

PRICING CANVAS™

10 levers for 10-50% annual growth

by Pricing Innovations



About the Author



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Founder, Pricing Innovations

Esra is the Founder of Pricing Innovations - a monetization-first product consultancy in Minneapolis, MN. She created an integrated growth model whereby pricing and monetization levers drive different aspects of growth throughout the lifecycle of an offering.

Esra has a Bachelor of Science in Chemical Engineering, and an MBA from The University of Minnesota. She formerly held product roles with Amazon.com, Facebook, SAS, and PPG Industries. When not pricing, Esra loves roller blading and ice skating with her daughter.



@pricingpros



@esrakucukciftci

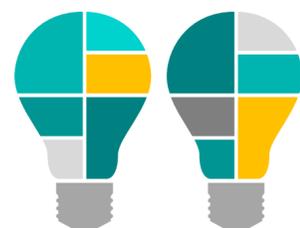


About Pricing Innovations

We're a pricing and monetization consultancy and the creators of The Pricing Canvas™. We help teams to price products and services, drive growth by innovations in their monetization strategy, and optimize their product-market alignment. What sets us apart is that we go beyond pricing and inform how pricing and monetization levers can drive growth throughout the lifecycle of your portfolio. We offer Pricing Canvas™ Workshops, Rapid Price Testing^(R), Pricing Optimization Services^(R), and Revenue Model Transformation Services^(R), and we are known for our methods that create transformative innovations in pricing and monetization.



Pricing new products



Pricing product portfolios & platforms



Innovating revenue & pricing models



Transforming into SaaS models



Monetizing growth, scale, and expansion



Welcome!

Who's the Pricing Canvas™ for?

The number one goal for any organization, whether it be for profit or non-profit, is to continue doing what it has set out to do. For-profit companies exist to sustain or grow their commercial, physical, intellectual, or human resources so that they can continue delivering goods and services that their customers pay to benefit. Non-profit organizations exist to sustain and grow similar resources so that they can continue delivering collective, public, or social benefits. In all cases, all entities that are organized through activities that deliver goods and services exist so that they can continue delivering value to private or institutional benefactors. Organizations fail to exist either when they can't create enough value that others desire or when they can't sufficiently monetize the value that they have created to maintain their activities that are worth funding.

The Pricing Canvas™ is for any commercial or not-for-profit organization that creates goods, services, and experiences that deliver value to others. Pricing defines the ways in which value exchanges hands between an organization and its community. It does so by defining the types and levels of value that benefactors, buyers, and users require, and are willing to acquire.

Pricing and monetization strategy are what transforms a good idea into a good business. We've helped many ideas to grow into successful commercial and not-for-profit operations which, in turn, deliver value to others by applying the principles of value-based product. Whatever your space, we can help you too. We hope that you find this guide helpful.

Happy reading!



Value-based product management

Price the value delivered

Focus on pricing the benefits – *not features and attributes*. Quantify the value that is delivered to buyers and their willingness to pay for it

Price the segmented value

Align your pricing structure with by how different types of buyers benefit from your offering, differently

Price by the right metric

Identify the primary metric that scales your revenues as your customers' benefits scale

Price the product/service levels

Optimize the caps and triggers for your product structure to fence the amount of value delivered at each product tier, service level, and price point

Price, then build

Focus your product discovery and roadmap on building the solutions that address your buyers' value gaps and drive their willingness to pay. Build what you can sell.



Where to start?

The Pricing Canvas™ is the ultimate companion to set your pricing and monetization strategy. It consists of ten growth levers that can be deployed independently or together throughout the lifecycle of your offering(s). When used independently, each lever can help drive a specific growth opportunity such as net new customer acquisition or market share. When optimized together, the Pricing Canvas™ can inform how transforming your revenue model might drive revenues faster than developing a new product or, how acquiring a new channel partner might impact your margins more than increasing your prices. An optimized Pricing Canvas™ can create transformative growth for your entire portfolio and revenue streams, for years to come.

The key to executing strategy is alignment. Your key business structures must be well aligned to deliver your product, portfolio and channel goals. Your value metric must be optimized to fuel revenue growth even when new customer acquisition is slow. Your pricing position must help communicate your competitive position as a clear advantage. The Pricing Canvas™ helps you get there – one growth lever at a time.

Which lever is first? Always start with your growth strategy. Decide where you want to go and design the path to get there.

