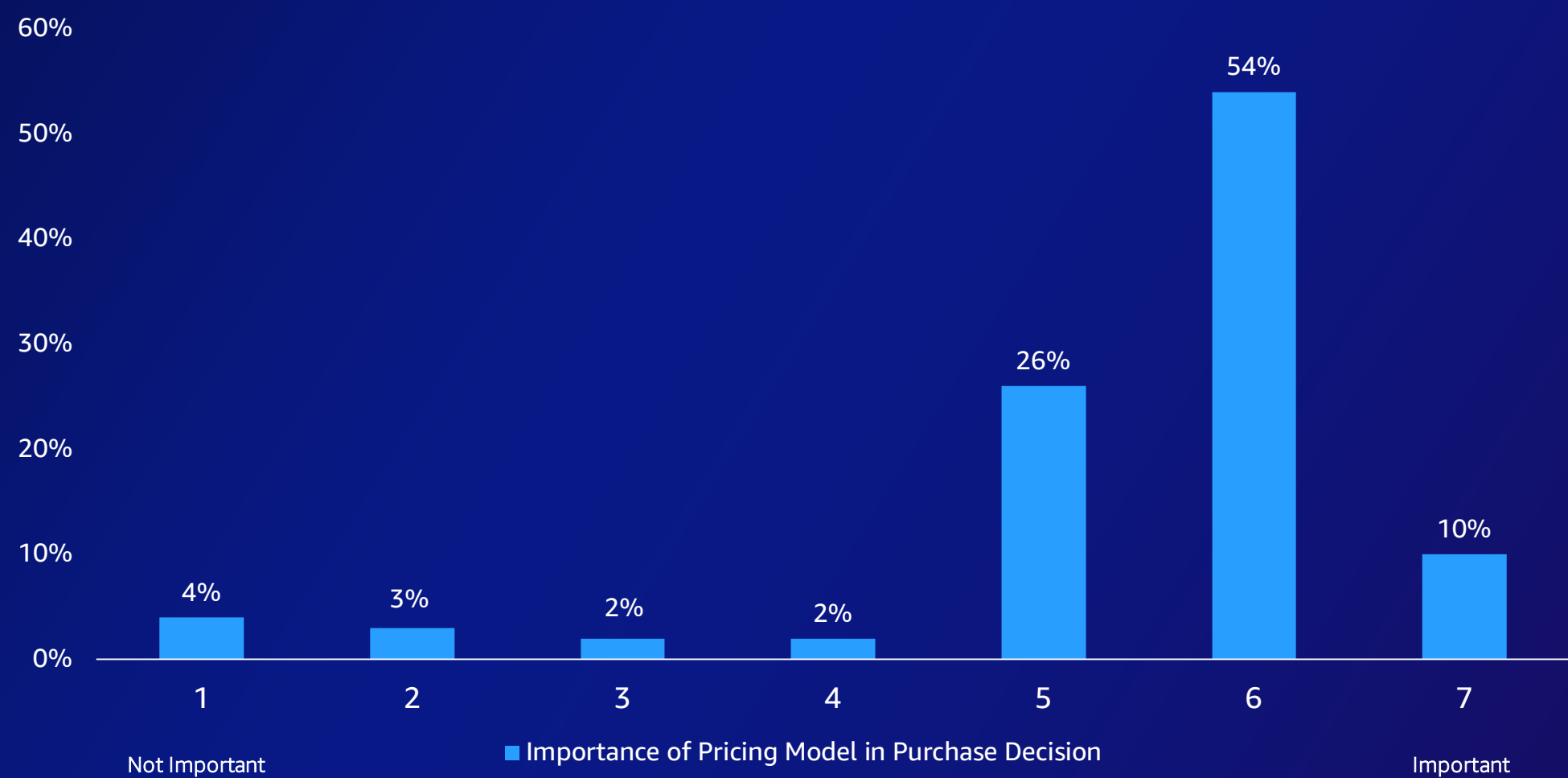# aws SUMMIT

INDIA | MAY 25, 2023

Pricing and packaging your solutions - Breaking down unit costs

Tom LeGrice

Partner Development Manager, SaaS
AWS

Pricing is the key factor in purchasing

