ProductLed™

Product-Led Monetization Strategy

Objectives .

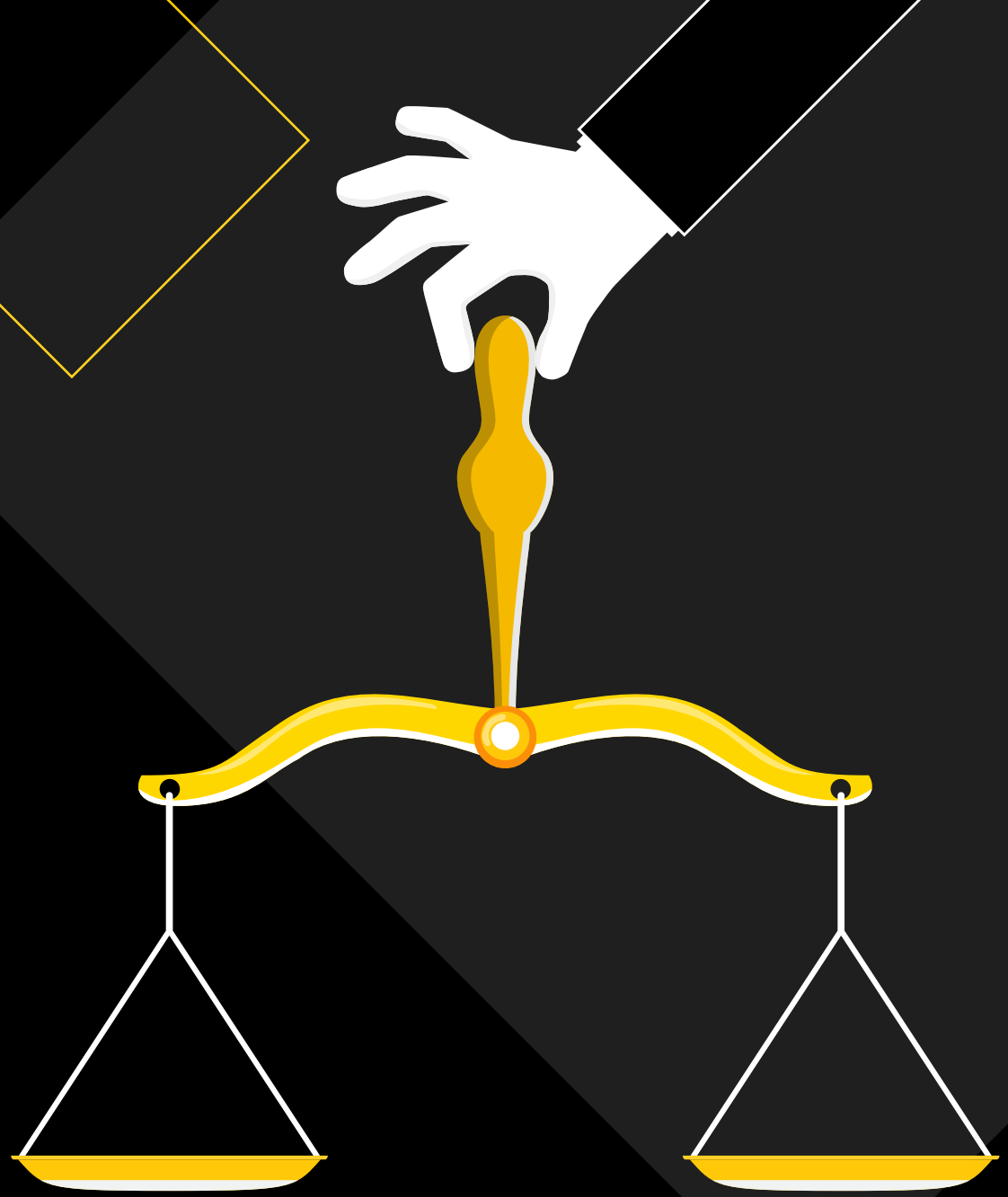
- What are the most common pricing mistakes to make and how to avoid them
- Why your pricing and customer acquisition model are like an arranged marriage
- An exercise to determine what is the best metric for your organization to charge by
- How to take a data-driven approach to understanding your pricing metrics
- Identify the best way to upgrade users

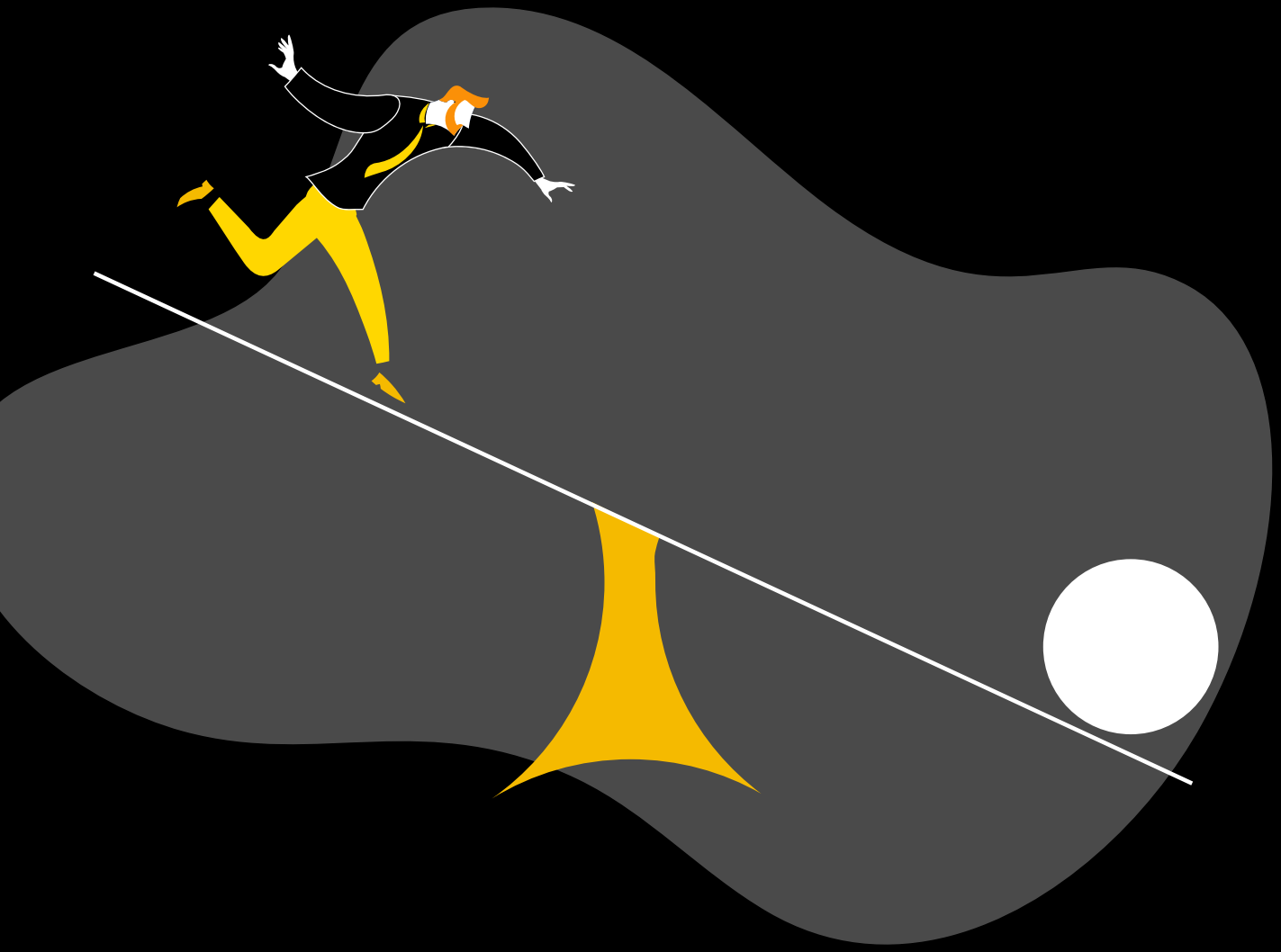
Your pricing and customer acquisition model are in an arranged marriage.

Give too much away for free and your customer acquisition model thrives while your business erodes.

Gate all your features and see a short-term spike in revenue while your customers acquisition model takes a hit .

What's The "Perfect" Balance?