Ready? Let's go *there!*

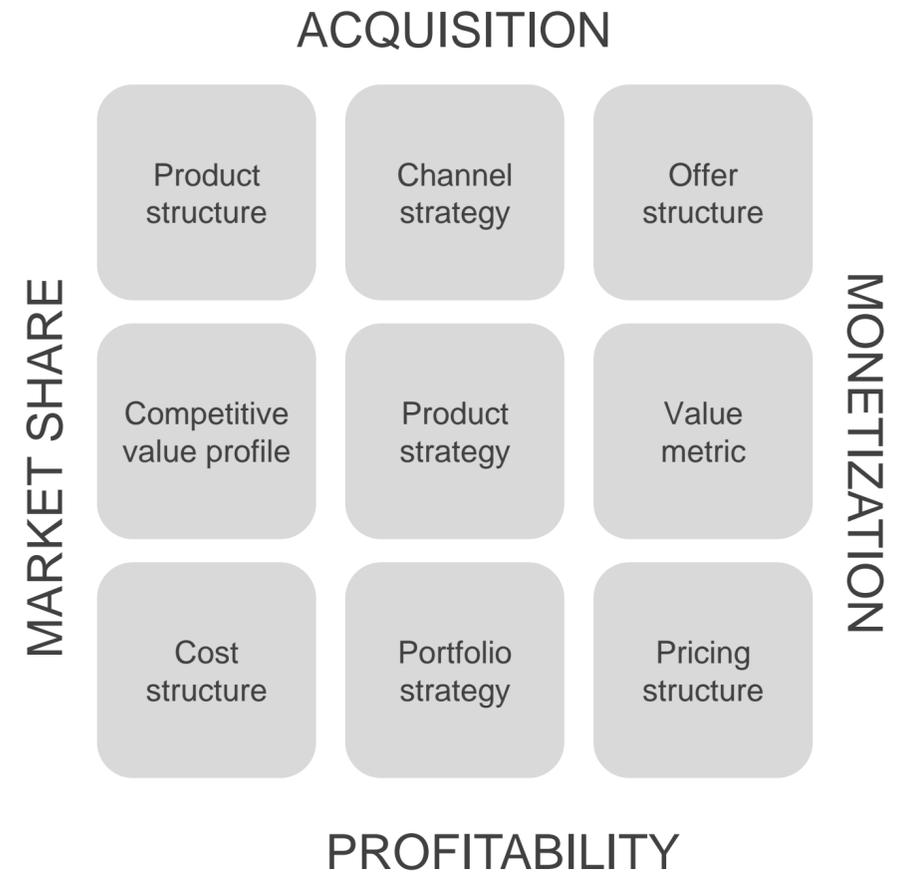


Where will growth come from?

#10growthlevers

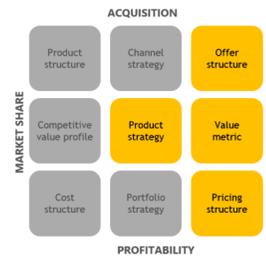
Most businesses drive growth in one of four ways:

- 1.Acquiring net new customers
- 2.Monetizing their customer base better
- 3.Improving profits and margins
- 4.Gaining competitive market share



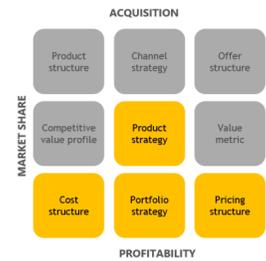
Acquire net new business

Innovate your product and offer structures, seek new growth opportunities with your partners and ecosystem



Monetize customers better

Optimize your value metric, align your offer and pricing structures with the Value Stacks™ of different customers



Increase margins or profits

Align your pricing and cost structures, and set a portfolio strategy to optimize the margin contribution of each revenue stream



Grow market share

Innovate your competitive value profile, grow the offerings that have the most competitive cost advantages

Which of the #10growthlevers will be in play?

1. What's the source of segmented growth for your company in the next 1-3 years? Acquiring new customers, monetizing your customer base better, driving your margins, or growing your market share?
2. How will a new offering, partner, or market play help you achieve your growth goals? Which other levers might drive growth?
3. Are there opportunities to innovate any of the norms or sales models in your domain to drive growth?
4. What initiatives and activities will you set in motion to meet your goals?



Title: _____

Date: _____

Iteration: _____

Golden rule of product: Develop offerings that people will acquire for a price commensurate with the benefit delivered at a cost structure more favorable than the competition.

