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Pricing Strategy Analysis

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Background

Understanding business problem

Because of the business competition between HR Management. We would try bigger promotion for attract more New Customer.

But before we implement the promotion, better we could see the effectiveness of each promotion before and analyze the price elasticity to know which variation price and subscription type are effective for our New Promotions.

People-U Subscription Type

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Business

Normal Price

Rp. 25.000

Discount 2021

Rp. 22.500

Discount 2022

Rp. 20.000

Startup

Normal Price

Rp. 20.000

Discount 2021

Rp. 18.000

Discount 2022

Rp. 16.000

Enterprise

Normal Price

Rp. 15.000

Discount 2021

Rp. 13.500

Discount 2022

Rp. 12.000

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Problem

Decrease in customer growth percentage, especially for business subscription type in 2022, that is 44,59%

Objectives

- To increase customer growth percentage to at least 60%
- Calculate Price Elasticity at each Subscription Type
- Check the performance
- Do Impact Analysis

Root Cause Analysis

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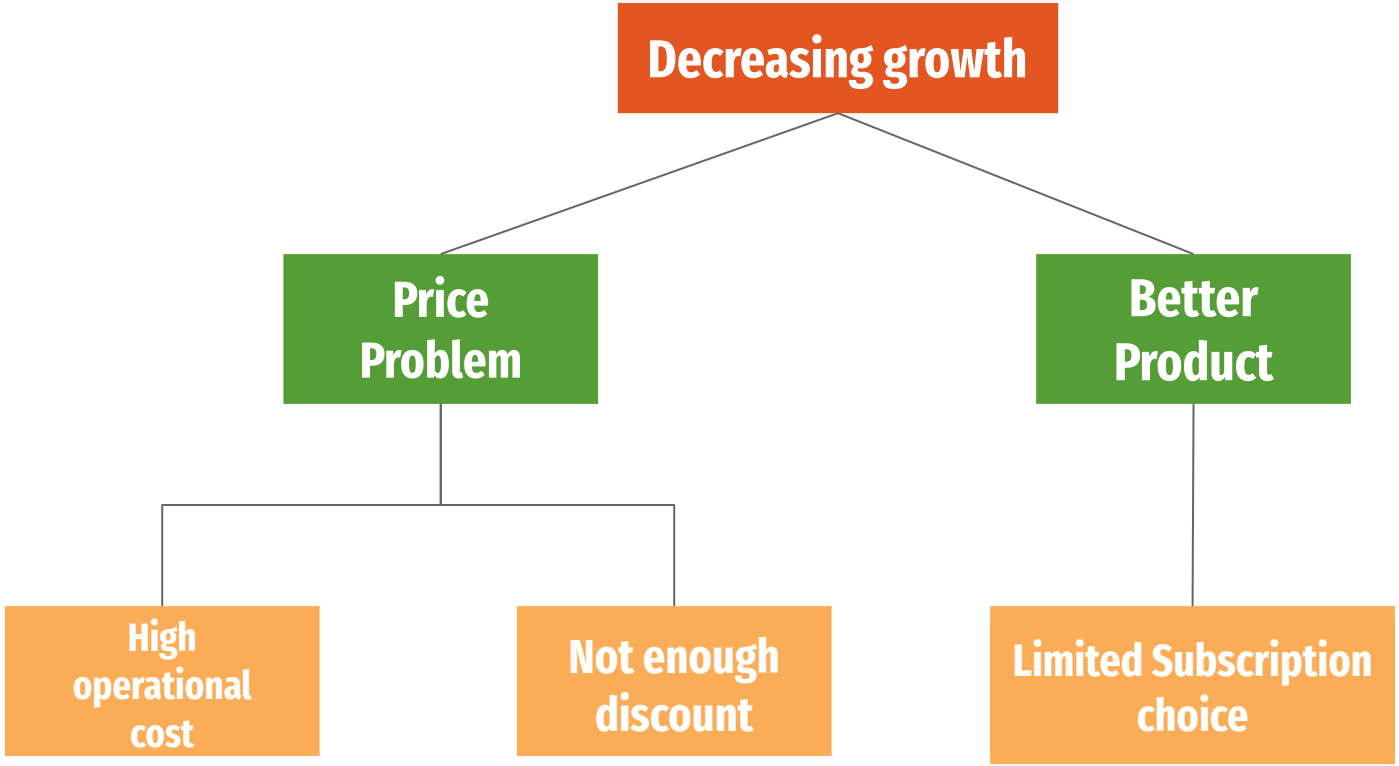
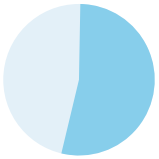
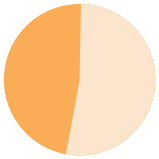


