



# Pricing & Packaging

How to Raise Margins Through Value-Based Pricing



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# In the beginning there was...

<b>SERVICE DESCRIPTION</b>	<b>PRICING</b>
<b>ONLINE MARKETING</b>	
Online Media Exposure Program	\$599
Amazon <sup>®</sup> Exposure Program	\$699
Book Trailer	\$1199
Digital Galley Campaign	\$399
Google Adwords Assessment	\$200
Google Adwords Pay-Per-Click Campaign	\$1499+
<b>SOCIAL MEDIA MARKETING</b>	
Customized Facebook <sup>®</sup> Fan Page	\$299
Facebook <sup>®</sup> Advertising Assessment	\$50
Facebook <sup>®</sup> Advertising Campaign	\$499
Custom Twitter <sup>®</sup> Page	\$399
<b>TRADITIONAL BOOK PR</b>	
Advance Reader Copy Service	\$899
Traditional Media Outreach	\$499-\$2999
Full Publicity Campaign	\$5,000-\$10,000

...and it was ok

# Why pricing by cost is not ideal



Client pays for your inefficiency

# Guidelines from Inbound 2013 Experts

“Bury the billable hour”  
– *Tim Williams*





# And then there was...

	Smart	Really Smart	Super Smart	Genius
<b>Social Media Packages</b>	\$2,000/mo	\$4,000/mo	\$6,000/mo	\$7,500/mo
<b>Pay-Per-Click Packages</b>	\$2,000/mo	\$4,000/mo	\$6,000/mo	\$7,500/mo
<b>Inbound Marketing Packages</b>	\$4,000/mo	\$6,000/mo	\$8,000/mo	\$10,000/mo

...And it was better

# Risk of package based pricing

## Price too low and...

- Insufficient margins
- Quality suffers

## Price too high and...

- Competition undercuts you
- Competition replaces you as can tie price to value delivered



# A HubSpot veteran agency speaks

“That model of 'here's everything for \$X' - is broken and has been either un-qualifying us when we should be qualified or setting us up for failure.”

*Bob Ruffalo, Impact Branding and Design*

# Guidelines from Inbound 2013 Experts

“All value is subjective”  
- *Ron Baker*



# So, what comes next in pricing evolution?

[Home](#) [What We Do.](#) [Why We Are Different.](#) [How We Help Grow Your Business.](#)

## Growth Delivered - Case Studies

Read our case studies to find learn we helped two of our clients grow their business.

### Learn How A Website Redesign Resulted In 200% More Leads And Conversions.

[Read The Case Study!](#)

[Download The Case Study.](#)

Durable Technologies, with over 100 years of experience, manufactures and supplies a wide selection of traditional marking tools for industrial part marking, package date coding as well as hot stamping and branding applications. Find out how they increased website leads and conversions by 200%.

### Free E-Book

### Inbound Marketing For Manufacturing

[Download Now!](#)

How a Capital Equipment Manufacturer Grew Over 250%.

MSI, a small capital equipment manufacturing company was struggling with sales revenue. See how they used Inbound Marketing to grow their business by 86%.



# Pricing by value – example 1

The image is a screenshot of the kunocreative website. The header features the company logo 'kunocreative' with the tagline 'ENTERPRISE INBOUND MARKETING'. Navigation links include 'About', 'Careers', 'Contact', 'SERVICES', 'OUR WORK', 'RESOURCES', and 'BLOG'. A search bar and a 'Request a Consultation' button are also present. The main content area is divided into three columns: 'Get Started', 'Get More Leads', and 'Get More Sales'. Each column contains an icon, a description of the service, and a call-to-action button. Below this is a section titled 'Additional Services' with three more service packages: 'Paid Search Package', 'Social Media Package', and 'Blogging Package', each with its own icon and starting price.


**kunocreative**  
ENTERPRISE INBOUND MARKETING

About Careers Contact

SERVICES OUR WORK RESOURCES BLOG

Request a Consultation


## Get Started



Create a Rock Solid Plan for 2014 and Beyond

[Get Started](#)


## Get More Leads



Demand Generation Programs that Convert More Leads

[Get More Leads](#)


## Get More Sales




Marketing Automation Strategies to Get Your Leads Flowing

[Get More Sales](#)


### Additional Services



Paid Search Package  
**Starting at \$500/Month**



Social Media Package  
**Starting at \$750/Month**



Blogging Package  
**Starting at \$2,000/Month**

# Pricing by value – example 2

## How We Price Our Services

IMPACT's campaigns are priced to deliver an ROI for your company. Once your plan has been developed, we'll identify the level of resources required to get you where you want to be within your time requirements and price accordingly. A typical client at IMPACT is on an annual agreement and invests between \$5,000 and \$15,000 per month into their inbound marketing program.



