

Pricing Pitfalls

February 24, 2014

Agenda

- A little about us and today
- Problem #1: Not taking pricing seriously
- Problem #2: Not pricing on value
- Problem #3: Mono-Price Mindset
- Other mistakes
- Next steps – personalized workshops

Let's Talk About Price Intelligently

We use our software to build pricing pages
with customer data to make buying
decisions a no brainer

Experience in Software and Enterprise

"The Price Intelligently team removed the guesswork from our pricing strategy, providing us with hard data from real people that fit our personas. **Pricing is something we have to get right**; our business depends on it.

CEO – Nick Francis



"Price Intelligently was able to collect and compile more information than we ever could. PriceIntel helped us quickly understand the customer value of our product, which was data that **we couldn't get anywhere else.**"

Director of Product – Chris Bulger



"We were incredibly pleased with Price Intelligently. I would recommend them to anyone who wants **real data on the value customers and prospective customers place on your products and features.**"

CEO – Chris Savage



"To me, pricing is the one area that marketers need to consider first and foremost. PriceIntel makes the pricing process painless and remarkably powerful with its **extraordinary findings and in-depth analysis.**"

CMO – Jeanne Hopkins



Pitching

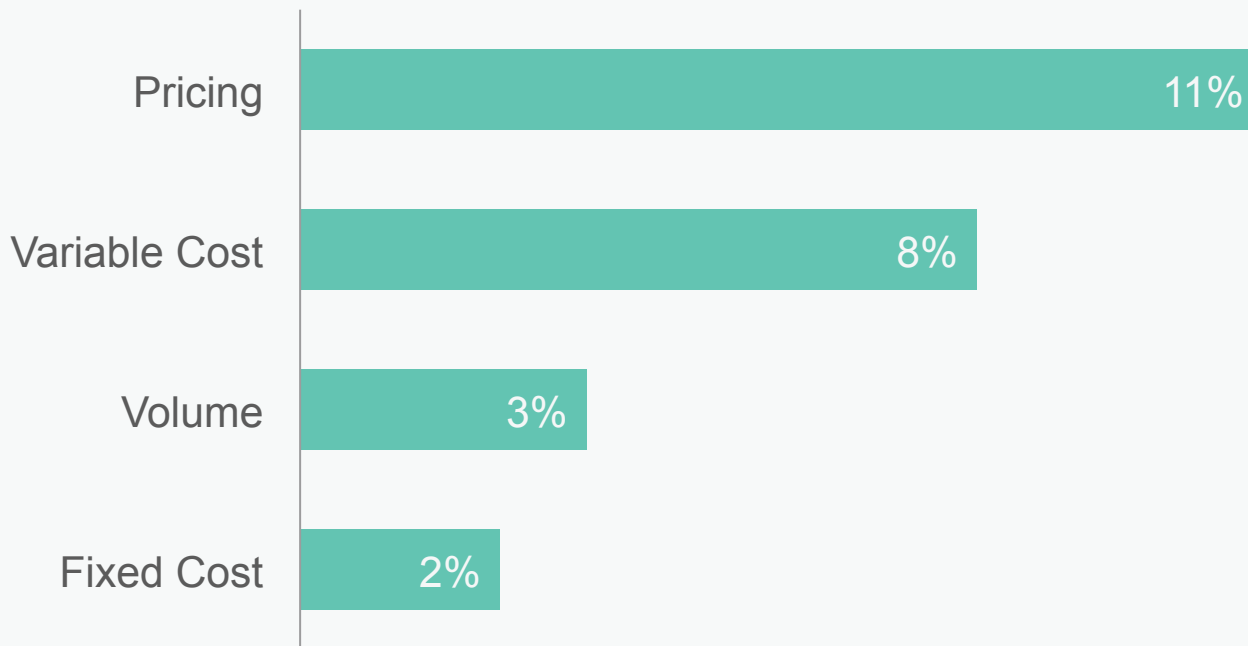
Problem #1: Not taking
pricing seriously

Basic	Plus	Premium
\$49	\$149	\$299
I only have one cool feature.	The same cool feature.	Yup, same one.
	Oh! You can only get this here.	Well...and here.
		Huzzah! I'm the plan with absolutely everything.

Price is the Most Effective Lever to Maximize Profit

A 1% improvement in....

Creates operating profit improvements of...



What's the average amount of
time spent on pricing
amongst SaaS companies?

~6 Hours.

~6 Hours. Total.

Pricing Isn't Hard.

It's a process.