People are more attracted to subscribe on discount month



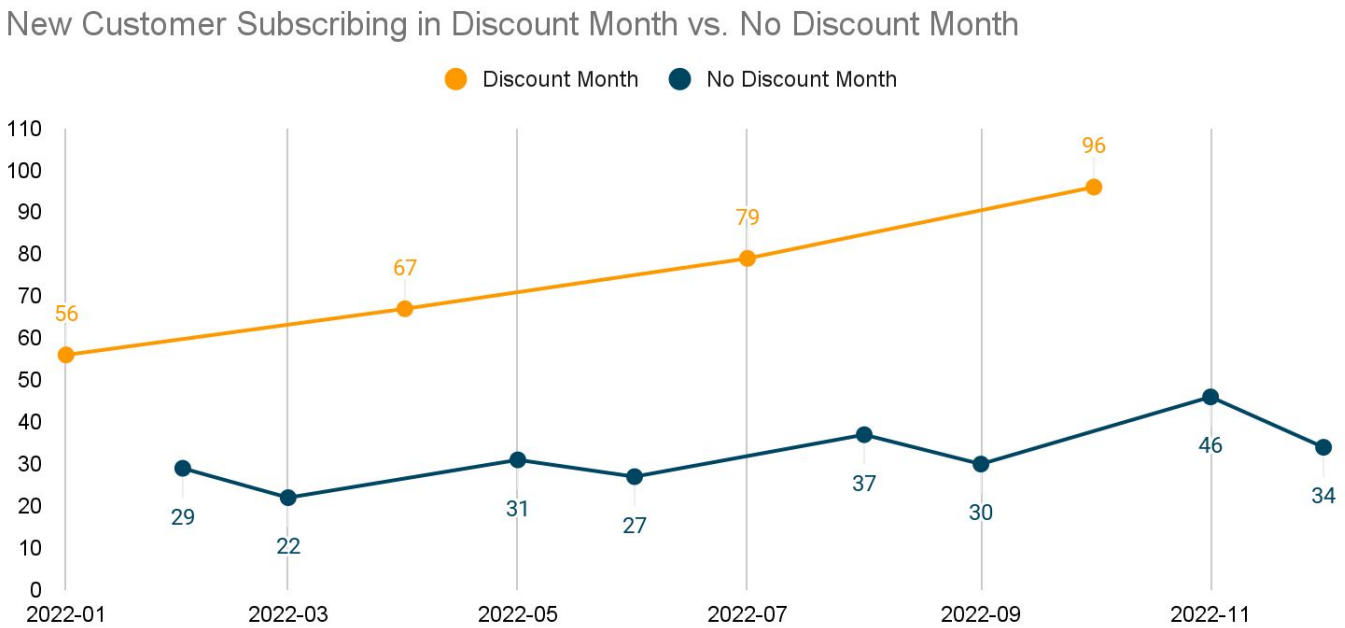
53.8%



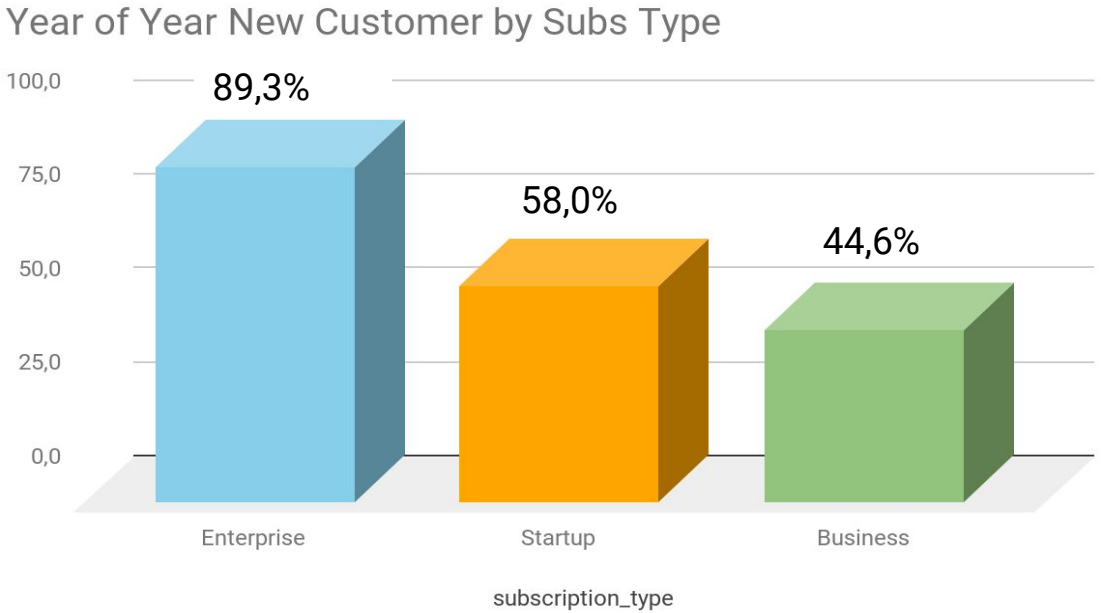
46.2%

Customer with Discount: 298

Customer w/o Discount: 256



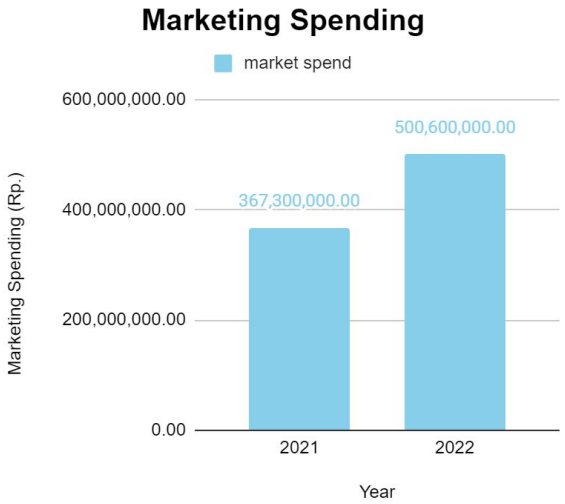
New Customer Growth Year on Year

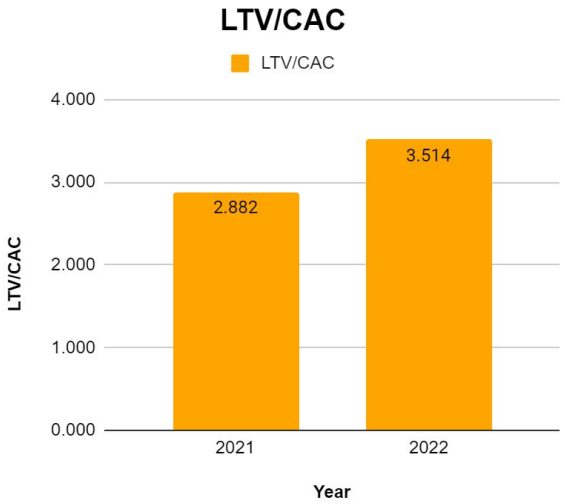


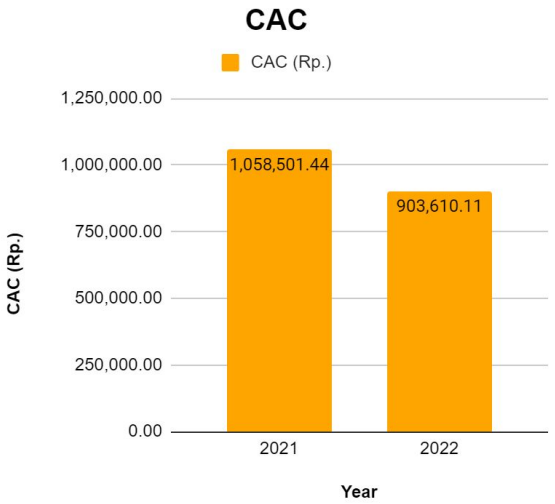
Customer Growth in 2022	
Enterprise	89,3%
Startup	58,0%
Business	44,6%

Overall Customer Growth YoY	+ 59.65%

In 2022, unit economics are up to standard (more than 3.0), align with our marketing spending







Before we calculate Price Elasticity of Demand (PED), we do customer segmentation and found 4 cluster.

