

Managing Price Increases

Masterclass Presented by James Wilton on April 15th, 2024



Today's Session

- 1 Overview of Monetization Masterclasses (2 min.)
- 2 Topic Introduction (5 min)
- 3 Deep Dive into Price Increases (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

Managing Price Increases

Rough Agenda

- Min. 5 – 35 – Review Core Principles & 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 we will be discussing strategies for implementing and communicating annual and one-time price increases

Theme: Price Levels



Topic: Managing Price Increases

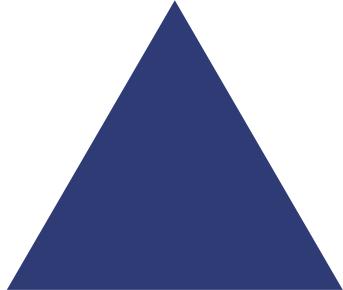
Goals of the session:

- ✓ Understand the **importance of regular price increases**
- ✓ Equip participants with **tactics for putting through successful price increases**
- ✓ Provide deep guidance on **how best to communicate one-time price adjustments successfully**

Price increases are a cause of stress

Our customers should
pay more! We should
increase prices!

If we increase prices
our customers will
churn!



Question

*How many of you
have put through a price increase
within the last 12 months?*

Remember...

**if you are not increasing prices at least
at the rate of inflation**

you are effectively decreasing prices



As a (pre-high inflation environment) case study proves, customers are more accepting of annual price increases than we expect

Our pricing market research showed that

80%

of customers would consider a
4% annual price increase to be
lower than expected

(back when inflation was 2-3%)

Two types of price increases to consider:

General / Annual

- Business as normal
- (Relatively) Easy
- **Key questions**
 - Why this %?

“Right-Sizing”

- Correction for years without price increases, or bad initial pricing
- Challenging
- Key questions:
 - Why this %?
 - Why a price increase at all?

A few tips on rolling out price increases



Strategy

One size does **not** fit all – some customers will accept higher price increases than others

Consider both **target** price increases and “**walkaway**” price increases

Deep dive follows



Execution

Give **advance notice**

Be **direct**

Channel communication through a **real person** (ideally senior)

Provide **simple justification / rationale** based on **FAIRNESS**

Enable your **sales team** to support the price increases



Talking about **VALUE ALONE** does not help much with price increases



Difficult to execute upon without:

- A. churn
- B. (growing) customer resentment

Successful price increases lean into the concept of FAIRNESS

Following the initial purchase, assume customers will reset any expectations to feel that it is a **FAIR** price, considering:

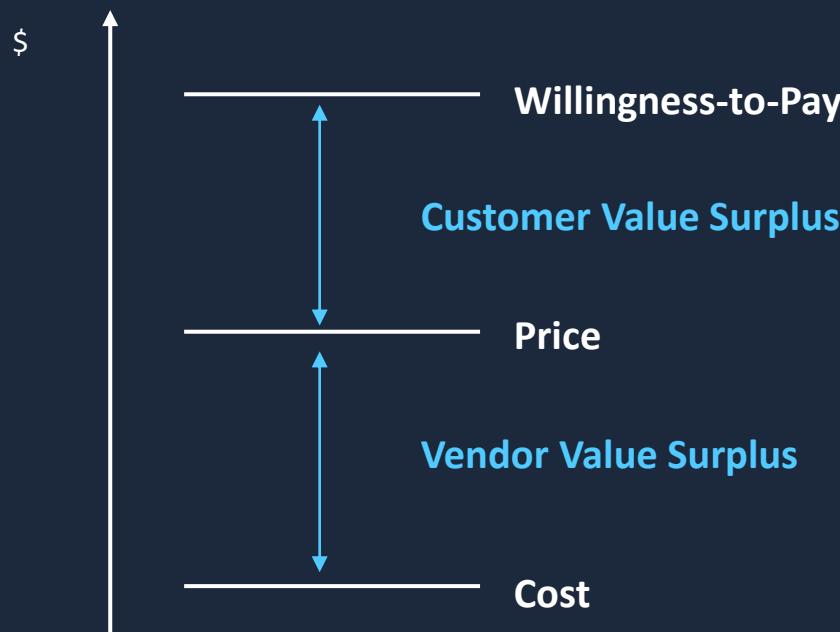
- The **VALUE** that they are getting for the product
- The vendor economics, including **COST**