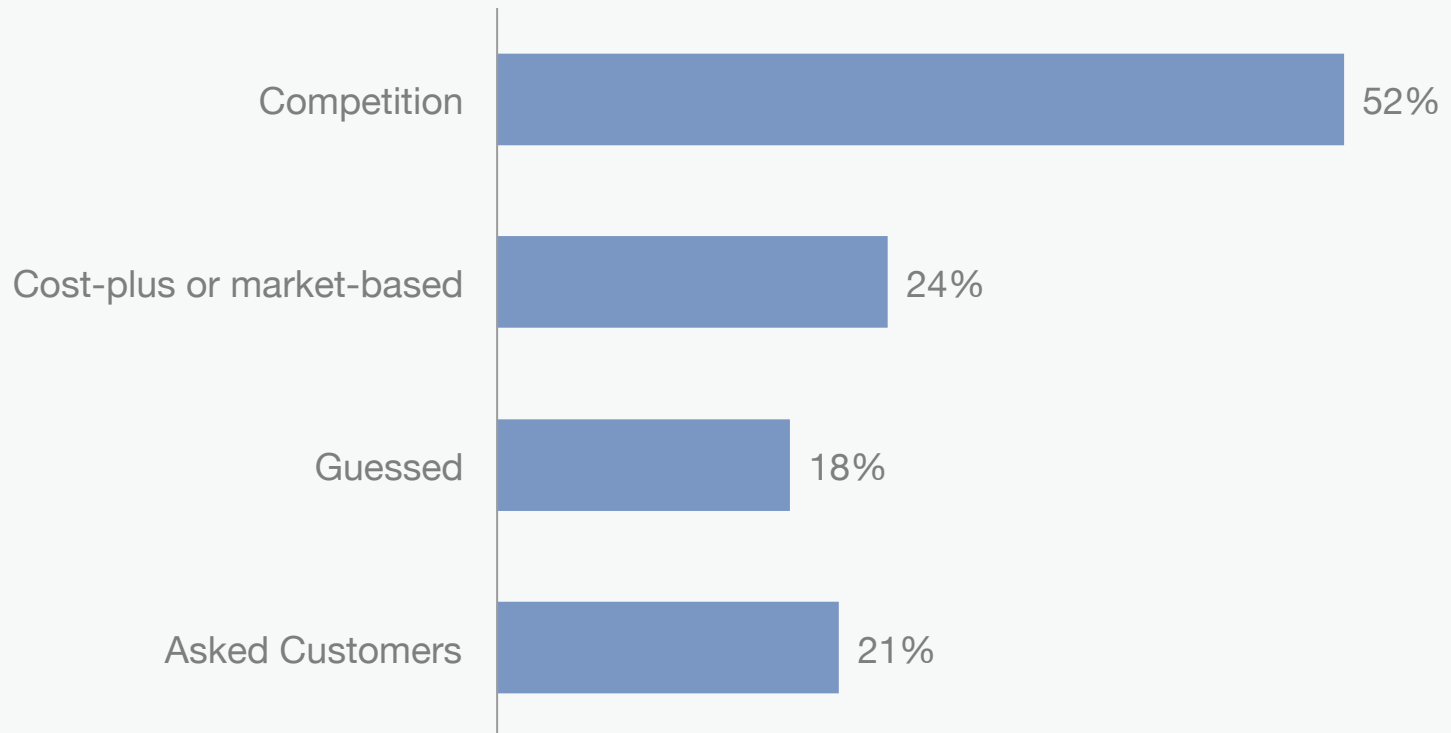
Need to evaluate every 3 months and make changes every 6 months.

Big Takeaway #1:
Take pricing seriously. It has
enormous impact.

Problem #2: Not
pricing on value.

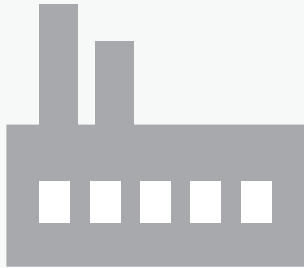
WE'RE BAD AT PRICING

How Is Pricing Set At Your Company?



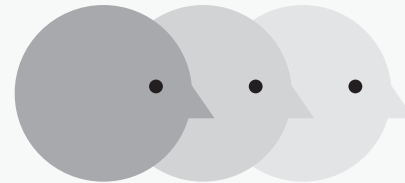
Source: 2013 Price Intelligently survey. Respondents were allowed to select more than one response.

