

Thanks for joining!

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



THE CUBE By Monevate
THE MONETIZATION COMMUNITY FOR XAAS LEADERS



Objective Setting & Strategy Alignment

Masterclass Presented by James Wilton on May 13th, 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

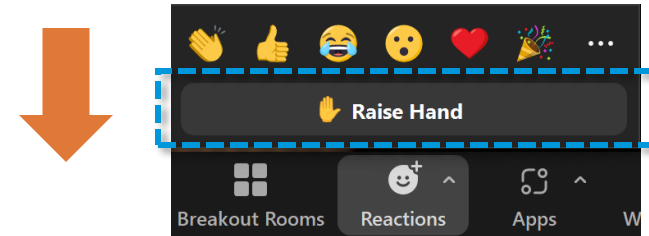
Rough Agenda

- 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

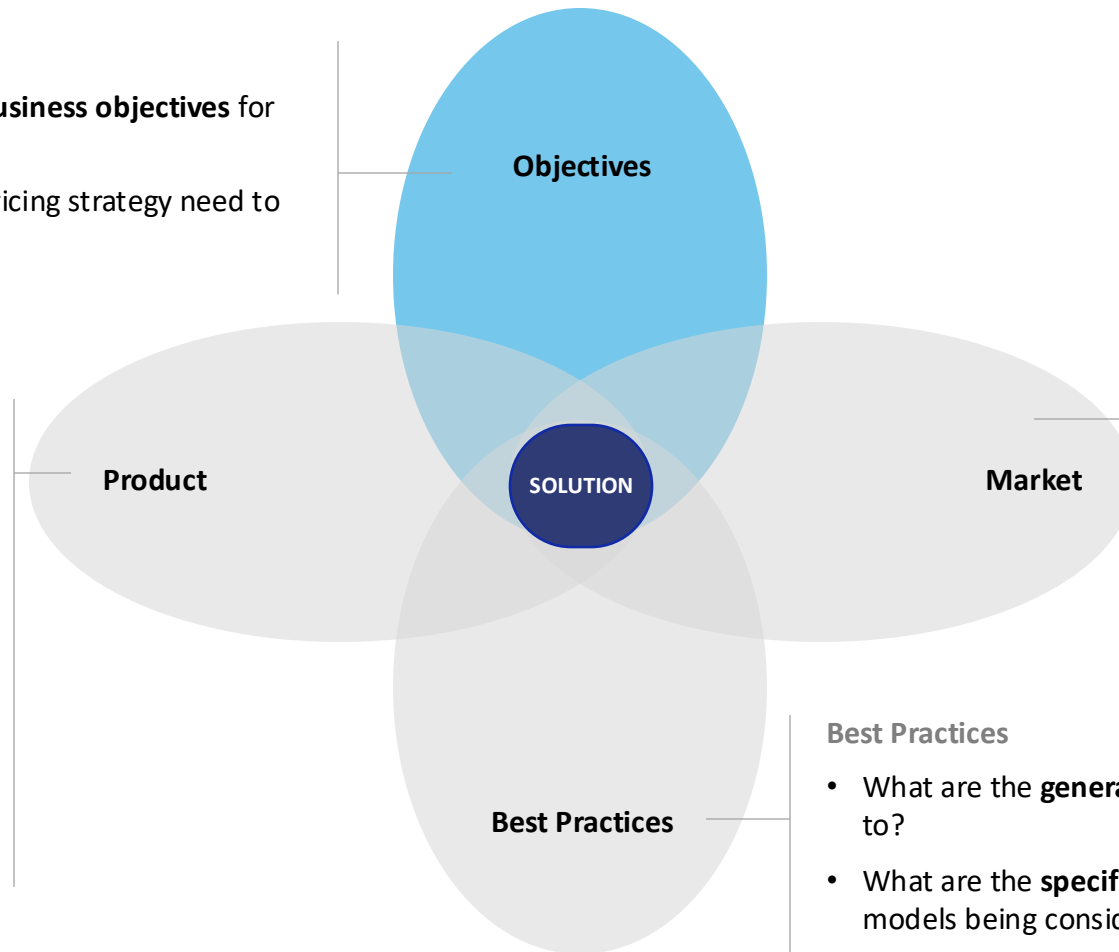
- What are your product's **key capabilities and features** that can be monetized?
- What is your **value proposition** vs. competition?
- What **product constraints** could impact your monetization approach?
- How do your **costs** scale?
- ...

Market

- What **drives value** for your customers? How does value scale?
- How is your **value proposition** perceived vs. competition?
- What are your customer's **needs, buying preferences** and **willingness-to-pay**?
- What are the **pricing strategy norms** for players within your industry?
- ...

Best Practices

- What are the **general pricing best practices** we should adhere to?
- What are the **specific best practices** for executing on the pricing models being considered?
- ...



