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Pricing and Licensing Strategies For Growth

In the Cloud and on the Ground

Jim Geisman

Software Pricing Partners, Inc.



Introduction

Software Pricing Partners

- Unique focus since 1987
 - Pricing and business models
 - Software-based offerings
 - Vendor-side, B2B clients
- Practice areas
 - Value-Driven Pricing
 - Value-Based Selling
 - Strategic Discounting
- Project results
 - Enhance value from products & services
 - Improve financial performance
 - Increase sales effectiveness



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This Morning

- Why “good” pricing and licensing matters
- How licensing and pricing landscape is changing
- Some things you may need to do



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Why Customers Buy

Offering	Does what is needed Works in my situation
Competition	Offering is good value Preferable to known alternatives
Decision-making	Acceptable risk Economics, TCO Perceived value
Buying	Funding available ISV is trustworthy Painless process
Channel	Responsive Convenient Reliable



Getting Customers to Buy

- License Delivery Model

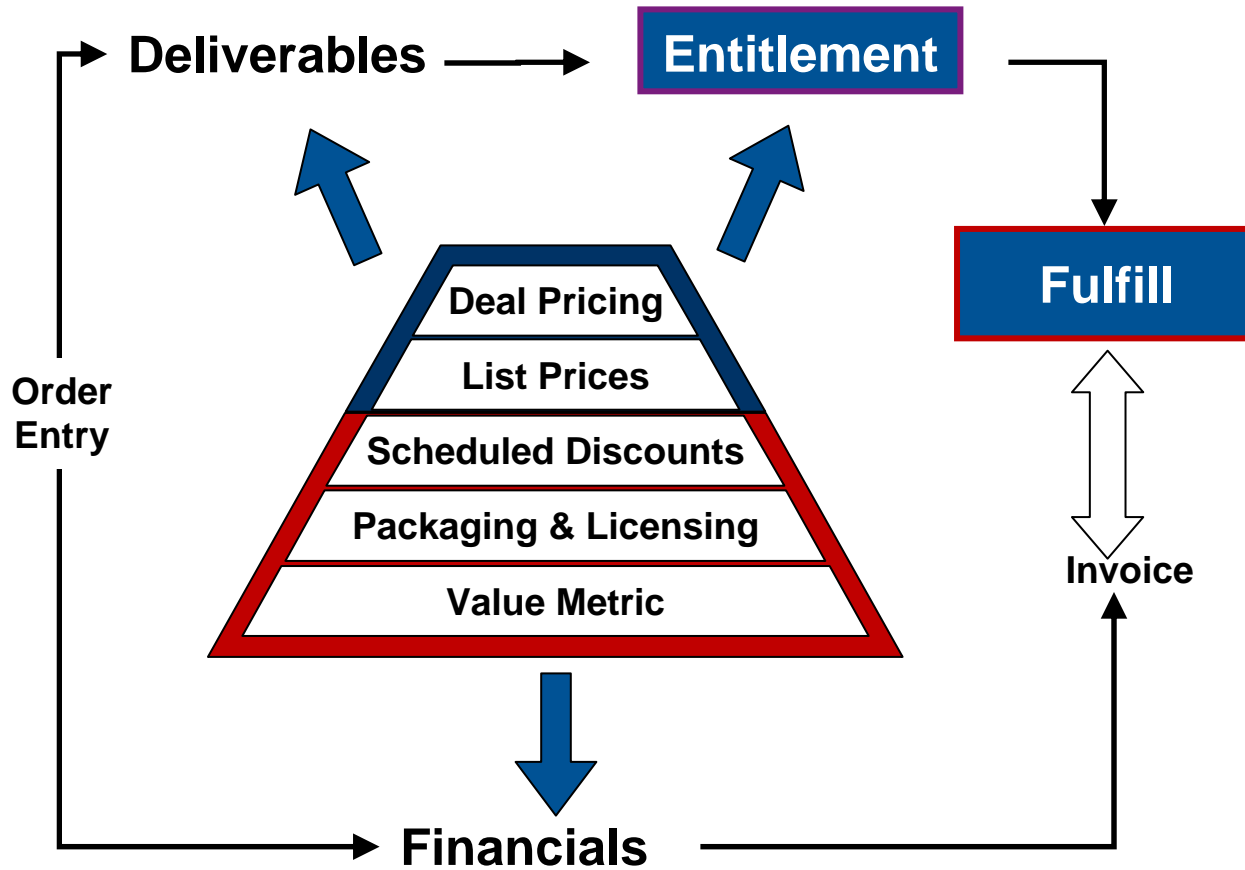
- Entitlement
- Fulfillment
- Systems
- Integration

- Pricing Model

- Value metric
- Packaging and licensing
- Scheduled discounts
- List prices
- “Deal” prices



Getting-Paid-Fairly Processes

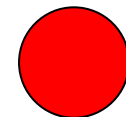
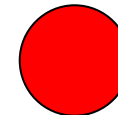
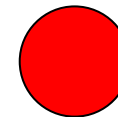
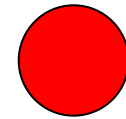


Pricing and License Delivery Models

Impact on Why Customers Buy

Offering	Does what is needed Works in my situation
Competition	Offering is good value Preferable to known alternatives
Decision-making	Acceptable risk Economics, TCO Perceived value
Buying	Funding available ISV is trustworthy Painless process
Channel	Responsive Convenient Reliable

Pricing Model Delivery Model



Topics

- Why Customers Buy
- Trends and Vendor Impact
- Pricing Models
- Summary / Q&A



Trends and Vendor Impact

Major Trends

- Web is everywhere
- Virtualization increasing
- Emerging revenue models
- Commoditization continues