How to Set Prices the Wrong Way



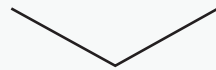
Cost-plus
pricing

Ex: price = cost + 30% margin



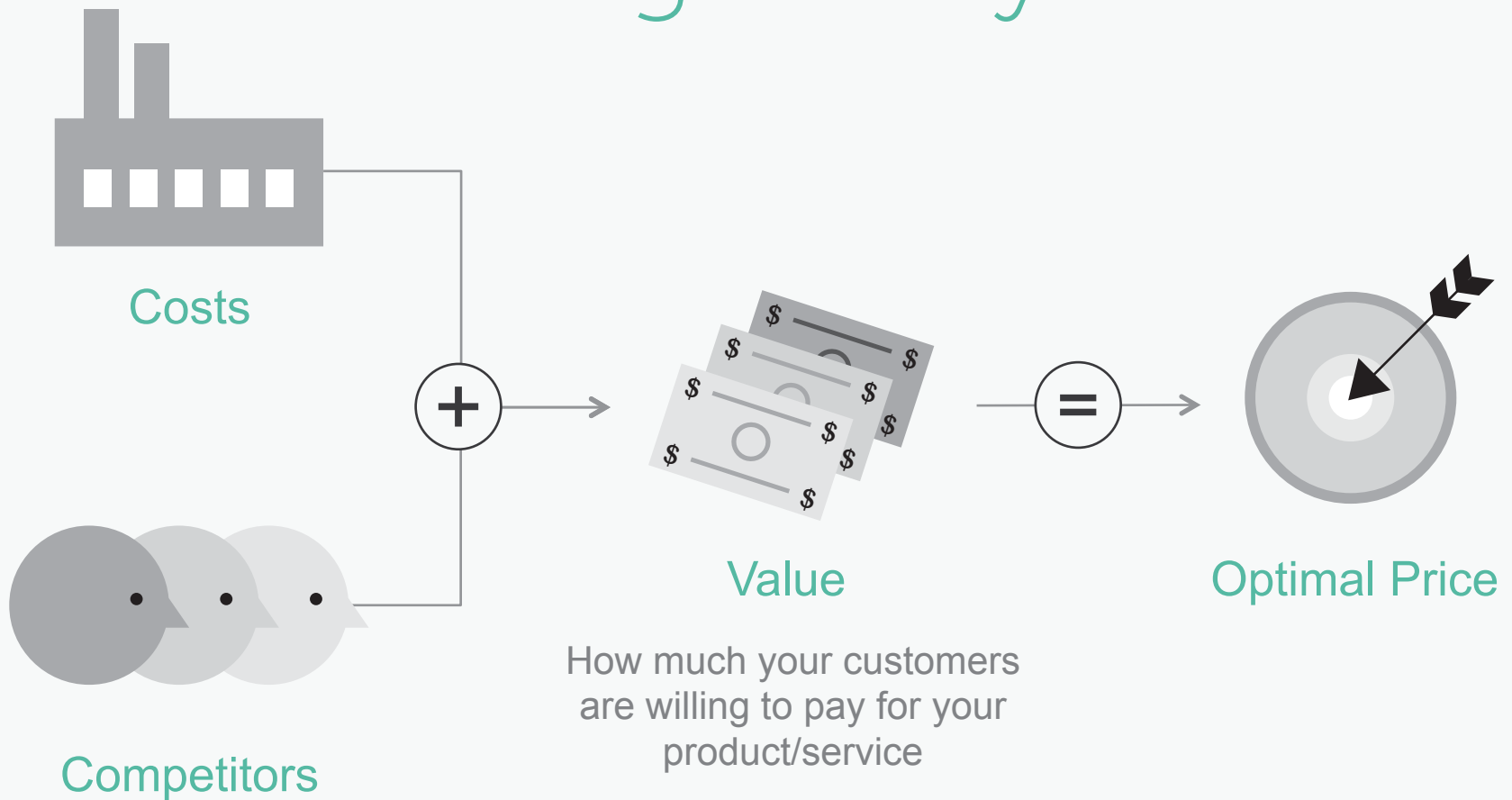
Competitor-based
pricing

Ex: price = closest competitor price



These are simple ways to set your price, but if used alone, will be **ineffective**

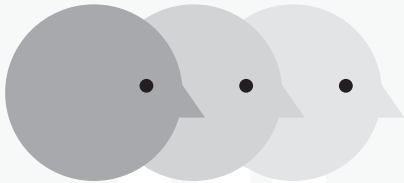
Setting Prices the Right Way



This is where most pricing
advice stops.

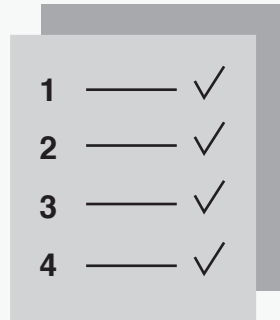
Your Process at a High Level

1



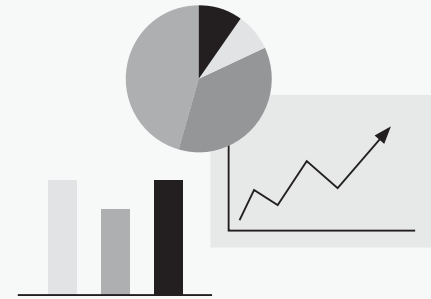
Buyer Personas
and Design

2



Data Collection
And Segmentation

3



Data Consolidation
And Analysis

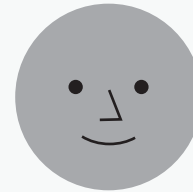
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Persona Based Pricing



Table Stakes Tony

- Not as advanced, but large need for core functionality
- Not an enormous team, but likely to scale over time
- Midrange WTP



Advanced Arnie

- Core functionality is great, but needs advanced features to be happy
- WTP for advanced features
- Highest WTP and LTB

Crunching the Data

Your Pricing Toolkit

Relative Preference Analysis

Statistical methodology to measure preferences for features, intention, and value propositions

