Your Playbook for a Profitable Subscription Offering

ORACLE
NETSUITE

How to Price a Subscription Offering

A Guide to Your New Revenue Stream

After thinking it over and analyzing the benefits, your company has decided to create a subscription offering. Congratulations! Now, a follow-up: How exactly will you price your new subscription? As tempting as it might be to "go with your gut," that approach will likely prove a less-than-optimal strategy for monetization, as well as for customer acquisition and retention.

Instead, the pricing question becomes multi-pronged:

1. Which pricing model should we use?
2. Which pricing strategies can we implement to attract and retain customers?
3. Which pricing method should we use to calculate the price of our product or service?
4. How do we pull all those components together into a comprehensive pricing approach?

Pricing is a complex process that is difficult to get right. But by addressing each component formulaically, businesses can create the right price for their new recurring revenue stream that brings in the customers and the profit.

Subscription Pricing Terms to Know

- **Pricing Model:** The subscription pricing model is the foundational payment structure that a company adopts. Models include flat rate, consumption-based and tiered.
- **Pricing Strategy:** These are strategic actions around pricing that businesses take to support their growth goals. These strategies can help companies gain market share, atrract new customers, cultivate brand recognition, etc.
- **Pricing Method:** Pricing methods refer to the process a company uses to ascertain the price of its product or service. They include cost-plus pricing, value-based pricing and competitor-based pricing.

Chapter 1

Subscription-Based Pricing Models, and How to Choose the Right One

The first part of pricing a recurring offering is choosing the subscription pricing model that best serves both the company's and customers' needs. With models ranging from simple and fixed (e.g. flat rate) to complex and variable (e.g. usage-based), the options allow you to optimize your subscription offering for your target market.

Flat-Rate Pricing Model

Definition: Flat-rate, also known as fixed pricing, offers users a single price for all features of the offering. Customers are charged the same amount each billing cycle. Simply put: Flat-rate is a single product and a fixed set of features at a fixed price per month.

Best for: Companies with a product that has limited features and a single buyer persona. Flat-rate does not work well for companies in which resource costs might vary significantly from user to user, which is why flat-rate pricing does not generally work well for B2B SaaS (software-as-a-service) companies, for example.

Example: A project management tool charges $150/month for the use of its platform. This cost includes unlimited projects and users and every feature the tool offers. This is an instance of flat-rate pricing because there are no other options or levels at which to purchase the tool, nor are there any additional fees.

Advantages of the flat-rate pricing model:

- Simple to understand, communicate and sell.
- Easier and more predictable billing process, simplifying accounts receivable and other accounting functions.
- Frees up time for companies to focus on monetization, acquisition and retention instead of tailoring pricing strategy (due to one-size-fits-all approach).

Requirements:

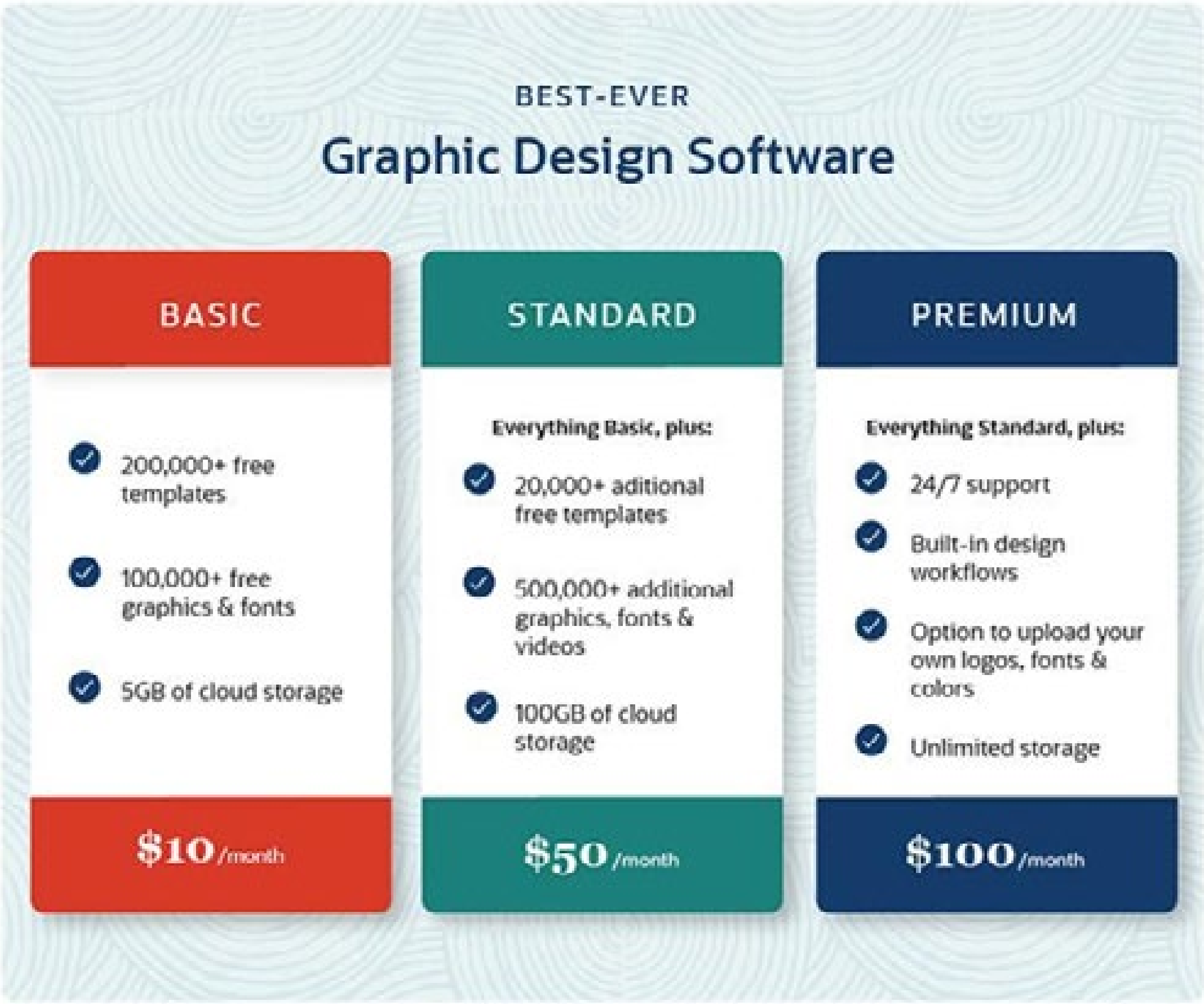
- An offering that tends to be used in similar fashions and levels across the customer base.

Tiered Pricing Model

Definition: Packages with various features and product combinations are available at various price points. This allows sellers to segment the prices of their products and services based on specified target markets. Tiers are generally designated as basic, standard and premium.

Best for: Companies that may have many product features and a diverse customer base with varying needs, budgets and usage norms. Tiered pricing is very popular amongst SaaS companies, in particular.

Example: A graphic design software prices its offerings on a tiered plan, in which upgrading your plan means more storage, graphic options and capabilities.



Advantages of the tiered pricing model:

- Flexible and scalable.
- Caters to multiple buyer personas by offering multiple price points.
- Maximizes the lifetime value of the customer, as they have the option to upgrade/downgrade as needs change.

Requirements:

- Tiers must have enough differentiation to make the value gap between them extremely clear.

Usage-Based Pricing Model

Definition: The usage-based model, also referred to as a consumption model and pay-as-you-go, deviates from our previously-discussed models, as its pricing becomes much more variable. It directly relates the cost of a product to its level of consumption, typically involving a base rate with an additional usage rate.

Think of your cell phone plan and what happens if you blow past your monthly data allowance. Your bill will quickly make clear that you aren't being charged a fixed, base rate—there's a usage component. The usage-based subscription pricing model is considered the most flexible for customers, and it tends to be the most complicated for businesses.

Best for: Products or services of which customers' usage is likely to vary widely. Imagine a company with a website that's mostly for marketing purposes versus one that makes its money on its site.

Example: An SEO tool uses a pricing plan that upgrades to different levels based on usage.

Analysis Paralysis in Subscription Pricing

When pricing your subscription offering, it can be tempting to offer customers as many options as possible. However, recall the psychological phenomenon of "analysis paralysis," which occurs when we're offered too many options. If a customer starts overanalyzing your offerings, they may choose none at all because complexity is overwhelming or they fear making the wrong decisions.

For that reason, companies often limit their subscription pricing to only two to four options so the customer can choose which works best for them *without* feeling overwhelmed.

Advantages of the usage-based pricing model:

- Offers customers the most flexibility.
- Attracts new customers with the low upfront costs associated with low usage.
- Heavy users that may require more resources from the business are charged more than less-frequent ones.

Requirements:

- Companies need to have the capability and resources to monitor usage.

Per-Added-Module Pricing Model

Definition: In this model, you'll price the product based on the functionality offered to your customers. There is a "base product" and the option to add modules for more functionality—at a higher cost.

Best for: Companies with modular functionality that is easily added to their core product—and a customer base that values the ability to choose the functionality it needs.

