Software Economics

Pricing
Profit = Revenues – Costs

Revenue Model
What is a market?

*Market* refers to the group of consumers or organizations that is interested in the product, that has resources to purchase the product, and is permitted by law and other regulations to acquire the product.

http://www.netmba.com/marketing/market/definition/
Top Down Estimation

From the total market to “your market”.

Total Market

- How many units are being sold each year?
- How much turnover does this product have?
- How many cars are sold each year in the world?

Look at industry analysts such as Gartner, Forrester.
Top Down Estimation

From the total market to “your market”.

Total Market

Available Market

Size of the market based on “available” such as
• How many family cars are sold
• How many cars are sold in a region
Top Down Estimation

From the total market to “your market”.

- Who am I going to sell to in the years ahead?
- How many customers would that be?
- How many units would that be?

Your sales/revenue estimate per year is what you think you can sell during a year.
Top Down Estimation

Figure from http://www.slideshare.net/hatchincubator/revenue-estimation
Bottom Up Estimation

Start from the bottom

1. We have one restaurant in the first year.
2. We will sell for 300 € per day and we will be open 7 days/week
3. Sales for first year = 365 days * 300 € = 109 500 €
Top or Bottom Approach

Top Down
- Quick overview of the market
- Mistake: Assuming the market size to be 100 million €, if we only get 1 %, that is 1 million €. Why is this a mistake?

Bottom Up
- Closer to our strategy to get the market shares
- Closer to your budget for marketing/sales
- Be careful of assumptions (base it on facts and data)
- Test for sensitivity
Sales/Revenues = sold quantity * price
Cost Driven Pricing

- Setting the price at a level higher than the cost of producing the product or service (direct and indirect).

- Simple but ignores market influences and competitors.
Types of Pricing Strategies?

Value Driven Pricing

- Considering how much the customers are willing to pay for a product or service.

- Can be differentiated on basis of type of customer or size of customer.

- Kickboard (different prices depending on size of customer)
Types of Pricing Strategies?

**Competition Driven Pricing**

- Price is determined by looking at what your competitors are charging for the same product or service.

- Same, slightly higher or slightly less?
Dynamic Pricing Strategies

- Negotiations – Large Installations
- Yield Management – airline seats (price changes depending on when you buy it)
- Real-Time Market – Stock Markets
- Auctions - Ebay
New Product Pricing Strategies

**Prestige Pricing / Image Pricing:**

Prices set higher than normal as lower prices will not help sales (luxury products, Apple, Nike)

**Market Skimming Pricing:**

Setting a high price to “skim” / get higher revenue – fewer sales but better margins (night club that is “in” charges more in entrance fee and drinks)

**Market Penetration Pricing**

Set low price to get market shares – more sales but less profit margin.
Software Pricing Strategies

<table>
<thead>
<tr>
<th>Group</th>
<th>Professional</th>
<th>Enterprise</th>
<th>Unlimited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic sales and marketing for up to 5 users</td>
<td>Complete CRM for any size team</td>
<td>Deeply customizable CRM for your business</td>
<td>Unlimited CRM power and support</td>
</tr>
<tr>
<td>$25 /user/month* (billed annually)</td>
<td>$65 /user/month* (billed annually)</td>
<td>$125 /user/month* (billed annually)</td>
<td>$250 /user/month* (billed annually)</td>
</tr>
</tbody>
</table>

Salesforce

Software Pricing Strategies

Start your free 14-day Freckle trial now and never miss another billable hour!

Try Freckle on us with our 14-day fully functional free trial. Don't worry, there's no long-term contract and you can cancel or change your plan at any time.

Solo
Starts with 1 user
$19/month
Add 1 user $14/month/user

- Chat and Email support

Start Free Trial
no credit card required

Team
Best plan
Starts with 5 users
$49/month
Add 1 user $10/month/user

- Dedicated account manager
- Chat and Email support

Start Free Trial
no credit card required

Organization
Starts with 25 users
$199/month
Add 1 user $8/month/user

- Dedicated account manager
- Concierge setup
- Audit log
- Priority support

Start Free Trial
no credit card required

## Software Pricing Strategies

**Pricing for HubSpot Marketing Software**

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

<table>
<thead>
<tr>
<th>BASIC</th>
<th>PRO</th>
<th>ENTERPRISE</th>
</tr>
</thead>
<tbody>
<tr>
<td>€160/month</td>
<td>€640/month</td>
<td>€1,920/month</td>
</tr>
<tr>
<td>&quot;An entry tool for those new to inbound marketing&quot;</td>
<td>&quot;An integrated solution for professional marketers&quot;</td>
<td>&quot;An advanced platform for marketing teams&quot;</td>
</tr>
<tr>
<td>100 Contacts + €80 per 1k extra</td>
<td>1,000 Contacts + €40 per 1k extra</td>
<td>10,000 Contacts + €8 per 1k extra</td>
</tr>
<tr>
<td>Customize Price</td>
<td>Customize Price</td>
<td>Customize Price</td>
</tr>
<tr>
<td>Up to 3 Users</td>
<td>Everything in Basic, Plus:</td>
<td>Everything in Pro, Plus:</td>
</tr>
<tr>
<td></td>
<td>CRM Integration</td>
<td>A/B Testing</td>
</tr>
</tbody>
</table>

Simple Pricing, No Hidden Fees

No surprises. No complicated list of features that cost extra. Everything you need to run a more successful business.

