



# Mastering SaaS Pricing

Blake Bartlett and Kyle Poyar

SaaStr Annual 2018



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**Do you suck at  
pricing?**

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**“This thing called ‘price’ is really, really important.**

The only difference between companies that succeed and fail is that the winners figured out how to make money.

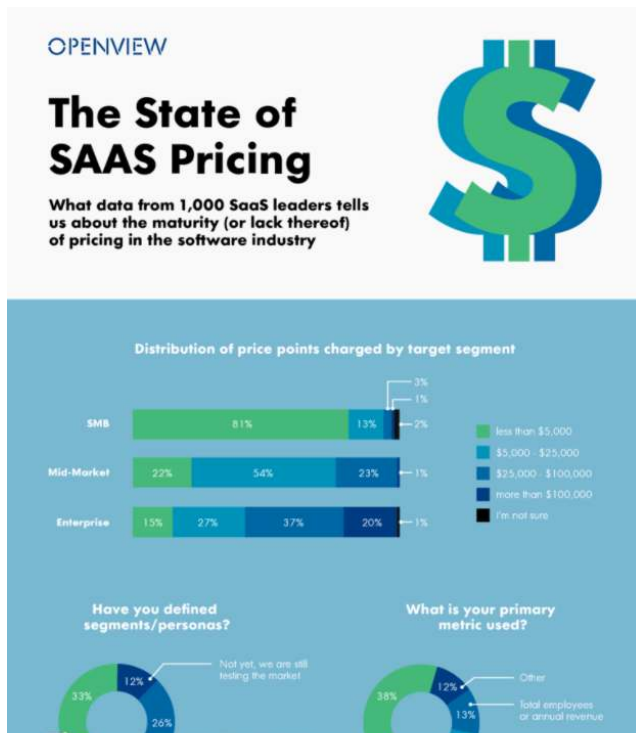
The winners thought deeply through the revenue, price, and business model.”

Steve Ballmer

CEO, Microsoft 2000 - 2014



# We think deeply about pricing



OPENVIEW

## THE ULTIMATE SAAS PRICING RESOURCES GUIDE

by Kyle Poyar | June 20, 2016

SHARE: [f](#) [t](#) [p](#) [G+](#) [+](#) 2.2K

Pricing is a SaaS company's most efficient profit lever, but also one of the easiest to screw up. Nailing your pricing strategy requires more than just picking the optimal price and forgetting about it. It needs to be continuously monitored to ensure you're effectively landing, expanding and retaining your customer base. And it needs to consider both the rational and irrational sides of how people make purchase decisions.

Grade your pricing strategy

OPENVIEW

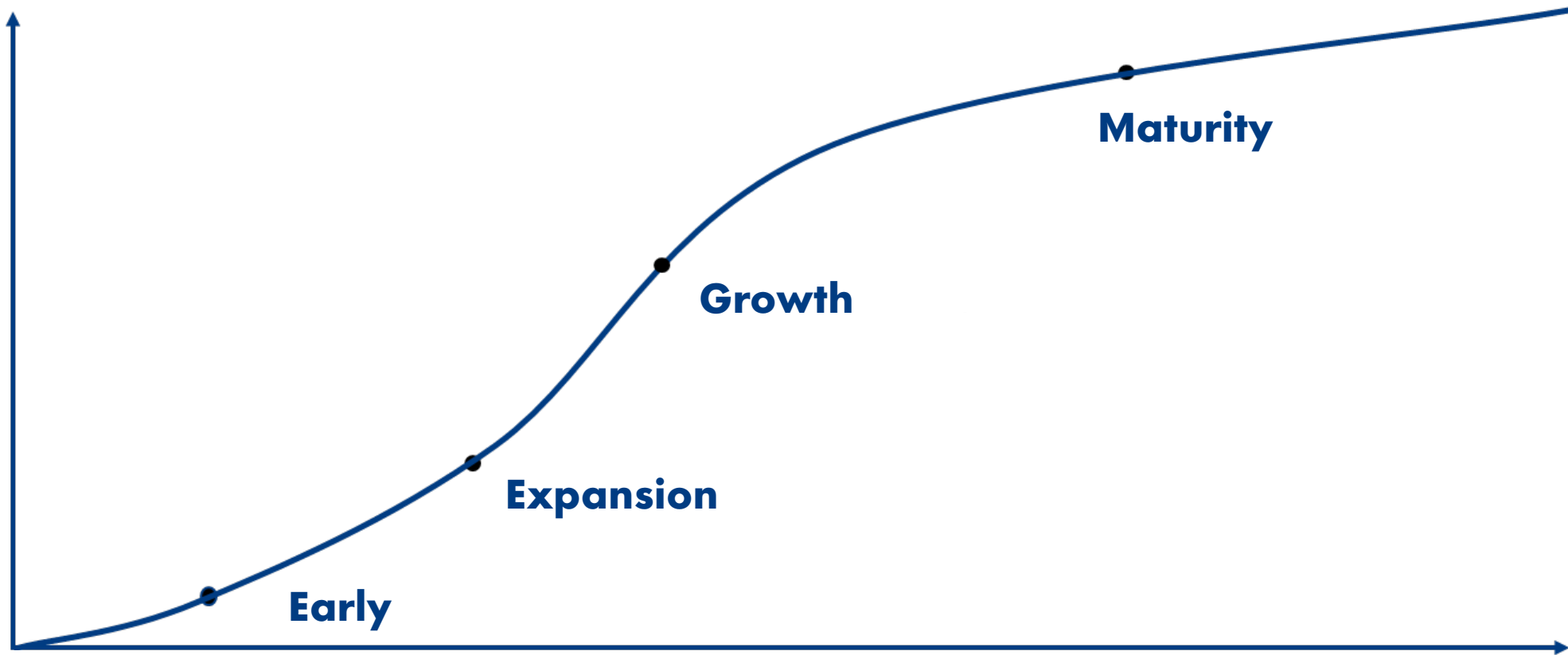
## MASTERING SAAS PRICING

How to Price Your Product from the Seed Stage through IPO

Kyle Poyar

OPENVIEW

# Where are you in your journey?



# Pricing can make or break your business

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Founders who struggle to raise capital are...



**3x More**

likely to say they monetized too late



**2x More**

likely to say they picked the wrong business model



**40% More**

likely to say their burn rate was too high

# Top 5 pricing mistakes

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1. You're too cheap
2. You picked the wrong value metric
3. You make it hard to buy
4. Your upsell path is broken
5. Your pricing is static