Example: An architecture, engineering and construction software company offers building information modeling (BIM) and computer-aided design (CAD) products. In addition to the base CAD product, customers have the option to add software offerings to their subscription based on their role (architect, structural engineer, mechanical engineer, etc.) and needs.

Advantages of the usage-based pricing model:

- Product scales with the customer.
- Compensates for features that require more resources from the business to offer.
- Strong upgrade incentive.

Requirements:

- Companies must have multiple modules and higher levels of functionality to offer customers as add-ons or upgrades.

Per-User Pricing Model

Definition: A per-user or per-seat pricing model charges customer companies for every user of your product. Pricing scales evenly along with the number of users—the more users, the more you'll charge. The per-user model is quite similar to the per-license model popularized prior to the era of software subscriptions. Like the per-added-module model, it's almost always combined with another pricing model. A common variant of this model is per-active-user, in which you'll only charge for the number of folks at the customer company who are actually using the tool. This can ease the concerns of a customer who's evaluating your product for a large number of employees.

Best for: Frequently-used or heavily-relied-upon products, particularly those that facilitate teamwork or collaboration. For example, if team members at a customer company rely on accessing your product independently, as with a virtual collaboration platform, then they each need their own account and cannot share login information. Per-user pricing inhibits your growth if only a few folks within each customer company use your product—or if it's easy for individuals to share logins and avoid buying access for more users.

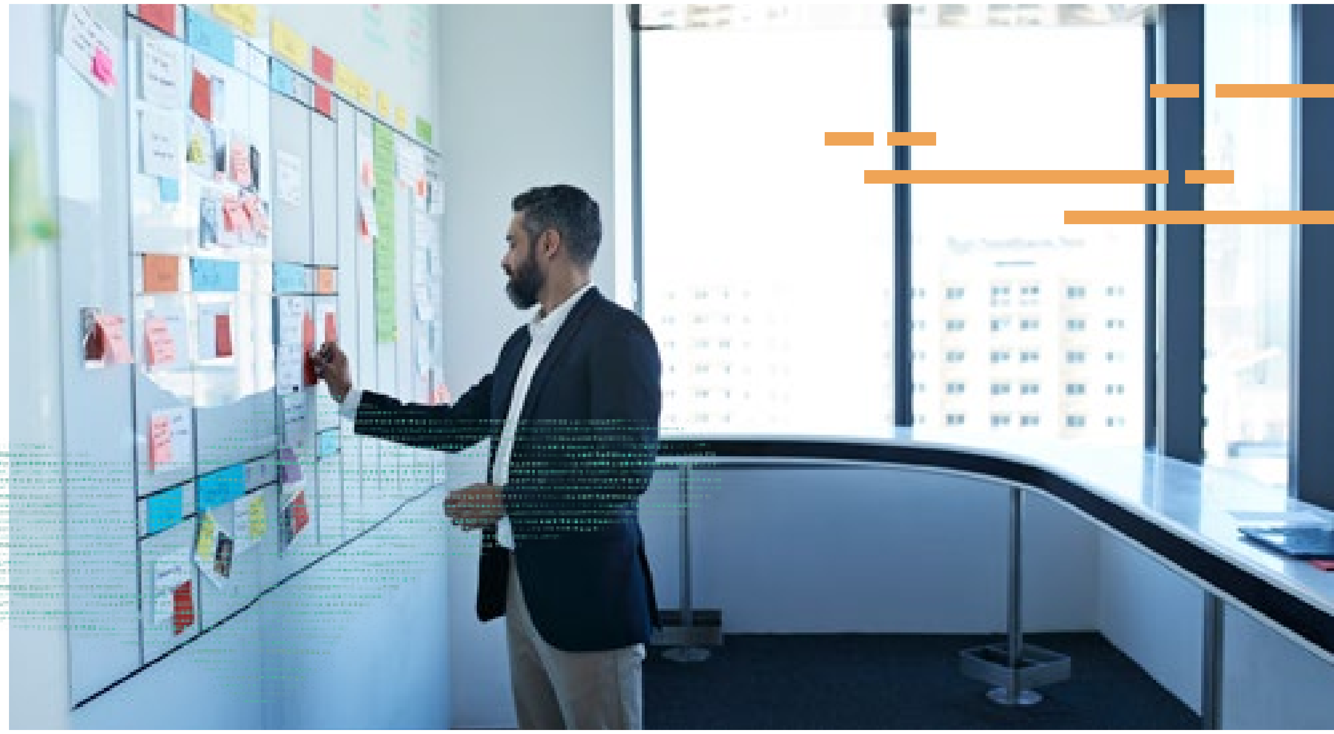
Example: A code hosting platform charges per-user and increases price based on features and functionality.

Advantages of the per-user pricing model:

- Simple to understand, communicate and sell.
- Revenue scales directly with user adoption.
- More predictable revenue generation than something like a usage-based model.

Requirements:

- A frequently- or heavily-used product that involves multiple users.



7 Factors to Consider When Choosing a Subscription Pricing Model

1. Your value metric(s)

   A value metric, also referred to as a pricing dimension or pricing axis, is the metric upon which your prices are based (i.e., what and how you're charging). We've touched on some value metrics already: Users and features, for example, are common metrics upon which to base pricing. However, some companies may also charge according to metrics like ticket count received, amount of storage used, or number of campaigns run.

Consider creating a list of all the axes your company could charge along and evaluating each with the following questions:

- Is it predictable?

  A value metric needs to be reasonably predictable for both the customer and your company. The customer needs to predict its costs, and you need to predict your revenue. If a marketing system charged by the number of landing-page visitors or submissions, for example, then it could be difficult for a customer or the company to predict charge amounts. However, charging upfront for a certain number of marketing contacts in each tier makes it easy for both parties to track the metric and predict charge amounts.

- Is it acceptable to customers?
  The value metric should be easy for salespeople to sell and customers to understand; folks won't pay for a product if they don't understand exactly how they will be charged. And a small, family business won't want to pay the same rate as a 10,000-person company using significantly more resources, features and seats.

- Is it trackable?
  For example, if you charge based on a customer's revenue, they have to be willing to hand over their financial records—likely a hard sell.

- Is it scalable?
  Can the model and its respective value metrics apply to both big and small companies, and can it grow comfortably with each? Remember, a subscription model ideally extends the lifetime value of a customer and, in turn, monthly recurring revenue (MRR).

- Is it aligned with value?
  What do your customers value about your product? Does it justify the price being charged? Which metrics correlate the most with revenue or savings?

Some businesses might find themselves with multiple pricing axes. For instance, in our previous example, the code hosting platform charges per user. However, its pricing tiers are based on the number of actions available, storage volume, and collaboration and security features. The customer will move up the pricing ladder when they need more coding capacity or functionality. Determining these value metrics can help the customer pinpoint which tier will serve them best.

15 Key Financial Metrics & KPIs for Small Businesses

Use these financial metrics and KPIs to shedlight on your company's financial state and its short- and long-term outlook.

2. Time and resources required

You may find that a more complex subscription pricing model requires more time and resources than you're willing and/or able to spend. The usage-based model is an obvious creator of complexity, as it requires you to track and bill variable components. The less-intensive flat-rate model may make more sense for companies whose subscription offering is a smaller portion of their overall business.

3. Your offering

Many companies will be able to narrow down their subscription pricing model options by considering their offering's features, add-ons and upgrades. If you have opportunities to upsell or cross-sell your product, the flat-rate model will not be a good option. Other companies may have a product whose use can't be tracked, rendering a usage-based model irrelevant.

4. Your customer base

Understand what your customers want in a subscription pricing model and which model best reflects that. Study any customer data available, and consider sending a survey or conducting interviews to answer questions like: Are your customers using your software for business or personal tasks? Are your customer companies small or large—or a

mix? Do you sell to one or many buyer personas? What do customers value in your product—and how much are they willing/able to pay for it? Do they prefer paying upfront or spreading payments over time? Do they value simplicity or choice when making product decisions? Does usage vary significantly across users?

5. Your competitors

If your competitors have subscription offerings, how are they modelling them? Is there a gap that your subscription model can help fill? For instance, if another B2B company in your industry is gearing itself toward large businesses with its plan, consider implementing a tiered pricing option with the lower tiers geared toward smaller companies that may not need as many features or have as much budget.

6. Your financials

Ultimately, the pricing model you select will need to cover both the fixed and variable costs associated with your offering (plus a little extra if you want to make, you know, a profit). For example, you may find that a flat-rate model doesn't cover your costs effectively when some users use more resources (support, storage, compute cycles) than others. In that case, a usage-based model may be a better pick to generate healthy margins.

7. The hybrid

As noted before, it is possible to use more than one subscription pricing model—you can combine them to create an effective payment structure. Common hybrids include a fixed-rate fee every month with the addition of a usage-based, pay-as-you go plan or overage additions.

The Bottom Line

This first step in the subscription pricing process can be intimidating, but don't fall victim to analysis paralysis. While it does require much initial research and analysis, pricing is a continuous process subject to revisions as the business grows and markets change. There will be opportunities to tweak your approach down the line. In fact, companies that regularly revisit and update their pricing every six months see nearly double the average revenue per user (ARPU) gain over those who update their pricing only once per year or longer.

