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Thank You

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Chad Jardine, BFA, MBA
Founder & CEO of **CMO Zen**

20+ years in marketing



15 years teaching marketing & VC



Master Class: Pricing for Revenue Growth



How are prices normally set?



- Finger in the wind
- Guessing
- Negotiation
- Fear
- Trial and error



You must unlearn
what you have learned



Source: <https://www.slideshare.net/surveyanalytics/how-to-set-pricing-using-the-van-westendorp-price-sensitivity-meter>

It's tough for pricing to get love early on

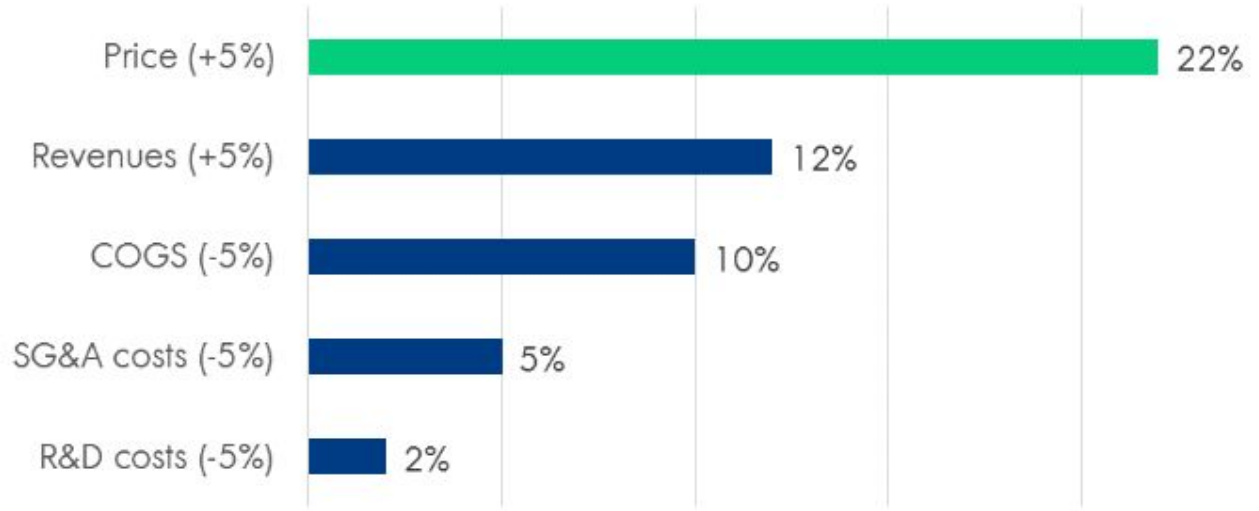
- **40% of seed stage** companies have **never** tested pricing or conducted WTP research
- **55% of seed stage** handle pricing **ad hoc**
- **82% of seed stage** pricing falls to **the CEO** (for growth stage, this is only 48%)
- **½ of seed stage** companies only consider pricing **right before** launch

Weird Pricing: Ugly Cats and Turquoise



Pricing: Outsized Impact

Impact on EBIT from a 5% improvement in...



Source: Hinterhuber (2004). Towards value-based pricing – An integrative framework for decision making. *Industrial Marketing Management* 33 765-778.

Pricing Canvas: 10 Pricing Principles



1. Pricing Objectives

For revenue-based objectives, which lever is right?



Revenue Growth Levers



1a. Increase Ticket Size



1b. Increase New Sales

1c. Increase Frequency



2. Pricing Components

3. Pricing Strategy

5. Pricing Structure

4. Pricing Method

6. Price Positioning

Key

1-2	Orientation	1	3		8
3-6	Strategic Components	4	7		9
7-10	Tactical Optimizations	2	5		10
		6			



3. Pricing Strategy



3a. Skimming



3b. Penetration

3c. Value Maximization



4. Pricing Method



4a. Cost-Based:
Asset | Market | Income

WTP

4b. Value-Based



5. Pricing Structure

+1

5a. Linear



5c. Tiers, Bundling & Discounts



5b. Partial Tariffs



6. Price Positioning



6a. Classic STP

Ps

6c. Marketing Mix



6b. Unit of Sale/Value



7. Pricing Psychology

7a. Customer Type

B2C

Emotional

B2B

Considered

7b. Buyer's Journey (GTM)



Sales-Led



Self-Directed
(Incl. PLG)