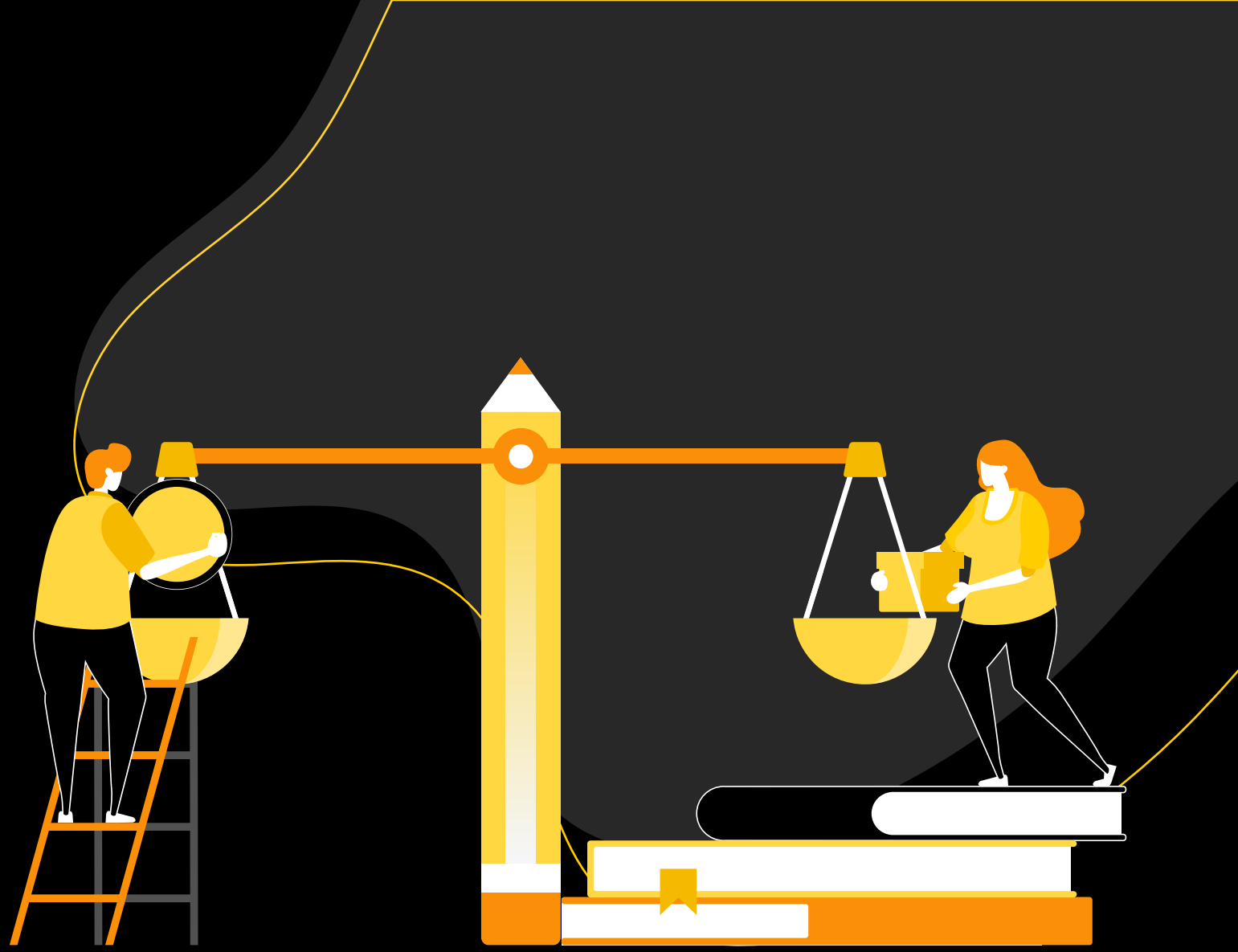


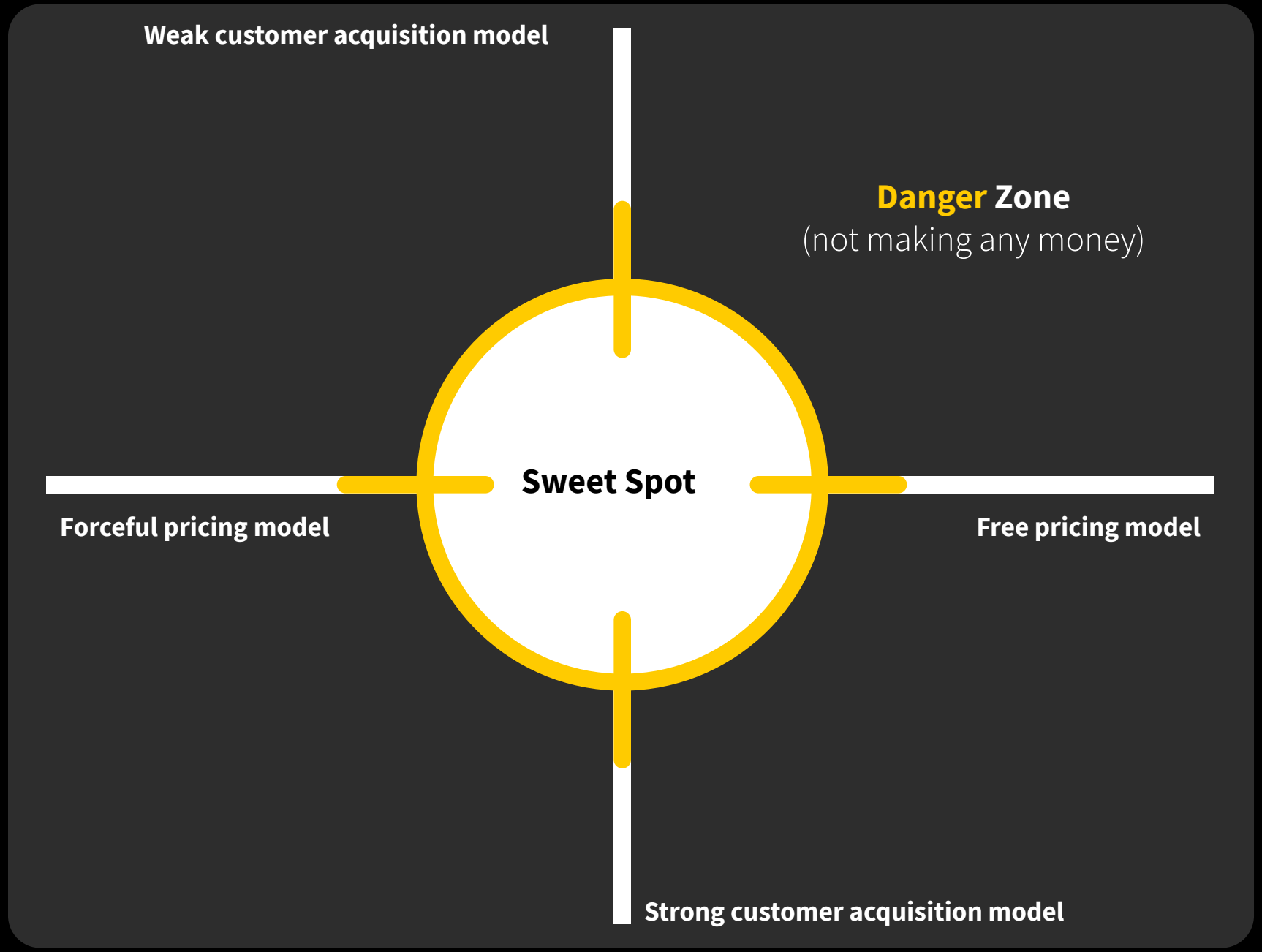


Is One Side Of The Model Always Going To Be Unbalanced?

It Depends.

For instance, in your market, you might want to over index on one side over the other.

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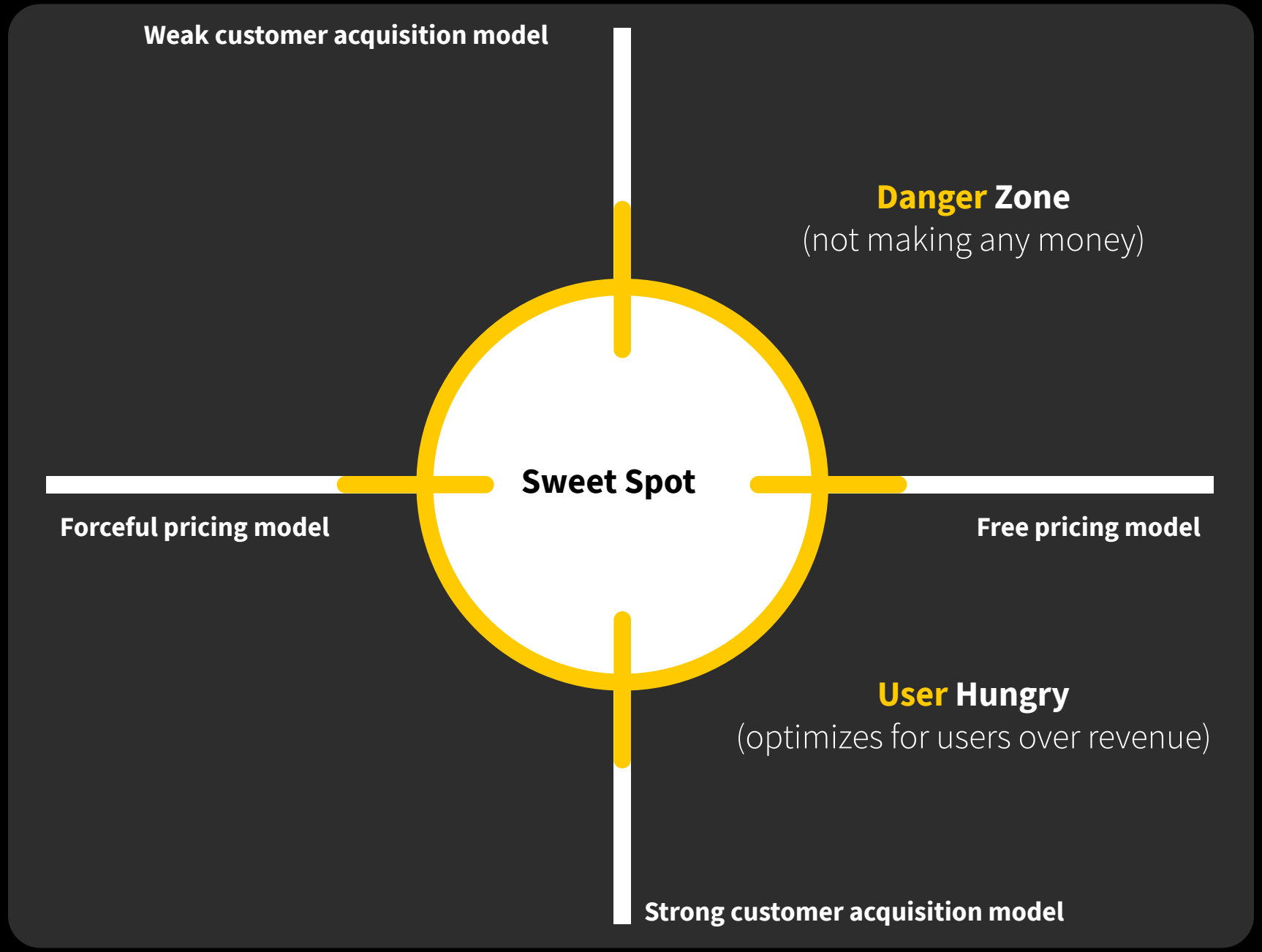
Danger Zone
(not making any money)
Sweet Spot
Forceful pricing model
Free pricing model
Strong customer acquisition model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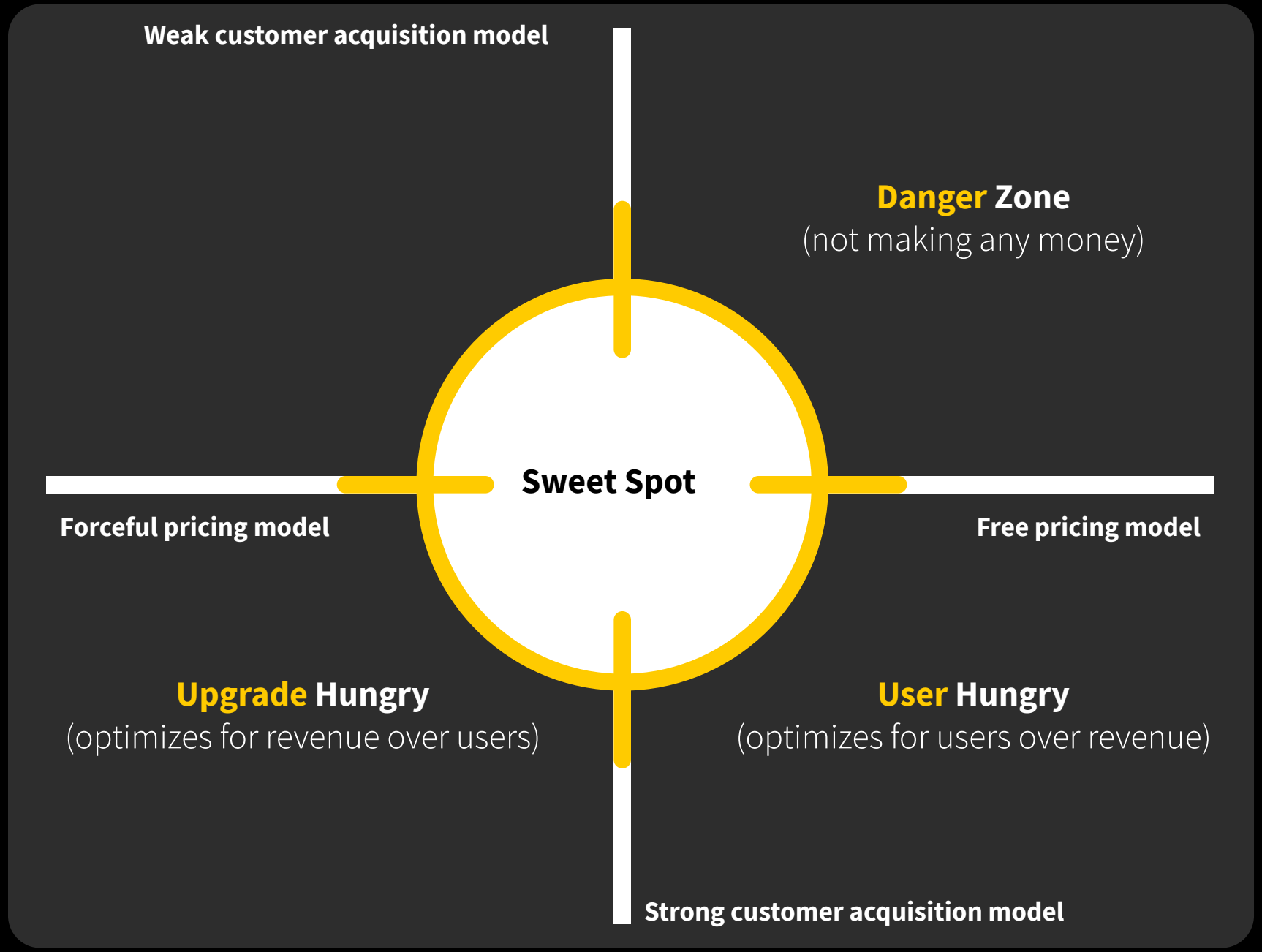
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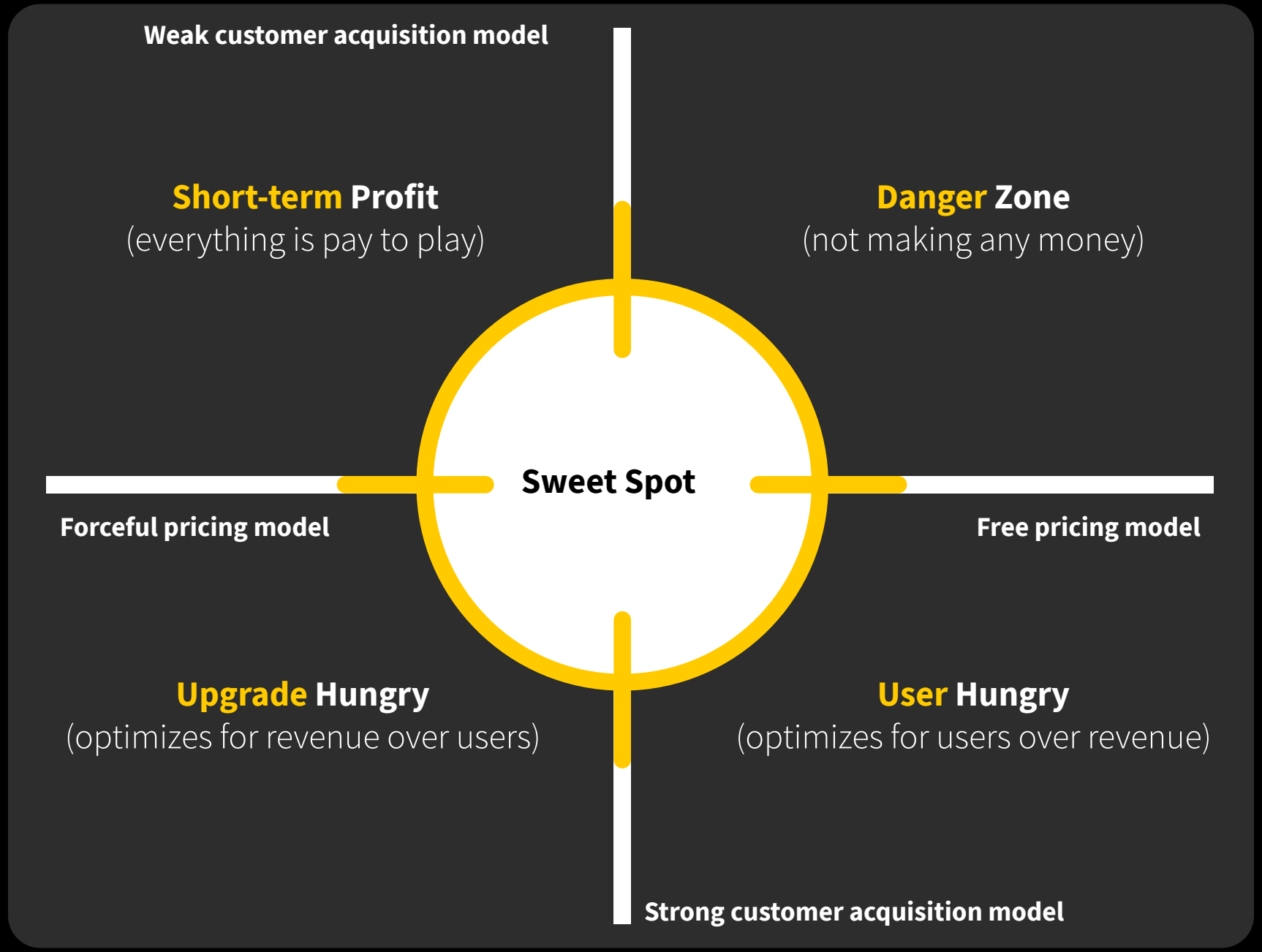
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How Do You Optimize For The Sweet Spot?