Chapter 2
Pricing Strategies to Attract Customers

We've explored the various models for pricing a subscription offering. Now, with a model in hand, it's time to dig into the details of how to attract and retain customers.

We'll walk through strategic actions around pricing that can support your business's growth goal—whether it be cultivating brand recognition, gaining market share or simply selling more of a subscription. Bonus: These strategies work for non-subscription offerings, too. After all, in the immortal lyrics of "Milkshake" by Kelis, "My [pricing strategies] bring all the [customers] to the yard."*

**Lyrics may have been altered slightly.*

Captive Product Pricing

Definition: Captive pricing involves a company developing a core product that requires accessories and add-ons in order to function.

Best for: Products with natural, complementary add-on options. SaaS companies have used the captive pricing strategy successfully. For instance, a web analytics software company charges $50 a month for its basic version. However, throughout their time using the product, customers will find that they absolutely need the add-ons—like more saved reports per seat, more data modelling capabilities and more monthly tracked users—to enable the core product. So, they buy the add-ons.

Example: A color printer costs $225. However, in order for the printer to work, it needs ink cartridges from the same company. Four-packs of cartridges cost $115, and you'll need to purchase them on a recurring basis throughout the printer's life.

Requirements:

- Products must require regularly replenished supplies.

Advantages of the Captive Product Pricing Strategy

- Customers tend to love the core product's low price.
- Recurring revenue from add-on products provides steady cash flow.
- The recurring nature of purchases fosters customer relationships.

Price Skimming

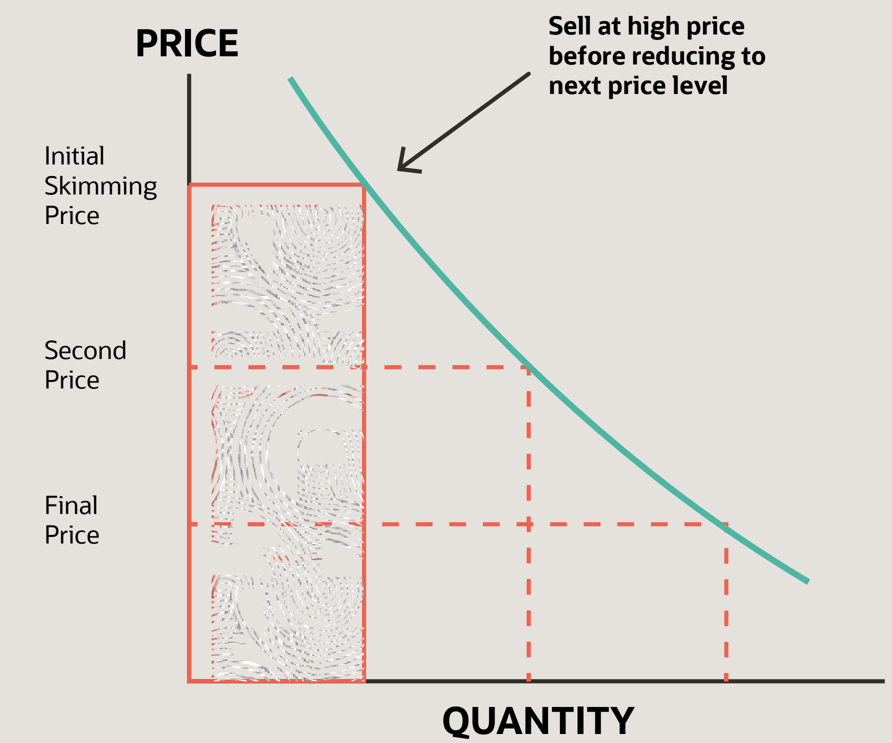
Definition: This strategy entails pricing new products at the highest initial price that customers will pay, then gradually lowering it over time.

Best for: Products that are innovative or trendy, have very little competition and appeal to early adopters. To use this strategy, a company and its products usually have to be well-known—and known for quality—in order to justify the hefty price tag. Price skimming is typically effective in sectors like technology and fashion.

Example: A highly-anticipated gaming console is released to the public for $800. However, after two months, the company decreases the price by 25%, to $600.

Requirements:

- Strong brand recognition; a premium, "must-have" product; and a loyal brand following.



Credit: Feedough

This chart shows a product's price over time when the price skimming strategy is applied.

Advantages of the Price Skimming Strategy

- High initial ROI can help companies quickly recoup development costs.
- Decreasing prices over time allows for ramping-up production as adoption broadens.
- Can boost perception of the product as a "must-have".

Penetration Pricing

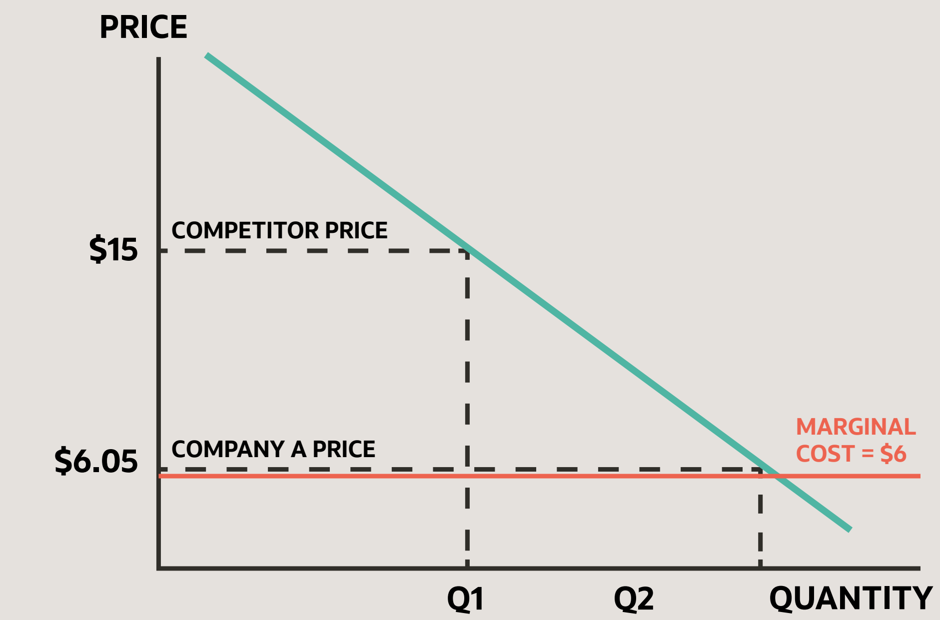
Definition: Penetration pricing, also referred to as loss leader pricing, is the opposite of the skimming pricing strategy. A low price allows companies to gain market share by attracting new customers who spread the word about the offering and enticing customers away from competitors. The goal is to rapidly penetrate the market—then eventually raise prices without losing those early adopters.

Best for: A price-sensitive market, unlike the one appropriate for price skimming. Products should have broad appeal with clear economies of scale, since this strategy relies on customers volume to help cover costs prior to the planned price hike.

Example: A streaming platform cuts through the noise of an intensely competitive market by offering its service for $6.99 a month, significantly lower than competitors' $8.99 and $11.99. After a year at that rate, it increases price by 15% to $8 a month.

Requirements:

- Products tend to need broad appeal in competitive markets. Additionally, companies will need to be able to withstand any losses that low prices incur.



Credit: Corporate Finance Institute

This chart illustrates "Company A's" penetration pricing strategy vs. its competitor.

Advantages of the Penetration Pricing Strategy

- Quick way to gain recognition and market share.
- Capitalizes on economies of scale.
- High adoption rates due to low prices—and the ability to steal customers from more expensive products or services.
- Cheaper prices create goodwill among customers, who will likely spread the word.

Premium Pricing

Definition: Premium pricing, also known as image or prestige pricing, involves setting a higher price to give the impression of superior quality. The price communicates luxury and performance and encourages favorable perceptions among buyers. Unlike skimming, there isn't a plan around premium prices to lower them.

Best for: Companies with brand loyalty and reputation. The product or service, meanwhile, must have unique features to justify the premium.

Example: A car-rental subscription service offers a "standard" membership for $699 a month and a "deluxe" membership for $899 a month. While the programs are largely the same, "deluxe" offers access to more luxurious cars. The latter is the company's "premium" pricing option. Depending on its products, a company might have multiple premium pricing options (e.g. Apple).

Requirements:

- The offering must have a premium, unique perception, which will likely require more marketing spend.

Advantages of Premium Pricing

- More exposure of business, brand and offering.
- Higher profit margins.
- Can increase perceived value of the offering and differentiate the product in the market.

Freemium Pricing

Definition: Companies that use the freemium pricing strategy offer a basic product for free and an enhanced version with more features, services and/or content for a fee. The enhanced version can also be considered premium due to a lack of features—like ads.

Fast-Growing Software Firms and Product-Led Growth

Freemium and free trials (more on those next) are prime examples of product-led growth (PLG), which is immensely popular among young SaaS companies. With this strategy, startups engage directly with end users, allowing them to survive stretches of slow growth.

Best for: Products that appeal to a large audience with a natural progression from "free" to "premium." Freemium conversion rates generally fall between 2%–5%, which means that a company needs a large user base and an effective conversion strategy.

