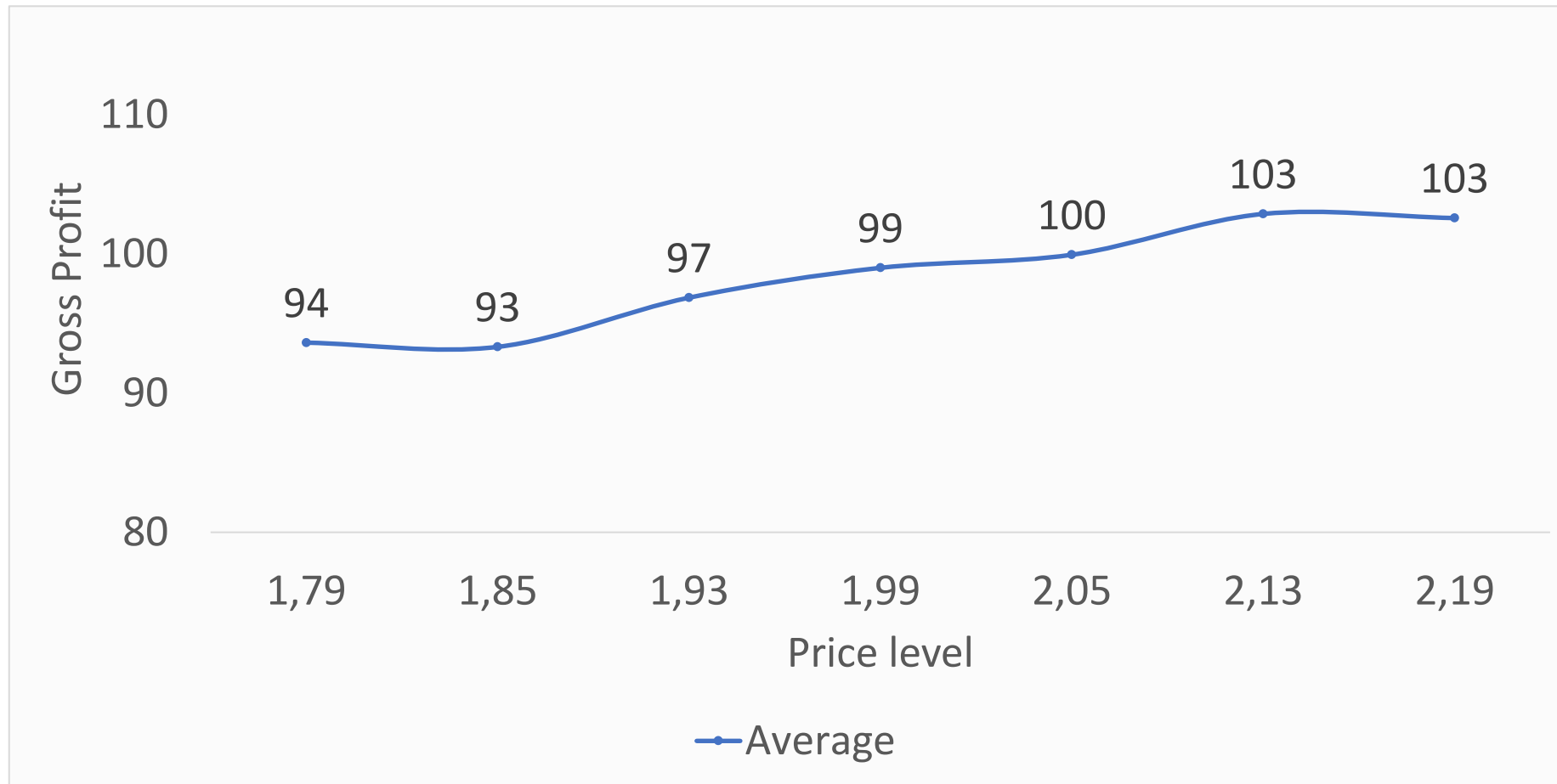
Gross profit aggregated - with competition reaction
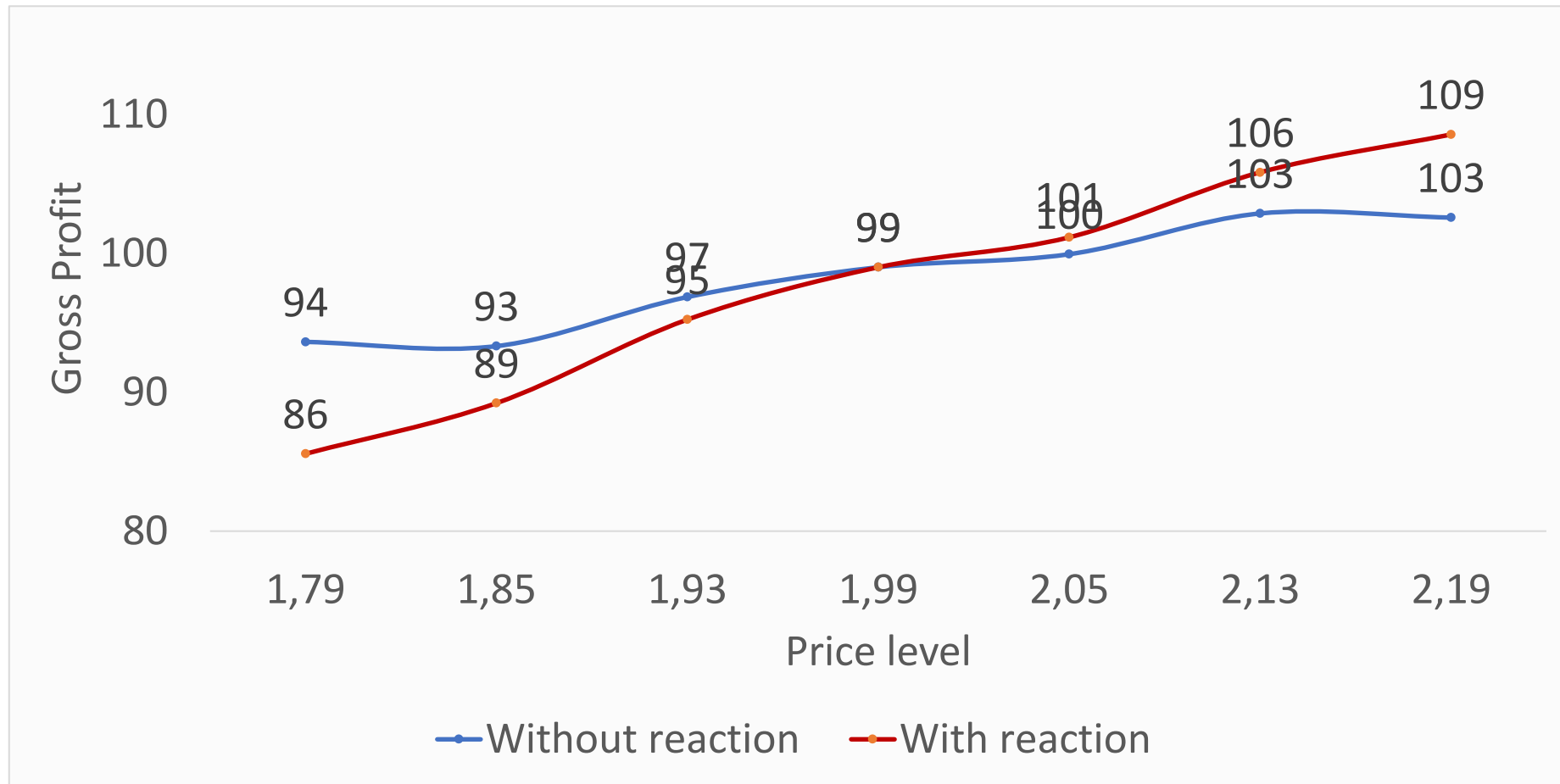
CHAPTER ⑥