We want to know PED for groups of customer based on their number of employee.
Price paid = subscription type x (100-discount%) x n.employee

	Avg. Employee	N.Employee Range	Total Customer
Segment 1	45.53	5 - 90	234
Segment 2	141.46	100 - 200	205
Segment 3	284.84	225 - 300	61
Segment 4	431	375 - 500	54

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PED for Each Segment

(PED > 1: Elastic, PED < 1: Inelastic)

	Business	Startup	Enterprise
Segment 1 (N.Employee 5-90)	4.05	1.59	-
Segment 2 (N.Employee 100-200)	8.3	4.43	1.86
Segment 3 (N.Employee 225-300)	-	1.29	1.14
Segment 4 (N.Employee 375-500)	-	1.29	0.97

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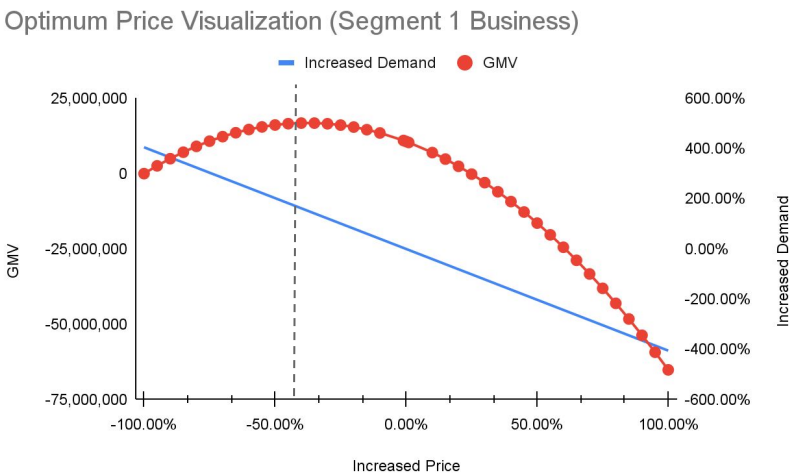
Discount that Creates Best GMV for Segment 1
(Range Employee 5 - 90)

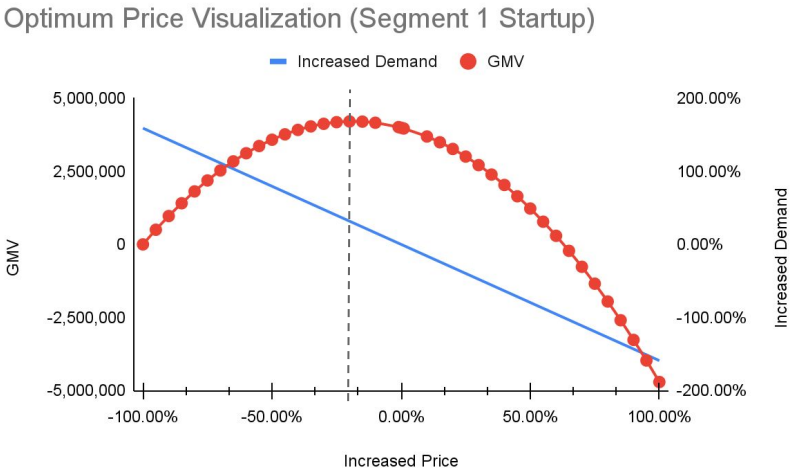
Business Subscription

Discount -40%



Startup Subscription

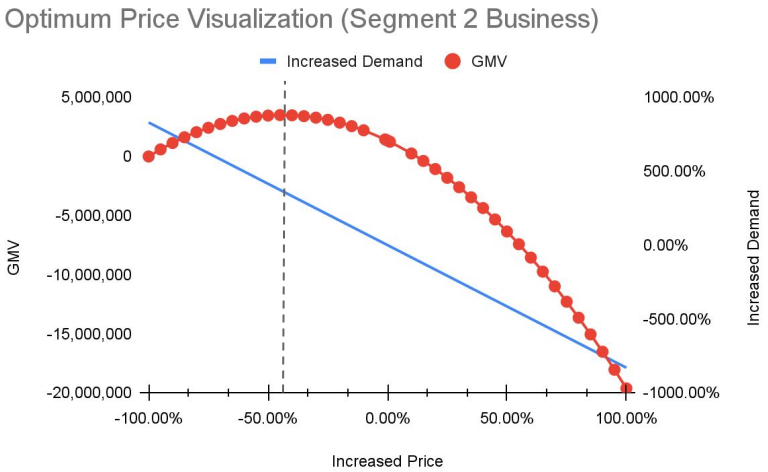
Discount -20%



Discount that Creates Best GMV for Segment 2
(Range Employee 100 - 200)

