



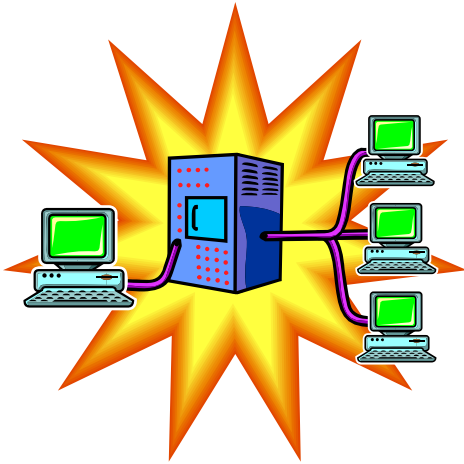
The Strategic Power of Pricing Metrics

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Monitor Group

Agenda

- Overview: The Opportunity from Metrics
- Identifying Metrics Based on Value
- Screening Metrics
- Supporting New Metrics
- Summary

Metrics – The Dimension We Price



Per Server



Per K byte



Per Incident



Per Desktop

Innovative Metrics Can Drive Growth



- From number of days
- To number of concurrent DVDs



- From number of CDs
- To number of songs

Inappropriate Metrics Create Barriers



“Absolute no-brainer”



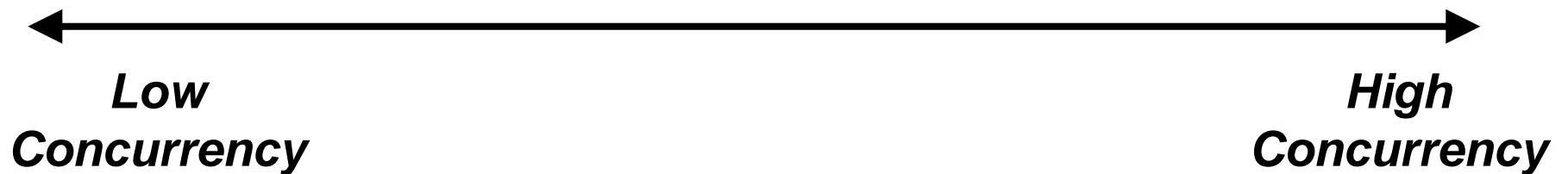
“Fairly priced”



“Not cheap to buy”



“Completely out of line”