1

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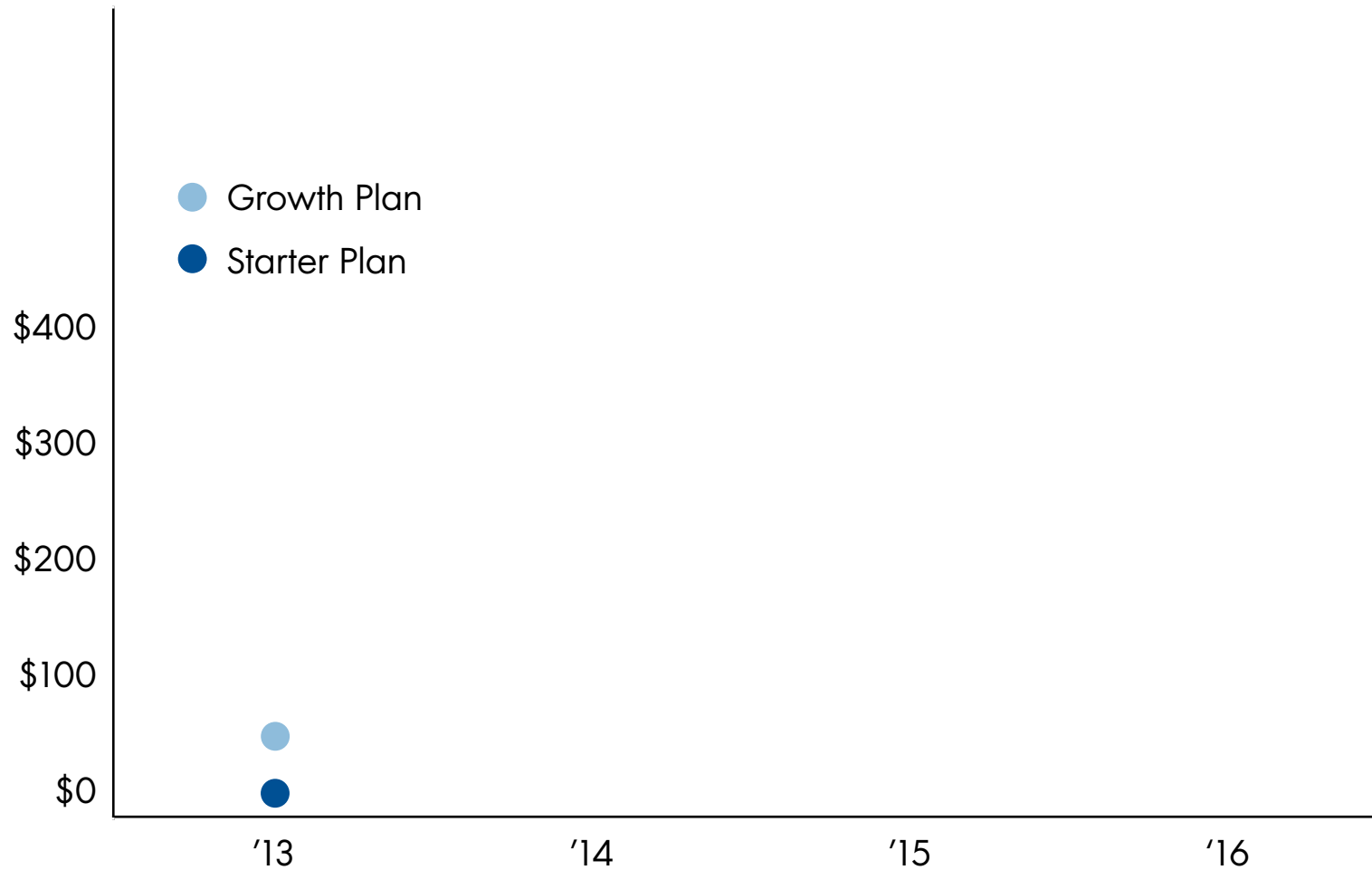
**You're too  
cheap.**

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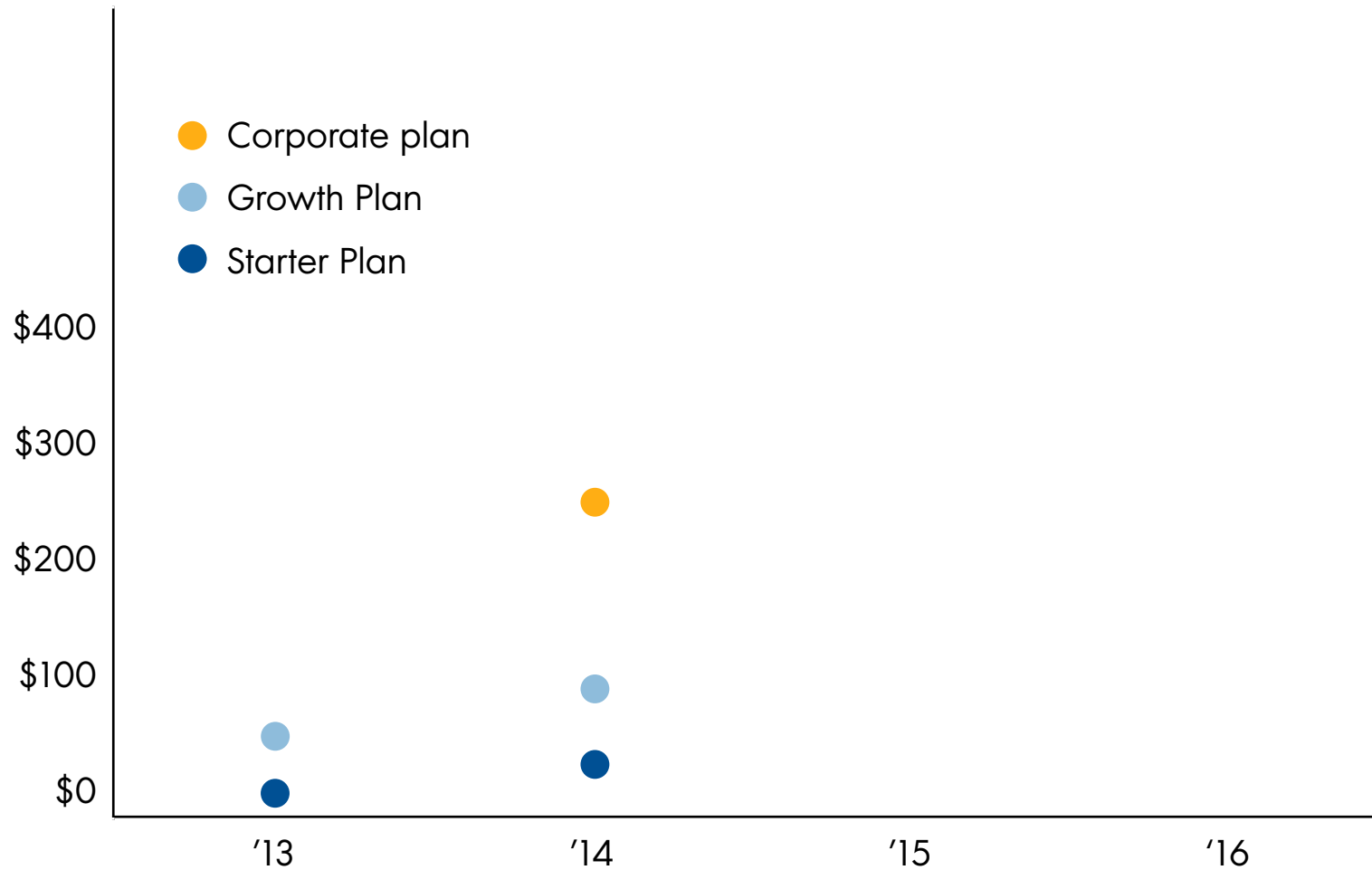


# StatusPage Pricing Evolution, 2013 - 2016



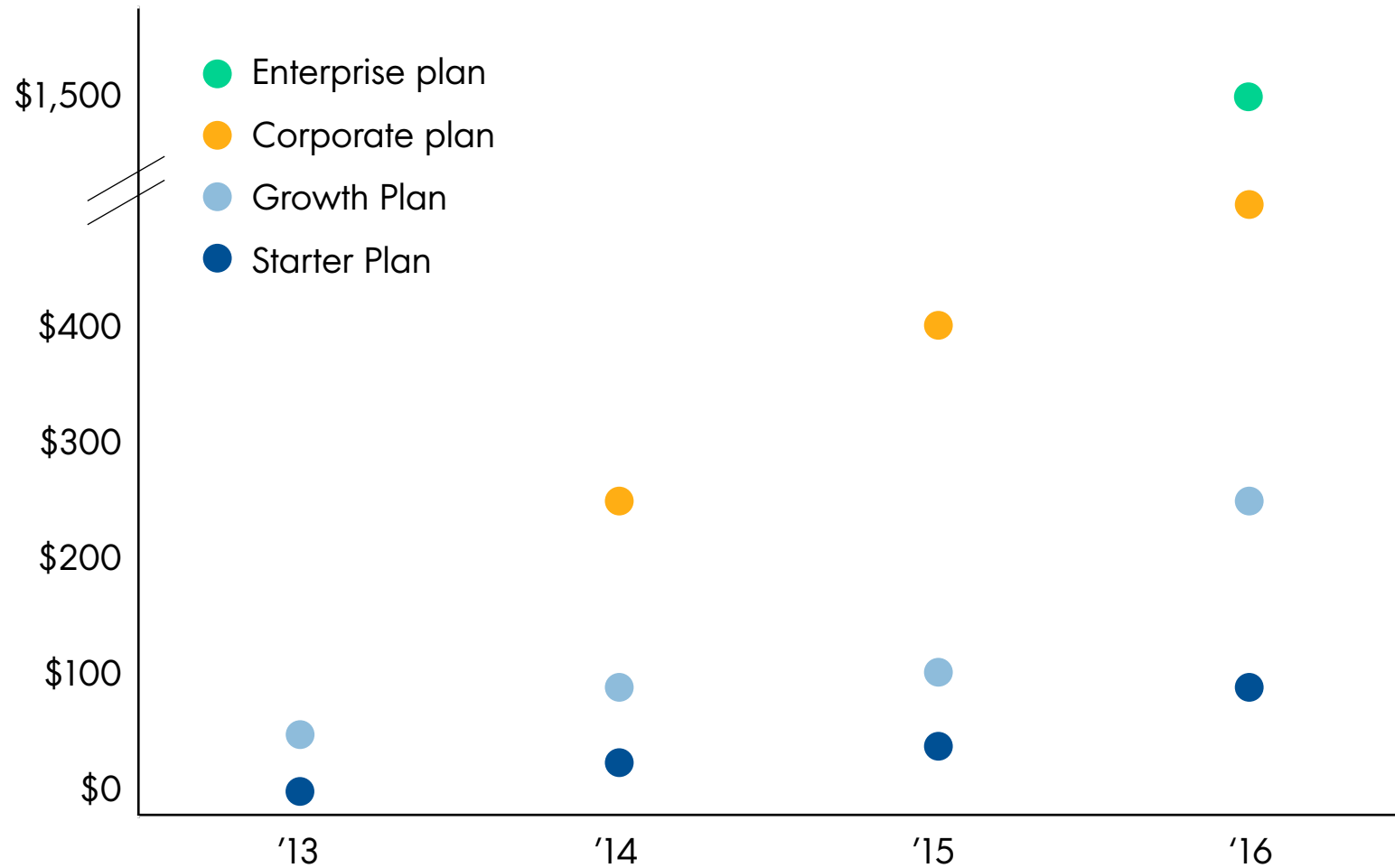
Source: Wayback Machine; "3 Steps to Increasing Our Average Revenue Per User by 2.4X" (Nov 27, 2015)