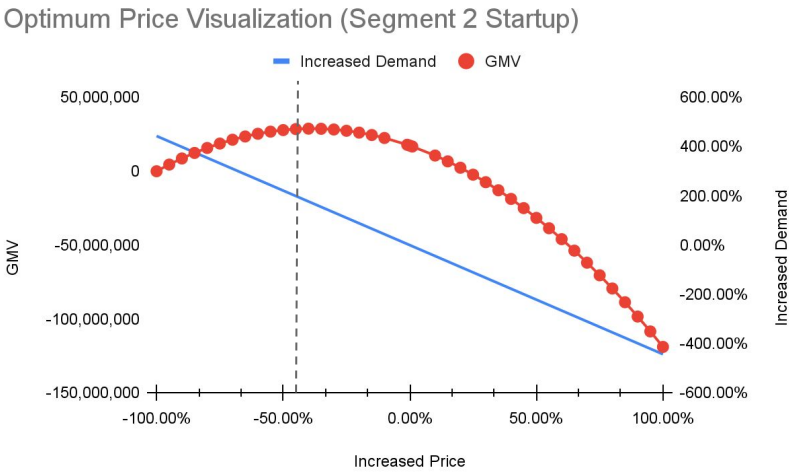
Business Subscription

Discount -45%



Startup Subscription

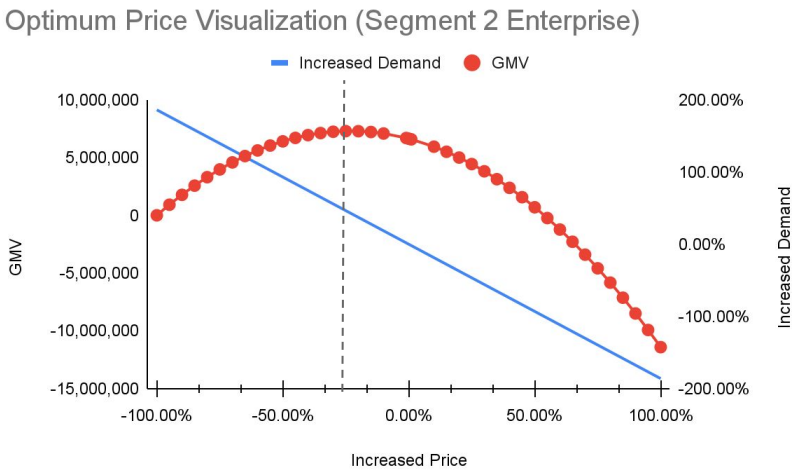
Discount -40%



Discount that Creates Best GMV for Segment 2
(Range Employee 100 - 200)

Enterprise Subscription

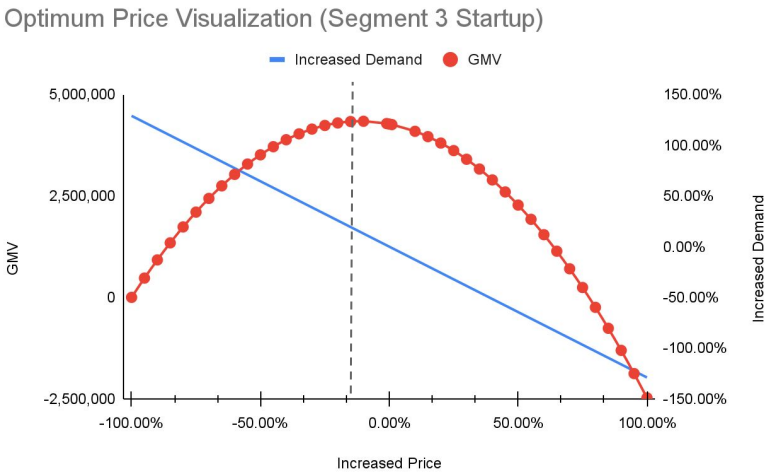
Discount -25%



Discount that Creates Best GMV for Segment 3
(Range Employee 225 - 300)

