

Software Pricing Made Easy

Stop Guessing & Make More Money!

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16 September 2024

Agenda

1. Intros
2. What is value-based pricing?
3. What are the four components of pricing?
4. Why fences an important part of pricing?
5. What are the five steps to setting the price level?



What do you know about software pricing?



Who are The Scrum Academy?

- Our vision: anyone everywhere can **#DoBetterScrum!**
- US-based company established in 2009.
- Our president has 25 years of industry experience & is an author.
- Experienced global team operating in the USA, Latin America & Europe.



A tale of two toasters

Koenig Steel Line



€45

Revolution InstaGLO



€360



Software Profit Streams™

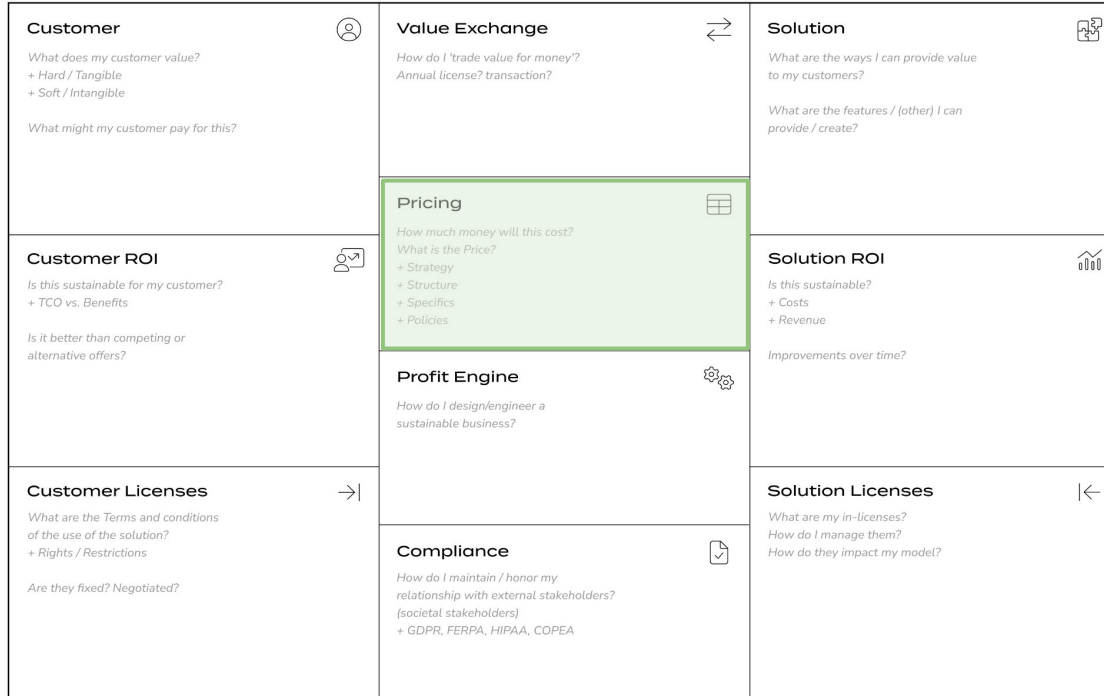


First rule of pricing

The price is more than just a number



Applied Frameworks Profit Stream Canvas™



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Second rule of pricing

The more value you provide, the higher price you can set



Additional tangible benefits

Organic



vs. non-organic

Premium



vs. standard

Vegan



vs. non-vegan

More benefits = Higher price



Most value remains hidden to the customer

Make visible the value
offered by your solution



A tale of two toasters...continued

Koenig Steel Line

€45

1. Stainless steel design
2. Three setting, nine levels
3. Blue LED light

Revolution InstaGLO

€360

1. Stainless steel design
2. Sixty-three settings, seven levels
3. Full color touchscreen
4. Automatic raising & lowering mechanism
5. Clock, countdown timer & chime
6. Panini maker & warming rack
7. Programmable
8. Runs on software





