

**Thanks for joining!**

**We will start the  
Masterclass in ~5 mins**



**“We need to do a little better job of hitting our target.”**

**THE CUBE** By  
Monevate  
THE MONETIZATION COMMUNITY FOR XaaS LEADERS



Monevate

# Objective Setting & Strategy Alignment

Masterclass Presented by James Wilton on May 13<sup>th</sup>, 2024



# Today's Session

- 1 Overview of Monetization Masterclasses (2 min.)
- 2 Introduction to Topic (5 min)
- 3 [Case Study (30 min.)
- 4 [Discussion / Q&A] (15 min.)
- 5 Upcoming News (2 min.)

# Overview of Monetization Masterclasses

## Overview:

Welcome to our bi-weekly Masterclass series on XaaS pricing and packaging!

## Today's Topic

*Objective Setting & Strategy Alignment*

## Rough Agenda

- Min. 5 – 35 – Review Core Principals & Cases
- Min. 35 – 55 – Q&A
- Min 55 – 60 – News + Wrap Up

## Masterclass Norms

*Masterclasses are not intended to be “webinars” – they are content-facilitated discussion groups*

- Please be “on camera” if you are able to be
- Raise your hand to ask a question or raise a point



- If you are not able to speak live, send questions in the Zoom chat



# Session 4: Objective Setting & Strategy Alignment

Theme: Price Orientation

*Today's Theme*



Topic: Objective Setting & Strategy Alignment

## Why is this topic important?

Corporate business objectives are our team's "north star" when it comes to pricing strategy. By aligning your leadership team on what the whole business is working to accomplish, smaller decisions get easier, and pricing can be designed to succeed cross-functionally.

## Goals of the session:

- Understand why **business objectives should be a key driver of your pricing strategy**
- Learn how to run an **objectives workshop** to help prioritize your objectives

## Today's objectives

1. Understand why **business objectives should be a key driver of your pricing strategy**
2. Learn how to run an **objectives workshop** to help prioritize your objectives