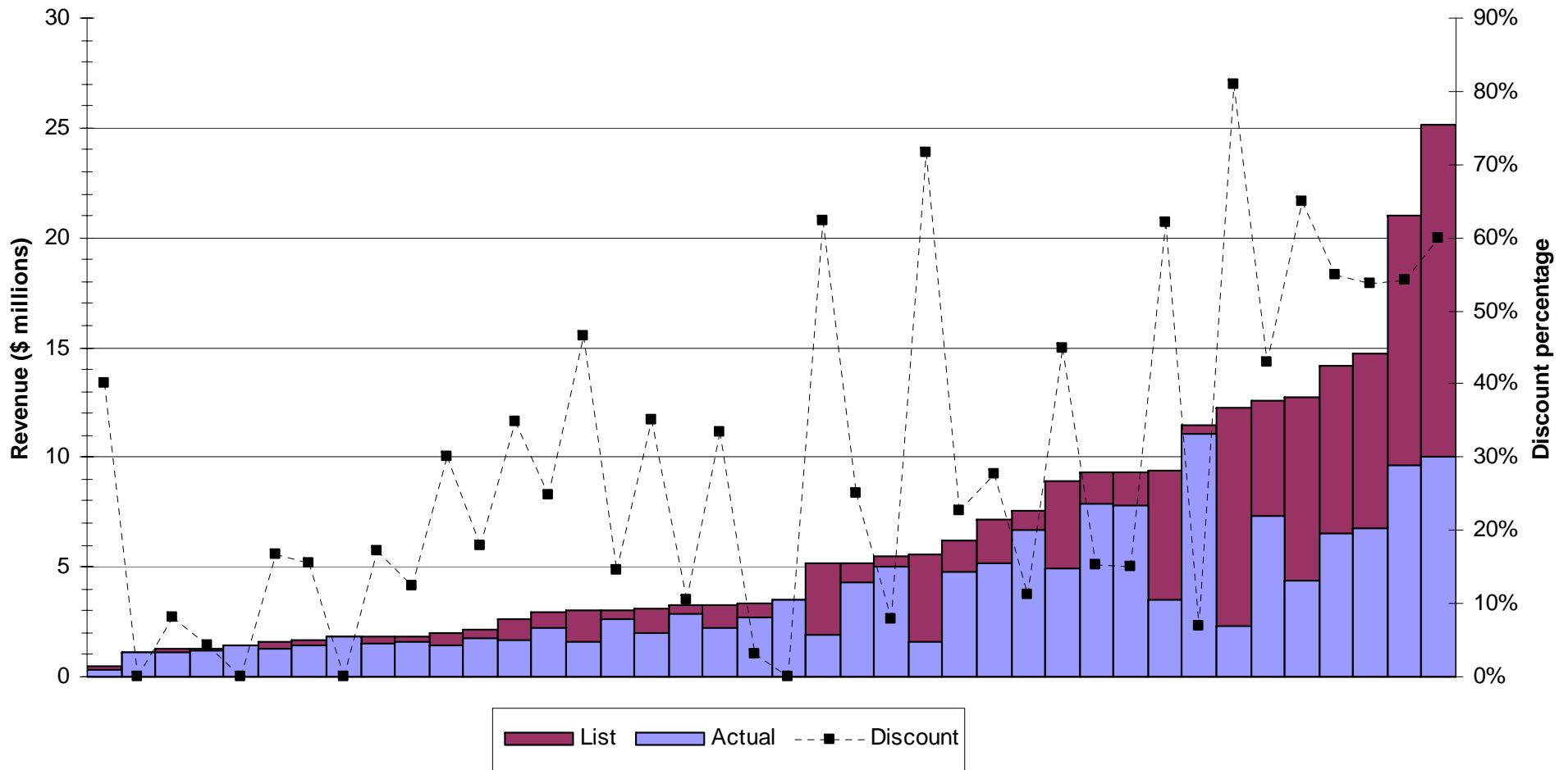
The Problem and the Opportunity



Good metrics align price and value for your customers

What's Wrong with this Picture?

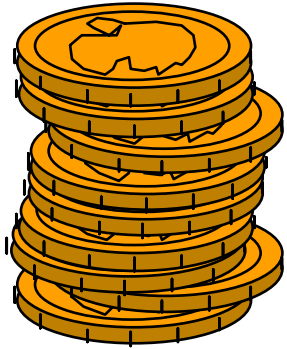
Discount Overlaid on List & Actual Price by Account



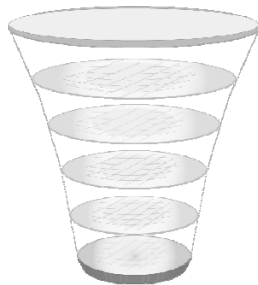
Why Talk About Metrics?

- Opportunity from metrics is significant
- Metrics don't get sufficient attention
- Identifying the right metrics takes work
 - History gets in the way
 - Need to adapt to changes in technology
 - Not easy to identify the right ones