# Refining Inbound 2013 Experts' Guidance

“All value is subjective”  
- *Ron Baker*



While true we should still quantify value when possible as better long-term buy-in from client

“Bury the billable hour”  
– *Tim Williams*



While true an agency must know its headcount utilization to ensure sufficient margins

# Two ways for an agency to add value



1. Acquire more customers for client



2. Save money on acquisition costs



# 1. Bringing in more customers



Understand LifeTime Value (LTV)



# Calculating Customer Lifetime Value (LTV)

- **Non-recurring revenue customers**
  - Revenue \* Gross Margin
- **Recurring revenue customers**
  - Revenue \* Gross Margin \* average # of repeat purchases
- **Examples:**
  - Toy store:  $\$50 * 30\% * 10 = \$150$
  - HubSpot:  $\$700/\text{mth} * 70\% \text{ gross margin} * (1/0.015) = \$33\text{k}$
  - Agency:  $\$2000/\text{mth} * 55\% \text{ gross margin} * 18 \text{ mths} = \$20\text{k}$

# Saving on acquisition cost



Understand Marketing COCA

# Understanding Cost of Acquisition (COCA)

$$\text{Marketing COCA} = \frac{\text{Total marketing spend}}{\text{\# of customers acquired}}$$

# Value ratio of 10:1



- An investment that yields a 10x return in 10 years is a great investment (25% IRR). If return is shorter than 10 years even higher return.
- HubSpot: \$30k customer for \$3k marketing investment
- Agency: Charge a maximum of 1/10<sup>th</sup> the LTV of the customers the prospect is aiming to acquire

# Selling the Process, Not the Promise

- Anchoring to visits or leads, not customers in first engagement
- You don't know efficiency of prospect's nurturing or sales process so promising customers in first engagement is irresponsible
- Prospect's sales cycle length is important to consider to verify marketing ROI. This time can be a guide for minimum retainer length





# Understanding your Costs

## Three drivers of your costs:

1. Hours of effort involved in a task,  
since primarily labor business
2. Overheads and loaded costs
3. Utilization rate of employees



# The HubSpot pricing calculator

## Agency's Value to Client

### Calculate Lifetime Value of your client's customers

Revenue per customer (recurring purchases)	
Average purchase per customer	\$ 700
Average number of purchases by customer over their lifetime with you	50
Average revenue per customer (recurring purchases)	\$ 35,000
Revenue per customer (non-recurring purchases)	
Average revenue per single-purchase customer	\$ -
Percentage of your client base that is single-purchase	0%
<b>Average revenue per customer</b>	\$ 35,000
Gross Margin of client	70%
<b>Average Lifetime Value (LTV) of customers for your client</b>	<b>\$ 24,500</b>

### Client's Marketing Cost of Customer Acquisition (COCA)

Fully loaded annual salary of FTEs involved in marketing team	\$ 7,200,000
Annual program spend by marketing team (conferences, advertising, software etc)	\$ 4,800,000
Approximate number of customers acquired annually by client (all channels)	4,000