Not Important

■ Importance of Pricing Model in Purchase Decision

Important

Effective packaging enhances revenues
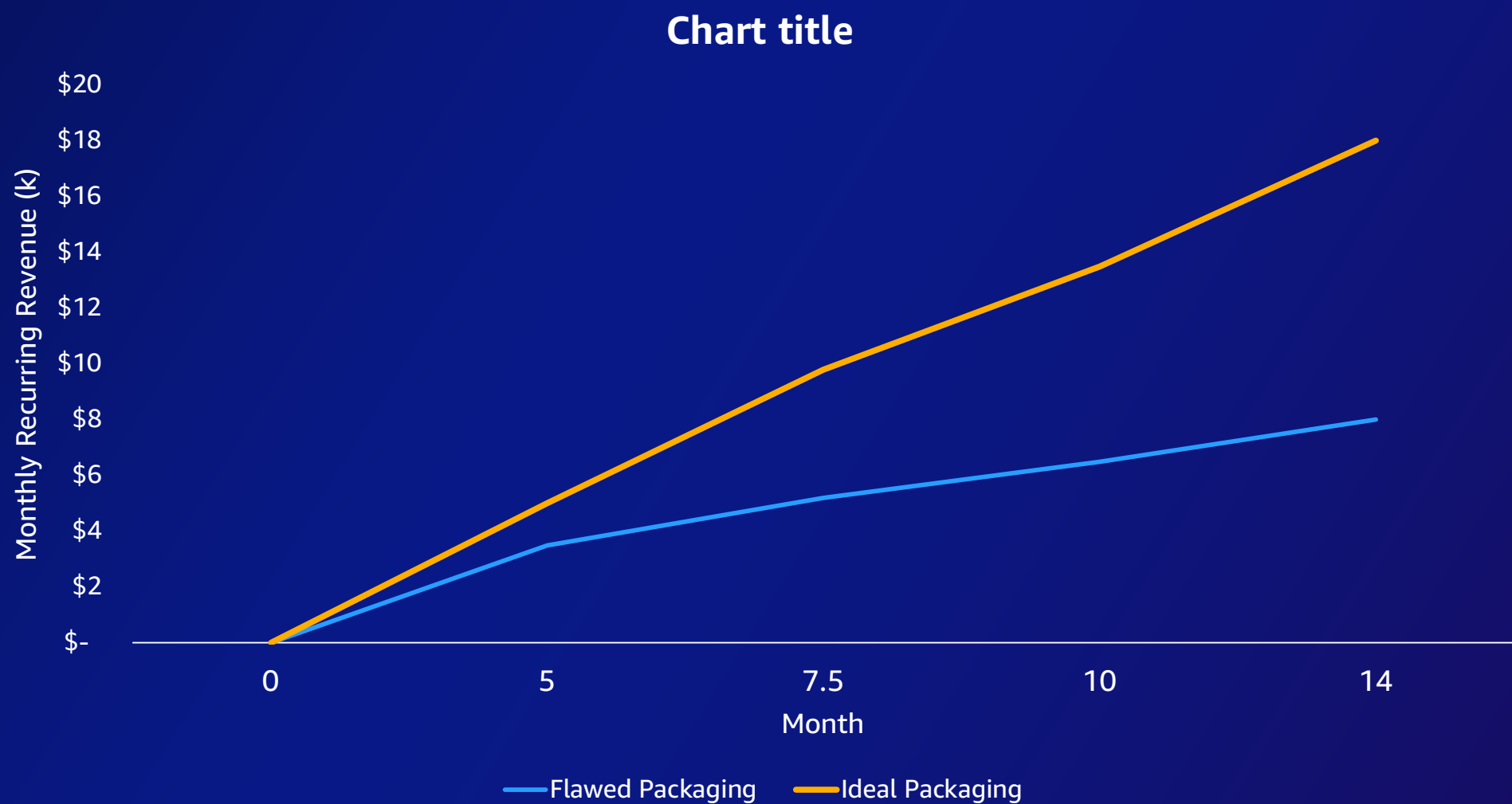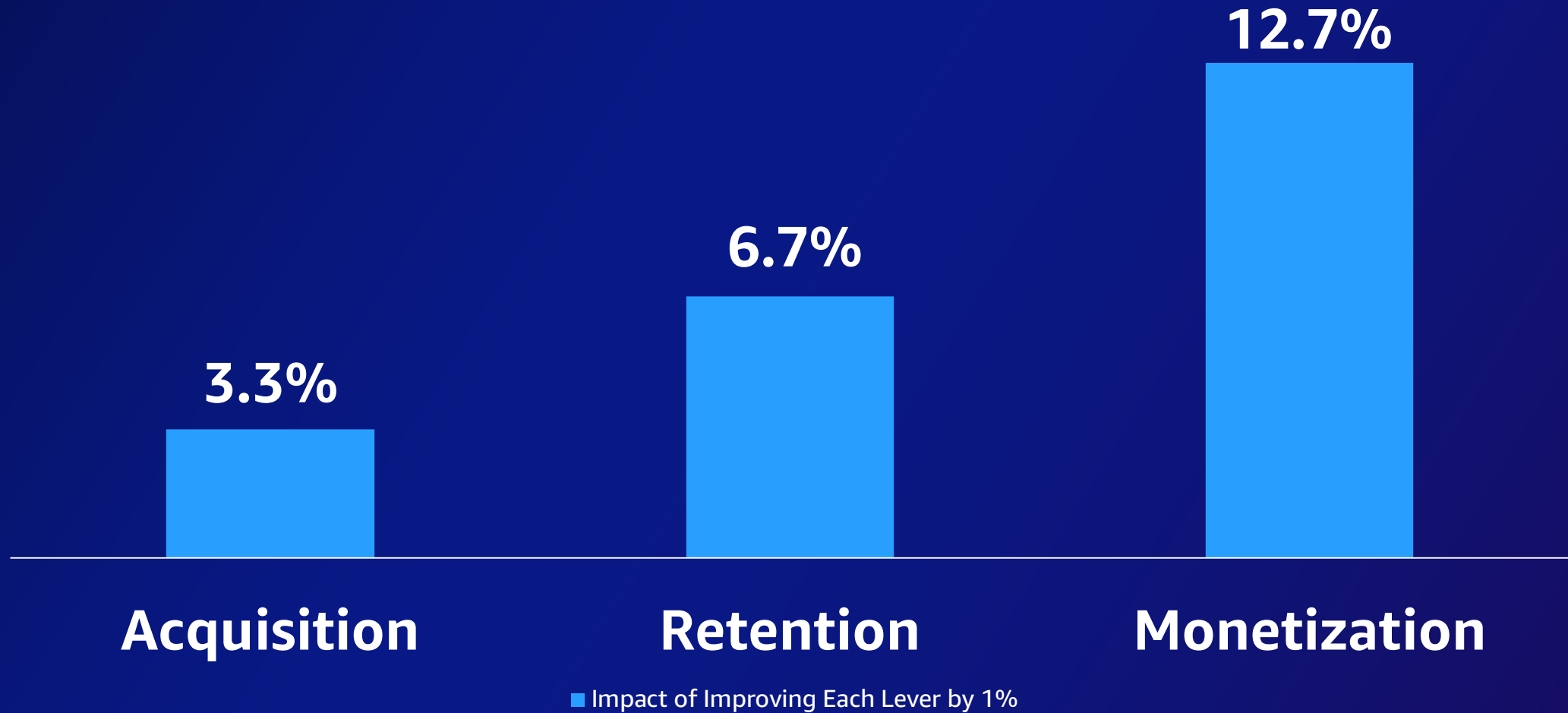
Chart title