Selecting the Right Metrics



Identify potential metrics by understanding economic value

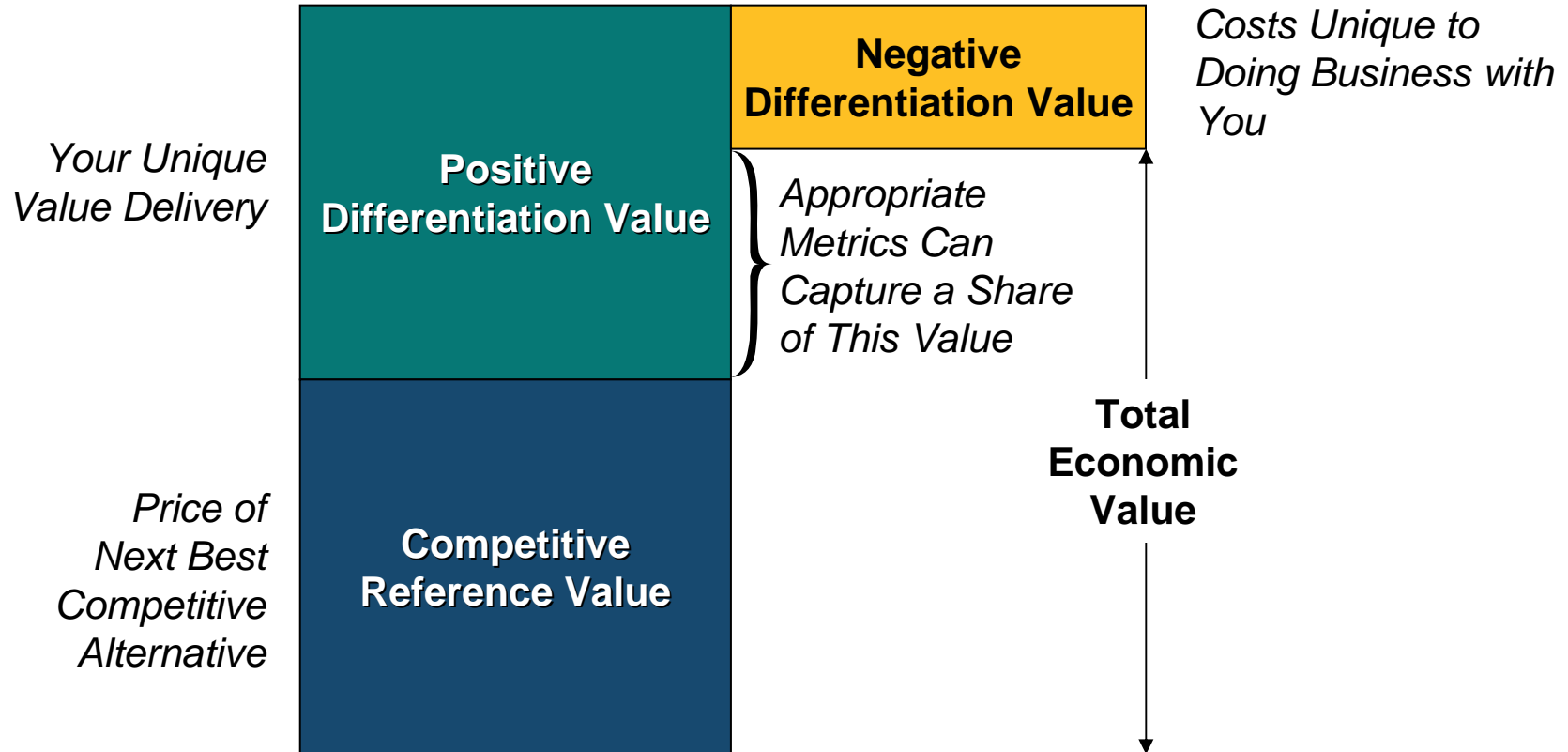


Screen potential metrics for operational feasibility and strategic impact

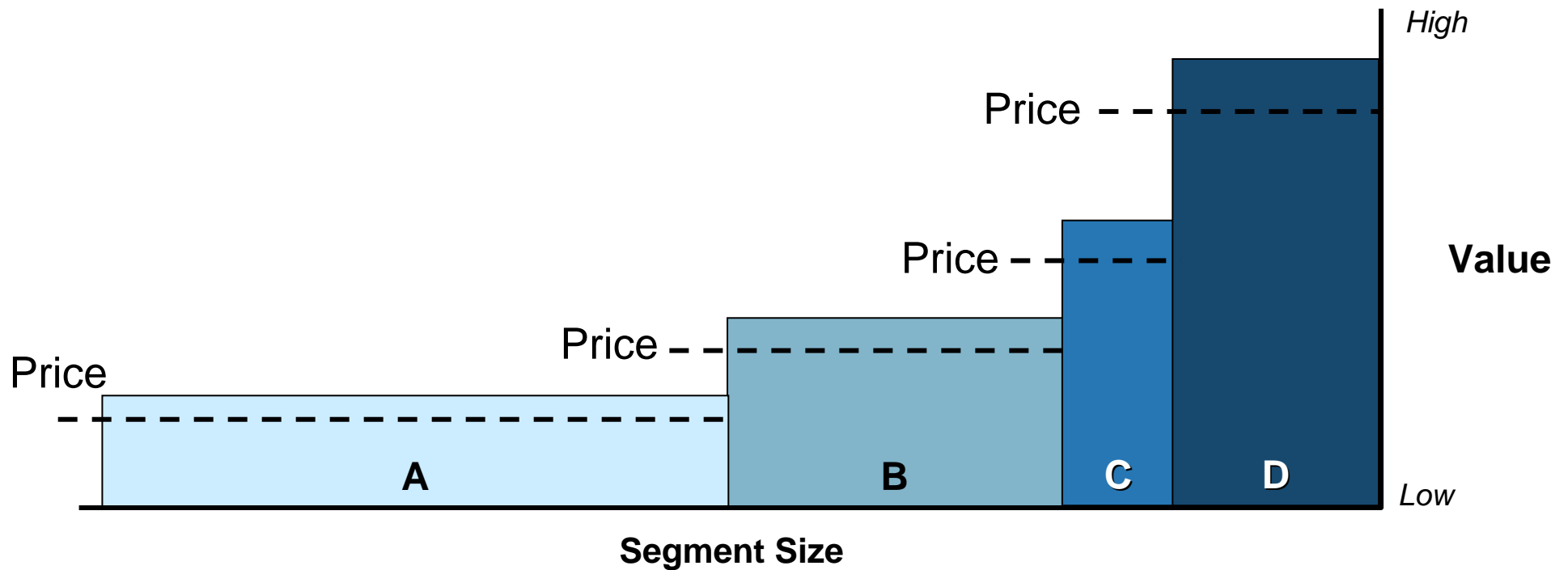


Explain and support the new metrics in the market

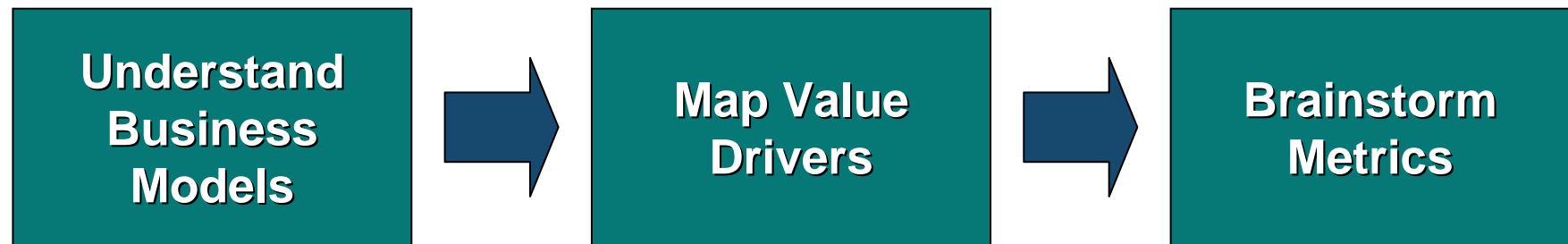
What Creates Value for Customers?



