

B2B SaaS Pricing Leaders Community Peer Exchange





Overview

In the first half of 2024, L.E.K. Consulting hosted a series of Pricing Leaders Community exchanges, gathering executives from diverse industries to explore modern pricing challenges and opportunities, focusing on data integration, AI, and strategic growth of pricing functions.

Hosts

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Key Topics

1. Establishing and Growing the Pricing Function
2. Measuring Willingness to Pay
3. Pricing Services Alongside Software
4. Competitive Intelligence and Benchmarking
5. AI and Product Development

Establishing and Growing the Pricing Function

- A successful pricing function hinges on strong executive sponsorship and alignment with company objectives. Reporting structures should balance alignment with autonomy, whether teams report directly to the CEO or integrate into product, strategy, or finance functions.
- As pricing functions mature from reactive to strategic roles, it's crucial to identify gaps and leverage industry best practices. Implementing a pricing committee or working group can further engage key stakeholders across functions, ensuring regular review and approval of pricing decisions.
- Effective dashboarding is essential for pricing performance, but access to sensitive data must be carefully managed. Providing the right stakeholders with the information they need, while balancing transparency and confidentiality, ensures informed decision-making without compromising security.

“We've been struggling a little bit into figuring out who should have access to the metrics and into the dashboard, as a lot of what we track is sensitive information, yet **it's important information for a lot of people to understand.**”

Pricing Strategy →



Measuring Willingness to Pay

- Optimizing customer willingness to pay is crucial for influencing deal outcomes and pricing behaviors. Companies employ scoring models that assess deal quality by considering discount levels, cost increases, and other terms, helping to prioritize profitable deals and provide transparency to sales teams.
- Incentivizing sales teams with compensation linked to pricing behaviors, such as multipliers for achieving better pricing tiers, can significantly impact deal outcomes. Effective collaboration between pricing and sales leaders is necessary to design and implement these schemes, along with providing training and coaching.
- Regular evaluations of price increases and renewal negotiations offer insights into pricing power. Tracking key metrics like price book realization, discounting levels, and package mix informs pricing decisions.
- A blend of qualitative and quantitative methods, including customer interviews, surveys, conjoint analysis, and price testing, enhances understanding of value drivers, the competitive landscape, and price sensitivity across different customer segments.

“We've found that **win rates improve when we apply value pricing to our offerings** compared to traditional pricing methods, giving our sales team and organization more confidence in this approach.”

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Pricing Services Alongside Software

- Bundling services like onboarding, support, and consulting with software can significantly enhance value and customer satisfaction. 'Success packs' help boost attach rates and retention, while value-based selling ensures that prices reflect the outcomes delivered to customers.
- Enterprise customers often seek flexibility, preferring bespoke solutions. Offering value-based or outcome-based pricing models tailors the pricing to the specific value delivered, ensuring alignment with customer expectations.
- Charging for services, even at a discounted rate, helps maintain their perceived value and encourages customer engagement, which in turn supports product success and improves retention rates.
- Regular reviews and adjustments to service pricing based on customer feedback and market trends are essential to ensure that offerings remain aligned with evolving customer needs and continue to foster strong, long-term relationships.

“Bundling services with software started as a way to boost engagement, but **we quickly realized customers were sticking around longer**. It was less about the price and more about showing them the impact upfront.”

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Competitive Intelligence and Benchmarking

- Competitive intelligence is critical for understanding market dynamics and informing pricing decisions. Methods such as secret shopper surveys, analysis of public sector price lists, and customer interviews provide valuable insights into competitor pricing and strategies.
- Benchmarking against competitors helps identify market position and areas for improvement. Analyzing pricing models, customer experiences, and value propositions ensures competitive differentiation.
- Regularly updating competitive intelligence allows companies to

adapt to market changes and refine strategies, maintaining a competitive edge.

- Using third-party consultants or internal teams enhances the accuracy of market insights, ensuring they are effectively applied to strategic decisions.
- Translating competitive intelligence into actionable strategies helps sales and pricing teams articulate value propositions, improve win rates, and align offerings with market demands.

"In our older companies, we had a Competitive Intelligence Group that partnered with a third-party consultant to **interview customers post-deal to understand why they chose to buy** from us or our competitors and to benchmark competitor pricing."

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AI and Product Development

- Companies are integrating AI into their products, focusing on both general enhancements and niche high-value features. Differentiating these features allows for more targeted customer engagement and satisfaction.
- Some companies are adopting a 'freemium' approach to AI features, offering basic functionalities for free to drive initial adoption before monetizing these features. This model helps build a user base and demonstrates the value of AI capabilities early on.
- Embedding AI improvements into existing product prices ensures continuous value addition without

imposing extra charges on customers. This strategy keeps the product attractive to both existing and new customers.

- Measuring the real impact of AI on business outcomes is critical. Companies should focus on tangible benefits such as improved efficiency, cost savings, and enhanced user experiences to justify AI investments.
- Clear communication of AI benefits is essential for successful adoption. Customers need to understand how AI enhances products or services and translates into better outcomes.

"From our standpoint, **it's not the capability of the AI; it's the impact that the AI has on an outcome.** So if I'm using AI to determine something, what's the net value of that outcome? The challenge is ensuring it translates and that sales can convey the impact on the product or service offered."

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Implementing Strategic Pricing for a Competitive Edge

Successfully managing modern pricing demands a precise blend of data-driven insights and customer focus. Aligning pricing strategies with organizational goals, while ensuring transparency and effective communication across all levels, is crucial for minimizing customer churn and maximizing profitability. As competitive pressures increase, the ability to innovate and adjust pricing strategies swiftly will be key to maintaining a strong market position and driving long-term success.

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