7c. Psychology/Cognitive Biases



First



Friends



Reactions



References

WTP Research Methods

Demand Curve
Van Westendorp
Gabor Granger
Conjoint Analysis



8. Pricing Optimization

A/B

8a. Split Testing



8c. Dynamic Pricing



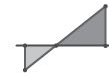
9. Pricing in Practice



9a. Unit Economics



9b. Price Leaks



9c. LTV/CAC



10. Price Changes

10a. Decide



10b. Communicate



10c. Execute



Value



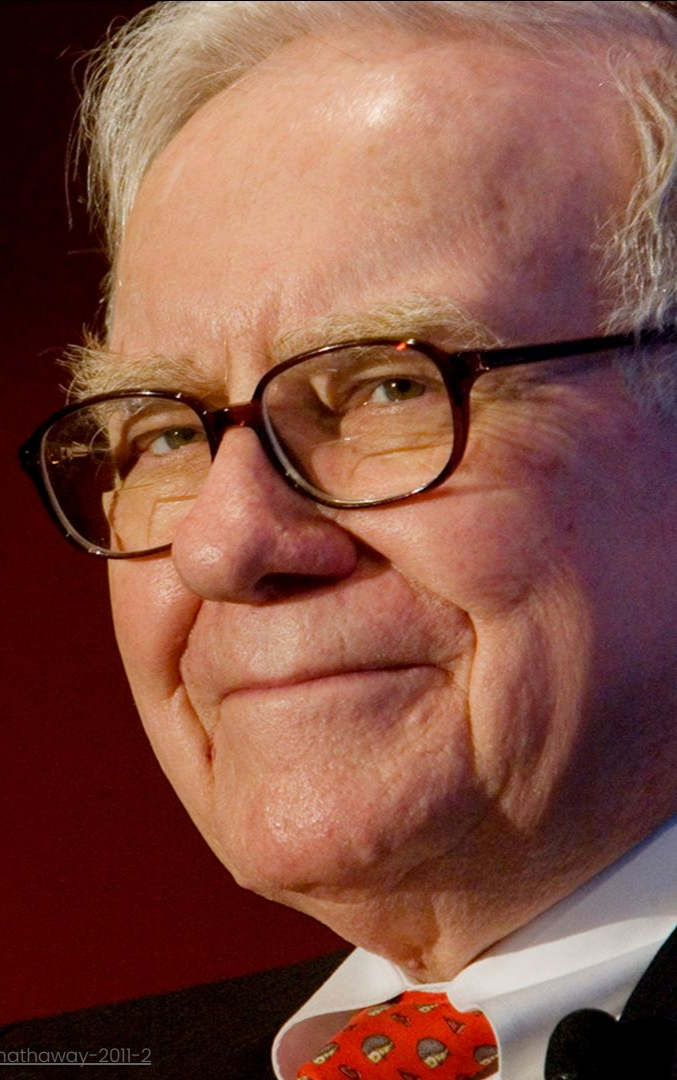
Timing



Grandfather

The **single most important** decision in evaluating a business is **pricing power**.

—Warren Buffett





Don't increase your prices during this time unless you have to.

—Neal Patel



The real question?

What is your customer **willing to pay?**



Are you leaving **money on the table**?



CMC ZEN



4. Pricing Method



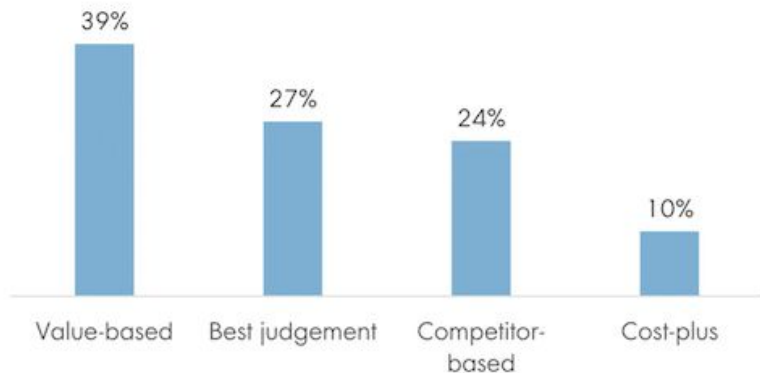
4a. Cost-Based:
Asset | Market | Income

WTP

4b. Value-Based

WHY HAVEN'T YOU ADOPTED VALUE-BASED PRICING?

Approach to setting pricing



OV | 2021 SAAS PRICING SURVEY

Takeaways

- SaaS companies have nearly limitless flexibility around how they package and price their products. To capitalize on this flexibility, SaaS companies must take a value-based approach to how they set prices.
- Too many rely on a judgement call or what their competitors are doing.
- Companies with larger deal sizes are more likely to employ value-based pricing than their peers.

Kyle Poyar, OpenView Venture Partners



Source: <https://openviewpartners.com/blog/saas-pricing-guide-raise-prices-without-losing-customers/>



A pair of red high-heeled shoes is positioned on the left side of the image, resting on a dark wooden floor. The shoes are pointed-toe pumps with a smooth, polished finish. The interior of the shoes is visible, showing a light-colored insole with a small rectangular label. The background is a dark, textured wooden surface with vertical grain patterns.

Understanding WTP is about
walking **in someone else's shoes**

NOT getting everyone else to walk
in ours.



CMC ZEN

THE SECOND OPTION
FEELS RIGHT. LET'S
GO WITH THAT.



Dilbert.com DilbertCartoonist@gmail.com

SHOULD WE ALWAYS
IGNORE WHAT THE
DATA SAYS, OR IS THIS
MORE OF A ONE-TIME
THING?



8-17-11 © 2011 Scott Adams, Inc./Dist. by Universal Uclick

IT'S
CALLED
INTUITION.

IT'S A
SLIPPERY
SLOPE TO
WITCH-
CRAFT.



Who's ready for a little pricing voodoo?





5. Pricing Structure

+1

5a. Linear



5c. Tiers, Bundling & Discounts



5b. Partial Tariffs



Let's talk pizza & salad



CMC ZEN

Pizza & Salad

You own a restaurant selling **artisan pizzas** and **gourmet salads**.

You've identified **4 groups** of potential customers. Each has a different price they are **willing to pay**.



CMC ZEN

Pizza & Salad

What **individual** prices produce the most revenue?

Segment	Size	WTP Pizza	WTP Salad
A	100	\$9	\$1.50
B	100	\$8	\$5
C	100	\$4.50	\$8.50
D	100	\$2.50	\$9



Pizza & Salad

What **individual** prices produce the most revenue?

Segment	Size	WTP Pizza	WTP Salad
A	100	\$9	\$1.50
B	100	\$8	\$5
C	100	\$4.50	\$8.50
D	100	\$2.50	\$9

Pizza at \$2.50 Salad at \$1.50

$$400 * \$2.5p + 400 * \$1.5s = \mathbf{\$1,600}$$



Pizza & Salad

What **individual** prices produce the most revenue?

Segment	Size	WTP Pizza	WTP Salad
A	100	\$9	\$1.50
B	100	\$8	\$5
C	100	\$4.50	\$8.50
D	100	\$2.50	\$9

Pizza at \$4.50 Salad at \$5.00

$$300 * \$4.5p + 300 * \$5s = \mathbf{\$2,850}$$



CMC ZEN

Pizza & Salad

What **individual** price produces the most revenue?