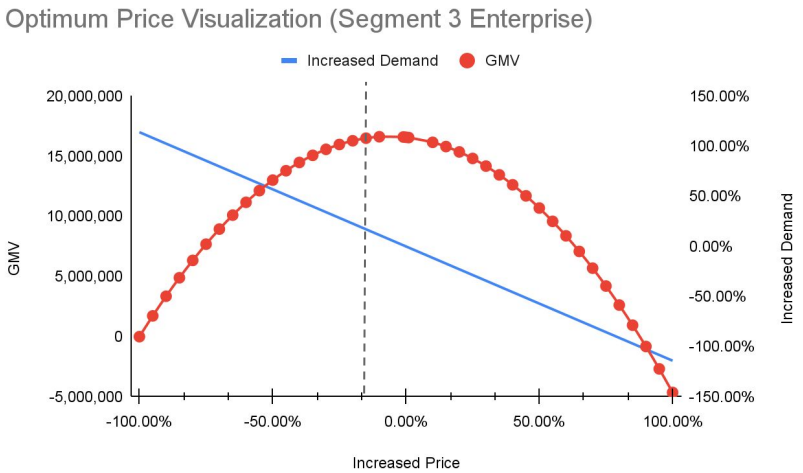
Startup Subscription

Discount -10%



Enterprise Subscription

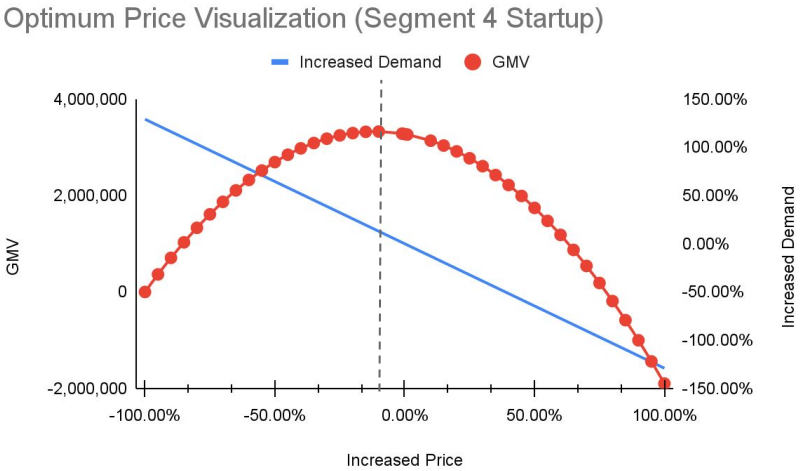
Discount -10%



Discount that Creates Best GMV for Segment 4
(Range Employee 375 - 500)

