Point Pricing™

An Inside Look at PR 20/20's Value-Based Pricing Model

HubSpot Partner Day
May 20, 2015

Paul Roetzer
@paulroetzer

Founder & CEO | PR 20/20
Creator | Marketing Agency Insider
Author | *The Marketing **Performance** Blueprint (2014) &
The Marketing **Agency** Blueprint (2012)*

Chapter 1

Eliminate Billable Hours

Inefficiency is the enemy of success.

Disrupt or Be Disrupted

Disruptive innovation can hurt, if you are not the one doing the disrupting. This term, coined by Harvard professor and bestselling author Clayton Christensen (@claychristensen), and commonly talked about in technology circles, is a very real issue for marketing agencies.

According to Christensen, disruptive innovation, "describes a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves 'up market,' eventually displacing established competitors."[1]

Disruptive innovation is already happening in the marketing-services industry, and it is going to change everything, including pricing and service models, measurement methods, tools and platforms, higher education, industry accreditation, marketing budgets, organization charts, and career paths.

Think about the firms coming up that have superior knowledge and capabilities in the high-demand areas of search, mobile, content, and social. Do you think the status quo is sustainable for traditional marketing firms? The upstarts and innovators may not immediately attack the core larger enterprise markets sought after by the big agencies, but before you know it, the collective ecosystem of emerging agencies will have built a diverse and collaborative empire that will shift the power in the industry. Then, it is only a matter of time.

Whether you are an emerging agency seeking to disrupt or a traditional firm on the wrong end of the impending evolution, here are several things to remember about disruptive innovation:

- Disruptive business characteristics include: lower gross margins, smaller target markets, and simpler products and services.
- It often comes from the outside, and once you realize what is happening, it is probably too late.
- Success requires an uncommon tolerance for risk and a desire to embrace the unknown.
- Victory favors those who are bold and decisive in their actions.
- Traditional agencies that are slow to adapt will fail, and many existing industry experts will become irrelevant. This will be good for the industry.
- Unparalleled opportunities will arise for marketing agencies and professionals, and new career paths will be defined.
- The underdogs and innovators will become the leaders.

Pricing strategy is a key component to disruption. Agencies motivated to change will shift away from the inefficient legacy system of billable hours, and move to more results-driven, value-based models accessible to the mass market. This presents the opportunity for agencies and independent consultants to disrupt the industry with lower prices, and potentially higher profit margins.