Key
takeaway

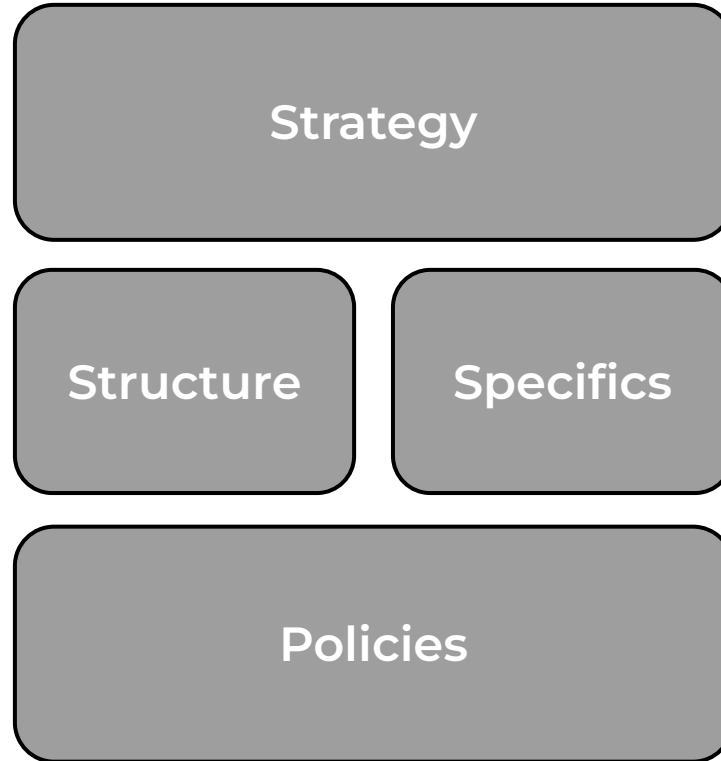
Value-based pricing



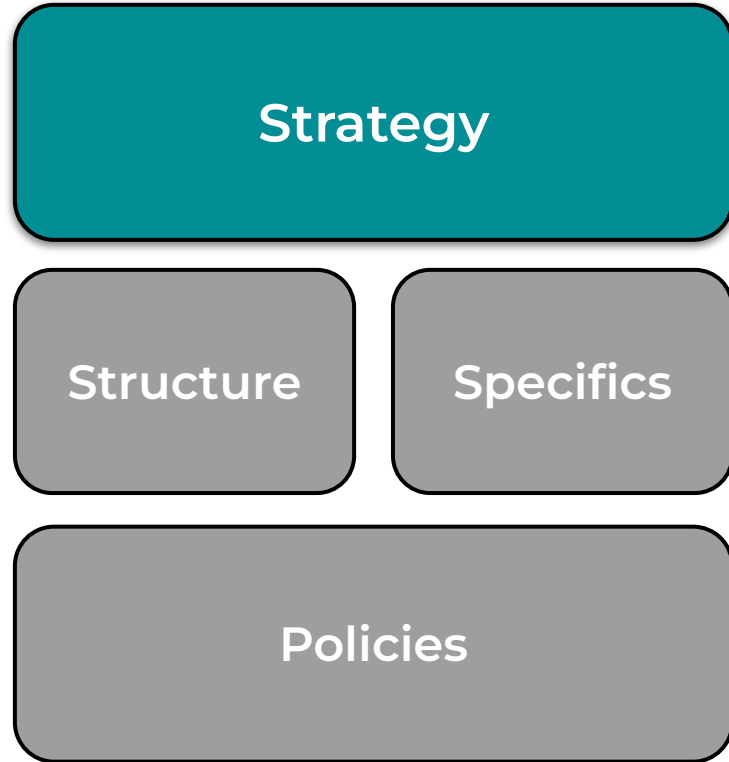
Key
takeaway



Software Profit Stream Pricing Model



Software Profit Stream Pricing Model



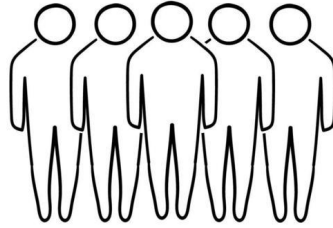
Price Strategy

Premium



exclusivity

Competitive



follow the market



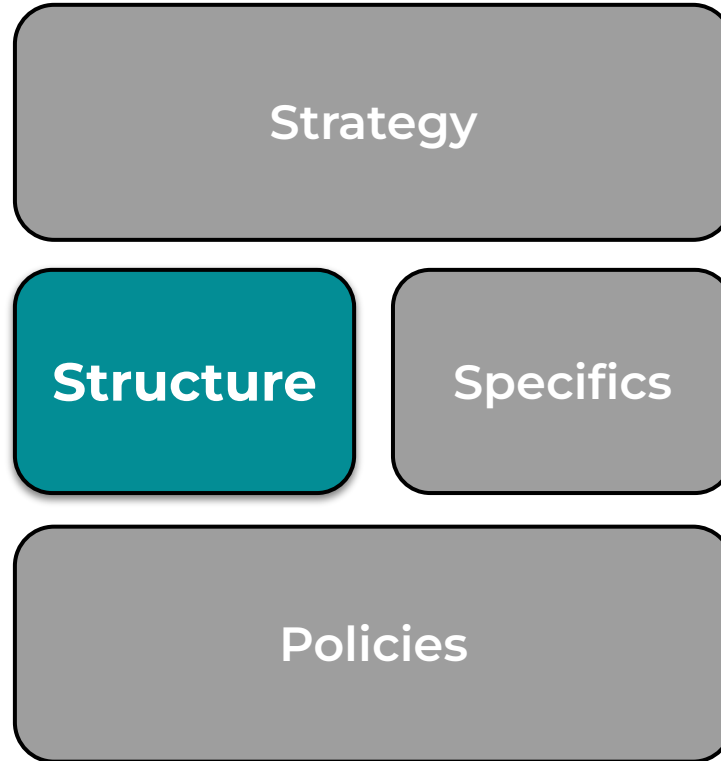
Penetration



start low



Software Profit Stream Pricing Model



Third rule of pricing

The more segments you have, the more profitable your solution



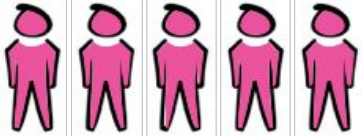
Profit impact of segmentation

€216,000 annually

€6890



€12890