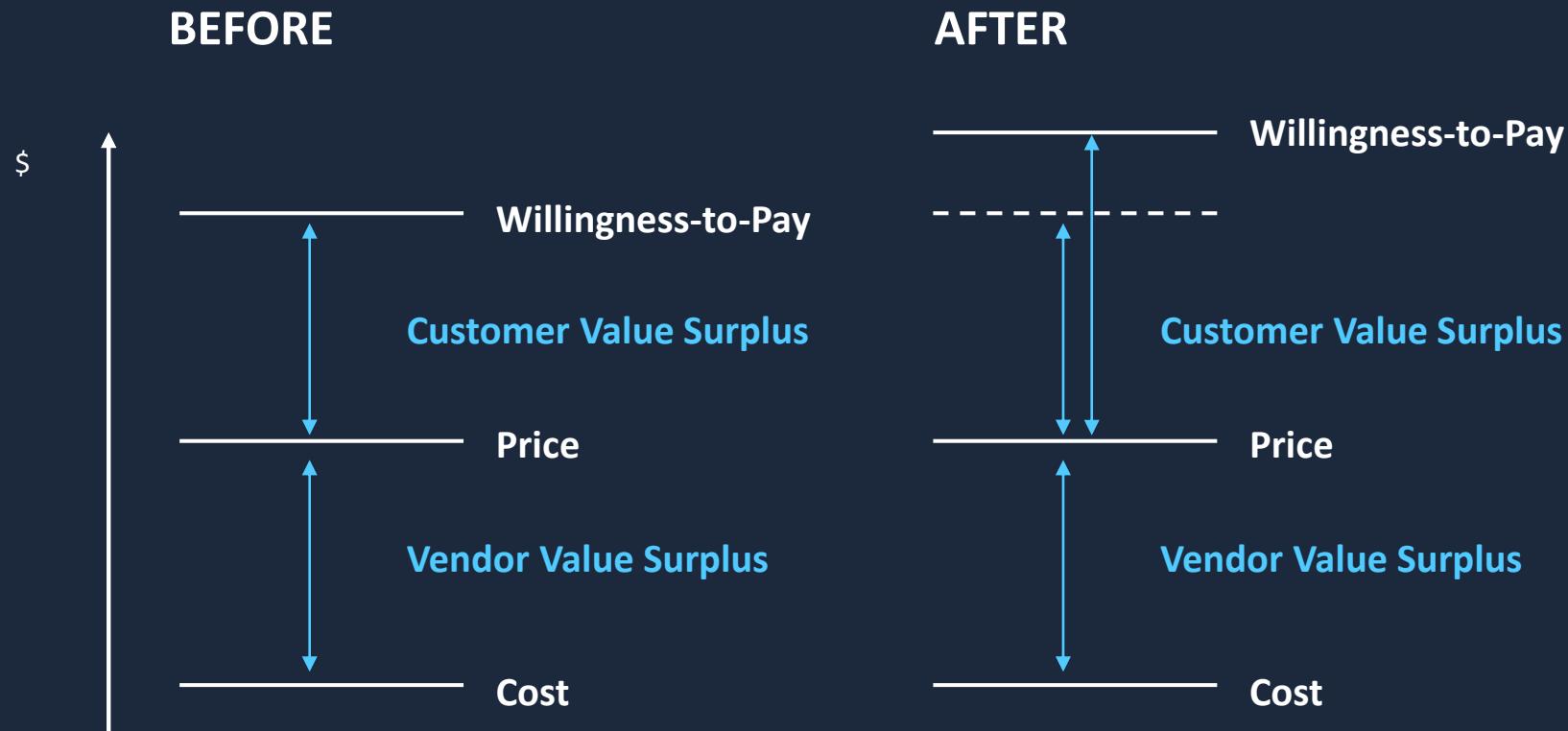
For a **price increase** to feel **FAIR** you must be able to convince the customer that either:

1. The **VALUE** that they are receiving has increased
2. The **COST** you incur has increased
3. The **original PRICE** you charged them was actually **NOT FAIR**, and needs to be corrected

Let's utilize a **VALUE STICK** to consider some price increase scenarios



SCENARIO 1: “We provide more value now”



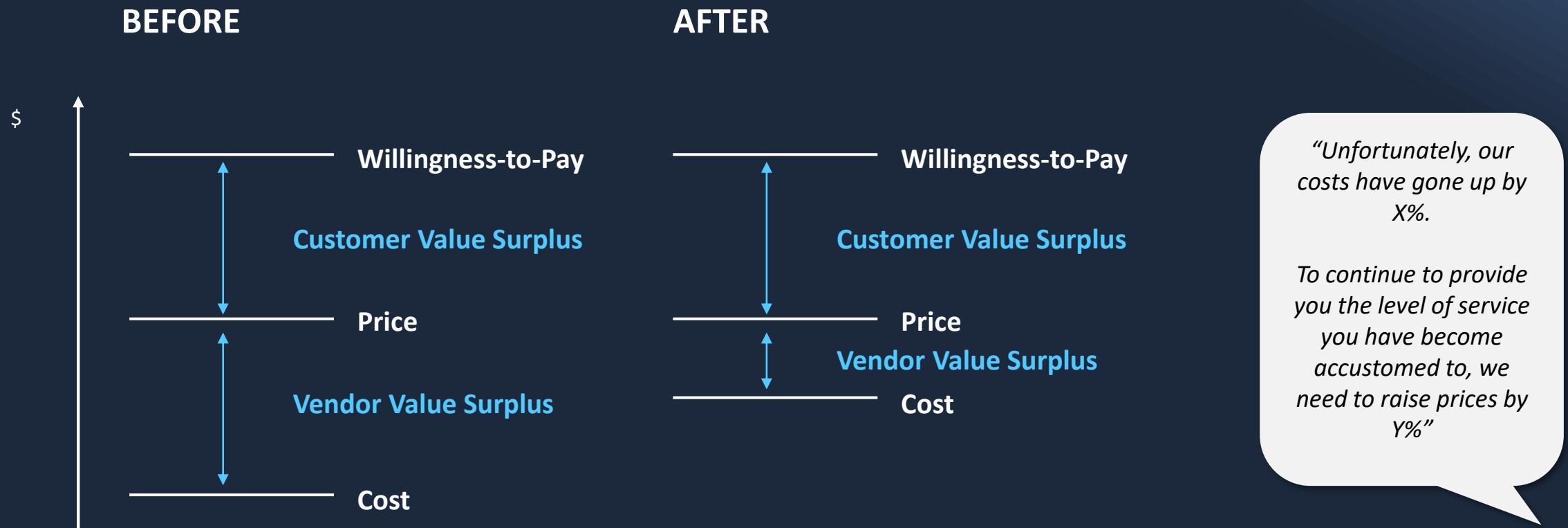
Potential issue

What if the customer does not agree that value has increased for them?

