



Product pricing

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Brief contents

- Economic foundations of pricing theory
- Pricing strategies
- Discounts
- Research methods for pricing decisions

Marketing mix

- Product → Consumer
- Price → Cost
- Promotion → Communication
- Place → Channel

The role of price

- This is the only element in marketing that brings in the revenues, all the rest are costs
- Value positioning of the product

Differentiate through pricing



Pricing strategies

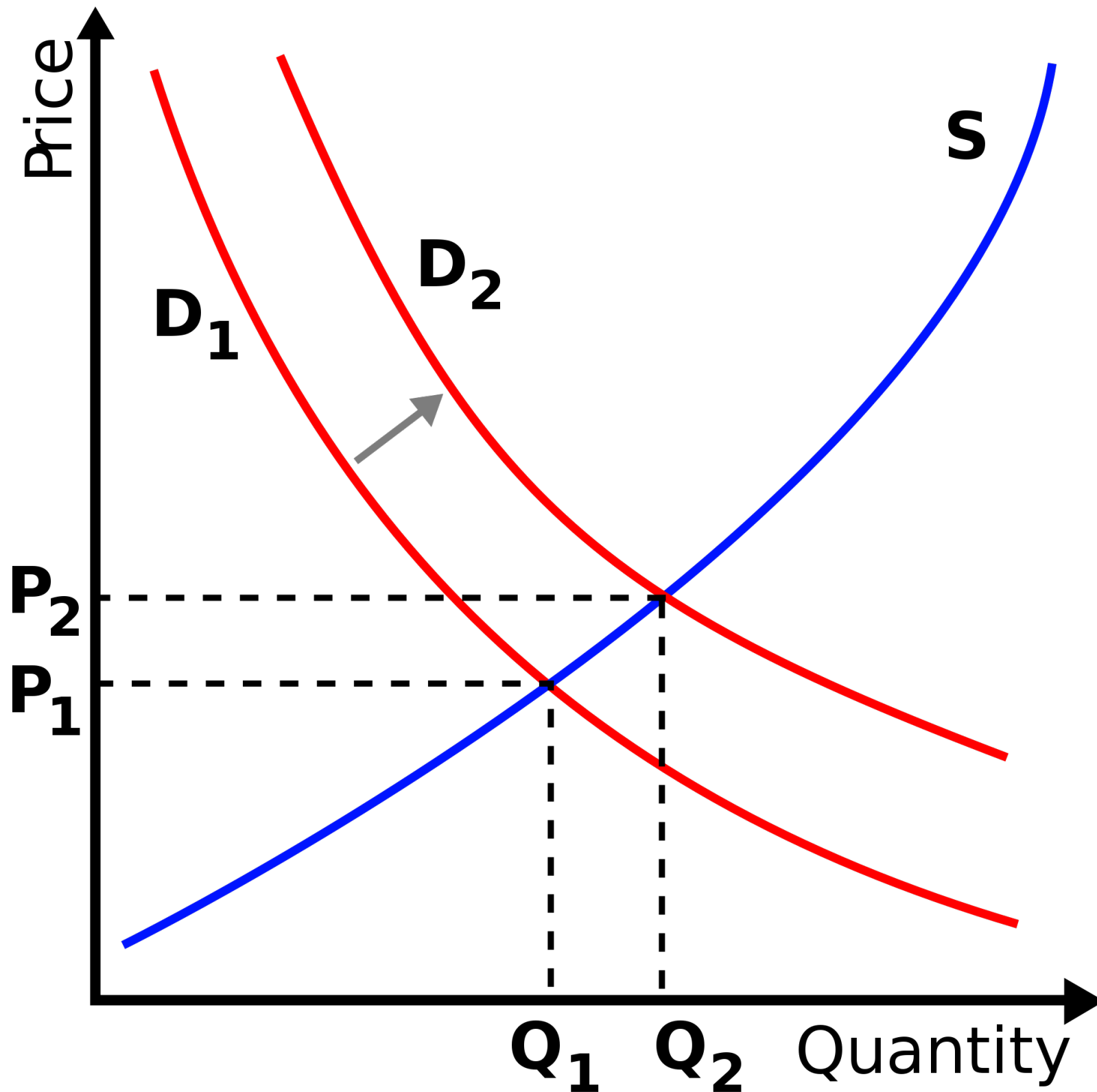
		Quality	
		Low	High
Price	Low	Economy Pricing	Market Penetration
	High	Market Skimming	Premium Pricing