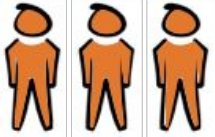
€6890



€5890



€3890



Monthly revenue: €103,350

Monthly revenue: €121,350





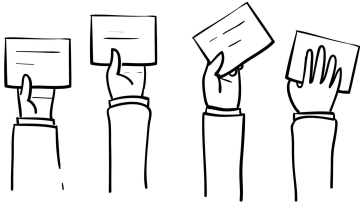
Fences

**Fixed criteria customers
must meet to qualify for a
lower price**



Price Structure: Fences

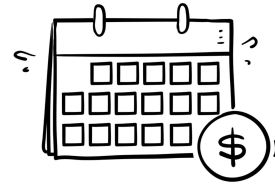
**Buyer
identification**



**Purchase
location**



**Time of
purchase**



**Purchase
quantity**





Key
takeaway

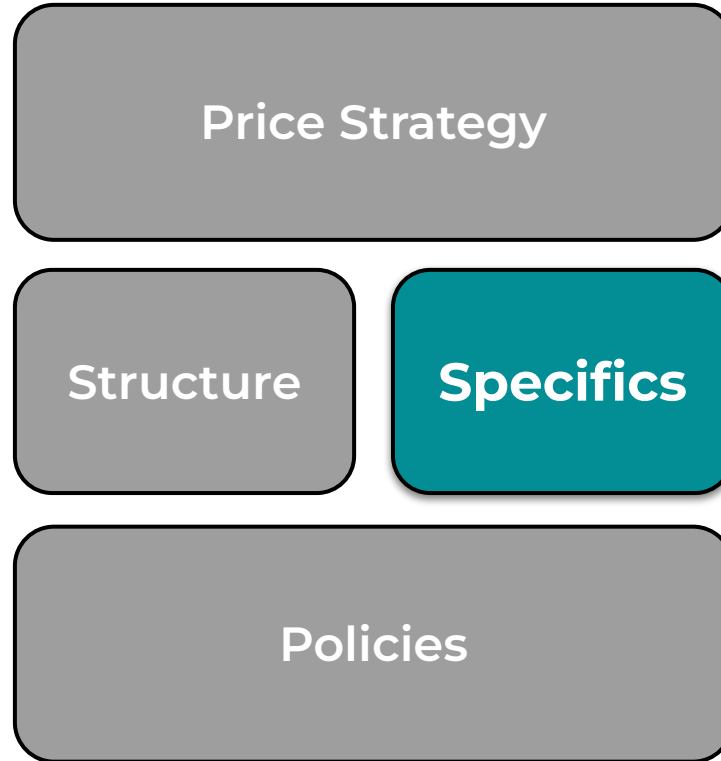
Fences create profit



Key
takeaway



Software Profit Stream Pricing Model



Example: Sizermeter

Problem: buying the correct clothing size online is hard

Impact to the business:

