

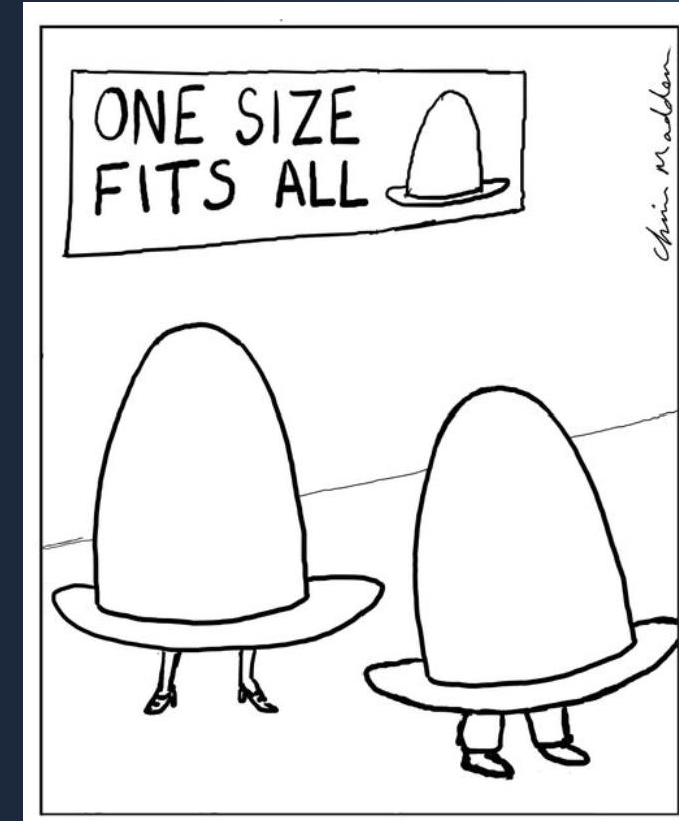
Building Differentiated Packages

Masterclass Presented by James Wilton on April 29th, 2024



Thanks for joining!

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



THE CUBE By Monevate
THE MONETIZATION COMMUNITY FOR XAAS LEADERS

Overview of Monetization Masterclasses

Overview:

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

Today's Topic

Building Differentiated Packages

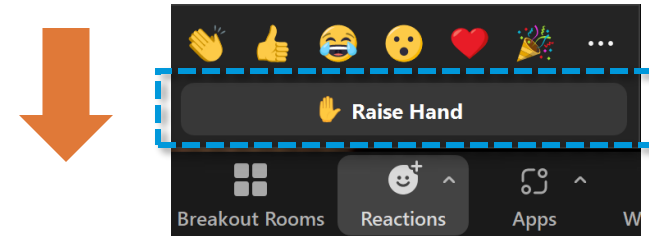
Rough Agenda

- 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**



Today's Session

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



Today we will be discussing how to optimize packages to meet varying customer needs and maximize revenue

Theme: **Packaging**



Topic: **Package Differentiation**

Goals of the session:

- ✓ Understand the **potential upside** of producing packages in SaaS monetization (as opposed to “one size fits all”)
- ✓ **Learn how to use the feature matrix** to get a great starting point for designing SaaS packages
- ✓ Understand how to apply **package design best practices** to feature classification to create packages that work



