

# Pricing Strategies – Time to Revisit Yours?

*Chris Wendt, Flexera Software*

*Jim Geisman, Software Pricing Partners*



 SoftSummit™ 2009

# Competition As Usual Means Failure

Outspend

Less capital available

Outtech

Lower cost  
More availability

Outpromote

Competition getting tougher  
Noisy markets

Outinnovate

Less capital required  
Fewer customers with money  
Less risk taking



# Competition As Usual Means Failure

~~Outspend~~

Less capital available

~~Outsell~~

Lower cost  
More availability

~~Outpromote~~

Competition getting tougher  
Noisy markets

~~Outinnovate~~

Less capital required  
Fewer customers with money  
Less risk taking



# Five Year Plan for Success

- Outsmart the competition
- Key levers
  - Create more value from existing IP
  - Get paid fairly for it
- Re-think your pricing & value delivery strategy



# Common Competitive Practices

- Pricing & value delivery strategy
  - Out-of-whack value – Lots of stuff at low prices
- Good news
  - “Commoditech” can lower costs; maintain margins
- Bad news
  - Need more capital to reach critical mass
  - Copycat pricing
  - Uncontrolled/uncontrollable discounting
- Outcome
  - Close more deals?
  - Set future expectations?



# Pricing and Value Delivery

- Value delivery is “offering” – a package of...
  - Product, services, delivery, entitlements, payments
- Pricing consists of...
  - Metric
  - Packaging
  - Licensing (RTUs, payment stream)
  - Unit Price
  - Discounting
- Attach price levels to offering(s)
  - Get paid fairly
  - Consistent with strategy



# Potential Action Areas

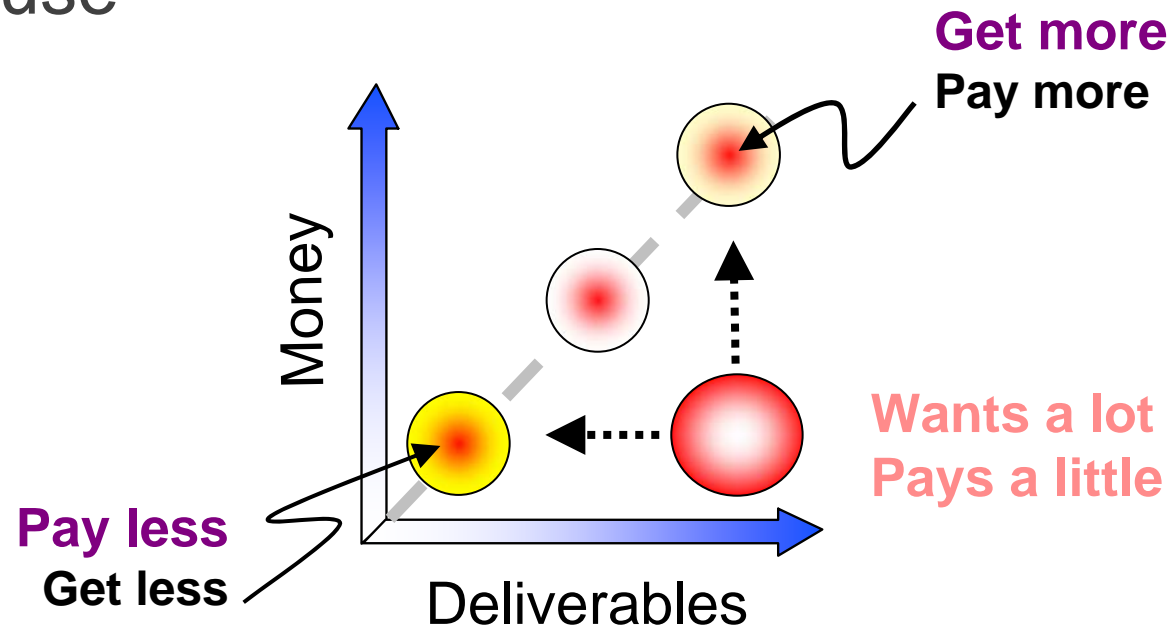
- Offering
  - Packaging
  - Delivery/entitlements
- Fair payment
  - Payment stream
  - Realized/net price levels