How Does Value Vary by Segment?



Identifying Potential Metrics

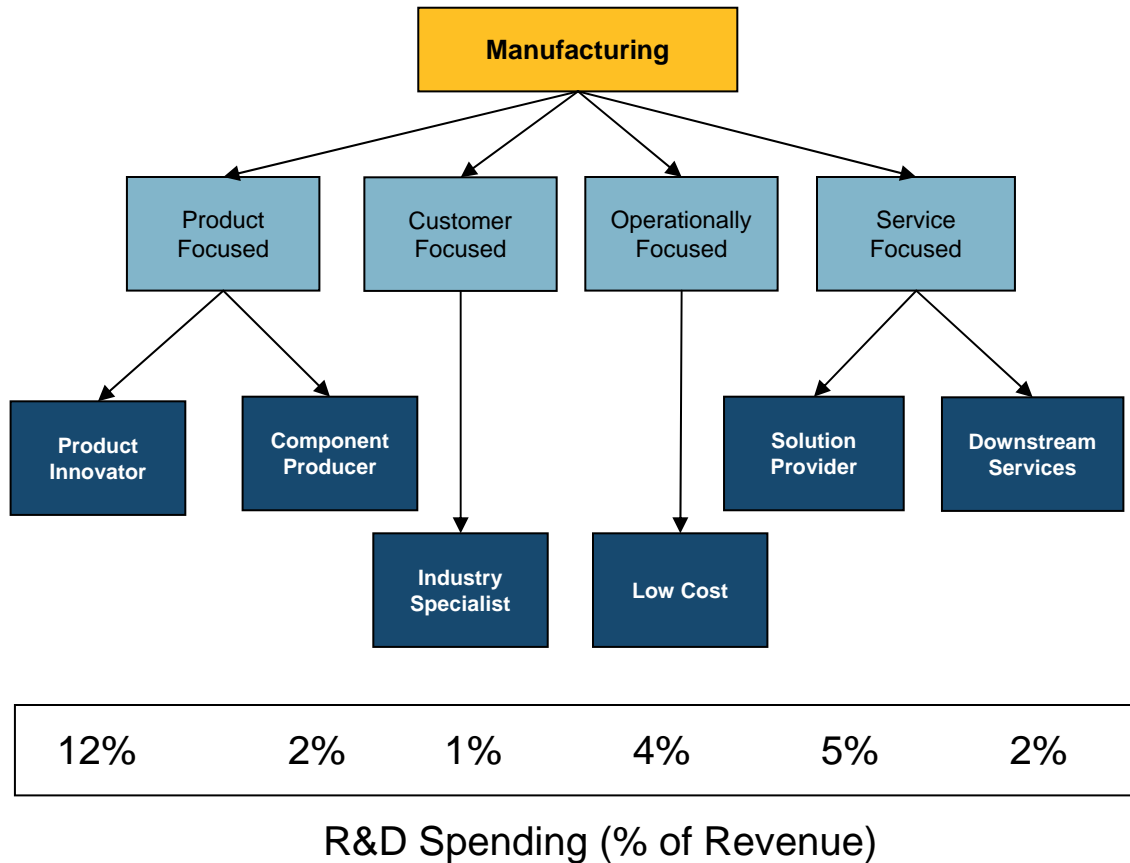


- **Group customers with fundamentally different economics**
- **Value accrues differently based on model**

- **Systematically define points of economic leverage**
- **Focus on areas of greatest impact to customers**

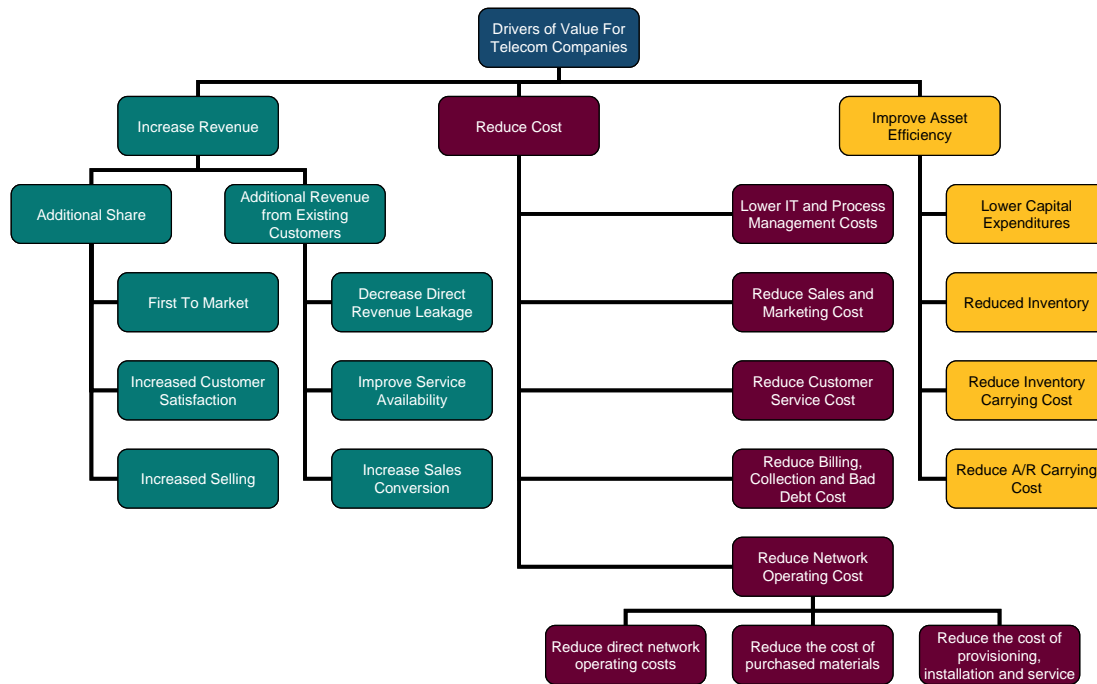
- **Link value drivers, features and KPIs**
- **Use this list as a source for potential metrics**