# Of the 4 “lenses” of pricing strategy, Objectives is the one most frequently forgotten about

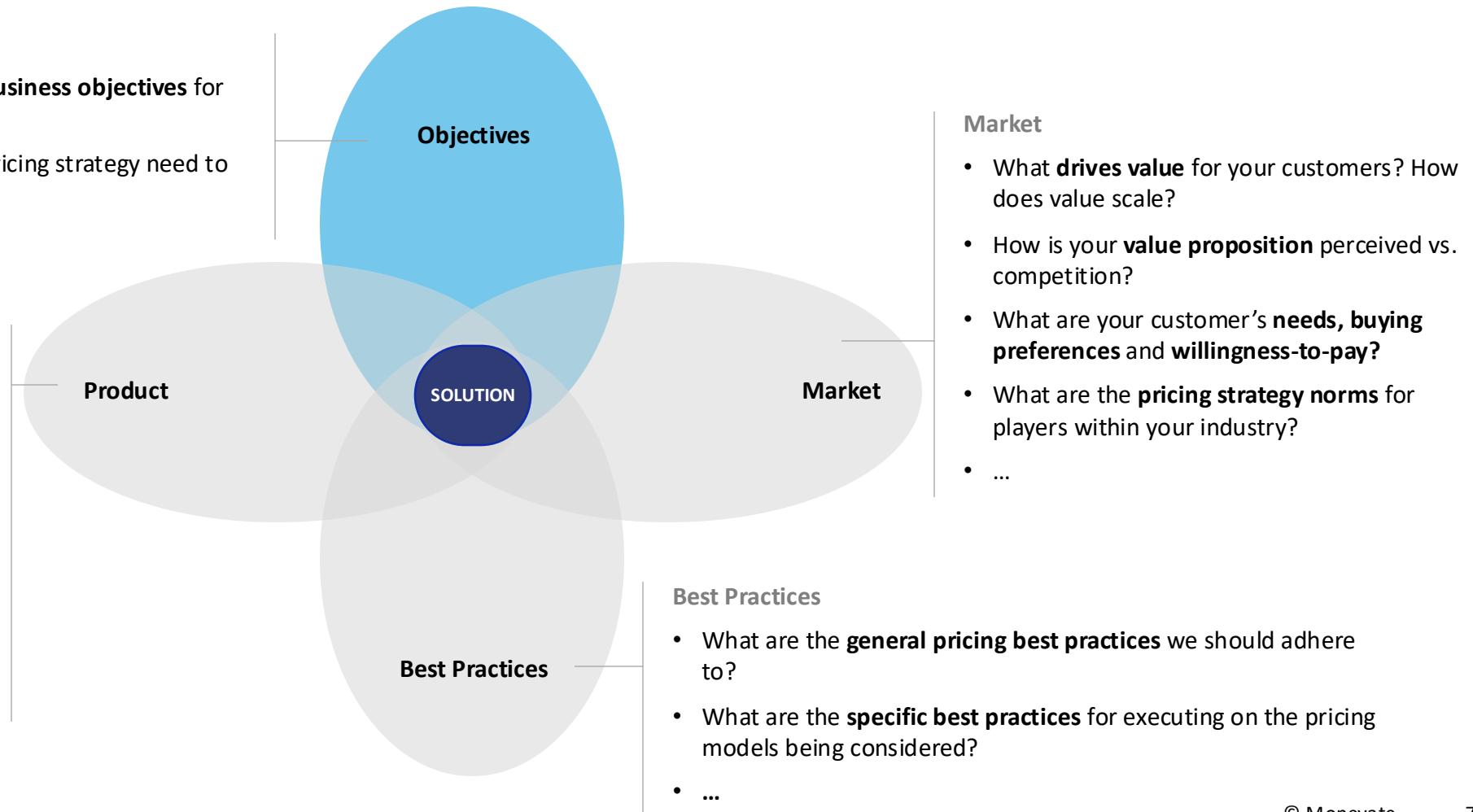
## Pricing Strategy Lenses

### Objectives

- What are your **company and line of business objectives** for the next 1-3 years?
- What **business strategies** does your pricing strategy need to support?
- ...

### Product

- What are your product's **key capabilities and features** that can be monetized?
- What is your **value proposition** vs. competition?
- What **product constraints** could impact your monetization approach?
- How do your **costs** scale?
- ...