A Broken System

I started my career in the marketing industry at a traditional PR firm. In those days (1999–2005) we charged a flat rate of $125 per hour, and billed in quarter-hour increments. The flat rate meant that clients paid the same hourly rate for my work as they did for time logged by our most senior personnel. This was easier to track and report internally (when people actually completed their timesheets) than a tiered hourly rate, but from a client's perspective, I always struggled to understand how paying a junior associate and a senior executive the same $125 per hour made any sense. Where is the value in that?
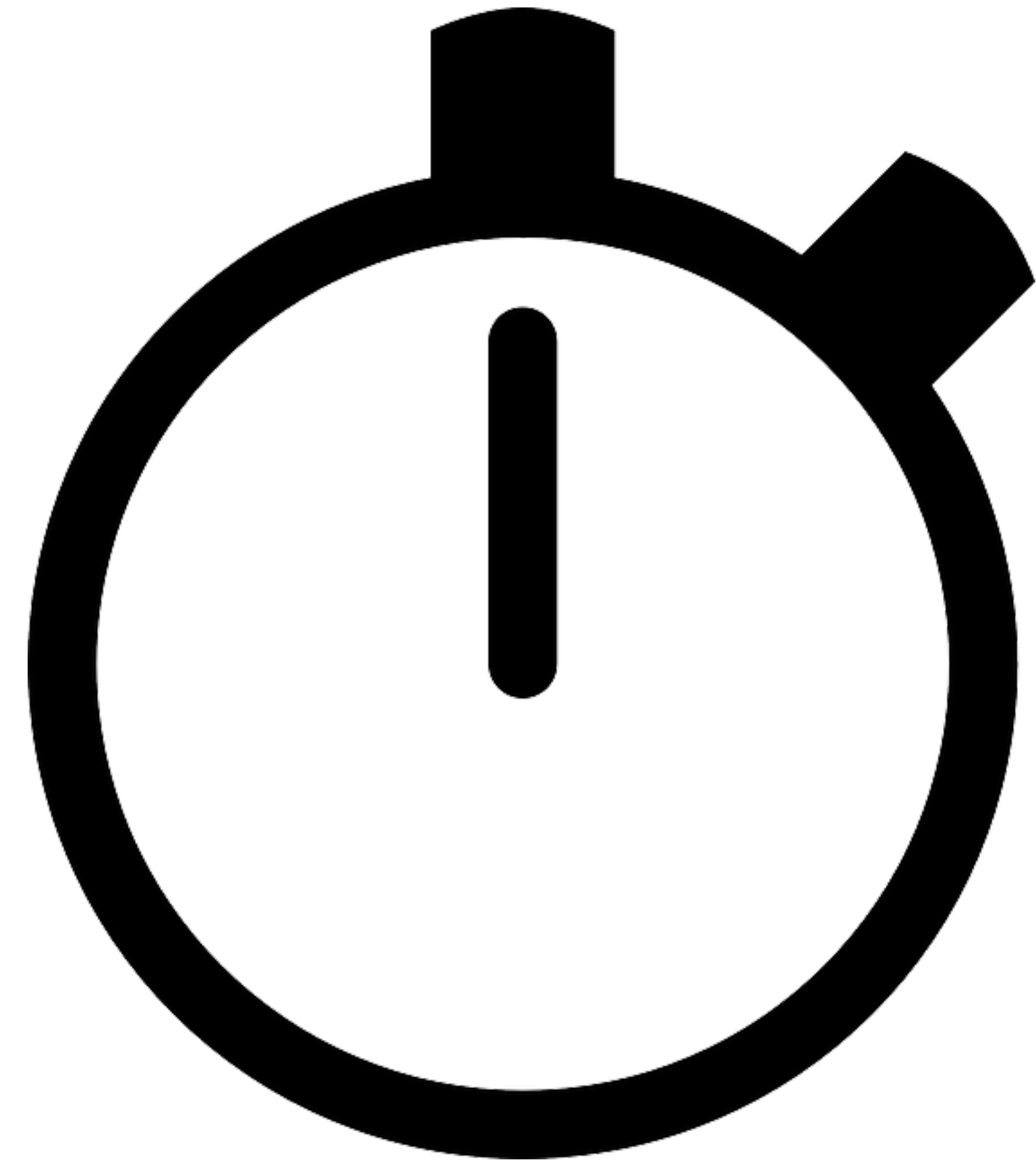
Then again, I also never bought into the tiered-rate model. Even today I cannot comprehend how firms justify charging upward of $964 per hour for a senior
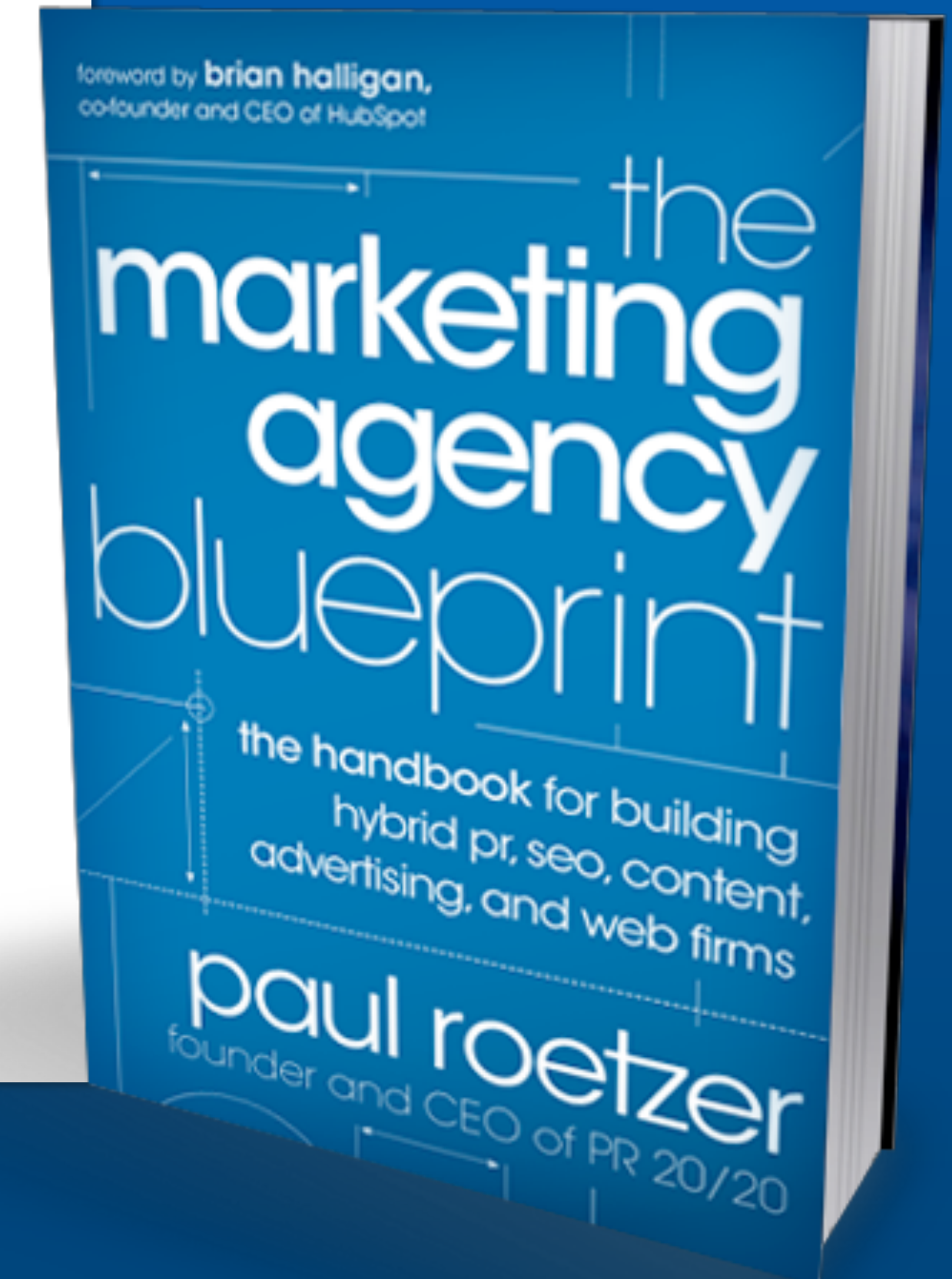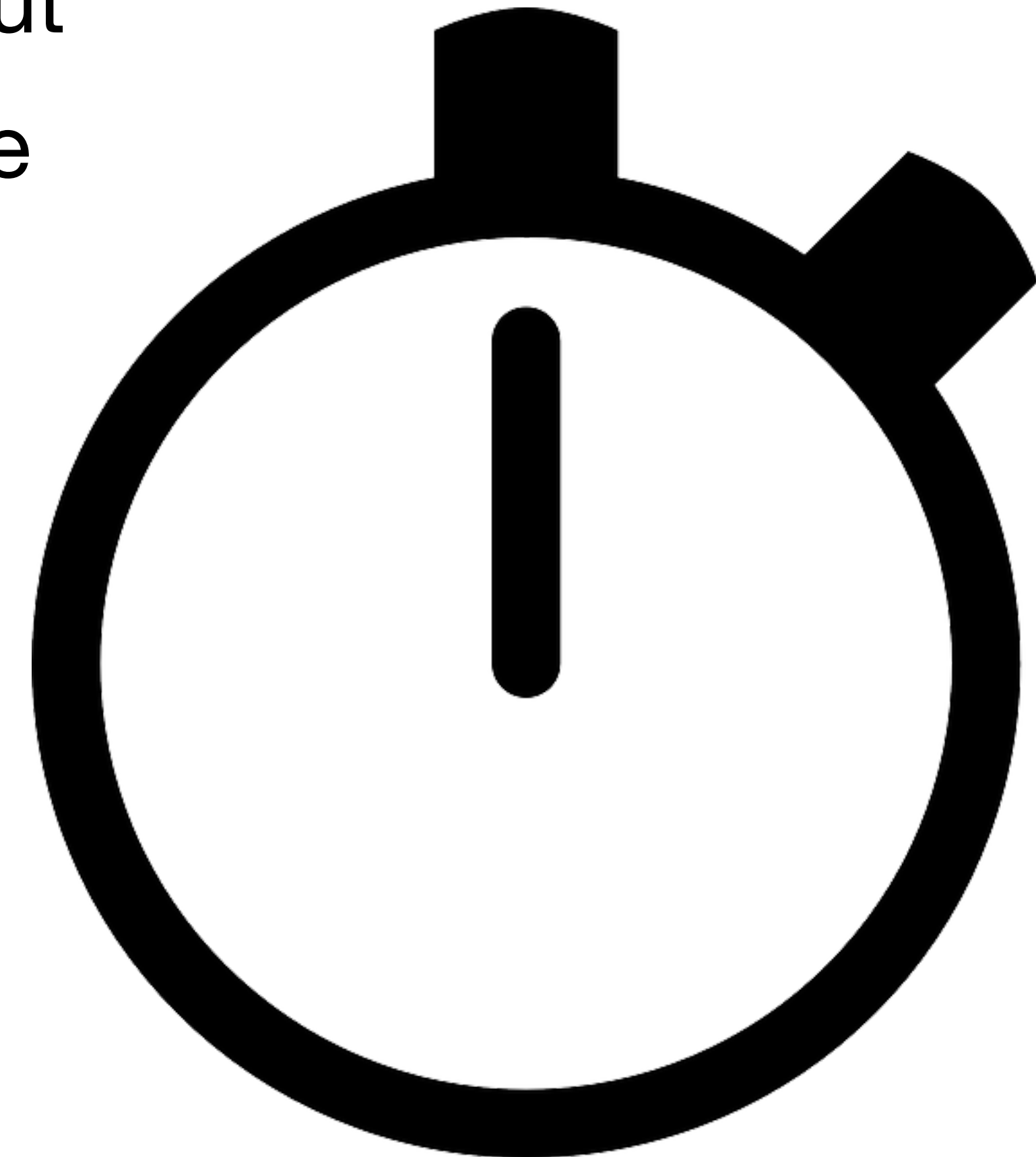
I spent the first six years of my marketing agency career **chasing hourly quotas instead of results**.
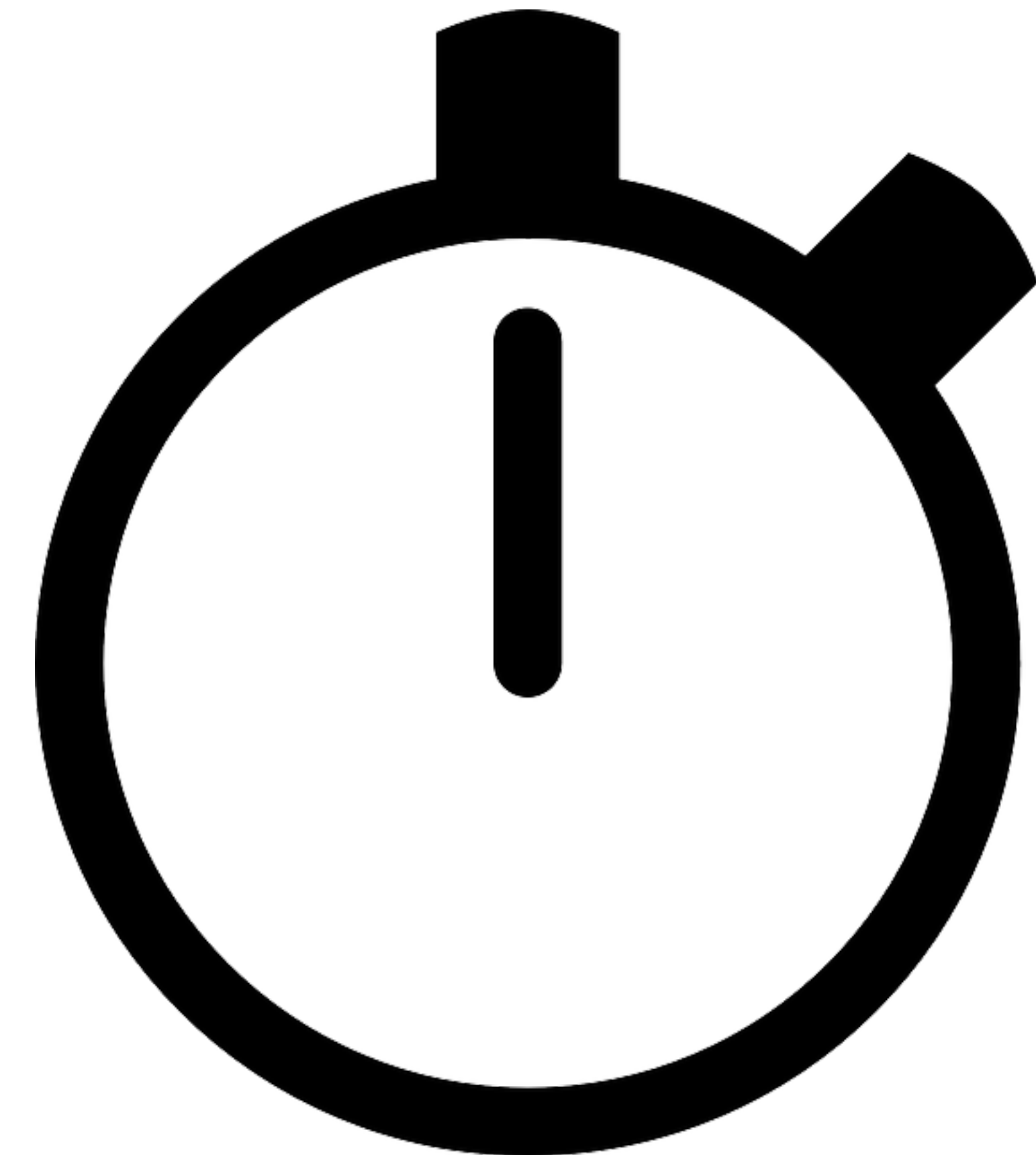
"Strive for **5**"

Yes, we cared if the client was happy and successful, but the fundamental **_economic driving force_** behind the firm's existence, and my career potential, was **the billable hour**.