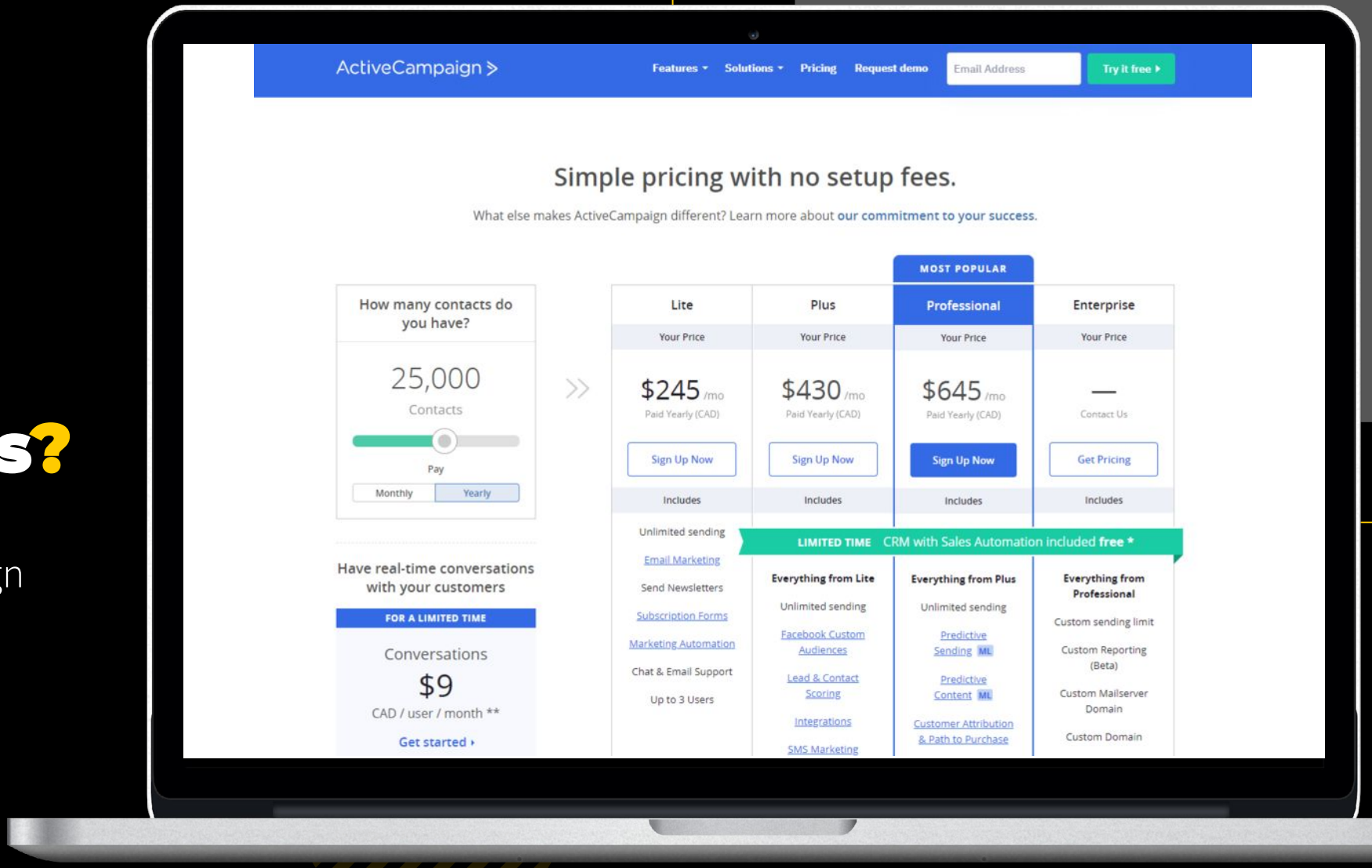
Part 1: Identify Your Value Metric.

What Is A Value Metric?

A value metric is the way you measure value exchange in your product.

What Are Examples Of Value Metrics?

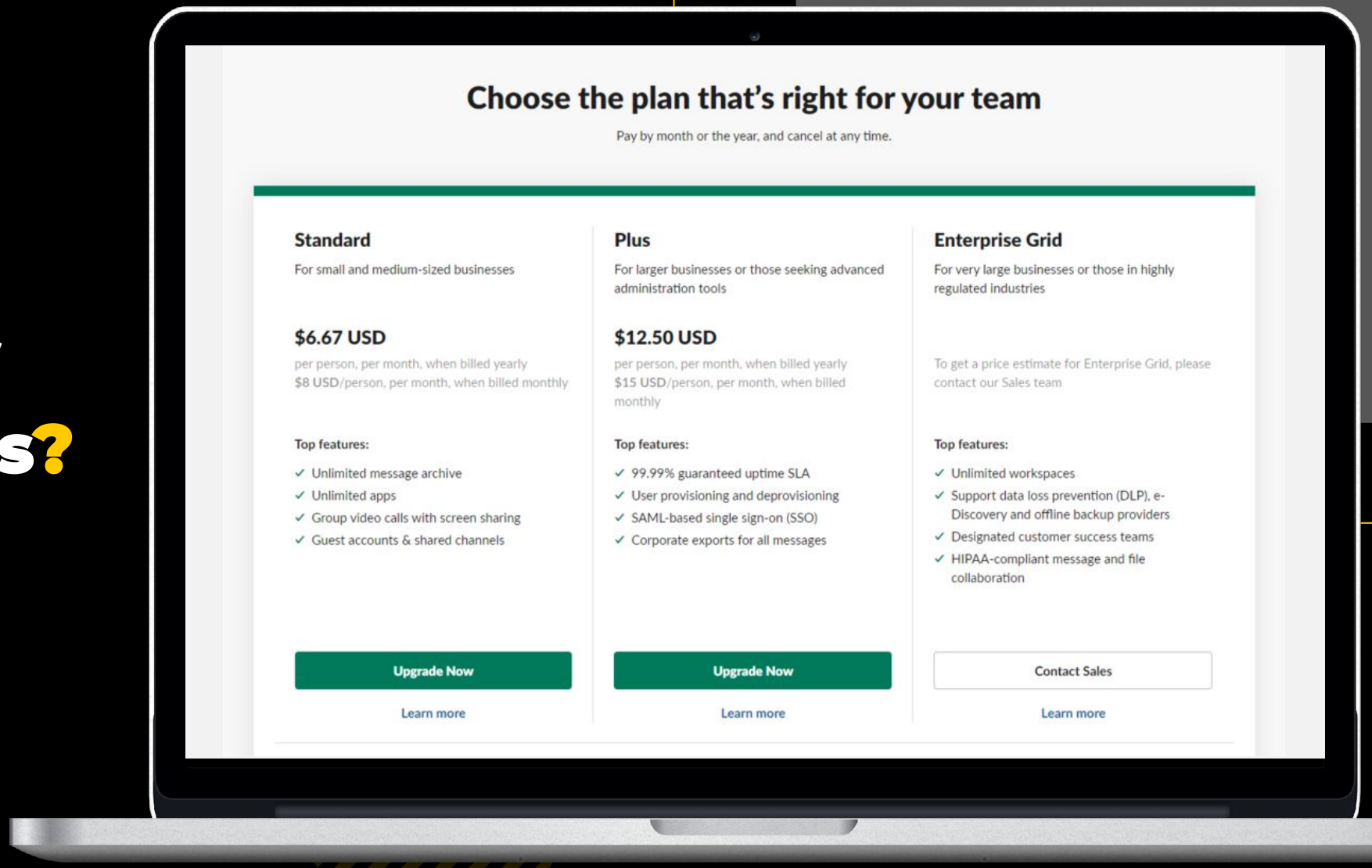
Per contact: Activecampaign



What Are Examples Of Value Metrics?

Per person: Slack

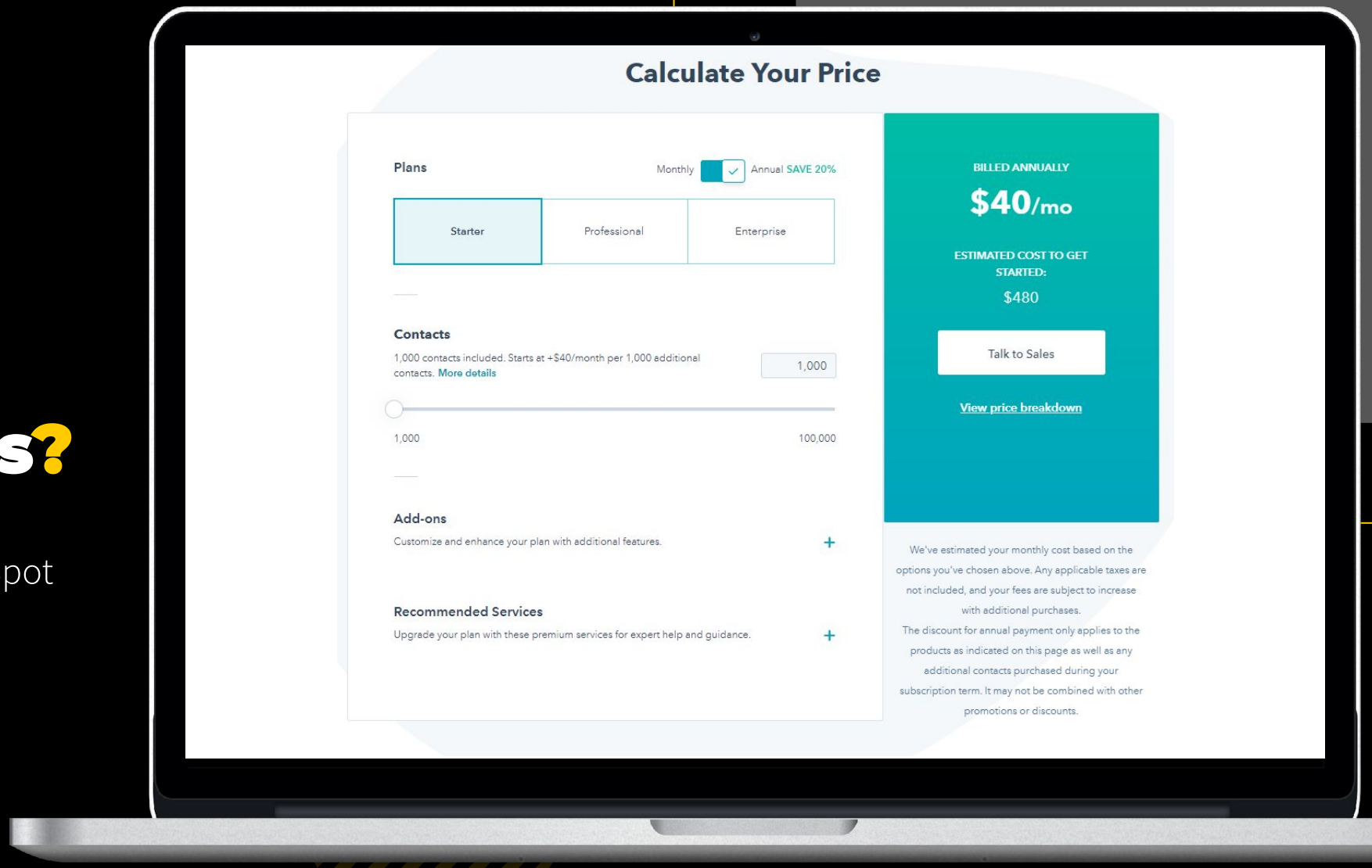
slack



What are examples of value metrics?