Trends and Vendor Impact

Web Everywhere

- Web is everywhere
 - More web apps
 - B2C influencing B2B
 - Customer expectations
 - Virtualization increasing
 - Emerging revenue models
 - Commoditization continues
- Simple pricing
 - Bite-sized packaging
 - Usability influences value
 - Easy to try / buy / use



Trends and Vendor Impact

Virtualization Increasing

- Web is everywhere
 - Virtualization increasing
 - Use is accelerating
 - Hardware less important
 - Clouds-in-clouds
 - Emerging revenue models
 - Commoditization continues
- App tracking harder
 - Hardware-based metrics harder to use
 - Usage data available
 - Hosted model more popular



Trends and Vendor Impact

Revenue Models

- Web is everywhere
 - Virtualization increasing
 - Emerging revenue models
 - Perpetual under fire
 - Subscription rising
 - Slow ramp-up
 - Commoditization continues
- Payment options
 - Pay for actual use
 - Pricing “latency”
 - Lower price points



Trends and Vendor Impact

Commoditization Continues

- Web is everywhere
 - Virtualization increasing
 - Emerging revenue models
 - Commoditization continues
 - Low entry cost
 - Tech availability
 - Short lifecycles
- }
 - Increased competition
 - More me-too products
 - Agility is critical
 - Less room for error



Trends and Vendor Impact

Impact

Offering	Smaller chunks On-demand, as needed
Competition	Price-focused Even more features
Decision-making	Economics, TCO Perceived value
Buying	More self-service Easy to try and scale
Channel	Web is key Less outside sales



Trends and Vendor Impact

Build Strong Delivery Model

Offering	Smaller chunks On-demand, as needed
Competition	Price-focused Even more features
Decision-making	Economics, TCO Perceived value
Buying	More self-service Easy to try and scale
Channel	Web is key Less outside sales

License Delivery Model Requirements

- Track packaging and features
- Manage multiple products
- Create and manage editions
- Multiple fulfillment models
- Customer self-service
- Ease-of-administration
- Ability to change rapidly
- Financial and billing integration



Trends and Vendor Impact

Build Strong Pricing Model

Offering	Smaller chunks On-demand, as needed
Competition	Price-focused Even more features
Decision-making	Economics, TCO Perceived value
Buying	More self-service Easy to try and scale
Channel	Web is key Less outside sales

Pricing Model Requirements

- Focus on overall “offering”
- Charge for value created
- Simple packaging
- Discounting framework
- Price levels in line with value
- Policy-driven discounts
- Multiple payment options



