Pricing Tier Performance Case Study

Freemium SaaS Analysis

Problem

A company operates a freemium SaaS product with multiple pricing tiers (Free, Basic, Pro, Enterprise). Leadership wants to understand:
- Which plans drive the most conversions?
- Where do users upgrade in the pricing ladder?
- Which tier generates the highest revenue per user?

The goal is to inform pricing strategy and upgrade optimization.

Data

I analyzed simulated product data including:
- User signup and initial plan
- Subscription events (plan starts and upgrades)
- Monthly revenue by user and plan

All analysis was performed in Tableau, using user-level metrics to ensure accurate conversion and revenue calculations.

Key Metrics Analyzed:
- Conversion Rate by Plan → % of users who start a paid subscription
- Upgrade Events → frequency of movement between plans
- ARPU (Average Revenue Per User) → revenue generated per user in each plan tier

Key Insights

1. Pro Plan Drives the Strongest Monetization
   a. While Basic has higher volume, Pro users generate significantly higher ARPU, making it the most valuable revenue segment.

2. Free → Basic Is the Most Common Upgrade Path
   a. Most upgrades originate from Free users moving to Basic, indicating Basic serves as the main entry point into paid usage.

3. Enterprise Users Have Highest Revenue but Low Volume
   a. Enterprise has the highest ARPU but represents a very small share of total users, suggesting it's a niche but high-value segment.

4. Revenue Concentration Is in Mid-Tier Plans
   a. Despite Enterprise having the highest price, total revenue is concentrated in Pro due to stronger adoption and upgrade frequency.

Recommendations

- Improve Pro Plan Visibility
  - Highlight Pro features earlier in the user journey to encourage direct upgrades beyond Basic.

- Optimize Free-to-Basic Onboarding
  - Since most conversions happen here, targeted nudges (usage limits, feature gates, trials) could lift conversion.

- Expand Enterprise Upsell Strategy
  - Introduce in-app prompts for high-usage Pro customers to explore Enterprise benefits.

- Test Tier Messaging
  - Run A/B tests on pricing page copy to understand which value propositions drive plan selection.