Example: An IT management software offers a completely free IT help desk. Included are unlimited tickets, users, devices, agents and technicians. However, the free version is ad-supported. If a customer wants to get rid of the ads, it can pay $50 a month. The paid version also allows customer companies to display their logos in the ad space and in report PDFs.

Requirements:

- Companies need to have an obvious method for converting non-paying users to paying ones. People like free things—what makes the paid version worth the investment?

Free Trial

Definition: Free trials let customers try an offering at no cost for a limited time. A user can continue using the free version of the offering indefinitely, versus, say, 30 days with a trial subscription.

Advantages of Freemium Pricing

- No usage barrier, which tends to result in a large user base.
- Lower marketing and customer acquisition costs.
- Free products tend to be more widely known and have a loyal following.

Advantages of Free Trials

- Provide more opportunities for collecting user data and feedback on the offering.
- Gives the product the chance to "sell itself" to customers, resulting in potentially lower customer acquisition costs.
- Eases consumers' commitment fears.

Free trials are classified as either opt-in or opt-out. An opt-in free trial allows a user to access the trial without providing any information up front. An opt-out free trial requires users to provide a payment method and explicitly leave the program prior to the end of their free trial to avoid being charged.

Best for: Companies that want to provide prospects with their full service, not the stripped-down version common in the freemium strategy. With a free trial, users receive every feature they would get with the paid version of the offering—but only for a short amount of time.

Example: A digital media publication gives customers two weeks of free, unlimited content. After those two weeks, the customer must pay $5.99 a month to retain the same access.

Requirements:

- Companies must have the resources to convert free trial users to paid customers. For instance, does the business have the employee capacity to nurture and follow up with leads? Additionally, it will need to ensure the free trial is not abused. (For instance, can an individual use multiple emails to get multiple free trials of your product?)

Product Bundling

Definition: Product bundling combines several products or services into a package deal. The bundled price is usually lower than the sum of the individual prices of the products when sold separately—and the perceived value of the bundle is greater than those of the individual products.

Best for: Companies with multiple products or services that are synergistic or complementary enough to appeal to users when bundled together.

Advantages of Product Bundling

- Provides a way to increase uptake of lower-volume items.
- Gives customers the functionality to get the most value out of a service or product.
- Simplified, discipline-specific purchasing.
- Custom offerings perceived as having value/less time-to-value for the customer.

Example: A software company has several apps that allow for digital content creation. A graphic designer can buy either one vector graphics editor app for $19.99 a month or a bundle of eight graphic design apps for $49.99 a month. The bundle's apps have capabilities that complement the vector graphics app, including page layout and design, 3D rendering and word processing.

Requirements:

- Bundles should rarely be your only pricing option, as Nintendo discovered when it tried a pure bundling scenario. Customers tend to prefer a mixed bundling strategy that allows them to purchase just one product on its own.

Volume Pricing

Definition: With the volume pricing strategy, the prices of items are lowered when customers buy more of them.

Best for: Companies looking to price based on individual items (licenses, users, transactions) rather than features. Volume pricing works well for businesses that typically receive—and want to encourage—large orders.

Example: A design platform charges $99 per license when customers buy fewer than 20 licenses. However, the price of each license is lower if customers buy more of them.

Quantity	Price per license
1-19	$99
20-49	$89
50+	$79

If a user buys 51 licenses, then the cost would be $79 each, totalling $4,029.00.

Requirements:

- Businesses will need to have enough of a profit margin to allow for discounting and possible other perks.

Advantages of Volume Pricing

- Easy for customers to understand when they'll benefit from the program.
- Competitive differentiation.
- Incentivizes use of and reliance on the offering.

Tiered Pricing

Definition: Like the volume pricing strategy, the tiered pricing strategy entails volume discounting. However, it differs in its pricing structure: The price per unit applies to all units sold within a particular pricing tier. After a customer "buys up" one tier, it moves to the next.

Best for: Companies looking to price based on individual items (e.g. users or transactions) rather than features.

Example: A remote team workspace platform charges $20 per user for the first 100 users. Once a customer exceeds 100 users, the price will decline per user.

Quantity Tier 1: For 0–100 users, the price is $20 per
Quantity Tier 2: For 101–1,000 users, the price is $15 per

Quantity Tier 3: For 1,001–10,000 users, the price is $10 per
Quantity Tier 4: For 10,001+ users, the price is $5 per

If a company wants seats for 10,500 users, the charge is (100 x $20) + (900 x $15) + (9,000 x $10) + (500 x $5) = $108,000

Requirements:

- More customer use means less value per unit, which means you'll need to upsell your customers.

The Tiered Pricing Model vs. Tiered Pricing Strategy

You may have noticed that both a subscription pricing model and a pricing strategy are referred to as "tiered." The terms "tiered subscription model" and "tiered pricing strategy" are often, and erroneously, used interchangeably. But they're different concepts and should be treated as such.

For our purposes, the "tiered subscription" is a commonly-used pricing model in which an offering comes at several different price points, or tiers, for customers to choose from. The "tiered strategy" refers to the volume discounting tactic that means prices vary based on the number of units purchased, with specific unit volumes constituting the boundaries of each tier.

Advantages of Tiered Pricing

- Allows for incorporation of initial free units or discounts in higher quantity tiers.
- Competitive differentiation.
- Incentivizes larger orders.

Implementing Pricing Strategies

As you look to implement pricing strategies to help attract and retain customers, you will need to consider how a given strategy may or may not fit with your chosen subscription pricing model. The effectiveness of some strategies (e.g. skimming, penetration and premium) depends on factors like your product itself, brand recognition and competitors—and not on your chosen pricing model. And, other pricing strategies just won't pair well with a given subscription pricing model. For instance, a flat- or fixed-rate pricing model doesn't work with pricing strategies that make use of multiple pricing options (e.g. freemium, tiered, volume). Ensure the realities of your chosen pricing model match the requirements of your selected strategies.

Subscription Pricing Models and Pricing Strategies

Choosing pricing strategies isn't a static or single-occurrence activity. As the Harvard Business Review famously claimed in 1992, a 1% improvement in price can increase operating profit by 11%, making price tweaks some of the most effective for boosting business performance.

Patrick Campbell, CEO of Price Intelligently, recommends reevaluating pricing performance every three months. Price changes could occur every six to nine months—or more often for a smaller, nimbler company. Specific signs that pricing strategies need a change include declining subscriber rates, missed profit goals and low retention rates.

The Bottom Line

Pricing strategies are a useful tool to use throughout a subscription offering's lifecycle — not just in the beginning. Tweaking and testing new pricing strategies at a regular cadence can help ensure your company is maximizing profits and attracting customers in the most effective way.

Subscription Pricing Model	Complementary Pricing Strategies
Flat-Rate	Skimming, Penetration, Premium, Free Trial, Product Bundling
Tiered	Skimming, Penetration, Premium, Freemium, Product Bundling
Usage-Based	Skimming, Penetration, Premium, Free Trial, Freemium, Volume, Tiered
Per-Added-Module	Skimming, Penetration, Premium, Captive Product Bundling
Per-User	Skimming, Penetration, Premium, Free Trial, Freemium, Volume, Tiered

Chapter 3
Psychological Pricing Tactics That Attract Customers, With Examples

Now we know of the various pricing strategies you can use to attract and retain customers. However, the strategy session doesn't end there. There is another pricing framework you can easily use to boost growth: psychological pricing.

Psychological pricing, a subset of pricing strategies, comprises tactics commonly used to impact customer behavior. Research has shown that certain ways of formatting prices can spark a subconscious response from a customer and encourage a purchase. Because they are inexpensive and easy to implement, many businesses across industries use at least one psychological pricing tactic when creating or adjusting their pricing. As an added bonus, you can easily layer psychological pricing tactics over pricing strategies to boost the strategies' effectiveness—and use them with both subscription and non-subscription offerings.

Psychological pricing tactics include:

This imaginary company's pricing chart is an example of price anchoring.

Price Anchoring

Definition: Price anchoring recognizes that consumers tend to depend too heavily on an initial piece of information (the anchor) when decision-making. For instance, a jeweler might first present an engagement ring worth $18,000 as the price anchor. It then presents a ring worth $15,000, which to the customer seems much more reasonable and a "good deal" in comparison to the anchor. Thus, the customer is more likely to purchase the second ring than if they hadn't seen the anchor.

Best for: Companies with a tiered pricing model that offers various versions and associated features of the core product, at different prices.

Example: A company sells its A/B testing tool in three price tiers. Below, you can see the price anchoring strategy on full display: The first option listed, Deluxe, serves as the customer's initial piece of information, since most tend to look at the left-hand side of a graphic first. It's more than twice the price of the next option but only a little bit different in features, setting the stage for the next tier, Standard, to seem like a great deal.

Advantages:

- The price anchoring tactic can direct users to your preferred price tier and help them make the decision to buy your offering.

Requirements:

- To use price anchoring, you'll need an offering with multiple pricing options which customers can easily compare.

Charm Pricing

Definition: Charm pricing refers to the use of prices ending in the number nine because of the "left-digit bias," a phenomenon in which consumers' perceptions and evaluations are disproportionately influenced by the left-most digit of the product price.