Per contact w/ Add-ons: HubSpot

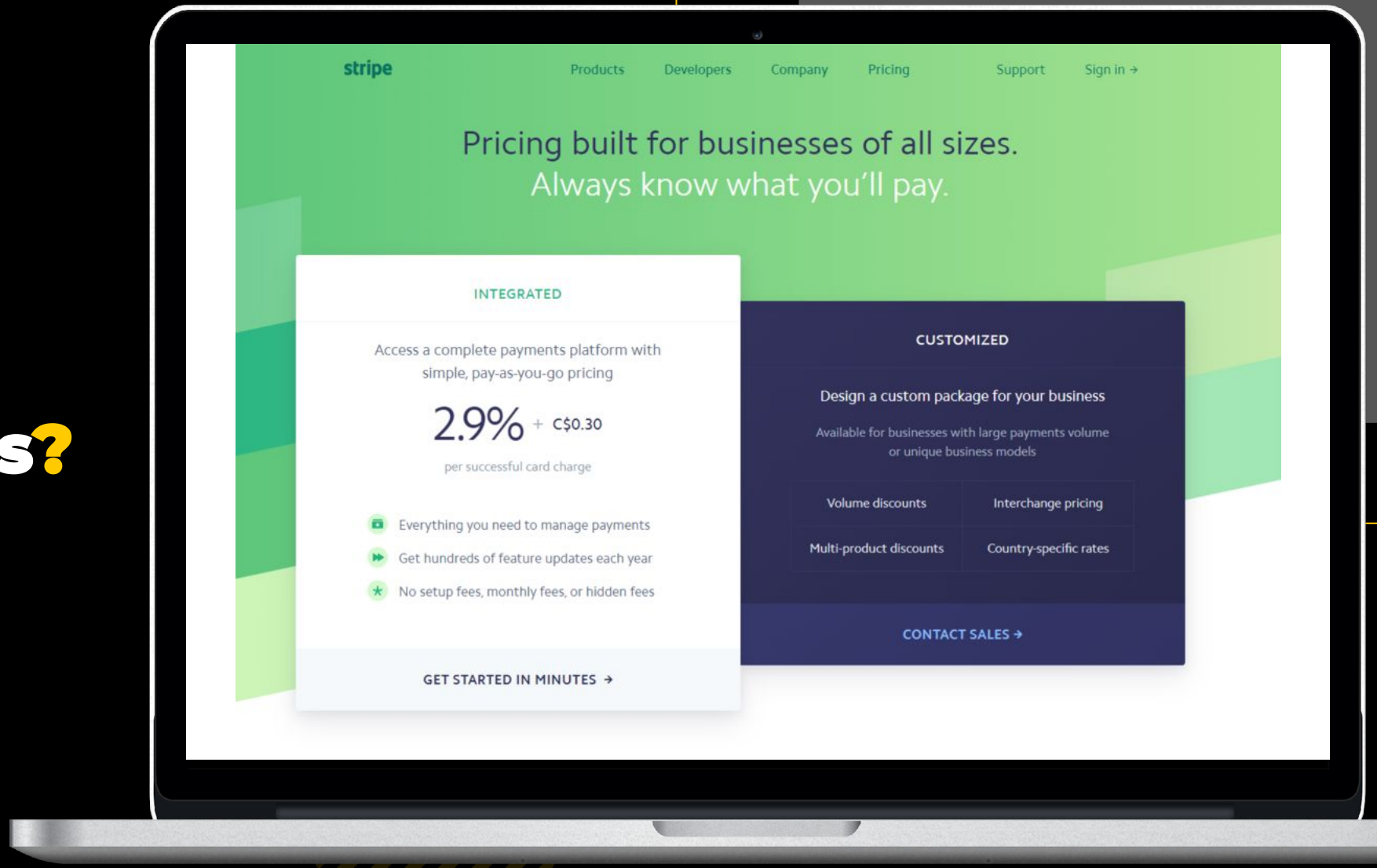
HubSpot



What are examples of value metrics?

Percentage of sales: Stripe

stripe

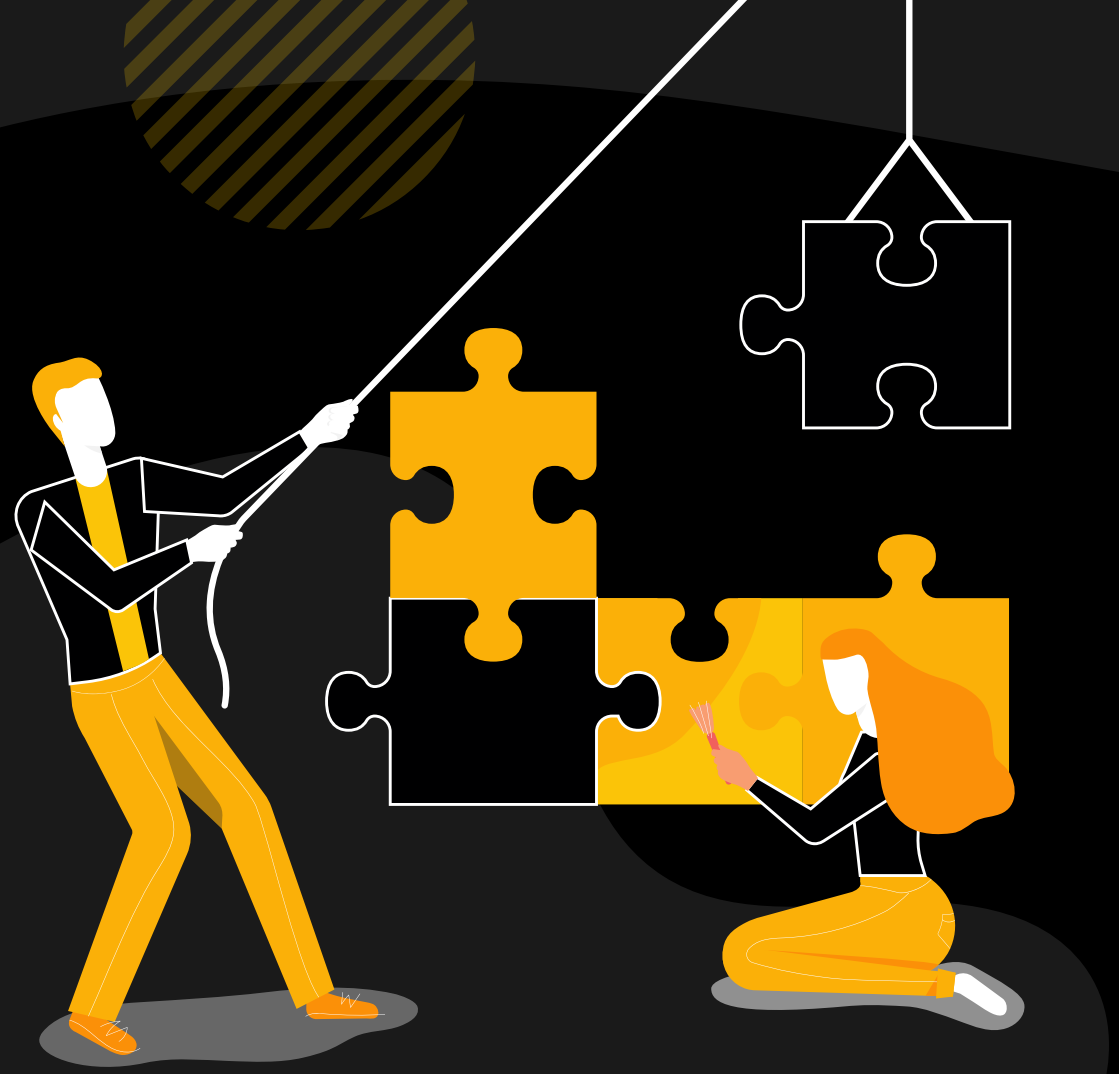


Two Types Of Value Metrics.

1. Functional value metrics are “per user” or “per 100 videos.”

2. Outcome-based value metrics charge based on an outcome, like how many views a video received or how much money you made your customer.

Why do you think value metrics are so important for product-led businesses?

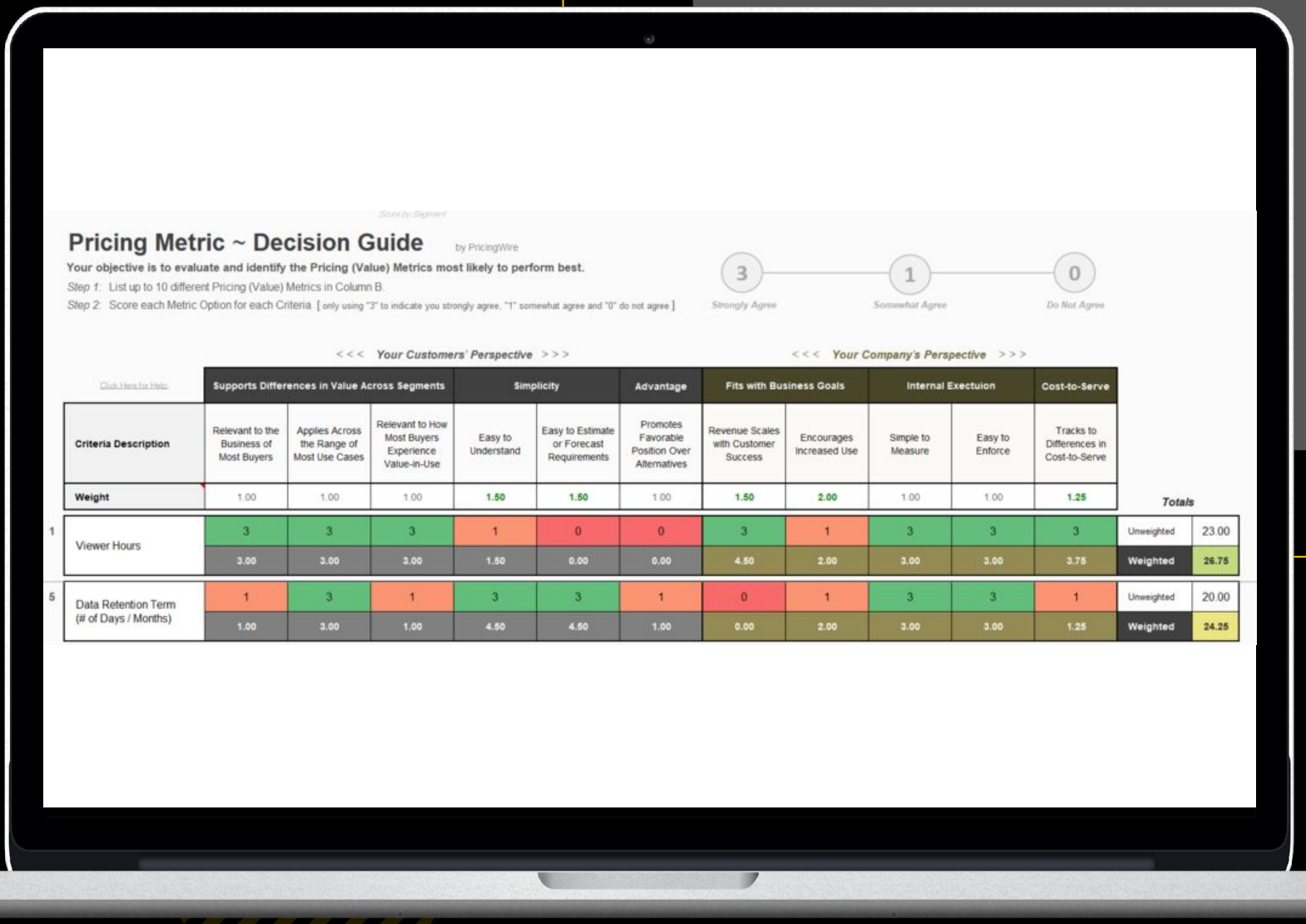


What Makes A Great Value Metric?

It Must Pass Three Tests.

- It’s easy for the customer to understand.
- It’s aligned with the value that the customer receives in the product.
- Grows with your customer’s usage of that value.

It Must Meet Both Your Customer's And Company's Needs.



Pricing Metric ~ Decision Guide

by PricingWire

Your objective is to evaluate and identify the Pricing (Value) Metrics most likely to perform best.

Step 1: List up to 10 different Pricing (Value) Metrics in Column B.