- Reduce conversions
- Excess inventory
- Increase returns
- Higher shipping costs
- Decrease customer satisfaction
- Expand carbon footprint



IT 52

US 34



IT 50

US 32



JEANS 34

€900

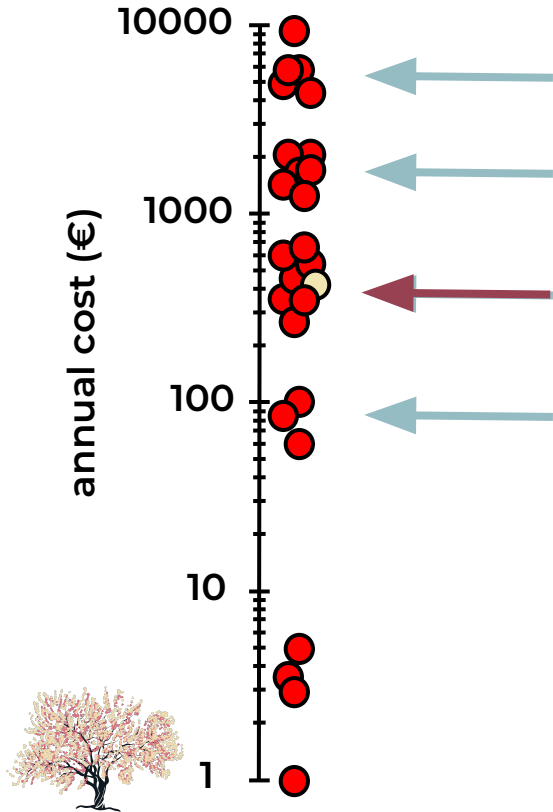


Five steps to determine the price level

1. Define the price range
2. Apply your price strategy
3. Assess sensitivity
4. Analyze revenue potential
5. Validate profitability