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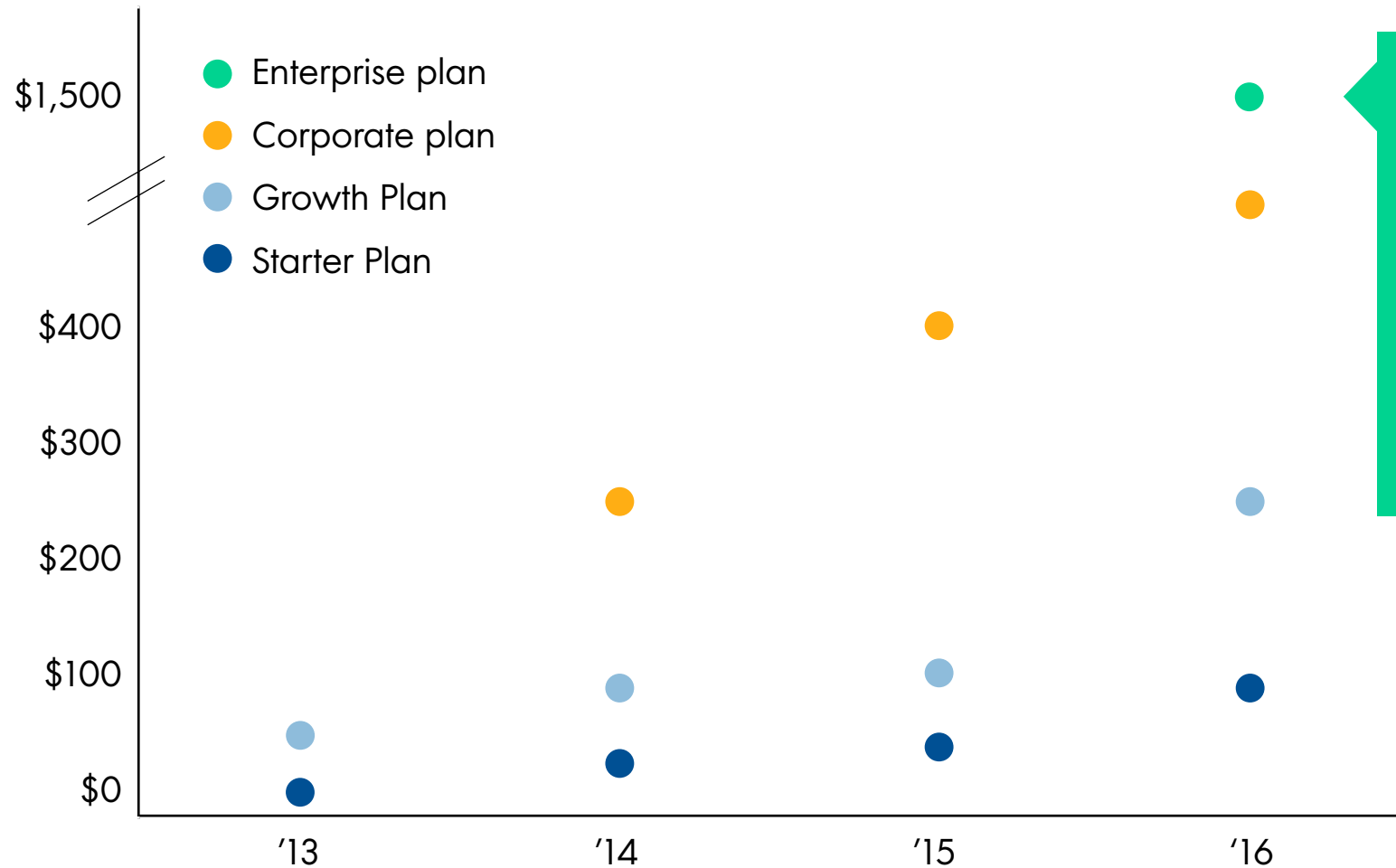
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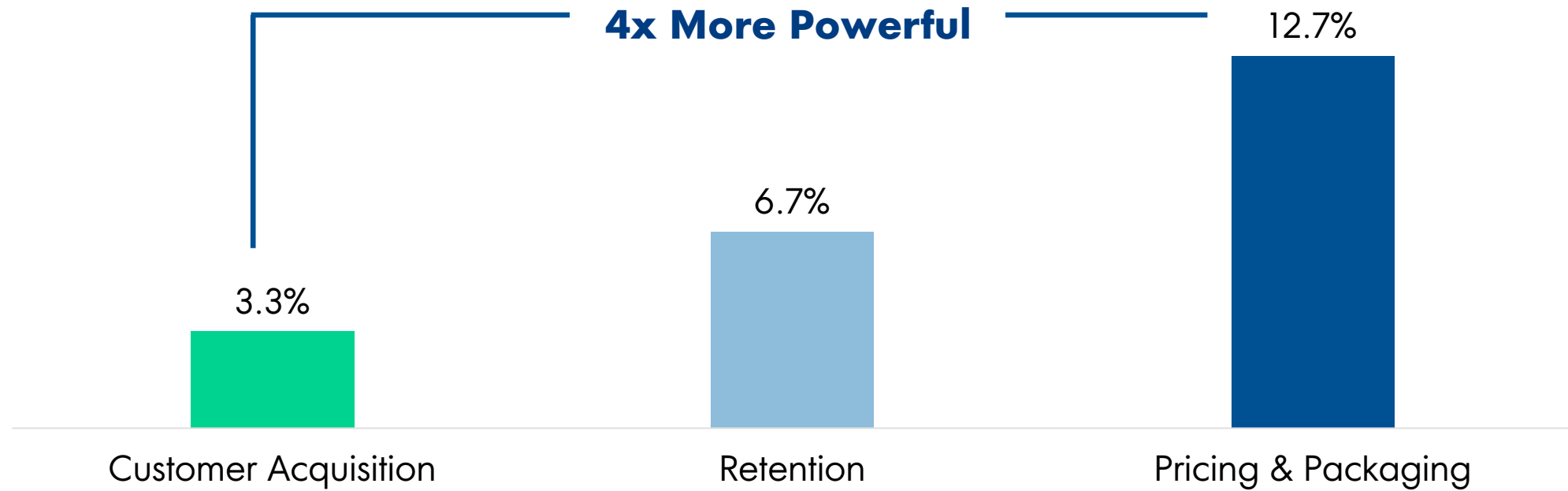
# StatusPage Pricing Evolution, 2013 - 2016



- Raised highest price point 30x
- Grew ARPU by 2.4x
- Minimal impact to conversion
- Hit \$2.5M ARR in 2 years
- Acquired by Atlassian