## Offering

# Packaging That Provides Alternatives

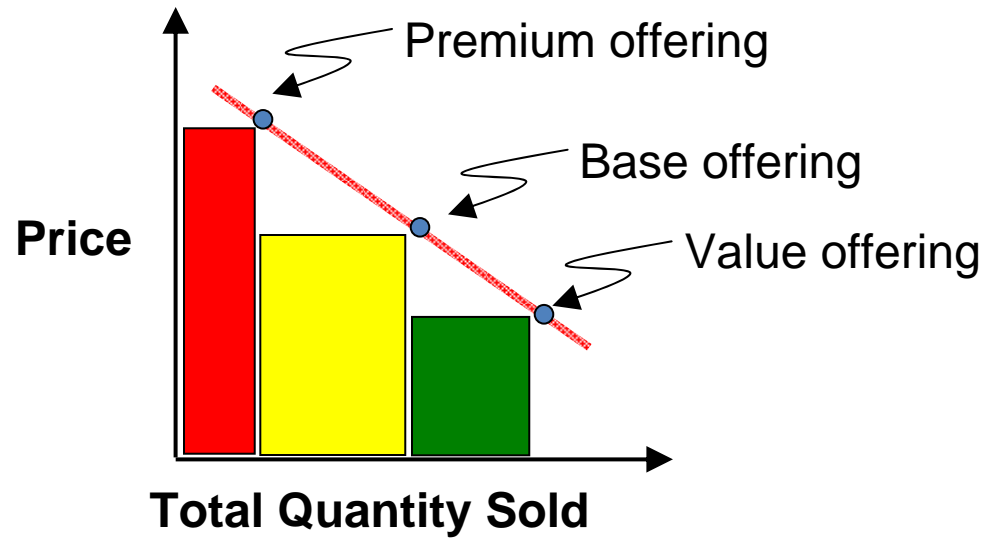
- Product
- Services
- Customer use



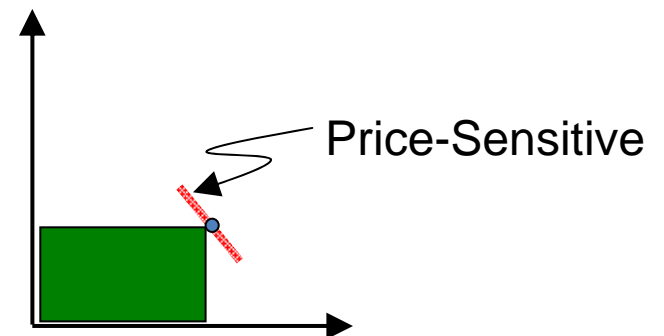
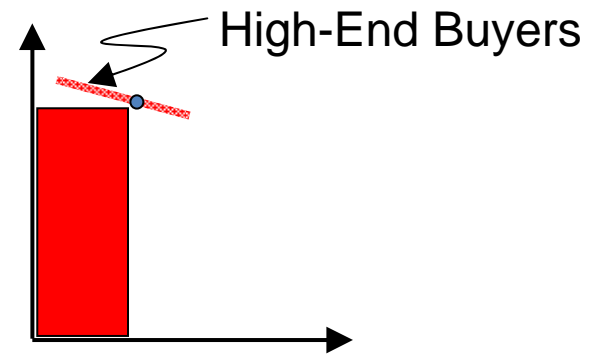