WRAP UP

CASE SHARING

WRAP UP

ruth@bdeo.io

10x value
5% price raise
20% pushback

Pricing Strategy

Do you have a clearly defined strategy with a focus on:
- (1) profit

vs.
- (2) growth?

You can't have both!

How do you utilize pricing to:
- attract (Get),
- monetize (Boost),
- retain (Keep)

customers?

Pricing serves as a powerful tool to reach your business goals. When you have a clear goal in mind, pricing can help smooth out the journey.

Pricing BATNA

Do you know how to price your products/services against competitors. What's the alternative (BATNA) you Clients have?

Help your Clients quantify the value of using your product/service and the costs (lost opportunities) of maintaining the status quo.

Willingness to pay

Do you set prices based on how sensitive our customers and customer segments are to changes in price?

By considering price elasticity, you can predict the impact on your revenues, profit, and market share when you change your prices.

BUYING PERSONAS/ CUSTOMER SEGMENTS

Who are your customers? What matters most to them (value drivers)?

Which customer groups are the most important for your business?

How do you approach pricing with them?

As a growing company, it's crucial to pinpoint the segments you want to focus on.

Pricing architecture / plans

Got the right product architecture to cater to all customer segments?

Good, better, best is a good start

Some companies make pricing so complicated that even their own team can't figure it out. Keep pricing plans as simple as possible

Right pricing metric

Does your pricing metric aligns with how our Clients see the value in our product or service?

It's way more important how you charge, than how much you charge!

Value argumentation

How much do I pay for your product/service? And why it's so expensive? What's in it for me?

...do you know how to answer these questions?

The question should NOT be: *How much does this cost?*

The question should be: *What ROI can I expect from this?*

Testing, constant improvement

Pricing is a skill to be learned. Your first pricing will be crap, and that's alright.

Learning about pricing involves more than just listening or reading someone else's thoughts on it. The best way to learn is by actually doing it.

Pricing is a continuous process that requires regular review and updates.

Monitoring

How do you track you pricing? How do you know if it works or not?

...you probably spend way too little time on pricing analytics. Pricing is about numbers. If you don't measure pricing, you can't improve it.

... some companies think it's enough to track churn and LTV/CAC. It's not.

Usefull resources on pricing and growth

✓ https://www.linkedin.com/in/roblitterst/
✓ https://www.linkedin.com/in/elenaverna/
✓ https://www.linkedin.com/in/kyle-poyar/
✓ Reforge.com

✓ You should charge!