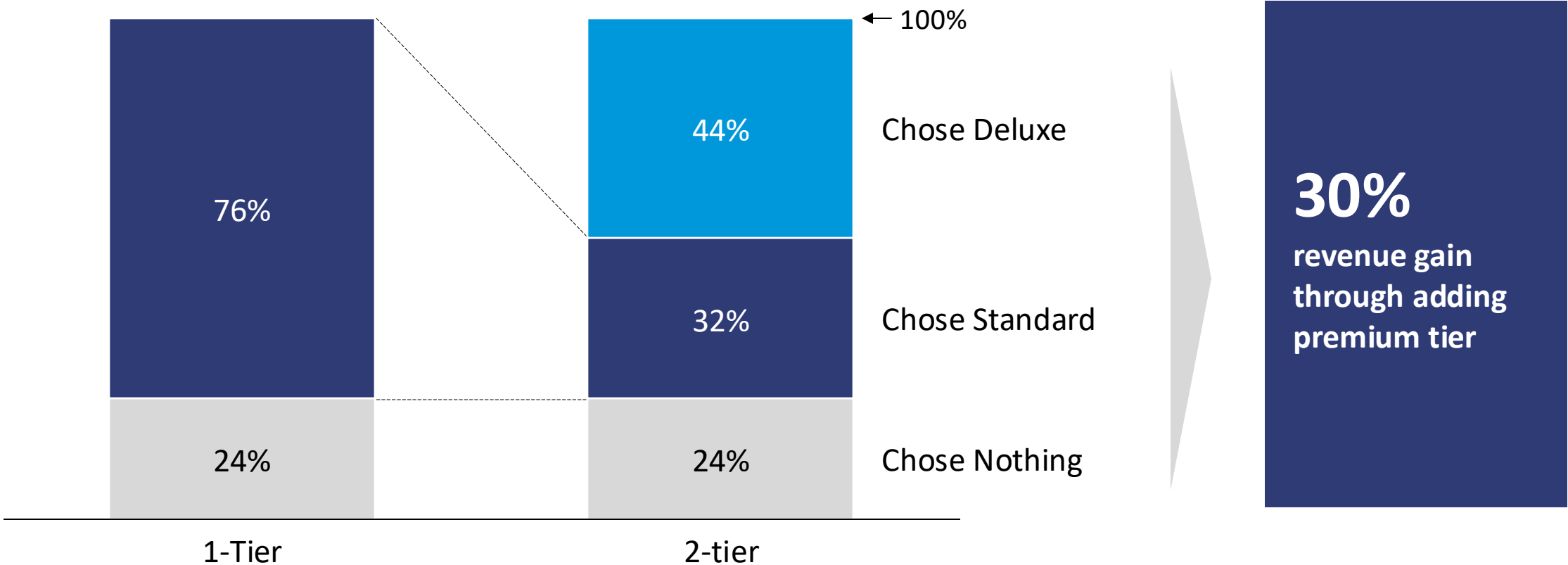
The primary objective of Packaging is

Price Differentiation



The upside is clear – adding a tier to a monolithic packaging offering can add 30% revenue

Case Study: % buyers choosing “Standard” and “Deluxe” packages in 1-tier & 2-tier system
Subscription Box company, Market research