Research shows ending prices in "99" (e.g. $599) can result in more sales than rounding up to the nearest round price point (e.g. $600). The human mind subconsciously rounds that $599 to $500, as opposed to $600—even though it's unreasonable. In a study noted in the book "Priceless," charm prices outsold rounded prices by 24%.

Best for: Companies with non-luxury products that want to convey a "deal."

Example: A transcription software costs $9.99 a month. Due to that left-digit bias, many consumers think, "This product is significantly less than $10. It's a great deal."

Advantages:

- With charm pricing, you can use the difference of one cent to majorly impact the users' perception of your offering's price.

Requirements:

- To use charm pricing, your company must want to give the impression of a “deal” for its products. The tactic doesn’t work well with luxury or recreational goods, which actually benefit from rounded prices.

Odd-Even Pricing

Definition: Odd-even pricing is similar to charm pricing but applied on a broader scale. This tactic leverages the belief that, psychologically, buyers are more sensitive to certain ending digits.

“Odd pricing” refers to a price ending in 1,3,5,7,9 (e.g. $9.93). “Even pricing” refers to a price ending in a whole number or tenths (e.g. $20.00 or $20.50). Odd pricing tends to be more popular because it indicates a deal in a customer’s mind, making them more likely to buy. That doesn’t mean even pricing doesn’t have a place, though. Luxury brands tend to use even pricing to create perception of premium. Check out pricing on men’s activewear at Old Navy versus Nike: Old Navy uses a mixture of odd and charm pricing, whereas Nike uses even pricing.

Companies aren’t limited to either odd or even pricing, though. For instance, Nike uses even pricing on all of its full-price products. However, its sale section uses odd pricing to indicate the deal.

Best for: Even pricing works best for luxury items, while odd pricing tends to work best for most other products.

Example: A wine subscription company offers two types of monthly boxes: For $29.43 a month, the standard box delivers four bottles of wine curated to your taste. For $60 a month, the same company will send four curated bottles that are considered “premium.” While $29.43 indicates a good deal and will likely attract customers who subconsciously round the price down, the $60 option embraces the expense to further the impression of luxury and exclusivity.

Advantages:

- Odd and even pricing can help create the perception of a deal and of luxury, respectively.

Requirements:

- There are no strict requirements, but companies should ensure their odd-even pricing use resonates with customers and creates the desired value perception of their product.

Decoy Pricing

Definition: The decoy pricing tactic is based on the "decoy effect," by which individuals tend to have a specific change in preference between two options when also presented with a third option that is inferior in every way except one. The presence of the "inferior" third option makes the first two seem more attractive.

Best for: Companies that have a preferred option(s) to which they want to direct customers. For instance, decoy pricing has become more popular in the news media industry as companies try to move customers from print to digital. In his book "Predictably Irrational," author Dan Ariely notes that, at one time, the Economist had three magazine offerings:

- Web only for $59 a year
- Print only for $125 a year
- Web and print for $125 a year

It doesn't exactly take a savvy businessperson to recognize that "print only" is a terrible option, to the point it seems silly to include it. However, the Economist included this option because it caused consumers to view the web and print options much more favorably in comparison.

Here were the results:

OPTION	% BUYERS
Web Only	68%
Web+ Print	32%

BEFORE DECOY OPTION

OPTION	% BUYERS
Web Only	16%
Print Only	0%
Web+ Print	84%

AFTER DECOY OPTION

Credit: InvoiceBerry via The Grasshopper Blog

This chart shows the effect of decoy pricing on the Economist's magazine sales.

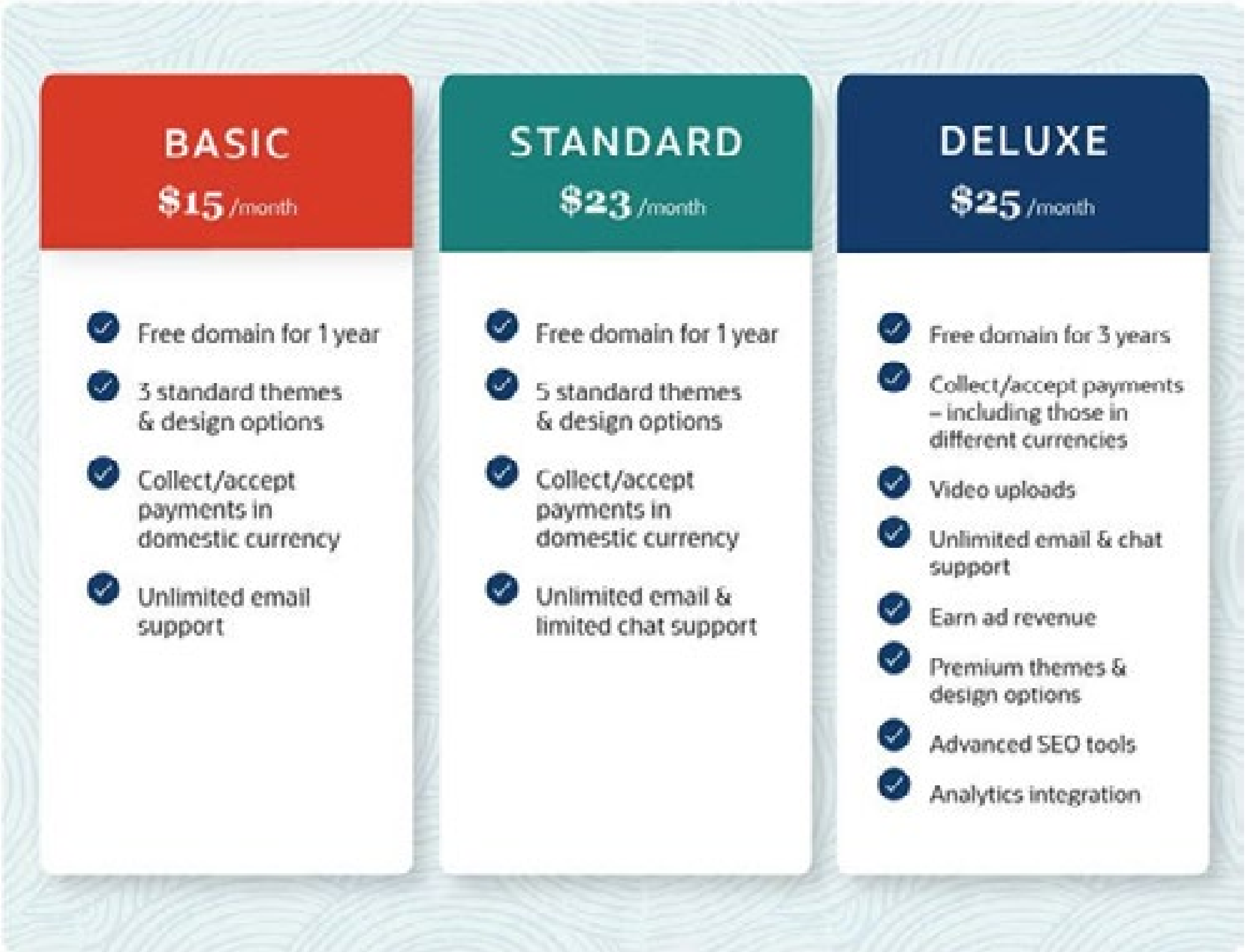
Example: A website design platform has three pricing tiers: Can you spot the decoy? If you guessed Standard, then you guessed right! Since it's only $2 less than Deluxe—but with far less functionality—customers looking for capabilities or features would likely opt for Deluxe. And those looking for less functionality would tend to gravitate towards the Basic option since it has similar functionality to Standard at a lower price point.

Advantages:

- You can use decoy pricing to direct customers to your preferred pricing plans.

Requirements:

- To deploy decoy pricing, you'll need an offering with multiple pricing options, including a less-appealing, "inferior" option.



This imaginary company's pricing chart is an example of decoy pricing.

Center Stage

Definition: This tactic is based on the center stage effect, which dictates that, out of a range of products presented side-by-side, we tend to be drawn to the one situated in the middle.

Best for: Any company, as long as it has multiple pricing options to choose from and a preference on which one(s) get chosen.

Example: We can bring the A/B testing company from our price anchoring example back to illustrate the center stage-based tactic. This company wants consumers to gravitate toward the Standard plan because they've seen Deluxe drive folks away with its high price point, and Basic doesn't have the same earning potential. So, the team places the Standard plan in the middle of the pricing sheet, where consumers gravitate.

Advantages:

- Taking advantage of the center stage effect can attract customers to your preferred or most popular plan with no alterations to other prices or offerings.

Requirements:

- Again, companies must have multiple pricing options to choose from.

Implementing Psychological Pricing Tactics

Psychological pricing tactics are most effective when used at the appropriate time and place. When choosing which tactics to implement, consider your product or service, business model and goals—as well as the subscription pricing model and pricing strategy previously chosen.

This imaginary company's pricing chart makes use of the center stage effect.

The Best Psychological Pricing Tactics for Each Subscription Pricing Model

Psychological pricing is about finding that "sweet spot" in customers' minds, which in itself can take a couple of tries to get right. That "sweet spot" can also change based on market conditions—for example, restaurants significantly tweaked menu prices in 2009 to appeal to customers caught in the realities of a recession. The lesson here is that prices are hard to get right and hard to keep right. So, be open to regularly tweaking and revising your use of psychological pricing tactics—and pricing as a whole.