# Pricing is a Powerful Growth Lever



**Profit Impact of Different Growth Levers**

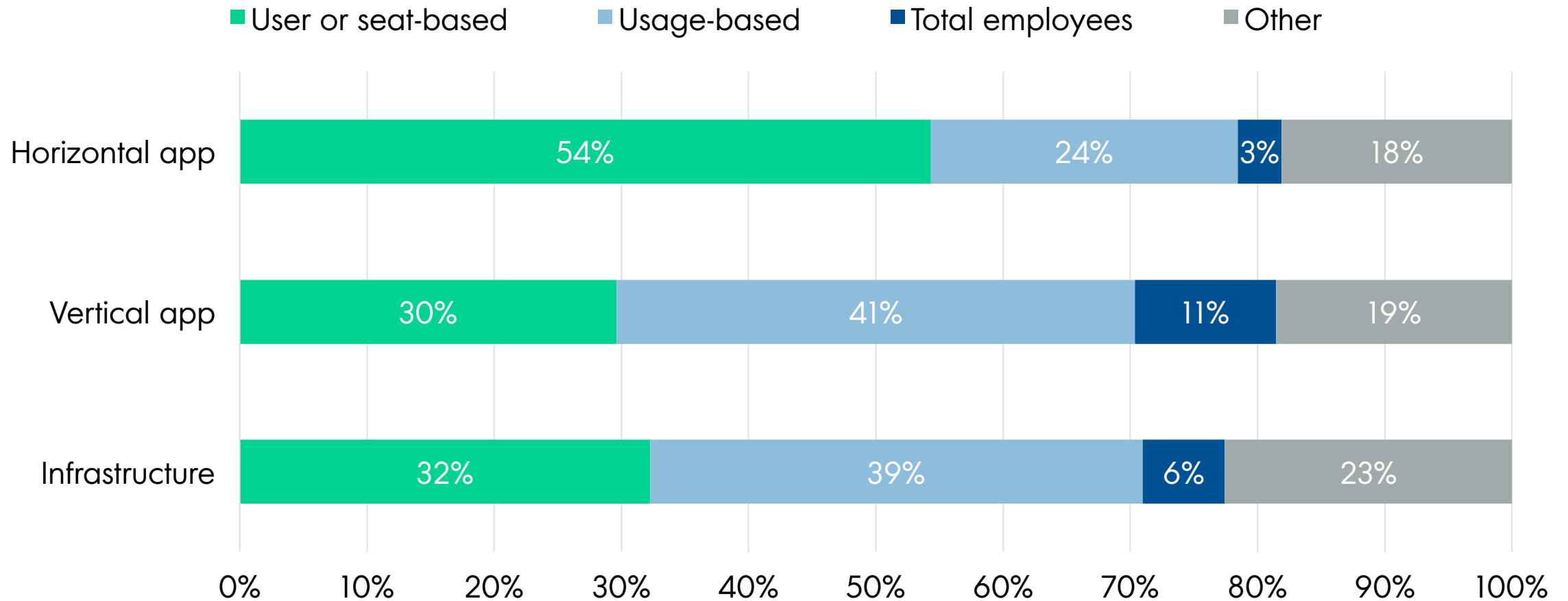
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**You picked the  
wrong value metric.**

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# Are seats the right metric for you?



The right **value metric** can help you  
**differentiate against competitors** and  
**generate more revenue**





# Expensify differentiates with 'active user' pricing

## Individual

Free!

no policy

Track and organize all of life's expenses, at home or on the go, all for free.

GET STARTED

## Team

\$5

per active user

Annual commitment, billed monthly

Perfect for startups, nonprofits, and small teams to track and reimburse expenses.

FREE TRIAL

## Corporate

\$9

per active user

Annual commitment, billed monthly

All the bells and whistles for sophisticated companies of all sizes.

FREE TRIAL



**VT S**

# VTs: new value metric increased revenue

**Before – Per Building**



**Problem**

One-size-fits-all left money on the table

**After – Per Square Foot**



**Solution**

Price aligned with customer value

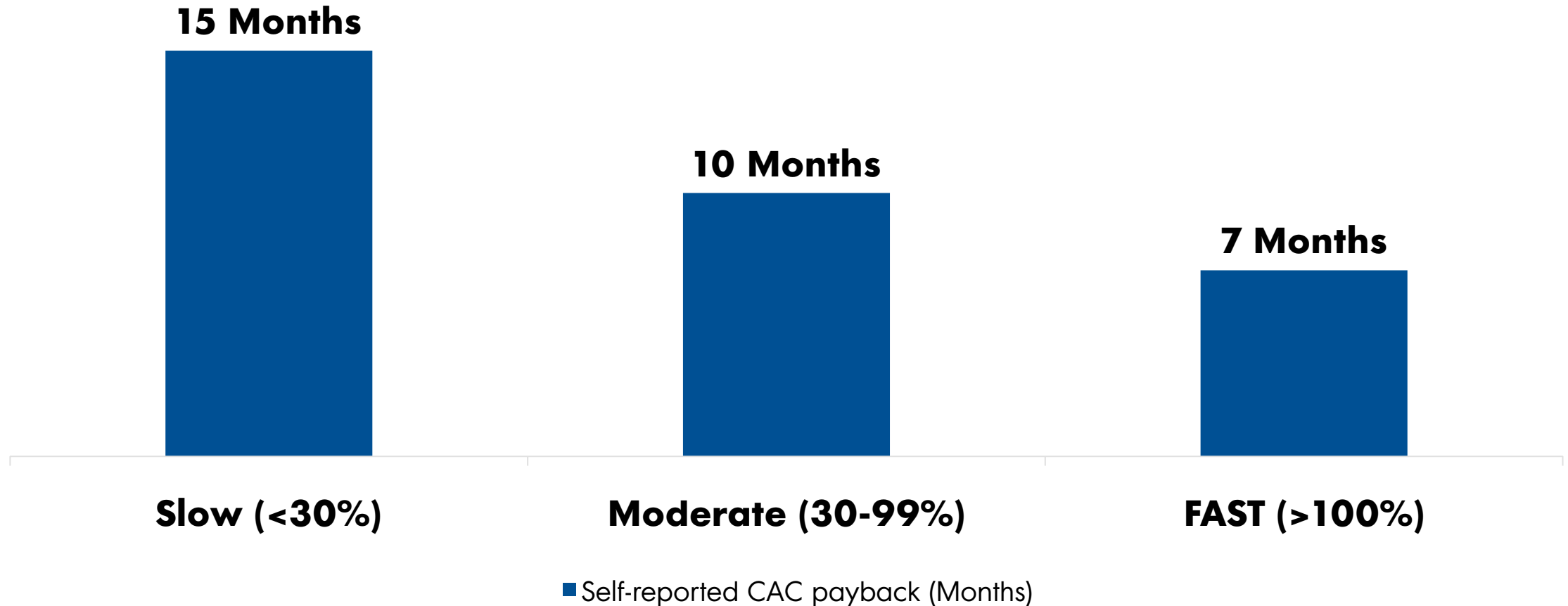
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**You make it  
hard to buy.**

---

# Fastest growers seamlessly land new customers





**WINTER SALES EVENT**  
**SAVE UP TO \$200\***  
when you order online now

**FREE FREE FREE**  
INSTALLATION WIFI SETUP DVR SERVICE  
on a qualified Spectrum Triple Play, exclusions apply\*

**SPECTRUM TV +  
INTERNET + VOICE**  
**ORDER NOW**

Combine TV, Internet & Phone for the best deal

<p>Triple Play Select »</p> <p><b>125+</b> Channels with FREE HD &amp; FREE DVR Service^</p> <p>Enjoy the best in sports, news and family programming</p> <p><b>ESPN</b> <b>AMC</b> <b>CNN</b> <b>HGTV</b> <b>AES</b></p> <p>100 Mbps Internet - The fastest and most reliable network available</p> <p>Unlimited nationwide calling and up to 28 popular phone features</p> <p>From <b>\$29.99/mo</b> each for 12 mos when bundled*</p> <p><b>CHOOSE</b></p> <p><a href="#">See offer details</a></p>	<p>Triple Play Silver »</p> <p><b>175+</b> Channels with FREE HD &amp; FREE DVR Service^</p> <p>All the great channels as our Select plan, plus popular premium networks</p> <p><b>HBO</b> <b>SHOWTIME</b> <b>CINEMAX</b></p> <p>100 Mbps Internet - The fastest and most reliable network available</p> <p>Unlimited nationwide calling and up to 28 popular phone features</p> <p><b>SELECT + \$20 more</b> per mo for 12 mos*</p> <p><b>CHOOSE</b></p> <p><a href="#">See offer details</a></p>	<p>Triple Play Gold »</p> <p><b>200+</b> Channels with FREE HD &amp; FREE DVR Service^</p> <p>Enjoy the full Silver package plus our full suite of premium networks</p> <p><b>HBO</b> <b>SHOWTIME</b> <b>CINEMAX</b> <b>STARZ</b> <b>STARZENCORE</b> <b>THE MOVIE CHANNEL</b></p> <p>100 Mbps Internet - The fastest and most reliable network available</p> <p>Unlimited nationwide calling and up to 28 popular phone features</p> <p><b>SILVER + \$20 more</b> per mo for 12 mos*</p> <p><b>CHOOSE</b></p> <p><a href="#">See offer details</a></p>
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**Special Featured Offer**