Redefining the Software

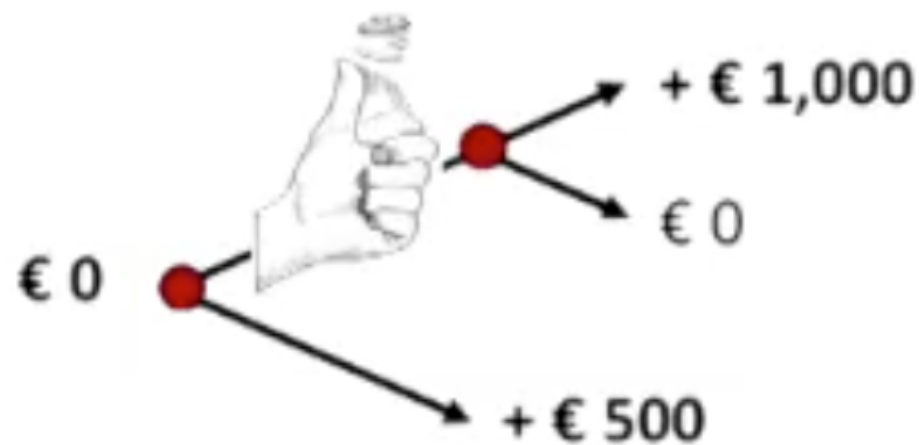
1990+	Now+
Installed by IT	Web, mobile, self service
Infrequent upgrades	Extensibility
Customized	On demand, SaaS, Cloud
Proprietary	Open source, open data
License	Subscription, recurring

... fundamentally more repeatable, sustainable, valuable and predictable

Supply and demand



Manage Perception of Risk



Expected Value = €500



Expected Value = €500

Pain (Loss) > Pleasure (Gain)

Case #1

- You are considering to sell the product.
- How would you determine the price?