The Bottom Line

In the book "How Customers Think," Harvard professor Gerald Zaltman estimates that 95% of purchasing decisions are based in the subconscious mind. Tapping into those subconscious behaviors, patterns and biases can be an unexpectedly effective way for companies to attract and retain customers.

Subscription Pricing Model	Complementary Psychological Pricing Tactic
Flat-Rate	Odd-Even, Charm
Tiered	Center Stage, Decoy, Price Anchoring, Odd-Even, Charm
Usage-Based	Center Stage, Decoy, Price Anchoring, Odd-Even, Charm
Per-Added-Module	Odd-Even, Charm
Per-User	Odd-Even, Charm

Chapter 4
Pricing Methods for Subscription Businesses to Consider

With the intricacies of subscription models, strategies and psychological tactics covered, it's time for the breakdown of pricing methods.

As we covered models and strategies, a question may have popped into your head: "Now that I know how to structure and optimize my pricing, how exactly do I determine how much my offering should cost?"

The answer lies in the methodologies companies use to decide the "just right" price of a given product or service. Cost-based pricing, competitor-based pricing and value-based pricing are the three methods used for both subscription and traditional ownership models. Each presents a unique way for your business to set the actual numbers behind a price.

Cost-Plus Pricing

Definition: Also referred to as "markup pricing," companies using cost-plus pricing add a specific markup to a product's unit cost. It is considered the simplest way to determine price.

How to use: Calculate the fixed and variable costs of doing business, add a percentage margin and voila—that's the price.

Costs + Profit Margin = Price

Best for: Cost-plus pricing tends to work well for manufacturing companies when the products they create have relatively predictable fixed costs. These businesses may sell products in bulk, repetitively, to existing customers, making it easier to build a predictable revenue stream and maintain margins. Markup pricing also works well in contractual situations where the supplier has little downside risk.

If you calculate cost of goods sold (COGS), it's relatively easy to assign a profit margin percentage that sustains the business. However, cost-plus pricing works less well in situations where there is heated competition, supply chain cost volatility or in certain business types.

For instance, in competitive market situations, a company may need to accept slimmer margins to stay in the running, and when raw material costs fluctuate significantly, pricing would need to be constantly retooled. Markup pricing also tends to be problematic for SaaS companies. Oftentimes, unless fixed costs are high, the costs for delivering a single account of a software-as-a-service product can be very low—meaning the costs of paying developers are not necessarily reflective of the value the customers get out of the service. To maximize revenue, services in particular need to be evaluated from that value perspective, not just on the inherent costs of the product itself.

Tip: Cost-plus tends to be a good starting point for companies to determine the lowest possible price—it is less well-suited as a permanent or standalone method.

Example: A subscription shaving company sends its subscribers razor cartridges every month.

The total production cost is $8,250,000. To find the cost per unit, divide the production cost by the production volume:

8,250,000/3,500,000 = approximately $2.36 per unit

Shaving Subscription Company	
Production Volume (Number of Razors)	350,000
Direct Material Cost	$5,000,000
Direct Labor Cost	$1,600,000
Indirect Material Cost	$750,000
Indirect Labor Cost	$500,000
Other Indirect Cost	$400,000

The company sends a pack of four razors to its subscribers monthly, which costs the company $9.44 per unit. However, the company adds a 38% markup, making the cost about $13 per month.

Advantages of cost-plus pricing:

- Simplest method.
- Requires little to no market research, customer feedback or other analysis.

- Predictably covers costs and yields an easy-to-justify price.
- Can determine the lowest possible price a company can charge and still operate profitably.

The Bottom Line
Cost-plus pricing is best for a company in a non-competitive market that offers a physical product with stable COGS.

Competitor-Based Pricing

Definition: A competitor- or competition-based strategy uses competitors' pricing as the benchmark. After determining the competition's prices, a company can choose to offer a lower, higher or matched price.

How to use: Identify competitors, research their pricing and positioning and map out your strategy. Determine whether your company wants to offer a lower, higher or matched price.

Best for: In any market, knowing where competitors are in terms of pricing is integral to determining how to position your product. So continually tracking what your rivals are charging, as closely as possible, is a good practice for all companies.

However, simply conducting this exercise and then matching the going rate can lead to missed opportunities to maximize revenues and profits and highlight your company's unique value. Each business is unique—and the pricing process should reflect that.

Example: A short-term flex office space provider is looking to price a suite that fits up to 40 people and includes access to two conference rooms. One of its competitors in the area offers a similar suite for $45,000 per month. Another prices its office suite at $43,000 per month. With that in mind, the company opts to price its suites at $43,000 per month to match the lower-priced competition.

Competitor #1	Competitor #2	→ Company A
$45,000	$43,000	$43,000

Tip: Be cognizant of your competitor's pricing, but don't base your entire strategy on it.

Advantages of competitor-based pricing:

- Simple to gauge through basic research of competitors.
- Allows companies to send a message of better value or of higher quality by going lower or higher than their competitors—or similar in quality and value by price-matching.
- Ability to be dynamic when competitive pricing analysis is performed at a regular cadence. There are companies that raise and lower prices based on market trends, though customer acceptance needs to be considered.

Requirements:

- Best for companies in ultra-competitive markets—like the retail space—where having pricing in line with competitors is integral.

Value-Based Pricing

Definition: The value-based pricing method uses a customer's perceived value of a product or service as the basis for pricing.

How to use: Value-based pricing boils down to determining what a customer is willing to pay. First, conduct extensive research into your target audience. Use that information to set prices. In some situations, the concept of economic value to the customer will be helpful to determine what a customer will pay for a product or service that delivers value in excess of its closest competitor.

"Willingness to pay" refers to the maximum price a customer is willing to pay for a product or service. Also known as the economic value to the customer, true economic value is the amount a customer will pay for a product or service that delivers value in excess of its closest competitor. It is calculated through the formula:

TEV = Cost of the best alternative + value of performance differential

"Economic value to the customer (EVC)" gauges how much value—both tangible and intangible—a customer gets from using a product or service. It is calculated through the formula:

EVC = Tangible value the product provides + Intangible value the product provides

Examples: For instance, consider the iPhone. According to Investopedia, the iPhone 11 Pro Max has the following cost breakdown:

- Screen: $66.50
- Battery: $10.50
- Triple camera: $73.50
- Processor, modems and memory: $159
- Sensors, holding material, assembly and other: $181

The cost of all the phone components add up to about $490.50, though this does not include costs like research and development, marketing and other overhead. However, the phone cost $1,099 when launched.

Meanwhile, the Galaxy S10, a phone with similar functionality launched by Samsung in the same year, had similar costs to build but went for $899 at its highest price point. While both are providing the same tangible value—a smartphone—Apple is able to charge more because of its intangible value. It knows its customers are willing to pay more for the brand recognition, software and “cool factor” associated with its devices.

Additionally, Apple provides a convenience that can be considered both a tangible and intangible factor. For those who have contacts who also have iPhones, messages can be sent via Apple’s iMessage technology—the coveted blue texts. If not, messages will be sent via SMS—the dreaded green. Tangibly, communicating over iMessage is cheaper than SMS and can be done internationally, resulting in measurable and quantifiable cost savings. The intangible value: being able to communicate with friends and family more easily.

As another example, let's look at a hypothetical subscription car company based in Chicago that costs $500 per month per subscriber. For customers, there are clear tangible benefits: Use of a midsize car worth $25,000, and the company includes insurance and reserved parking spots around the city. On average, for those living in downtown Chicago, those cost about $100 and $200, respectively.

However, there are also intangible benefits, like having a car when you want one, the ability to request a different style of car based on need, driving a new car at all times instead of depreciating one, the peace of mind of not being liable for any damage or theft that occur when the car is in its reserved parking spot, and not responsibility for maintenance; the latter two of which could also be considered quantifiable tangible values based on the average lifetime costs associated with owning a car.

The costs the customer incurs to purchase the product is subtracted from the EVC to get the absolute EVC. A positive absolute EVC is good—the customer has incentive to buy your product or service. A negative absolute EVC? Not so much.

Determining customers' willingness to pay: Depending on the company and product, the process to determine the range of a customers' willingness to pay, true economic value and economic value to the customer could take many forms, with many businesses opting for one—or several—of the following:

- Customer feedback: Whether qualitative or quantitative, open ended or fixed choice, planned or spontaneous, customer feedback can be compiled to help gauge a willingness to pay.

- Business metrics: Know critical KPIs like your unit economics, customer lifetime value (LTV) and customer acquisition costs. A good price won't be so good for your company if it doesn't take into account real production or service delivery costs. Hint: A good lifetime value to customer acquisition cost ratio is 3:1. If you don't have those numbers yet, examine competitor pricing to guesstimate their costs and build from there.

- Surveys: Surveys should ask current and target customers questions around your core services and products, add-on features, what value your products deliver to them and what they are willing to pay. Common tools used in these surveys include:

    - Price sensitivity tests: Many companies will use some form of a pricing sensitivity tool, like Van Westendorp's Price Sensitivity Meter, to determine customer price preferences. These tools usually ask four price-related questions that go something like this:

        - What price would be so low that you start to question this product's quality?