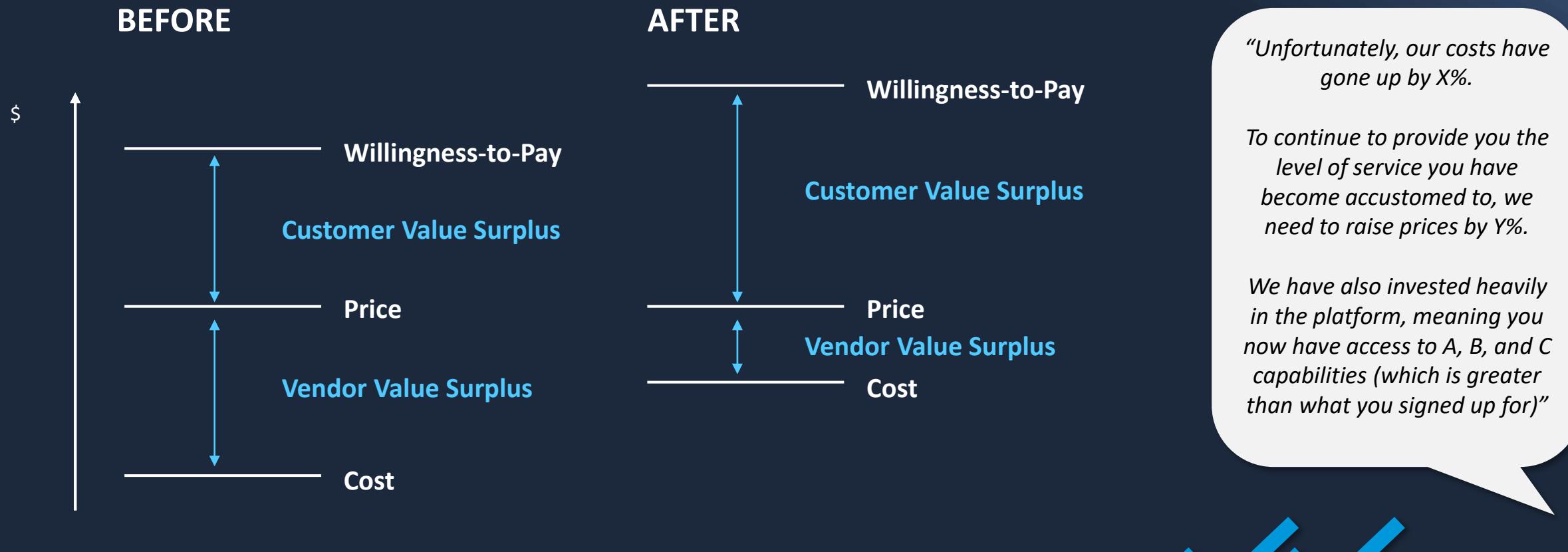
“You added features, but I don’t care about them.



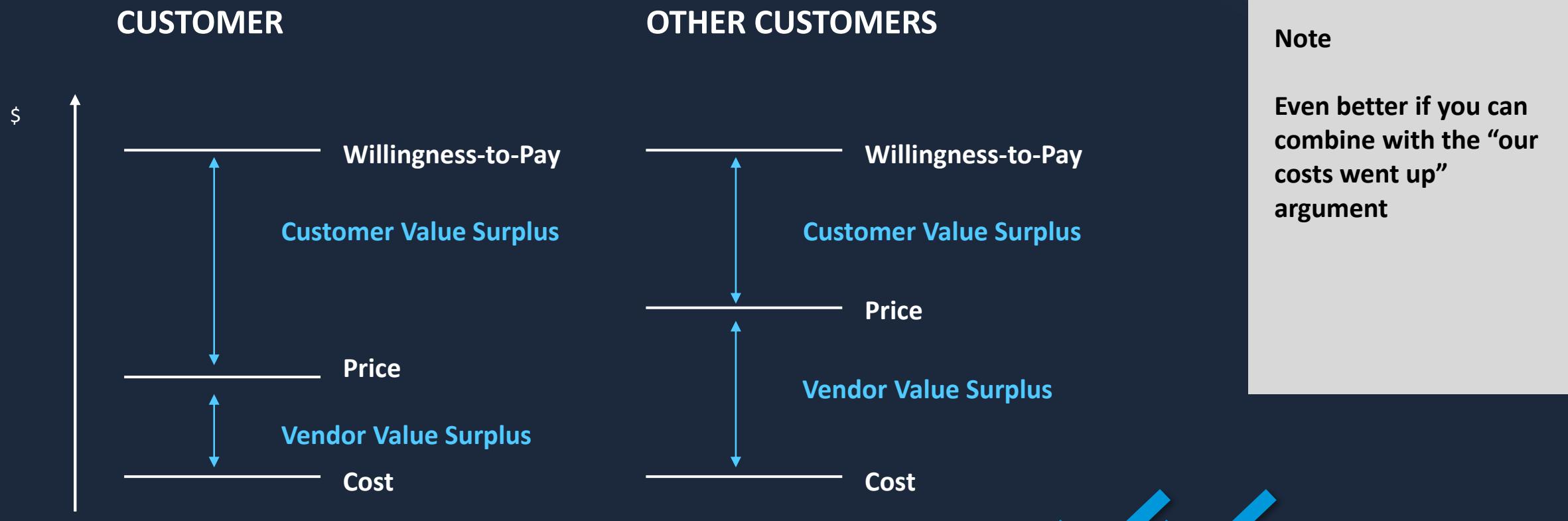
SCENARIO 2: “Our costs went up”