Segment	Size	WTP Pizza	WTP Salad
A	100	\$9	\$1.50
B	100	\$8	\$5
C	100	\$4.50	\$8.50
D	100	\$2.50	\$9

Pizza at \$8

Salad at \$8.50

$$200 * \$8p + 200 * \$8.5s = \mathbf{\$3,300}$$



CMC ZEN

Pizza & Salad

What **individual** price produces the most revenue?

Segment	Size	WTP Pizza	WTP Salad
A	100	\$9	\$1.50
B	100	\$8	\$5
C	100	\$4.50	\$8.50
D	100	\$2.50	\$9

Pizza at \$9

Salad at \$9

$$100 * \$9p + 100 * \$9s = \mathbf{\$1,800}$$

Pizza & Salad

What **individual** price produces the most revenue?


Segment	Size	WTP Pizza	WTP Salad
A	100	\$9	\$1.50
B	100	\$8	\$5
C	100	\$4.50	\$8.50
D	100	\$2.50	\$9

Pizza at \$8

Salad at \$8.50

$$200 * \$8p + 200 * \$8.5s = \mathbf{\$3,300}$$





Are we leaving money
on the table?



CMC ZEN



Bundling: we only sell pizza and
salad combos



CMC ZEN

Pizza & Salad

What **bundled** price produces the most revenue?

Segment	Size	WTP Pizza	WTP Salad	Bundle
A	100	\$9	\$1.50	
B	100	\$8	\$5	
C	100	\$4.50	\$8.50	
D	100	\$2.50	\$9	



Pizza & Salad

What **bundled** price produces the most revenue?

Segment	Size	WTP Pizza	WTP Salad	Bundle
A	100	\$9	\$1.50	\$10.50
B	100	\$8	\$5	\$13
C	100	\$4.50	\$8.50	\$13
D	100	\$2.50	\$9	\$11.50

We could just charge **\$10.50** to everyone



Pizza & Salad

What **bundled** price produces the most revenue?

Segment	Size	WTP Pizza	WTP Salad	Bundle
A	100	\$9	\$1.50	\$10.50
B	100	\$8	\$5	\$13
C	100	\$4.50	\$8.50	\$13
D	100	\$2.50	\$9	\$11.50

$$400 * \$10.50 = \mathbf{\$4,200}$$

That's **27% higher** than pricing individually!





Are we still leaving money
on the table?



CMC ZEN



Mixed Bundling: we sell individual
pizzas and salads OR combos



CMC ZEN

Pizza & Salad

What price produces the most revenue?

Segment	Size	WTP Pizza	WTP Salad	Bundle
A	100	\$9	\$1.50	\$10.50
B	100	\$8	\$5	\$13
C	100	\$4.50	\$8.50	\$13
D	100	\$2.50	\$9	\$11.50

Pizza or Salad alone for \$9

OR

Both for \$13



CMC ZEN

Pizza & Salad

What price produces the most revenue?

Segment	Size	WTP Pizza	WTP Salad	Bundle
A	100	\$9	\$1.50	\$10.50
B	100	\$8	\$5	\$13
C	100	\$4.50	\$8.50	\$13
D	100	\$2.50	\$9	\$11.50

$$(100 * \$9) + (200 * 13) + (100 * 9) = \textbf{\$4,400}$$

Pizza & Salad

What price produces the most revenue?

Segment	Size	WTP Pizza	WTP Salad	Bundle	Pizza \$8 Salad \$8.50	Bundle \$10.50	Mixed Bundling
A	100	\$9	\$1.50	\$10.50	\$800	\$1,050	\$900
B	100	\$8	\$5	\$13	\$800	\$1,050	\$1,300
C	100	\$4.50	\$8.50	\$13	\$850	\$1,050	\$1,300
D	100	\$2.50	\$9	\$11.50	\$850	\$1,050	\$900
Total Revenue					\$3,300	\$4,200	\$4,400

Mixed bundling structure generated **33% more revenue.**

175% more than our first individual prices.



Pizza & Salad

Utah Tech Week Survey

Segment	Size	WTP Pizza	WTP Salad	Bundle	Pizza \$7.50 Salad \$12	Bundle \$17	Mixed Bundling
A	9	\$10	\$5	\$15	\$0	\$0	\$90
B	9	\$5	\$12	\$17	\$216	\$153	\$153
C	9	\$7.50	\$15	\$22.50	\$135	\$202.5	\$202.5
Total Revenue					\$351	\$355.50	\$445.50

Mixed bundling structure generated **27% more revenue.**



How you charge is often more
important than **what** you charge.

Madhavan Ramanujam, *Monetizing Innovation*

Notes on bundling



Don't bundle inexpensive with expensive.
People will **average** the value.



Leader

Customer values and **will pay** for this.



Filler

Customer values this, but **not enough** to buy on it's own.



Killer

Customer **will not buy** if forced to include this.

	Good	Better	Best
Feature 1	X	X	X
Feature 2	X	X	X
Feature 3	X	X	X
Feature 4		X	X
Feature 5		X	X
Feature 6			X
Feature 7			X
Feature 8			X

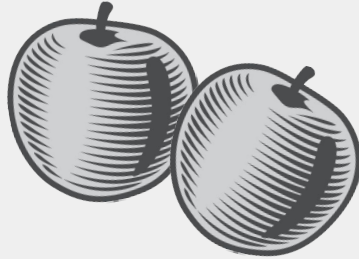
	Good	Better	Best
Feature 1	Filler	Filler	Filler
Feature 2	Filler	Filler	Filler
Feature 3	Leader	Filler	Filler
Feature 4		Filler	Filler
Feature 5	Killer	Leader	Filler
Feature 6			Filler
Feature 7			Filler
Feature 8		Killer	Leader

Notes on Tariff Structures

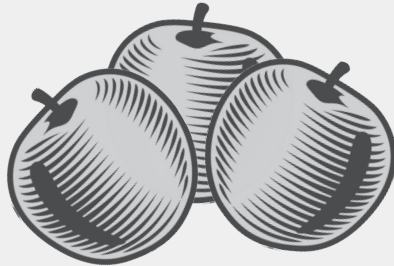
Linear Pricing (Usage Based)