        - At what price do you think this product is starting to be a bargain?

        - At what price does this product begin to seem expensive?

        - At what price is this product too expensive?

    - Conjoint analysis: This method breaks down a product or offering into its components and then asks users to compare or rank the features to determine how much they value each one. This is especially helpful if a company is considering something like a tiered subscription model because it will show which features can be assigned to a higher-priced tier and which are best grouped in lower ones.

    - Focus groups: These are particularly useful when qualitative feedback is desired from the target audience because groups allow for freeform discussion.

- Industry analysis: Consider [Porter's Five Forces] around competitive rivalry, the threat of new entrants, the threat of substitution, buyer power and supplier power.
- Market research: This effort encompasses various types of important information-gathering steps, like competitive analysis, market segmentation, trendspotting and risk analysis, that can impact pricing.
- Buyer personas: A culmination of much of the preceding information-gathering results, buyer personas are semi-fictional profiles of your ideal customers.

Example of value-based pricing: A human resources software provider conducts extensive research into its customer base and total addressable market. It also conducts a conjoint analysis to understand the value of its features. Based on that information, it builds three buyer personas.

Based on the research, feedback and ensuing buyer personas, the human resources software company splits its pricing into three tiers, with the top two options priced higher based on the value the extra features deliver and how much those customers are willing to pay.

Advantages of value-based pricing:

- Increased focus on customer service, which can produce multiple benefits.
- If customers have a high willingness to pay, the product can have a higher price point.
- Perceived value can increase.
- Taps into customers' priorities, making it easier to sell new, profitable features and upgrades.

Tip: It may be resource-intensive, but value-based pricing tends to be the most well-rounded method, particularly for a subscription offering where the value is rooted in the service.

Demand-Based Pricing

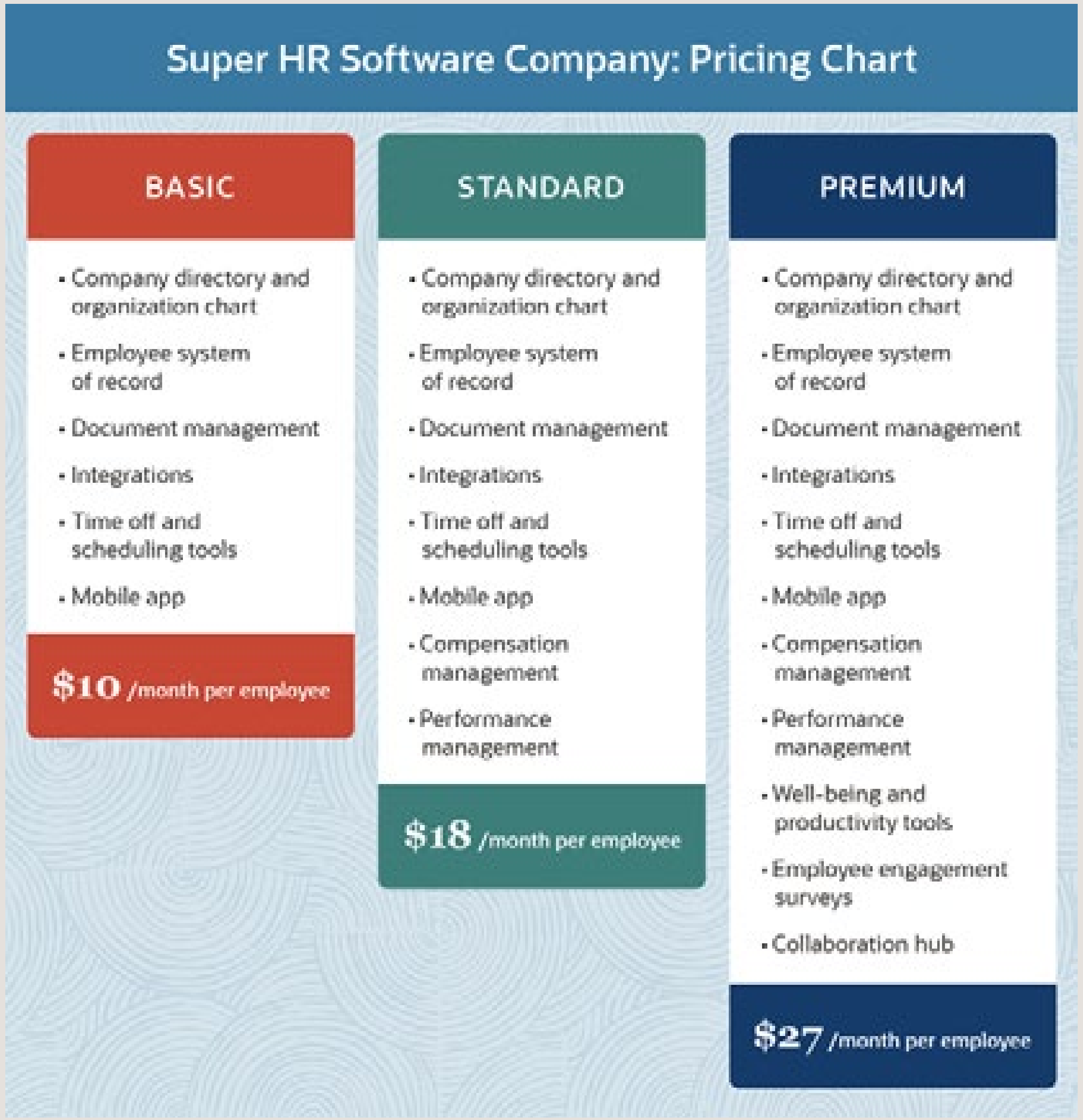
A variant of value-based pricing, demand-based pricing also takes into account what a customer is willing to pay, but the price fluctuates based on demand. A prime example? The airline industry dynamically changing flight prices based on the volume of travelers looking to fly on certain dates to certain locations.

Requirements:

- Value-based pricing is ideal for products or services that have clear value differentials from the competition. If a product is similar to its competitors, people aren't likely to pay more than the competitor is charging—which makes competitor-based pricing an easier and less time-intensive option. Perhaps the biggest gatekeeper to the value-based pricing strategy is how willing and able a company is to invest in determining the product price since this method requires more time and resources than any other pricing method.

The Bottom Line

Ultimately, each pricing method has its place. The challenge is knowing which one, or combination, is best for your company. For instance, with its price-match guarantee, Walmart is pretty much pigeon-holed into competitor-based pricing. Grocery stores thrive on cost-plus pricing because they sell products, not services, and they buy repetitively in bulk. However, in most subscription situations, value-based pricing will be the best bet. Subscriptions are providing a service to their customers—an ideal price will take the value that the service provides its buyer into account. While value-based pricing is more complicated than its competing methodologies, having an informed pricing method is worth the extra effort for subscription offerings.



Chapter 5
Creating an Integrated Subscription Pricing Approach

Subscription pricing models, strategies, psychological tactics and methods have been demystified thus far. Now, to conclude, it's time to cover how all of those components work together to build a comprehensive pricing approach.

Assembling the Pricing Approach

Let's analogize the construction of your pricing approach to constructing a house:

- The pricing method, which is the process a company uses to ascertain the price of its product or service, is the foundation of the house. Like a house is built on a foundation, a pricing approach is built on the pricing method's results.
- The subscription pricing model, which is the structure created for the pricing, serves as the framework for the house.
- The pricing strategies and psychological tactics are the finishes, the parts that draw in the prospective homebuyer. The siding, the trim, the paint and the windows are those external-facing components that convince them to look into the home further.

Pricing Method

The foundational first step involves determining what the price needs to be in order to:

1. Cover our fixed and variable costs.
2. Compete with other players in the market.
3. Garner a profit.

Those are the minimum requirements that need to be addressed to ascertain that base price. However, particularly if pursuing a value-based pricing method, setting the foundation will likely require additional steps like market research, surveys and buyer personas to make sure it is the optimal price to meet business needs and customer demands.

Now, in the second stage, that foundation is built upon by determining the framework. While the price has been ascertained, its structure has not. For instance, an online video editing subscription business quantifies its buyer personas and reaches $25 per user a month.

Pricing Model

The process doesn't stop there. That would be like setting up the skeleton for the house's exterior walls and calling it done. Even in this structural stage, there are more steps—the framework of the interior walls, roof and floors are built out as well. So, once the $25 price point has been determined as a starting point, you delve into the model portion of the equation. For example, could you appeal to more users by instituting a tiered model with $25 being the cost of a standard plan, $15 being the cost of the basic and $35 being the deluxe? Or, the $25 could be the starting point for one user with standard features and then additional pricing options for more users and capabilities to increase adoption as a part of a user-based model. Essentially, this step is making sure that the product and its pricing meets as much of the customer base as possible.

Pricing Strategies and Psychological Tactics

When you're scrolling through Zillow for dream houses, it's not necessarily a house's framework that draws you in. That will be integral down the line when you inspect the house in-person, but some of the more superficial details—the paint, the trim, the finishes—make you set up a showing. The same is true for pricing.