Topics

- Why Customers Buy
- Trends and Vendor Impact
- Pricing Model
- Summary / Q&A



Many Pricing Models

Full custom

99 cent app

Flat rate

Freemium

Perpetual, subscription

Multi-tier packages

Per-user, per-click

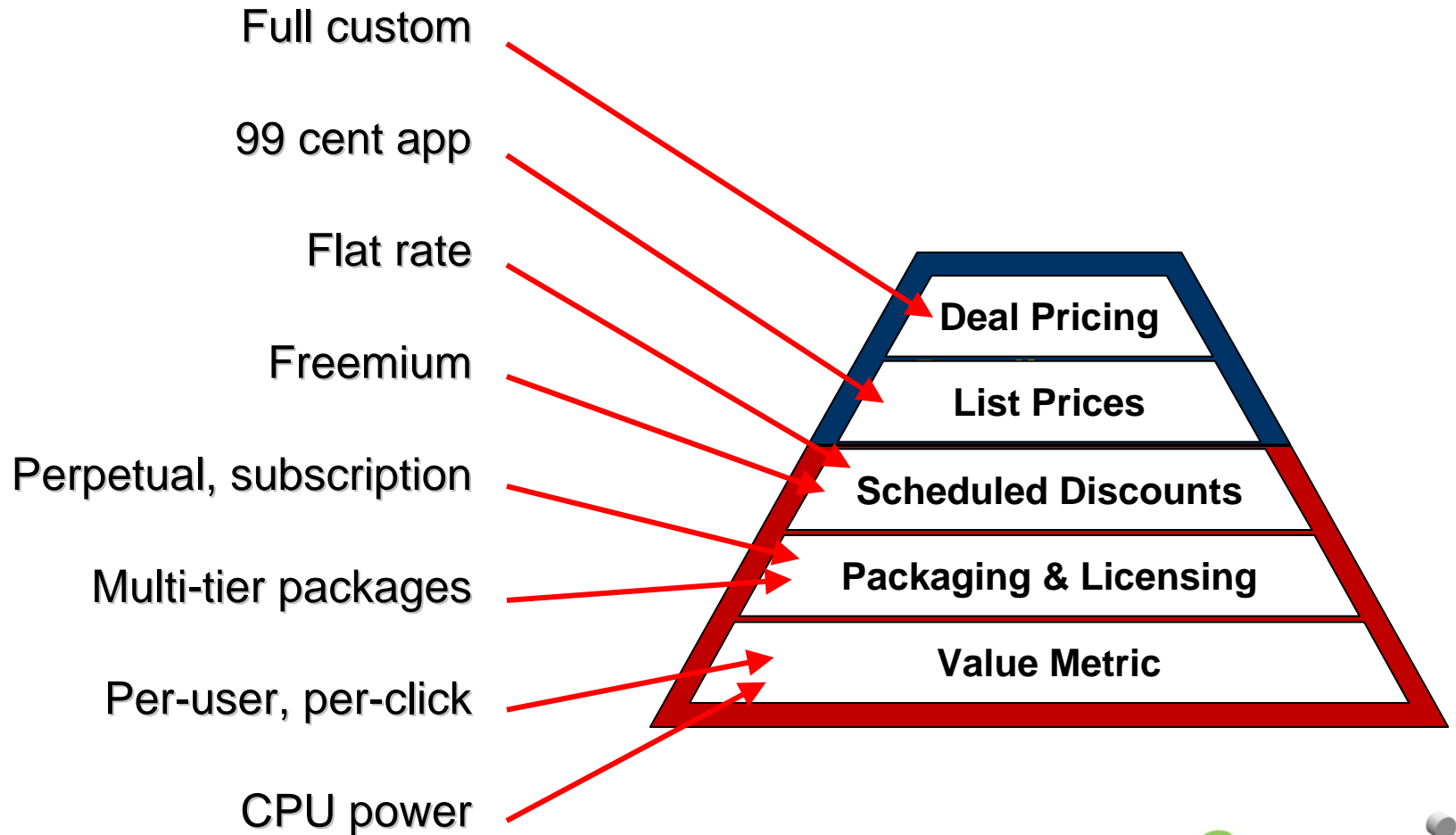
CPU power



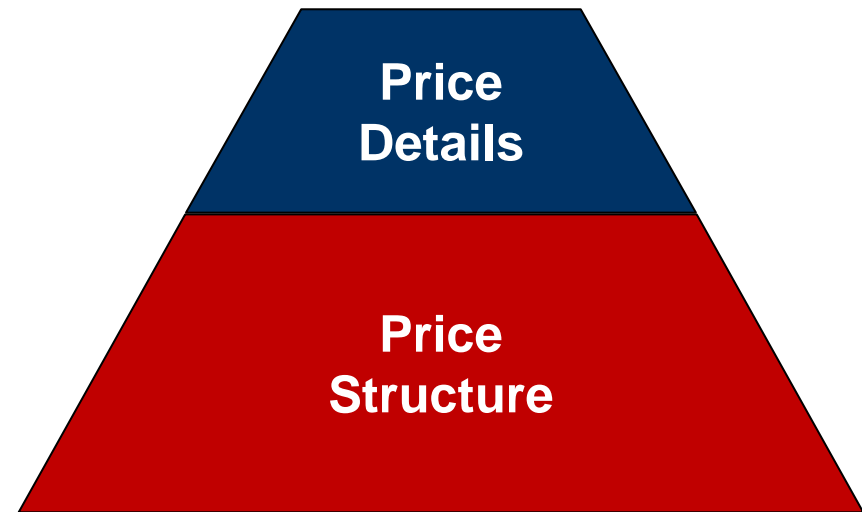
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~~Many Pricing Models~~ Elements

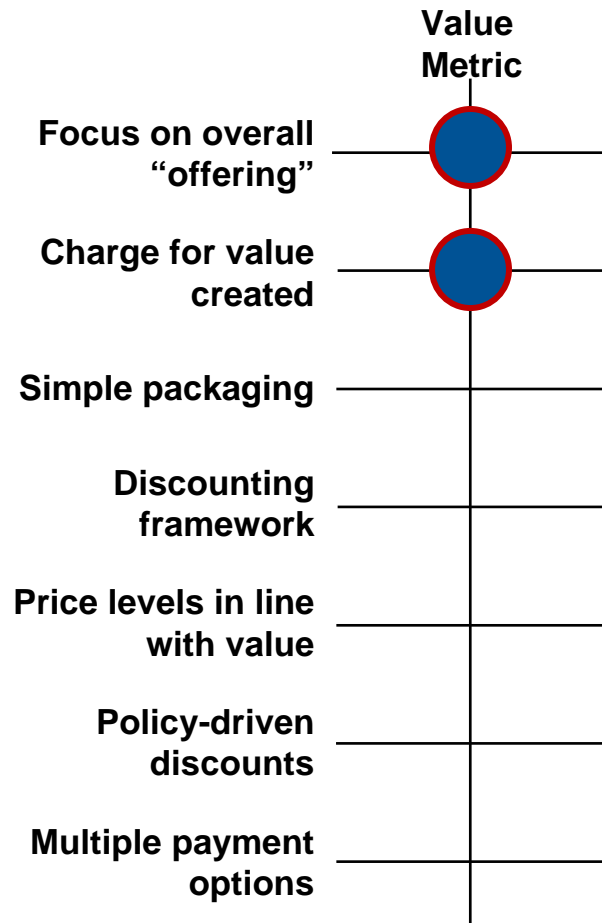


Pricing Model

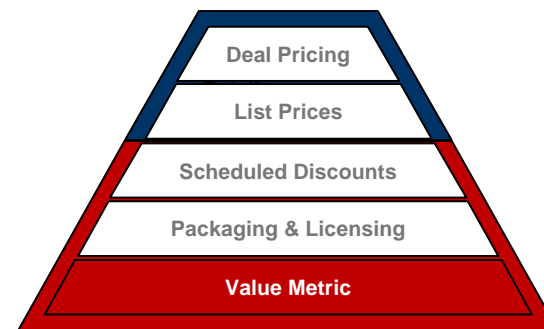


Developing a Pricing Model - Structure

Value Metric



- Scale with value delivered
- Relate to customer business
- Uniform across products
- Easy to estimate
- Easy to measure, monitor use
- Unambiguous