✓ Price on value, not on costs

✓ Most are underpricing

✓ Pricing isn't permanent

✓ Keep it simple
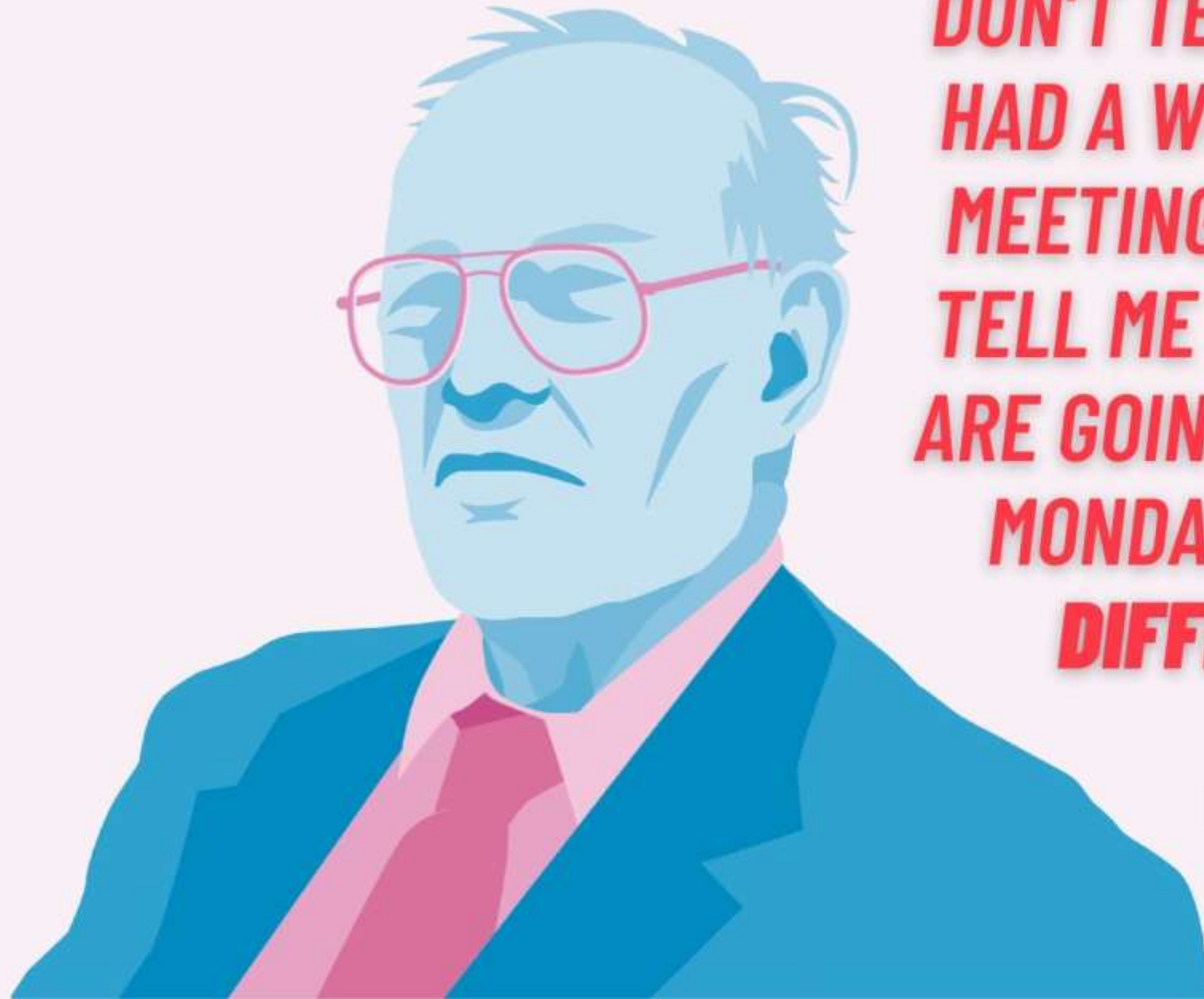
DON'T TELL ME YOU HAD A WONDERFUL MEETING WITH ME. TELL ME WHAT YOU ARE GOING TO DO ON MONDAY THAT'S DIFFERENT
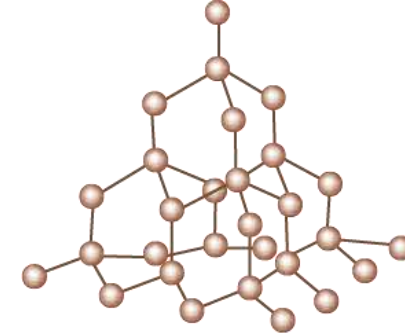
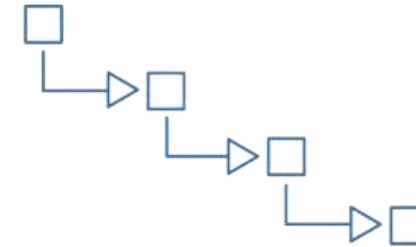P. DRUCKER