1 apple = \$1



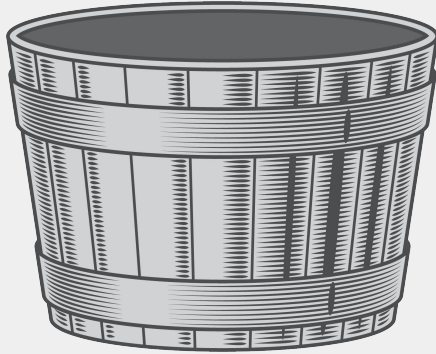
2 apples = \$2



3 apples = \$3



Two-Part Tariff Pricing



1 bushel = \$5

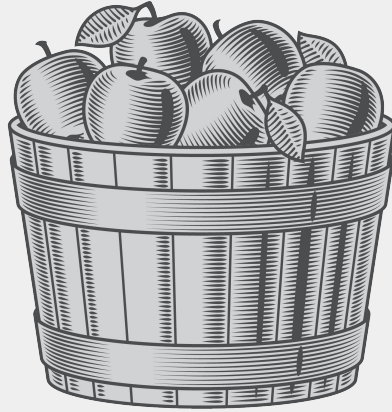
then



1 apple = \$1



Three-Part Tariff Pricing



1 bushel, including 10
apples = \$10

then

1 apple = \$1



Highest revenue generating structure for SaaS



★ Professional

Comprehensive sales software to automate and scale your sales processes

Starts at

\$450/mo

billed at ~~\$6,000~~ **\$5,400/yr**

Pay Monthly
Commit annually

Pay Upfront **SAVE 10%**
Commit annually

Includes 5 paid users

\$90/mo per additional user

How many paid users do I need?

5

Talk to Sales

☐ Compare

Starter plus:

- ✓ ABM tools and automation
- ✓ eSignature
- ✓ Sequences
- ✓ Playbooks
- ✓ Product library

*Includes required, one-time **Professional Onboarding** for a fee of ~~\$1,000~~ \$750. [Learn more.](#)

★ Enterprise

Our most powerful sales software for advanced control and flexibility

Starts at

\$1,200/mo

billed at **\$14,400/yr**

Includes 10 paid users

\$120/mo per additional user

How many paid users do I need?

10

Talk to Sales

☐ Compare

Professional plus:

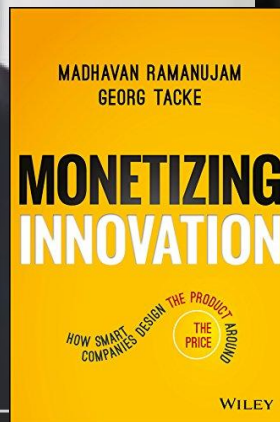
- ✓ Predictive lead scoring
- ✓ Custom objects
- ✓ Recurring revenue tracking
- ✓ Conversation intelligence
- ✓ Advanced permissions

*Includes required, one-time **Enterprise Onboarding** for a fee of \$3,000. [Learn more.](#)

That's nice, Chad... but HOW do you discover WTP?