The key to producing effective packages is

Customer Segmentation

Understand how needs and willingness-to-pay varies across segments



Use research to understand how each segment thinks about each feature

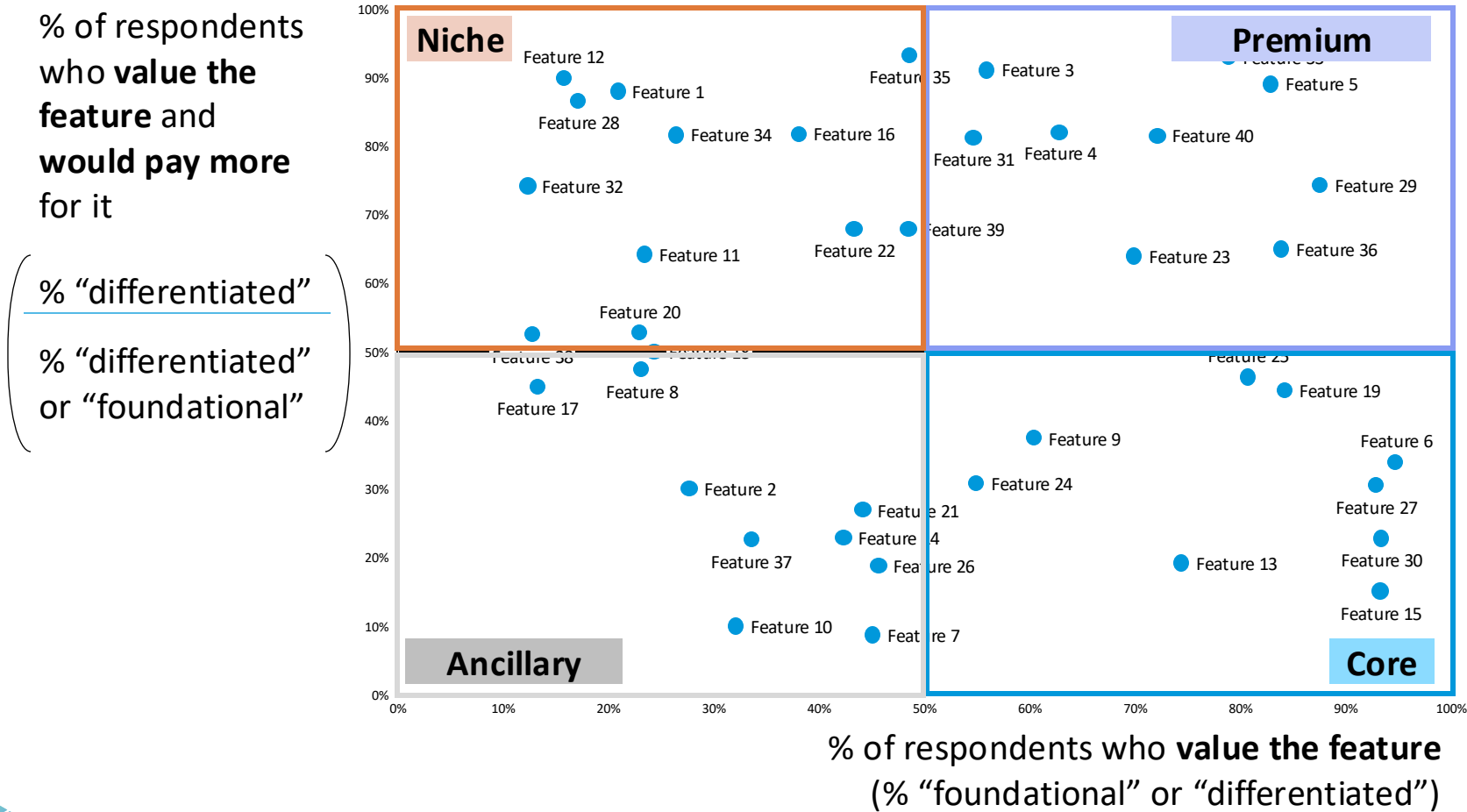
Ask your respondents how they would classify each feature:

- A. **Not useful** – this feature **would not provide any meaningful value** to you or your organization
- B. **Nice to have** – this feature could offer some value, but it **would not influence a buying decision**
- C. **Foundational** – this is an **essential feature** that you would look to any product that you purchased in this category to include as standard
- D. **Differentiated** – this is a **distinctive feature** that exceeds your base expectations, and that adds sufficient additional value that **you would consider paying extra for** it if it didn't come as standard
- E. **Too much** – this is a value-added feature, but **goes beyond what you would ever need**