There is always someone willing to do it cheaper

3S of successful price setting

Structure

Sequence

Simulation

3D + 2C + BA

3D + 2C + BA

3-dimensional pricing logic

2 key control mechanisms

Benefit argumentation (Value argumentation)
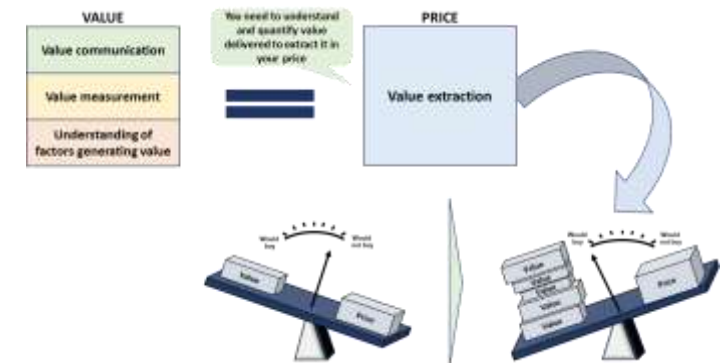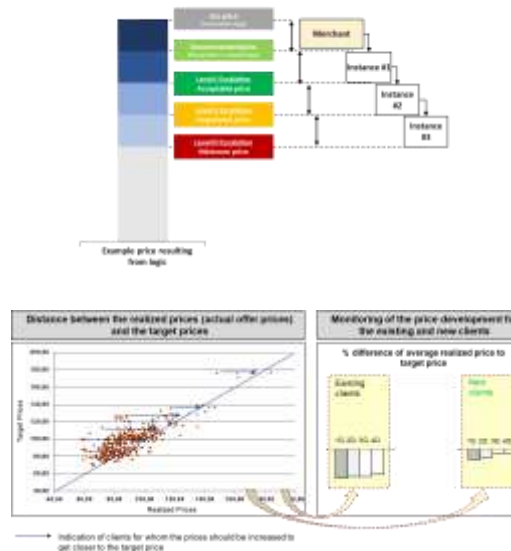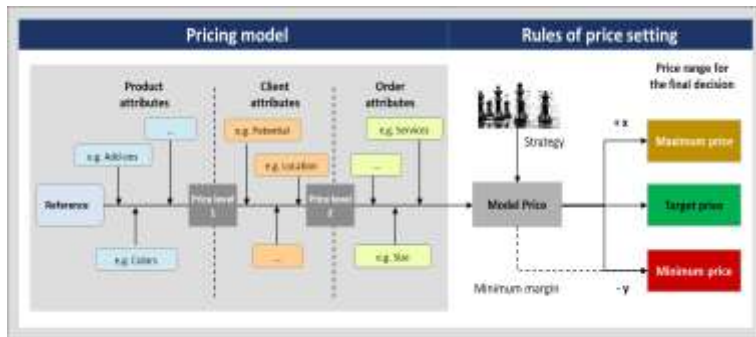
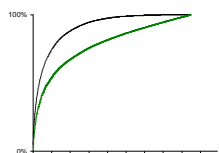# 3D – three-dimensional pricing logic (incl. price adjustment plan)
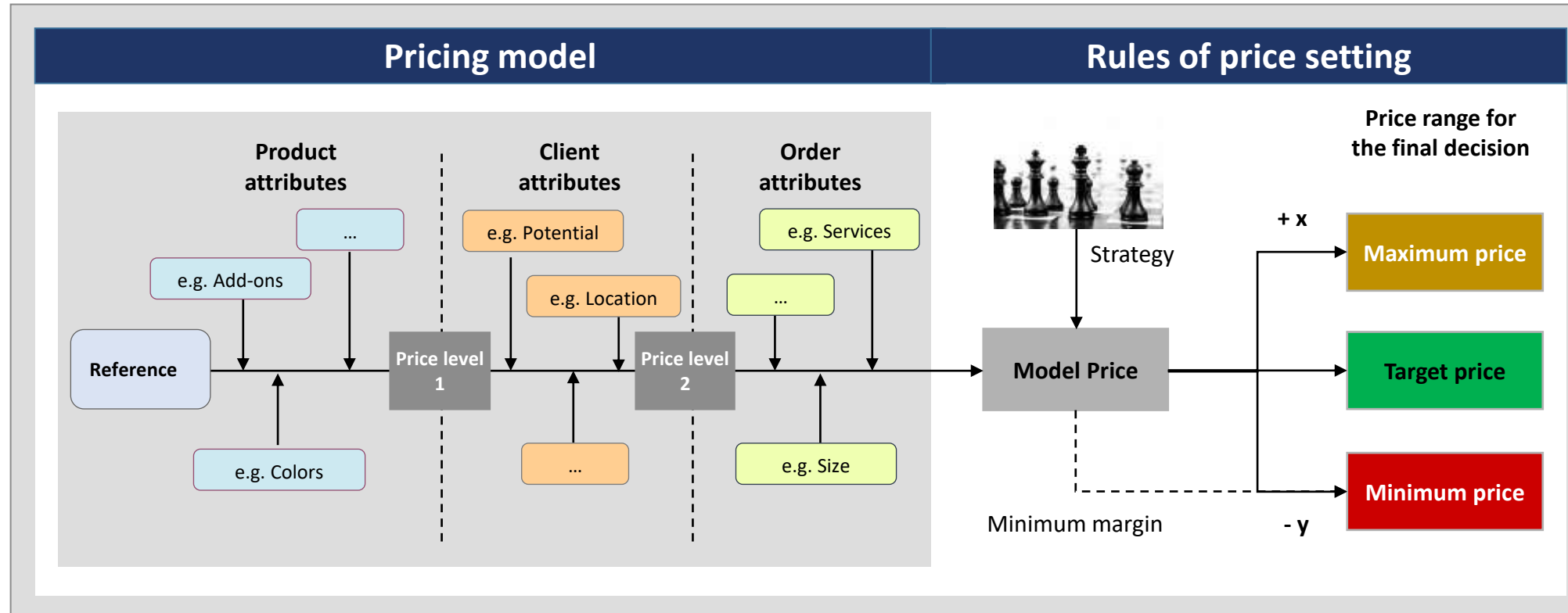
3D pricing logic example

Example from B2B industry

Product specific	Client specific	Order specific

Product specific

FEFCO Board Grade

Printing

Cutting

Gluing

Number of Outs

Surface

Number of machines in the production process

Client specific

100%

0%

Clients

Order specific

URGENT
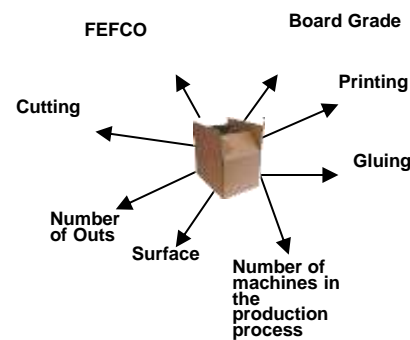
Price logic should reflect the value of the product as it is perceived by clients

Pricing logic should reflect differences between the clients and their willingness to pay
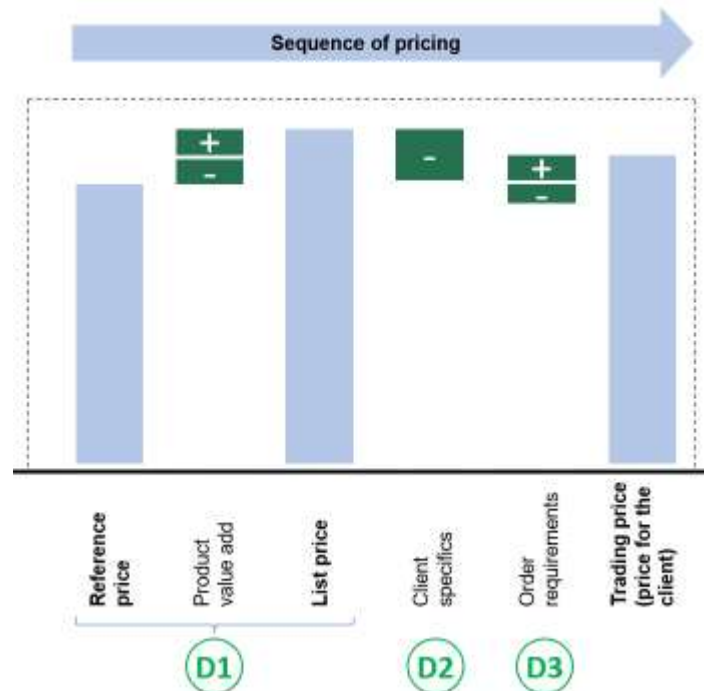
Pricing logic should include and differentiate elements of order and delivery