Metric Example

	FREE	TEAM	WORKGROUP	BUSINESS	ENTERPRISE
	SIGN UP >>	FREE TRIAL >>	FREE TRIAL >>	FREE TRIAL >>	GET QUOTE >>
Get free 1-week trial. No credit cards required.					
Active projects	1	10	20	50	Unlimited
Unlimited users	+	+	+	+	+
Unlimited file storage	20 MB	+	+	+	+
Pay-as-you-go <small>(no setup fees, no contracts)</small>	Pay only for days when your team really used Comindwork <small>when someone from your team logged into Comindwork account during a day</small>			Monthly billing for enterprises <small>Flexibility and control</small>	
	\$0	\$1/day	\$2/day	\$99/month	\$20/user/month
Or install locally <small>(request quote)</small>	---	---	\$695	\$1995	\$4995+
Collaboration and Project Management					
All plans include:	<ul style="list-style-type: none"> ✦ Collaboration: to-do lists, milestones, discussions, tickets, time tracking, RSS, reminders, notifications ✦ Knowledge management: enterprise wiki, documents, blog, files storage, tagging, linking, versions ✦ Tools: charts, reports, reply and upload by email, rich editor, video reply, semantic search, export/import ✦ Integrations: MS Project, Basecamp, Facebook, Gmail, Google Docs, Yahoo, Twitter and Salesforce ✦ Flexible and customizable: multiple time-zones support, 29 languages, API, customizable views and skins 				
Project management with tasks & Gantt	+	-	2 projects	+	+
Workflow engine	+	-	2 projects	5 projects	+
Reliability, Security and Client Service					
Reliability Pack	-	managed backups	managed backups	managed backups	Full pack
Security Pack	-	-	SSL	SSL	Full pack
Client service	48h (email)	24h (email)		12h (email) + phone	Dedicated Rep



Metric Example

Blossom 19

Database	\$ 0	\$972 estimated monthly cost ?
Dynos	\$ 648	
Workers	\$ 324	
Add-ons	\$ 0	

Database

Shared Cluster
Shared DBs offer highest peak performance. Cost-effective, but performance is variable.

- Blossom** **FREE**
5M B database max
Free database for development.
- Koi** \$ 15
20GB database max
Fast but variable performance.

Dedicated
Dedicated DBs offer dedicated compute units for predictable performance.

- Ronin** \$ 200
1 compute unit
2TB database max
- Fugu** \$ 400
5 compute units
2TB database max
- Zilla** \$ 1600
20 compute units
2TB database max

Dynos and Workers

Crank your **dynos** to increase HTTP performance. More dynos provide more **concurrency**. Crank your **workers** to process background jobs from a queue. More workers will empty the queue faster.

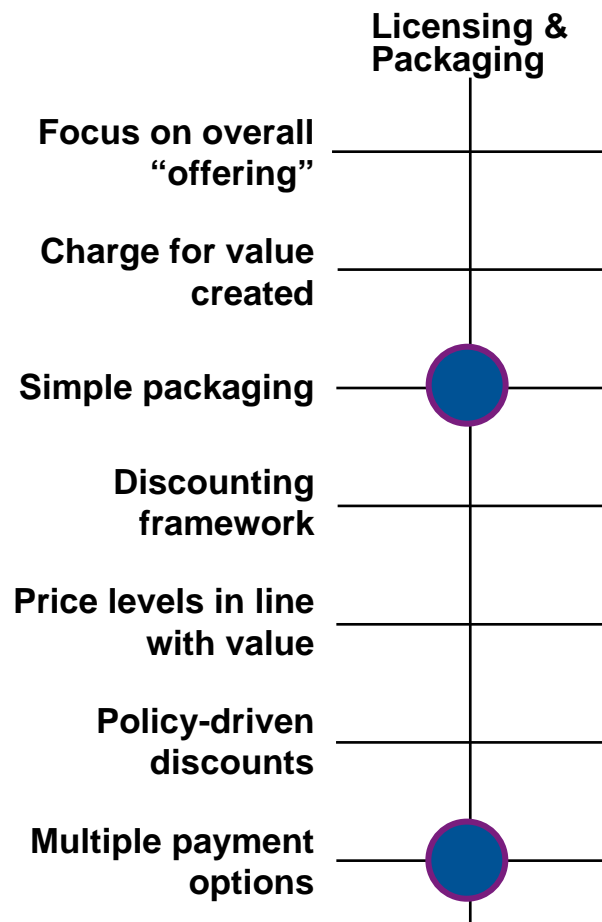
19 Dynos
\$0.90/hour

9 Workers
\$0.45/hour



Developing a Pricing Model - Structure

Licensing & Packaging



- Make choices easy, obvious
- "Reasonable" value steps
- Peg to use cases, segments
- Smooth upgrade / upsell path
- Payment equivalence



Package for Use / Value

Administrator Accounts

- Manage QuickBooks Integration
- Manage User and Customer Accounts
- Customize Order Forms
- Customize Sales Reports
- Customize Transaction Templates

Sales Accounts

- Add New Customers
- View Customer Order Status and History
- View Sales Activity Reports

Warehouse Accounts

- Print Pick/Pack Reports
- Update Shipment Status on Orders
- Integrates with Private and Public Warehouses

Customer Accounts

- View Pending Orders
- View Open Invoices and Order History
- View Payments and Credits

	STARTER Subscription FREE	STANDARD Subscription \$99/mo	PREMIUM Subscription \$149/mo	ULTIMATE Subscription \$199/mo
Administrator Accounts	✓	✓	✓	✓
Manage QuickBooks Integration	✓	✓	✓	✓
Manage User and Customer Accounts	✓	✓	✓	✓
Customize Order Forms	✓	✓	✓	✓
Customize Sales Reports	✓	✓	✓	✓
Customize Transaction Templates	✓	✓	✓	✓
Sales Accounts				
Add New Customers		✓	✓	✓
View Customer Order Status and History		✓	✓	✓
View Sales Activity Reports		✓	✓	✓
Warehouse Accounts				
Print Pick/Pack Reports			✓	✓
Update Shipment Status on Orders			✓	✓
Integrates with Private and Public Warehouses			✓	✓
Customer Accounts				
View Pending Orders				✓
View Open Invoices and Order History				✓
View Payments and Credits				✓