Y-axis: Monthly Recurring Revenue (k) — $20, $18, $16, $14, $12, $10, $8, $6, $4, $2, $-

X-axis: Month — 0, 5, 7.5, 10, 14

Legend: Flawed Packaging — Ideal Packaging

Source: Buyer Personas – Reported on April, 2022

Impact of pricing on P&L

Acquisition — 3.3%
Retention — 6.7%
Monetization — 12.7%

■ Impact of Improving Each Lever by 1%

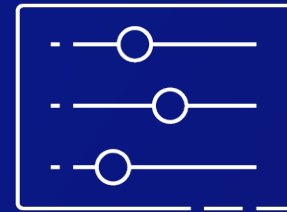*Source: ProfitWell Survey of 512 SaaS companies – Reported on May 2020*

Key stages of pricing & packaging

Define pricing strategy

Understand customers

Calibrate packaging

Evaluate impact on growth

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What is the goal?

Grow revenue

Insulate

Expand new markets

Capital event

Consider the near, medium and long term

Be aligned on the vision

Ramanujam, Madhavan, Tacke. *Monetizing Innovation,* 2016.
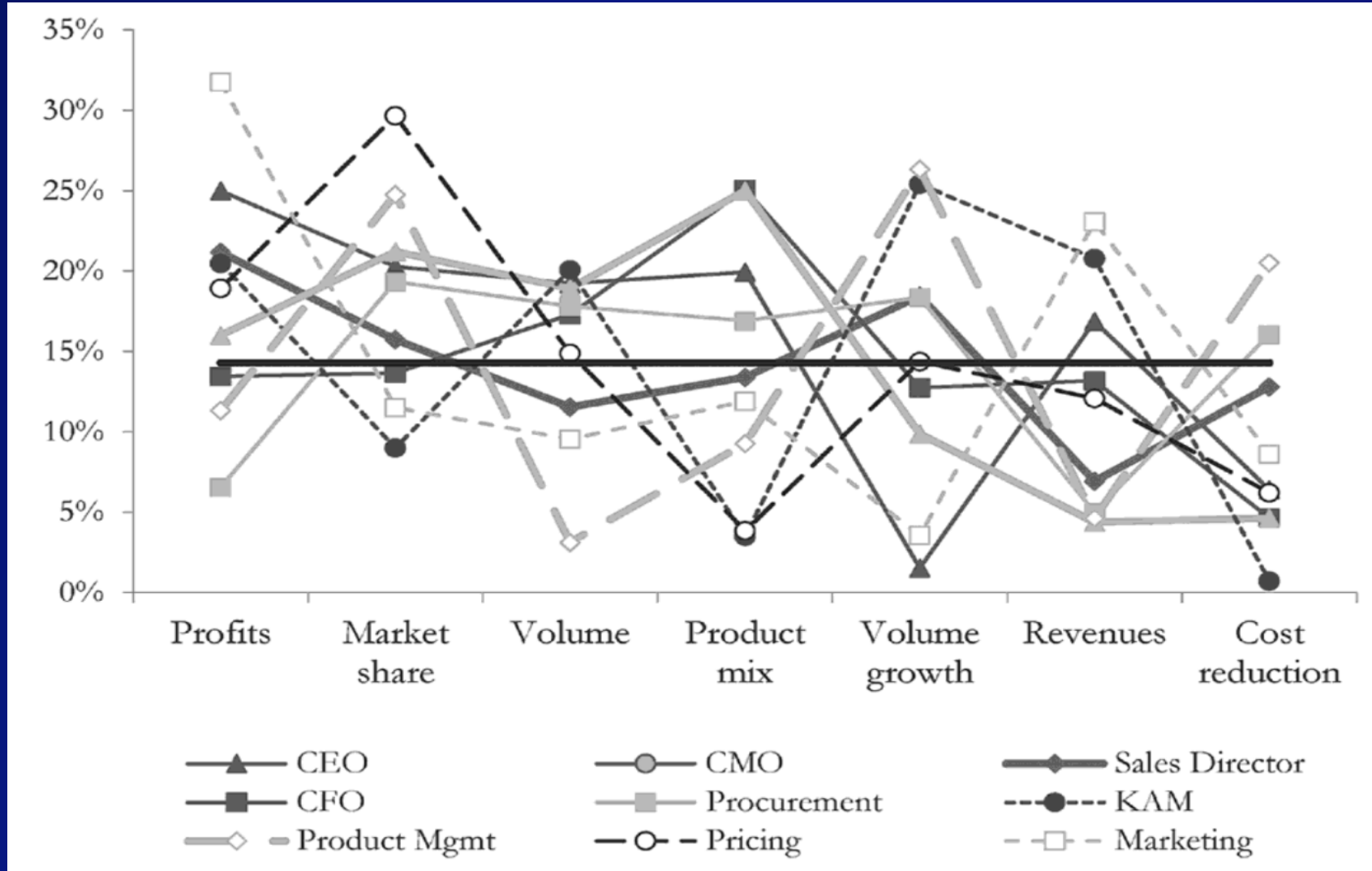
Develop many scenarios and models

Cashflow or customer lifetime value?

