Monetization Matters for Growth
SaaSFest 2015

You're focused too much on "acquisition" as a driver of growth.

You're focused too much on getting someone to your landing page and not enough on what you're putting on that page.

Bold claim.

We've seen inside the financial data of thousands of subscription companies.

Qualitatively, two main camps of emerged.

Lifetime Value (LTV) Beasts.

1. Small to no sales team

2. Typically low amounts of funding relative to their size

3. Focus on unit economics and buyer personas above all else
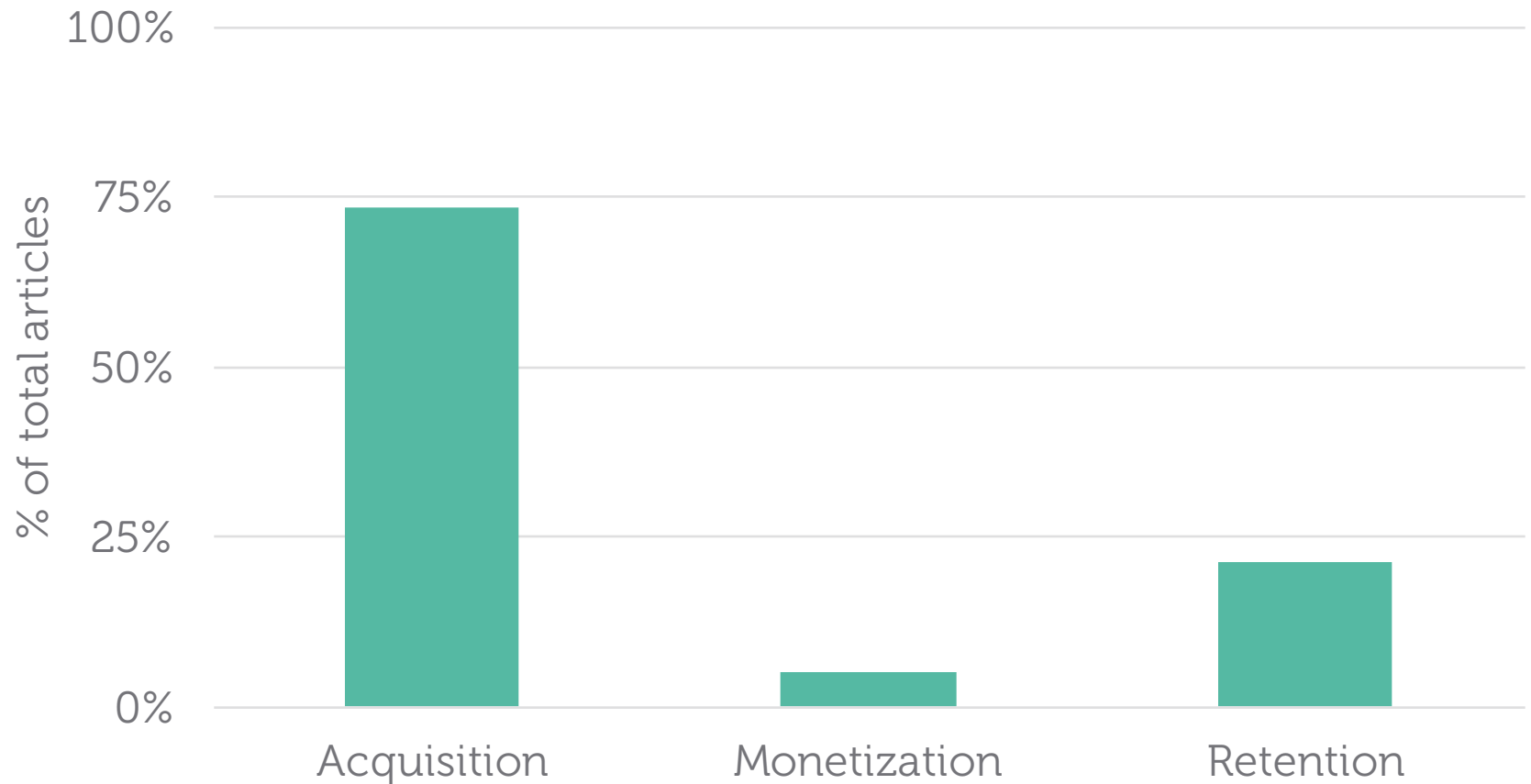
Customer Acquisition Cost (CAC) Fiends.

1. Large sales teams

2. Raised more money than God

3. Unit economics not top of mind and vague buyer personas

Is this real? Is this driven by our growth culture?

Looked at 10,432 blog posts.

We love our acquisition
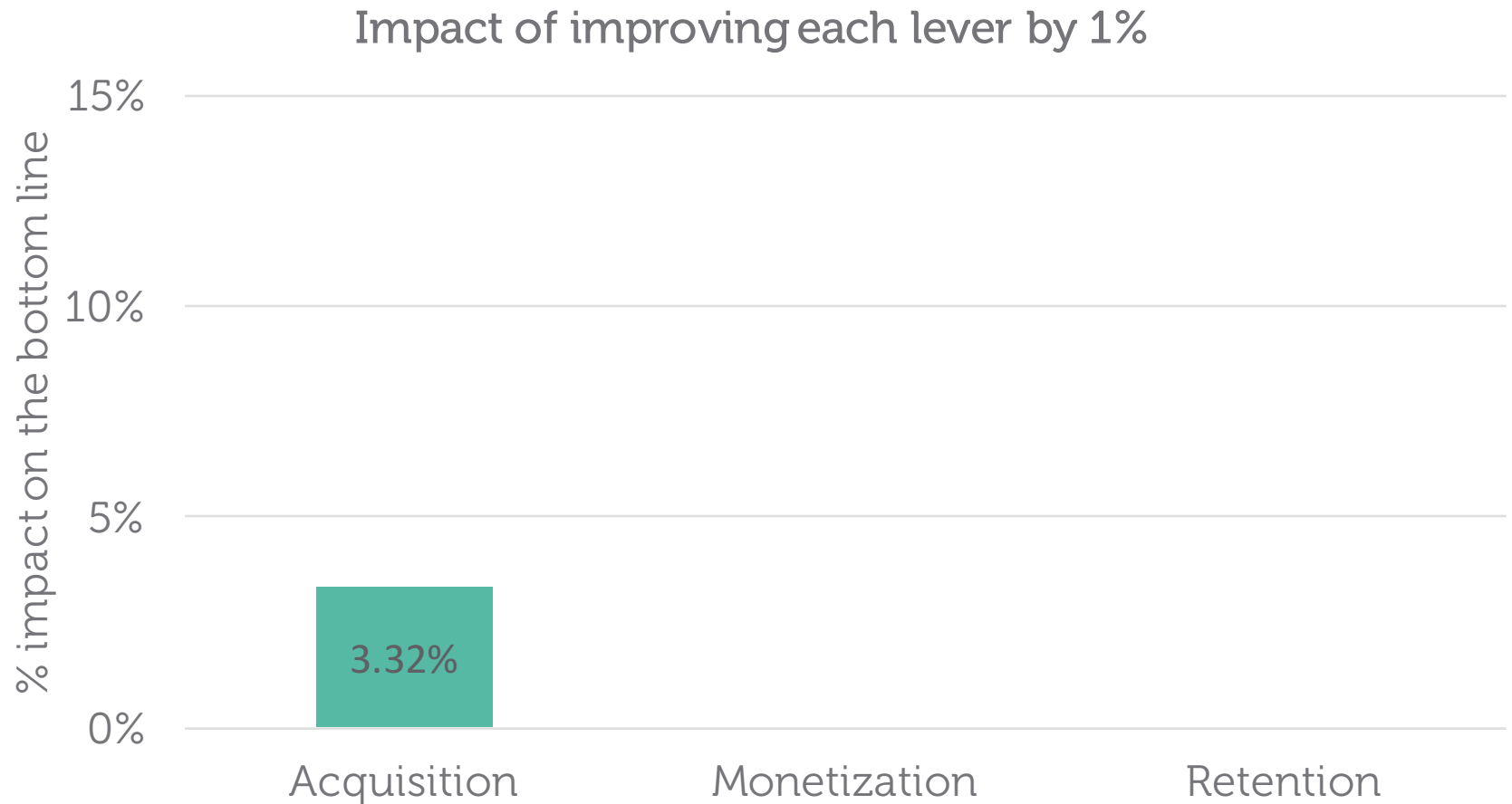
Category of growth articles written in 2014 and 2015