**Marketing COCA** \$ 3,000

**Suggested price agency can charge per customer acquired** \$ 3,000

Incremental customers acquired by agency's efforts (per month) <sup>2</sup>

**Suggested price agency can charge for incremental customers acquired** \$ 6,000

# The HubSpot Pricing Calculator

RECOMMENDED STRATEGY: Conversions				
RECOMMENDED PLAN: Faster				
	Fast		Faster	Fastest
Ongoing Activities	Frequency/Month (Number)	Cost (\$USD)	Frequency/Month (Number)	Frequency/Month (Number)
<i>Attract More Traffic</i>				
Write Blog Article	2.4	240	3.6	6.0
Build Link	0.8	60	1.2	2.0
Interact in Social Media	8.0	200	12.0	20.0
<i>Convert Traffic to Leads</i>				
Build Offer	0.8	80	1.2	2.0
Build Landing Page	0.8	40	1.2	2.0
Build CTA	2.7	67	4.0	6.7
<i>Convert Leads to Customers</i>				
Build Lead Nurturing Sequence	0.5	40	0.8	1.3
Segment Leads	0.8	40	1.2	2.0
Send Email Campaign	1.2	90	1.8	3.0
Account Mgt (reporting/strategy)	1.6	160	2.4	4.0
HubSpot Subscription		1,000		
<b>Total cost</b>		2,017		
<b>Operating margin for agency</b>		60%		
Effort behind plan (hrs/mth)	16		24	40
<b>Desired Operating Margin (net margin + tax)</b>				
Monthly retainer price to client				
Amount for HubSpot subscription				

# Real example of value-based pricing...



# Manufacturing Client – Value Based Fee

- Small manufacturing division of larger company
- Many technical capabilities but no leads for any but core products
- Parent was struggling but Beetle had potential for growth
- Internal sales team generated all leads
- Web site was not a source of leads
- No external sales network
- No marketing budget
- No internal marketing or inbound expertise
- Very little content



# Top Line Results - Value Areas

## **Areas of added value:**

- Increased sales revenue of existing products
- Attracting independent reps and distributors – expand sales network
- Low COCA
- Platform to promote all technical capabilities
- Sell new products
- Market test possible new products
- Maintaining work force (costs to re-train new people, damage to morale)
- Internal promotion to corporate – competing for resources
- Internal branding/team building
- Establish client as educational/thought leader
- Build sales tools/content to close a higher % of opportunities

# Value Calculation at Time of Sale

Area of Value – year one	Value
Revenue for existing products	\$600,000
Revenue from expanded sales network	\$100,000
Lower COCA (decrease by 10%) – increase margins	\$50,000
Revenue from new products	\$250,000
Maintain work force	\$50,000
Internal promotion	\$50,000
Increase existing lead conversion (improve close rate by 20%)	\$100,000
Internal branding/Thought leadership	\$100,000
Total Value	\$1,400,000

# Year One Results Calculation

Area of Value – year one	Value
Revenue for existing products	\$650,000
Revenue from expanded sales network	\$125,000
Lower COCA (decrease by 10%) – increase margins	\$50,000
Revenue from new products	\$150,000
Maintain work force	\$25,000
Internal promotion	\$50,000
Increase existing lead conversion (improve close rate by 20%)	\$100,000
Internal branding/Thought leadership	\$50,000
Total Resulting Value	\$1,200,000
Total Fees	\$65,000
ROI	18X

# SESSION UP NEXT!

HUBSPOT EXECUTIVE ROUNDTABLE IN BENIOFF

*HUBSPOT EXECUTIVES AND PARTNER PROGRAM LEADERSHIP*

FOLLOWED BY...