Marketing or customer success?
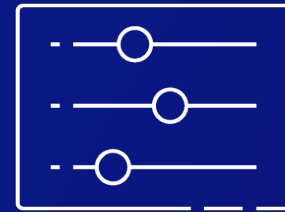
Project based revenues vs licensing revenues?

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User profiles

What are the typical usage patterns of end users?
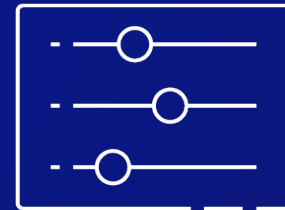
User profiles

Director, E-commerce

Pulls data via query 9x per week

   3x customized order management report

   6x forecast report

Uses the promo feature 1x per year, in Q4

Uses dashboard view 1x per month

Traditional vs SaaS customer journey

Traditional sales-centric approach

Marketing

- Awareness
- Interest
- Consideration

Sales

- Purchase

Linear path

Non-linear path

Customer-centric SaaS approach

- Awareness
- Education
- Selection
- Onboarding
- Adoption/ Expansion
- Renewal

Marketing

Sales

Customer Success

Customer journey map

Milestones

SA Validated Tech Evaluation Start · Solution Alignment/Tech Win · Sale Complete · Adoption Kickoff · Onboarding Complete · First Value Milestone · Initial Adoption Complete (Use Cases and Users) · Renewal Review (Renewal - 6 months) · Business Outcome Achieved · Expanded Use Case Complete · Renewal Completed

Metrics

Net ARR (retention, expansion)

Net Promoter Score (NPS)

Time-to-First-Value · Time-to-Use Case Adoption · Use Case Expansion (cycle time, success rates, reasons)

Customer Health Management (product adoption, engagement, support, outcome delivery)

Activities

Account Plan — Ongoing Updates

Customer Advocacy (Reference, Case Studies, CAB, Community Contributions)

Command Plan

Customer Success Plan * (Outcomes, Adoption Plan, Timeline, Stakeholders)

Solution Architect Engagement Not complete sales process

Customer Success Management (value checks, EBRs, upgrades, adoption monitoring, account risk management)

* Exception: Territory MM & SMB

Current and Desired State Framing (Discovery, Value Stream/DevSecOps Assessments, ROI Declaration, Case Studies)

Renewal Planning and Execution

Expansion Sales (Tier Upgrades, New Business Units)

New Use Case(s) Expansion & Adoption (Value prop, demos, technical reviews, etc.)

Art of the Possible (Demos, Deep Dives)

Adoption Segmentation (TAM-led, digital) · Customer Onboarding & Enablement · Basic Adoption · Scale Usage (Users, Features / Use Case Adoption) · Deepen Use Case Adoption (deepen adoption, new use case adoption, operational maturity)

Solution Mapping (Services Attach, Solution Definition/Brief, TAM Intro, stakeholder readout)

Infrastructure Setup & Environment Integration · Customer Change Management (training, processes, user rollout, DevOps maturity/capabilities development)

Training and Enablement · Migration (Repo & CI Pipeline) · Growth Service Attach (education, consulting, DevOps Practice)

Proof of Value (technical solution validation, Security Assessment Response)

Completed by Customer or GitLab / Partner Services

Phase

Sales · Onboarding / Implementation · Adoption · Optimize and Expand

User profiles

What is the value they assign
to the outcome?

Willingness to pay

- At what price would you consider the product to be so expensive that you would not consider buying it? (Too Expensive)

- At what price would you consider the product to be so low that you would be concerned the quality couldn't be very good? (Too Cheap)

- At what price would you consider the product starting to get expensive, so that you would have to give thought to buying it? (Expensive/ High Side)

- At what price would you consider the product to be a bargain or a great buy for money? (Cheap / Good Value)

