SAAS PRICING MODEL TEMPLATE

The price you choose to sell your software is often difficult to determine, as once subscriptions cover overhead, the cost to add each new customer is very low. Selecting the right pricing model will depend on your objectives and may change as your business matures.

How to use this tool

Step 1. Decide on a pricing strategy

There are three common approaches when pricing:

1. **Acquisition** – obtain as many customers as possible.
2. **Monetisation** – extract maximum dollar value from each customer.
3. **Retention** – keep existing customers as long as possible.

Each approach should aim to achieve revenue growth and make adoption easy for customers.

Revenue growth

Step 2. Consider the following before deciding on your pricing model.

- **Short and long-term business objectives**
- **Break-even point**
- **Market positioning**
- **If price reflects quality**
- **Competitor pricing**
- **Incentives to acquire and retain**
- **Factors outside your control**
- **An increasing customer base**
- **Cost increases or decreases**
- **Market-specific pricing**

Remember: you might use multiple pricing strategies at once. For example, when launching a new product you may price to acquire customers with a 'Freemium model', while retaining existing customers with tiered pricing options. Telcos often do this, offering benefits to incentivise new customers which existing customers can't access.

Step 3. Choose a pricing model that matches your pricing strategy.

The table on the next page shows different pricing models and the strategy they fit with. Choose a model and explain why you selected it.

To speak to a customer advisor about next steps, email your completed tool to exporthelp@nzte.govt.nz

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Use this pricing chart to help you determine which pricing model is best for your business. You'll find an outline of each on the following page. The chart also shows each model's level of complexity (how complex it is to communicate to customers), scalability (how easily it can grow with your business) and predictability (whether it allows you to predict your revenue) complexity of communicating to customers, if the pricing model can be easily scaled, and if the strategy will result in predictable revenue.

Pricing model	Strategy: Acquire	Strategy: Retain	Strategy: Monetise	Complexity	Scalability	Predictability	Examples
Flat rate	●			Low	Low	High	YouTube Premium charges a fixed monthly fee.
Free/add supported	●			High	Low	Low	Google offers free listings and paid for listings.
Pay as you go	●			Low	High	Low	Hnry charge a percentage on each transaction.
Freemium	●			High	Low	Low	SINC has a free 1 month subscription.
Tiered pricing		●		High	Low	High	XERO & Netflix offer multiple pricing plan levels.
Success fee		●		High	Low	Low	fivr earns a fee on each successful project.
Per active user		●		Low	High	High	Lightspeed is based on connected devices.
Per user			●	Low	High	High	Timely charges for each person on the platform.
Feature based			●	High	Low	Low	Unleashed charge for each 'add-on' feature.
Bundling			●	High	Low	Low	Adobe bundle products into one subscription.

Select your overall pricing strategy and preferred pricing model.

Strategy Choose your strategy

Pricing model Choose your pricing model

LOAD THE EXAMPLE

Explain why you've chosen this model here. You can view a relevant example explanation on the right by clicking on 'LOAD THE EXAMPLE'..

SAAS PRICING MODEL EXPLANATIONS

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Flat-rate
The simplest model: one product for one price.
- Pros: Easy to communicate to potential customers.
- Cons: Harder to extract value from different types of users, as everyone pays the same.

Free/ad supported
Earn revenue from adverts from businesses who access users, who don't pay anything.
- **Pros:** No cost barriers to adoption.
- **Cons:** Takes time to build up an audience to get paying advertisers.

Pay-as-you-go
Customers pay according to their usage.
- **Pros:** Reduces barriers to start.
- **Cons:** Harder to predict revenue.

Success fee
Charge customers depending on results.
- Pros: Customers only pay for actual results achieved.
- Cons: Complex in terms of deciding metrics, hard to predict revenue.

Tiered pricing
Offer a range of prices with different features.
- **Pros:** Tailored to specific needs, customers can upgrade.
- **Cons:** Choice can be confusing to which is best.

Bundling
Sell complementary products together as bundles.
- **Pros:** Customers feel they're getting the best value for money.
- **Cons:** The most complex model to manage and analyse.

Per user
One fixed rate for each user.
- **Pros:** Simple to understand, revenue scales with adoption.
- **Cons:** Customers may share one login between multiple users.

Freemium
Access the basic product for free, but pay for premium features in an upgrade.
- **Pros:** No cost barriers to adopt, strong word of mouth potential.
- **Cons:** Free users don't generate revenue.

Grandfathering
Grandfathering is a customer retention strategy. Existing customers don't usually appreciate tweaks to their subscription plan or increases in price.

In fact, change gives them an incentive to leave. Grandfathering lets existing customers choose to maintain their original/a preferential plan or rate as a reward for their loyalty, while new customers get the new version.

Per active user
A per user variant where one customer signs for users, but only pays for active users.
- **Pros:** Less perceived risk than signing multiple users from the start.
- **Cons:** Less effective if low adoption.

Feature based
Users pay more to unlock more features.
- **Pros:** Clear incentives for users to upgrade their plan.
- **Cons:** Difficult to know which features will be the most effective at attracting new users.

Check out all our export resources at **myNZTE**, sign up for our free **Export Essentials course**, or discuss next steps with our customer advisor team at **exporthelp@nzte.govt.nz**.