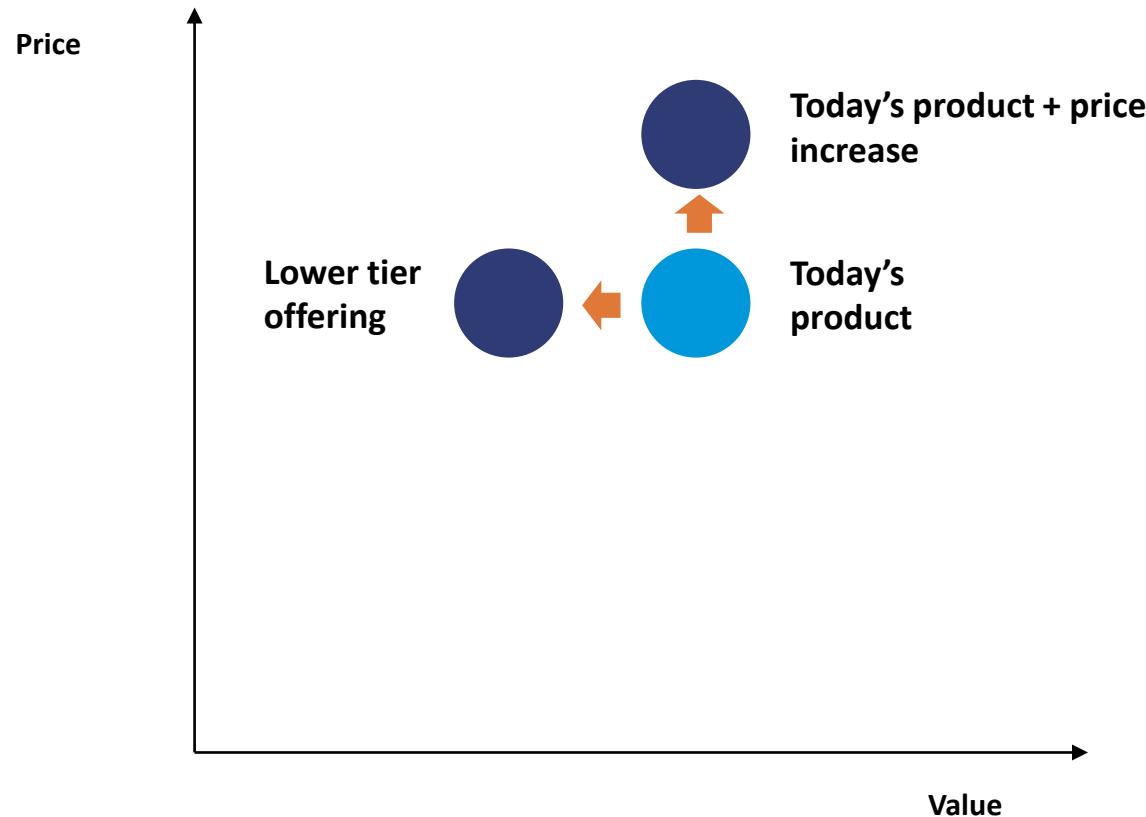
SCENARIO 3: “Our costs went up. Also, there is more value now”



SCENARIO 4: “We gave you too good a deal originally. Other customers are paying significantly more”



Pro Tip: Call their bluff. Have a lower value way to stay at the same price level



CHOICES always help with perceived fairness

A lower tier offering at the current price can help the customer feel agency

Don't make it too good! Should be an option that most don't take

Enable your Sales teams to support the price increases

Provide them with any ***information*** you have that supports the view that customers will, or should, pay more (willingness-to-pay research, value estimates, competitor pricing etc.)