General	Description
Optimized for Web	Built for the Web from the ground up. Amazingly fast
Scalable	Accounts may have from 1 to 10,000+ employees
Group Organization	Group feature accommodates multiple entities and/or locations
Easy to Learn	Intuitive, does not require manual or costly training
Access Restrictions	Access levels for supervisors. Login security for employees
Reliable	Redundant network architecture, systems and backup
Daylight Savings	Automatically adjusts for daylight savings time
Time Zones	Supports all US and International time zones
Time Accuracy	System clock synchronized with authoritative government servers
Beta Approval Process	Require employees and supervisors digitally sign and approve timecards
Coming Soon Automatic Archive Process	Timecard and timesheets are automatically stored after 3 months and keep for 2 year
General	Communication
In/Out Board	Know where employees are and when they will return
Notice Posting	Post notice to an individual employee or to whole group
General	Data Collection
Web Browser	Punch from any computer using IE, Firefox or Safari
Toll Free Telephone	Optionally, Punch from any cell or land-line phone (North America only)
General	Time Clock Rules
Over Midnight	Accommodates shifts that work thru midnight
Rounding	Rounds punches to nearest minute, 10th or quarter hour
IN/OUT Rounding	Separate rules both IN and Out punches
Overtime	Calculates two levels Worldwide
New Minimum Time	Allows for full day or partial day time. Needed by Labor Unions.
Schedule	Start/end times determine late IN and early OUT punches
IN Zone	Rounds first IN punch to department start time
OUT Zone	Rounds last OUT punch to department end time
Lockout	Prevents employee from punching outside schedule
Lunch Deduction	Automatically deducts lunch minutes from a timecard
General	Timecard/Timesheet Report
Pay Period Ranges	Reports weekly, bi-weekly, semi-monthly, or monthly
Multiple Punches	Accommodates multiple IN/OUT punches per day by employee
Benefit Tracking	Records vacation, sick, holiday, and "other" hours
Benefit Accrual	Displays benefit hours accrued, used, and available
Holidays	Displays holiday hours from group holiday list
Department Transfer	Timecards displays hours worked in each department (ie job costing)
General	Other Reports
Payroll Summary	Total hours worked each pay period
Gross Pay Summary	Total gross pay calculation each pay period
Dept Transfer Summary	Total hours worked per department each pay period
Who's IN	Shows who's in, where they punched from, and late punches
Who's OUT	Shows who's out, where they went, and when they will be back
Archive	Save timecards or timesheets. Easy retrieval
General	Exports
Print	Print reports
Email	Email email reports
CSV (Comma Separated Value)	Exports to Excel or database. Import into ADP Payroll , and Sura Payroll
QuickBooks	Exports to QuickBooks Pro or Premier
Others	Contact us, we can integrate your payroll service
General	Security
Login Security	Settings prevent employees from punching from home
IP Login Security	Identifies network location and validates login
Cookie Login Security	Identifies specific computer and validates login
Caller ID Login Security	Identifies specific telephone and validates login
Delete Manager	Allows timeclock Admin to restore deleted records
Supervisor Access Rights	Four levels of rights including Edit or View Only
Secure Clock Settings	Clock cannot be tampered, it resides on our servers
Database Encryption	Protects data, extremely high internal security
SSL Encryption	Protects data with Authentic and Secure logo on bottom of each page
Secure Data Center	Servers located in high security data centers
General	Domain
Private Usernames	Uses your own pool of usernames
Branded application	Show company logo with link back to your website
Custom subdomain	Access website from a subdomain you choose
General	Support
Phone	Call us during business hours to answer questions
Email	Email us anytime for support
Online	Review our online training

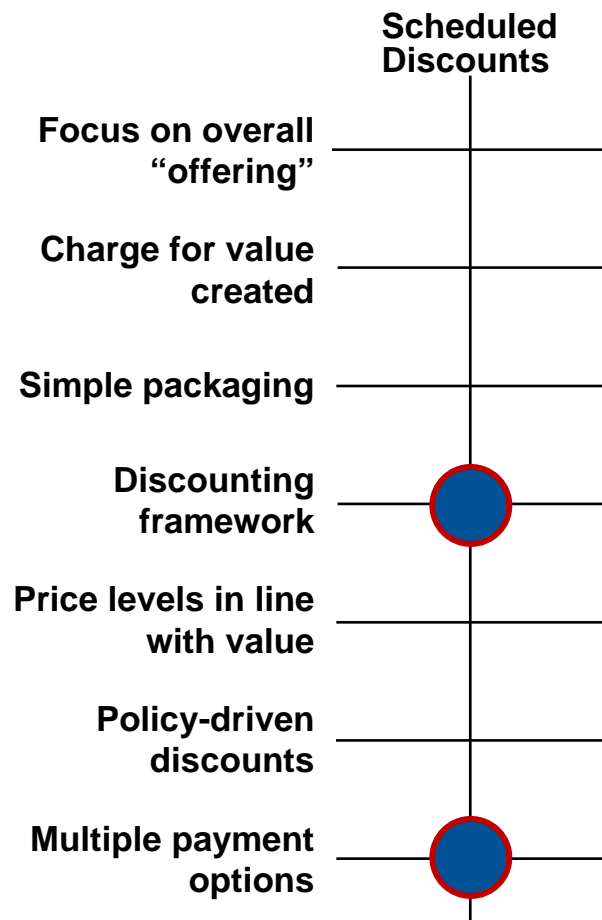
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Developing a Pricing Model - Structure

Scheduled Discounts



- Standard discounts
- Qualified customers get discounts
- Focused on customer behavior
- Logical