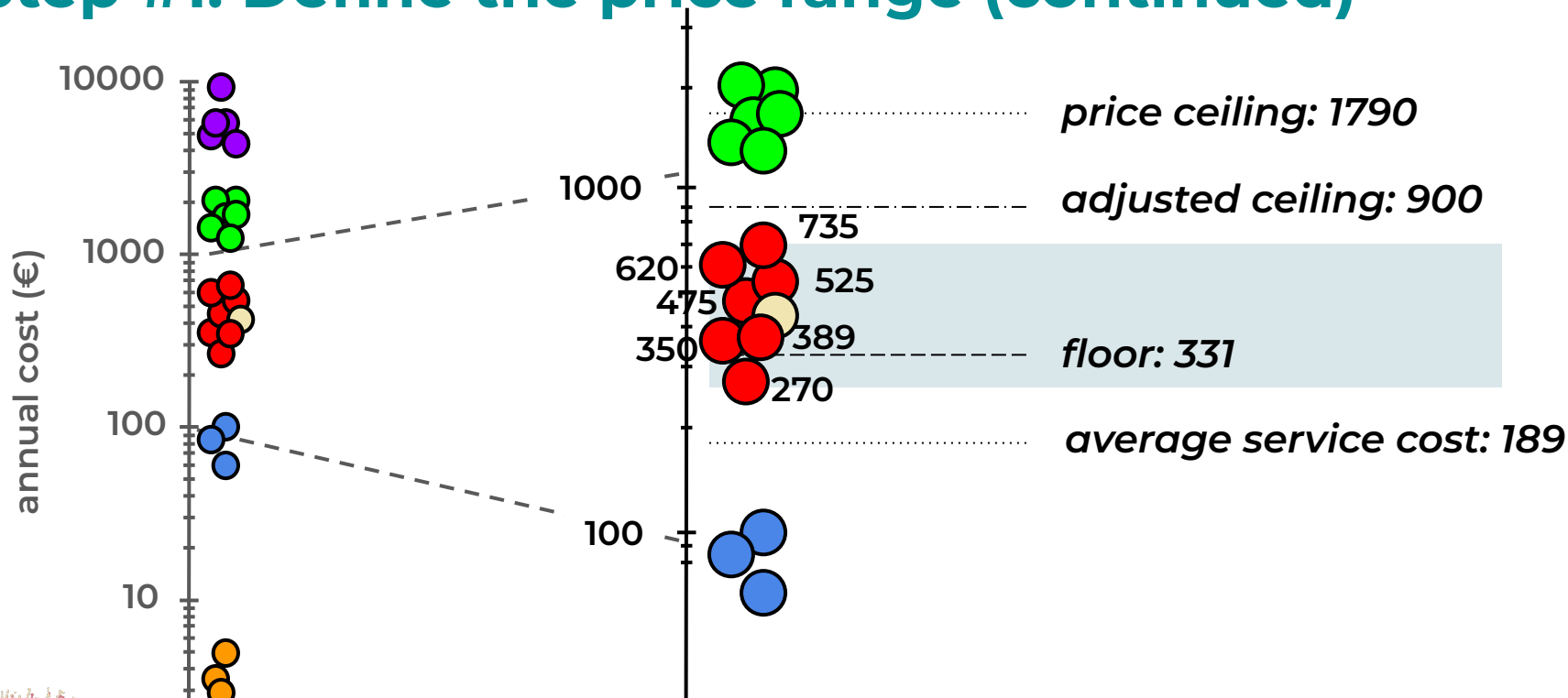


Step #1: Define the price range



There are multiple ranges to consider

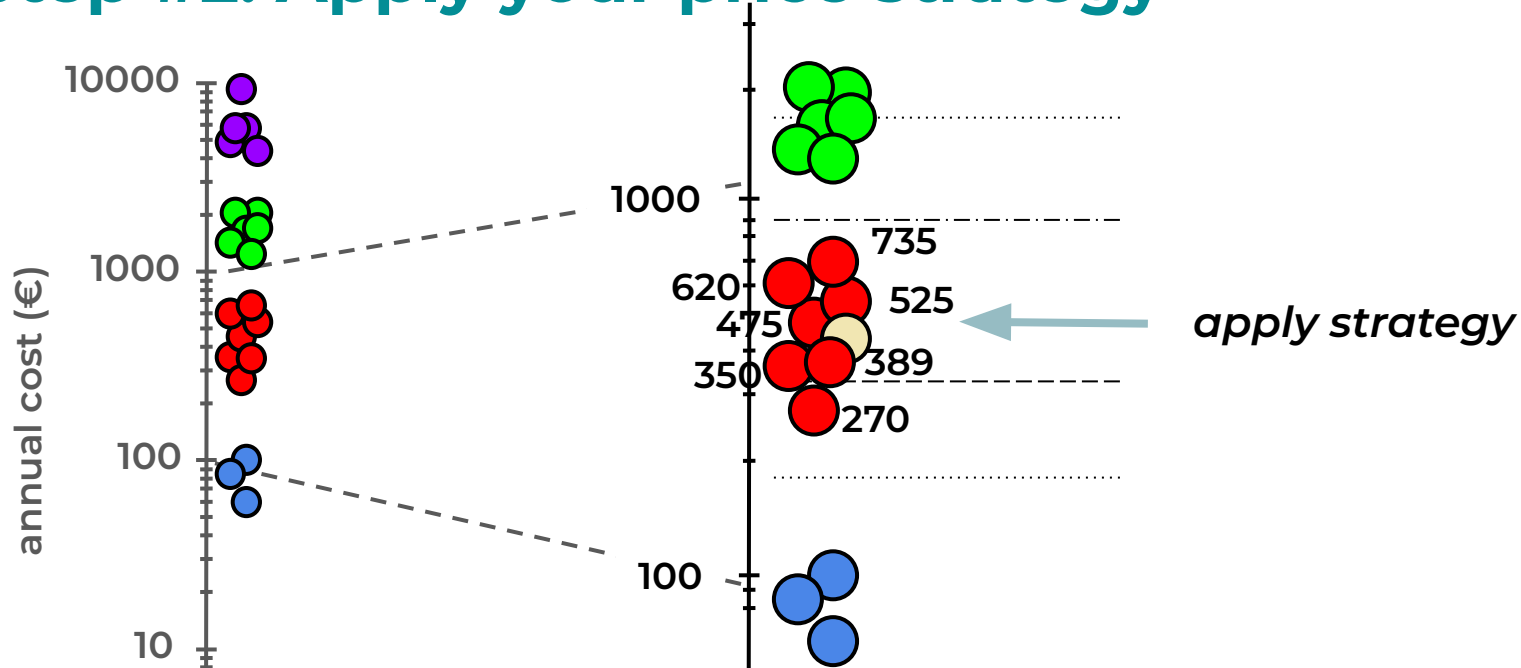
Step #1: Define the price range (continued)



price range: €331 to €735



Step #2: Apply your price strategy



Initial price level: €475



A high-angle photograph of a dark asphalt road. In the foreground, the word "BUMP" is painted in large, white, stylized, block letters. The letters have a slightly distressed or weathered appearance. Above the text, a white speed bump is visible, consisting of a series of raised, rounded rectangular sections. To the left of the road, there are double yellow lines with a thin black line between them. The road surface shows some texture and minor wear. The overall scene is brightly lit, suggesting a sunny day.