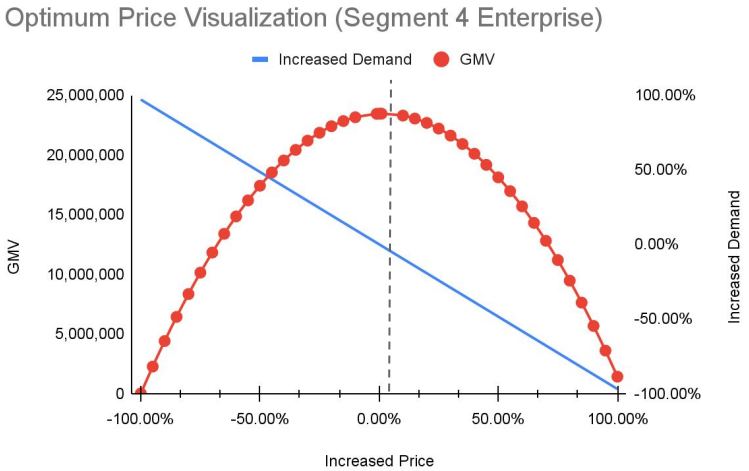
Startup Subscription

Discount -10%

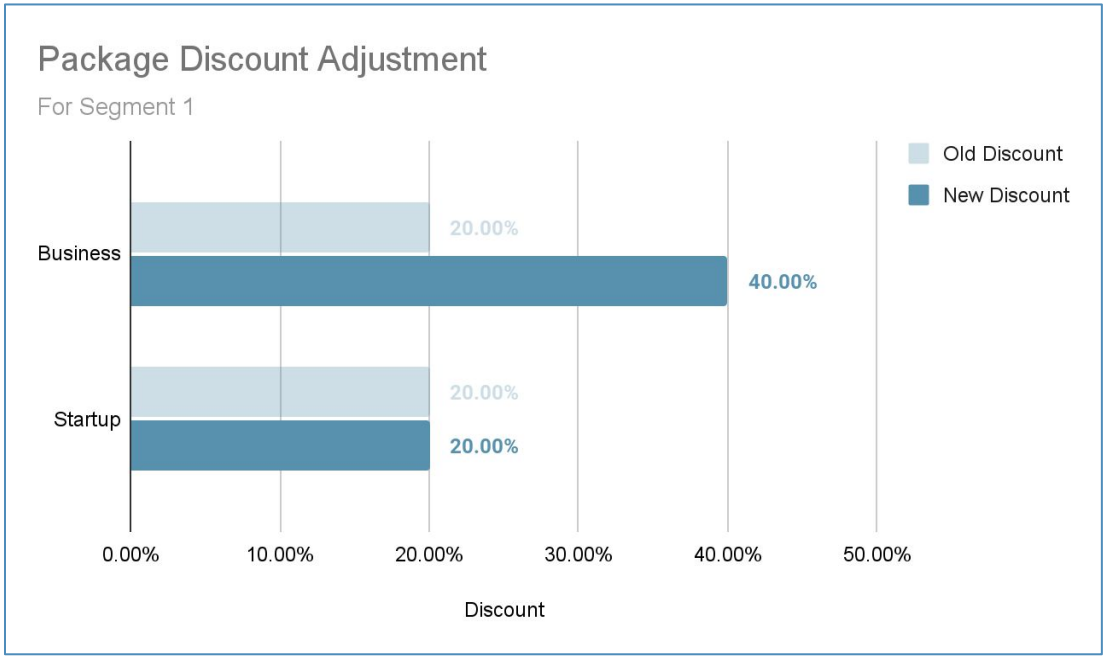


Enterprise Subscription

Increase price +1%

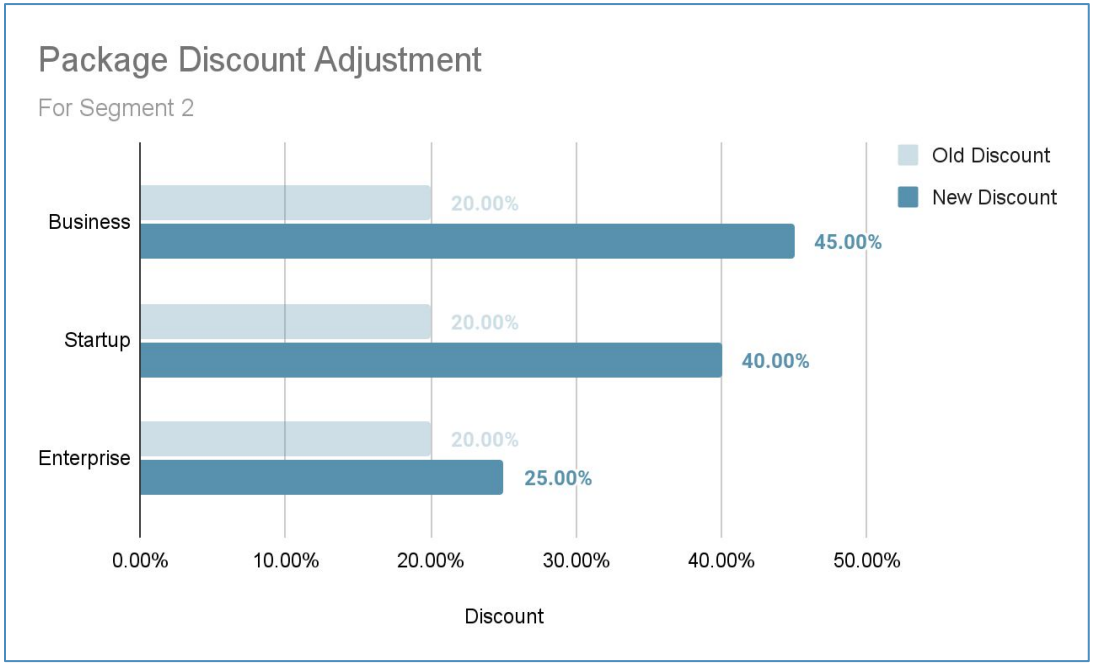