Step 2: Score each Metric Option for each Criteria. [only using "3" to indicate you strongly agree, "1" somewhat agree and "0" do not agree]

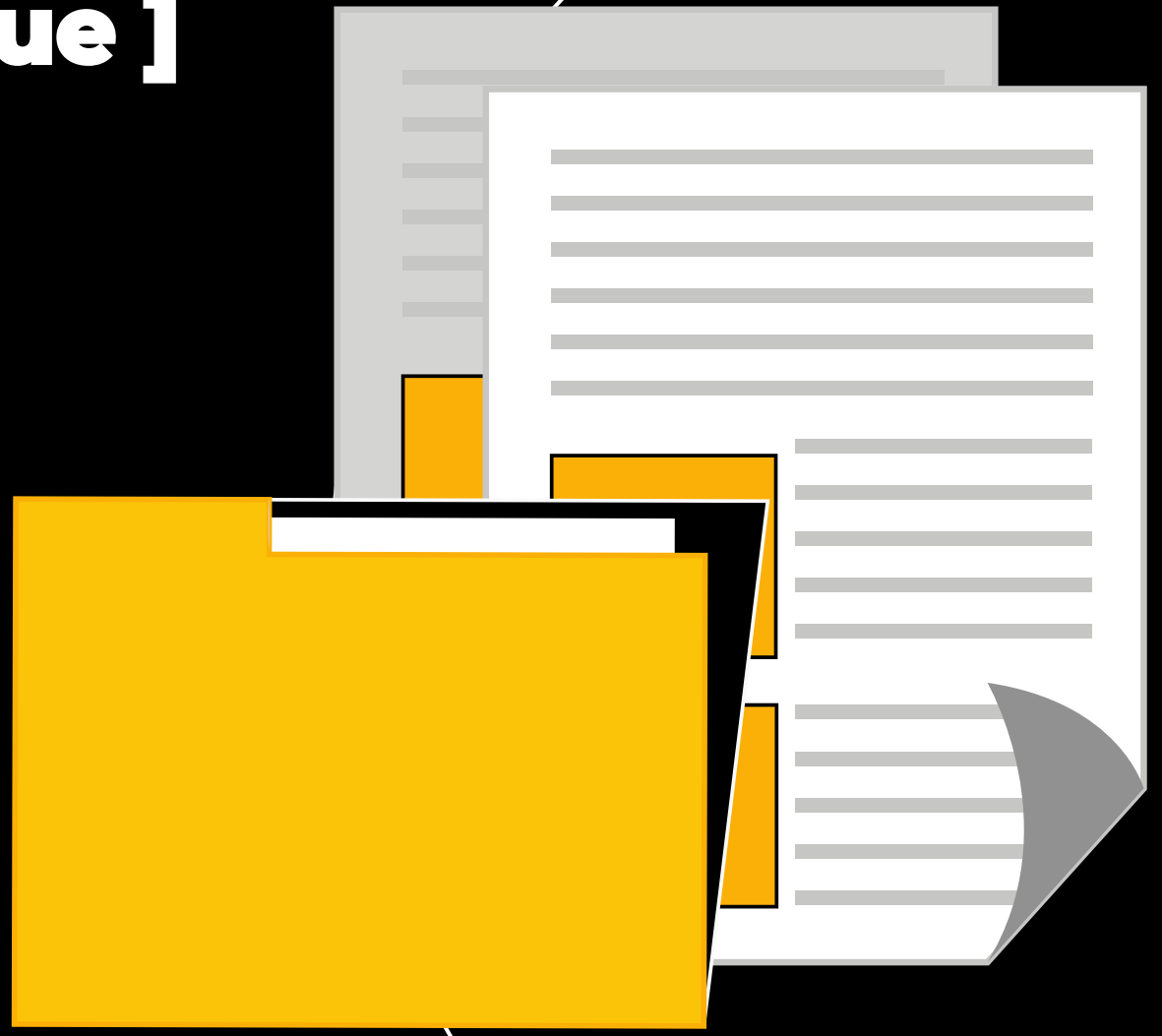
3 — Strongly Agree | 1 — Somewhat Agree | 0 — Do Not Agree

<<< Your Customers' Perspective >>> *<<< Your Company's Perspective >>>*

Click Here for Help

		Supports Differences in Value Across Segments			Simplicity		Advantage	Fits with Business Goals		Internal Exectuion		Cost-to-Serve		
	Criteria Description	Relevant to the Business of Most Buyers	Applies Across the Range of Most Use Cases	Relevant to How Most Buyers Experience Value-in-Use	Easy to Understand	Easy to Estimate or Forecast Requirements	Promotes Favorable Position Over Alternatives	Revenue Scales with Customer Success	Encourages Increased Use	Simple to Measure	Easy to Enforce	Tracks to Differences in Cost-to-Serve		*Totals*
	Weight	1.00	1.00	1.00	**1.50**	**1.50**	1.00	**1.50**	**2.00**	1.00	1.00	**1.25**		
1	Viewer Hours	3	3	3	1	0	0	3	1	3	3	3	Unweighted	23.00
		3.00	3.00	3.00	1.50	0.00	0.00	4.50	2.00	3.00	3.00	3.75	Weighted	26.75
5	Data Retention Term (# of Days / Months)	1	3	1	3	3	1	0	1	3	3	1	Unweighted	20.00
		1.00	3.00	1.00	4.50	4.50	1.00	0.00	2.00	3.00	3.00	1.25	Weighted	24.25

How to Evaluate + Select Pricing [Value] Metrics - Using the Pricing Metric.



Examples.

Most Common Mistake.

User-based pricing

Why Do You Think That's The Case?

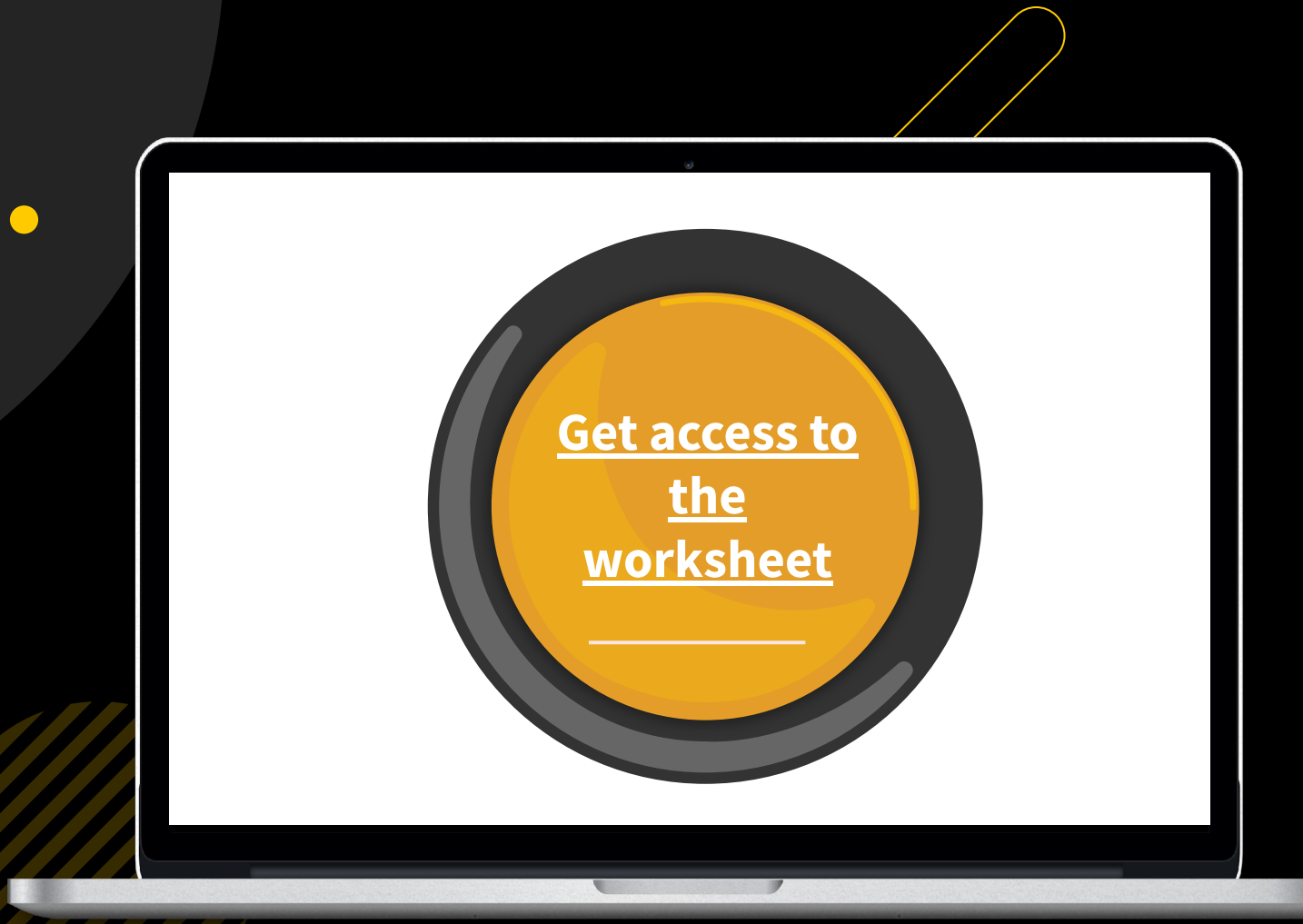
How To Know If User-based Pricing Is For You.

Per-User Pricing Scratch Pad

Condition	Example	True?
Each user receives differentiated value from accessing the product.	LinkedIn Recruiter	✓
The customer has a strong need to standardize their department or company on the platform.	Salesforce	✓
The product has network effects, where initial users want to collaborate and invite others.	Slack	✓
Budget predictability and control is critical for your buyer persona(s).	DocuSign	✓
Buyer is less sophisticated and needs easy-to-understand pricing.	Evernote	✓
Usage metrics in your industry have become commoditized or are becoming table stakes.	GitHub	✓

How Do You Find Your Value Metric?

Complete The Monetization Strategy Worksheet.

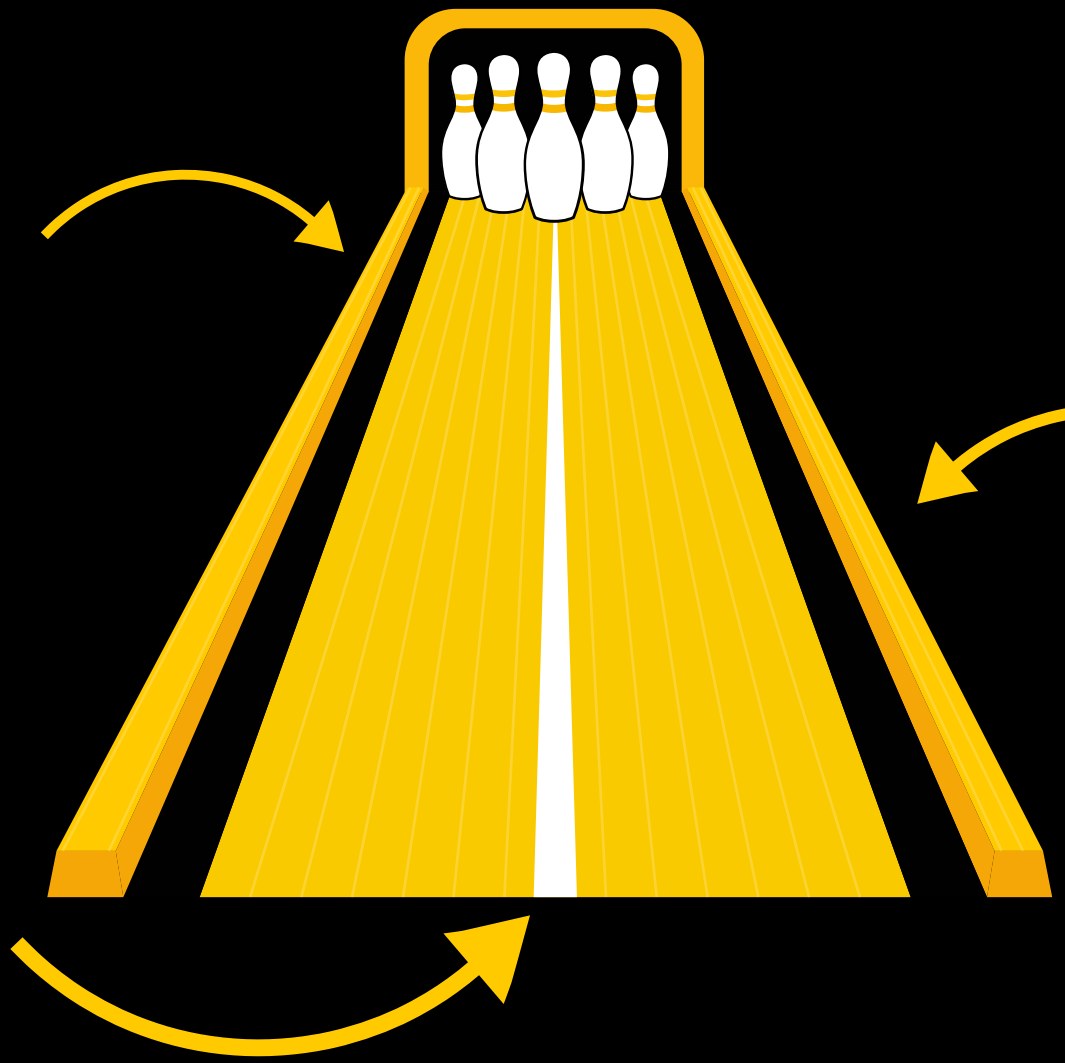


Part 2: Create Seamless Upgrade Experience.

How Can We Create A Seamless Upgrade Experience?

Conversational Bumper

Use prompts such as email and SMS to bring users back to the product.