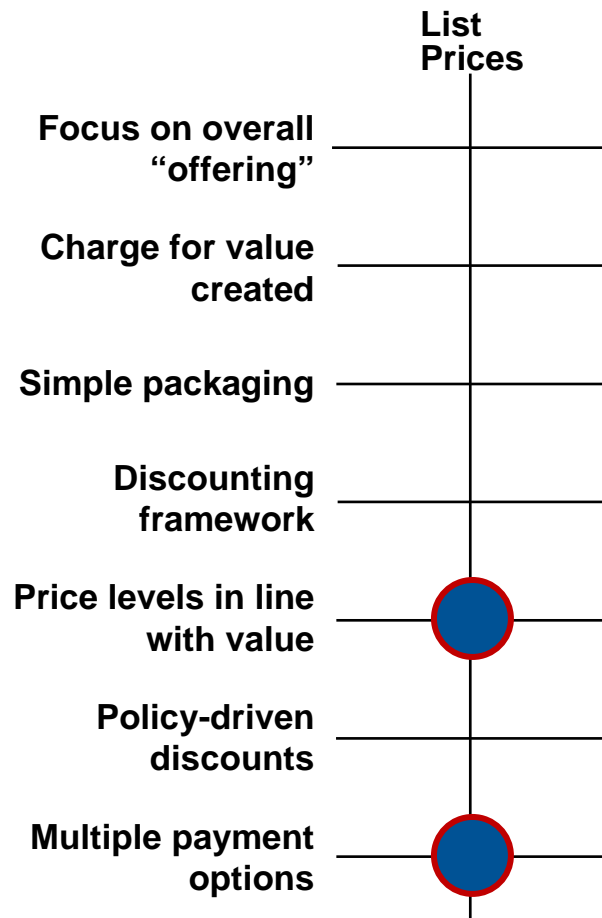
Scheduled Discounts

- Introductory
 - Focus on new product
- New customer
 - Attract new accounts
- Bundle
 - Increase transaction value
- Upgrade
 - Trade-up, upsell
- Loyalty
 - Reduce churn
- Segment focused
 - Industry, customer type



Developing a Pricing Model - Details

List Prices



- Economic value delivered drives price levels
- Competition, perception a moderating influence
- Covering costs is a sanity check
- Price points, packaging, discounting must fit together



List Prices and Steps

Sign-Up for The Premier Platform for Marketing Through Your Channel Partners

Find the package that is right for your channel and sign up today! It only takes a few seconds.

Basic	Standard \$2,000/month <i>Most Popular Plan</i>	Premium	Advanced	Enterprise
\$1,000/month		\$5,000/month	\$9,000/month	\$17,000/month
50 registered users	250 registered users	750 registered users	3,000 registered users	10,000 registered users
4 Field Engagement Team Hours	8 Field Engagement Team Hours	15 Field Engagement Team Hours	38 Field Engagement Team Hours	95 Field Engagement Team Hours
10,000 Emails	30,000 Emails	80,000 Emails	200,000 Emails	500,000 Emails
2 GB File Storage	10 GB File Storage	30 GB File Storage	80 GB File Storage	200 GB File Storage
Unlimited Campaigns	Unlimited Campaigns	Unlimited Campaigns	Unlimited Campaigns	Unlimited Campaigns
Unlimited Downloads	Unlimited Downloads	Unlimited Downloads	Unlimited Downloads	Unlimited Downloads
ALL Platform Features	ALL Platform Features	ALL Platform Features	ALL Platform Features	ALL Platform Features

Expect more than 10,000 users? No problem, give us a call and we'll be happy to provide a quote

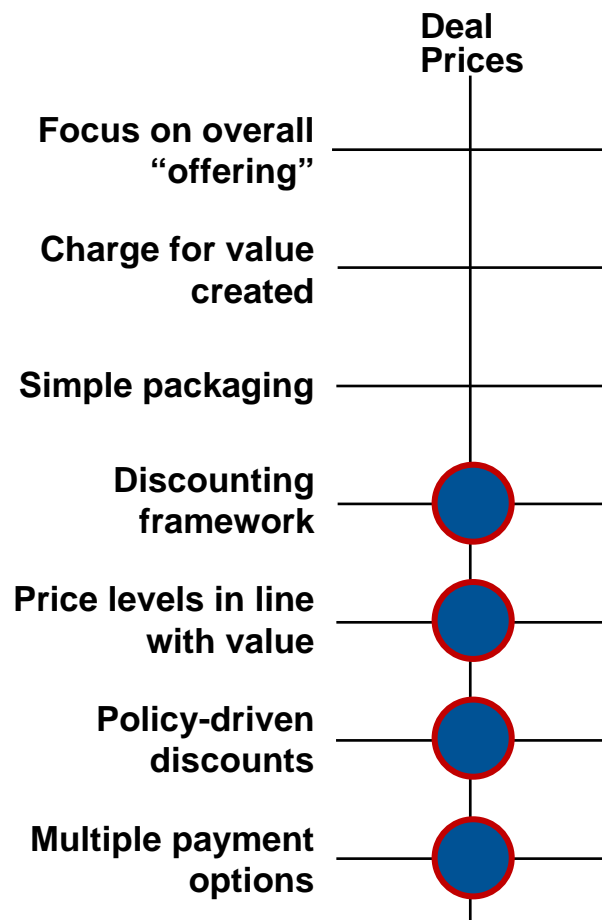


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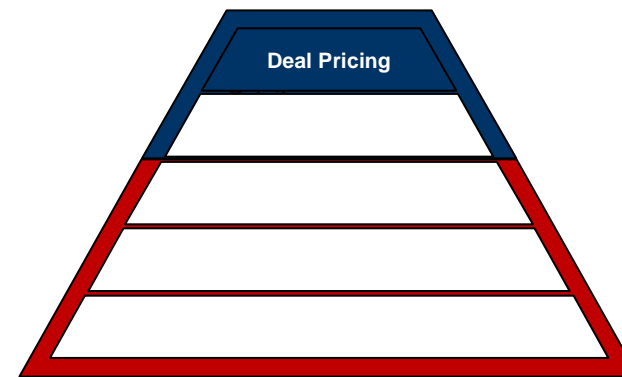