Segment 1



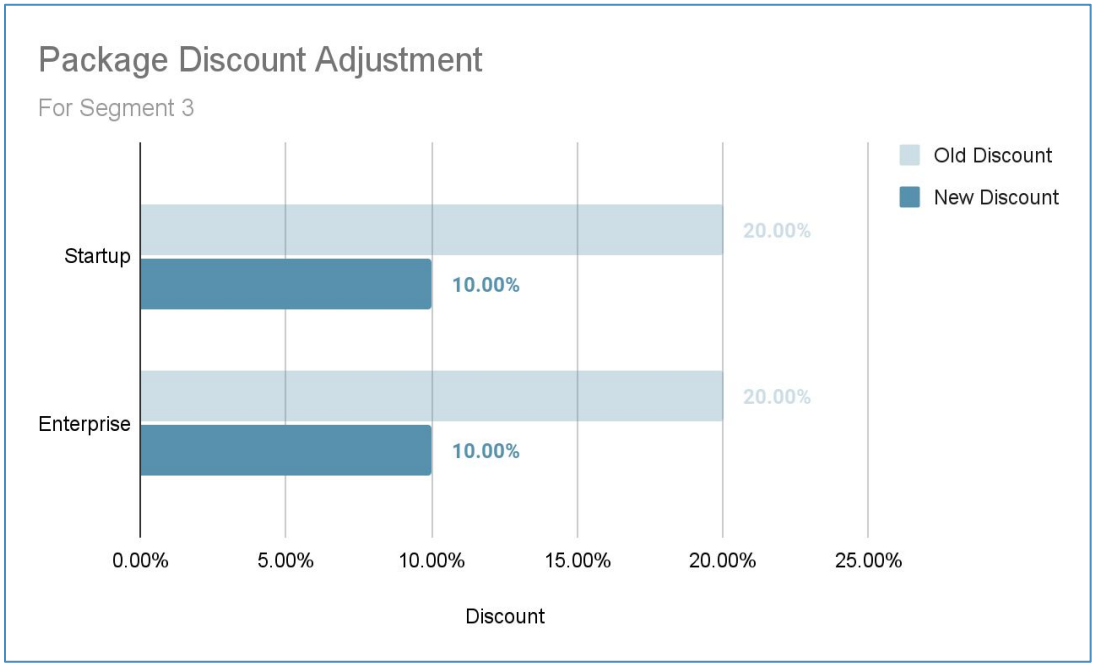
- For **Business** subscription, increase the discount amount by 20%.
- Meanwhile, for the **Startup** subscription type, it remains the same.