WTP Research Methods

Demand Curve
Van Westendorp
Gabor Granger
Conjoint Analysis



Madhavan Ramanujam
Author, *Monetizing Innovation*

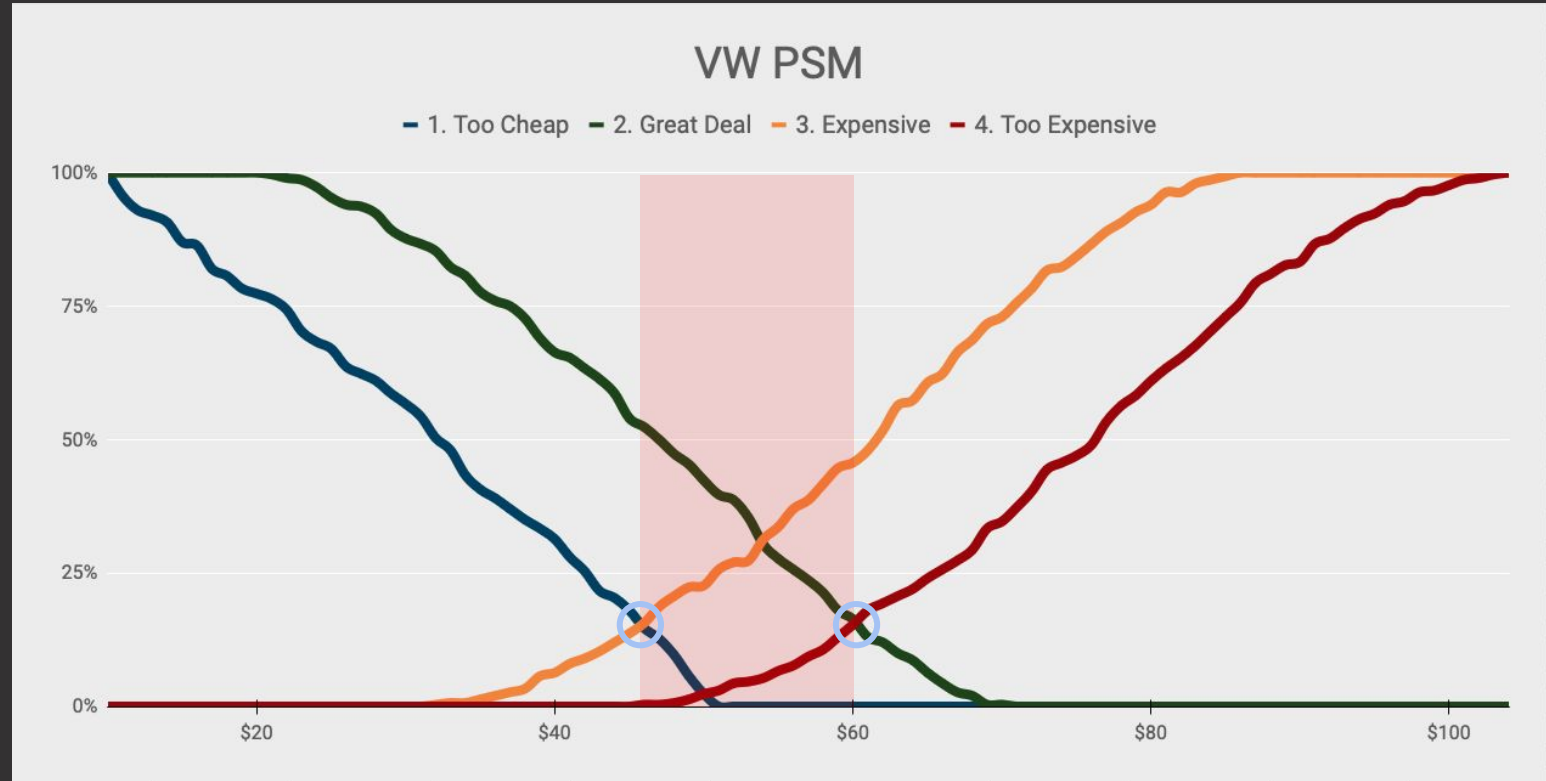


Patrick Campbell
Founder & CEO, ProfitWell

Van Westendorp

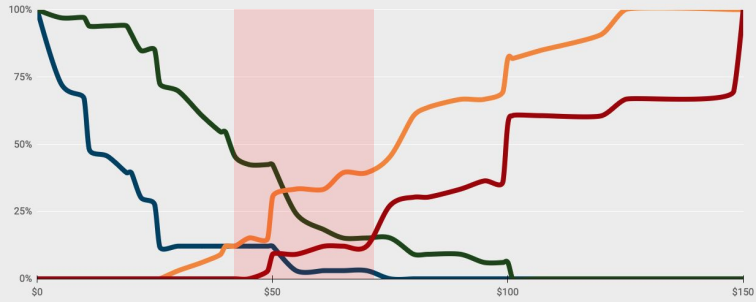
1. What price is **WAY TOO EXPENSIVE**. You would never consider purchasing.
2. What price is **GETTING EXPENSIVE**, but you would still consider it.
3. What price is a **GREAT DEAL**. You would pay this right away.
4. What price is **TOO CHEAP**. You would doubt the quality of what you were getting.