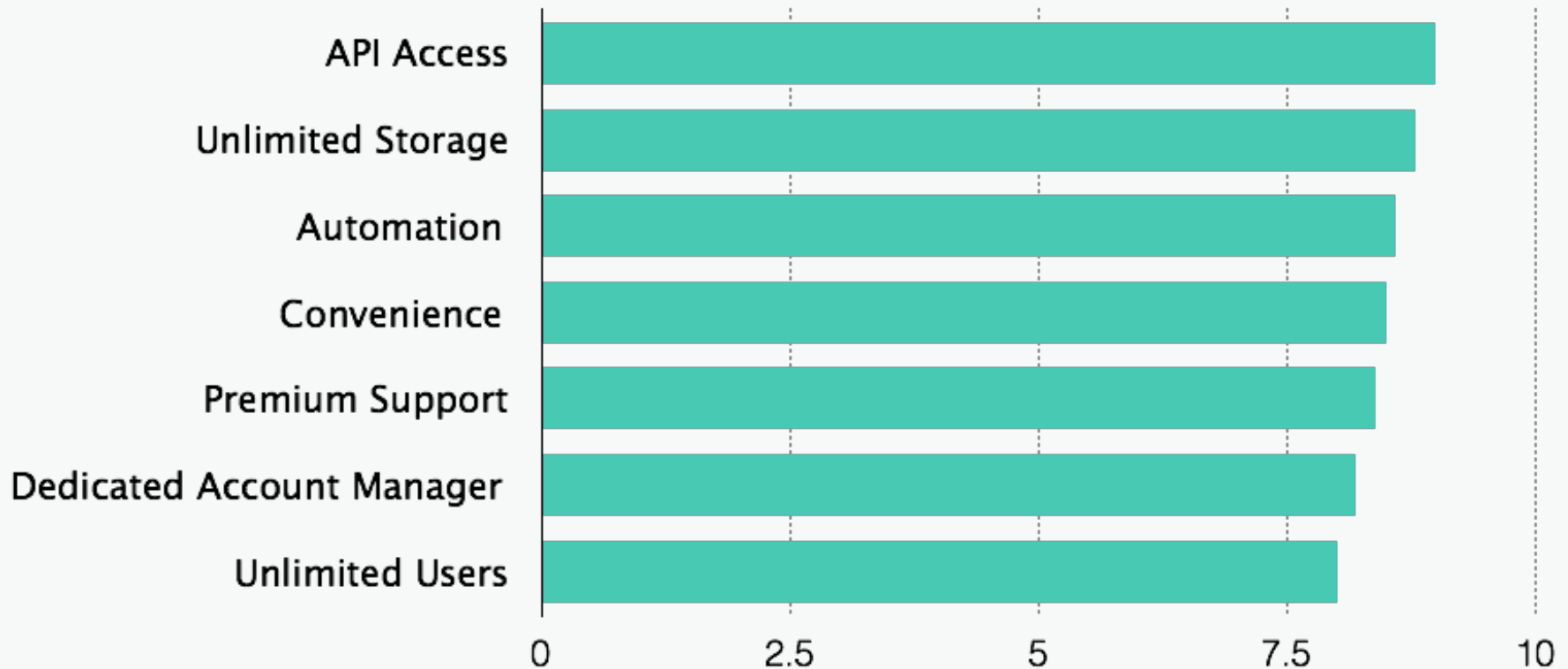
Price Sensitivity Analysis

Proven model for gauging customer's willingness to pay and price sensitivity

Experimental Design

Properly segmenting and breaking down the data.

“Please rank the following features on a scale of 1 to 10...”



Of the following options, which is **LEAST** and **MOST** important to you

Least Important

Most Important

Smooth even under acceleration

Optional air-suspension soaks up the bumps in the road

FAST

This isn't a Prius. High-acceleration without lag, 0-60 in 4.2 second with Performance model

Tech Advanced

Controls and information appear on a huge 17" high-definition touch screen. A full web browser is built in and ready to use