I discovered early on that the billable-hour model was a **flawed, archaic, agency-centric system** that wrongly tied agency performance to **outputs, not outcomes.**
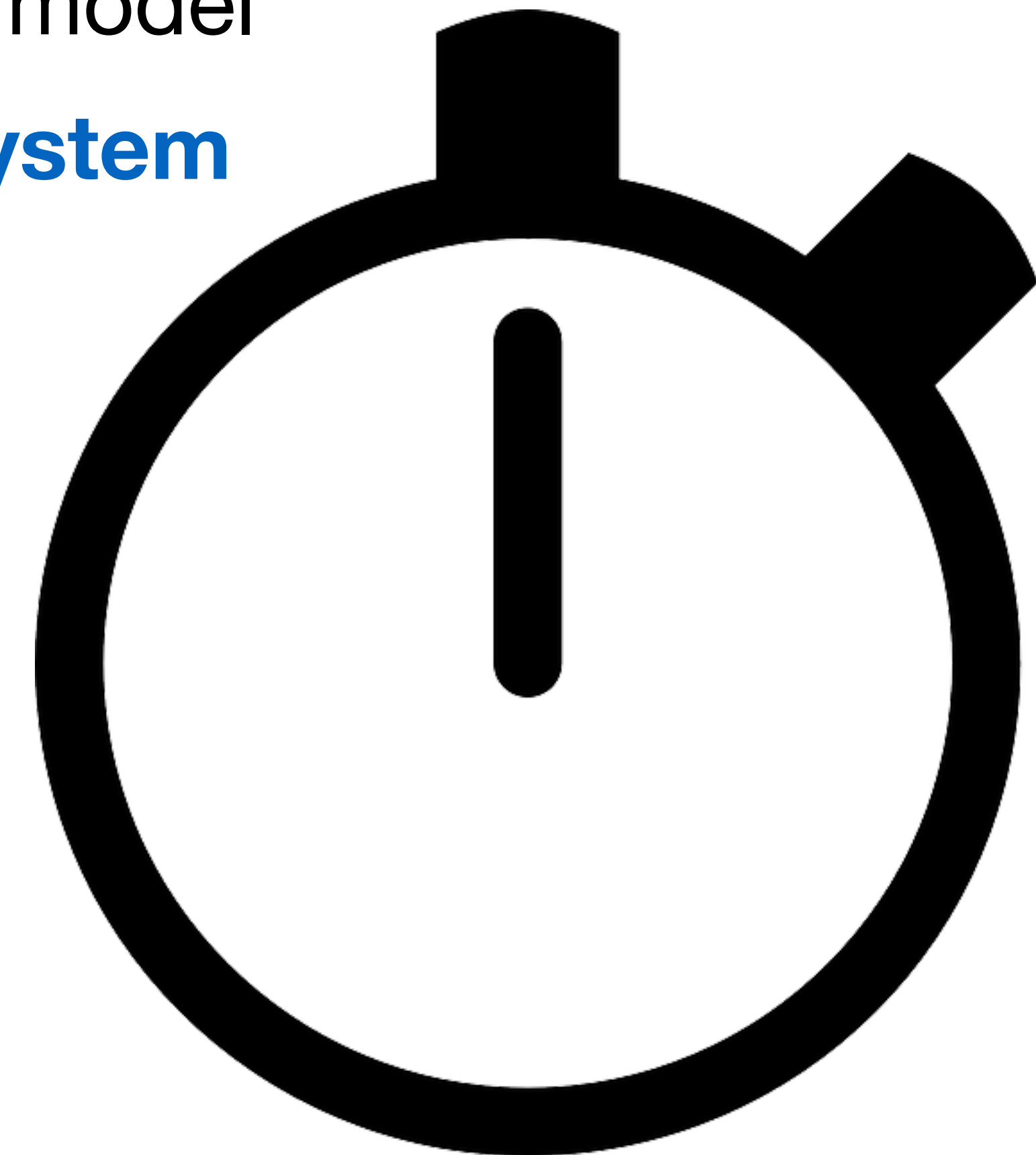
In 2004, four years into my career,

I became highly motivated

to build a more efficient

and profitable solution

that **shifted the focus**

to client needs

and goals.

The idea was centered on making services tangible, with **clearly defined costs, features and benefits**, almost like buying a product off a retail shelf or signing up for a software service.
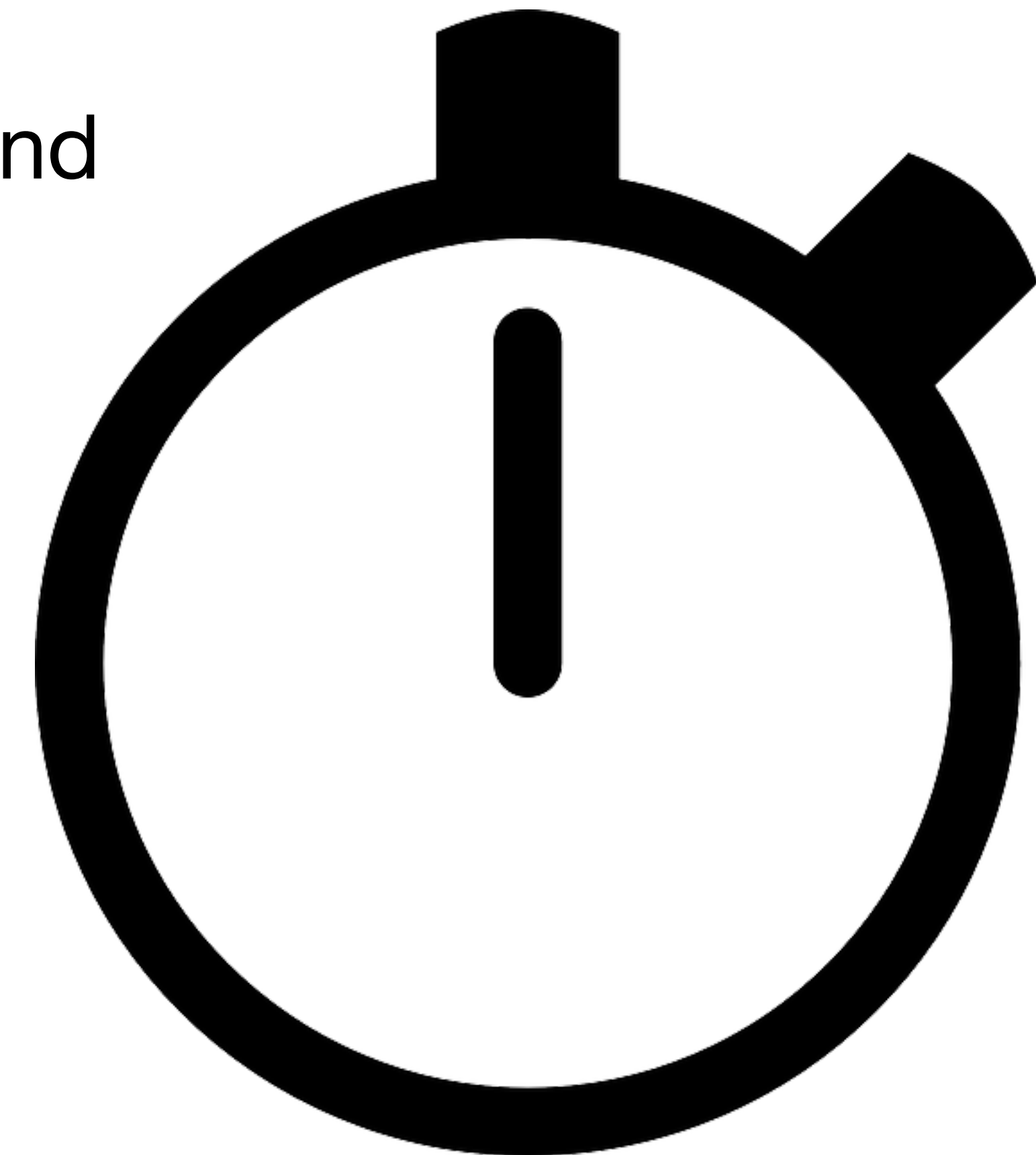
My theory was that if clients
understood exactly what they were getting,
and agreed ahead of time what it was worth,
we could remove the mystery from the equation
and **focus on delivering value and results**.
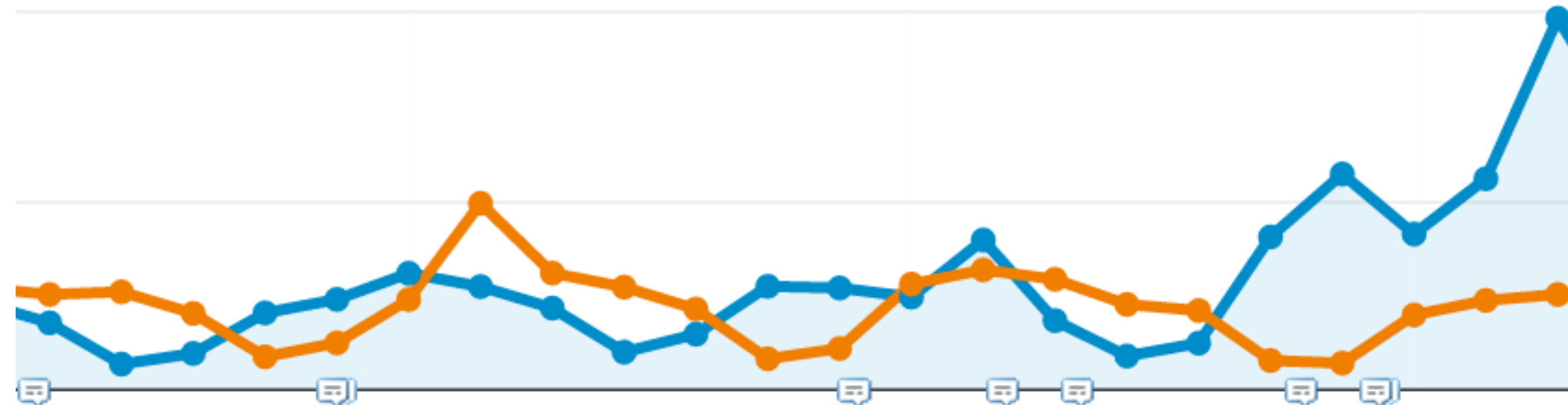
The problem was that the **billable-hour model** was the only one I had ever known.
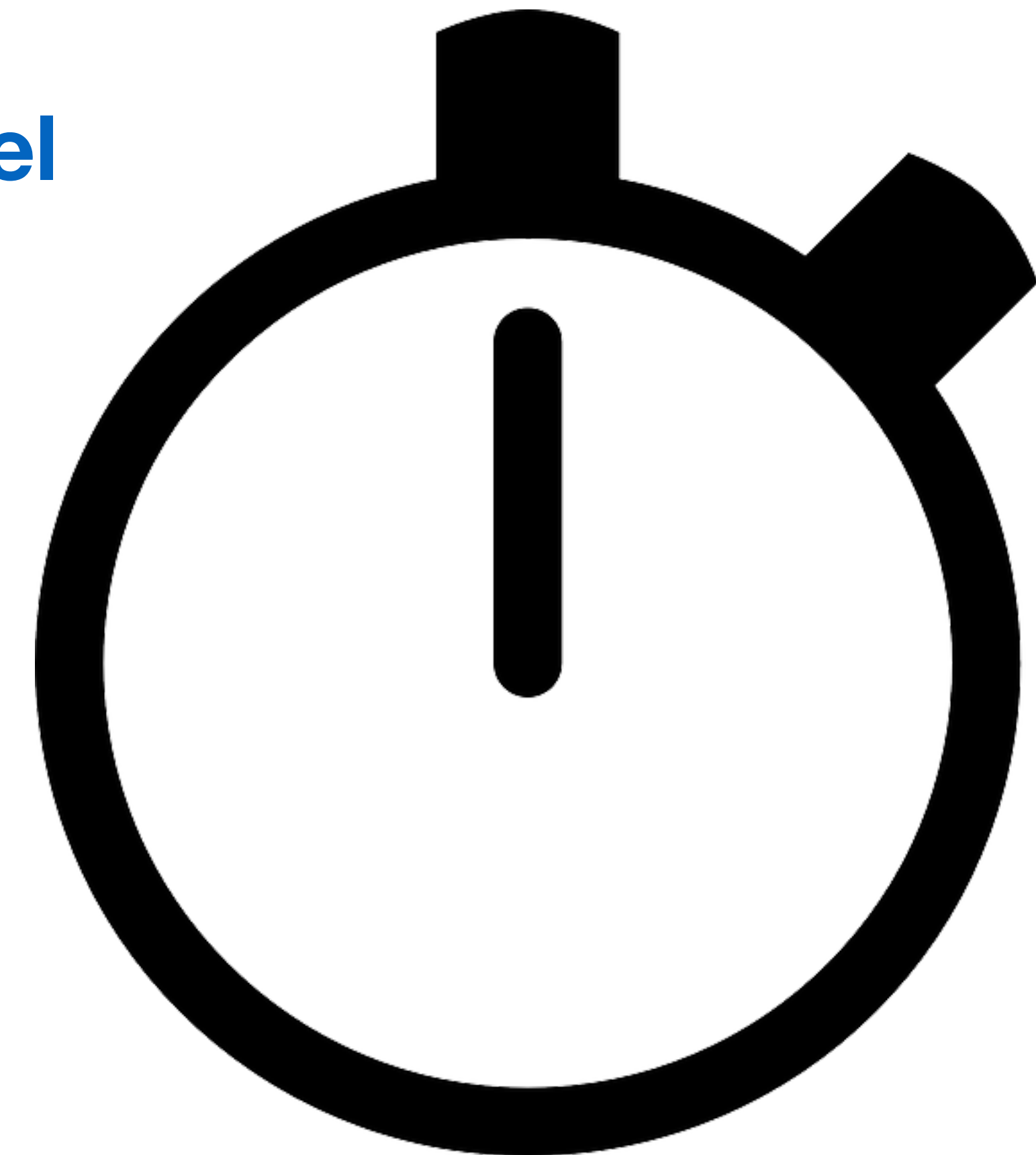
How would I build an entirely new financial model and **productize a service business?**