N = 10,432 blog posts written in 2014 and 2015

Price Intelligently

@PriceIntel

Acquisition isn't the most effective channel

If we improve each lever by the same amount, which lever causes the most growth?

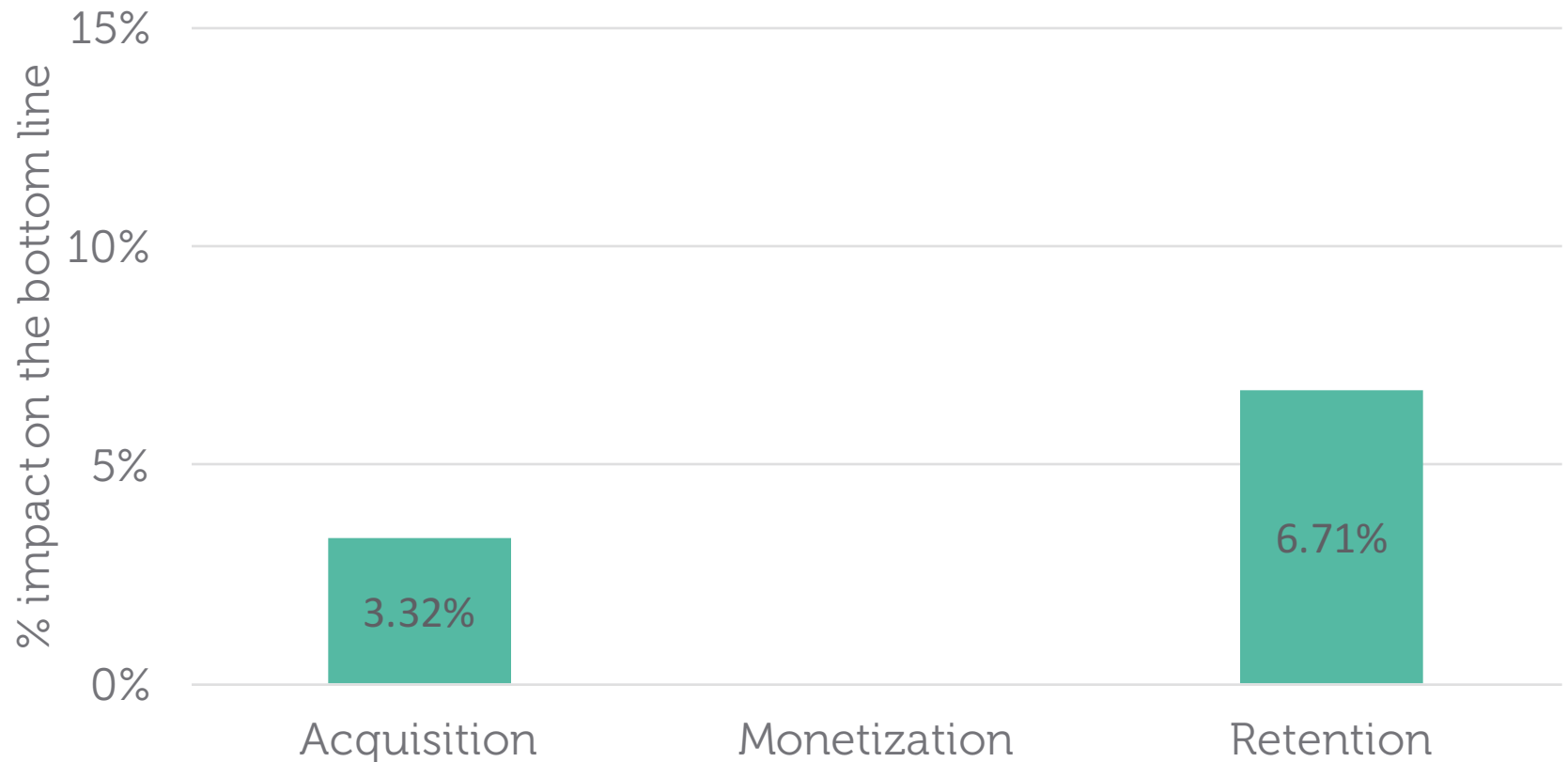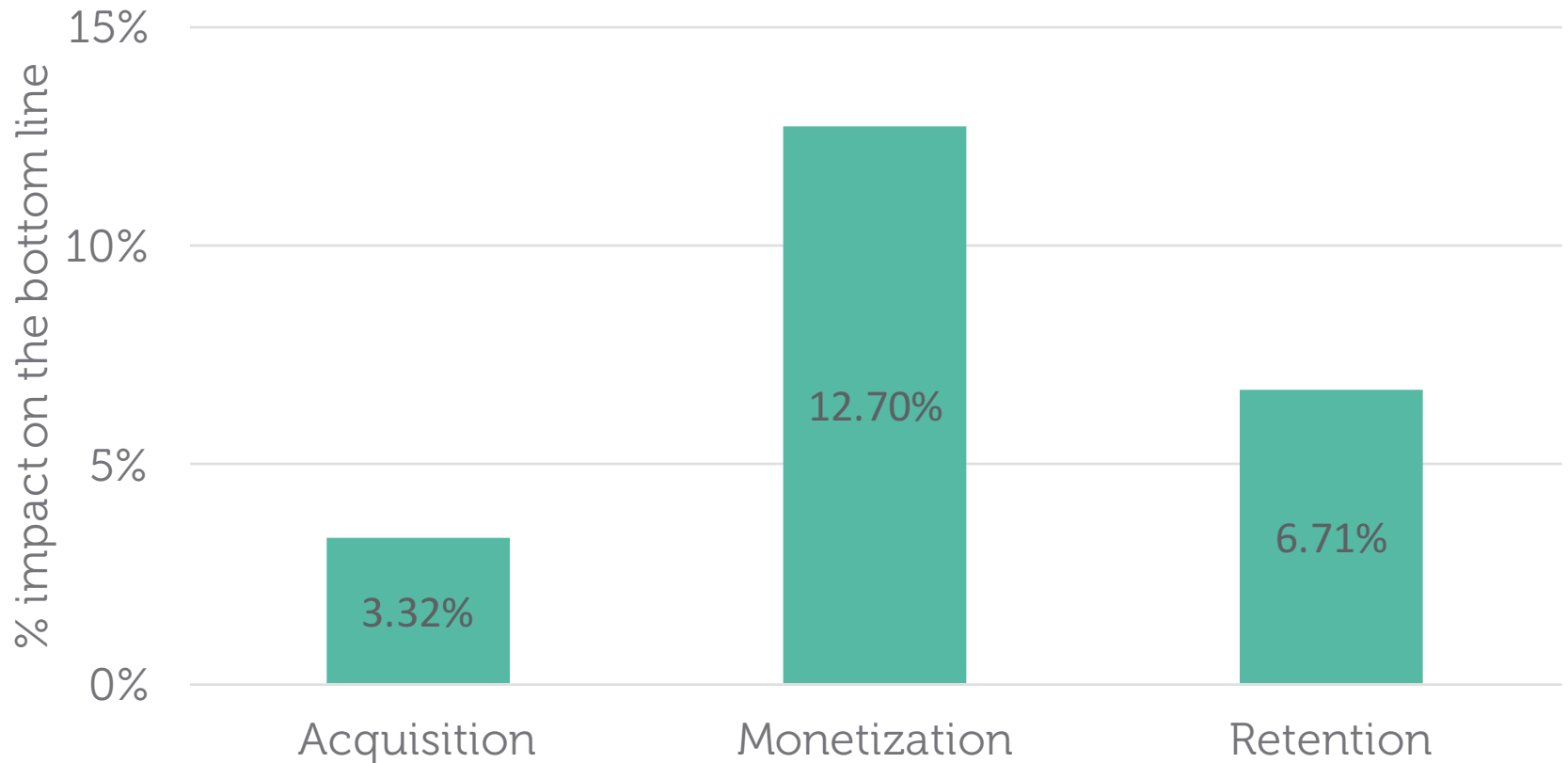# Impact of improving each growth lever