Van Westendorp Price Sensitivity Meter



VW PSM

1. Too Cheap 2. Great Deal 3. Expensive 4. Too Expensive

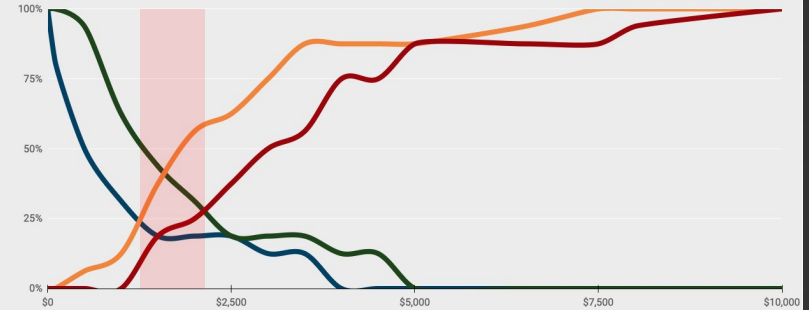


WTP:
\$42-\$70

WTP:
\$1500-\$2200

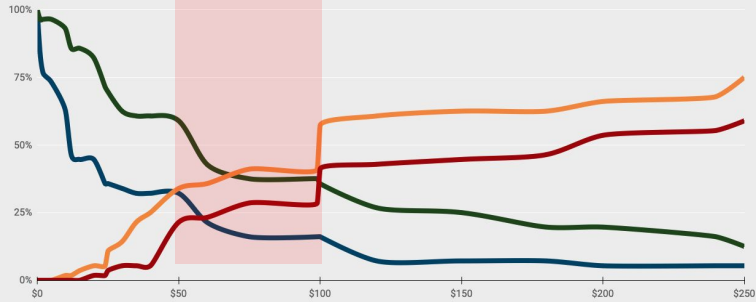
VW PSM

1. Too Cheap 2. Great Deal 3. Expensive 4. Too Expensive



VW PSM

1. Too Cheap 2. Great Deal 3. Expensive 4. Too Expensive

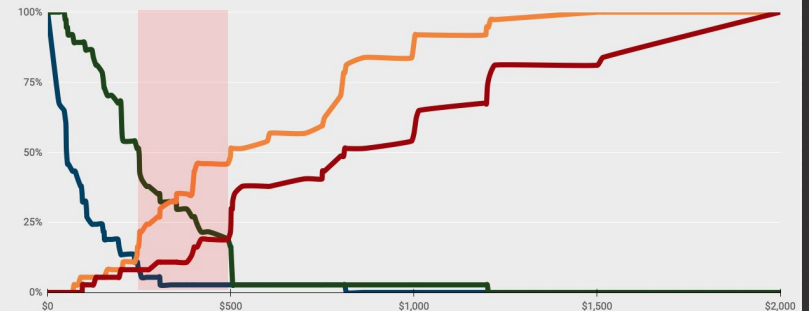


WTP:
\$51-\$99

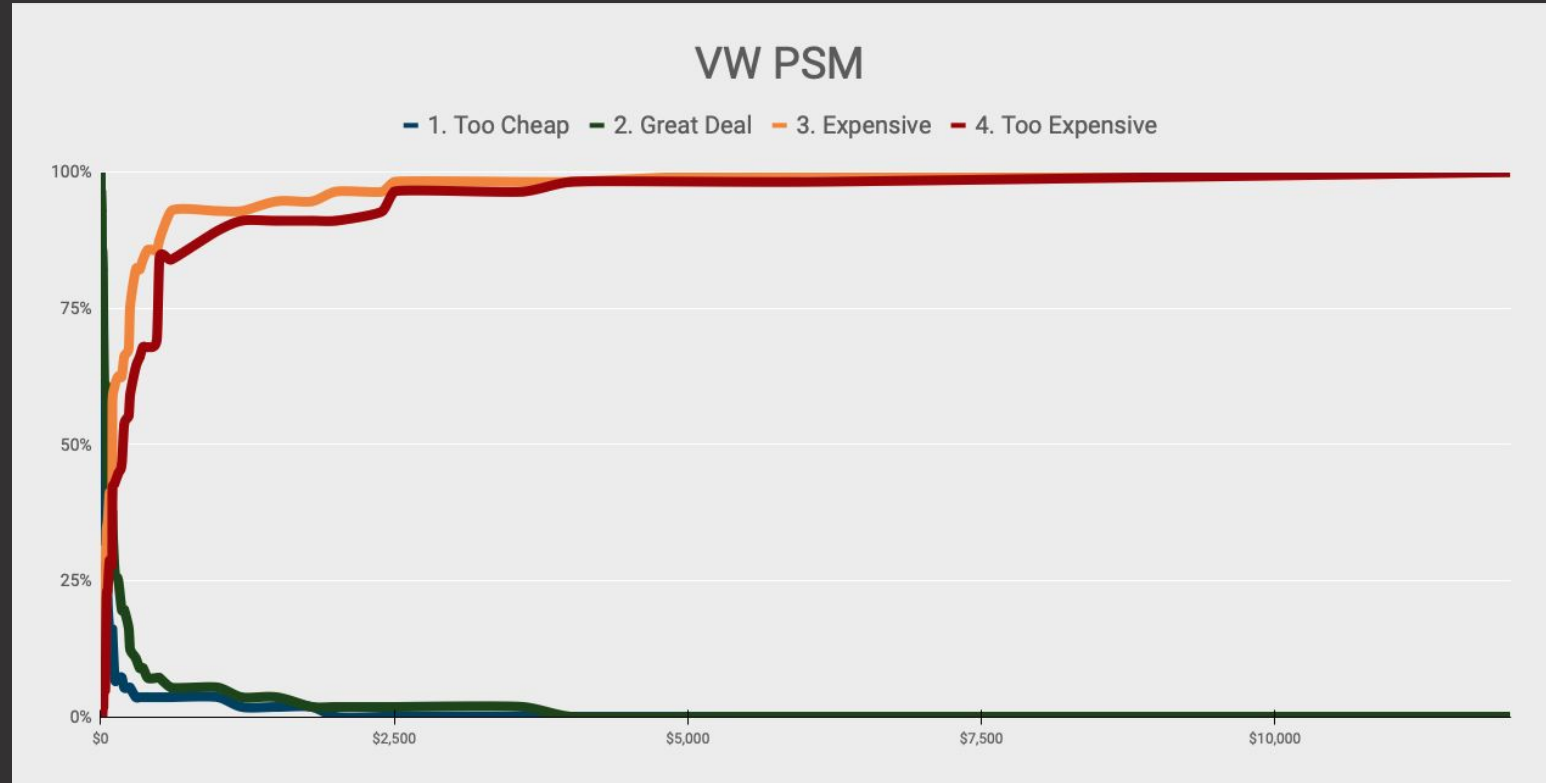
WTP:
\$238-\$492

VW PSM

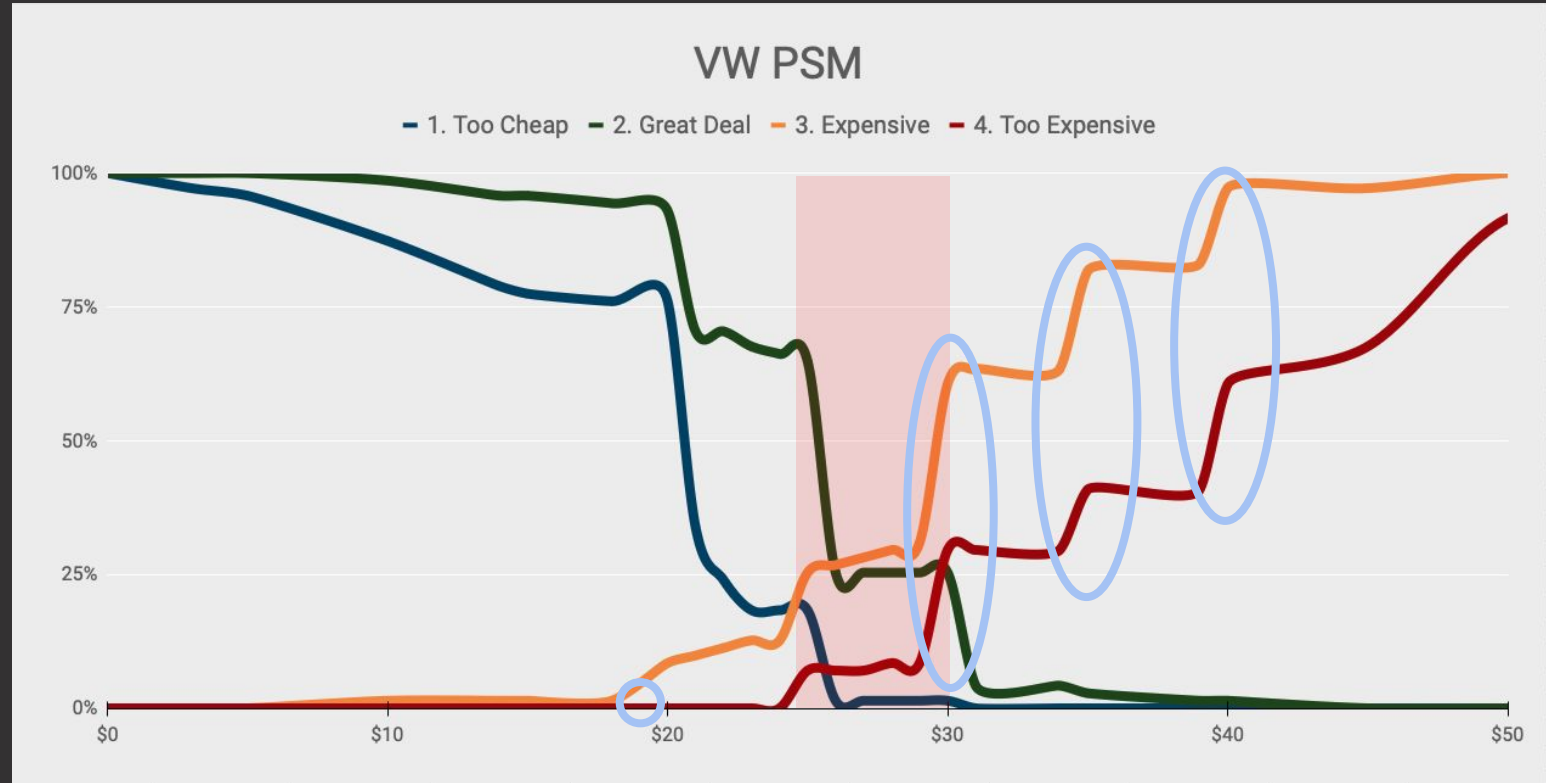
1. Too Cheap 2. Great Deal 3. Expensive 4. Too Expensive