Understand Business Models



- **Example: Operational software for manufacturers**
- **Impact is very different based on the economic profile of the company**
- **Separating business models helped us understand**
 - How value was created
 - Why this varied

Map Value Drivers

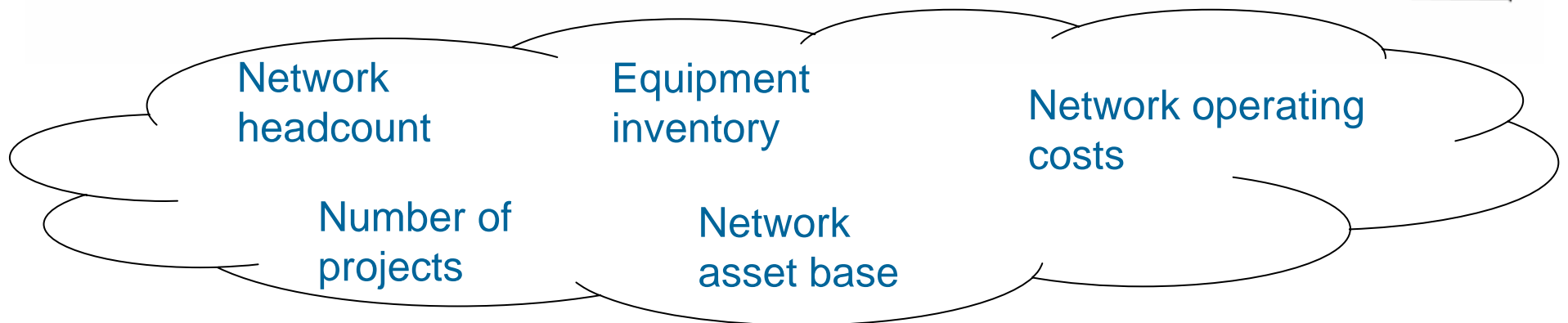


- **Example: Network management software for telecom services companies**
- **Value driver map let us identify where value was created**
- **Comprehensive and systematic view**
- **Jumping off point for potential metrics**

Brainstorm Metrics

- Link product features and value drivers
- Identify key dimensions along which value varies
- Don't constrain yourself to conventional metrics at this point

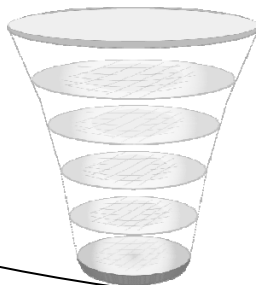
Feature which enables an economic improvement	Financial metric improved	How the improvement is achieved	Related Value Driver
Integrated project management and mobile workforce management	Reduce labor cost associated with operating the network – e.g., Engineering & Planning, Provisioning, Maintenance	Through lower overtime and less non-productive time because of more efficient scheduling	Cost: Reduced Network Operating Cost
Integrated planning and inventory management	Lower inventory costs	Better forecasting of network and order-related inventory requirements, leading to a one time reduction in inventory and on-going reduction in	Asset Utilization: Reduce Working Capital Requirements