Provide them with the ***detailed messaging*** they should use to justify and support the price increases (template script, list of potential objections and supports etc.)

Give them clear **rules and options** – target vs. “walkaway” price increases, give-gets (e.g. lower tier version) etc.

(For big price increases) Train them on having the price increase conversations

(For big price increases) Incentivize them on putting through the price increases. Don't just give them standard sales commission on the extra dollars.

And remember to add annual price escalators to your contracts at renewal!



Let's review some publicly available EXECUTION examples



Spotify



Spotify Premium

The price of Premium Individual is changing from \$9.99/month to \$10.99/month.

We're increasing the price of Premium Individual so that we can continue to invest in and innovate on our product offerings and features, and bring you the best experience.

Since you're already a Premium subscriber, you will pay \$9.99/month until your billing date in September when your subscription will go up to the new price.*

Thanks for being a fan of Premium.

The Spotify Team.

If you do not wish to continue paying for Premium at the new price point, you can always cancel via your [account page](#) or visit our [support site](#) if you have more questions.

*If you're currently on a trial, you won't be charged until your trial ends. Once your trial ends you will be given 1 months on the current price of \$9.99 prior to your bill being increased to \$10.99.

What did they do well?

What could be better?





NETFLIX | Help Center

Why your Netflix price changed

As we continue to add more TV shows, movies, and games and introduce new product features, our plans and prices may change. We may also adjust plans and pricing to respond to local market changes, such as changes to [local taxes](#) or inflation.

Here are the answers to some common questions about price changes:

How will I be notified of a price change?

If your price is changing, Netflix will send you an email with details about the price change one month before the billing date on which your price will increase.

You can also go to the [Billing details](#) section of your account to verify your billing date and your plan price.

What if I didn't see the email about the price change?

If you didn't see the email, please confirm that the email address associated with [your account](#) is correct.

Where can I compare Netflix plans and prices?

You can compare our current [plans and pricing](#) and [change plans](#) on our website any time.

Can I keep the old plan price?

The new plan prices will apply to everyone once a price update is announced.

What did they do well?

What could be better?



We have 2 spots left for office hours this Thursday, and our next masterclass topic will be package differentiation

Upcoming Events:

Thursday, April 18th: Office Hours

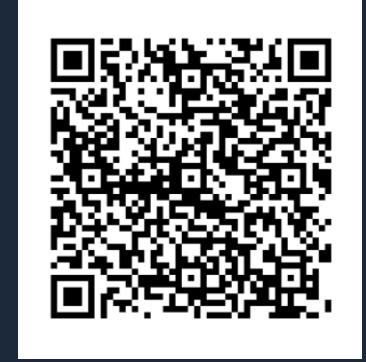
Monday, April 29th: Monetization Masterclass

Next Topic: ***“How to Create Differentiated Packages”***

Goals of the session:

- Understand the **significance of package differentiation in SaaS monetization and its impact on customer acquisition and retention.**
- Learn how to design and structure SaaS packages to **meet the specific requirements of different customer personas.**
- Explore best practices and strategies for **pricing, positioning, and marketing differentiated packages effectively** through a real-life case study

Rate today's session:



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Thank you!



5 signs your prices are too low

- 1 Customers / prospects **never complain about your prices**, or often talk about the “great value for money” you provide
- 2 Your **churn did not increase** the last time you put through a price increase
- 3 Your **win rate is very high** – “we never lose a deal on price”
- 4 Your **sales reps rarely ask for higher discounts**
- 5 Your **weaker competitors charge the same as you**, and/or your comparable competitors charge higher prices than you