"The guiding principle was that set prices had to be **value based**, meaning they were to be determined based on **perceived and actual value** rather than the number of billable hours something takes to complete."

value-based pricing

value-based pricing **variables**

Project	Hours
1501.1-New Years Resolutions	1.69
1501.2-Visual Content	1.48
1501.3-New Hire Announcement	1.25
1501.4-Prep For LIVE Interviews	4.64
1501.5-B2 webinar post	2.26
1501.6-PR Vocab	0.97
1501.7-Storytelling guest post	0.65
1501.8-Overused stat	4.58
1502.01-Influencer marketing guest post	0.43
1502.02-AMA Recap	7.27
1502.03-Puppy Bowl	9.32
1502.04-AdWords Guest Post	0.09
1502.05-GV Twitter Video	2.05
1502.06-Partner Program	8.24
1502.07 - top blogs	6.71
1502.08-Inbound Events	2.47
1502.09-Browns Logo (LinkedIn)	1.00
1503.01-Ongoing Education	6.18
1503.02-Afternoon at Ahuja	8.14
1503.03-Vitamix	8.34
1503.04 #IMW15 Digital Trends	4.26

estimated hours (*at peak efficiency*)

perceived value

builder vs. driver

hourly revenue target

costs

loss leader

service level

the price of **inefficiency**
a press release

Professional A

Hourly rate = $150

Hours to complete = 3

Cost = $450

the price of **inefficiency**
a press release

Professional B

Original draft ($150/hr) = 5 hrs or $750

Sr Assoc edit/review ($250/hr) = 1.25 hrs or $312.50

Edits ($150/hr) = 0.50 hrs or $75

Sr Assoc final edit ($250/hr) = 0.50 or $125

Total = 7.25 hrs or $1,262.50

Professional A = 3 hrs @ $450

Professional B = 7.25 hrs @ $1,262.50

The agency, not the client, should pay for professional development and inefficiencies.

inefficiency factors

distractions

inefficiency factors

time tracking

inefficiency factors

motivation

builders are recurring campaigns designed to **create and expand assets**

@paulroetzer

www.**pr2020**.com

drivers are campaigns designed to capitalize on existing assets to **accelerate success**

image: Pedro Moura Pinheiro

@paulroetzer

www.**pr2020**.com

origins of the point pricing^{tm} model

2008

Internet Marketing Services	Starter ($1,299/month)	Basic ($1,999/month)	Professional ($2,499/month)	Enterprise ($2,999/month)
Contract Length	12 months	12 months	12 months	12 months
Setup Fee	$499	$499	$499	$499
SEO Analysis	✔	✔	✔	✔
Internet Marketing GamePlan	✔	✔	✔	✔
Keyword Analysis	✔	✔	✔	✔
Keyword Optimization	Up to 20 pages	Up to 30 pages	Up to 40 pages	Up to 50 pages
Link Building	Up to 12 hours	Up to 24 hours	Up to 36 hours	Up to 48 hours
Monthly Optimization Scorecard	✔	✔	✔	✔
Internet Marketing Consulting	Up to 12 hours	Up to 24 hours	Up to 36 hours	Up to 48 hours
Free Consulting Hours	3 hours	6 hours	12 hours	18 hours
Landing Pages	1	Up to 3	Up to 6	Up to 9
Optimized Press Releases	1	Up to 3	Up to 6	Up to 12
Lead Forms	1	1	Up to 2	Up to 3
Social Media Tracker	—	✔	✔	✔
Social Media Resource Guide	$999	$999	✔	✔
Web 2.0 Forum	$1,999	$1,999	$1,999	$1,999
Blogging	$99/hour	$99/hour	$99/hour	$99/hour
Google AdWords Campaign	$499/month & Up	$499/month & Up	$499/month & Up	$499/month & Up

Discounts may apply for HubSpot customers. Contact PR 20/20 to learn more.

2010

Started working on a **marketing intelligence engine** in early 2012.

Looked to **agile development models** for inspiration on building software and **standardizing recommendations** using artificial intelligence.
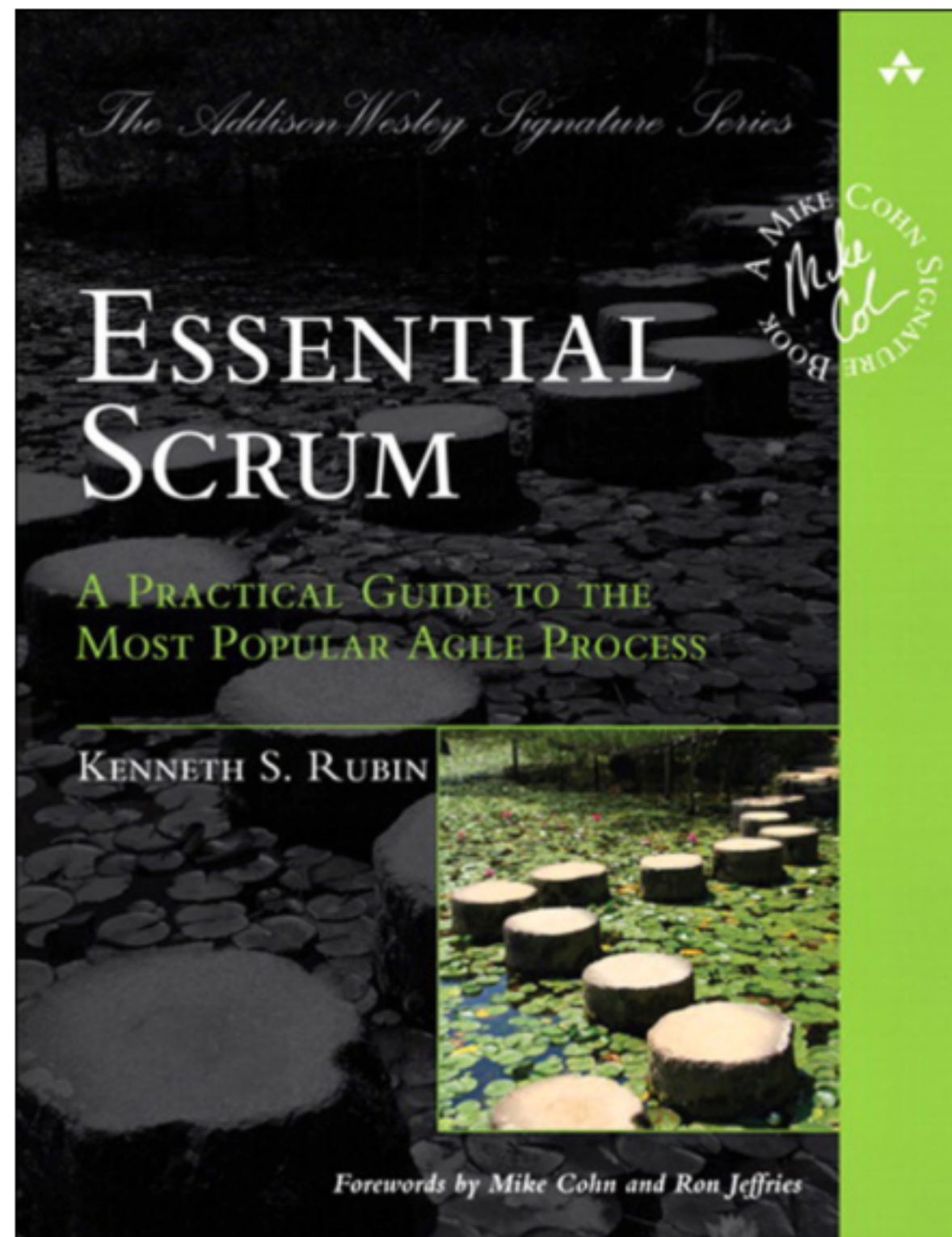
seeking **inspiration**