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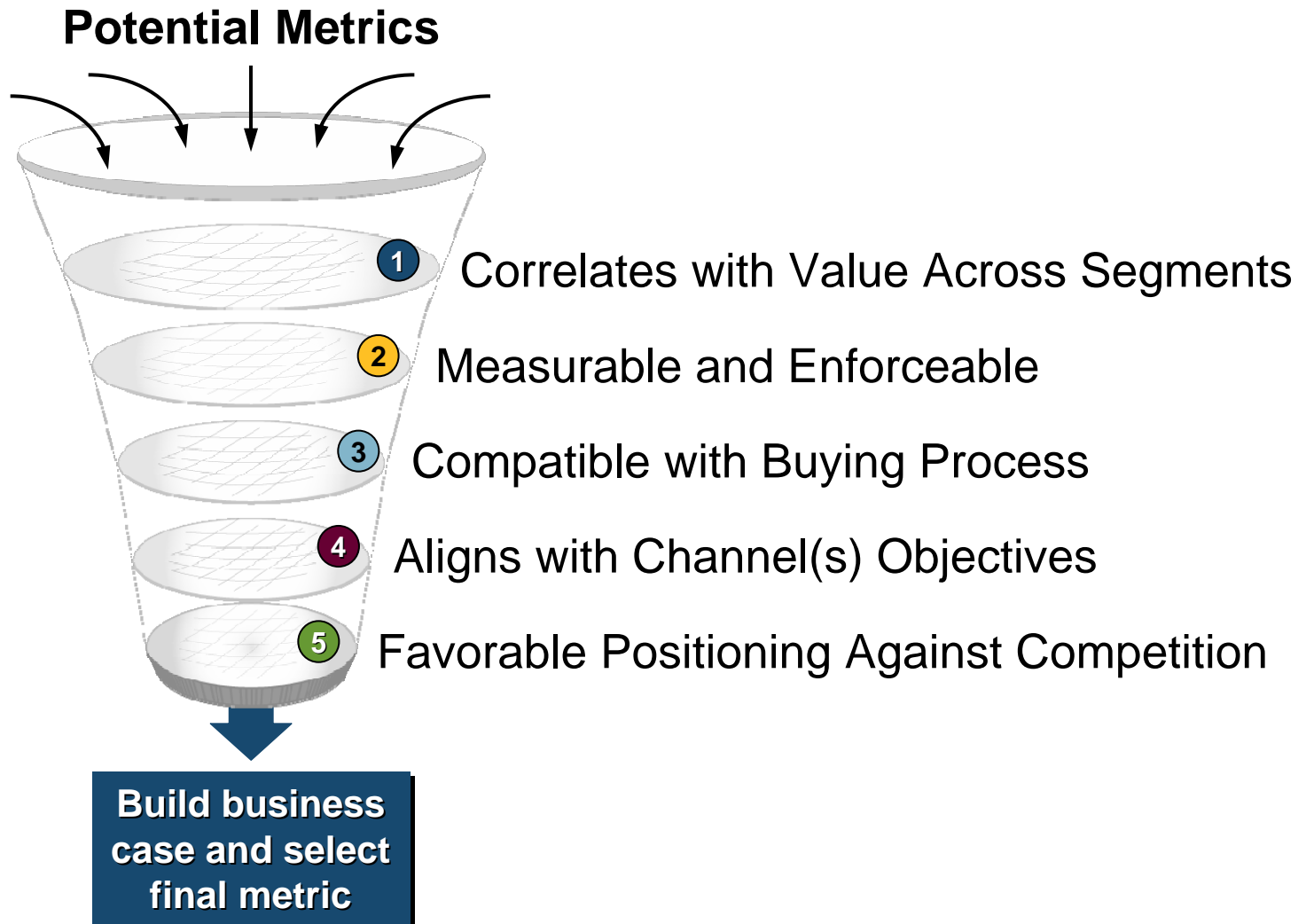