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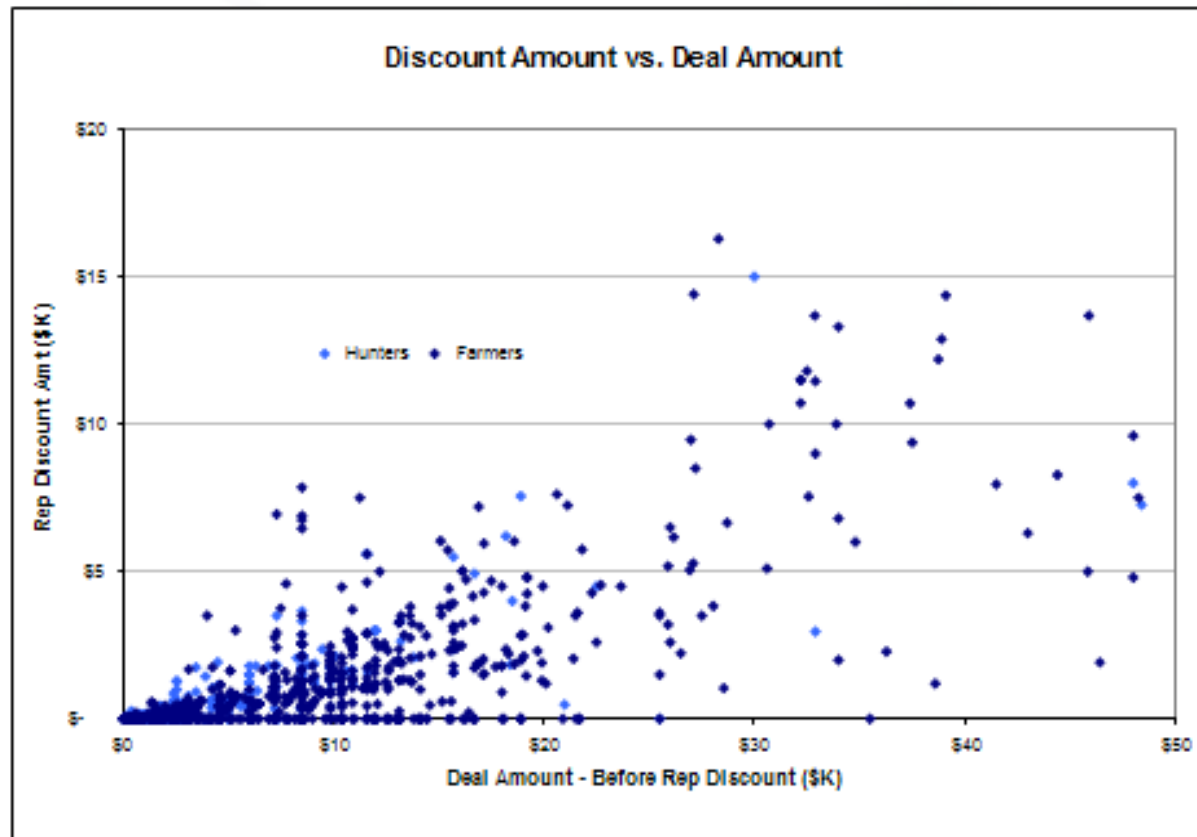
Deal Pricing



- Ad hoc / negotiated + scheduled
- Couple with sales comp
- Develop policies to standardize responses
- Negotiation capability and capacity