"Lean thinking defines value as providing benefit to the customer; anything else is just **waste**."

"As in any lean transformation, existing **systems and tools** often need to be **reinvented**."

seeking **inspiration**

In practice, many teams use a relative size measure such as **story points** or ideal days.

In Scrum, it's not about how much work you start; it's about what **customer-valuable work** you finish.

What we are trying to avoid is work that adds no short-term or long-term **economic value**.

Epics, Stories and **Sprints**

seeking **inspiration**

Epics, Stories and Sprints were **too abstract**, so we simplified the concepts for marketers.

Epics = **Projects**
Stories = **Tasks**
Sprints = **Campaigns**
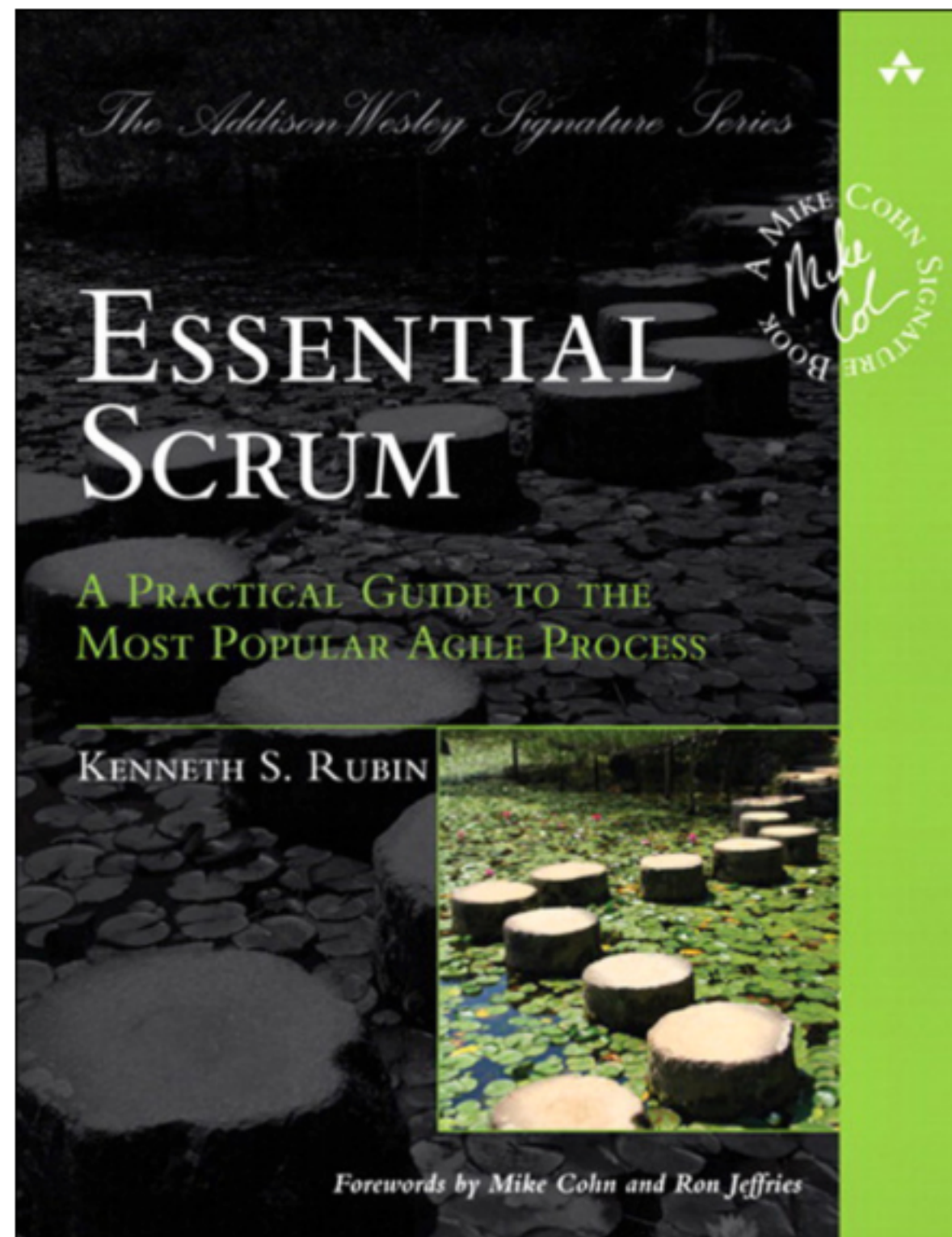
the **value metric**

PRICE INTELLIGENTLY

Developing Your

CHAPTER 2

The Value Metric

IN THIS CHAPTER

1. What is a value metric?

2. The importance of being understood

3. Exercises

source: Price Intelligently

@paulroetzer

www.**pr2020**.com

a **value metric** is a pricing unit that aligns with the value you create for customers.

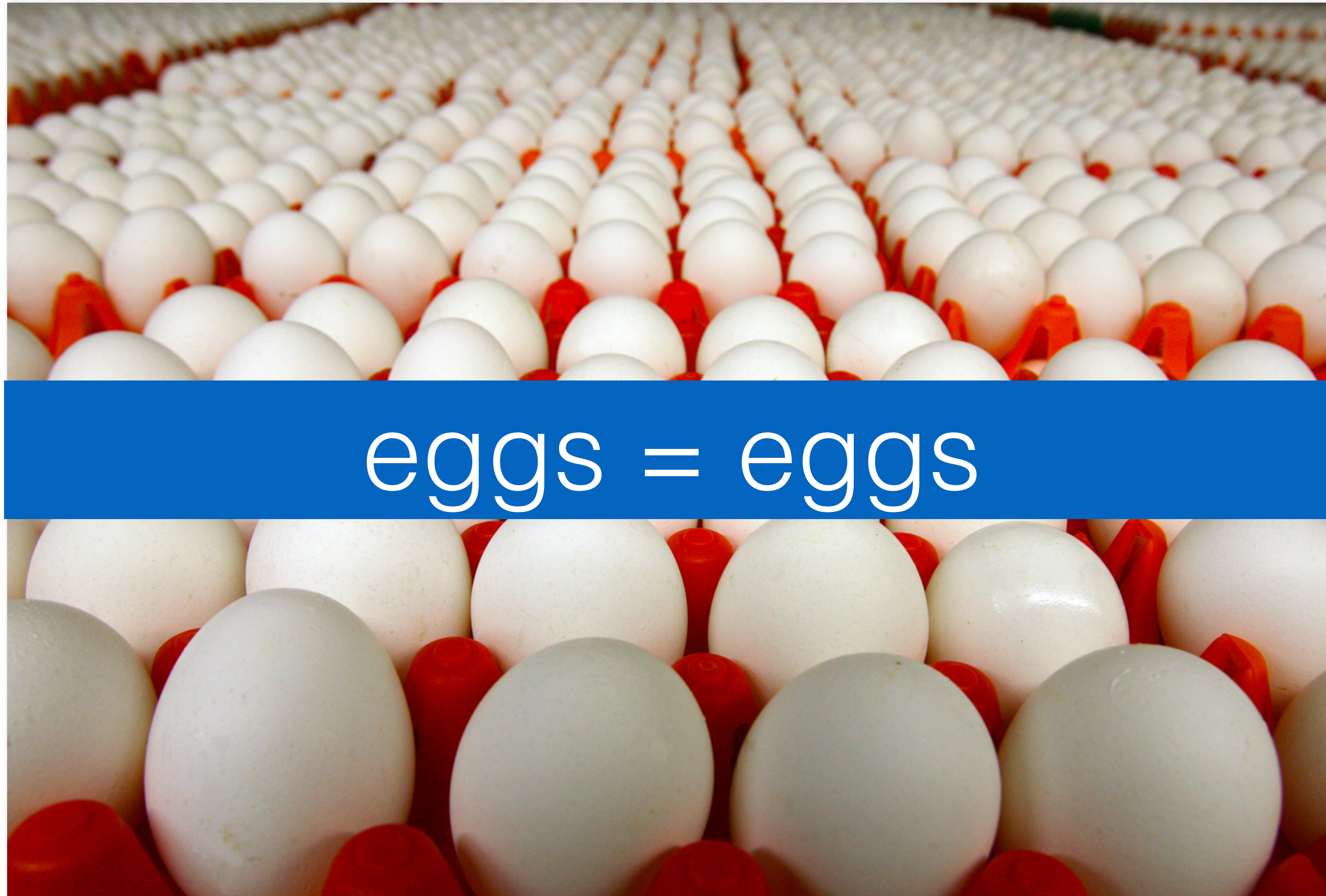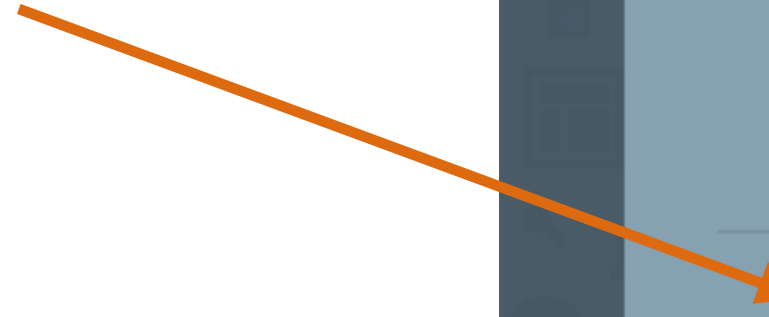eggs = eggs

Pricing for HubSpot Marketing Software

Get the #1 rated marketing platform at a price that scales with your business.