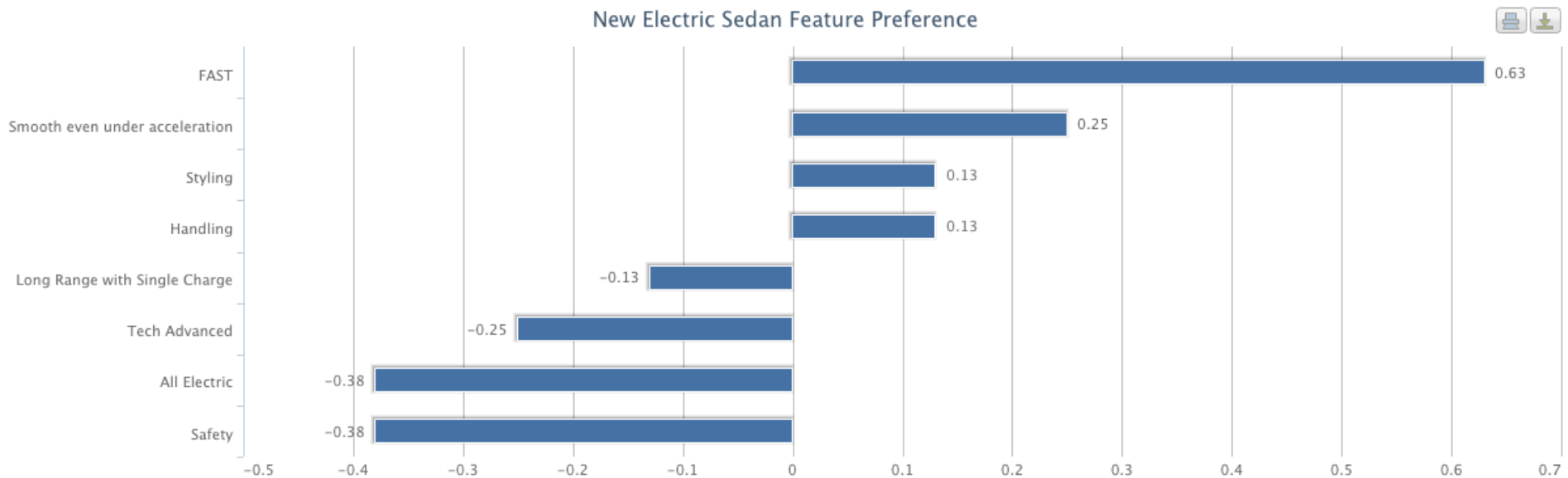
Safety

8-air bags, traction control and has a 5-star crash rating in all categories

Next >

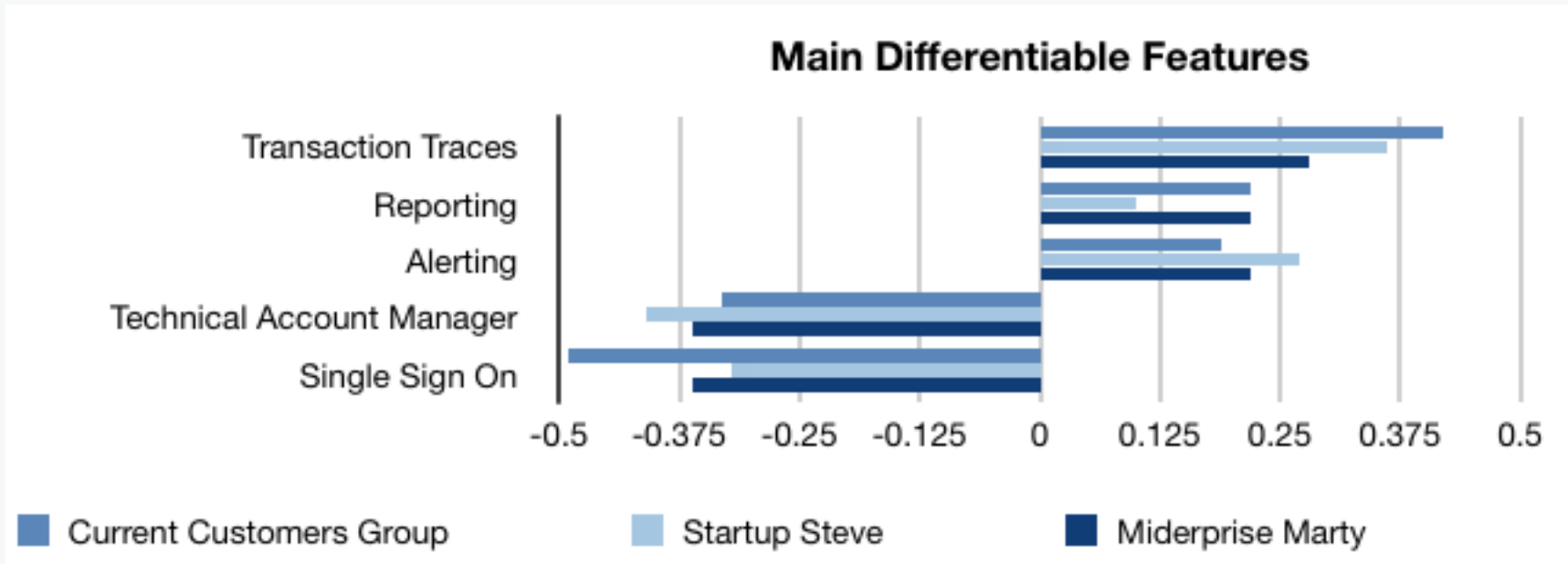
More on: Relative Preference Analysis

What do your customers value the most?



More on: Relative Preference Analysis

What do your customers value the most?