Inconsistent Deal Pricing



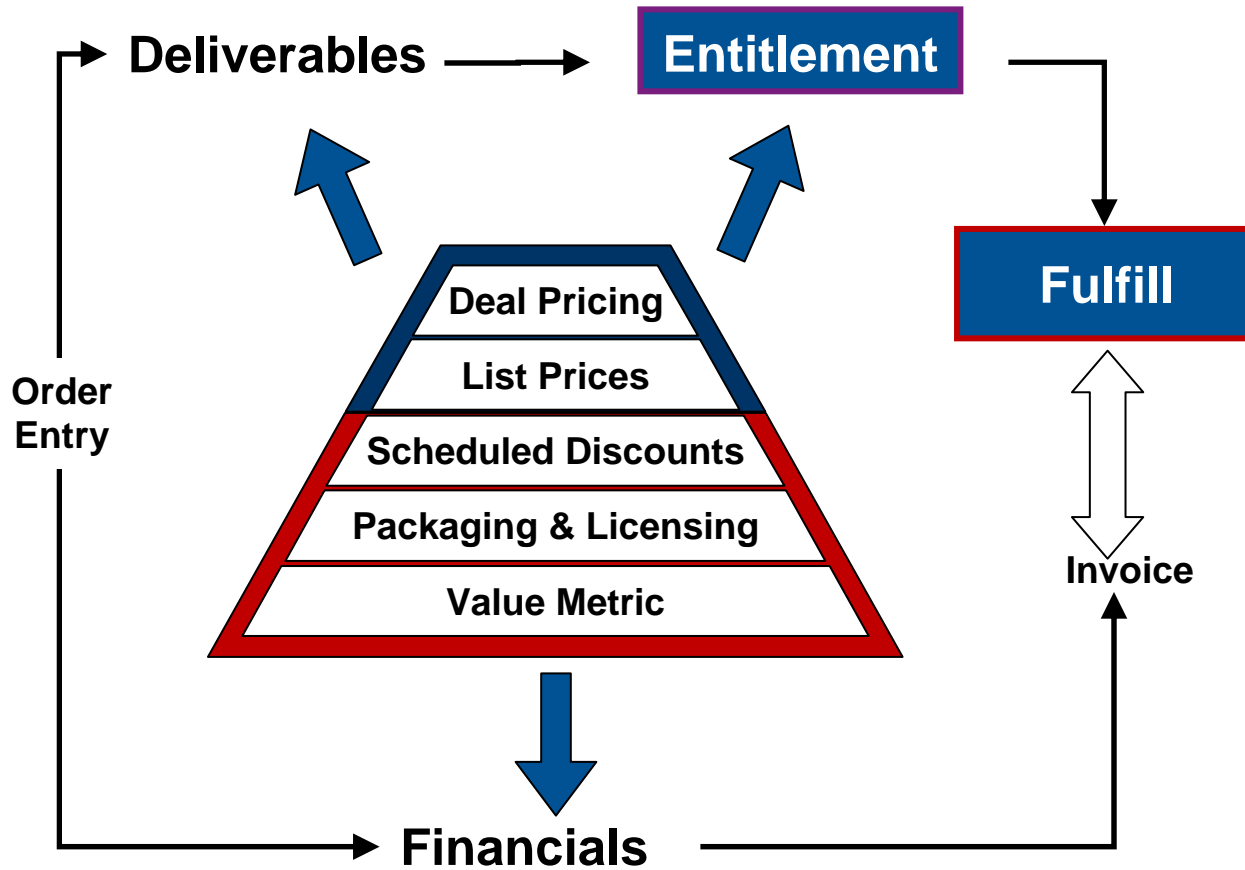
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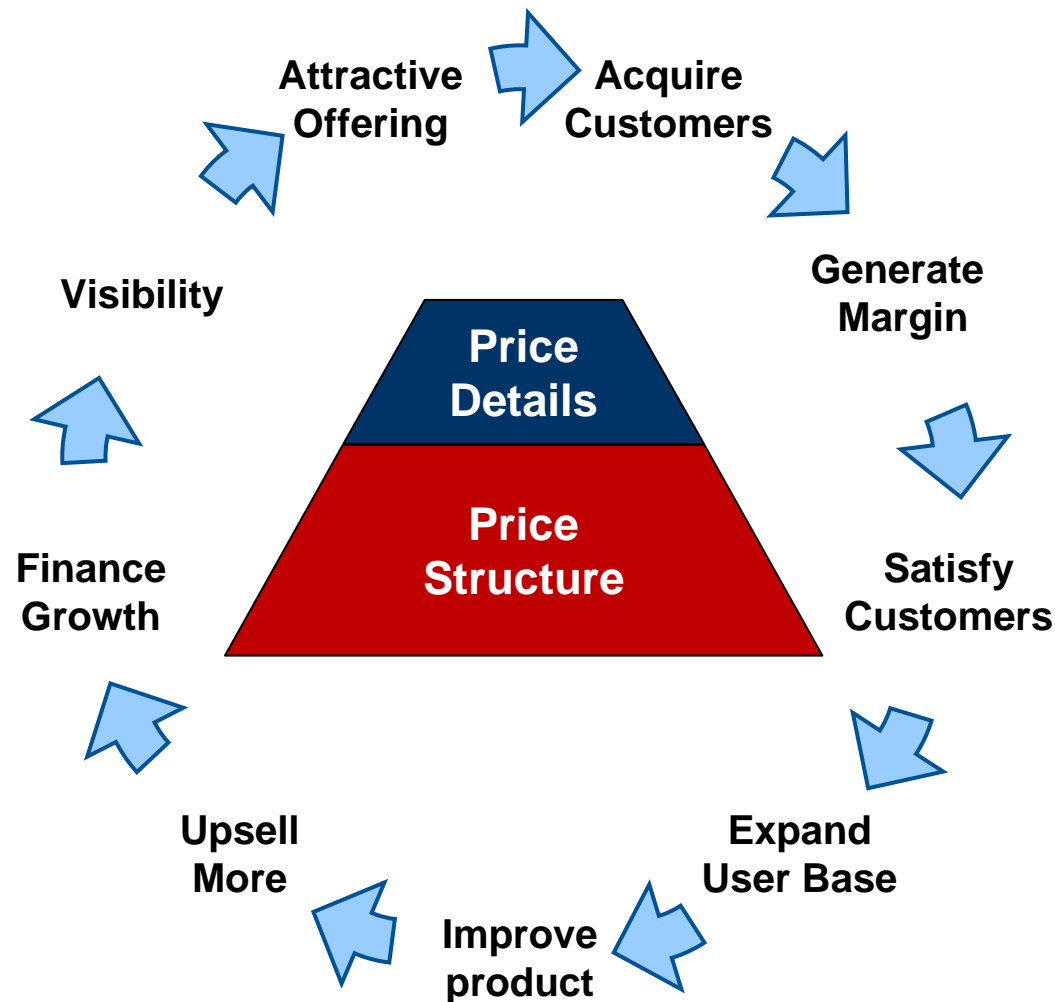
Summary

Align Processes AND Systems



Summary

Pricing Model Must Fit Business Model



Summary

Common Issues

- License delivery and pricing models
 - Key to success
 - Influences growth rate
 - Affects cash flow
- Hard to develop, change, administer
 - Plan, do, improve
 - A process...
 - ...Not an event
- Friction points
 - Longer sales cycle
 - Aggravate discounts
 - Slow / inaccurate fulfillment
 - Low customer satisfaction
 - Inefficient operations
 - Financial impact



Summary

Respond to Market Trends

Offering	Smaller chunks On-demand, as needed
Competition	Price-focused Even more features
Decision-making	Economics, TCO Perceived value
Buying	More self-service Easy to try and scale
Channel	Web is key Less outside sales



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Thanks!

Jim Geisman
508-647-0330
jimg@softwarepricing.com