BASIC

$200/month

"An entry tool for those new to inbound marketing"

100 Contacts
+ **$100** per 1k extra

Customize Price

Up to 3 Users

Blogging & Landing Pages

Email Marketing

Social Inbox

See all features...

PRO

$800/month

"An integrated solution for professional marketers"

1,000 Contacts
+ **$50** per 1k extra

Customize Price

Everything in Basic, Plus:

CRM Integration

Marketing Automation

Smart Content

See all features...

ENTERPRISE

$2,400/month

"An advanced platform for marketing teams"

10,000 Contacts
+ **$10** per 1k extra

Customize Price

Everything in Pro, Plus:

A/B Testing

Custom Events

Advanced Reporting

See all features...

@paulroetzer
www.**pr2020**.com

@paulroetzer

www.**pr2020**.com

2010

2014

PR 20/20 uses a proprietary **Point Pricing**™ **model** to ensure clients get the full value of every dollar spent, regardless of how much time it takes to deliver. Points, which represent a fixed unit of value, are applied at the project level and allocated monthly based on campaign performance. **Every point has a purpose.**

Basic $8,000 / Month	Moderate $13,000 / Month	Aggressive $21,000 / Month
$160 / Point	$150 / Point	$140 / Point
50 Points Per Month	87 Points Per Month	150 Points Per Month
Inbound Marketing GamePlan	Inbound Marketing GamePlan	Inbound Marketing GamePlan
Monthly Performance Scorecards	Monthly Performance Scorecards	Monthly Performance Scorecards
Online Client Center	Online Client Center	Online Client Center
Learn More	Learn More	Learn More

@paulroetzer

www.**pr2020**.com

inside the **point pricing**tm model

a **point** is a fixed unit of value.

(it's our **value metric**)

point pricing **basics**
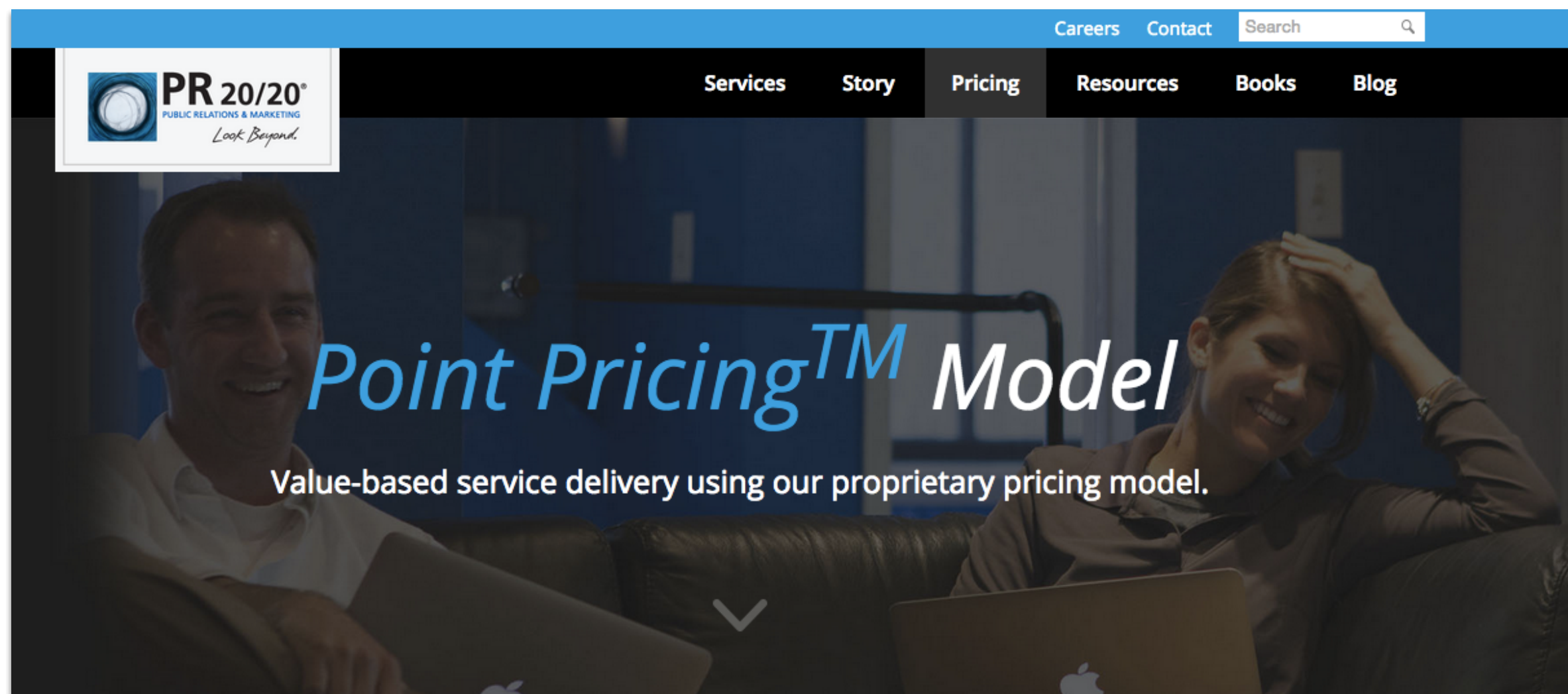
Point Pricing™ ensures clients get the full value of every dollar spent, regardless of how much time it takes to deliver.

*Every point has a **purpose**.*

point pricing **basics**

Monthly GamePlan			
Custom Point Pricing Campaign			
Activty	**Points**	**Progress**	**Owner**
Driver Campaigns			
Monthly Promo	**4**	**100%**	**PR 20/20**
Social Shares	2	100%	
Email Newsletter	2	100%	
Premium Content — Ebook	**36**	**83%**	**PR 20/20**
Ebook Copy	30	75%	
Blog Post	3	100%	
Content Upload — Blog Post	1	100%	
Website Copy — Landing Page + Form	2	50%	
Builder Campaigns			
Blog Post	**16**	**100%**	**PR 20/20**
Blog Post (x4)	12	100%	
Content Upload (x4)	4	100%	
Speaking Strategy	**8**	**65%**	**PR 20/20**
Lead Scoring Strategy	**8**	**65%**	**PR 20/20**
Social Updates + Monitoring	**8**	**90%**	**PR 20/20**
Scorecard + GamePlan	**10**	**50%**	**PR 20/20**
Campaign Management	**10**	**50%**	**PR 20/20**
Total Points	**100**	**77%**	

Each project within a campaign is assigned a **fixed-point total (e.g. blog post = 3 points)** based on value creation rather than hourly estimates.

Points are **allocated by campaigns and goal type** (i.e. brand, leads, sales, loyalty), and therefore always tied to performance.

Points provide total **transparency** into pricing, progress, performance and resource allocation.

sample monthly **gameplan**

Monthly GamePlan			
Custom Point Pricing Campaign			
Activty	**Points**	**Progress**	**Owner**
Driver Campaigns			
Monthly Promo	**4**	**100%**	**PR 20/20**
Social Shares	2	100%	
Email Newsletter	2	100%	
Premium Content — Ebook	**36**	**83%**	**PR 20/20**
Ebook Copy	30	75%	
Blog Post	3	100%	
Content Upload — Blog Post	1	100%	
Website Copy — Landing Page + Form	2	50%	
Builder Campaigns			
Blog Post	**16**	**100%**	**PR 20/20**
Blog Post (x4)	12	100%	
Content Upload (x4)	4	100%	
Speaking Strategy	**8**	**65%**	**PR 20/20**
Lead Scoring Strategy	**8**	**65%**	**PR 20/20**
Social Updates + Monitoring	**8**	**90%**	**PR 20/20**
Scorecard + GamePlan	**10**	**50%**	**PR 20/20**
Campaign Management	**10**	**50%**	**PR 20/20**
Total Points	**100**	**77%**	

drivers 40%

builders 60%

sample **content campaign**

ebook (35)

landing page (2)

blog post (3)

3-part email nurturing (6)

template social updates (1)

social update scheduling (1)

webinar (15)

Total = 63 points

The Insurance Purchasing Guide to Life's Major Moments

The Risks, Insurance Policies and Advice for Major Life Milestones.