Willingness to pay
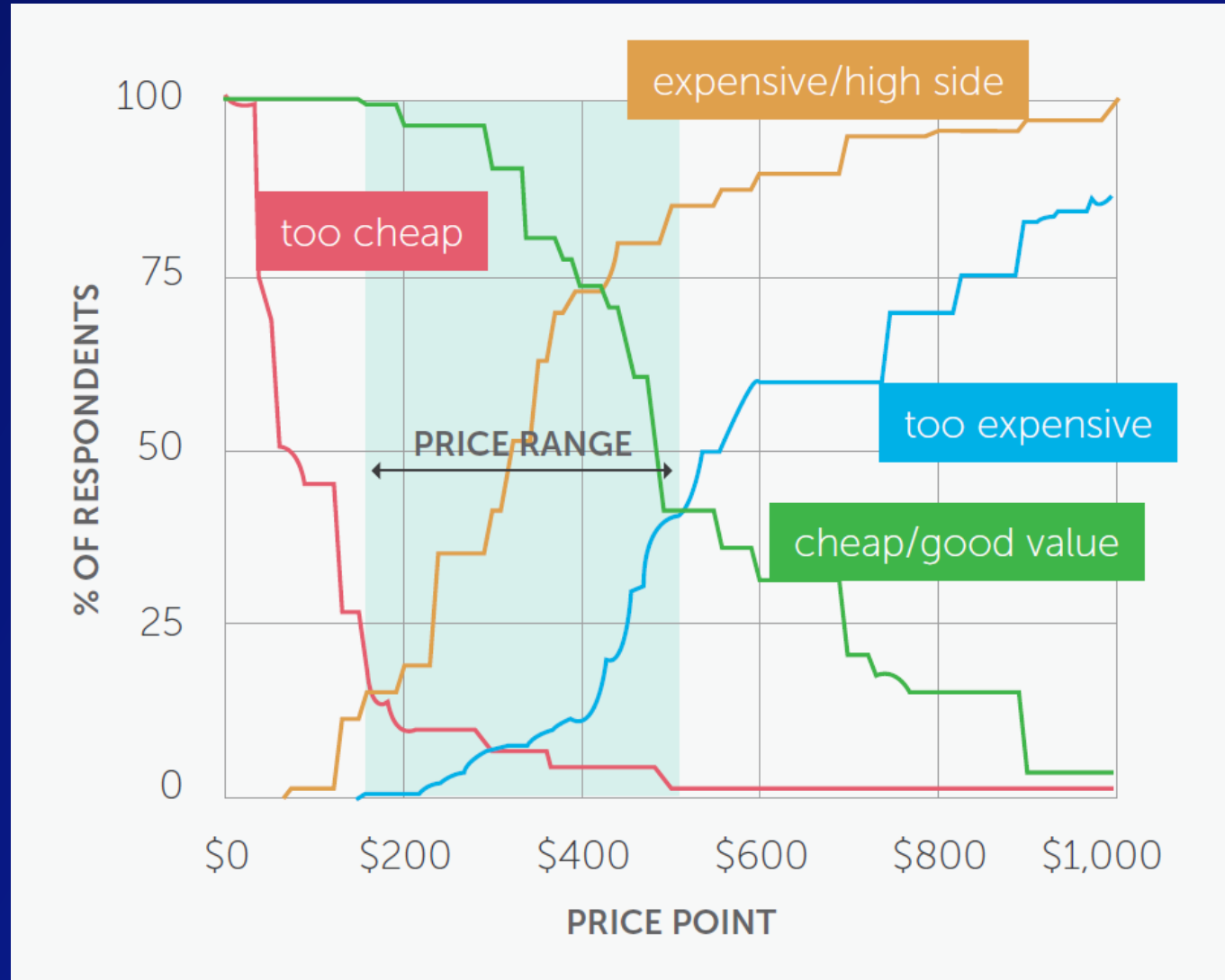
https://www.priceintelligently.com/developing-your-saas-pricing-strategy

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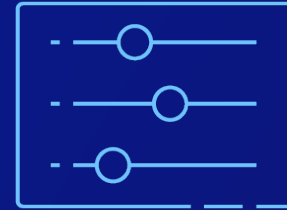
Calibrate pricing & packaging

Evaluate impact on growth

Different types of pricing models

Paid
upfront

Perpetual license
contract

Fixed-term
contract

Subscription
model

Usage
based

Freemium

Pay as
you go

Traditional software model

SaaS model
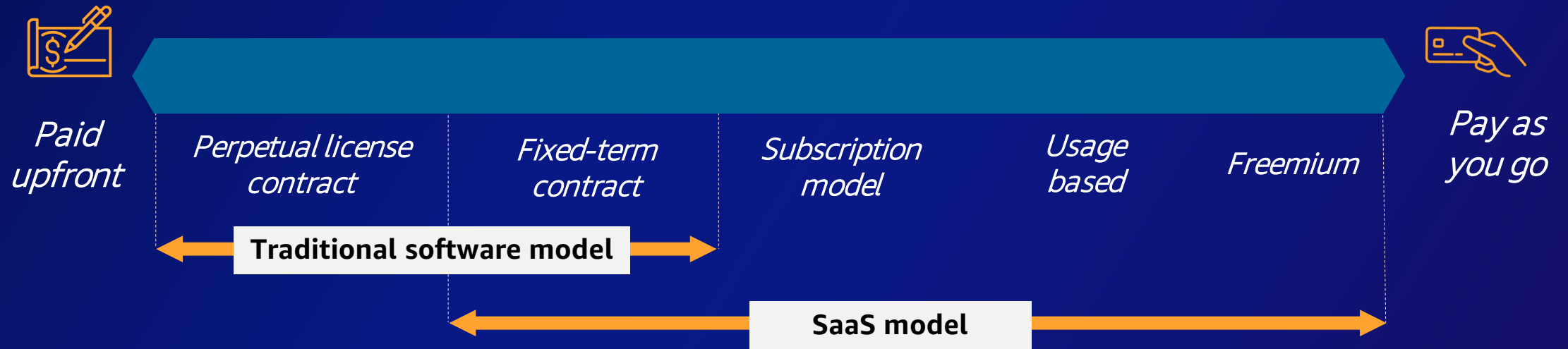
Customer actions = Architecture design = Margins

Day 1

Day 100

Various packaging options

Degree of customer flexibility

Least flexible, but simple — Most flexible, but complex

All-you-can-eat · Functional Packages · Good/Better/Best · Platform + Functional Packages (Base platform) · Build-your-own