Complete formula 3D + 2C + BA -> full control of price waterfall
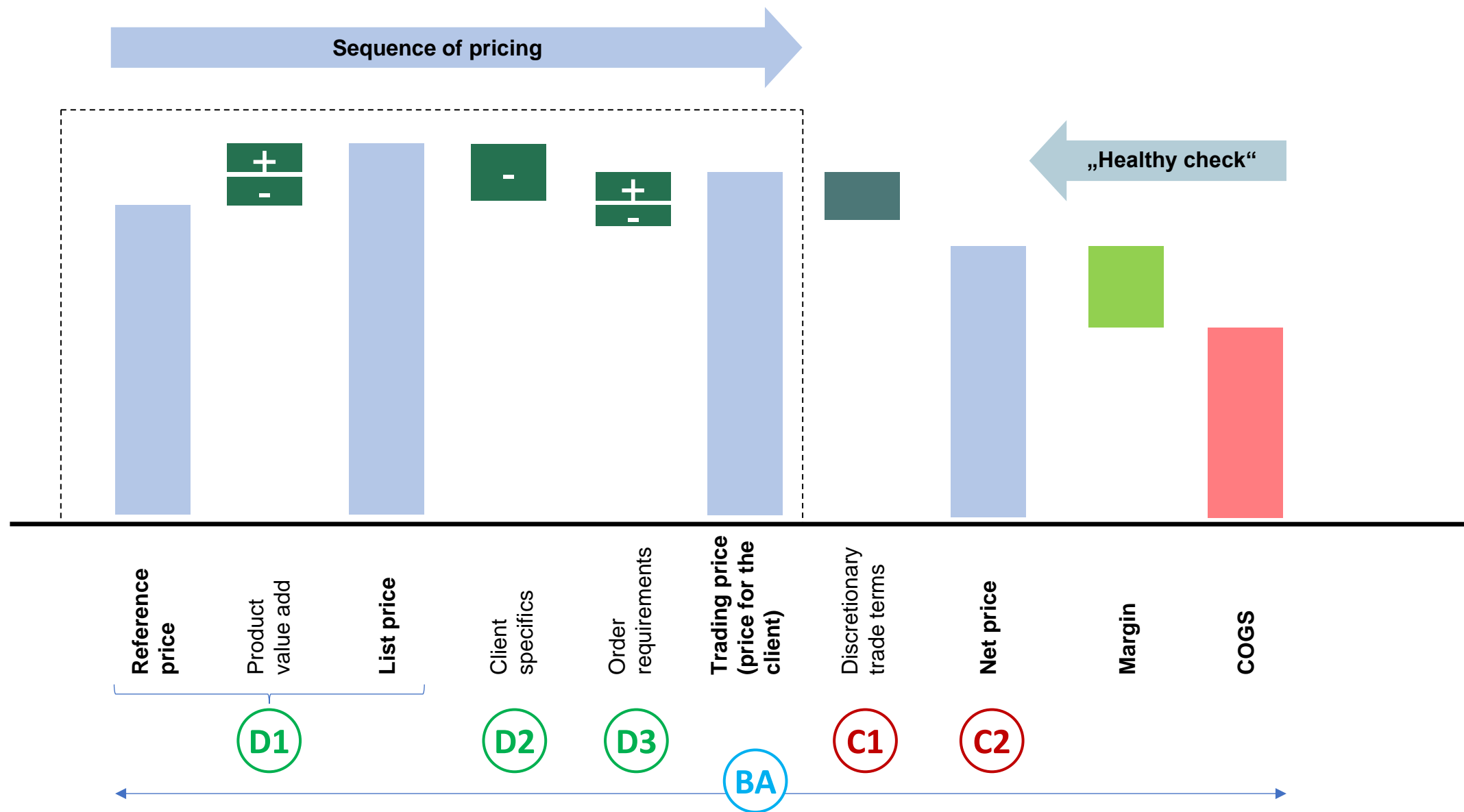
Complete formula 3D + 2C + BA -> full control of price waterfall
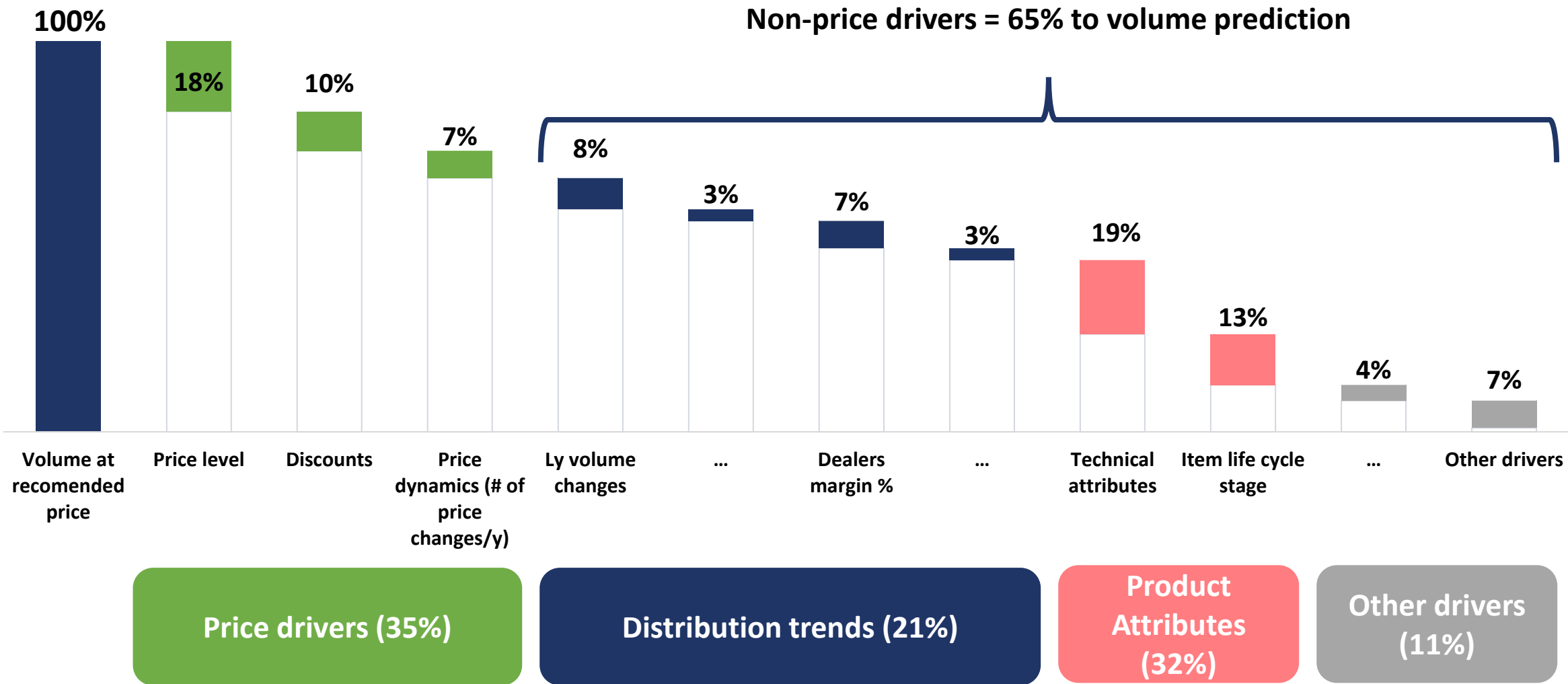# 3D part (3-dimensional pricing logic)