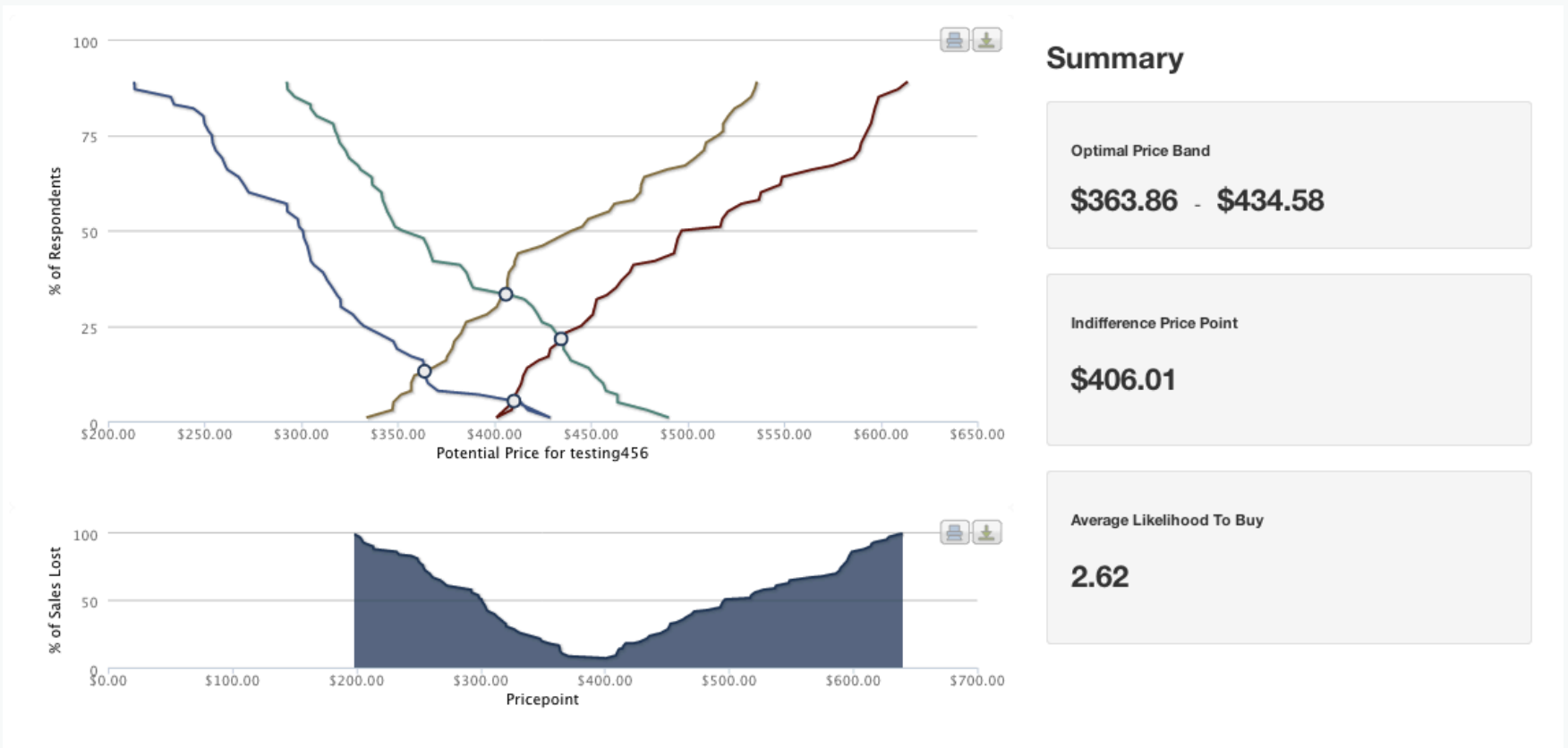


How much are buyers
willing to pay?

Basic	Plus	Premium
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I only have one cool feature.	The same cool feature.	Yup, same one.
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More on: Relative Price Sensitivity Meter

How much are your customers willing to pay?



You align this data...



Value Propositions
Proper Personas

Proper Features
Proper Value Metric

Proper Price Point
Proper Discounting

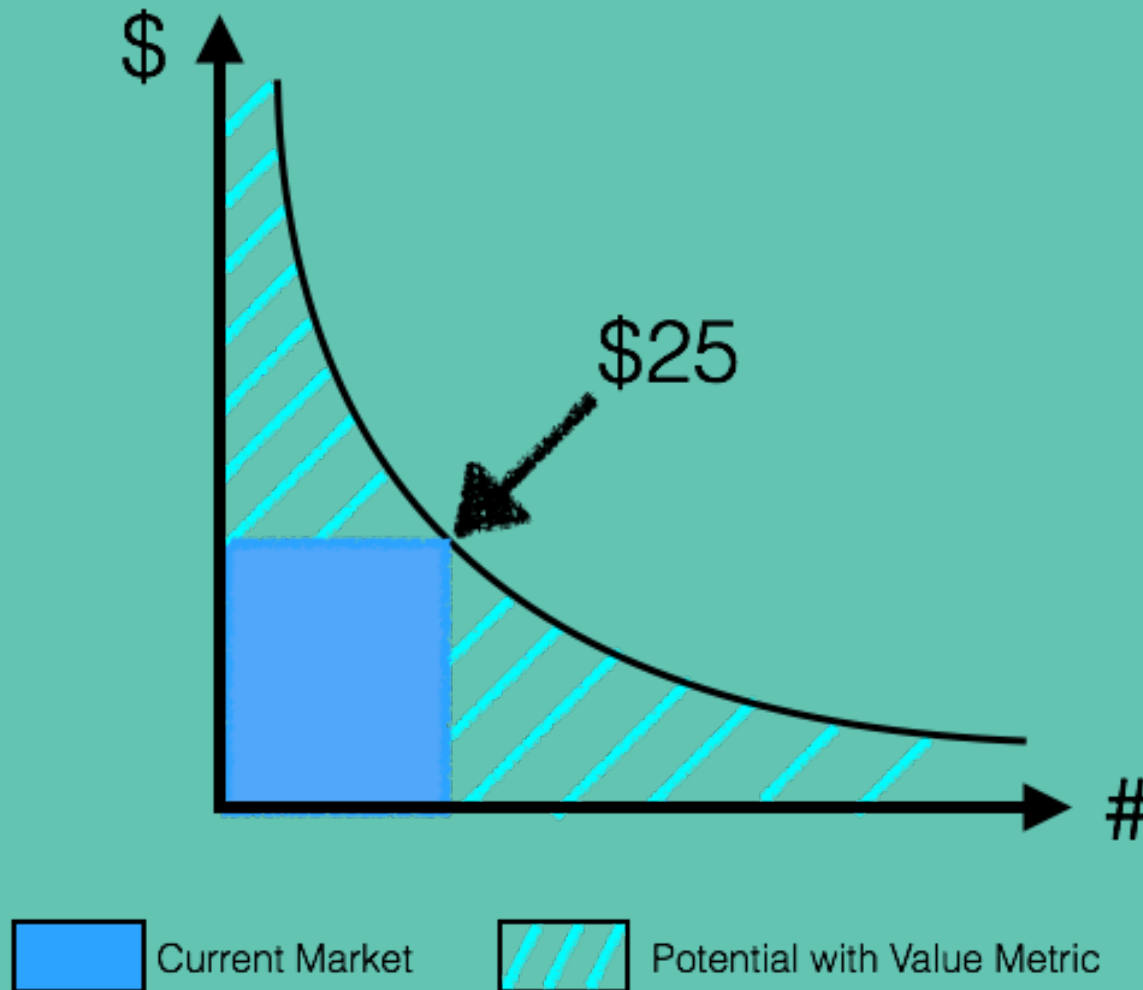
In order to optimize your pricing structure

	MODULE 1	MODULE 2	MODULE 3
	\$	\$\$	\$\$\$
Feature 1	✓	✓	✓
Feature 2		✓	✓
Feature 3			✓

Big Takeaway #2:
Price on value with data
collected from your target
customer personas.