	<p><b>Internet</b></p> <p>Speeds starting at 100 Mbps</p> <p><b>PLUS: FREE</b> Online Protection with Security Suite</p>	<p><b>\$44.99/mo</b> for 12 mos*</p> <p><b>was \$64.99</b></p> <p><b>CHOOSE</b></p>
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## Triple Play Select +

125+  
Channels with FREE HD  
& FREE DVR Service\*Enjoy the best in sports,  
news and family  
programming.100 Mbps Internet - The  
fastest and most  
reliable network  
availableUnlimited nationwide  
calling and up to 28  
popular phone featuresfrom  
\$29/mo.  
extra for 12  
mos.\*

CHOOSE

Hide offer details

## Spectrum TV Select

- 125+ channels  
including **FREE HD**
- Access thousands of  
On Demand choices  
- including HD and  
movies in 3D
- Stream live TV and  
On Demand content  
with the Spectrum  
TV App
- Access your favorite  
network TV apps

## Spectrum Internet

- Speeds starting at  
**100 Mbps**
- **FREE** Online  
Protection with  
Security Suite
- **FREE** Internet  
modem
- No data caps or  
extra fees

## Spectrum Voice

- **Unlimited** local and  
long distance calling  
in the U.S., Canada,  
Mexico, Puerto Rico,  
Guam, U.S. Virgin  
Islands, and  
Northern Mariana  
Island
- No added fees like  
the phone company  
charges you
- Up to 28 calling  
features like Block  
Unwanted Callers  
and Simultaneous  
Ring
- Manage your home  
phone from  
anywhere, at home  
or on-the-go with  
Voice Online  
Manager, available  
at no extra cost for  
customers with  
Spectrum Voice and  
Internet
- **Free** 411 calls

## Triple Play Silver +

175+  
Channels with FREE HD  
& FREE DVR Service\*HD the great channels and  
our Select plan plus  
popular premium  
networks.100 Mbps Internet - The  
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reliable network  
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calling and up to 28  
popular phone featuresSELECT +  
\$20/mo.  
extra for 12 mos.\*

CHOOSE

Hide offer details

## Spectrum TV Silver

- 175+ channels  
including **FREE HD**
- Includes **HBO**,  
**Cinemax**,  
**Showtime**, & **NFL  
Network**
- Watch **HBO GO**,  
**MAX GO**, &  
**Showtime Anytime**
- Access thousands  
of On Demand  
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HD and movies in  
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- Stream live TV and  
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## Triple Play Gold +

200+  
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package plus the full  
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CHOOSE

Hide offer details

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- 200+ channels  
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- Includes **HBO**,  
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**Showtime**, **IMC**,  
**STARZ**, **STARZ  
ENCORE**, **NFL  
Network**, & **NFL  
Redzone**
- Watch **HBO GO**,  
**MAX GO**, **Showtime  
Anytime** & **STARZ  
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- Access thousands  
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## SLACK FOR TEAMS

## SLACK ENTERPRISE GRID

# Slack For Teams

Slack for Teams is a single workspace for your small- to medium-sized company or team.

**Clearly states their  
value proposition**

**Free**  
**\$0**

**Standard**  
**\$6.67**

Per active user, per month  
billed annually  
\$8 billed monthly

**Plus**  
**\$12.50**

Per active user, per month  
billed annually  
\$15 billed monthly

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**Different messaging  
for teams vs.  
enterprise**

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**Leverages  
psychology by  
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**Crystal clear  
about benefits,  
not just features**

#### CREATE A WORKSPACE

For small teams wanting to try out Slack for an unlimited period of time.

[Learn more](#)

#### BUY STANDARD

For teams and businesses ready to make Slack the hub for their projects and communications.

[Learn more](#)

#### BUY PLUS

For businesses that need SSO, Compliance Exports, and guaranteed uptime on a single Slack team.

[Learn more](#)

## Commonly asked questions

What are my payment options - credit card and/or invoicing?



Our team has several accounts which are not being actively used, but which we don't want to disable. Do we still have to pay for them?







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**Puts lingering fears to rest**

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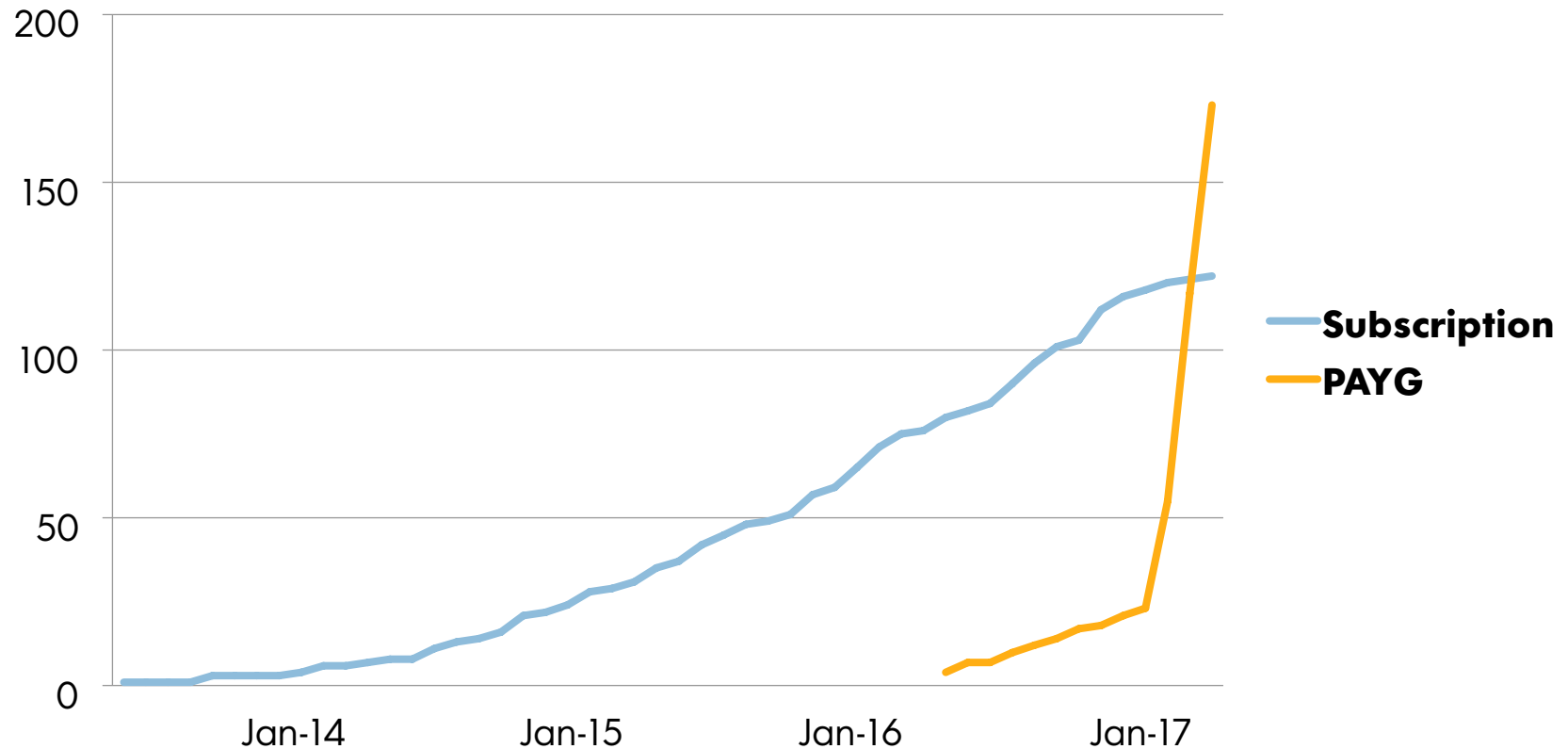