sample **campaign center**

CAMPAIGN CENTER

Campaign Name	Goal Type	Builder/Driver	Status	Manager	Start Date	End Date	Persona	Points	Progress	Complete	Primary KPI	Goal Value	Actual	% Goal Achieved
Sales Integration	0-Foundation	Builder	Active	Jessica	3/1/15	5/30/15	—	55	18%	10	Deliverable	—	—	—
Google Analytics Setup	0-Foundation	Builder	Active	Keith	2/1/15	4/30/15	—	21	62%	13	Deliverable	—	—	—
Speaking Tour	1-Brand	Builder	Active	Rachel	1/1/15	9/30/15	All	300	17%	50	Attendees	2,000	300	15%
Blogging	1-Brand	Builder	Active	Tracy	1/1/15	12/31/15	All	192	17%	32	Pageviews	15,000	300	2%
Social Engagement	1-Brand	Builder	Active	Sam	1/1/15	12/31/15	All	120	20%	24	Referring Visits	3,000	40	1%
Q2 Partner Program Lead Gen	2-Leads	Driver	Active	Mike	4/1/15	6/30/15	Agency Alex	200	0%	0	SQLs	100	0	0%
CIO Buyer's Guide	2-Leads	Driver	Active	Shannen	2/1/15	6/30/15	IT Ian	150	67%	100	Downloads	1,000	500	50%
Free Trial Email Workflow	3-Sales	Driver	Active	Tracy	4/1/15	5/15/15	All	34	38%	13	Conversion Rate	10%	6%	60%
Online Resource Center	1-Brand	Builder	Concept	Sam			All	100	0%	0	Pageviews	5,000	0	0%
Customer Monthly Newsletter	4-Loyalty	Builder	Concept	Mike	6/1/15	12/31/15	All	78	0%	0	Referring Visits	1,000	0	0%
Q4 2014 CMO Lead Gen	2-Leads	Driver	Closed	Mike	10/1/14	12/31/14	Chatty Cathy	200	100%	200	SQLs	50	35	70%

every campaign is a series of projects designed to achieve a **goal**

sample **campaign center**

CAMPAIGN CENTER

Campaign Name	Goal Type	Builder/Driver	Status	Manager	Start Date	End Date	Persona	Points	Progress	Complete	Primary KPI	Goal Value	Actual	% Goal Achieved
Sales Integration	0-Foundation	Builder	Active	Jessica	3/1/15	5/30/15	—	55	18%	10	Deliverable	—	—	—
Google Analytics Setup	0-Foundation	Builder	Active	Keith	2/1/15	4/30/15	—	21	62%	13	Deliverable	—	—	—
Speaking Tour	1-Brand	Builder	Active	Rachel	1/1/15	9/30/15	All	300	17%	50	Attendees	2,000	300	15%
Blogging	1-Brand	Builder	Active	Tracy	1/1/15	12/31/15	All	192	17%	32	Pageviews	15,000	300	2%
Social Engagement	1-Brand	Builder	Active	Sam	1/1/15	12/31/15	All	120	20%	24	Referring Visits	3,000	40	1%
Q2 Partner Program Lead Gen	2-Leads	Driver	Active	Mike	4/1/15	6/30/15	Agency Alex	200	0%	0	SQLs	100	0	0%
CIO Buyer's Guide	2-Leads	Driver	Active	Shannen	2/1/15	6/30/15	IT Ian	150	67%	100	Downloads	1,000	500	50%
Free Trial Email Workflow	3-Sales	Driver	Active	Tracy	4/1/15	5/15/15	All	34	38%	13	Conversion Rate	10%	6%	60%
Online Resource Center	1-Brand	Builder	Concept	Sam			All	100	0%	0	Pageviews	5,000	0	0%
Customer Monthly Newsletter	4-Loyalty	Builder	Concept	Mike	6/1/15	12/31/15	All	78	0%	0	Referring Visits	1,000	0	0%
Q4 2014 CMO Lead Gen	2-Leads	Driver	Closed	Mike	10/1/14	12/31/14	Chatty Cathy	200	100%	200	SQLs	50	35	70%

sample **campaign center**

CAMPAIGN CENTER

Campaign Name	Goal Type	Builder/Driver	Status	Manager	Start Date	End Date	Persona	Points	Progress	Complete	Primary KPI	Goal Value	Actual	% Goal Achieved
Sales Integration	0-Foundation	Builder	Active	Jessica	3/1/15	5/30/15	—	55	18%	10	Deliverable	—	—	—
Google Analytics Setup	0-Foundation	Builder	Active	Keith	2/1/15	4/30/15	—	21	62%	13	Deliverable	—	—	—
Speaking Tour	1-Brand	Builder	Active	Rachel	1/1/15	9/30/15	All	300	17%	50	Attendees	2,000	300	15%
Blogging	1-Brand	Builder	Active	Tracy	1/1/15	12/31/15	All	192	17%	32	Pageviews	15,000	300	2%
Social Engagement	1-Brand	Builder	Active	Sam	1/1/15	12/31/15	All	120	20%	24	Referring Visits	3,000	40	1%
Q2 Partner Program Lead Gen	2-Leads	Driver	Active	Mike	4/1/15	6/30/15	Agency Alex	200	0%	0	SQLs	100	0	0%
CIO Buyer's Guide	2-Leads	Driver	Active	Shannen	2/1/15	6/30/15	IT Ian	150	67%	100	Downloads	1,000	500	50%
Free Trial Email Workflow	3-Sales	Driver	Active	Tracy	4/1/15	5/15/15	All	34	38%	13	Conversion Rate	10%	6%	60%
Online Resource Center	1-Brand	Builder	Concept	Sam			All	100	0%	0	Pageviews	5,000	0	0%
Customer Monthly Newsletter	4-Loyalty	Builder	Concept	Mike	6/1/15	12/31/15	All	78	0%	0	Referring Visits	1,000	0	0%
Q4 2014 CMO Lead Gen	2-Leads	Driver	Closed	Mike	10/1/14	12/31/14	Chatty Cathy	200	100%	200	SQLs	50	35	70%

sample point pricing **value chart**

	Project	Points	Frequency
Email	Email Blast	2	Each
	3-Part Lead Nurturing Campaign	6	Each
Social	Scheduled Social Shares (15)	2	Each
	Social Monitoring and Engagement	8	Monthly
Website	Website Management	Varies	Each
	Content Upload	1	Each
	Landing Pages	2	Each

Standard **Point Pricing project value charts** are built into online client centers

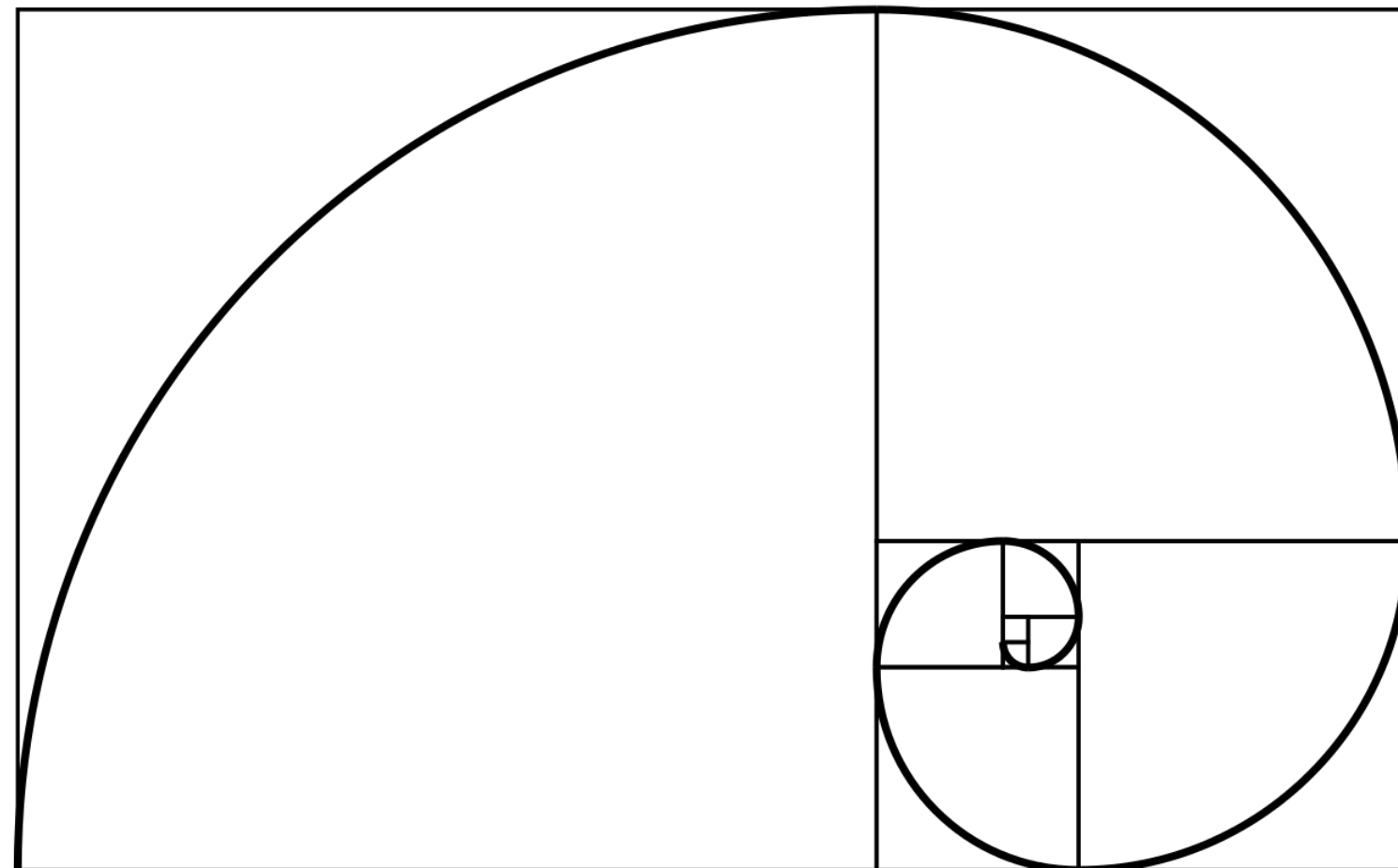# assigning **point values**

Agencies can't accurately predict hours due to variables such as professional competency, focus, efficiency and forecaster bias.