BUMP

Step #3: Assess sensitivity

Switching costs



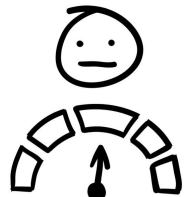
€525

Ease of comparison



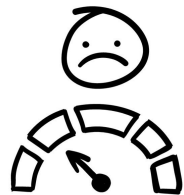
€475

Quality level



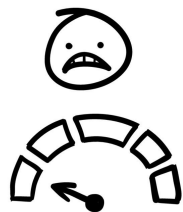
€475

Value of benefits



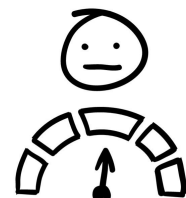
€389

Relative purchase size



€525

Fairness



€525



Step #4: Analyze potential revenue

Price Levels	Quantity Purchased	Potential Revenue
€350	534	€186,737
€389	510	€198,521
€420	464	€194,856
€475	452	€214,680
€525	441	€231,392
€620	340	€210,950



Step #5: Validate profitability service cost: €189

Price Levels	Quantity Purchased	Potential Revenue	Average Service Cost	Potential Profit
€350	534	€186,737	€100,838	€85,899
€389	510	€198,521	€96,454	€102,067
€420	464	€194,856	€87,685	€107,171
€475	452	€214,680	€85,420	€129,260
€525	441	€231,392	€83,301	€148,091
€620	340	€210,950	€64,306	€146,644



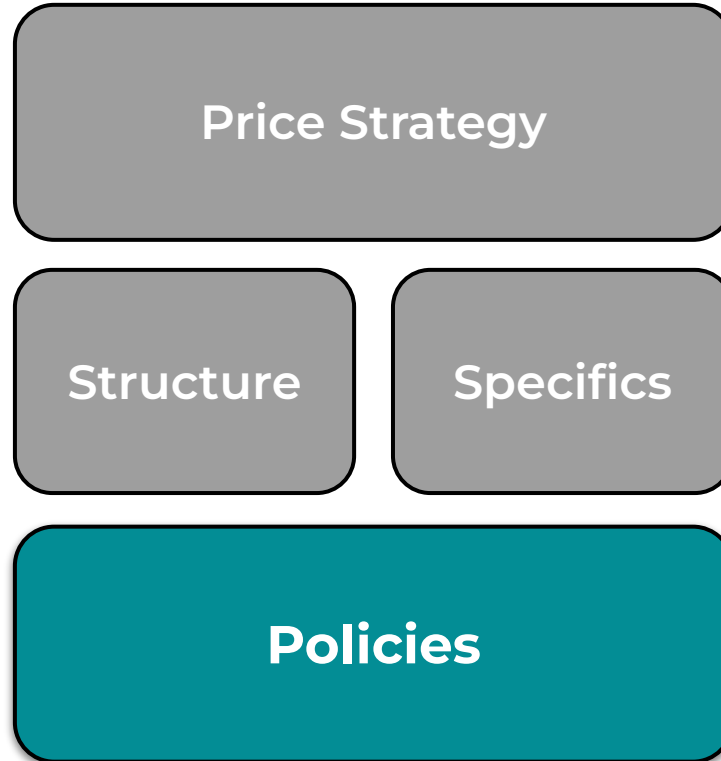
A high-angle photograph of a dark asphalt road. In the foreground, the word "BUMP" is painted in large, white, stylized, block letters. The letters have a slightly distressed or weathered appearance. Above the text, a white speed bump is visible, consisting of two raised sections. To the left of the road, there are double yellow lines with a dark blue or black stripe between them. The road curves slightly to the right in the distance. The overall scene is brightly lit, suggesting a sunny day.

BUMP

But what about discounts?



Software Profit Stream Pricing Model



Thank You!

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*Everyone anywhere
can **#DoBetterScrum***



THE
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ACADEMY



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