# Offering

## Packaging Can Create New Opportunities



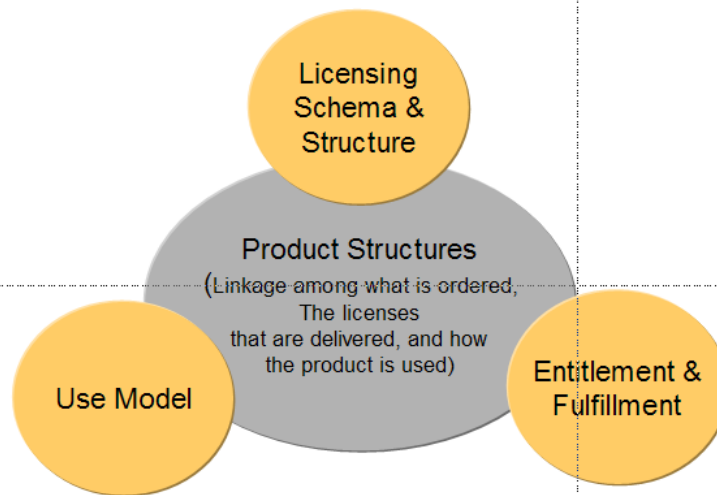
Penetrate segments



# Offering “Truth In Packaging”

## Product Structure Drives License Structure & Back Office

---



- What's a Product?
- What's a Base?
- What's an Option?
- What's a Bundle?
- What's a Package?
- What's a Suite?
- What's an Upgrade?
- What's an Update?

**Structured Flexibility** – product agility with consistency of implementation

**FLEXERA**  
SOFTWARE



 **SoftSummit™ 2009**

## *Offering*

# Delivery/Entitlements

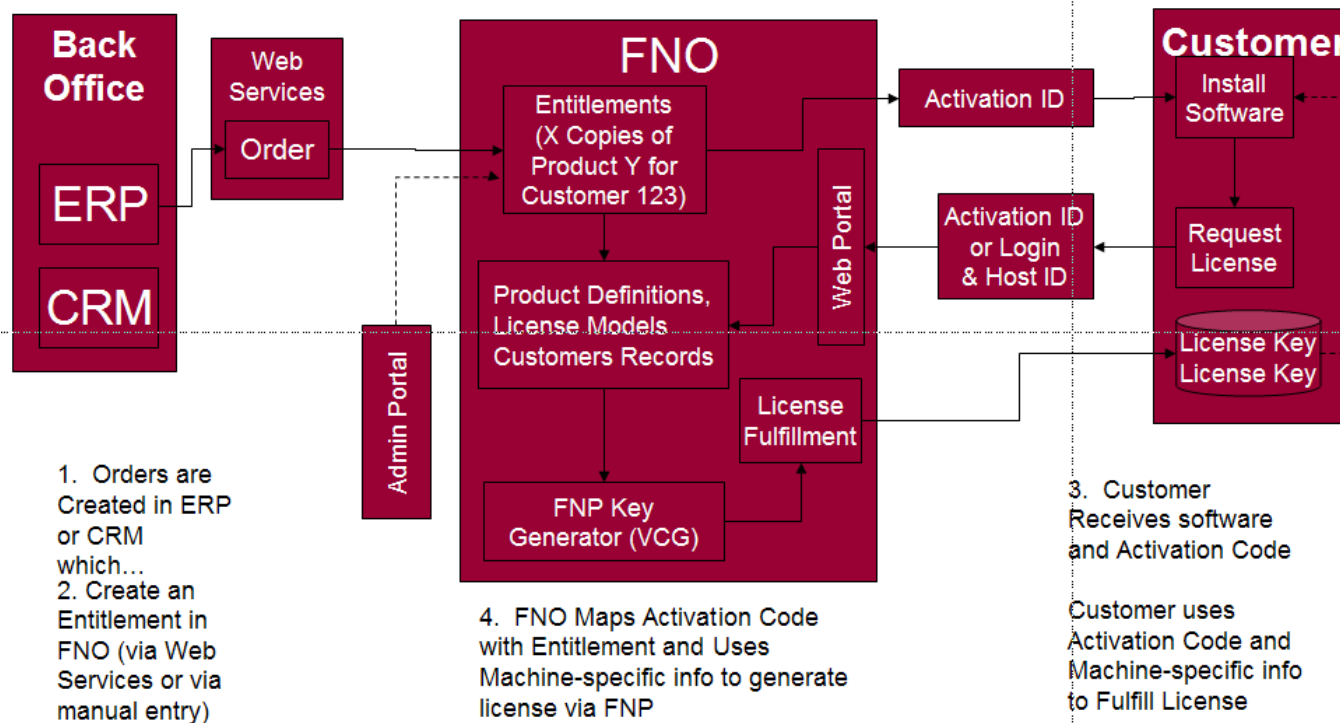
- Fulfillment and usage control
  - Activation
  - License servers, audits
- SaaS vs. on-premise
  - On-demand, self-service, convenience
  - Ownership, control issues
- Role of metrics
  - Should align with customer business
  - Can increase realized revenues