logikcu||



# Sell to your customers the way they want to buy

logikcull



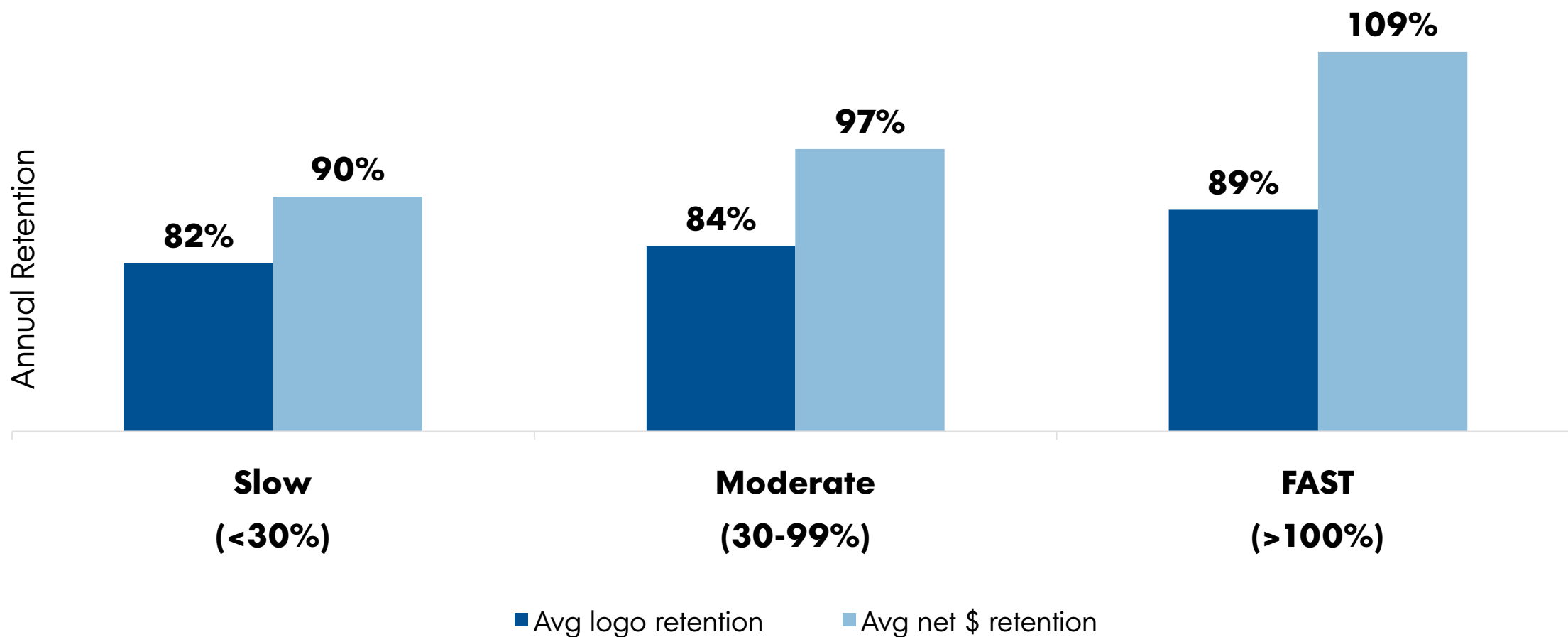
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**Your upsell path is  
broken.**

---

# Fastest growers see net negative churn





# Value metric & expansion: usage > seats



### Estimate your price

Your price is based on the size of your instance, the number of instances, and the total time running.

1 Select a provider.

CLOUD-BASED OPTIONS

AWS

Google

Microsoft

Rackspace

Instance Size

Instance Runtime

Quantity

Create Instance

Select...

750 (hours / month)

1

What type of instance?

How long does it run?

How many are there?

SELF-HOSTED ENVIRONMENTS

Don't see what you're looking for? [Contact an APM Specialist.](#)

2 Select a billing cycle.

3 Select a plan.

Your APM price estimate.

\$0.00/MO.

Based on estimated CU total of 0 **CU** \*

**123% net  
retention**



# Packaging: use features to drive expansion



## Good

### Free

A simple and powerful way  
to get things done.

**\$0**

Free, forever.

**Sign Up**

- Unlimited boards, lists, cards, members, checklists, and attachments.
- One [Power-Up](#) per Board
- Attach files up to 10MB from your computer, or link any file from your Google Drive, Dropbox, Box, or OneDrive.

# Packaging: use features to drive expansion



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### Business Class

App integrations, team overviews, and more security.

**\$9.99**

per user/month  
(when paid annually)

**Upgrade Team**

- Everything you love about the free version of Trello
- Unlimited [Power-Ups](#) including integrations with Jira, Bitbucket, Evernote, Google Hangouts, Mailchimp, Salesforce, Slack, Google Drive, Dropbox, and more
- Attach files up to 250MB
- Group and organize all of



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- Attach files up to 250MB
- Group and organize all of

## Best

### Enterprise

For large companies managing multiple teams across Trello.

**\$20.83**

or less

per user/month  
(when paid annually)

[Contact Us](#)

- All of the robust features of Trello Business Class
- Single Sign-On available for all SAML IdPs
- Enable 2-Factor Authentication to keep all work data secure
- Stay connected with a dedicated Account Executive to streamline training and