Problem #3: Mono- Price Mindset

Your Demand Curve has Many Entry Points



Couple of ways to do this:

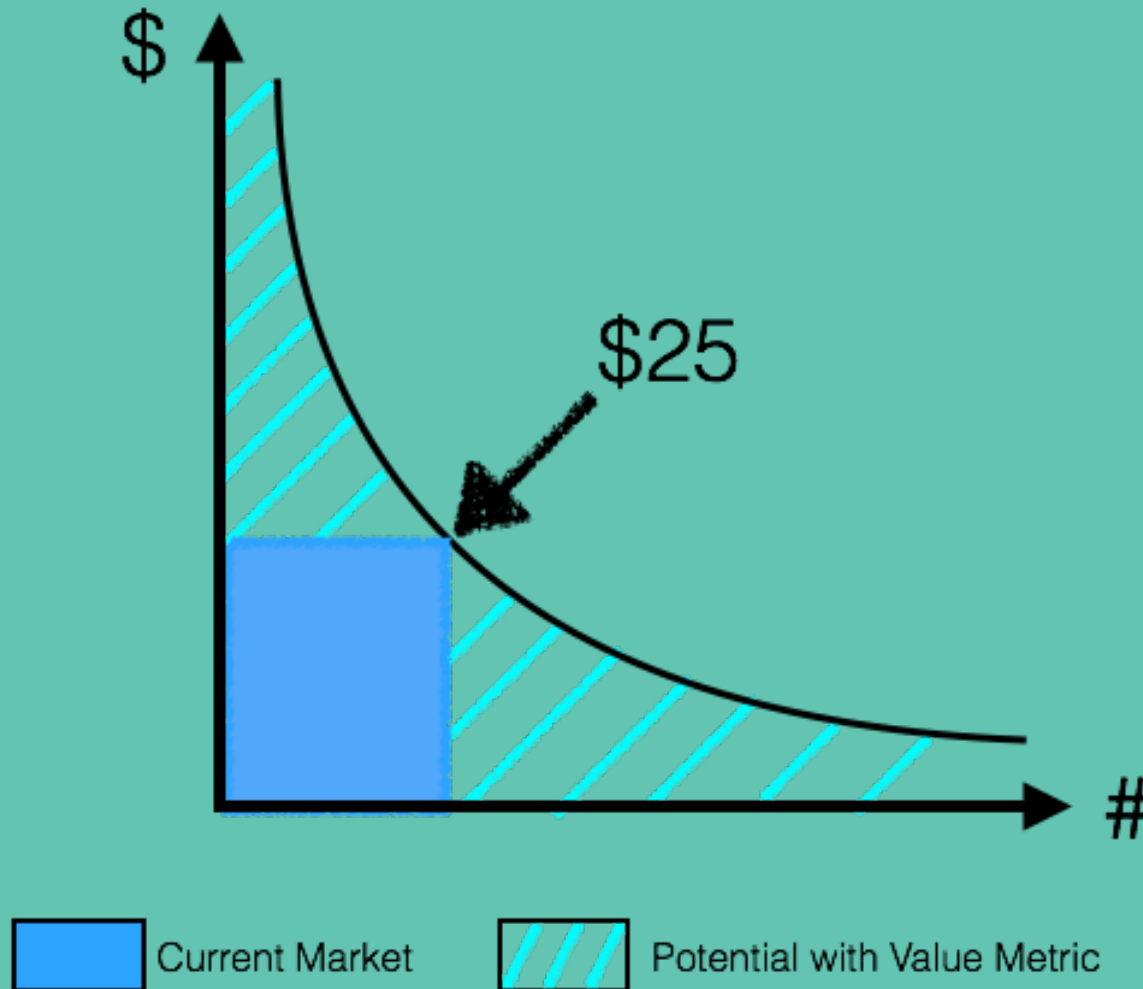
1. Feature Differentiation

2. With a Value Metric

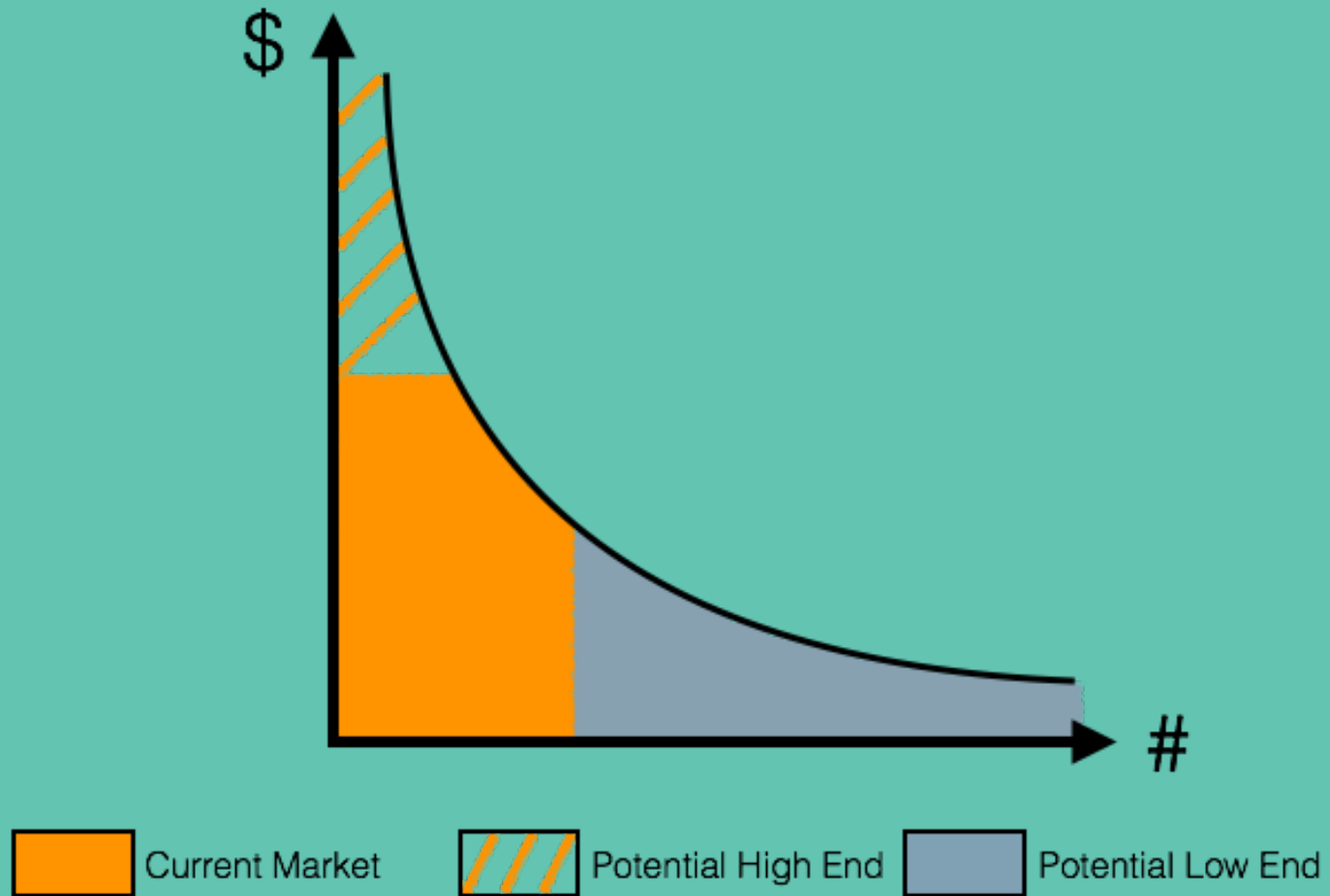
Differentiate Features

Basic	Plus	Premium
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I only have one cool feature.	The same cool feature.	Yup, same one.
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You only get certain points



Capture many points on the curve with a VM



Wistia

FREE

\$0 / FOREVER

3 Videos Total

1 GB bandwidth/month
All Wistia Features
Wistia Branded Player

GET STARTED!

STARTER

\$23 / MONTH
paid annually

6 Videos Total

10 GB bandwidth/month
All Wistia Features
15 day free trial

TRY

BUY

STANDARD

\$79 / MONTH
paid annually

Unlimited Videos

200 GB bandwidth/month
All Wistia Features
15 day free trial

TRY

BUY

ADVANCED

\$239 / MONTH
paid annually

Unlimited Videos

1TB bandwidth/month
All Wistia features
15 day free trial

TRY

BUY

A value metric is what you charge for, and should:

1. Align to your customer's needs.
2. Grow with your customer.
3. Be easy to understand.

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Pricing that scales with your business.

1 Choose your base package

Basic \$200/mo A complete marketing system for hosted small businesses.	<input checked="" type="checkbox"/> Professional \$600/mo A fully integrated software system for professional marketers.	Enterprise \$1,000/mo Our most advanced system for marketing teams.
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2 Choose your number of contacts

How to calculate: To calculate the approximate number of contacts you'll need, simply add up the number of contacts in your email lists, your customer list, and the number of leads you generate yearly from your website.

Contacts	Price per 1,000	Price
50	—	\$0/mo
1,000	\$100	\$100/mo
2,000	\$100	\$200/mo
<input checked="" type="checkbox"/> 3,000	\$100	\$300/mo
4,000	\$100	\$400/mo
5,000	\$100	\$500/mo