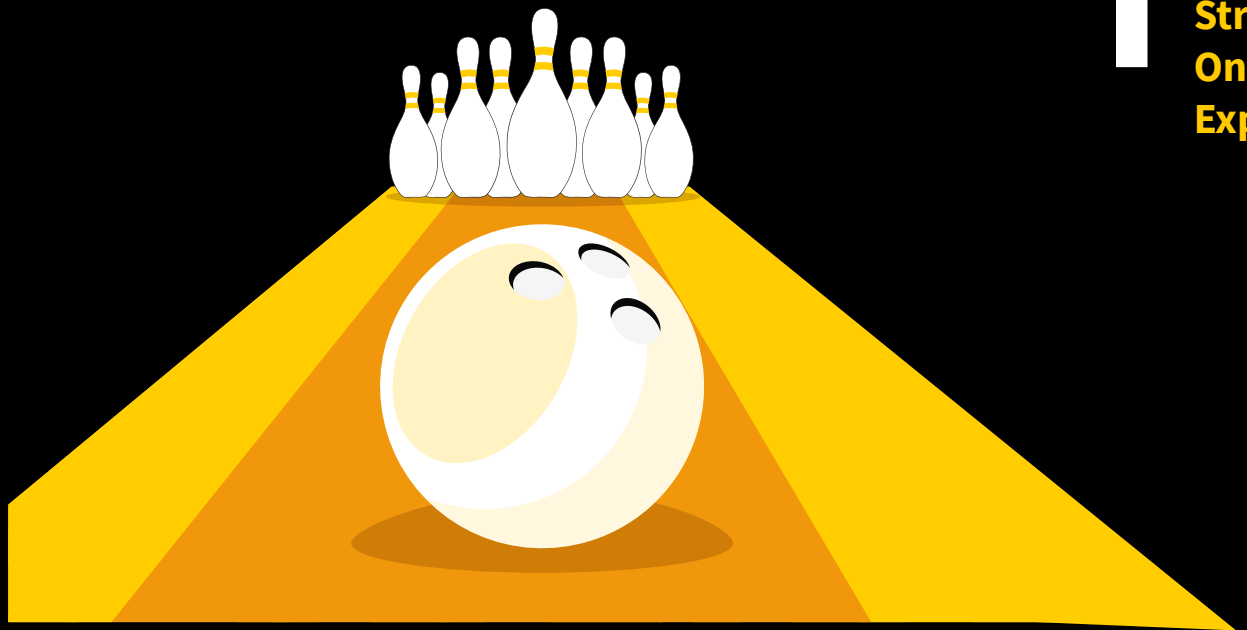
Product Bumper

Shows the user what to do within the product using helpful tooltips

Straight-Line Onboarding

Contains the absolute minimum number of required steps for a user to experience value.

Bowling Alley Framework.



1

Identify Our Straight-Line Onboarding Experience

2

Build a Product Bumper

3

Create a Conversational Bumper

What Does Someone Need To Do To Successfully Pay For Our Product?

Bowling Alley Framework.

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Identify Our Straight-Line Onboarding Experience

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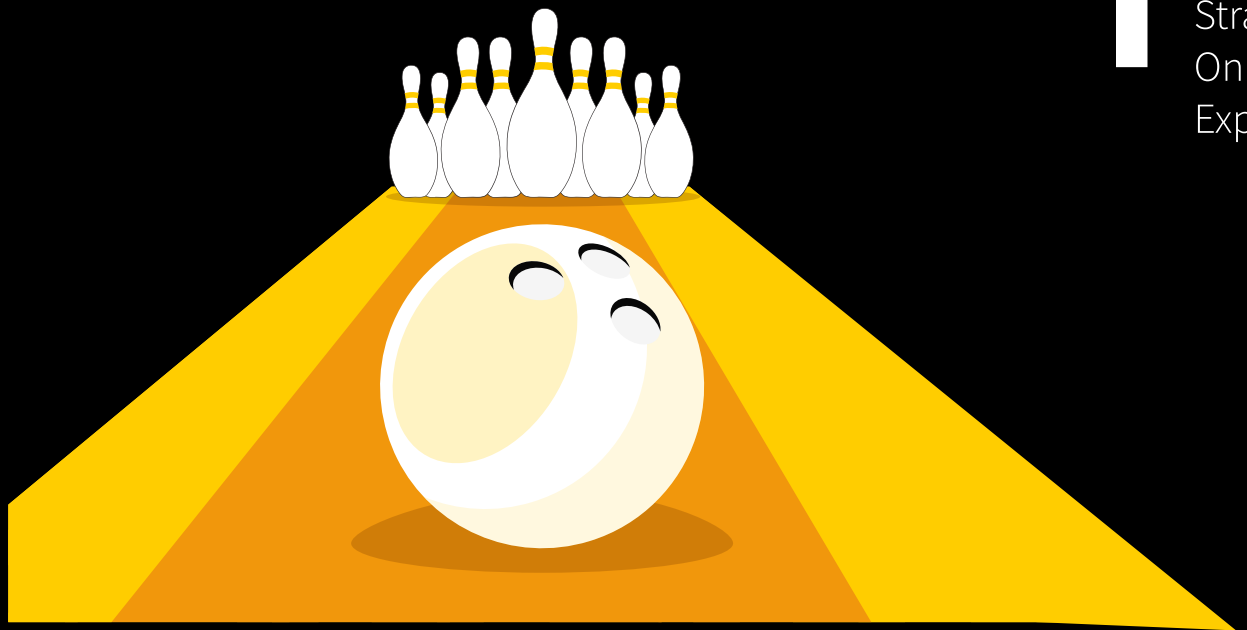
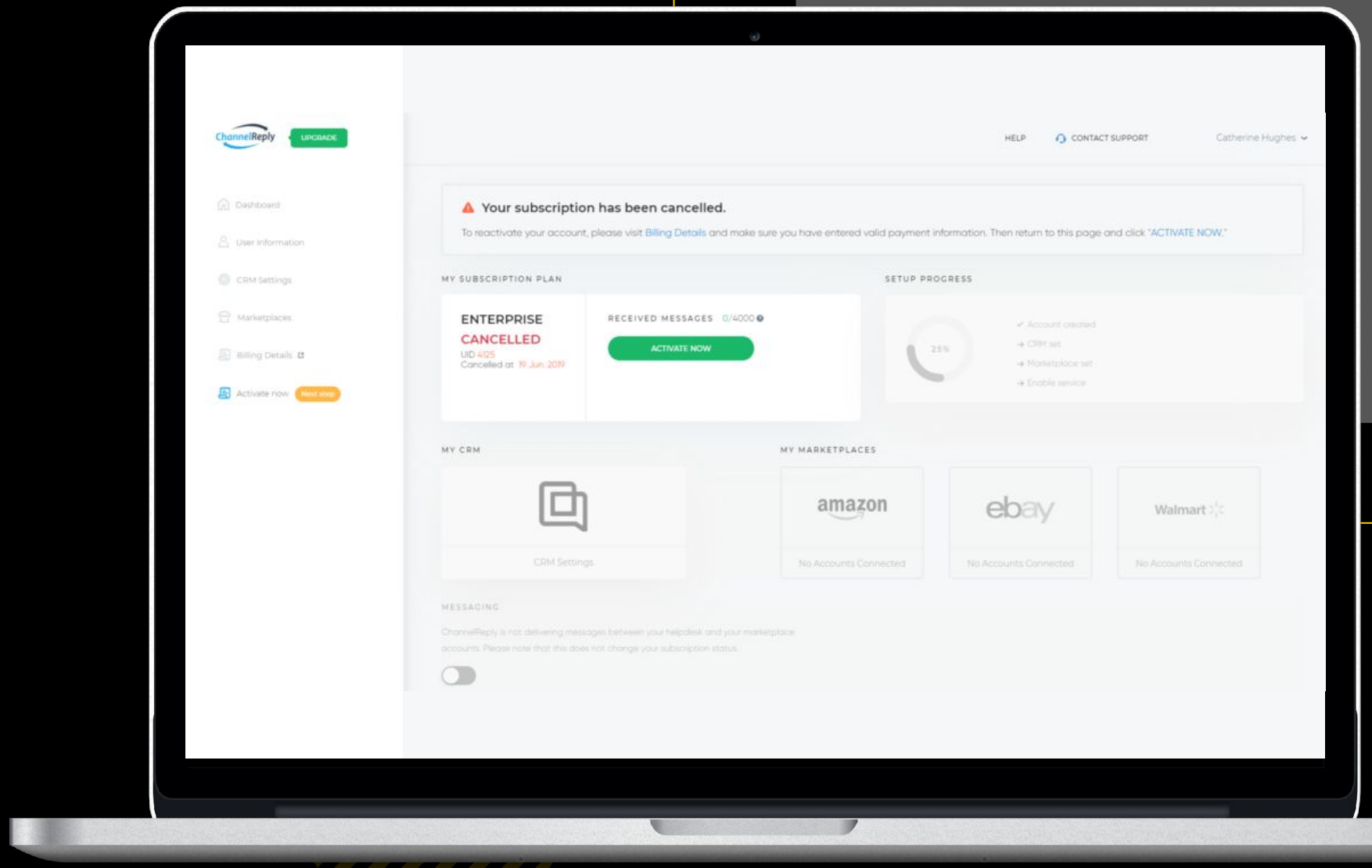


How Can We Use Product Bumpers To Make It Easy For Our Users Upgrade?

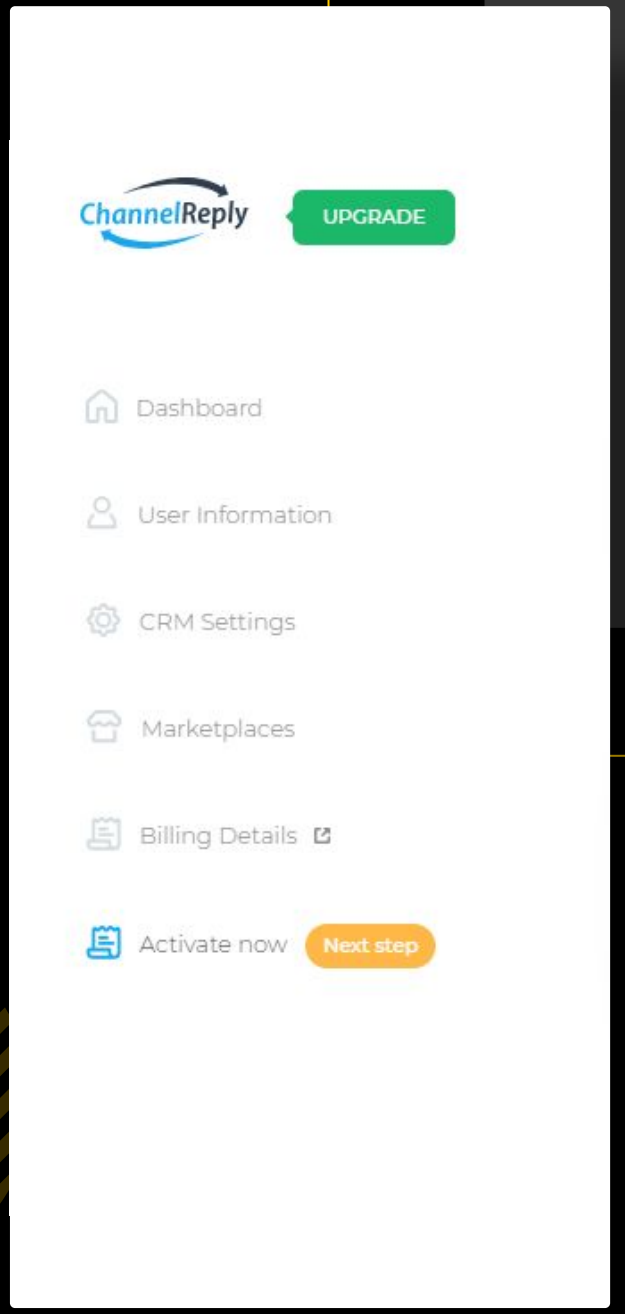
Examples.

Trial Expired



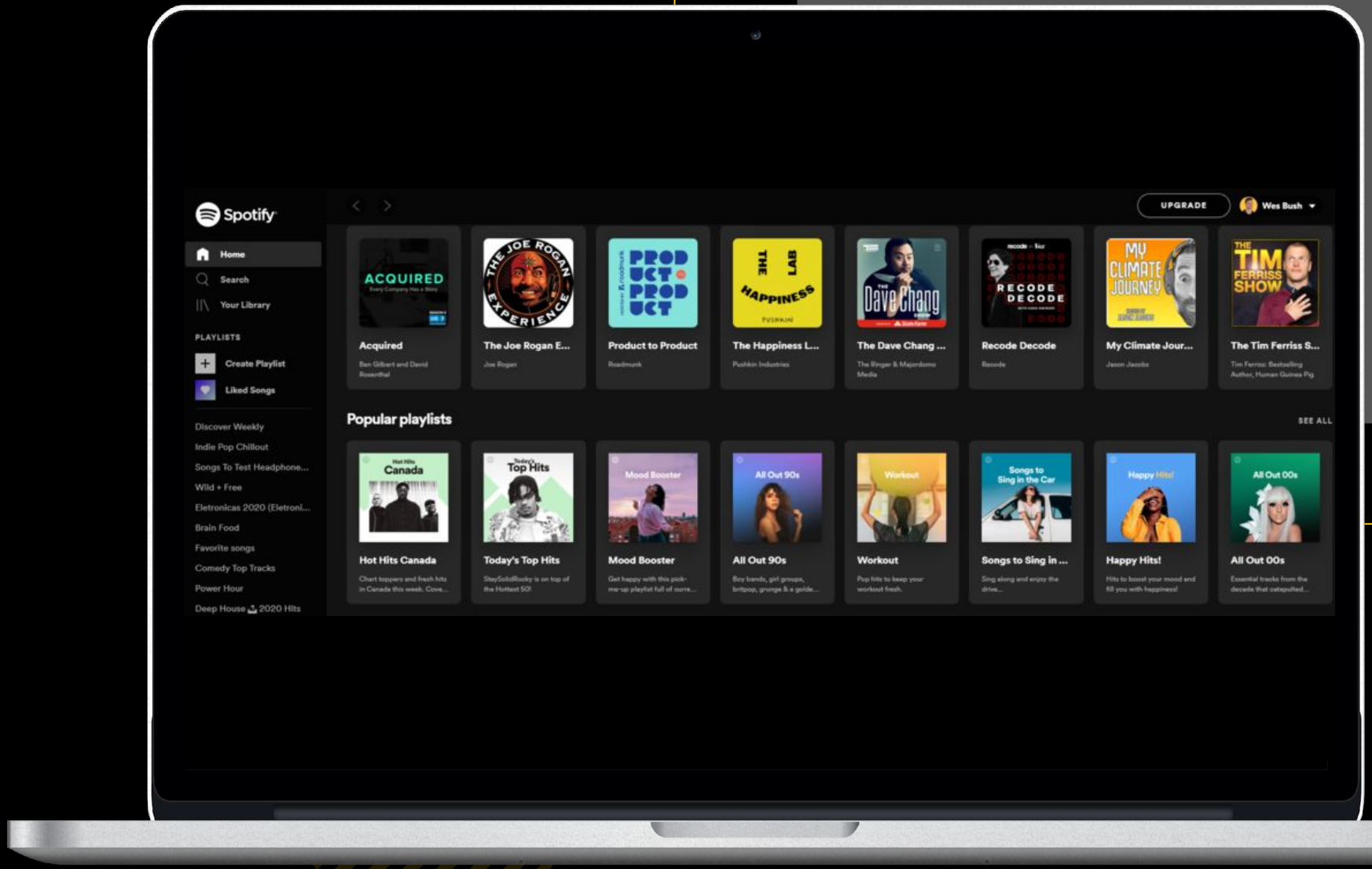
Examples.