Impact of improving each lever by 1%

% impact on the bottom line

15%

10%

5%

3.32%

0%

Acquisition   Monetization   Retention

N = Data from 512 companies

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Impact of improving each growth lever

Impact of improving each lever by 1%

y-axis: % impact on the bottom line

- Acquisition: 3.32%
- Monetization: (no value)
- Retention: 6.71%

N = Data from 512 companies

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Impact of improving each growth lever

Impact of improving each lever by 1%

% impact on the bottom line

- 15%
- 10%
- 5%
- 0%

Acquisition — 3.32%
Monetization — 12.70%
Retention — 6.71%

N = Data from 512 companies

Price Intelligently   @PriceIntel
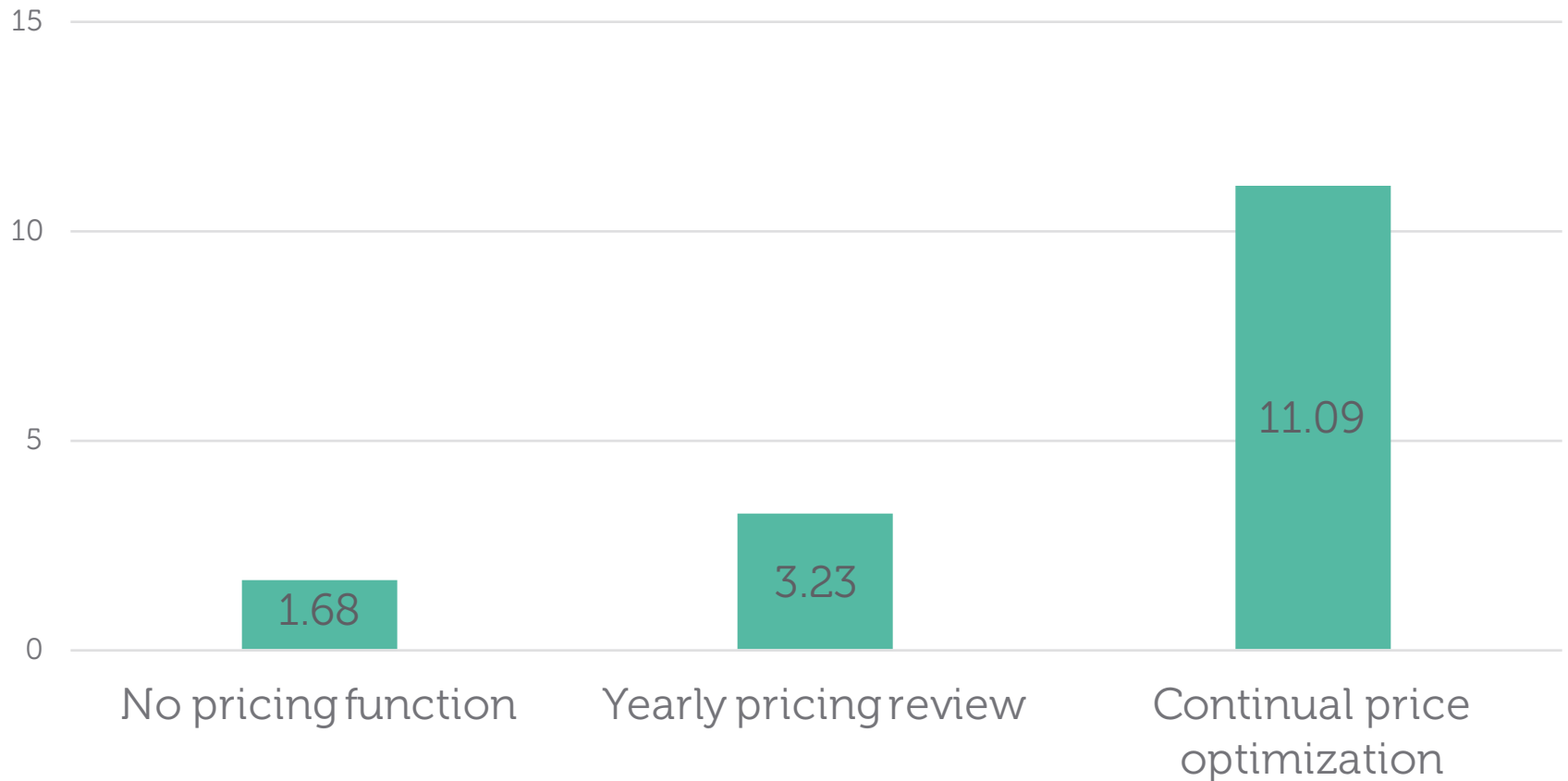
Improving retention and monetization has 2-4x the impact of focusing on acquisition.

Impact on efficiency

LTV/CAC vs. Pricing Commitment

2015 survey of 96 SaaS companies with ARR greater than $5M

Price Intelligently

We want customers, but don't know what to do when we get them.

We focus on growth as a sledgehammer.

How do we improve monetization?

3 ways to better monetization

- Quantify your buyer personas

- Implement a pricing process
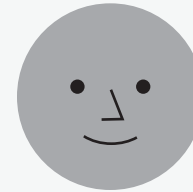
- Utilize a multi-price mindset

Quantify your buyer personas

Persona-Pricing Fit

Table Stakes Tony

- Valued features:
  - SFDC Integration
  - Chrome extension
- Least valued features
  - Analytics
  - API access
- WTP = ~$10/month
- CAC = ~$22
- LTV: $160

Advanced Arnie

- Valued features:
  - Analytics
  - API Access
- Least valued features
  - Chrome extension
  - Premium support
- WTP = ~$25/month
- CAC = ~$56
- LTV: $325

If you don't know who you're driving to your pricing page, how do you know what to put on your pricing page?

Let's walk through an example...