Segment 2



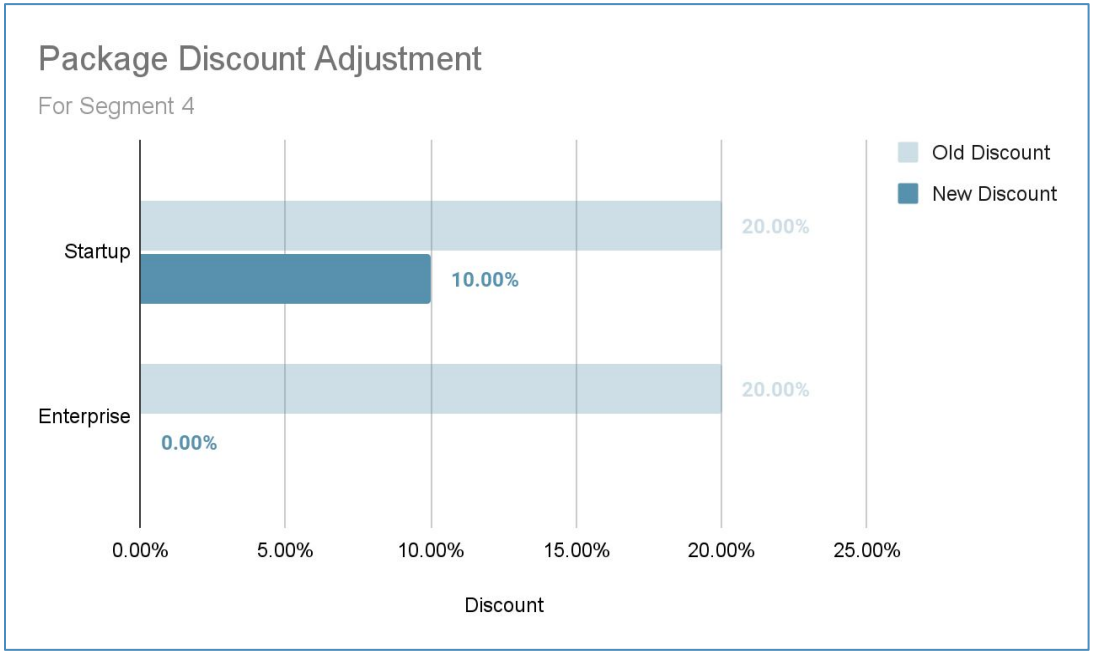
- For **Business** subscription type, increase the discount amount by 25%.
- For **Startup** subscription type, increase the discount amount by 20%.
- And, for the **Enterprise** subscription type, increase it by 5%.

Segment 3



- For **Startup** and **Enterprise** subscriptions, decrease the discount amount by 10%.

Segment 4



- For **Startup** subscription, decrease the discount amount to 10%.
- Meanwhile, for the **Enterprise** subscription better to sell it with a normal price.

Impact Analysis

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Subscription Type	Total New Customer 2021	Total New Customer 2022 Reality	Total New Customer Predicted	Change
Business	**148**	**214**	**287**	44,59% **→93,91%**
Startup	124	196	229	58% → 84,67%
Enterprise	75	142	144	89,3% → 92%
Total	**347**	**554**	**661**	59,65% **→90,49%**

By changing discount in discount month (all things equal to 2022) It is estimated that the business subscription type customer will grow to **93,91% (pass the target of 60%)**. This already accounts both total new customer on discount month and non-discount month.

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Thank You!