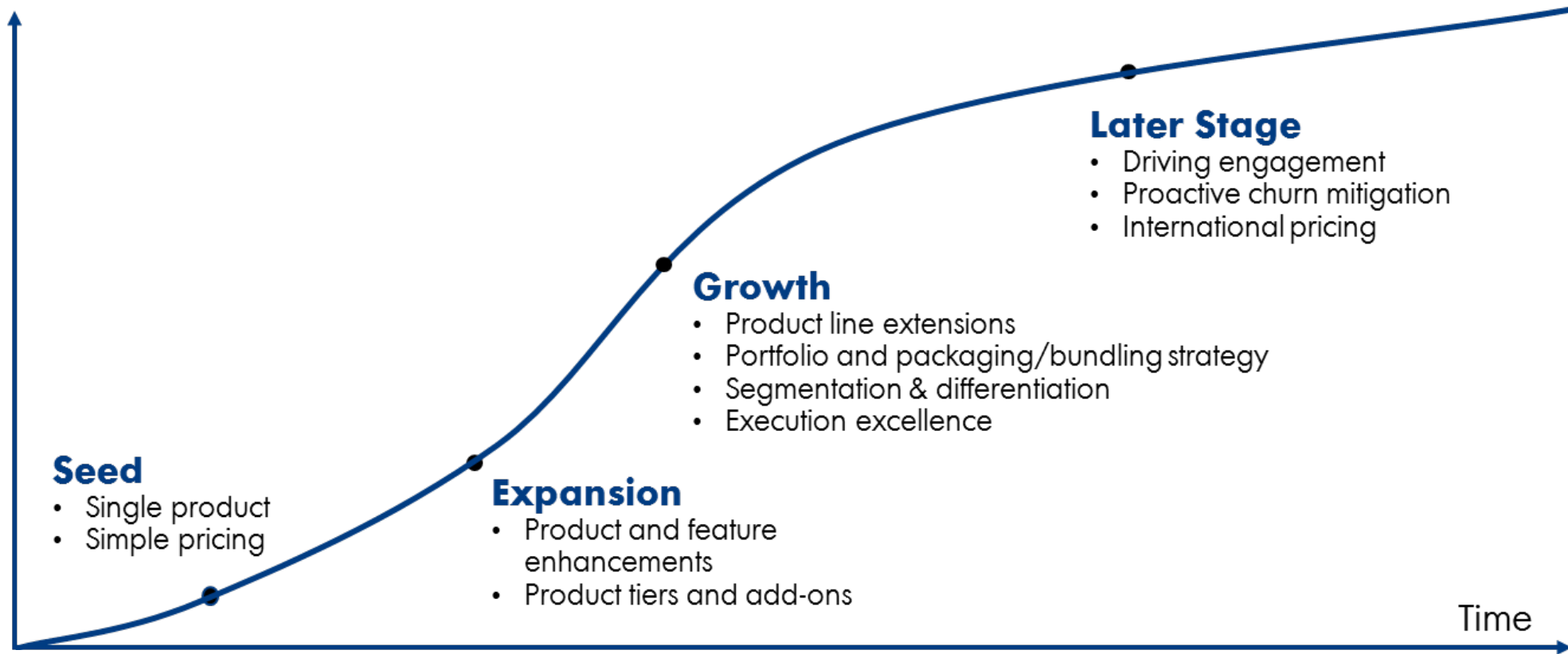
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**Your pricing is  
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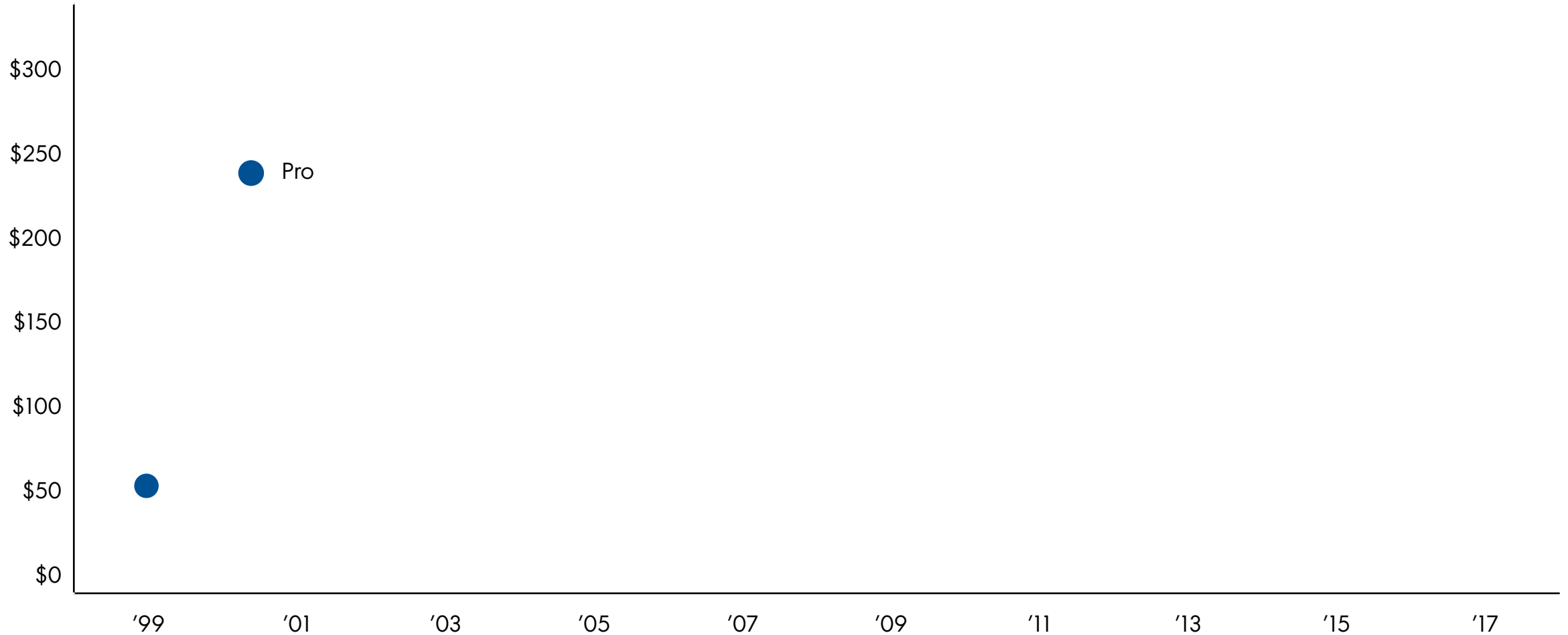
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# Pricing should evolve as your company evolves