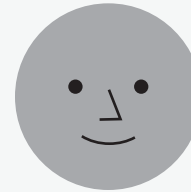My mom's quilting business has better unit economics than your "real" business…

Persona-Pricing Fit

Hipster Henrietta

- Valued features:
  -
  -
- Least valued features
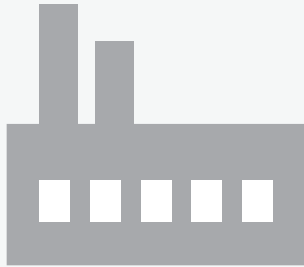 -
  -
- WTP = ~$/month
- CAC = ~$
- LTV: $

Middle-Aged Mary

- Valued features:
  -
  -
- Least valued features
  -
  -
- WTP = ~$/month
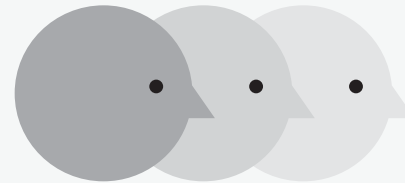- CAC = ~$
- LTV: $

Go to the customer!

For the love of God. Talk to your customer.

How to Set Prices the
Wrong Way

Cost-plus pricing

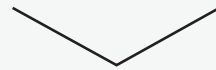Ex: price = cost + 30% margin

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

Costs

Competitors

$+$

Value

How much your customers are willing to pay for your product/service

$=$

Optimal Price

Price Intelligently
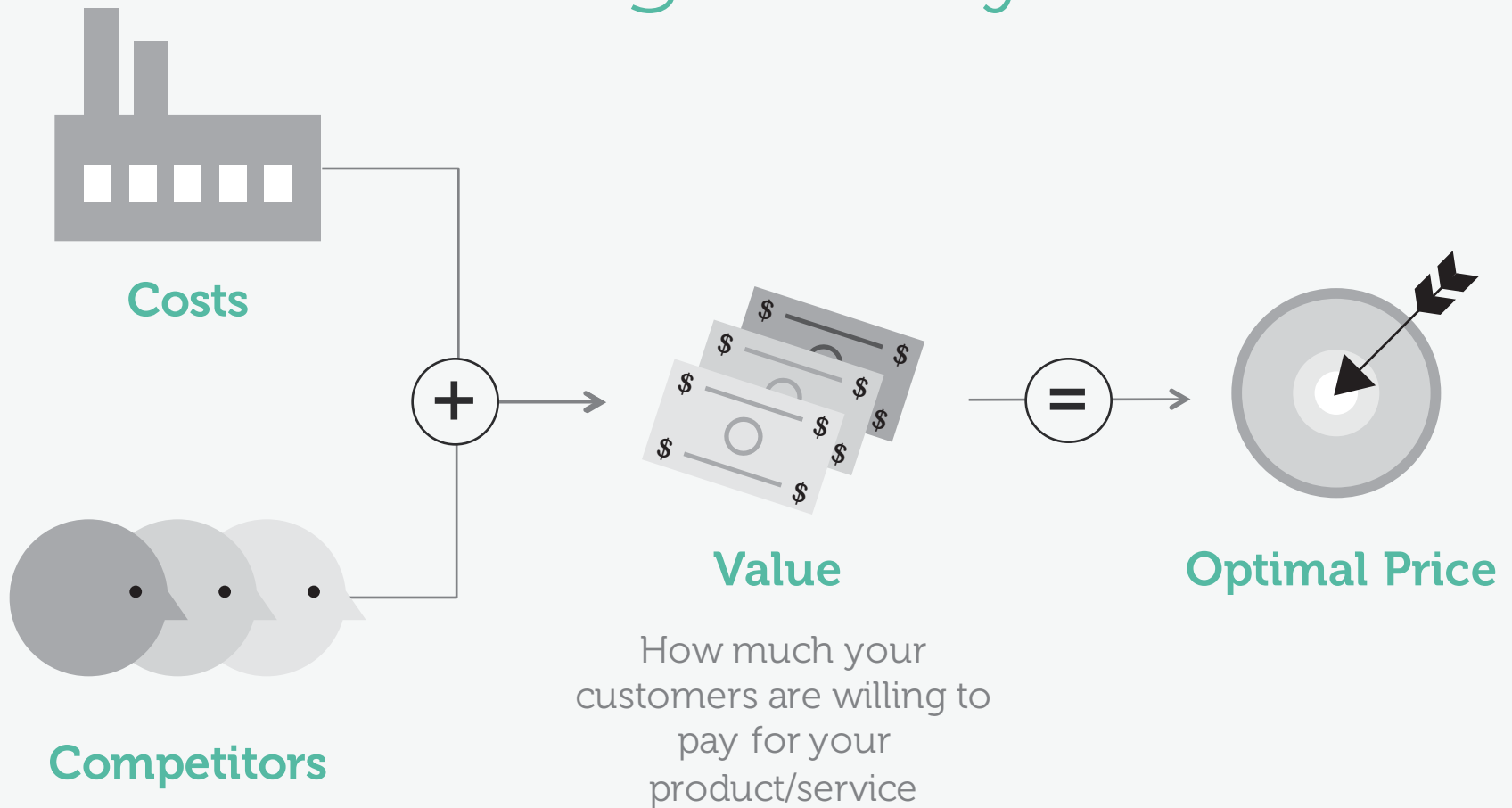
Great. How do we do that?

Your Process at a High Level

1
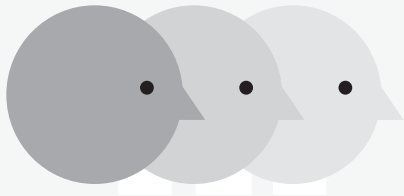
Buyer Personas and Design

2
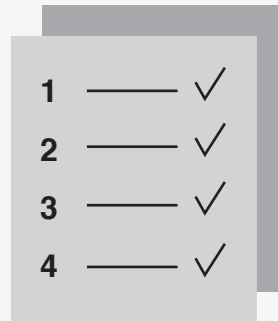
Data Collection And Segmentation

3
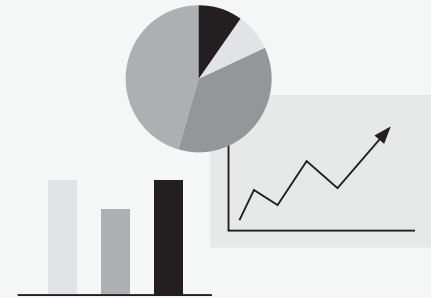
Data Consolidation And Analysis

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 Intelligently

@PriceIntel

Persona-Pricing Fit

Hipster Henrietta

- Valued features:
  -
  -
- Least valued features
  -
  -
- WTP = ~$/month
- CAC = ~$
- LTV: $

Middle-Aged Mary

- Valued features:
  -
  -
- Least valued features
  -
  -
- WTP = ~$/month
- CAC = ~$
- LTV: $

Experimental Design

What type of info do we want?

- Demographic Information
  - How often they quilt? Age? Income?...

- Feature/Packaging Information
  - Modern quilter? Traditional quilter? Mechanical items? Patterns?...

- Pricing Information
  - How much are they willing to pay? What frequency do they want to pay?...

How do we ask the questions?

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.

What do people value?

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.