D1 Product logic

D2 Client logic/ channel logic

D3 Order/ VAS logic

Main objectives

- Extracting the value of the product
- Enabling agile price adjustments
- Ensuring process consistency

- Avoiding cross-channel conflict
- Incentive for B2B partners to cooperate and develop sales

- Motivating customers to increase purchases
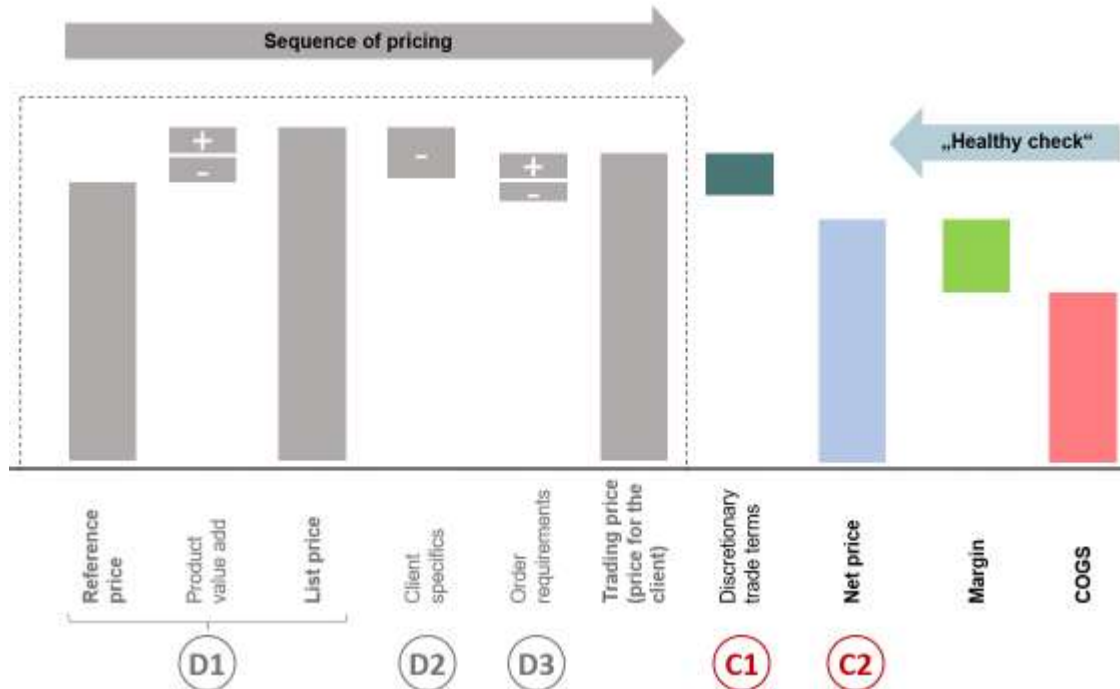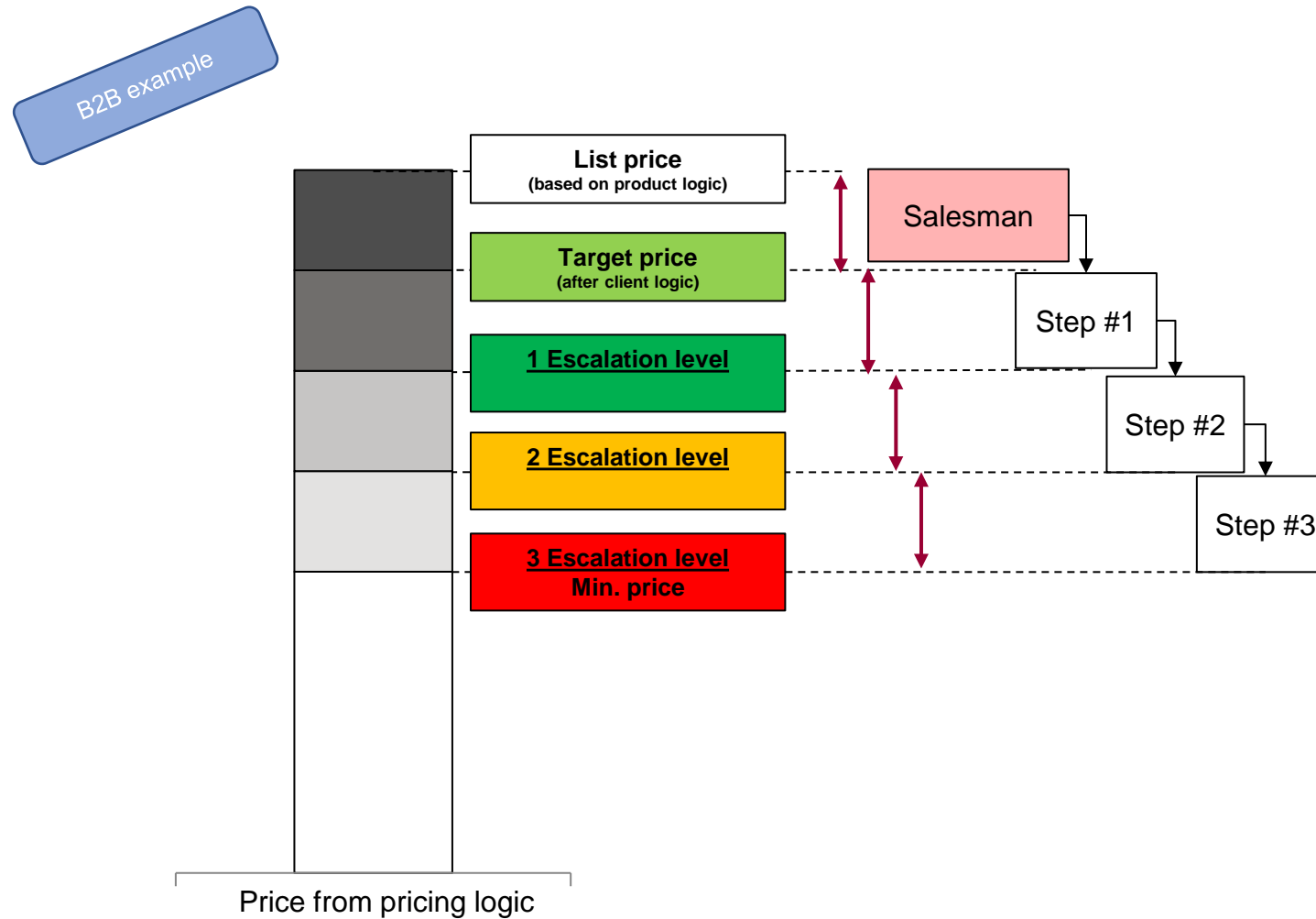- Rewarding for good behavior
- Protection against "giveaways"