Upgrade CTA



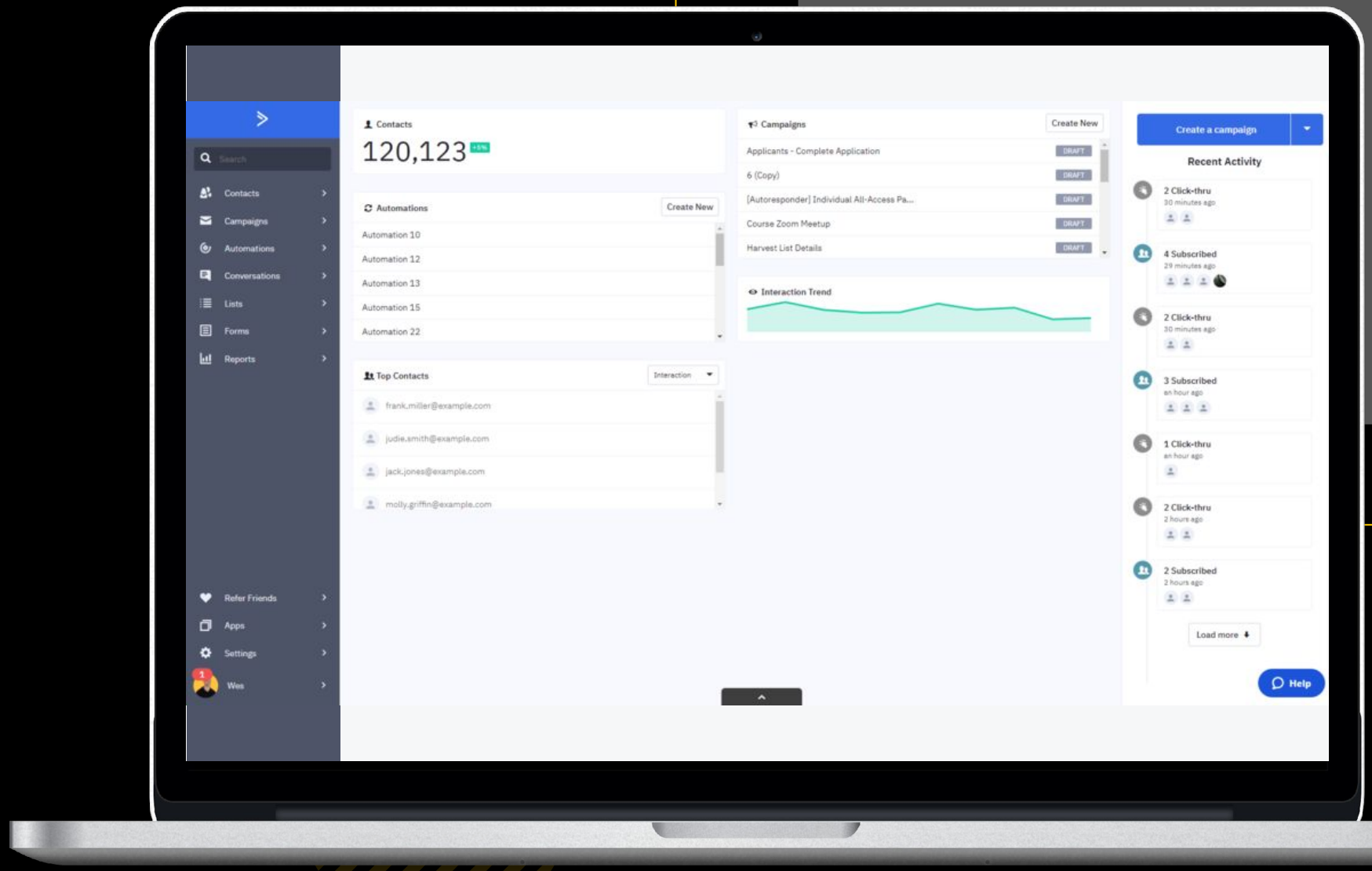
Examples.

Upgrade CTA 2



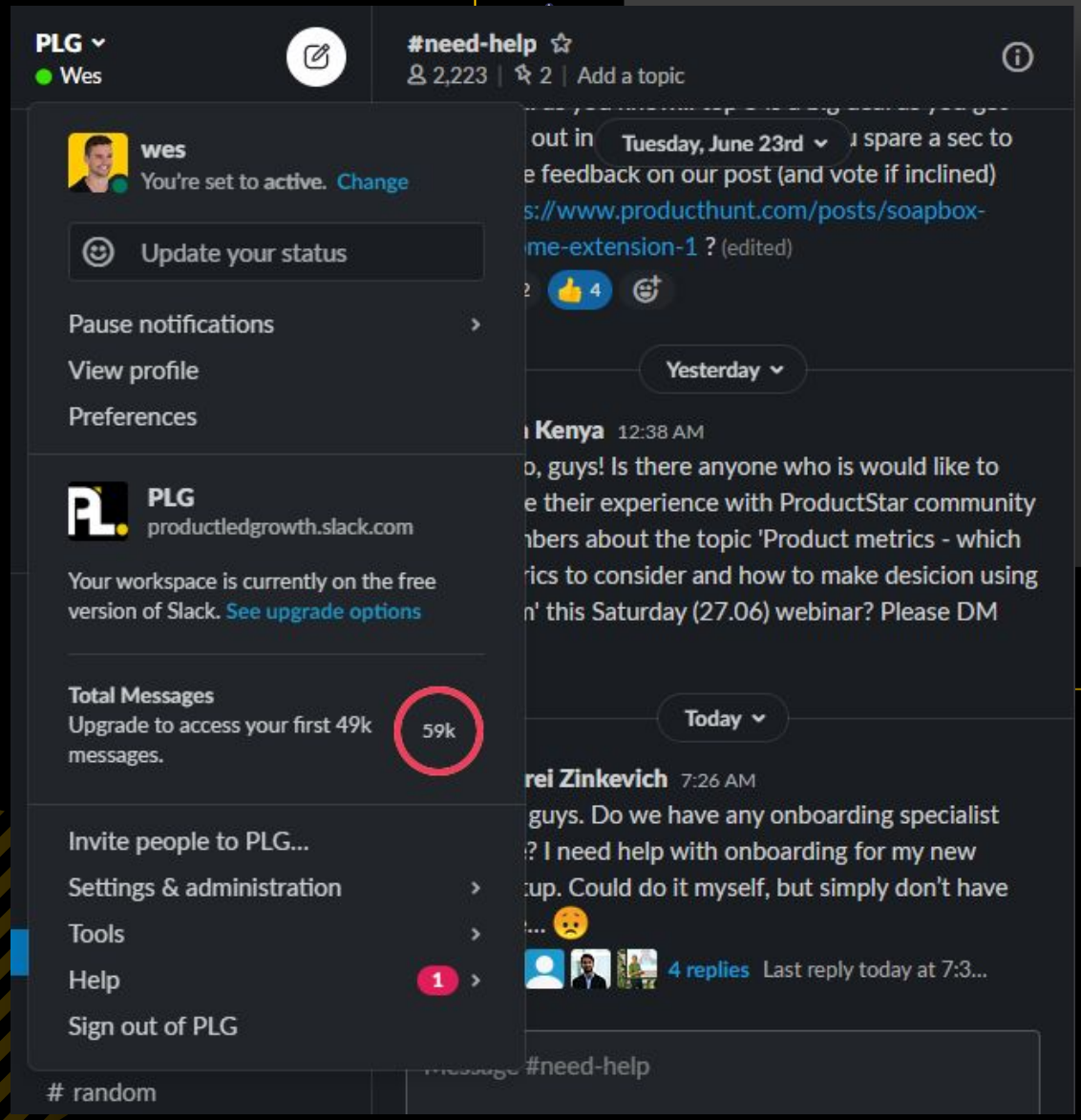
Examples.

Alerts



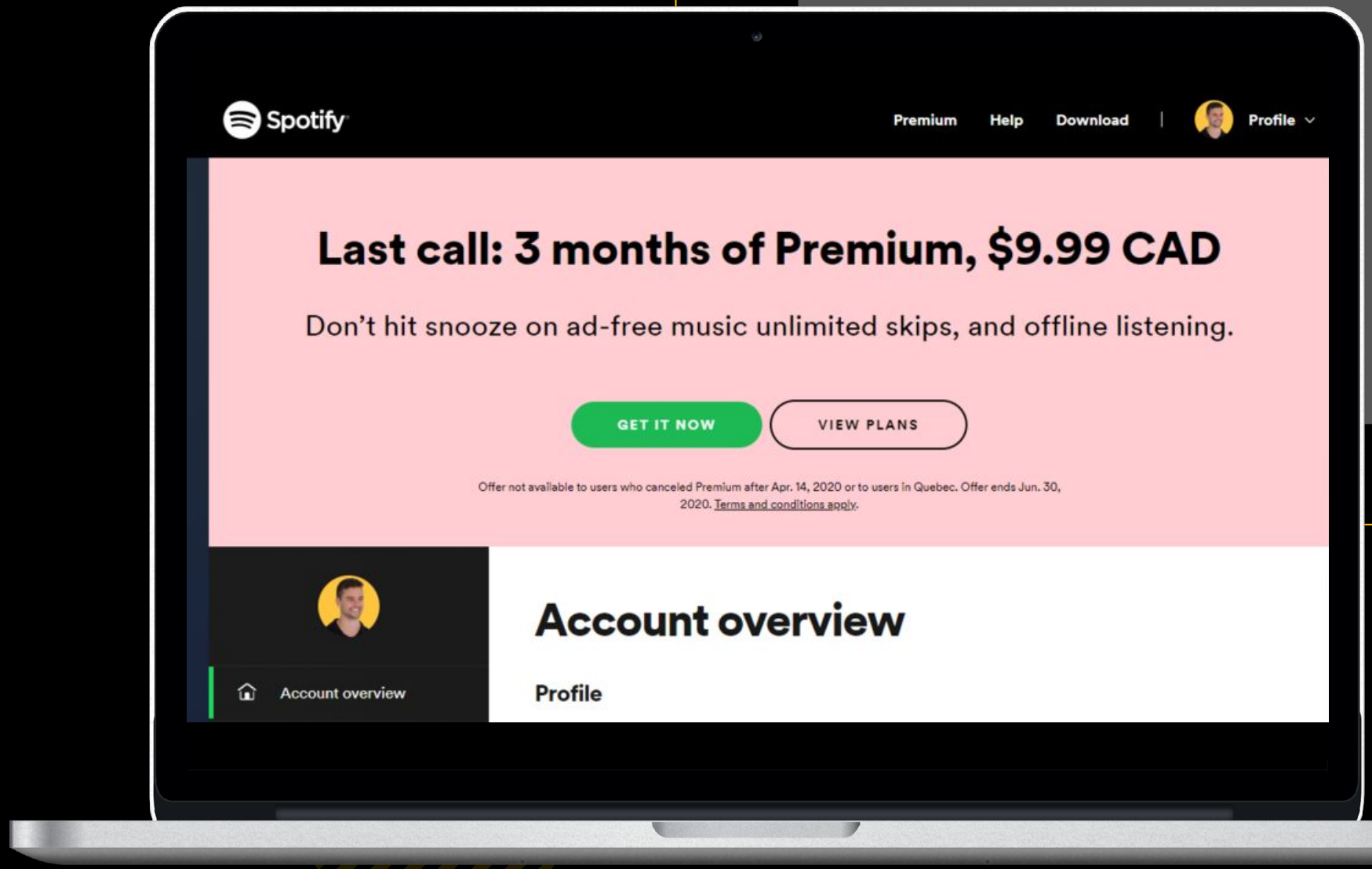
Examples.

Reminders of Value



Examples.