While an effective model is crucial, it might not be enough to draw customers in—which is where the third stage of pricing strategies and psychological tactics come in. Perhaps that same video editing platform adopted a tiered model. It can then add a free trial strategy to that pricing approach to encourage customers to try their product. Or, perhaps instead of charging $25, the company opts to use the charm pricing tactic and set it at $24.99. Gild the prices through strategies and tactics to attract customers to the product—and then retain them through an optimal pricing method and model.

Common Pricing Issues and Solutions

KPI: Profit

- Issue: Perhaps customers are flocking to your subscription offering; attraction and retention are not an issue. However, profits are stagnant or low. In this scenario, the culprit is likely bad unit economics.
- Solution: First, ensure that you have a full understanding of your company's current fixed and variable costs. In particular, are your customer acquisition costs (CAC) lower than your customer lifetime value (LTV) numbers?

Solutions to bad unit economics or a product that isn't priced for growth include: raising the price, getting rid of a freemium option, eliminating an "unlimited features" tier and increasing upselling efforts. Companies can also consider changing their subscription model to increase profits. For instance, if a company is charging a flat rate for access to all features, perhaps it will switch to a per-added-module model. Unbundling features into separate, add-on services can produce more profits without changing the value of the core product and thus deterring customers.

KPI: Churn rate or renewal rate

- Issue: A high churn rate or a low renewal rate can indicate that customers have an issue with the product: perhaps it's lacking in some area or doesn't fit their needs. It could also indicate that they're finding a better offer with a competitor.
- Solution: Understand how customers are using your subscription and what is causing them to leave. The high churn might not be solely pricing-related, but tweaks in how the value is presented, which features are included at each price point and ensuring pricing sensitivity isn't the culprit can help reduce churn.

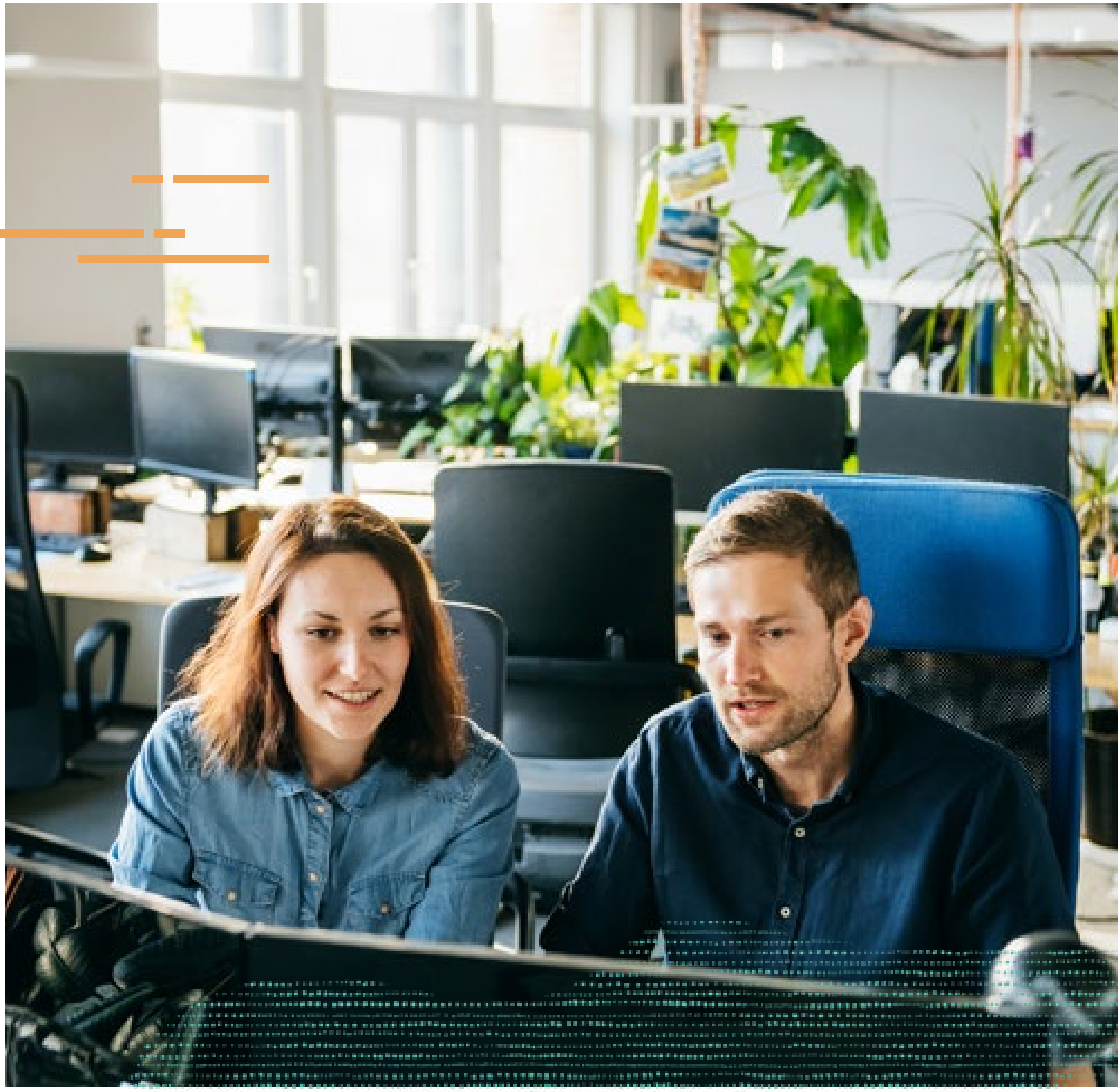
KPI: Conversion rate

- Issue: Your website has the visits; your sales team has the leads; yet your conversion rate remains low. It could be a product issue, or even an issue with your website design or the effectiveness of your sales team. It could also very well come down to the formatting of or numbers behind your pricing options.

  For instance, the freemium and free-trial pricing strategies are great for attracting new customers. But if not followed by conversion to the paid version of the product, there's a problem. While a "good" freemium and free-trial conversion rate varies by product and target customer, it's generally in the low single-digits. Rates of free-trial-to-paid conversion (which doesn't require customers to put a credit card on file initially) vary from low single-digits to over 25%. Rates of trial-to-paid conversion (which does require customers to put a card on file) are significantly higher, ranging from 30%-50%.

- Solution: In solving conversion rate issues, the goal is to find out why your users are interested but not committing. Pop-up surveys on your site or having the sales team follow up with leads can illuminate these reasons. It may be that a competitor is undercutting your prices or that your pricing sensitivity analysis was off, giving users sticker shock.

  In the case of free trials and freemium versions, reevaluate your pricing tiers. For instance, you may need to tweak your freemium version to include fewer free features or more restrictions to encourage upgrades to the paid plan. Other options include offering freemium users a trial of the paid plan so they can see its value for themselves and limiting use of the freemium version by users, not features, so customers can fully experience the offering. Particularly with low conversion rates of free trials, conduct research to understand the obstacle to upgrades. Is it pricing sensitivity? Are free-trial customers equipped with the information needed to get the full value out of the product?



Monitoring and Optimizing Pricing

Like we've said before, pricing isn't a "one-and-done" journey. Perhaps the pricing approach has gone swimmingly. While it may be tempting to take the "if it ain't broke, don't fix it" mantra to heart, revisiting and making changes to pricing can further optimize and help promote growth. The market, customer demand and your competitors will be shifting, which means your pricing needs to be evolving in turn.

You should evaluate your current pricing approach every three months, and pricing changes should happen every six months for new companies and every 6-12 months for mature ones, according to research by Price Intelligently. If it's been over a year since changes were made to the pricing approach, it's likely outdated and you're missing out on possible monetization opportunities. While small tweaks that only impact subsets or prospective customers can happen in between the six month cadence, bigger changes that impact the majority of customers should not be implemented more frequently than that.

Pricing Shifts and Ideal Cadence

You should always be testing new combinations of prices, offers, deals and models to determine the optimal pricing approach for your product at that current time. After making a change or even just a minor tweak, monitor the aftermath. Watch the sales volume immediately after a shift to gauge whether it has a positive or negative impact.

The Bottom Line

Pricing is a dynamic and never-ending process. There will always be room for further optimization to better meet the needs of your customer and grow your business. It may be time-consuming, but crafting a comprehensive, well-thought-out pricing approach will pay dividends—and can be the difference between success and failure of the business.

Significant Pricing Charges (can make every 6-12 months)	Interim Pricing Twe
Raising or lowering prices	Moving or adding features to tiers
Adding or removing pricing tiers	Implementing deals, discounts and offers
Shifting to a different pricing model	Lowering the thresholds for discounts (i.e. in volume and tiered pricing strategy scenarios. Reducing or increasing the value metric (i.e. increasing the amount of users allowed in each pricing tier.

Chapter 6
In Conclusion

Popularity around subscription offerings have surged—and it shows no sign of stopping soon. As consumer demand grows, competition in the space does as well, further highlighting the need for businesses to understand the intricacies of subscription offerings and its pricing.

While the process can be intensive, the appropriate pricing approach and knowledge of subscriptions will reap the rewards of attracting and retaining customers—and produce a new, valuable revenue stream.

ORACLE
NETSUITE