

## November 2024 Update

### Business/Product

This month, we delivered V1 of Pricing Co-pilot to Quizlet. This consisted of:

- An audit of their current pricing strategy using historic transaction and product data
- Models to forecast potential price changes
- A year-long roadmap of pricing experiments to run

Why? Longer explanation below—

#### **What tools do software companies currently use to price better? Mostly consultants**

Based on our conversations with companies that have worked with pricing consultancies, getting an answer to “how should we price differently?” can take up to a year. This is because a lot of firms rely on customer surveys and focus groups to test out pricing ideas. The output of these engagements can be a fairly static answer like, “according to this survey, your customers are willing to pay [\$X] for [Y features]”.

#### **Can we build a better way to answer this question? So far, yes**

Our view is that when it comes to pricing optimization, companies benefit more from better/faster/cheaper experimentation than customer research. That’s why pricing co-pilot works less like a pricing consultant and more like a pricing product manager. We’re adapting the classic PM approach to pricing: analyze a bunch of data, form hypotheses, run experiments, and iterate based on what you learn.

We turned around V1 of Pricing Co-Pilot in 6 weeks. Here’s what we learned in the process:

- Working with transaction and product data is hard, but extremely worthwhile. We have a steep learning curve when it comes to data engineering/data science, probably 80% of our time is tied up here. But the value to customers— in justifying our recommendations, in helping us educate ourselves on their business, and eventually in developing new tools— is definitely there.
- There’s already some low-hanging fruit for tooling/automation. For starters, modeling and forecasting revenue growth around pricing changes is a big pain point.
- Experimentation as our core value prop (versus research) potentially guarantees we’ll be working with Quizlet throughout next year. The experimentation roadmap we’ve put together is not static, we’ll continue to fine-tune future experiments based on what we learn from each test.

#### **Can we turn this service into a product? Let’s find out**

The next question is how to productize the work we’re doing for Quizlet. Here are some questions that we’re keeping in the back of our minds about how Lightswitch could look.

- Can we turn pricing optimization into an end-to-end workflow that we guide companies through? *e.g. Vanta*
- Will we find a specific part of this process that becomes general purpose? *e.g. Loom*

- Will companies always prefer to solve this problem with people instead of tools? *e.g. AI agents*

### **Planning for 2025**

We want to hire a junior PM or data analyst who can help us turn our product experiments into something with an interface. We're very early in the process and want to talk to as many people as possible, but two things we're looking for:


- Wants to work on data products and has some experience with BI/analytics tools
- Interested in something contract-based to start, with appetite to work with us in NYC

Thanks and talk to you next month!

## **December 2024 Update**

### **A year-end check in**

In lieu of the usual, here's an adapted version of our internal memo.

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### **At the start of 2024**

**Subscription sucks. Let's make it better.**

**What problem are we solving?**


Subscription companies want to monetize better, but they don't know how.

**Who are we solving it for?**

Mid- to large-sized B2C subscription businesses.

**How are we solving it?**

Experimentation tools and pre-built user journeys specific to monetization.

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### **Going into 2025**

**The internet needs new business models. Let's invent them.**

**What problem are we solving?**

Software companies want to monetize better, but they don't know how.

**Who are we solving it for?**

Consumer software and services (CSS) where growth is run by product people.

**How are we solving it?**

Insights-first, services-first (for now).

## **Biggest learnings from 2024**

- Some companies, especially those in digital media, would rather die than challenge the dogma of being a subscription business. This is not meant to be a criticism, and we desperately want to help these companies. But we've accepted that they're probably not the early adopters of what we're building.
- That said, many other companies have realized that the traditional subscription playbook might be completely wrong for their business. Lots of AI products fall into this category, but also lots of consumer software. Basically our rule of thumb is if their growth org has PMs in it, they're likely to be interested in what we're offering.
- Customers don't define their problems as "running experiments is hard" or even "we want to get better at pricing". They define their problems as "we need to grow subscribers" or "we need to increase LTV", to which our solution is "make your pricing work harder, and we'll help you figure out how".
- When it comes to pricing optimization, customers want ideas before they want tools.
- Selling a service is easier than selling a product.

## **What 2025 will look like: embracing services as a channel for product development**

The loosest metaphor for what we're building is a PM for pricing. In order to know what that really means, we're spending the next 6 months operating as a PM alongside software companies for max 3-month long engagements. We have one potential partner lined up for Q1.

If there's a company in your network that wants to get really hands-on technical and strategic help on their monetization, please reach out. We ask that they have a minimum \$10k budget to put towards monetization.

Thanks and talk to you next month!