**Different  
Business  
Objectives**

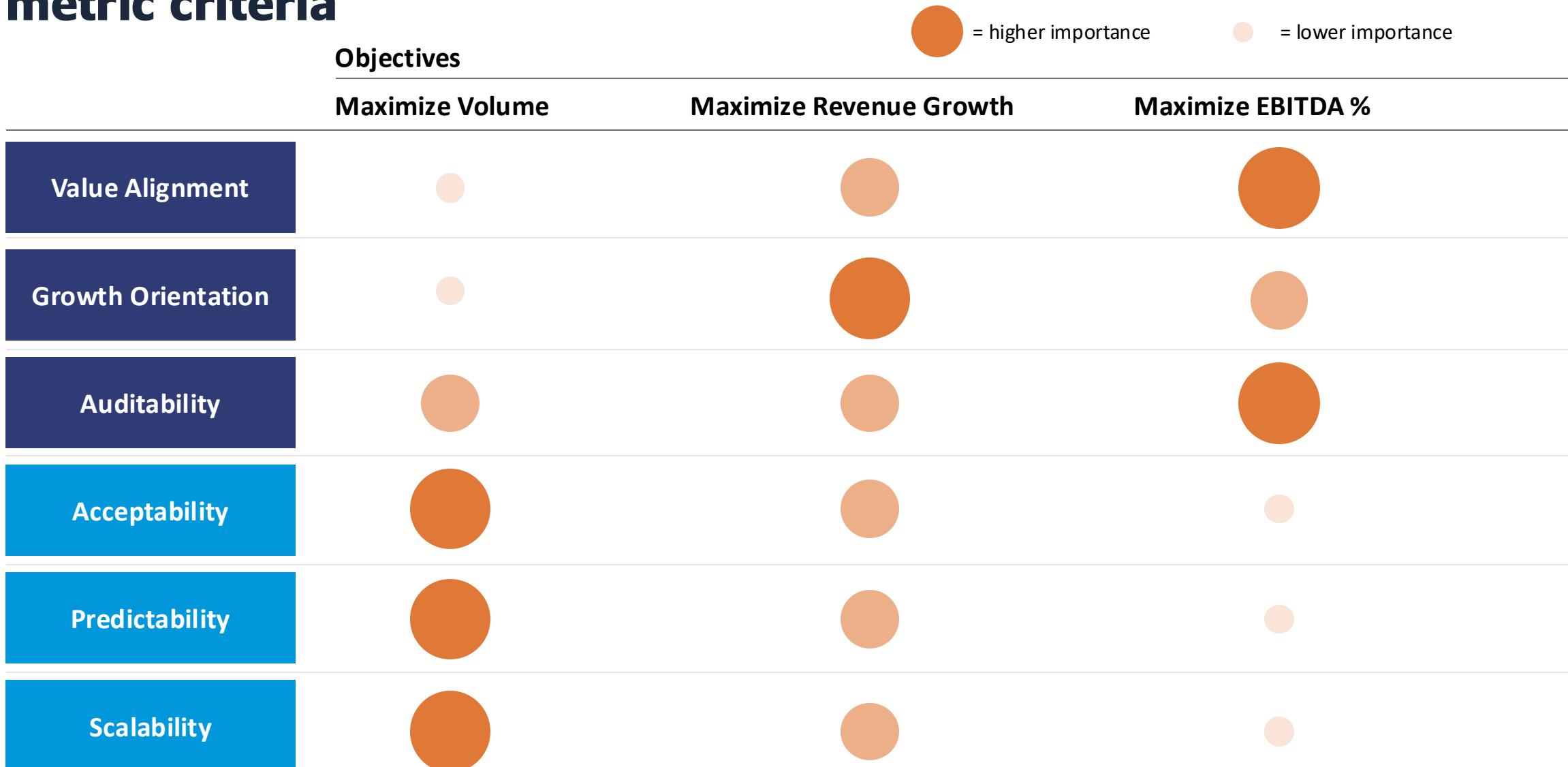


**Different  
Pricing  
Strategies**

# Example: How would you price your product in these situations?

	Company A	Company B
<b>Main Objective</b>	Maximize Customer Acquisition	Maximize Profit Margin
<b>Price Level</b>	Low	High
<b># of Choices</b>	Few	Many
<b>Transparency</b>	Transparent	Opaque
<b>Price increase policy</b>	None	High / Every year

# Your objectives can shape the relative importance of your price metric criteria



# ... and objectives can influence your style of packaging

If you have an objective to...

...then consider this motif

---

*...make sure all customers access a set of features that unlock the value of our offering*



A **base package** ensures all customers have the same product entry point

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*...cover the costs of services or features that are expensive to provide*



**Add-ons** can be used to monetize high value features that not everyone needs

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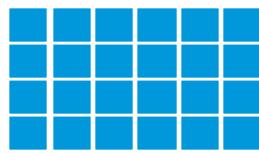
*...monetize distinct use cases*



**Modules** allow you to optimize packages for segments with different use cases

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*...drive profitability across a granular set of features and maximizing customer choice*



**A la carte** packaging lets your customers to choose exactly what they need and are willing to pay for

---

*...maximize the rate of customer acquisition*



**Simple packaging** will make it easier to make a buying decision

**It is unlikely you will have only one objective**

**You will likely have multiple**  
**They may pull in different directions**

**You may need to “trade off” one objective for another**



**It is critical to get alignment on the prioritized set of objectives before you begin to build a pricing strategy**

## **Introduce objective setting process:**

- (1) brainstorm** possible objectives
- (2) rationalize & categorize** them into a hierarchy
- (3) prioritize** them