"Please rank the following features on a scale of 1 to 10…"

Feature	
Quilting Meetups, Events, and Communities	
Other Crafting Hobby Supplies	
Pattern and Design Ideas	
Unique Quilting Items	
Basic Quilting Supplies	

0   2   4   6   8   10

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

Least Important   Most Important

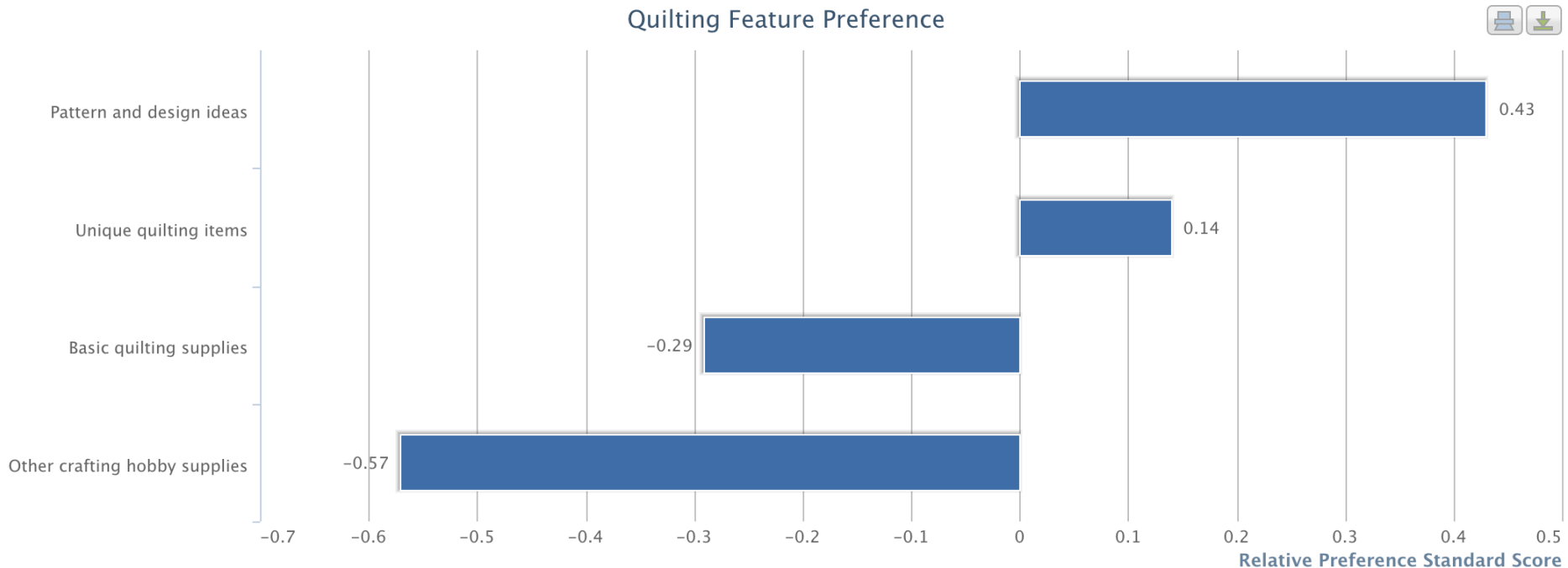|		
☐	**Basic quilting supplies** You're looking for basic quilting supplies at a discount, such as thread, needles, fabric, etc.	☐
☐	**Pattern and design ideas** You're looking for more design and pattern ideas, such as block of the month clubs.	**X**
X	**Other crafting hobby supplies** You're looking for items and ideas to branch out from quilting, such as knitting supplies.	☐
☐	**Unique quilting items** You're looking for unique quilting supplies that you normally wouldn't find in your local quilt stores.	☐

Done

What do your customers value the most?

Quilting Feature Preference

Feature	Score
Pattern and design ideas	0.43
Unique quilting items	0.14
Basic quilting supplies	−0.29
Other crafting hobby supplies	−0.57

Relative Preference Standard Score

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What do your customers value the most?

Breakdown by Income Level

Categories (top to bottom):
- Unique quilting supplies
- Quilting meetups, events, and communities
- Basic quilting supplies
- Pattern and design ideas
- Other hobby crafting supplies

Axis: -0.70, -0.35, 0.00, 0.35, 0.70

Legend: ■ $25k to $50k ■ $50k to $75k ■ $76k to $100k ■ $101k to $125k

Price Intelligently
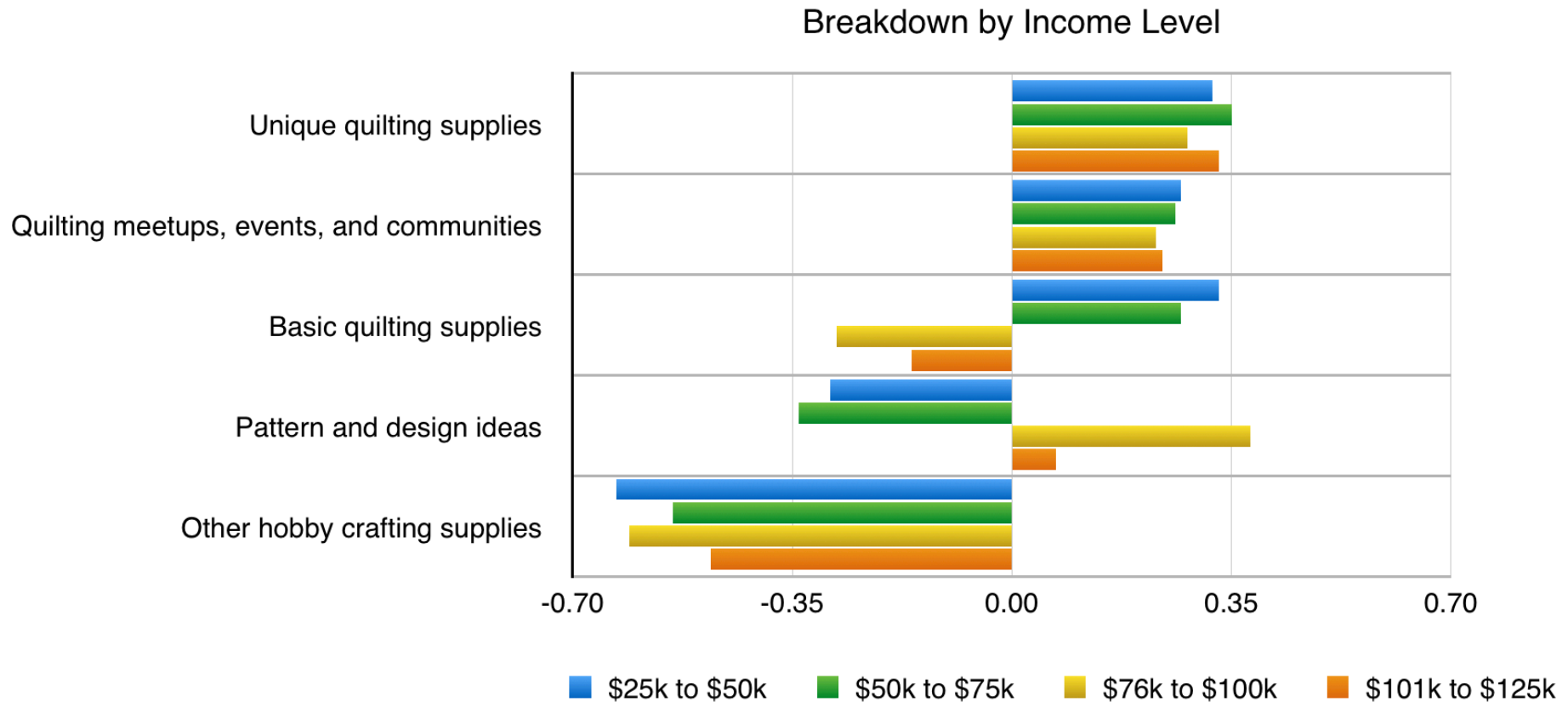
What do your customers value the most?