Screen potential metrics for operational feasibility and strategic impact

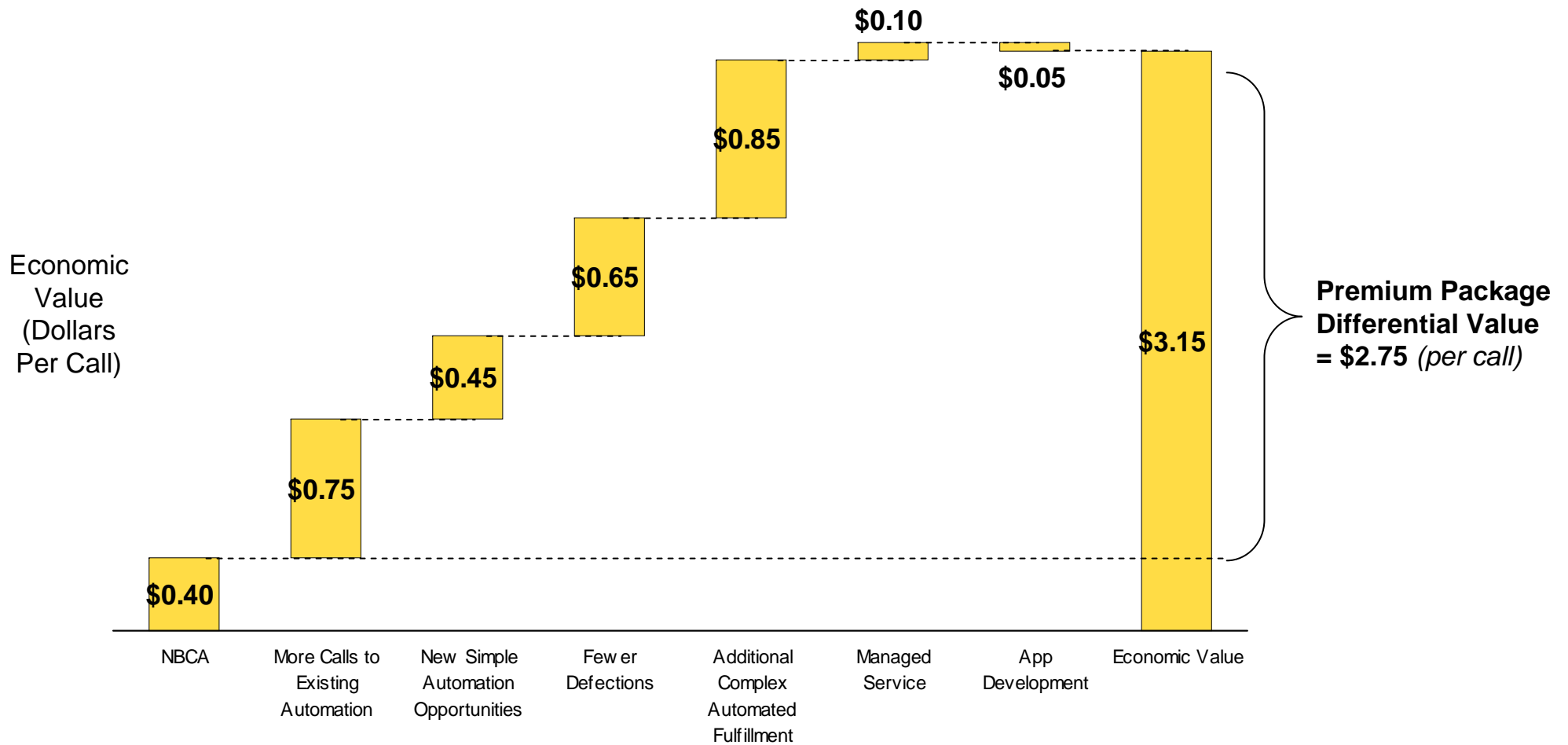


Explain and support the new metrics in the market

Screening Metrics

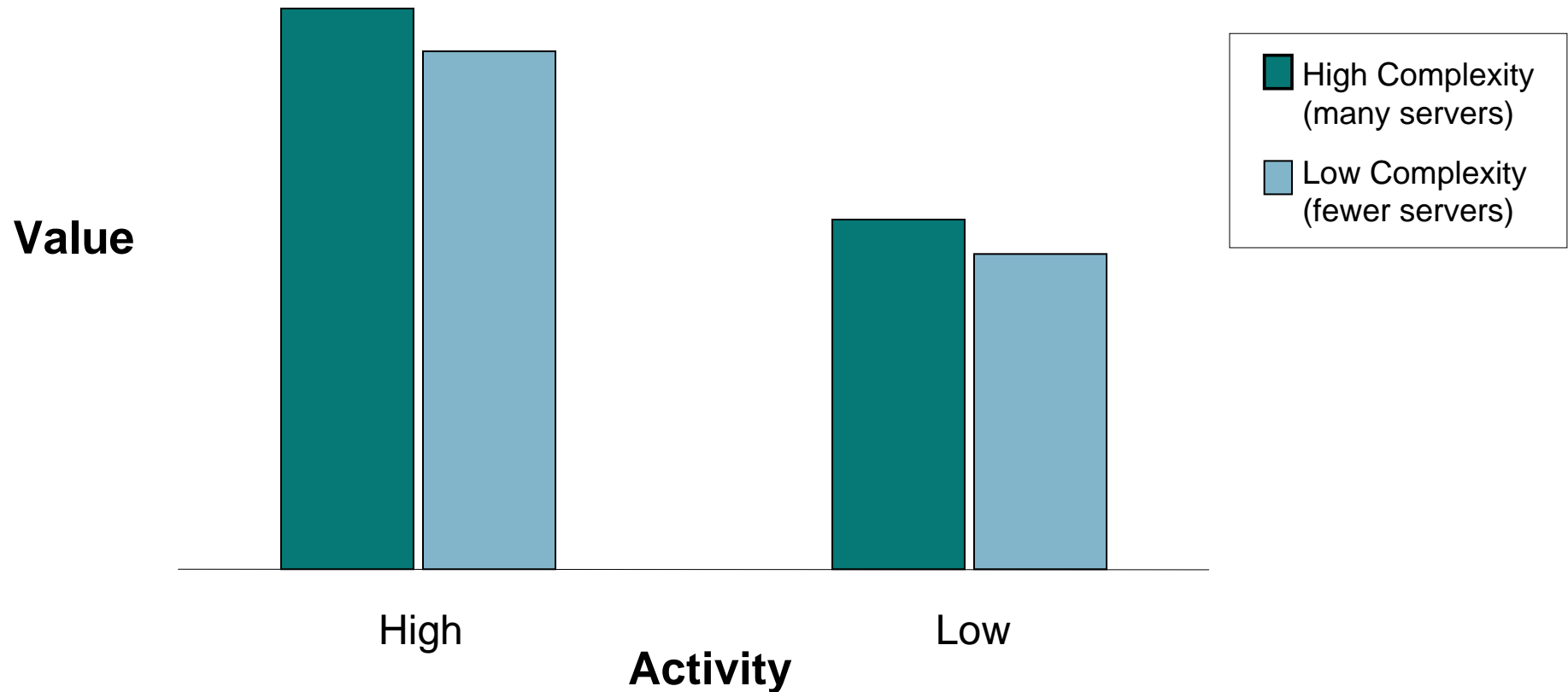


Estimating Economic Value

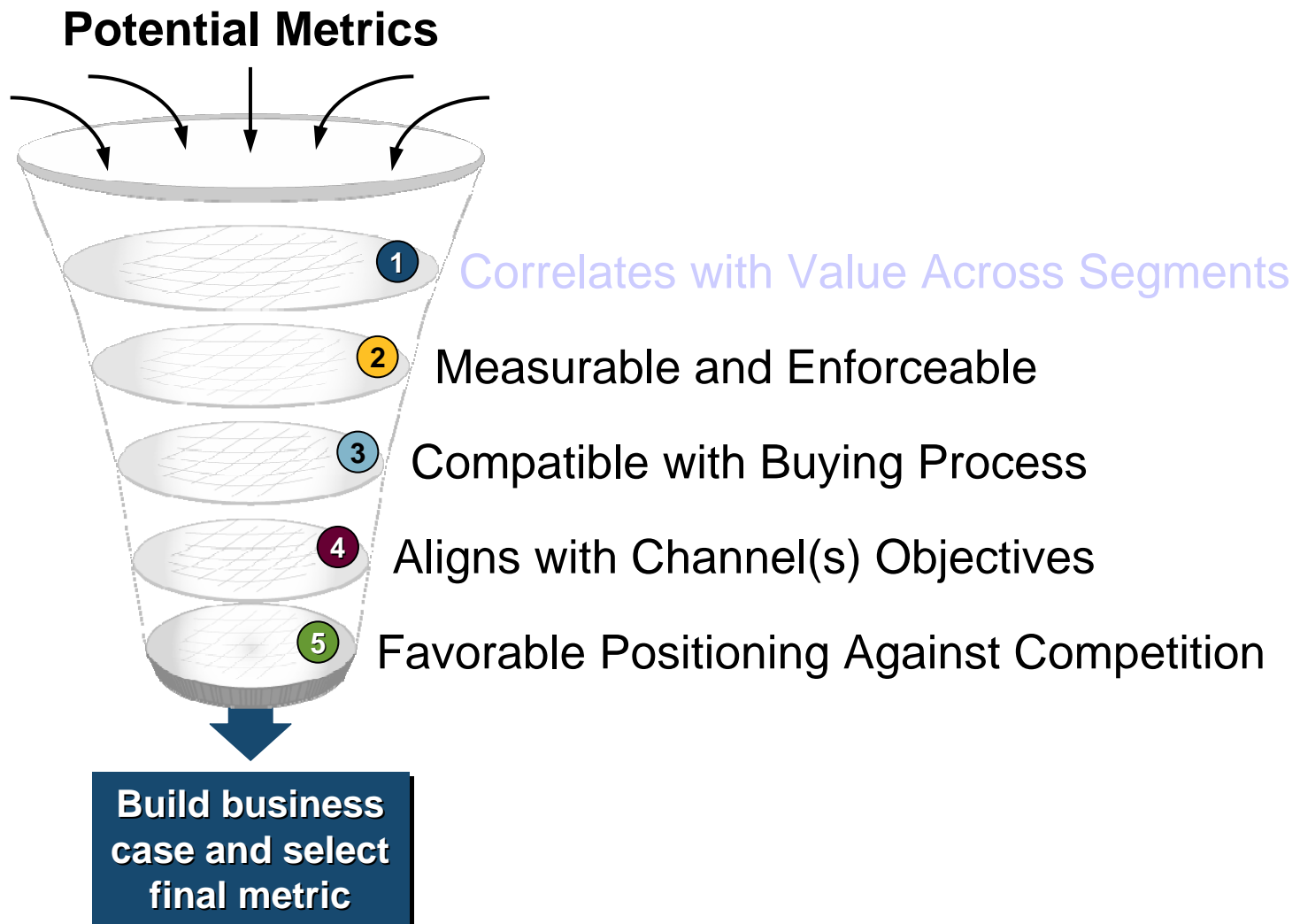


Look at Value Across Segments

Example: Infrastructure Software



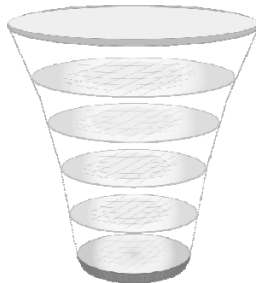
Operational and Strategic Screens



Selecting the Right Metrics



Identify potential metrics by understanding economic value



Screen potential metrics for operational feasibility and strategic impact



Explain and support the new metrics in the market

Transitioning from Traditional Metrics

Product	Traditional Metric	Value-based Metric
Manufacturing Software	\$ / seat	\$ / schedulable production unit
Storage Management Software	\$ / server	\$ / Tb of data movement
Call Center Hosted Software	\$ / minute	\$ / call processed
Financial Analysis Software	\$ / year	\$ / click

- Set price levels based on value; check against current pricing
- Test with customers and sales
- Craft the value message and rationale for metrics
- Develop tools to explain the value

Why Revisit Metrics? Good Metrics . . .

- Effectively communicate the way a product creates value
- Simplify customer decision-making
- Reduce the length of the sales cycle
- Reduce the need for *ad hoc* discounting
- Open up new market opportunities
- Increase overall profitability