**Different
Business
Objectives**



**Different
Pricing
Strategies**






















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

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



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

 = higher importance  = lower importance

Objectives			
	Maximize Volume	Maximize Revenue Growth	Maximize EBITDA %
Value Alignment			
Growth Orientation			
Auditability			
Acceptability			
Predictability			
Scalability			



... 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

...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

...monetize distinct use cases



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

...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 <i>Top Line Objectives</i>	Level 2 <i>Enabling Objectives</i>	Level 3 <i>Pricing Objectives</i>
Grow revenue by X%	Maximize ACV	Set list price high
Maximize profitability	Minimize churn	Create low price entry point
Maximize number of paid users	Grow new customers ACV rapidly	Incorporate a growth-oriented metric
Keep EBITDA margin above 40%	Maximize customer acquisition rate	Micro-upsells in packaging
...	Maximize upsell rate	Price Structure = Super Simple



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

Objectives Bank
<ul style="list-style-type: none">✓ 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



Increase ARR

Improve customer experience / NPS

Expand partner sales

Increase cross-sell among current customers

Increase market share and product adoption

Total

All Respondents¹

Points
32 (13 votes)
23 (9 votes)
22 (7 votes)
17 (10 votes)
16 (10 votes)
100

ELT²

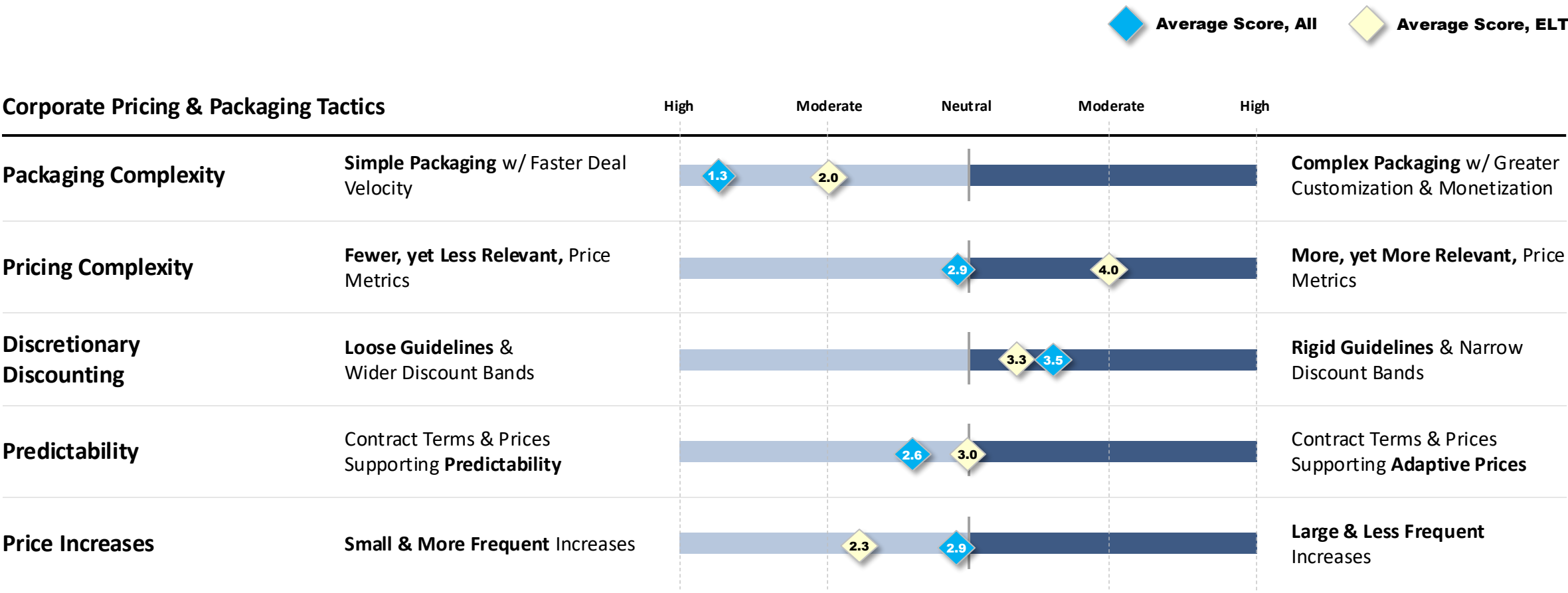
Points
35 (4 votes)
20 (1 vote)
25 (2 votes)
12,5 (2 votes)
18 (3 votes)
100

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

Packaging with...
All access offerings/platform or pre-determined bundles



Design Principle

- 1 Simplifies packaging complexity for customers
- 2 Encourages purchase of more than one product
- 3 Drives cross sell for best-in-class products
- 4 Aligns products and features to customer needs
- 5 Offers relevant recommendations that align with customer's needs

Pricing Architecture that...
Monetizes high usage API, Product 2, and Product 1 customers..



- 6 Leverages multiple price metrics to increase relevancy
- 7 Monetizes customers with high usage
- 8 Aligns discount structure with SSP
- 9 Creates price predictability for customers
- 10 Charges for API consumption

Prices that...
Maintain current price levels while creating more discount structure



- 11 Maintains current price levels
- 12 Prices products to increase market penetration

Note

Design principles should also be reflective of:

- **Market Factors** – customer preferences, needs, willingness-to-pay etc.
- **Product Factors** – technological constraints, costs to serve etc.
- **General best practices**



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 23rd: Office Hours

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

Next Topic: *Guest Speaker*

Rate today's session:



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Thank you!