Source, Simon Kuchar, https://www.simon-kucher.com/pt-br/node/2498
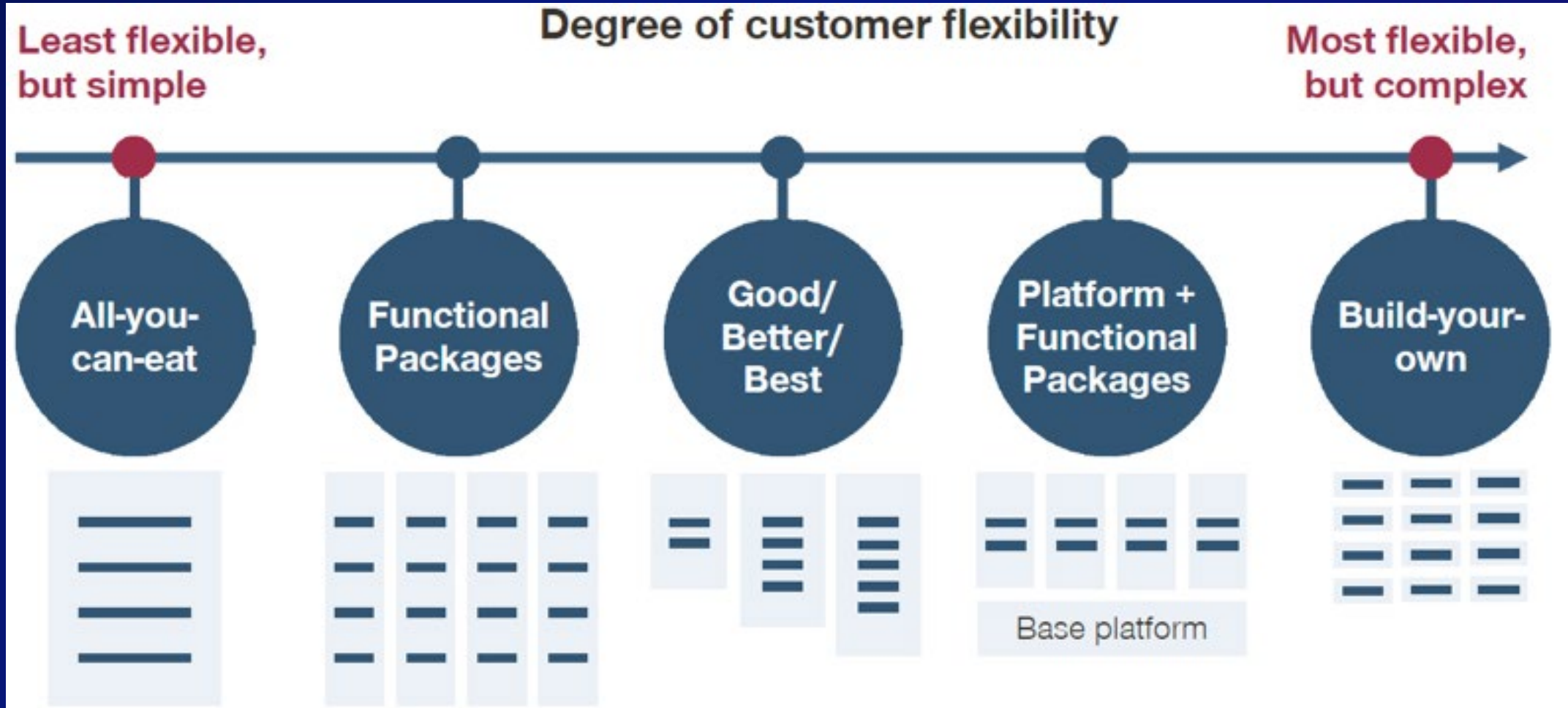
Triage features into leaders, fillers, killers

Leaders

Must have features that customers buy the service for that constantly delivers value

Fillers

Nice to have features that customers sometimes use that can deliver value

Killers

Unwanted features that customers do not believe the value of and will refuse to pay for

Tiering example – Snowflake

Leader features move users between the pricing tiers

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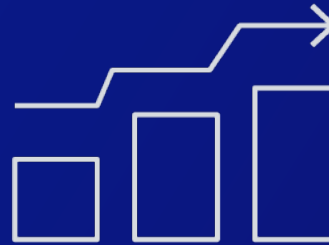
Evaluate impact on growth