Onboarding Fee = 2 months of service
$200 minimum monthly fee

From https://blog.kissmetrics.com/saasy-pricing-strategies/
# Software Pricing Strategies

## Visual Website Optimizer


## Standard Plans

### Startup
- **$49 / month**
  - Billed Annually
  - OR $59 month-to-month
  - 10,000 monthly visitors

### Business
- **$129 / month**
  - Billed Annually
  - OR $155 month-to-month
  - 30,000 monthly visitors

## Enterprise Plan

### Custom
- **$999 / month**
  - Billed Annually
  - 100,000+ monthly visitors

Call us at **+1 844-822-8378**

**Best For**
- Teams focused on optimization, Large Agencies, Enterprise Deployment

**What's Included**
- Everything in Standard Plans

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**BEST FOR**
- Individuals, Bloggers, Small Agencies, Small Business Owners

**What's Included**
- Everything in Standard Plans
Software Pricing Strategies

Register for a 10 days FREE Trial - it is SIMPLE

GET STARTED
No Credit Card Required

Ready to Purchase - need a Quote?

apps@bridge2i.com
we will get back to you shortly

Feature Comparison

<table>
<thead>
<tr>
<th>Features</th>
<th>Pro</th>
<th>Pro+</th>
<th>Analytics Pro</th>
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</thead>
<tbody>
<tr>
<td><strong>Price</strong></td>
<td>$950</td>
<td>$1400</td>
<td>$2000</td>
</tr>
<tr>
<td>Data Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data treatments</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Merging of datasets</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Data integration</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Working with tracking surveys</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Cross tabs and Visualization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross tabulation</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Visualization</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
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</table>
Software Pricing Strategies

Get started with HasOffers today.
Sign up and get 30 days for free.

ESSENTIAL FEATURES

PROFESSIONAL
$279/mo
- 100 offers & unlimited users
- 300,000 clicks/month
- Limited API

TRY IT FOR FREE

MOST POPULAR

ENTERPRISE
$799/mo
- Unlimited users & offers
- 1 million clicks/month
- Complete 2-way API

TRY IT FOR FREE

VIP FEATURES

ELITE
Custom Built
- Custom built for your needs
- Infinite clicks/month
- Custom API support and consultation

GET A QUOTE

For access to BigDoor's Loyalty Campaign Basic product, please complete the information below to start your free two-week trial. After two weeks, you'll get access to Loyalty Campaign Basic at its beta price for only $99 a month.

Happy loyalty building!

FIRST NAME

LAST NAME

EMAIL

PHONE #

CREATE PASSWORD

From https://blog.kissmetrics.com/saasy-pricing-strategies/
Just last week, 5,259 companies signed up for Basecamp.

- Prices start at just $20/month. [Jump to the full price list.]
- Every customer gets a no-obligation, 60-day unlimited-use free trial.
- No credit card required. Just fill out the form below and you’re in!

### Pay-as-you-go, No-Contract Monthly Packages

<table>
<thead>
<tr>
<th></th>
<th>Annual Package</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20/month</td>
<td>$3000/year</td>
</tr>
<tr>
<td>10 active</td>
<td>Unlimited projects</td>
</tr>
<tr>
<td>projects</td>
<td>500 GB space</td>
</tr>
<tr>
<td>3 GB space</td>
<td>Priority support</td>
</tr>
<tr>
<td>$50/month</td>
<td></td>
</tr>
<tr>
<td>40 active</td>
<td></td>
</tr>
<tr>
<td>projects</td>
<td></td>
</tr>
<tr>
<td>15 GB space</td>
<td></td>
</tr>
<tr>
<td>$100/month</td>
<td></td>
</tr>
<tr>
<td>100 active</td>
<td></td>
</tr>
<tr>
<td>projects</td>
<td></td>
</tr>
<tr>
<td>40 GB space</td>
<td></td>
</tr>
<tr>
<td>$150/month</td>
<td></td>
</tr>
<tr>
<td>Unlimited</td>
<td></td>
</tr>
<tr>
<td>projects</td>
<td></td>
</tr>
<tr>
<td>100 GB space</td>
<td></td>
</tr>
</tbody>
</table>

All packages include unlimited users + the best customer service in the business.
Choose your level

Productivity starts here. Whether you’re just getting started or are ready to bring Evernote to your entire team, there’s an Evernote level that’s right for you.

**BASIC**
The tools you need to stay organized across all your devices.

- **Free**

**PLUS**
Higher monthly uploads, more access, more options.

- **EUR19.99 per year**

**PREMIUM**
Every feature you need to be your most productive.

- **EUR39.99 per year**

<table>
<thead>
<tr>
<th>Monthly uploads</th>
<th>60MB</th>
<th>1GB</th>
<th>UNLIMITED*</th>
</tr>
</thead>
</table>

Exercise

How is your company getting paid for their value proposition?

What is their pricing model?

About 15 min.