Breakdown by Persona Group

	Hipster Henrietta	Middle Aged Mary

Chart categories (top to bottom): Unique quilting supplies, Quilting meetups, events, and communities, Pattern and design ideas, Basic quilting supplies, Other hobby crafting supplies
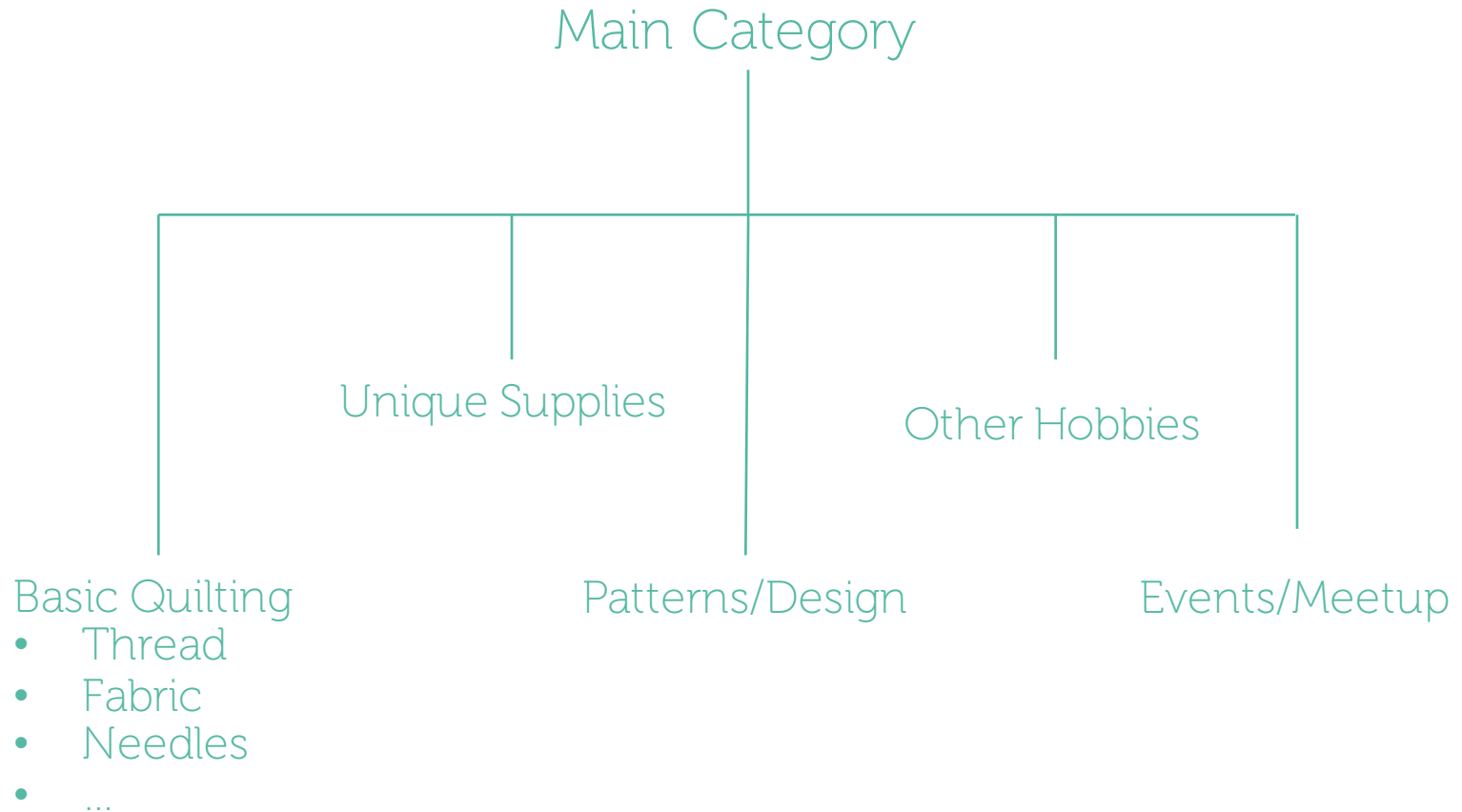
X-axis: -0.80, -0.40, 0.00, 0.40, 0.80
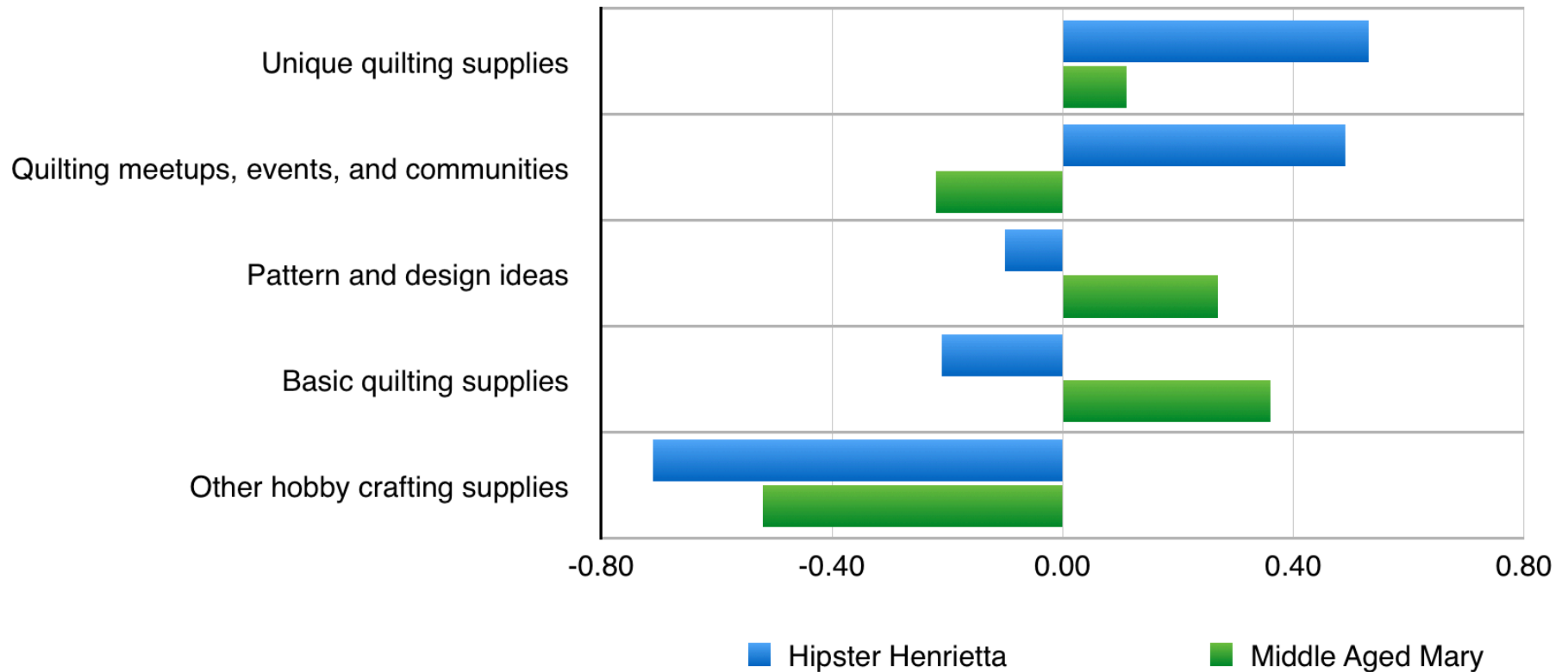
Your Experimental Design

Main Category

Basic Quilting
- Thread
- Fabric
- Needles
- ...