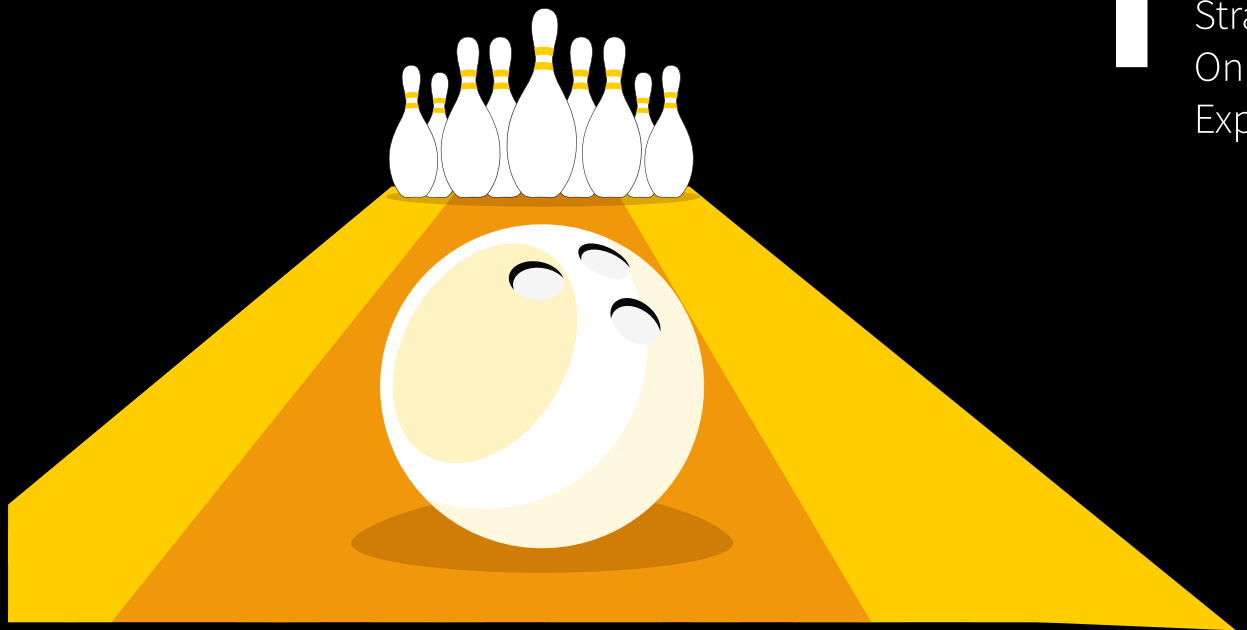
Upgrade banners



What other ways can you make it easy for your users to upgrade within your product?

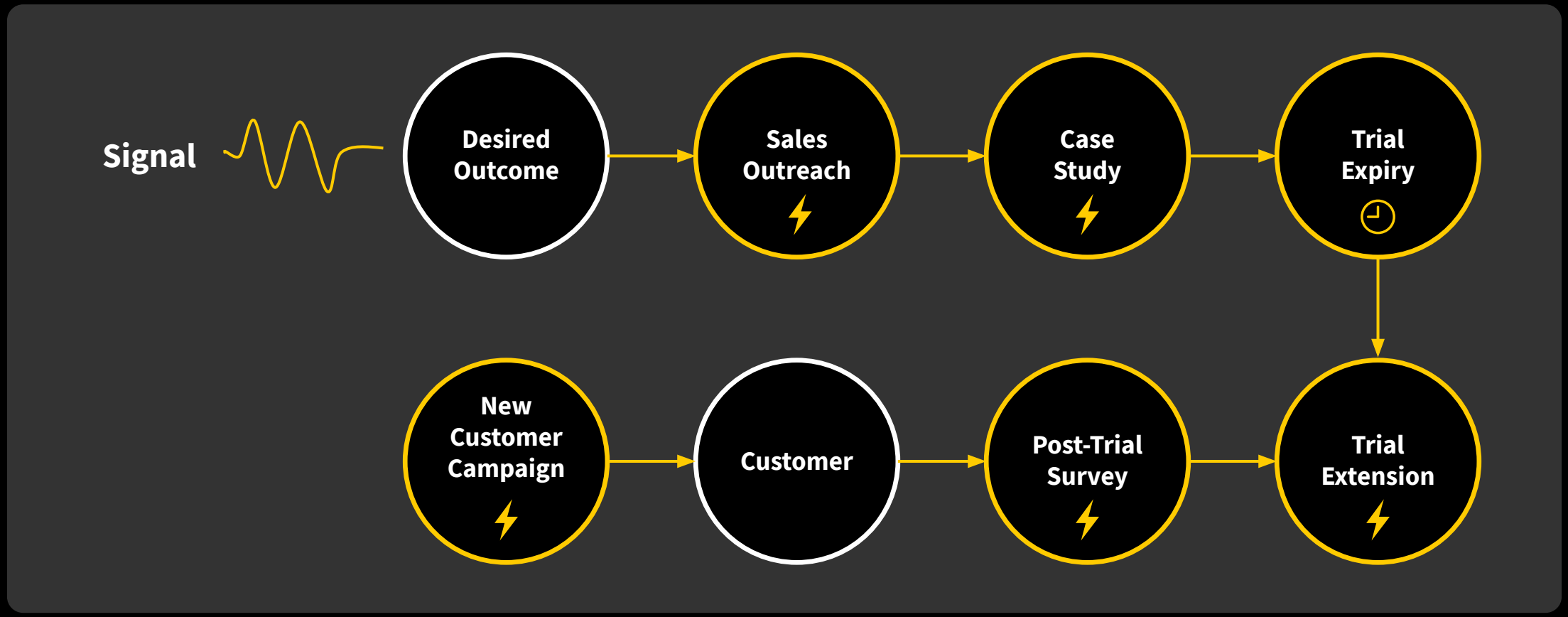
What products have the best upgrade experience in your opinion?

Bowling Alley Framework.

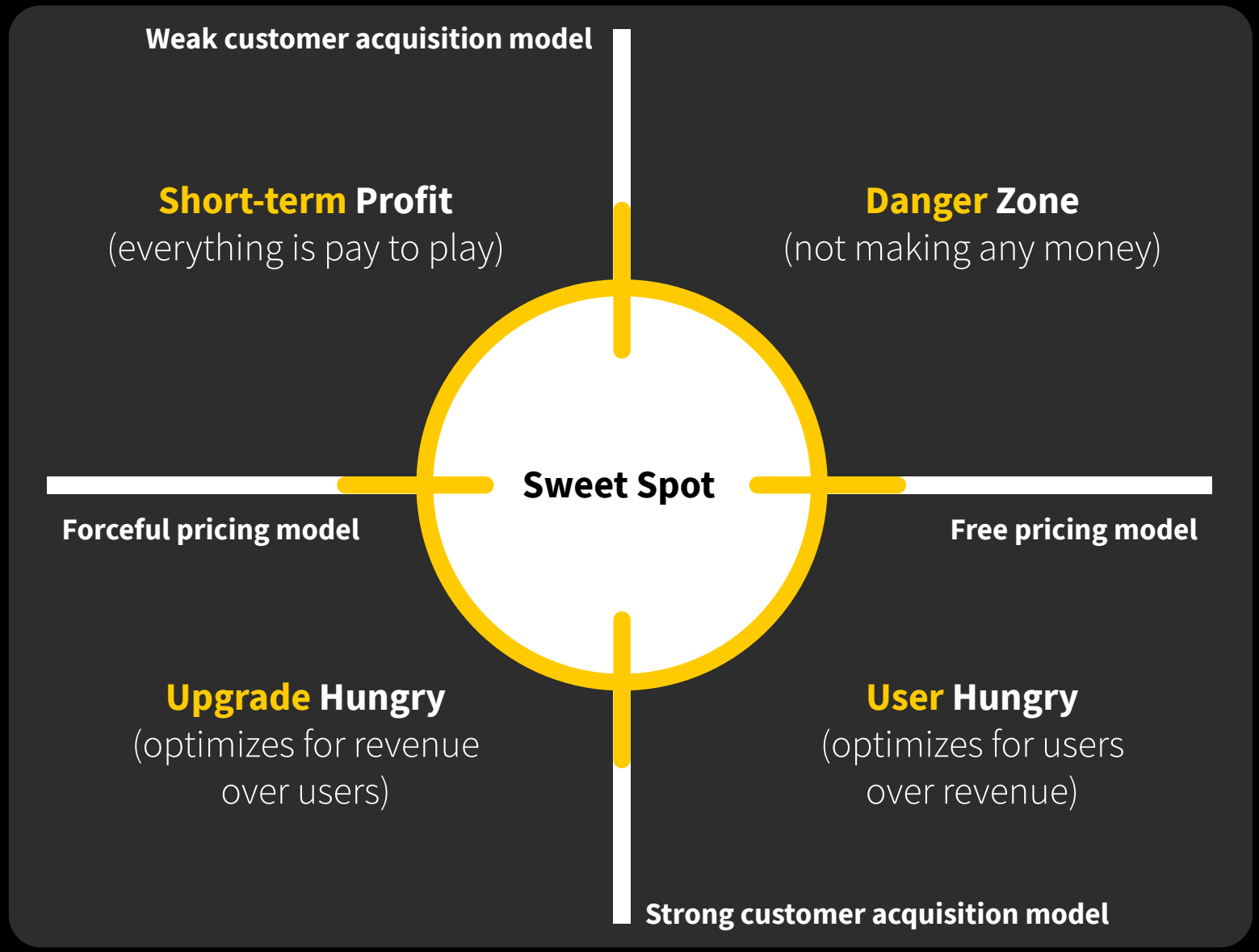


1. Identify Our Straight-Line Onboarding Experience
2. Build a Product Bumper
3. **Create a Conversational Bumper**

What is our main call to action in these messages?



Recap.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Action Items.

- Complete The Monetization Strategy Worksheet
- How to Evaluate + Select Pricing [Value] Metrics - Using the Pricing Metric Decision Guide
- Watch Patrick Campbell and Tamara Grominsky's Expert Series Talks On Pricing

Conversational Bumper

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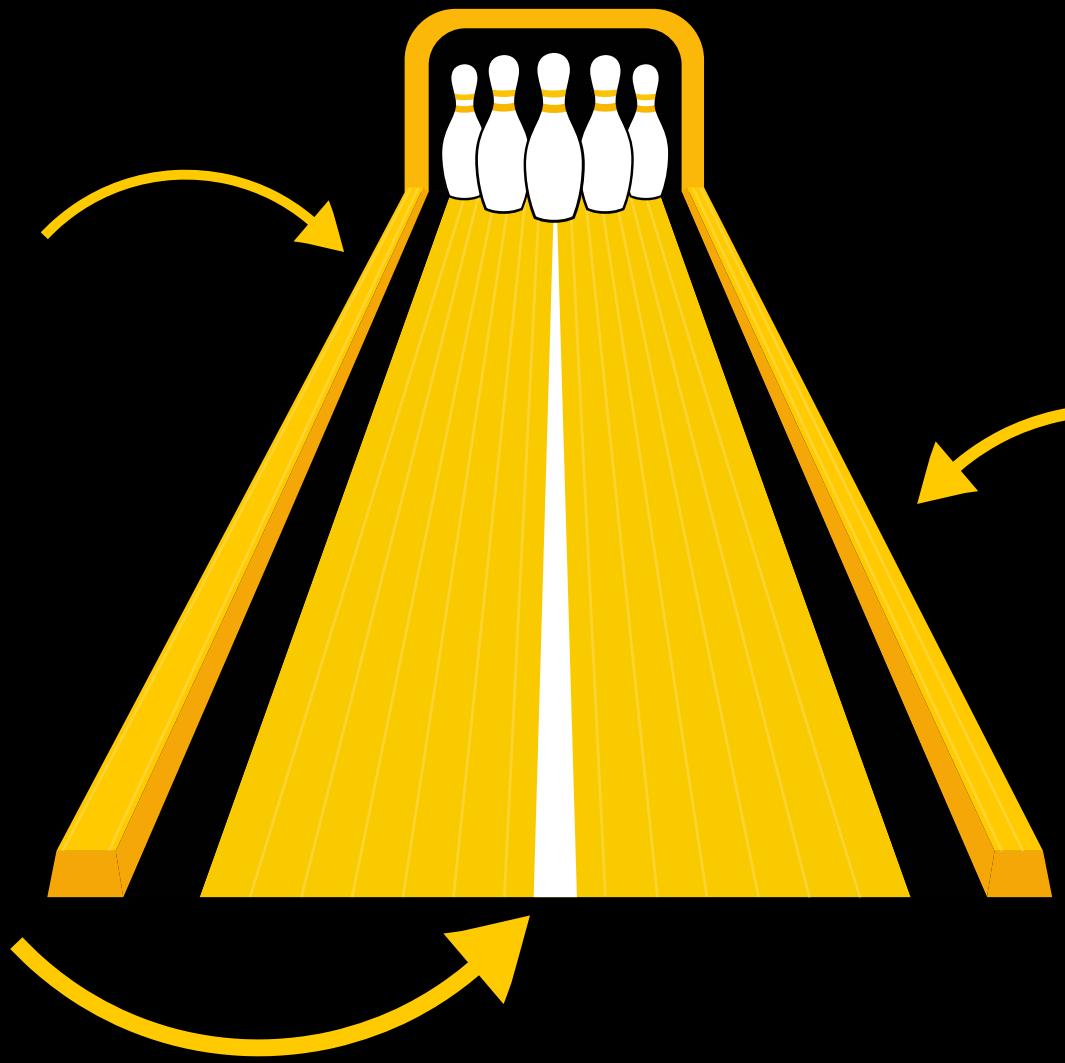

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