6,000	\$100	\$600/mo
7,000	\$100	\$700/mo

\$40 per 1,000 contacts

3 Your estimated price

\$1,300/mo*

Enterprise package	\$1,000/mo
3,000 contacts plan	\$300/mo
Yearly pricing	x 12
	\$15,600/yr

* Prices listed are per month. All products are billed on an annual basis.

Consulting and setup

HubSpot offers several consulting and setup plans to ensure you get up to speed quickly with our software.

- Inbound Success Training** – \$2,000 (required)
- **Partner Inbound Success Training** – \$2,000
- **Advanced Inbound Success Training** – \$7,000
- **Website Migration** – \$10/page

Big Takeaway #3:

Have a multi-price mindset to capture as much revenue as possible (especially with a value metric)

Recap

Big Takeaway #1: Take pricing seriously.

Big Takeaway #2: Utilize customer data for value based pricing.

Big Takeaway #3: Have a multi-price mindset.

Other Mistakes

1. Aggressive discounting strategies
2. Improper A/B and Multivariate testing
3. Trying to be everything to all people

Resources

Price Intelligently

Learn how to develop an intelligent pricing strategy that rakes in profits.

[Download Now!](#)



Screw Freemium: Use a Free Trial

Posted by [Eric Yu](#) on Tue, Oct 08, 2013 @ 08:35 PM



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Recently I moved into a new apartment after living the past year in a school dorm, and let me tell you, transitioning has been a tremendous challenge. For example, I am now the proud owner of a kitchen, which of course means I can no longer rely on an endless supply of ready-made food from the school dining halls. Instead, I have to rely on my meager cooking abilities to make sure I don't starve to death. Eggs for dinner, anyone?

This experience has forced me to reassess the value of free food offered by the various student organizations on campus. Eating free pizza for dinner a few nights a week doesn't sound so bad anymore. It saves me the time and trouble of cooking and cleaning dishes, plus it tastes better too!



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