Your Experimental Design

Main Category

Unique Supplies

Other Hobbies

Basic Quilting
- Thread
- Fabric
- Needles
- ...

Patterns/Design

Events/Meetup

Price Intelligently

Your Experimental Design

Main Category

Unique Supplies

Other Hobbies

Basic Quilting
- Thread
- Fabric
- Needles
- ...

Patterns/Design
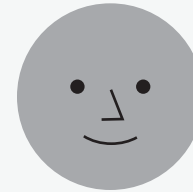
Events/Meetup
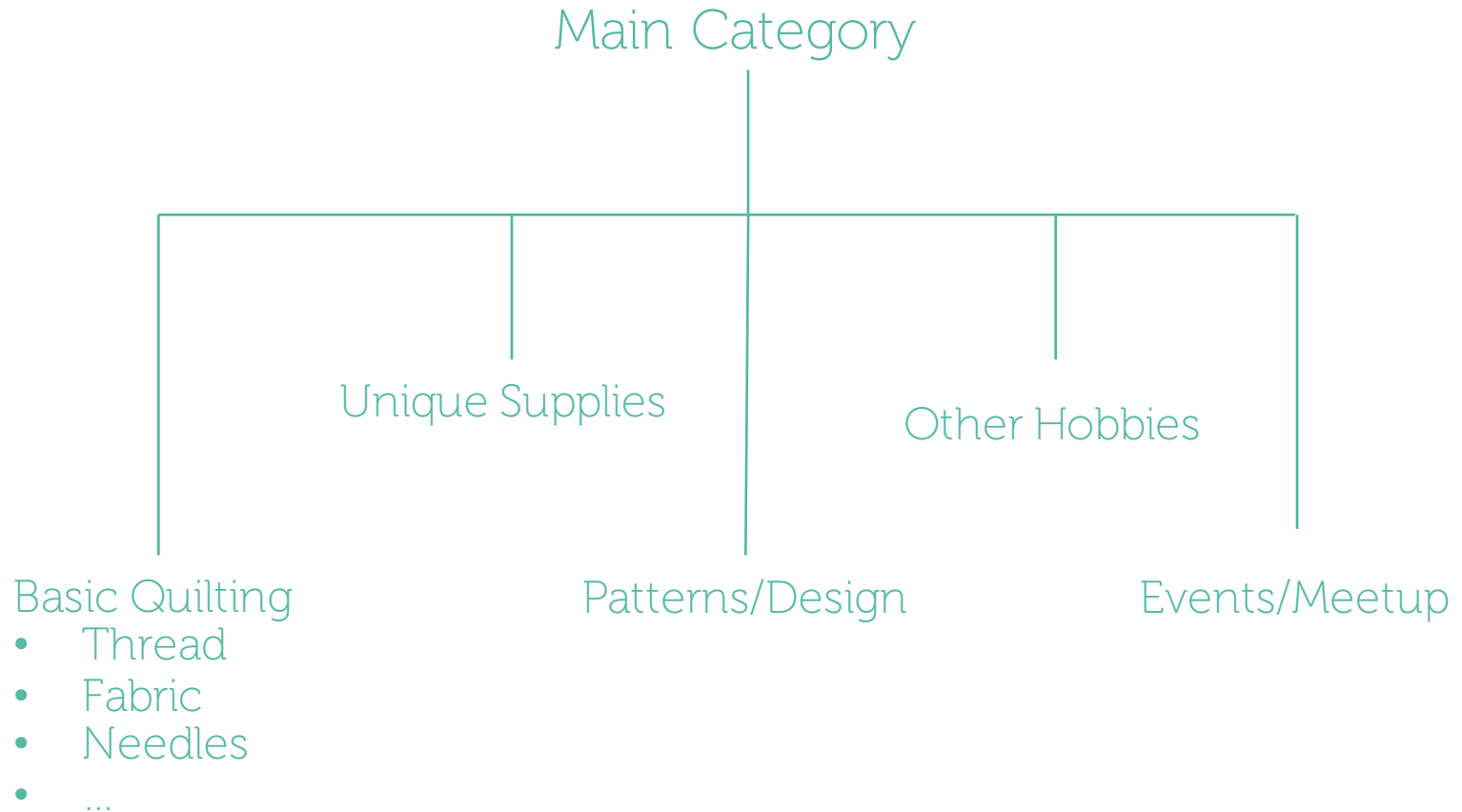
All Demographics and Personas

Price Intelligently

Persona-Pricing Fit

Hipster Henrietta

- Valued features:
  - Unique quilting supplies
  - Meetups
- Least valued features
  - Discounted basic supplies
  - Other hobby supplies
- WTP = ~$/month
- CAC = ~$
- LTV: $

Middle-Aged Mary

- Valued features:
  - Discounted basic supplies
  - Pattern/Design ideas
- Least valued features
  - Discounted basic supplies
  - Other hobby supplies
- WTP = ~$/month
- CAC = ~$
- LTV: $

How do we ask the questions?

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

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Experimental Design
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Price Intelligently

How much are they willing to pay?

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.

How much are your customers willing to pay?

- At what (monthly) price point does [PRODUCT] become too expensive that you'd never consider purchasing it?

- At what (monthly) price point does [PRODUCT] start to become expensive, but you'd still consider purchasing it?

- At what (monthly) price point does [PRODUCT] a really good deal?

- At what (monthly) price point does [PRODUCT] too cheap that you question the quality of it?

How much are your customers willing to pay?

Price Intelligently
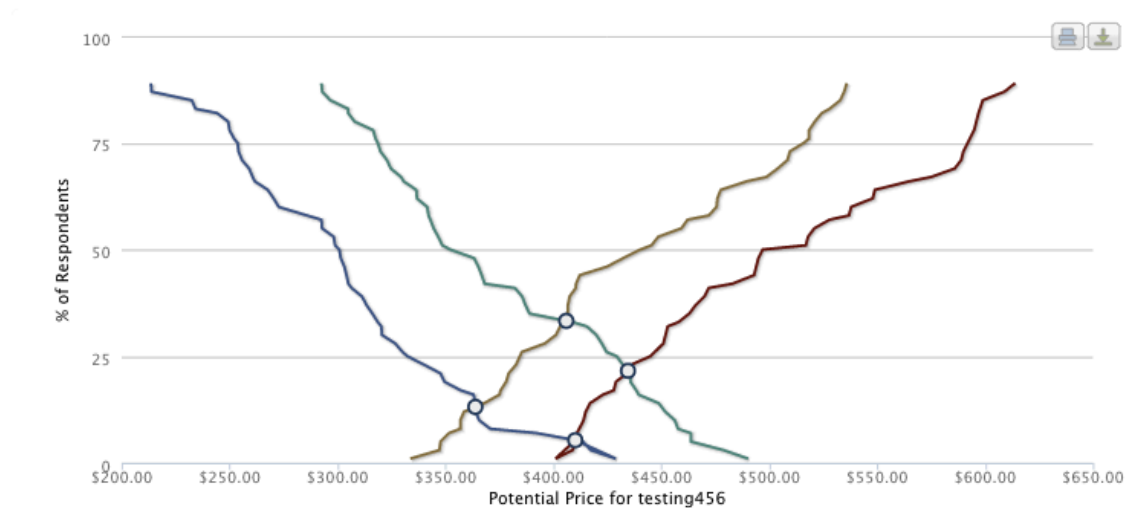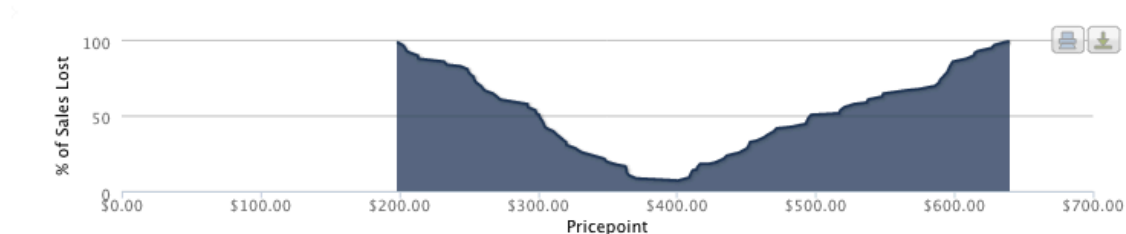
Persona-Pricing Fit