What's happening?



What's happening?



% cohorts reveals tiers of WTP

Price	3. Expensive	4. Too Expensive	Increase (3)
\$18	1%	0%	0%
\$20	8%	0%	7%
\$21	10%	0%	1%
\$22	11%	0%	1%
\$23	13%	0%	1%
\$24	13%	0%	0%
\$25	25%	7%	13%
\$26	27%	7%	1%
\$27	28%	7%	1%
\$28	30%	8%	1%
\$29	31%	8%	1%
\$30	61%	30%	30%
\$31	63%	30%	3%
\$34	63%	30%	0%
\$35	82%	41%	18%
\$39	83%	41%	1%
\$40	97%	61%	14%
\$45	97%	68%	0%
\$50	100%	92%	3%

At \$29 we were **TOO EXPENSIVE**
for 8% of our customers

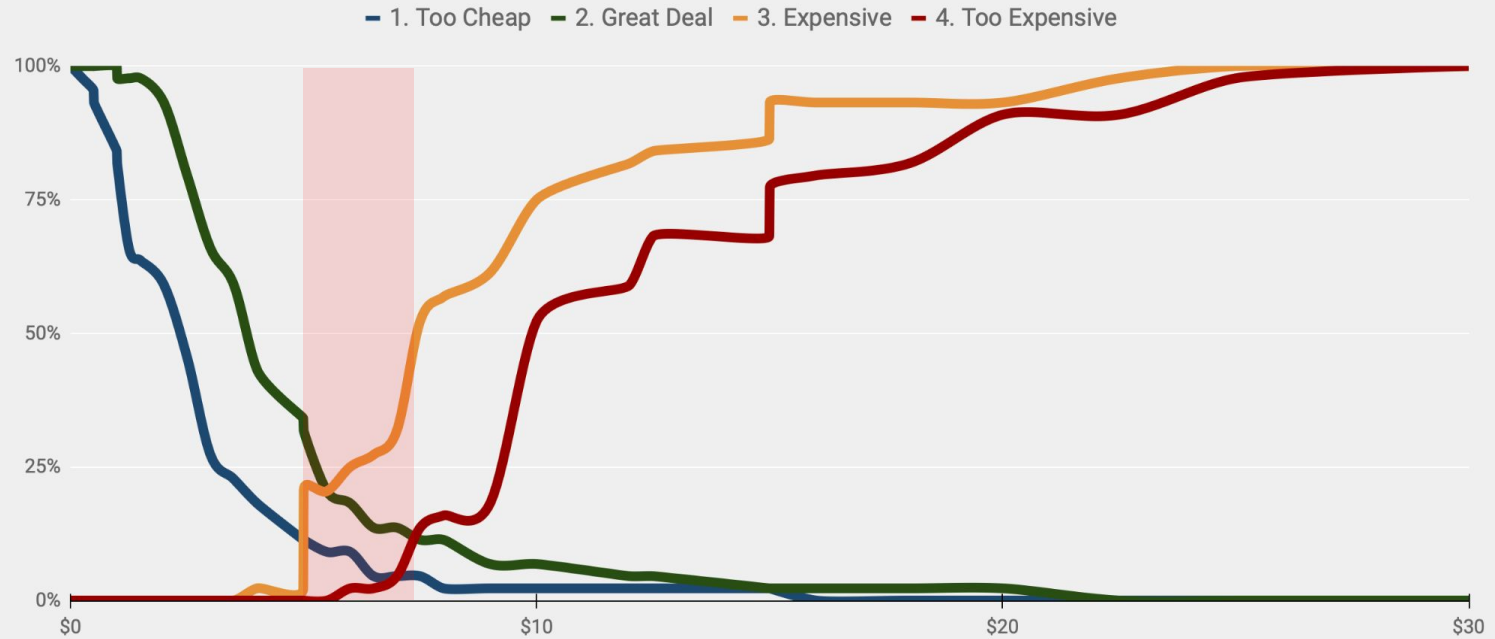
At \$30 we hit a WTP cliff and
were **TOO EXPENSIVE for 30%.**

Frequency shows revenue max

Price	4. Too Expensive	Revenue	Likelihood
\$25	5	\$1,650	\$1,534
\$26	0	\$1,716	\$1,595
\$27	0	\$1,782	\$1,657
\$28	1	\$1,820	\$1,666
\$29	0	\$1,885	\$1,726
\$30	15	\$1,500	\$1,056
\$31	0	\$1,550	\$1,092
\$34	0	\$1,700	\$1,197
\$35	8	\$1,470	\$870

We can calculate **new revenue from the increased price**, less lost revenue from **churned customers** and find the **revenue maximizing price**.