The higher the number, the more **uncertain** the forecast.

The Fibonacci sequence reflects this uncertainty.

assigning **point values**

The sequence represents a set of numbers that increases roughly based on a fixed **ratio of 1.618—the golden ratio**.

Each subsequent number is the sum of the previous two—
1, 2, 3, 5, 8, 13, 21, 34, 55 . . .

We're still very early in the **process**,
with significant iterations in the works . . .

But we can already see **positive impact** on productivity, accountability, client performance, agency growth and profits.

considering a pricing model **transformation**?

pricing model **considerations**

What are the **weaknesses** of your current model?

pricing model **considerations**

What are the agency (and client) **goals** for the new model?

pricing model **considerations**

What services does your agency provide that can be **standardized** (i.e. description, scope, price)?

pricing model **considerations**

What is your agency's **value metric**?

pricing model **considerations**

What is the **price per X** (X = your value metric)?

pricing model **considerations**

Does the price per X vary based on **service package level**?

pricing model **considerations**

Should you **publish** your pricing?

pricing model **considerations**

Will the model work within your existing

project management, time tracking and **accounting software**?

pricing model **considerations**

Are there options to **beta test** the model?

pricing model **considerations**

How and when do you introduce the new pricing model to **clients**?

pricing model **considerations**

How do you ensure **loyal clients** receive equal or greater value in the new model?

pricing model **considerations**

How do you benchmark and monitor impact on **performance**— clients, agency and personnel?

"The future belongs to dynamic agencies with more efficient management systems, integrated services, versatile talent, **value-based pricing models**, a love for data, and a commitment to producing measurable results."
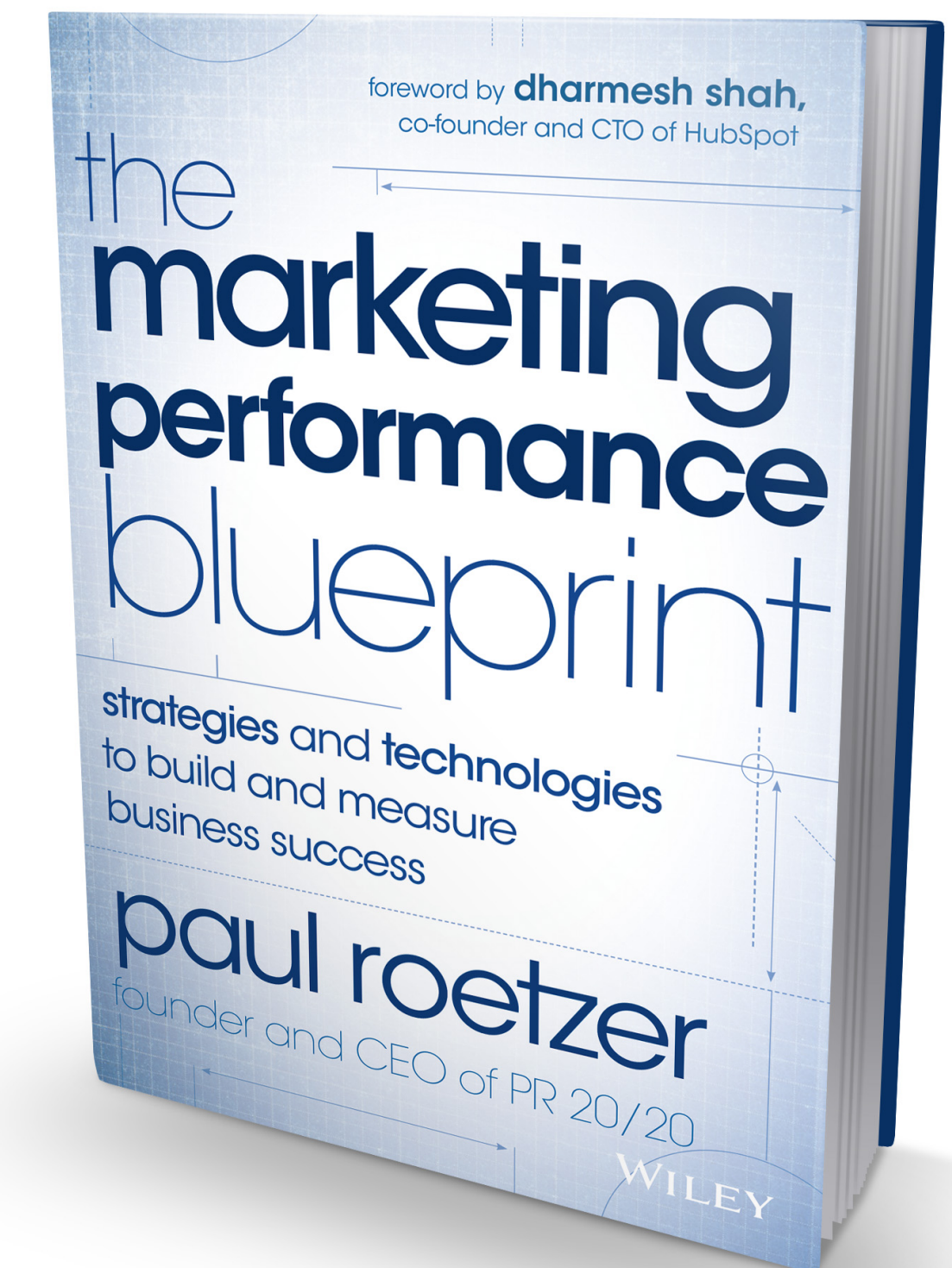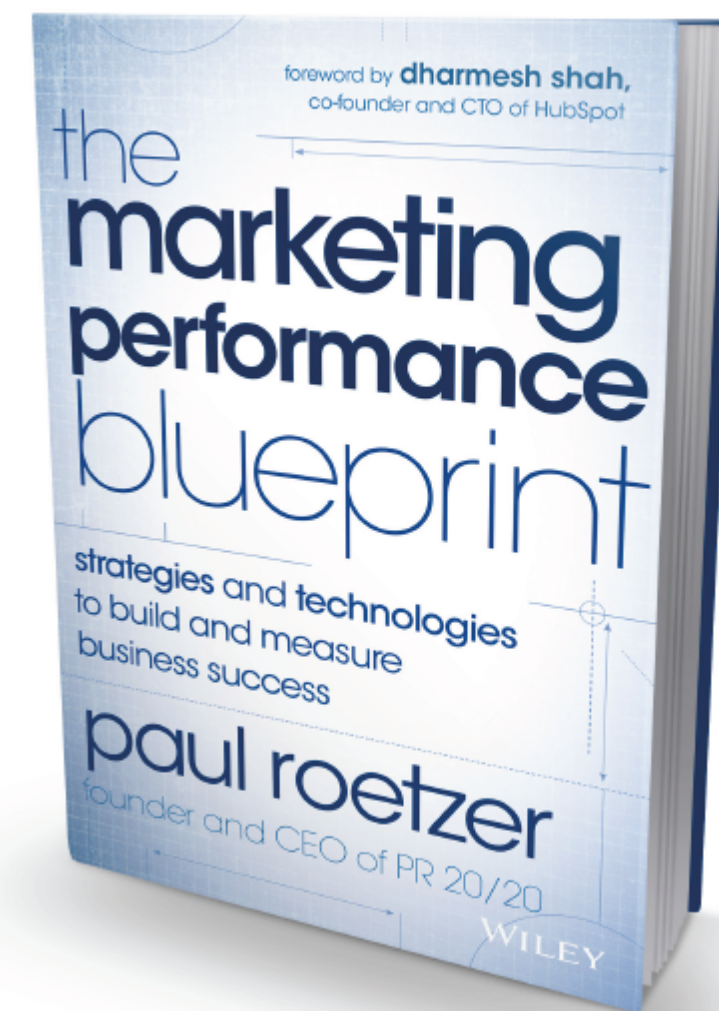
@paulroetzer

paul roetzer, @paulroetzer

CEO | PR 20/20

creator | Marketing Score & Marketing Agency Insider
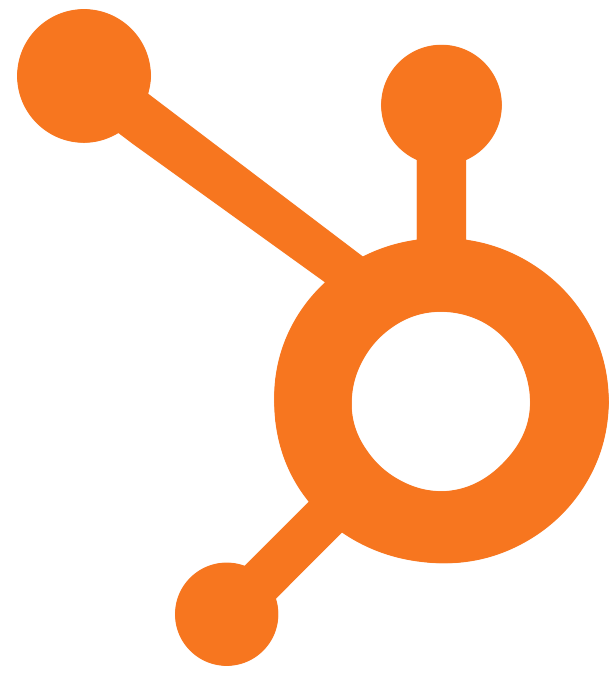
author | *The Marketing **Performance** Blueprint (Wiley, 2014) &*

*The Marketing **Agency** Blueprint (Wiley, 2012)*

PR 20/20®
PUBLIC RELATIONS & MARKETING
Look Beyond.

www.**pr2020**.com

Next Up

Wrap-up and Lunch in Benioff/Atrium

(12:00 – 1:00)

Pick up your swag, get a photo in our booth and meet some HubSpotters!