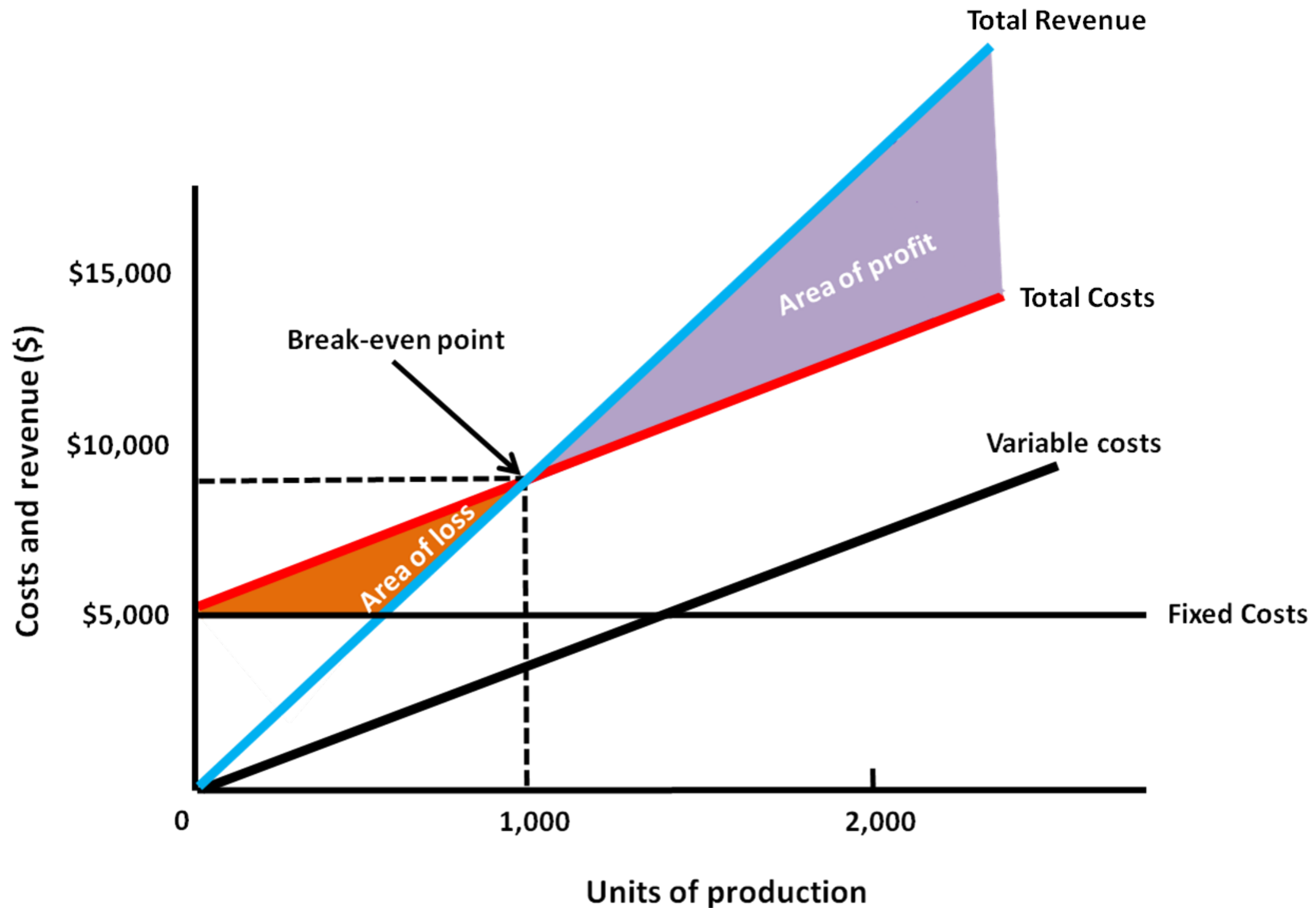
Cost-based pricing



Value-based pricing



Cost-based pricing



Value-based pricing

- Technology \neq Value
- “Technology means nothing unless it enables a differentiated customer experience. Nobody goes into a restaurant because they have a mobile app.”

Ways to change price

- Quantity of money
- Quantity of goods or services
- Quality of goods or services
- Place and time for payment
- Acceptable form of payment

Case #2

- You are considering a discount for your product.
- How would you determine the promo campaign?

Discount tactics

- Improving cash flow
- Solving problems
- Reducing excess products
- Breaking into new markets and building loyalty
- Accelerating the sales cycle
- Driving volume
- Competitive threat

Discount types

- Prompt payment discount
- Seasonal discount
- Cumulative quantity discount
- Educational or student discount
- Coupons, loyalty cards

Key metrics

- Revenue growth
- Customer lifetime value (CLV)
- Price elasticity (PED)
- Churn rate

Price research techniques

- Estimating price-level sensitivity
- Determining willingness to buy

General pricing research approaches

- Experimentation
- Surveys
- Statistical methods and models

The three levels of pricing management

1. Understanding the economic and competitive environment
2. Developing product and market pricing strategy
3. Administering the pricing process

Product Pricing Checklist

- What's your strategy?
- What's your product?
- How will your customers judge the fairness of your pricing?
- Who are your customers?
- Who are your competitors?
- How are you going to sell your software?
- Can you segment your customers?
- Make an informed guess at your price
- Test it out

Home assignment

- Task 1: Market estimation
- Task 2: Renew rate
- Task 3: Pricing strategy
- Task 4: Promo campaign

Recommended books

- **Nudge: Improving Decisions**
by Richard H. Thaler, Cass R. Sunstein
- **Predictably Irrational: The Hidden Forces That Shape Our Decisions**
by Dan Ariely
- **Don't Just Roll the Dice**
by Neil Davidson

Thank you for your attention!



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