# Example: Output of Brainstorming

## Objectives

- Increase revenue growth by 15%-25%
- De-risking the business (i.e. predictable multi-year revenue)
- Improve customer experience / NPS (Including implementation/services)
- Develop pricing and a sales motion that leads with simplicity
- Use packaging and price metrics that supports organic growth
- Price correctly to value and competition
- Pricing correctly based on margin
- Optimize pricing for the full life cycle of the customer
- Construct a user and usage-based pricing model
- Price based on the future of products
- Consider the technical and commercial ramifications of pricing changes
- Packaging & pricing of plug-ins
- Structuring discretionary discounting
- Increasing share of wallet for existing customers
- Increase market share
- Drive customer awareness of all products



# It is useful to establish a hierarchy of the objectives once gathered

## Level 1

### ***Top Line Objectives***

Grow revenue by X%

Maximize profitability

Maximize number of paid users

Keep EBITDA margin above 40%

...

## Level 2

### ***Enabling Objectives***

Maximize ACV

Minimize churn

Grow new customers ACV rapidly

Maximize customer acquisition rate

Maximize upsell rate

...

## Level 3

### ***Pricing Objectives***

Set list price high

Create low price entry point

Incorporate a growth-oriented metric

Micro-upsells in packaging

Price Structure = Super Simple

...

# Surveying your stakeholders (or other offline feedback) is an effective way to get alignment on the relative priorities

Objectives Bank
✓ Increase ARR
✓ Improve customer experience / NPS
✓ Improve Margin \$
✓ Increase market share and product adoption
✓ Increase cross-sell among current customers
✓ Improve revenue stability
✓ Reduce churn risk
✓ Expand partner sales
✓ Improve brand recognition
✓ Recapture discount dollars from current customers
✓ Structuring discount practices



All Respondents <sup>1</sup>	ELT <sup>2</sup>
Points	Points
32 (13 votes)	35 (4 votes)
23 (9 votes)	20 (1 vote)
22 (7 votes)	25 (2 votes)
17 (10 votes)	12,5 (2 votes)
16 (10 votes)	18 (3 votes)
Total	100
	100

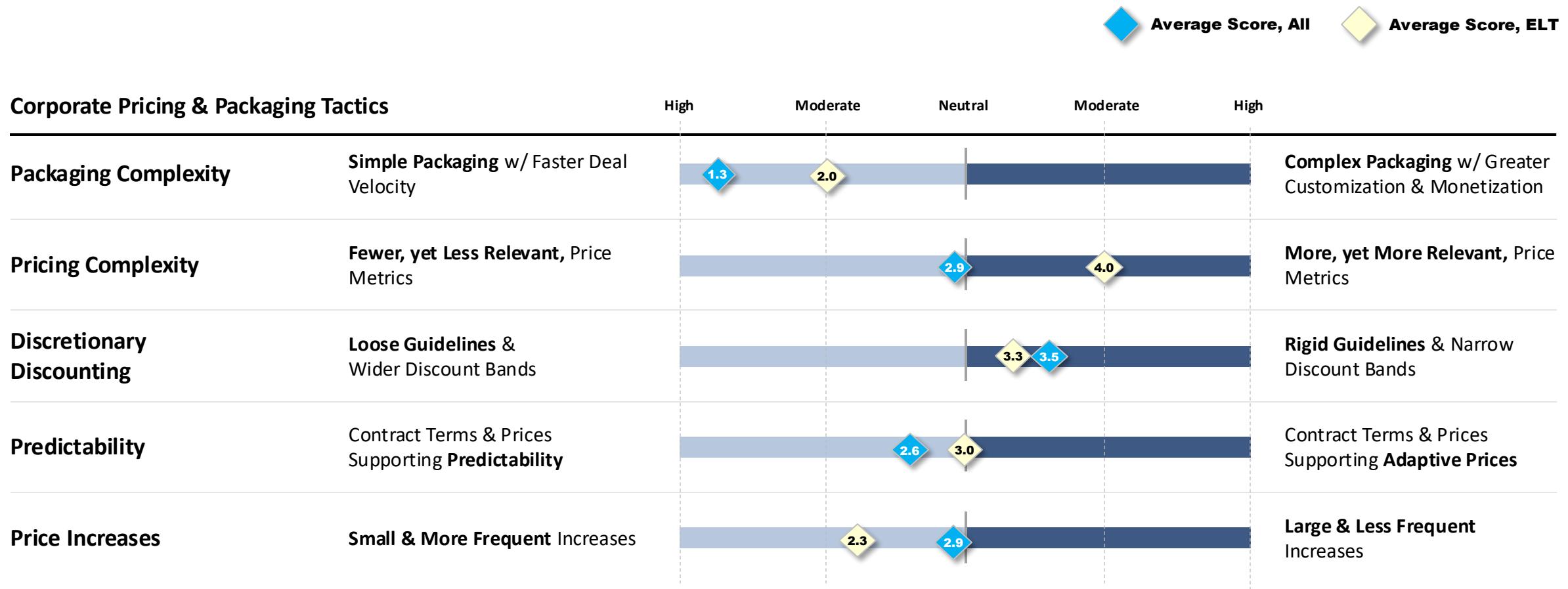
The pricing and packaging strategy will be Designed to support these key objectives