Complete formula 3D + 2C + BA -> full control of price waterfall
2C part (2 key control mechanisms)

Sequence of pricing

Reference price | Product value add | List price | Client specifics | Order requirements | Trading price (price for the client) | Discretionary trade terms | Net price | Margin | COGS

D1 — D2 — D3 — C1 — C2

"Healthy check"

Main objectives

D1 — Product logic
- Extracting the value of the product
- Enabling agileprice adjustments
- Ensuring process consistency

D2 — Client logic/ channel logic
- Avoiding cross-channel conflict
- Incentive for B2B partners to cooperate and develop sales

D3 — Order/ VAS logic
- Motivating customers to increase purchases
- Rewarding for good behavior
- Protection against "giveaways"

C1 — Price exception escalation system
- Reducing margin leaks
- Shifting price negotiations within organization to negotiations with customers

C2 — Monitoring price effectiveness
- Identifying (potential) margin leaks
- Ability to react quickly and precisely

2C – control mechanism – price exceptions escalation

B2B example

| List price (based on product logic) |
| Target price (after client logic) |
| 1 Escalation level |
| 2 Escalation level |
| 3 Escalation level Min. price |

Salesman

Step #1

Step #2

Step #3

Price from pricing logic

Desing actionable pricing analytics to derive actionable insights for decision making

Icon	Type of Analysis	# of views	Example view	Dashboard for example view
	Overall Profitability	...	Price / Sales Waterfall	
	Product Profitability	...	Pareto Analysis	
	Customer Profitability	...	Customer Profitability Analysis	
	Sales Effectiveness for Pricing	...	Margin Variance Analysis	
	Adherence to Policies / Exceptions	...	Portfolio Pricing: Indicative Pricing Gaps	
	Enablers	...	Self Service, Simulation	

Project example

As a basic working principle, value lever hypotheses should drive the analyses - each analysis needs to translate into actions & impact

Data changed for confidentiality reasons

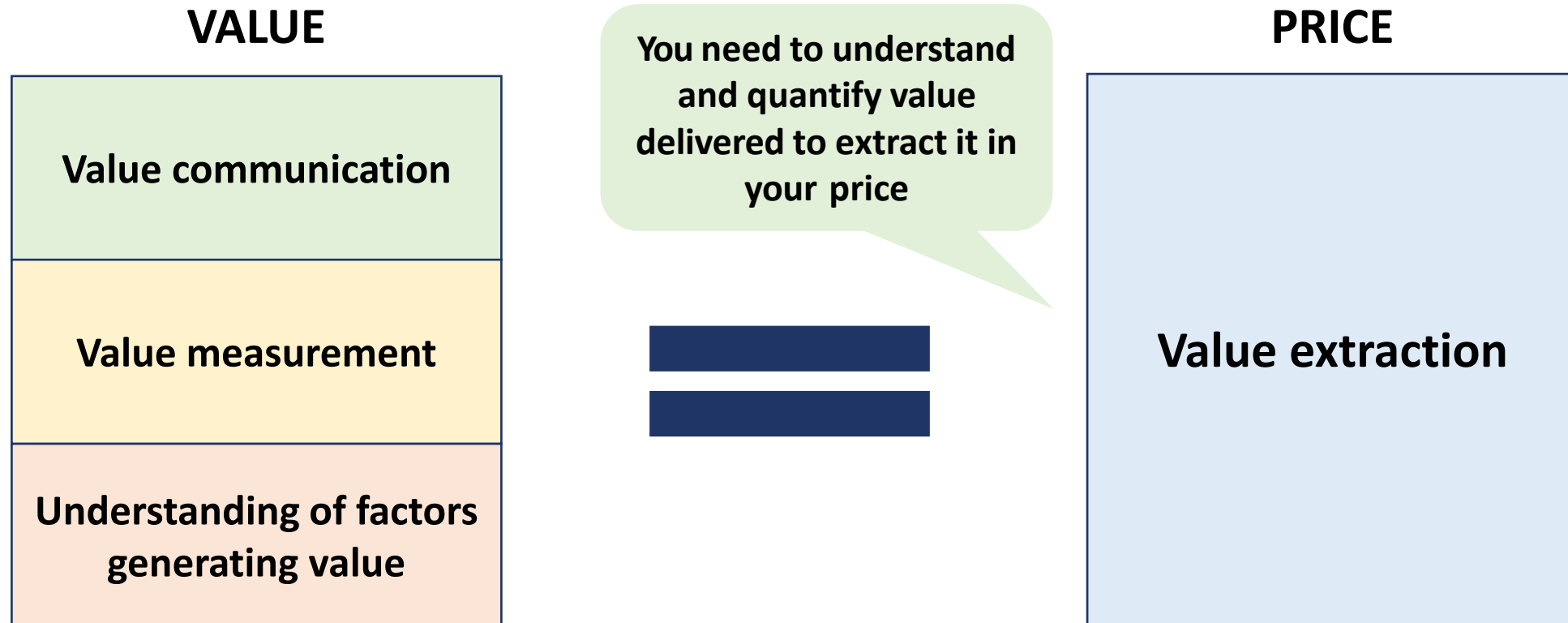# Complete formula 3D + 2C + BA -> full control of price waterfall
BA part (Benefit/ Value argumentation)