Tech Week Lunch VW PSM



Price	Cust % WTP	Decrease	Revenue	Likelihood
\$4.00	100%	0.00%	\$176	\$176
\$4.99	100%	0.00%	\$220	\$220
\$5.00	100%	0.00%	\$220	\$220
\$5.50	100%	0.00%	\$242	\$242
\$6.00	98%	2.27%	\$258	\$252
\$6.50	98%	0.00%	\$280	\$273
\$7.00	95%	2.27%	\$294	\$281
\$7.50	86%	9.09%	\$285	\$246
\$8.00	84%	2.27%	\$296	\$249
\$9.00	82%	2.27%	\$324	\$265
\$10.00	48%	34.09%	\$210	\$100
\$12.00	41%	6.82%	\$216	\$88
\$12.50	32%	9.09%	\$175	\$56
\$14.99	32%	0.00%	\$210	\$67
\$15.00	23%	9.09%	\$150	\$34
\$16.00	20%	2.27%	\$144	\$29
\$18.00	18%	2.27%	\$144	\$26
\$20.00	9%	9.09%	\$80	\$7
\$22.50	9%	0.00%	\$90	\$8
\$25.00	2%	6.82%	\$25	\$1
\$30.00	0%	2.27%	\$0	\$0





7. Pricing Psychology

7c. Psychology/Cognitive Biases



First



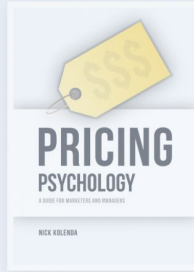
Friends



Reactions



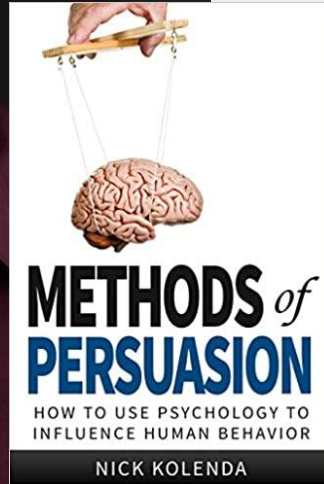
References



Pricing Psychology

Which numbers should you use? How high should it be? Should it be rounded? This guide has 42 tricks to help you choose the best price.

NICK KOLENKA



NUMERALS

\$2.99

Reduce the Left Digit By One

\$28.16

5 syllables
(twenty-eight sixteen)

Choose Prices With Fewer Syllables

\$5

+ \$2 fee

Divide Price Into Smaller Units

~~\$365,000~~
\$365,478

Be Precise With Large Prices

\$62

Place Low Numerals After Right-Facing Digits

\$55

Fred
5/5/16

Tailor Prices Toward Names or Birthdays

\$20

Use Round Prices in the Right Context



7. Pricing Psychology

7c. Psychology/Cognitive Biases



First



Friends



Reactions



References



First



Friends



Reactions



References



10. Price Changes

10a. Decide



10b. Communicate



10c. Execute



Value



Timing



Grandfather

Price changes can be scary, but...

- Many SaaS companies put a 5-7% annual price escalator in their contracts—so 3 years without raising prices could mean **you fell 20% or more behind** competition.

Kyle Poyar, OpenView Venture Partners



Source: <https://openviewpartners.com/blog/saas-pricing-guide-raise-prices-without-losing-customers/>



Price changes can be scary, but...

- 98% of the time price changes had either a **neutral or positive** impact on the revenue growth of the business.

Kyle Poyar, OpenView Venture Partners



Source: <https://openviewpartners.com/blog/saas-pricing-guide-raise-prices-without-losing-customers/>



Price changes can be scary, but...

“In two-out-of-five cases, pricing changes led to a **25% or greater improvement in ARR.**”

—Kyle Poyar, OpenView Venture Partners

Kyle Poyar, OpenView Venture Partners



Source: <https://openviewpartners.com/blog/saas-pricing-guide-raise-prices-without-losing-customers/>





You should be losing **20–30% of deals** due to pricing.

Naomi Ionitas, Meno Ventures

Source: <https://www.lennyspodcast.com/how-to-price-your-product-naomi-ionita-meno-ventures/>



7 Price Change Commandments:

1. Be direct, specific, and clear.
2. Don't over-communicate
3. Don't use euphemisms. (a la Microsoft, YouTube, and Netflix)
4. Don't apologize. This signals that you don't have a good reason=confusing.

7 Price Change Commandments:

5. Include a rationale for the change.
6. Reinforce the value, add value if you can.
7. Offer a way for customers to voice questions and concerns.

3 Tips for Execution



add value



CMC ZEN



consider timing



CMC

grandfathering



CMC ZEN



Rand Fishkin

7:14 AM

Reminder: 2 weeks until SparkToro's prices go up

To: Chad Jardine,

Reply-To: Rand Fishkin

You probably saw Amanda's email two weeks ago, but just in case:

- [SparkToro's prices](#) are going up on February 8th
- You can still get our existing prices for another 2 weeks
- If you do, for as long as you maintain your subscription, you'll remain at the current rates
- When prices go up, and the new tiers have more features, you'll get those, too

Also, IMO, January is a smart time to [start tracking your audience\(s\)](#) ;-) Any questions, drop a line!

Best,
Rand

P.S. Yup, my real email. If you reply, it goes right to me.





How often should you revisit pricing?

When there are changes to the
product or the **customer**



Be water, my friend.

Resources:

[10 Pricing Principles E-book](#)
[10 Pricing Principles Canvas](#)

[VW Survey Template](#)
[VW Analysis Spreadsheet](#)

References:

Nick Kolenda:

[Pricing Psychology](#)
[Pricing Course](#) [paid]

Harry Beckwith:

[Selling the Invisible](#)

Madhavan Ramanujam:

[Pizza & Breadsticks](#)
[Monetizing Innovation](#)
[First Round Article](#)

Patrick Campbell:

[First Round Article](#)

Robert Cialdini:

[Influence](#)



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Questions?

Master Class: Pricing for Revenue Growth