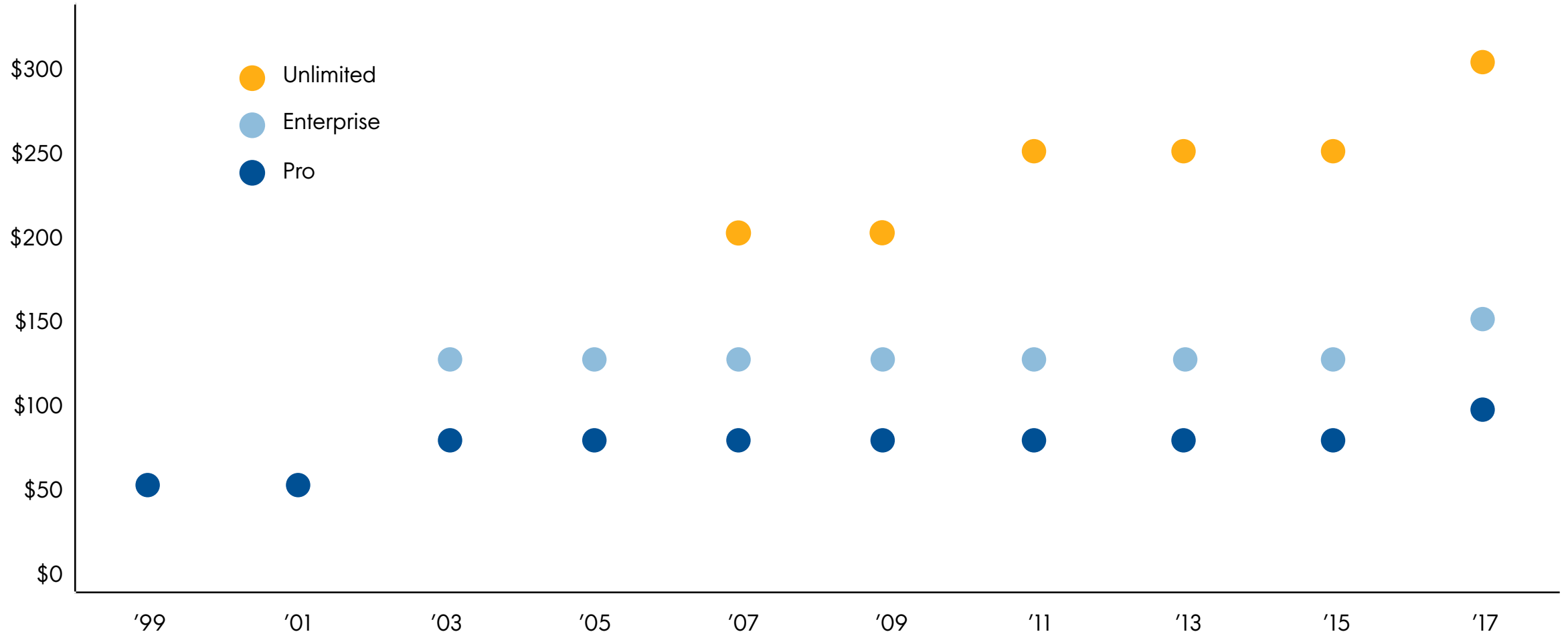


# Salesforce pricing evolution, 1999 - 2017

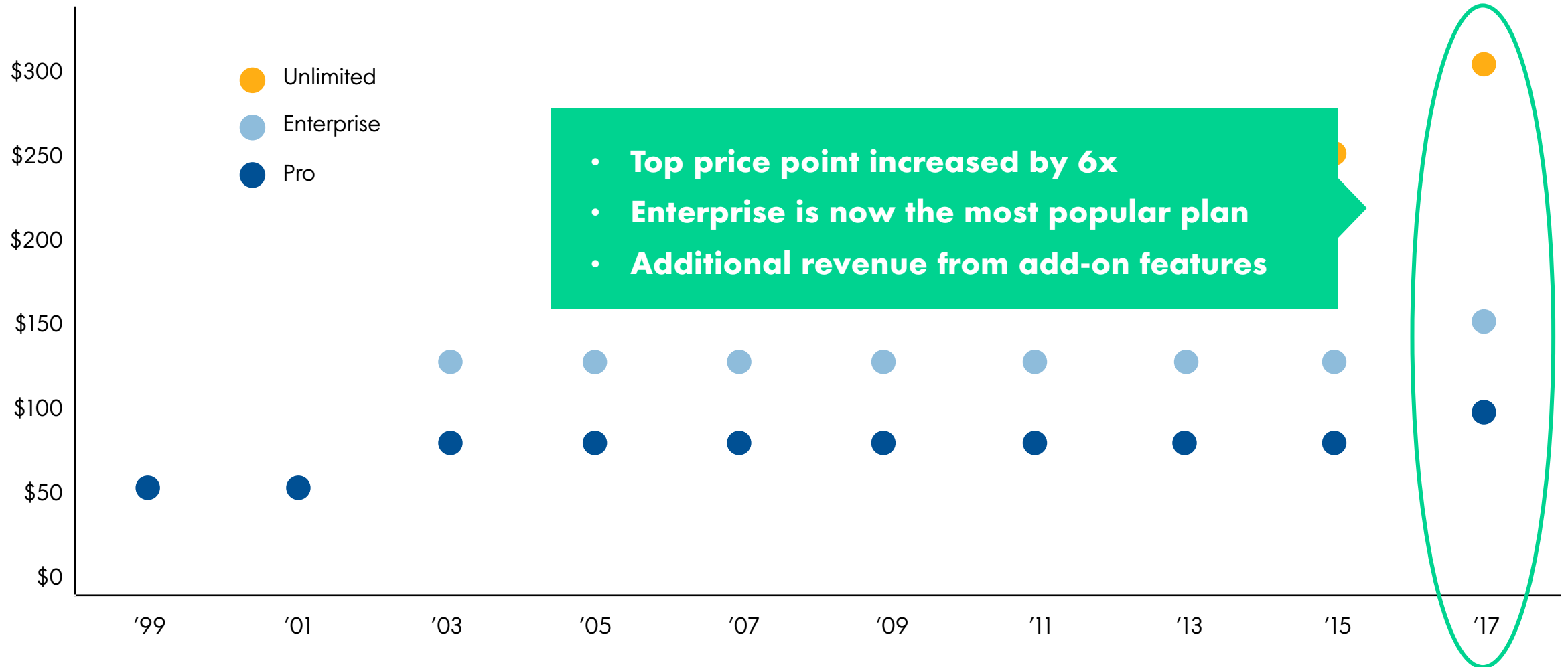


Source: Wayback Machine; Salesforce.com; Salesforce press interviews \*Price per user per month

# Salesforce pricing evolution, 1999 - 2017



# Salesforce pricing evolution, 1999 - 2017





# It's never 100% done.

The single most valuable lesson I've learned is that you have to be ready to constantly iterate on both your pricing and packaging. Successful companies are those that think of pricing in the same way they think about product development – **their pricing is in a constant state of evolution.**

Monika Saha

General Manager, Finance Product Line

Zuora





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# What now?

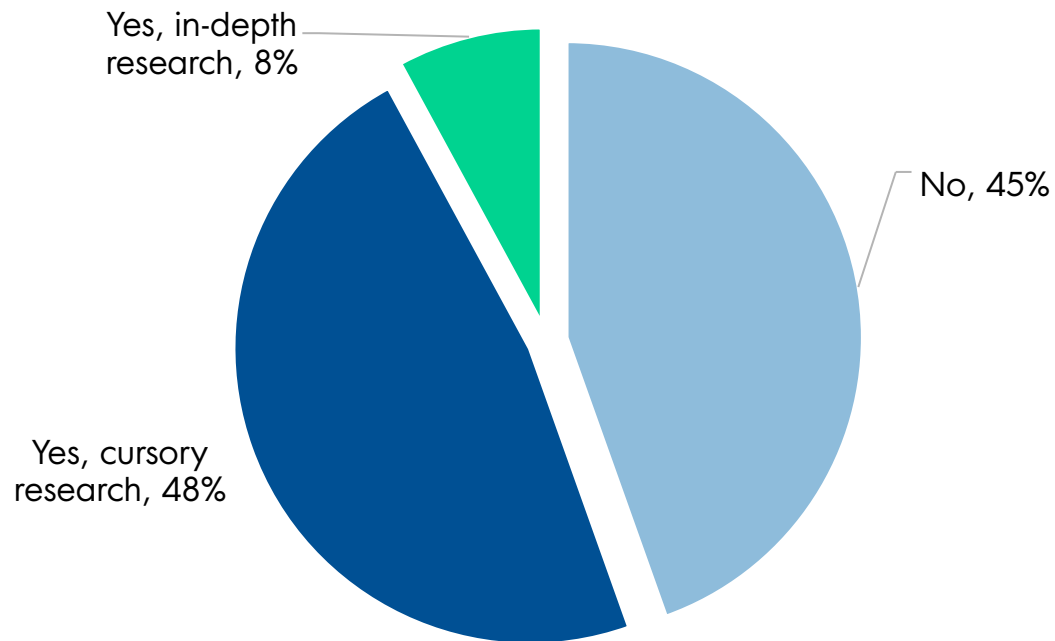
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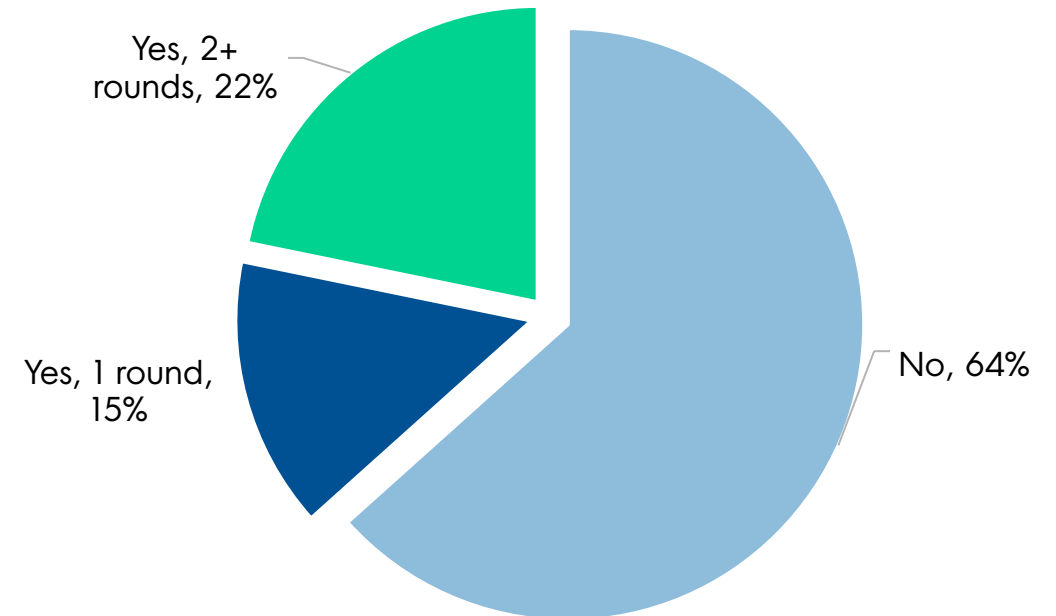
**Pricing & packaging is  
super important.**

# But most people don't take it seriously

**Have you done pricing research?**



**Have you done price testing?**



// The price is not material enough to be a factor in the decision.

**It is not even a blip on the radar. //**

**Who should  
own pricing?**

# Who should own pricing?

Marketing

Product

Finance

Sales

Operations

# Who should own pricing?

## Marketing

Great for positioning and messaging  
Already own TOFU & website

## Product

Best grasp of product and roadmap  
Already doing customer development  
May overly focus on features vs. value

## Finance

Analytical and data-driven  
Best handle on costs and profit  
Tend to take a cost plus vs. value-based approach

## Sales

Closest to the customer  
Constantly hearing about needs and pain points  
May be too close – want too many options

## Operations

Best grasp of the data  
Great at processes and technology  
Less customer-focused

# SaaS Pricing Takeaways

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1. Don't be too cheap
2. The right value metric helps you differentiate & sell more
3. Sell to customers the way they want to buy
4. Usage-based pricing & feature packaging drives net negative churn
5. Experiment and iterate on pricing



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**ov**

**kyle@ov.vc**





# Thank You!

**See this deck:** [openview.vc/saastr-2018](https://openview.vc/saastr-2018)

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Kyle Poyar | [kyle@ov.vc](mailto:kyle@ov.vc)