Hipster Henrietta
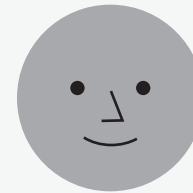
- Valued features:
    - Unique quilting supplies
    - Meetups
- Least valued features
    - Discounted basic supplies
    - Other hobby supplies
- WTP = ~$50 and $100/month
- CAC = ~$
- LTV: $
- Channels:

Middle-Aged Mary

- Valued features:
    - Discounted basic supplies
    - Pattern/Design ideas
- Least valued features
    - Discounted basic supplies
    - Other hobby supplies
- WTP = ~$30, $50, and $100/month
- CAC = ~$
- LTV: $
- Channels:

Persona-Pricing Fit

Hipster Henrietta

- Valued features:
  - Unique quilting supplies
  - Meetups
- Least valued features
  - Discounted basic supplies
  - Other hobby supplies
- WTP = ~$50 and $100/month
- CAC = ~$50
- LTV: $675
- Channels: WoM, Facebook, Quilt shops, Meetup.com, design websites, instagram
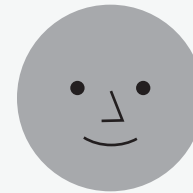
Middle-Aged Mary

- Valued features:
  - Discounted basic supplies
  - Pattern/Design ideas
- Least valued features
  - Discounted basic supplies
  - Other hobby supplies
- WTP = ~$30, $50, and $100/month
- CAC = ~$25
- LTV: $850
- Channels: WoM, Facebook, Quilt shops, Quilt mailing lists

My mom's pricing page

Free	$50/month	$100/month

- Block of the month pattern
- Access to deals newsletter

- Community
- Curated box of basic quilting supplies (1 quilt pattern)

- Curated box of unique quilting supplies (1 non-quilt pattern)

8 hours total.

8 hours total. $1264.

Implement a pricing process

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

~6 Hours. Total.

Companies lack

Commitment

Companies spend an average of 8 hours *total* on pricing, but spend hundreds of hours on acquisition.*

Expertise

No one is hired or trained to manage the pricing process, getting handed off to "whomever wants to take the project."

Process

Pricing is treated as "argue, guess, and check", rather than a validation process engrained in customer development.

*2015 survey of 312 companies

Pricing Isn't Hard.

It's a process.

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

Changing Your Pricing

Week:

1   2   3   4   5   6   7   8   9

Step:

Customer/Market Research	Communication Plan	Implement Changes
	Impact Analysis	
	Customer Advisory Panel	

Your Pricing Committee

Product Leadership	Corp Dev/Finance

Sales Leadership	Marketing Leadership

Main Coordinator Typically in Product or Marketing

⬇

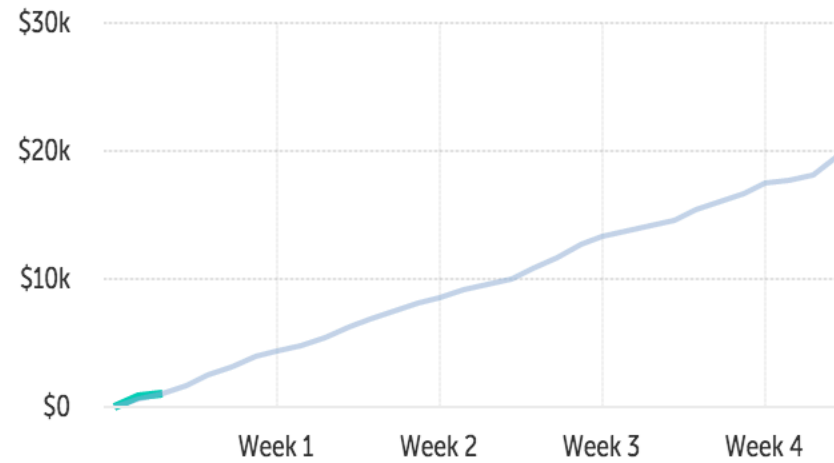## Main Decision Maker
(could be a member of the committee, as well)

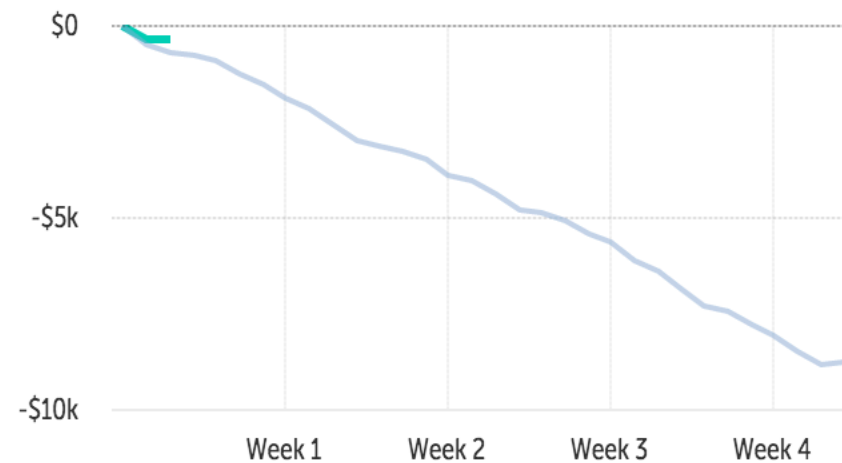# Utilize a multi-price mindset

Growth From New Users ⓘ $1,094

$30k

$20k

$10k

$0

      Week 1   Week 2   Week 3   Week 4

Growth From Existing Users ⓘ   -$381

$0

-$5k

-$10k

      Week 1   Week 2   Week 3   Week 4

@PriceIntel

Differentiate Features

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.

Wistia – Value Metric

FREE	STARTER	STANDARD	ADVANCED
$0 / FOREVER	**$23** / MONTH paid annually	**$79** / MONTH paid annually	**$239** / MONTH paid annually
3 Videos Total	**6 Videos Total**	**Unlimited Videos**	**Unlimited Videos**
1 GB bandwidth/month	10 GB bandwidth/month	200 GB bandwidth/month	1TB bandwidth/month
All Wistia Features	All Wistia Features	All Wistia Features	All Wistia features
Wistia Branded Player	15 day free trial	15 day free trial	15 day free trial
GET STARTED!	TRY BUY	TRY BUY	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.

Monetization matters. It's the reason you're in business.