Use a feature matrix to classify each feature at the segment level

Feature Categorization Matrix



Core

- Widely valued; not differentiated
- **Place in lower/base tiers**

Premium

- Widely valued; highly differentiated
- **Place in higher/premium tiers**

Niche

- Not widely valued; highly differentiated
- **Monetize separately as add on**

Ancillary

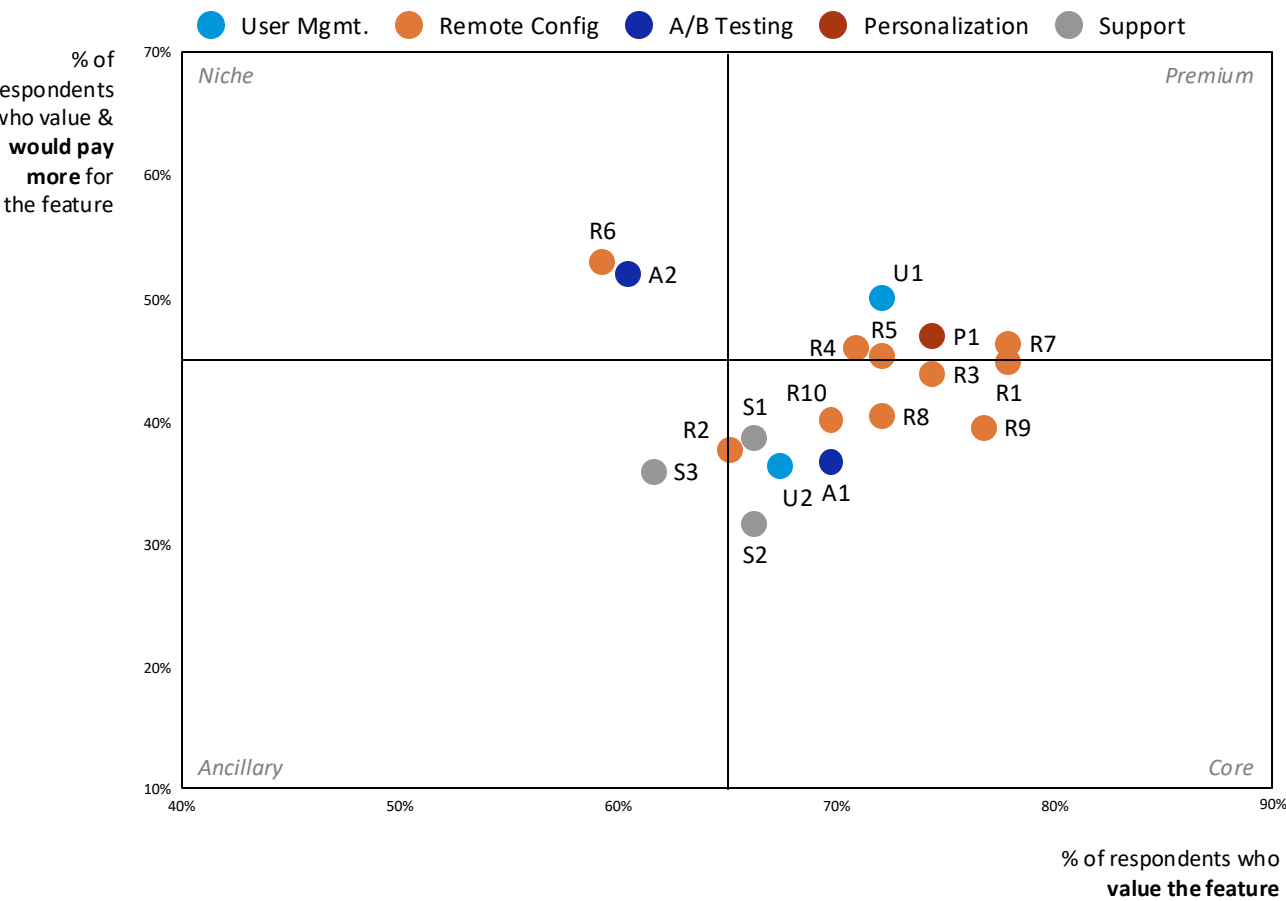
- Not widely valued; not differentiated
- **Either do not include, or do not mention**



Example: Real life client research informs tiering (2 of 2)

Feature Management & Experimentation – Feature Matrix

SMB Customers, N = 86



Category	ID	Feature Name	Classification
User Mgmt.	U1	Console access control (SSO & VPN Requirements)	Premium
	U2	Parameter level access control	Core
Remote Config	R1	Web app support	Core
	R2	Multiple Product 1 templates per project	Core
	R3	Feature rollout stability metrics	Premium
	R4	Server-side configuration	Premium
	R5	Managed Workflows	Premium
	R6	API access for fetching configuration	Niche
	R7	Source control integration	Premium
	R8	CI/CD Integration	Core
	R9	Integration with in-house or 3rd party analytics tools	Core
	R10	Client metrics	Core
A/B Testing	A1	Granular experiment / rollout data export	Core
	A2	API access for managing experiments	Niche
Personalization	P1	Personalized app experiences using ML	Premium
Support	S1	Dedicated technical account manager	Core
	S2	Dedicated customer success manager	Core
	S3	Private technical support channel	Ancillary