# Offering

# Entitlement Management Is Non-Trivial

## Overview of License Entitlement/Fulfillment



# Potential Action Areas

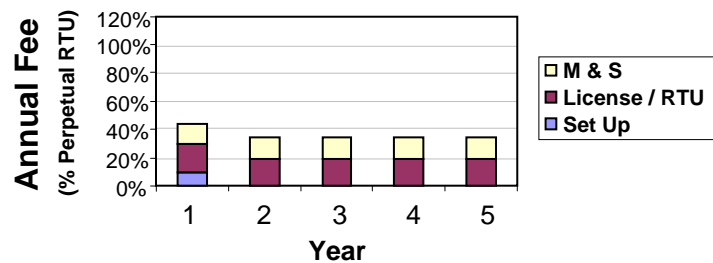
- Offering
  - Packaging
  - Delivery/entitlements
- Fair payment
  - Payment stream
  - Realized/net price levels



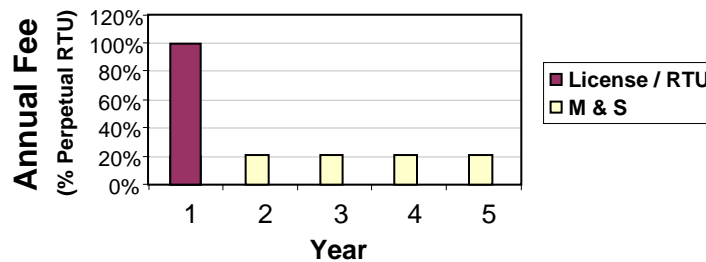
# Fair Payment Payment Stream

- Timing
  - Improve alignment with value delivery
- Cashflow vs. rev rec

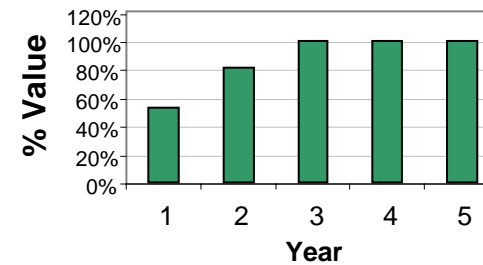
### Recurring Payment Stream



### Perpetual Payment Stream

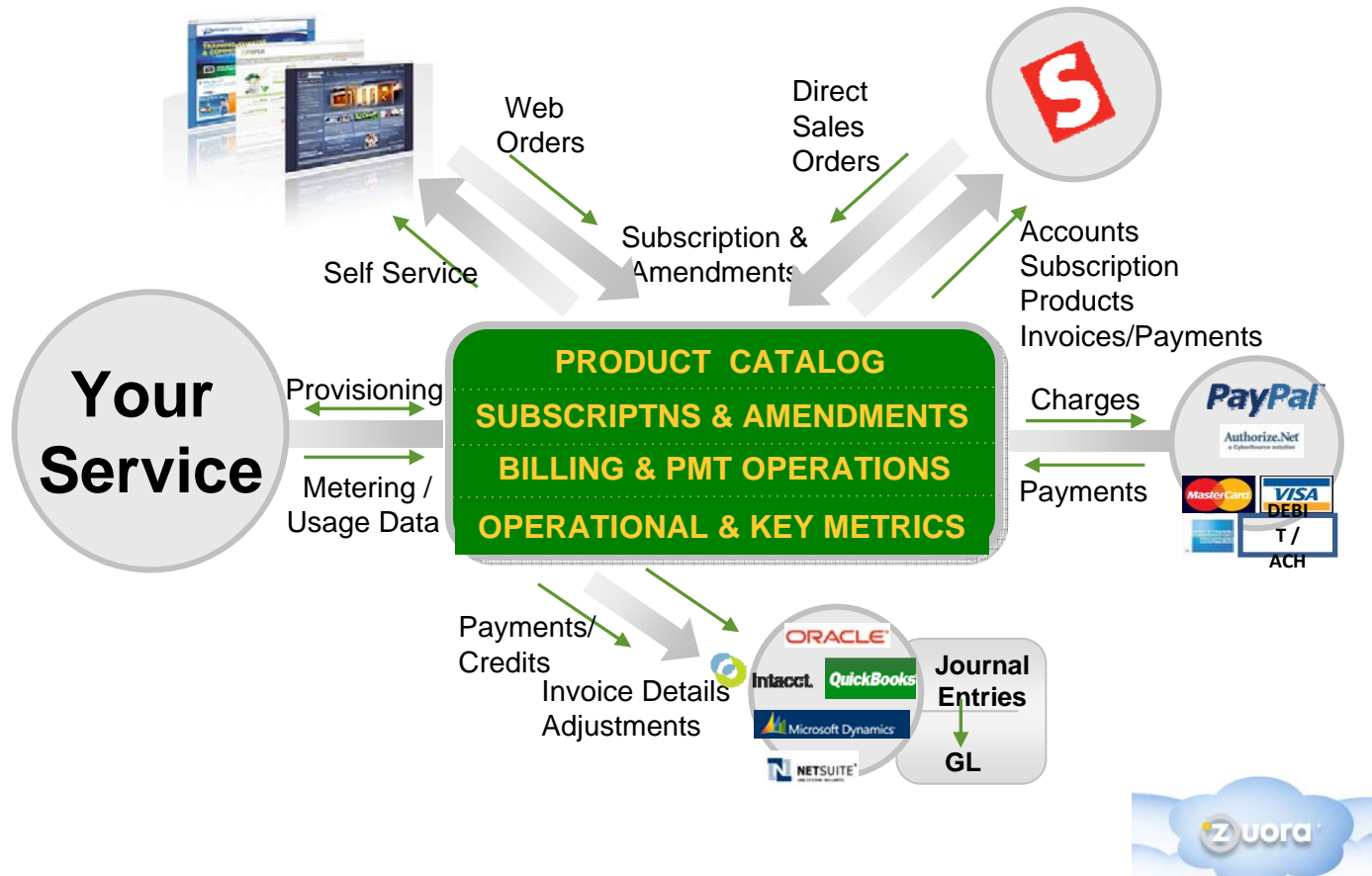


### Value Delivery "Stream"



# Fair Payment

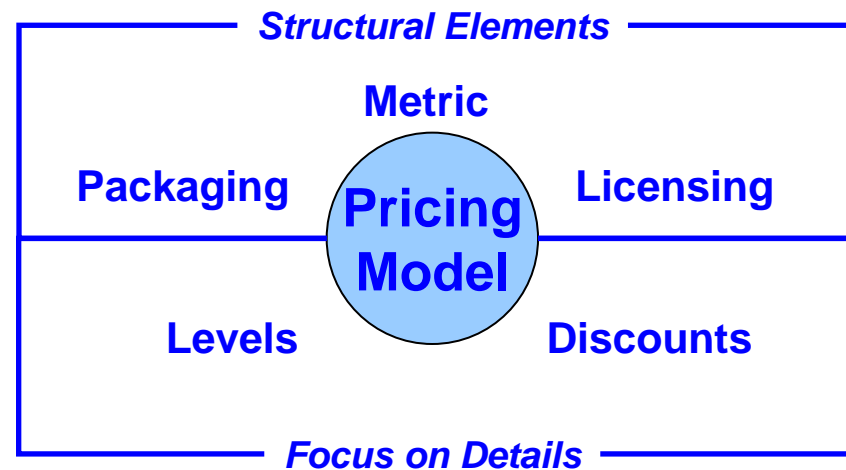
## Fair Payment Requires Billing



## *Fair Payment*

# Improve Realized/Net Prices

- Get structural elements right
- Price levels and discounts are details
  - Must fit with packaging and delivery
  - SaaS discounts?





# Conclusion

- Customer understanding trumps technology
  - Customer segments
  - Buying differences
  - Value differences
- Execution trumps speed
  - Execute based on customer understanding
  - Do a few things well to leverage your IP



# Any Questions?

Cris Wendt

[cwendt@flexerasoftware.com](mailto:cwendt@flexerasoftware.com)

408.642.3893

Jim Geisman

[jimg@softwarepricing.com](mailto:jimg@softwarepricing.com)

508.647.0330