1. Survey includes 14 total respondents. Top six and seven objectives were Improve Margin (5 votes) and Improve Brand recognition (4 votes) other top 5 contenders

2. Survey includes 4 ELT respondents. Top 5 ELT selections include Increase ARR, Increase Market share and Product Adoption, Expand Partner Sales, Improve Brand Recognition

# You can choose to get quite granular on pricing objectives



Tactics should align to objectives and will be leveraged alongside market research findings to define the pricing strategy



\*Aligning on sales timing will play a role in determining relevant packaging and potential bundles in phase 3 (Building Pricing Strategy)

# Objectives can be translated into Design Principles that can be used to evaluate your proposed pricing strategy

## Design Principles

Emerging Pricing Strategy Direction	Design Principle	Note
<p><i>Packaging with...</i> <i>All access offerings/platform or pre-determined bundles</i></p>	<ul style="list-style-type: none"><li>1 Simplifies packaging complexity for customers</li><li>2 Encourages purchase of more than one product</li><li>3 Drives cross sell for best-in-class products</li><li>4 Aligns products and features to customer needs</li><li>5 Offers relevant recommendations that align with customer's needs</li></ul>	<p>Design principles should also be reflective of:</p> <ul style="list-style-type: none"><li>• <b>Market Factors</b> – customer preferences, needs, willingness-to-pay etc.</li><li>• <b>Product Factors</b> – technological constraints, costs to serve etc.</li><li>• <b>General best practices</b></li></ul>
<p><i>Pricing Architecture that...</i> <i>Monetizes high usage API, Product 2, and Product 1 customers..</i></p> <p><i>and prices Product 3 &amp; Product 4 by user...</i></p>	<ul style="list-style-type: none"><li>6 Leverages multiple price metrics to increase relevancy</li><li>7 Monetizes customers with high usage</li><li>8 Aligns discount structure with SSP</li><li>9 Creates price predictability for customers</li><li>10 Charges for API consumption</li></ul>	
<p><i>Prices that...</i> <i>Maintain current price levels while creating more discount structure</i></p>	<ul style="list-style-type: none"><li>11 Maintains current price levels</li><li>12 Prices products to increase market penetration</li></ul>	

# What did we learn?

## Key Takeaways:

1. **Objectives should be a key driver of your pricing strategy.** Different objectives = different pricing strategies
2. Usually, you will have multiple objectives that may “**pull in different directions.**” You have to **trade off**, which requires **prioritization**
3. **There is a practical process to objective setting**
  1. brainstorm possible objectives
  2. rationalize & categorize into a hierarchy
  3. assign relative importance
4. **Objectives can be translated to design principles** which can be used to guide pricing strategy.



**We have 2 spots left for office hours  
next Thursday, and our next masterclass  
topic will be objective setting**

**Upcoming Events:**

**Thursday, May 23<sup>rd</sup>:** Office Hours

**Monday, June 3rd:** Monetization Masterclass *<- New Time: 12pm EST!*

**Next Topic: *Guest Speaker***

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session:**



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**Thank you!**