COCKTAIL HOUR & DINNER AT LEGAL HARBORSIDE

# APPENDIX

# Prove: Business Case/ROI – worked example

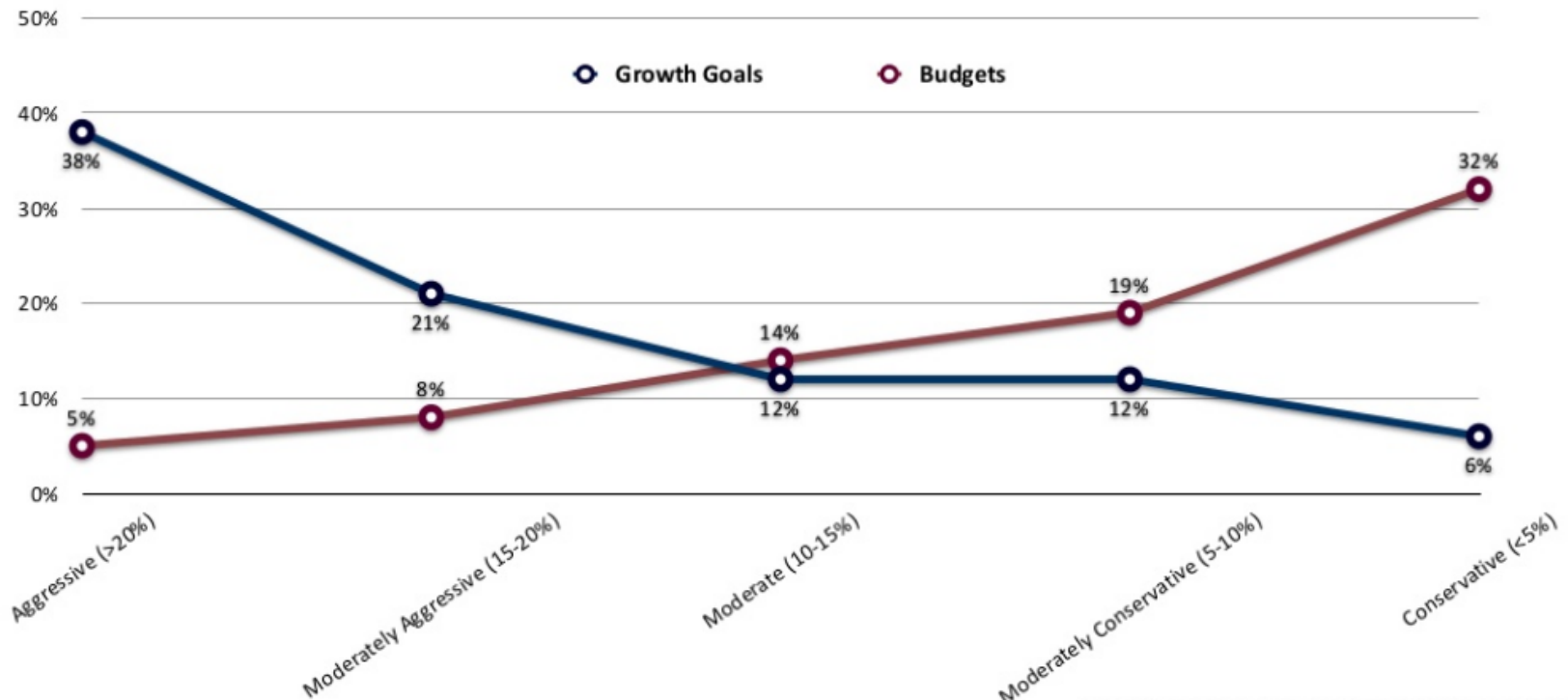
What returns can I get from inbound?	\$200,000
How much new booked revenue do you plan to generate each month	\$400,000
What % will come from inbound marketing	50%
What is avg. revenue per customer	£67,000
New customers needed monthly	3
What's the lead-to-customer conversion rate	0.1%
Monthly leads needed	300
What is your visitor-to-lead conversion rate	4%
Monthly visitors needed	7,500

What will it cost?	\$21,000
Planning: Brand, Creative, Messaging (divided by 12 to get monthly cost)	\$1,000
Website development (divided by 12 to get monthly cost)	\$3,000
Marketing Preparation (divided by 12 to get monthly cost)	\$1,000
Content to get started (divided by 12 to get monthly cost)	\$2,000
Marketing Tech (divided by 12 to get monthly cost)	\$1,500
Monthly Campaigns etc.	\$10,000
Internal Resource cost (divided by 12 to get monthly cost)	\$2,500

# Marketing Budget & relationship to growth goals

## misaligned expectations?

Growth Goals vs Marketing Budgets



Source: PR 20/20's Marketing Score Report (fall 2013)

# Small agency - Utilization

- Peak utilization = 75% - *Paul Roetzer*
  - Monthly 120 workable hours
- Average \$2k/mth retainer is 10 hrs/mth of work – *IMR Corp.*
  - PR 20/20 feels this is low and 20 hrs of work is behind a \$2k retainer
  - Example effort: blog post should take 1 to 1.5 hrs – *Kuno Creative*
- Hybrid professional can manage 10-12 retainers at a time – *IMR Corp*
  - PR 20/20 believes this is too much and the max should be 3-5 clients per consultant



# Midsized agency - Utilization

- Same 75% peak utilization
- Typically \$4k minimum retainers at this size
  - Each 20 hrs work/mth
    - Consultant - 10 hrs
    - Technologist, Designer and Copywriter – each ~3 hrs
  - ~36 clients per pod

# Packaging - example

Items per month	Fast	Faster	Fastest
Blog posts	4	12	24
Social Media updates	20	40	80
PPC budget	\$1,000	\$2,000	\$4,000
TOFU offer	0.33	1	1
LP, CTAs	0.33	0.66	1
Nurturing campaign	0	1	1
Press releases	1	1	1