Main objectives

D1 Product logic
- Extracting the value of the product
- Enabling agileprice adjustments
- Ensuring process consistency

D2 Client logic/ channel logic
- Avoiding cross-channel conflict
- Incentive for B2B partners to cooperate and develop sales

D3 Order/ VAS logic
- Motivating customers to increase purchases
- Rewarding for good behavior
- Protection against "giveaways"

C1 Price exception escalation system
- Reducing margin leaks
  Shifting price negotiations within organization to negotiations with customers

C2 Monitoring price effectiveness
- Identifying (potential) margin leaks
- Ability to react quickly and precisely

How to measure and extract the value?

Willingness to pay reflects value delivered by a product/service.

VALUE

Value communication

Value measurement

Understanding of factors generating value

You need to understand and quantify value delivered to extract it in your price

PRICE

Value extraction

! Profit maximization is precise extraction of value delivered through optimal and competitive prices

Complete formula 3D + 2C + BA -> full control of price waterfall

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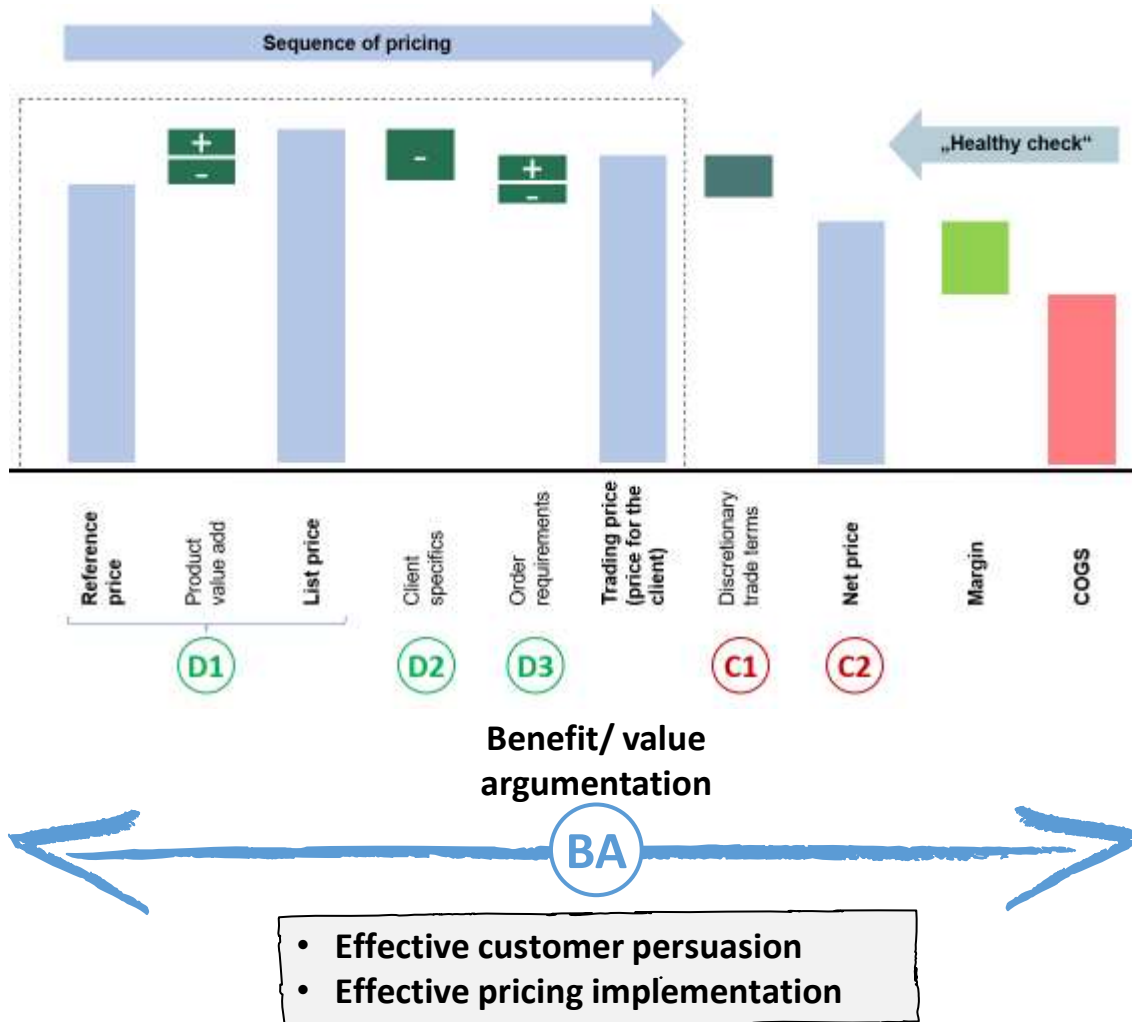- Identifying (potential) margin leaks
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Benefit/ value argumentation

- Effective customer persuasion
- Effective pricing implementation

What do you do?

Do nothing…

Do "something"…

Do it right…

Q&A....

There is always someone

willing to do it cheaper