



Pricing, the ultimate exchange
rate for value

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SaaS Pricing & Monetisation - the most overlooked aspect in startups

First things first:

1. Do not start with price
2. Nail your MVP (minimum viable product) first, deliver value and focus on customer success
3. Never lose sight of your ICP - your most valuable customers

1. Embrace customer discovery: learn to ask good, open questions

- We believe our product solves these 5 problems. Which is the most important, which is the least?
- We offer these 5 capabilities: which is the most important, which is the least?
- We believe our product offers value in these three areas, which is most important which is least?

You cannot price effectively if you do not know what your customers value.

Poll: How often are you asking “customer discovery or development” questions?

1. Once a year
2. Once quarter
3. Constantly
4. Very rarely
5. Never

If you are new to the concept of Customer Discovery then check out Cindy Alvarez book, Lean Customer Development, Building Products Your Customers will buy.

2. Explore willingness to pay

People find it hard to make subjective decisions on pricing, but are able to make comparisons.

1. Start low. At what price is this product way too cheap?
2. Then go high. At what price is this product way too expensive?
3. Then get closer to the money shot.
4. At which price is this just a little too cheap?
5. At which price is this just a little too expensive?

Poll. Who regularly explores WTP?

- Yes.
- No.

Don't expect your customers to tell you how to price or even to be specific about what they will pay, but if you do ask these question you will be well informed to make good decisions.

And certainly better informed than your competition.

3. Understand how everything interrelates

- Speed. How fast can I acquire a customer? How fast can I get them to value? How fast can I get them to expand?
- Size? How big is the initial deal, the contract value? How big can that contract value grow, the total addressable value for that customer?
- Cost? How much does it cost to acquire a customer? How much does it cost to serve the customer? How much does it cost to ensure they maximise their success?
- Term? How long will they contract for? When will they pay?
- Promoters? How active will they be in referring, reinfecting, or promoting your service?

SaaS is a recurring business model with compounding benefits when customers renew.

Three critical factors to unlocking capital efficient exponential growth:

- 1. Rapid payback.*
- 2. Customers who stay and expand.*
- 3. Customers with an "R Rate" > 1*

NB: recurring and growing revenue requires recurring and growing impact

4. Building a monetisation strategy

1. Initial pricing that removes friction from the initial sales process. That could be freemium or a free trial. Or perhaps a relatively modest entry point
2. Value drivers that align with what your customers value the most and grows with them
3. Packaging that allows for revenue expansion - innovation, integrations, marketplaces
4. Encouraging virality, network effects and reinfection

Two caveats:

- Be aware that what customers want may be different to what your investors want
ie. predictability of revenue
- Are land and expand or enterprise? Customer Success can expand accounts much easier than landing net new customers

5. Figure out your unique value drivers

Per user may be the way to price but it is not a value driver. What is your proxy for value - and how do you get that data? Should your pricing be pay as you go - or they pre-buy capacity? For example based on

1. Capabilities, or
2. Consumption

Poll: How do you price?

1. Per user
2. Based on capabilities
3. Based on consumption
4. Two or more of the above
5. Other

Caveat:

Consider how the decisions you make influence deal structure ie. how much is committed up front, how long is the contract, how much cash upfront etc.

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The screenshot shows the Zoom pricing page with a navigation bar at the top. The navigation bar includes the Zoom logo, 'SOLUTIONS', 'PLANS & PRICING', and 'CONTACT SALES'. On the right side of the navigation bar are links for 'SCHEDULE A MEETING', 'JOIN A MEETING', and 'HOST A MEETING', along with a user profile icon.

A green banner at the top of the main content area contains a special offer: 'Special Offer: New to Zoom? Sign up for a Pro Annual plan with ZOOMCARES today and enjoy an additional 20% discount- that's a \$60 savings.' To the right of this banner is a button labeled 'Upgrade to Annual' and a close icon.

Below the banner is a control bar with two sections. The first section has 'Billed Monthly' and 'Billed Annually' options, with a toggle switch currently set to 'Billed Annually'. The second section is labeled 'CURRENCY' and shows a dropdown menu set to 'British Pounds £'.

The main content area is divided into four tabs: 'Zoom Meetings', 'Zoom Phone', 'Zoom Video Webinar', and 'Zoom Rooms'. The 'Zoom Meetings' tab is selected and underlined.

Under the 'Zoom Meetings' tab, there are four pricing cards:

- BASIC Personal Meeting:** Labeled 'Free'. Features include: Host up to 100 participants, 40-minute maximum group meetings, and Unlimited 1:1 Meetings. A note at the bottom states: '*Free, forever. No credit cards required.'
- PRO Great for Small Teams:** Labeled '£119.90 /year/license'. A green banner above the price indicates '£24 SAVINGS'. Features include: Host up to 100 participants, Unlimited group meetings, Social Media Streaming, and 1 GB Cloud Recording (per license). A note at the bottom states: '*Purchase up to 9 licenses per account'.
- BUSINESS Small & Med Businesses:** Labeled '£159.90 /year/license'. A green banner above the price indicates '£320 SAVINGS'. Features include: Host up to 300 participants, Single Sign-On, Cloud Recording Transcripts, Managed Domains, and Company Branding.
- ENTERPRISE Large Enterprise-Ready:** Labeled '£159.90 /year/license'. Features include: Host up to 500 Participants, and Host up to 1,000 Participants with an Enterprise+ Plan. A chat bubble icon is visible next to this card.

One last question

Poll: Do you publish your pricing on your web site

- 1. Yes
- No

Yes!

Five Things To Remember

1. Embrace customer discovery
2. Explore Willingness to Pay
3. Obsess about how everything in your business model interrelates
4. Create a monetisation strategy (it's more than a pricing strategy)
5. Align your strategy with value

And one for luck: publish your prices!

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