- SMB customers **found several features (47%) to be premium or niche**, which have potential to further incentivize a paid tier.
- Premium features included SSO, Rollout stability metrics, server-side config, managed workflows, source control integration, and personalization



Note: Feature classifications have been adjusted for features that are near the border of different classifications based on ENS interview feedback and competitor desk research

Example: Real life client research informs tiering (2 of 2)

Feature Management & Experimentation – Feature Matrix Summary

Category	ID	Feature Name	Feature Status	Segment	
				SMB N = 86	Enterprise N = 51
User Mgmt.	U1	Console access control (SSO & VPN Requirements)	Prospective	Premium	Ancillary
	U2	Parameter level access control	Roadmap	Core	Core
Remote Config	R1	Web app support	Current / Prospective	Core	Ancillary
	R2	Multiple Product 1 templates per project	Roadmap	Core	Core
	R3	Feature rollout stability metrics	Roadmap	Premium	Core
	R4	Server-side configuration	Roadmap	Premium	Ancillary
	R5	Managed Workflows	Roadmap	Premium	Core
	R6	API access for fetching configuration	Prospective	Niche	Core
	R7	Source control integration	Prospective	Premium	Core
	R8	CI/CD Integration	Current	Core	Core
	R9	Integration with in-house or 3rd party analytics tools	Current / Prospective	Core	Premium
	R10	Client metrics	Roadmap	Core	Core
A/B Testing	A1	Granular experiment / rollout data export	Current	Core	Core
	A2	API access for managing experiments	Prospective	Niche	Premium
Personalization	P1	Personalized app experiences using ML	Current	Premium	Premium
Support	S1	Dedicated technical account manager	Prospective	Core	Core
	S2	Dedicated customer success manager	Prospective	Core	Core
	S3	Private technical support channel	Prospective	Ancillary	Niche

Tier 1 Base SMB	Tier 2 Base Ent/ Prem. SMB.	Tier 3 Prem. ENT	Add ons
	✓	✓	
✓	✓	✓	
✓	✓	✓	
	✓	✓	
	✓	✓	
	✓	✓	
	✓ ?	✓	
	✓	✓	
✓	✓	✓	
?		✓	+
✓	✓	✓	
✓	✓	✓	
		✓	+
		✓	
✓	✓	✓	
✓	✓	✓	
			+



When assembling final packages, it is important to ensure that each package provides clear, differentiated value

Packaging Best Practices

★ **Features** within a package should be....

Similarly Differentiated

- ✓ Base packages primarily contain “core” features
- ✓ Higher tiers or optional modules contain mostly “premium” features
- ✓ Add-ons should include just 1-2 “niche” features (and are only be combined if they are frequently valued together)

&

Related

- ✓ Should address a **single or concise group of use cases**
- ✓ Should all be **valued by the target buyer** of the package

★ Each **package** should be...

Internally Consistent

- ✓ Should tell a **clear story** – who is this package for, and what does it allow them to do
- ✓ Should only include components that are **consistently needed**
- ✗ Should not be “messy” or a “catch all”

&

Compelling

- ✓ Should provide “**stand alone**” value
- ✓ Should be **highly valuable** to *at least one customer segment* (and for base packages, this may necessitate having a few “premium” features)

★ The **total set** of packages should be....

Mutually Exclusive

- ✗ Should not contain overlap in features of offerings *unless* the packages that overlap cannot be purchased together



The differences in feature classification across segments can also inform packaging style decision

Customers with higher willingness-to-pay value *more* features



Good, Better, Best
(Tiered)

Customers with higher willingness-to-pay value *different* features



Modular



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

Upcoming Events:

Thursday, May 9th: Office Hours

Monday, May 13th: Monetization Masterclass <- *New Time: 12pm EST!*

Next Topic: *Objective Setting & Strategy Alignment*

- Understand how **differing corporate objectives** can have a **significant impact on pricing strategy design**.
- Explore real-world case studies and best practices for **successful objective setting workshops** to align your whole team on strategy and roadmap.
- **Take home additional resources** tied to hosting an objective setting workshop.

Rate today's session:



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Thank you!