Scenario modelling

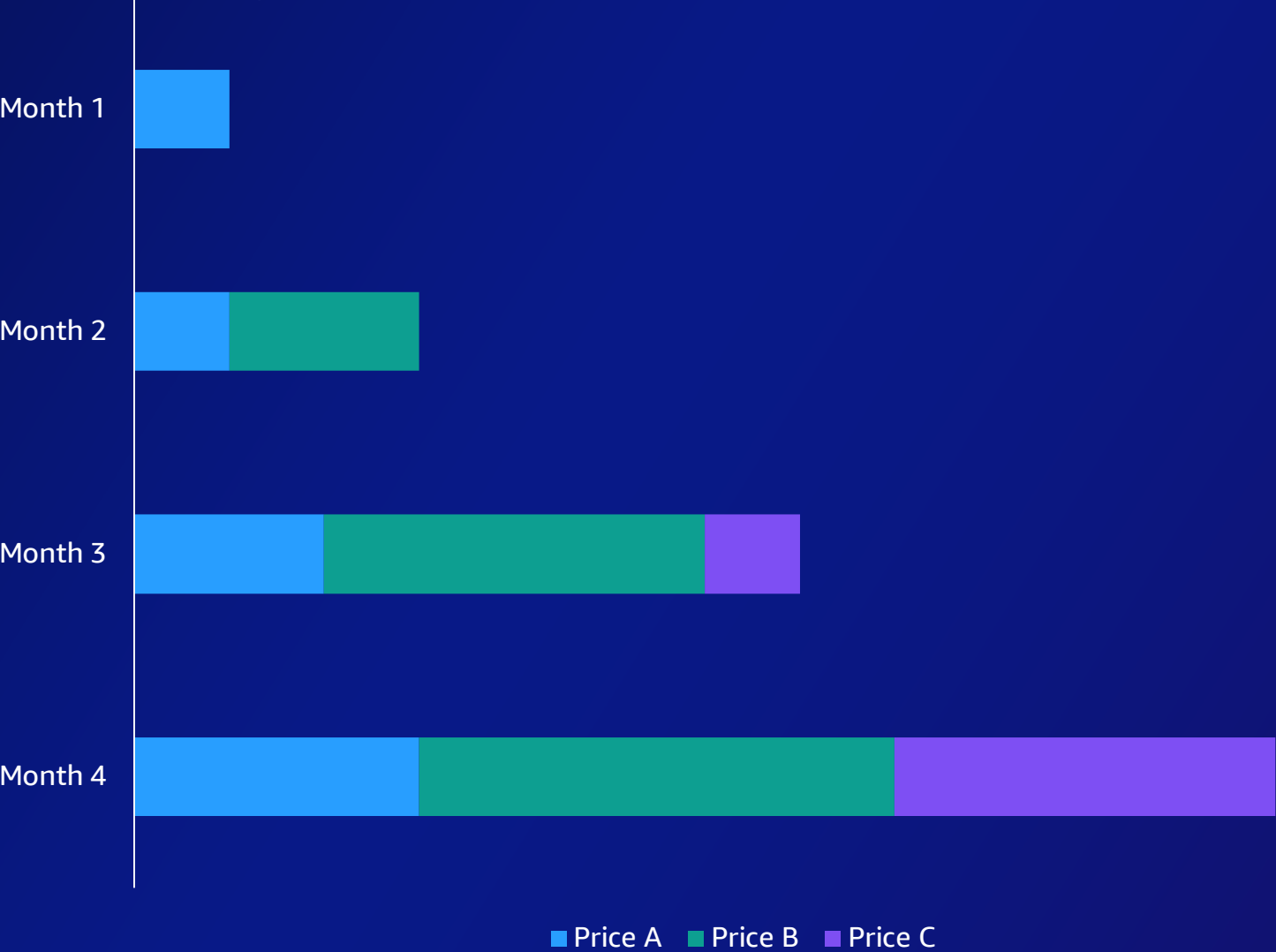# Product checks

Time to Value
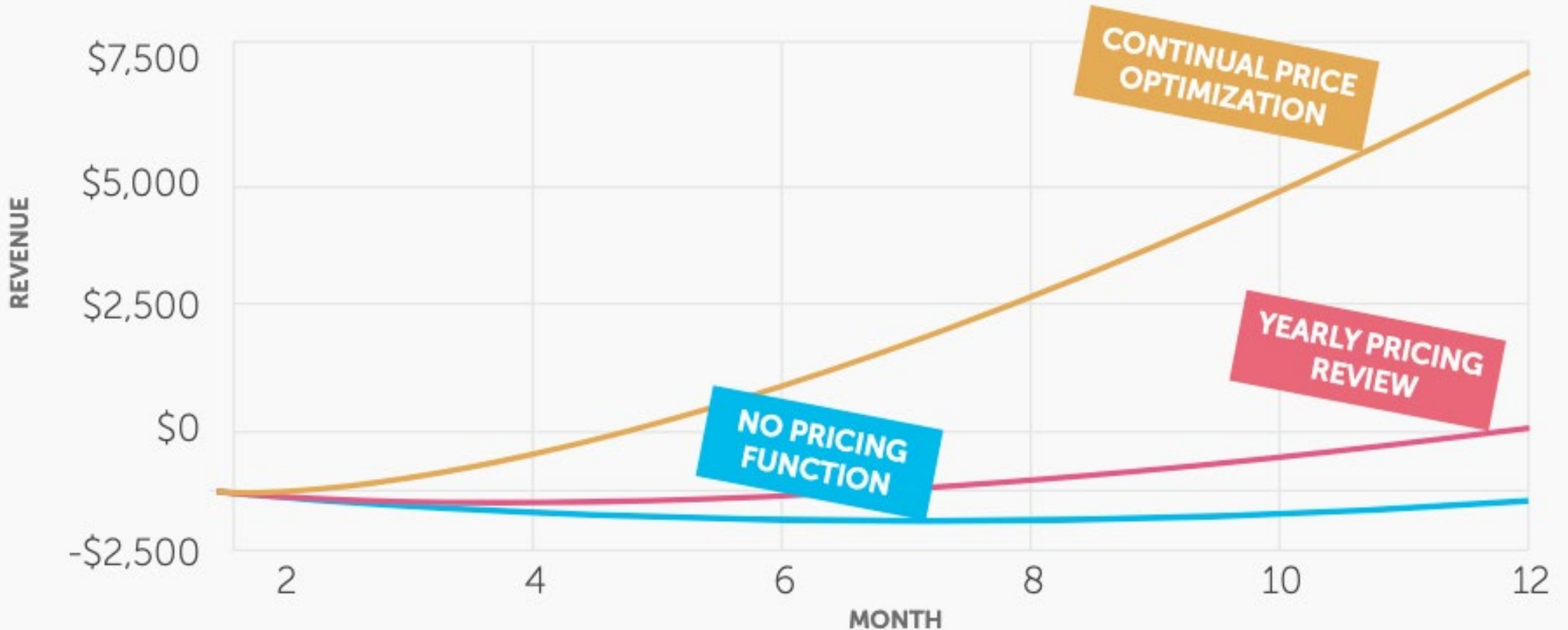
Growth
&
cost to serve

Expansion

Retention
&
churn

Cohort pricing

Legend: ■ Price A ■ Price B ■ Price C

Month 1
Month 2
Month 3
Month 4

Continuous pricing optimization

Payback periods for different pricing commitments

CONTINUAL PRICE OPTIMIZATION

YEARLY PRICING REVIEW

NO PRICING FUNCTION

REVENUE

MONTH

Source - https://www.priceintelligently.com/hubfs/Price-Intelligently-SaaS-Pricing-Strategy.pdf
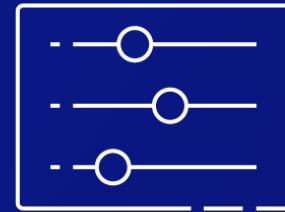
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SaaS is a constant journey

Customers

Metrics

Market dynamics

Initial SaaS release

Continual evolution/iteration
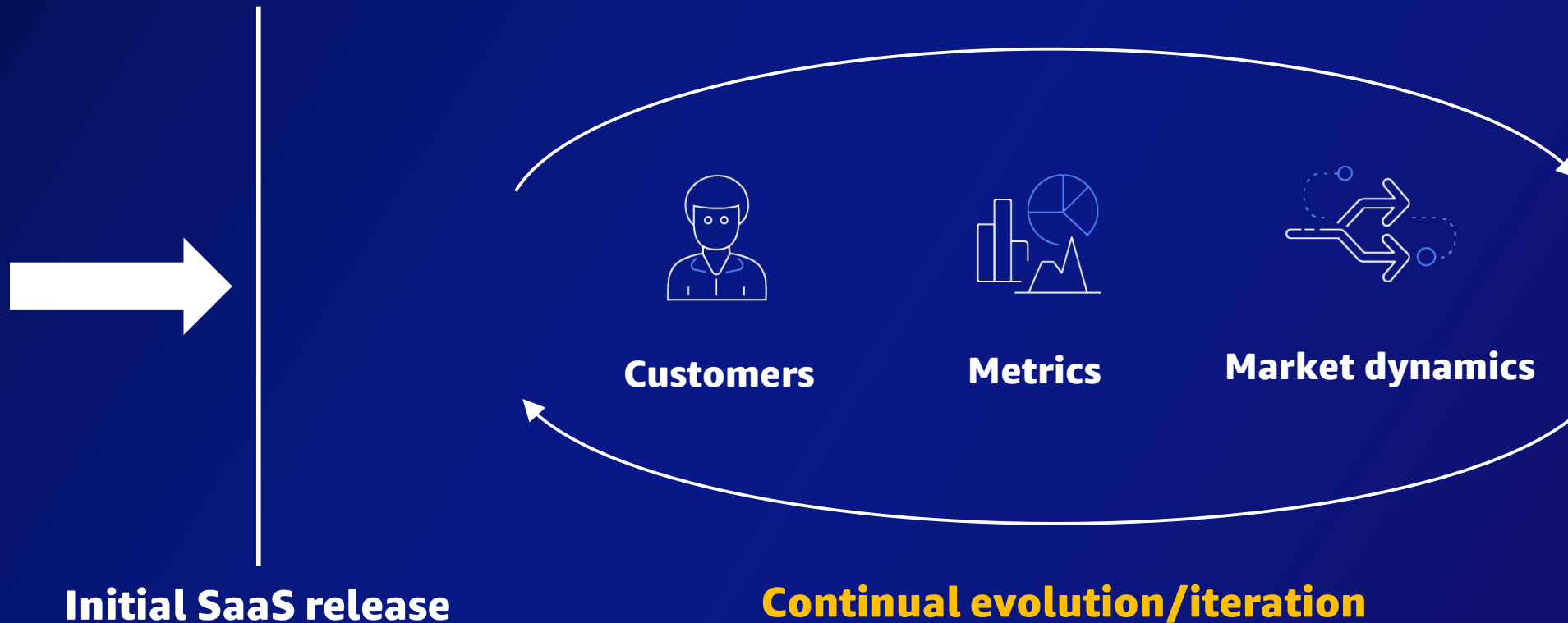
AWS SaaS factory

AWS SaaS Factory is a targeted program that provides AWS partners building SaaS solutions direct access to technical and business content, best practices, and SaaS Business and Solutions Architects that can guide and accelerate their delivery of SaaS solutions on AWS

LENDINGKA₹T

"Previously, to onboard a major bank would have taken us 3 months and $100k of effort. Now its around 2 weeks and less than $1k. "

Abhishek Singh
Chief Business Officer, Lendingkart

aws.amazon.com/partners/programs/saas-factory

AWS has deep experience in SaaS

Learn More

SaaS Factory Insights Hub

SaaS Pricing Models

Scaling Growth with SaaS Trials

Good to Great: Maximizing your SaaS success

Thank you!

Please complete the session survey

Tom LeGrice

Partner Development Manager, SaaS
AWS