<h3>Product strategy</h3> <p>Start with your growth strategy. Will growth primarily come from acquiring net new customers, monetizing your customer base differently, increasing profitability or driving your market share? Deploying a combination of these growth strategies is possible, even desirable however, it might require a phased approach and a clear plan as to <i>which</i> growth lever will be pulled, and <i>when</i>.</p> <p>Identify the pricing process that best suits your space. Evaluate how you can innovate the existing models.</p> <p>List your target product and price positions in each of your segments. Be honest. A <i>'value product'</i> strategy can be just as good as a <i>'premium product'</i> strategy.</p>	<h3>Product structure</h3> <p>Design the Value Model® of your product by identifying the <i>Value Drivers</i>®.</p> <p>Quantify the total economic value (TEV) of benefits that are realized as one time, monthly, annual, lifetime etc. value.</p> <p>Build the Benefits Architecture® of your offering to categorize the features and attributes by the types and levels of benefits that they deliver,</p>	<h3>Offer structure</h3> <p>Map the jobs-to-be-done (JTBD) in your solution area to the customer types.</p> <p>List your primary customer types. Identify the customers that make up your market and segment them by their JTBD.</p> <p>Construct the Value Stacks® of your customers by stacking up the value drivers per primary customer types.</p> <p>Re-segment your market and map segments by using your Value Stacks®. Consider designing experiments or primary research to determine the newly segmented willingness to pay (WTP). Calculate the pricing window of the Value Stacks®.</p>	<h3>Pricing structure</h3> <p>Design your new pricing plan. Map the features and attributes that deliver the benefits on your offer structure on your pricing plan. Assign price points to each level for testing and validation.</p> <p>Validate your pricing plan. Identify the right quantitative testing methodology that best suits your customer base.</p> <p>Choose your revenue model wisely. What got <i>them</i> 'here' might not get <i>you</i> 'there.'</p>	<h3>Cost structure</h3> <p>Itemize the drivers of fixed and variable costs of your new offer structure. Remember to factor in any off-the-invoice costs.</p> <p>Estimate the costs of product and service delivery of your new offer structure.</p> <p>Financially model the next 1-3 years and scenario test your assumptions on segment growth and existing customer migrations to the new plan. Evaluate product adoption, profitability, churn, and margin contributions of various growth and go-to-market scenarios.</p> <p>For recurring revenues, establish an XaaS model to estimate your new CAC, CSC, LTV, MRR, and ARPA per segment.</p>
<h3>Portfolio strategy</h3> <p>Set up a portfolio strategy. An offering is what <i>*you*</i> decide to offer, profitably. Decide which offerings in your portfolio will be at play, where, and when. Strategic trade-offs are critical to your portfolio strategy. Be deliberate about the customer JTBS areas for which you will solve and not solve.</p> <p>Define each of your offerings: a platform, a marketplace, a product suite, a bundle, a product, a module, a use case, a feature, an add-on, an experience, or a service etc. Decide which delivery model you'll deploy for each of the offerings.</p>	<h3>Channel strategy</h3> <p>Rate and rank your upstream and downstream partners in terms of their impact to your profitability and growth goals.</p> <p>Investigate if a partnership would open a new market entry point for you before devising a product strategy to go it alone. Acquiring an existing customer base of a partner might be much faster and cheaper than building your own customer base.</p>	<h3>Go-to-market strategy</h3> <p>Devise a cross functional implementation roadmap among product, product marketing, sales, business operations, support, finance, and legal teams. Record the overall organizational requirements and dependencies, and secure resources to address those requirements for a successful implementation.</p> <p>Determine how your new offer structure impacts the customer journey. Decide what types of new marketing resources, sales motions, tooling and enablement will be necessary for your team and your partnered channel.</p> <p>Define any changes that might be required to your service agreements, rev-rec, and customer entitlements. Revise the legalese accordingly.</p> <p>Create a phased go-to-market plan to address the needs of new and existing customers as well as the needs of the direct and partnered channels.</p>		

Competitive value profile

Calculate the value of differentiated attributes of your offering in relation to other alternatives that customers will use, when judging the fair value of your offering. Remember, doing or using nothing is a valid alternative.

Value metric

Determine how customers measure the value they get from your offering. Calculate the units and intervals of purchase..

Choose the metric that deliver your growth goals best and the fastest. Consider having a secondary metric as well.



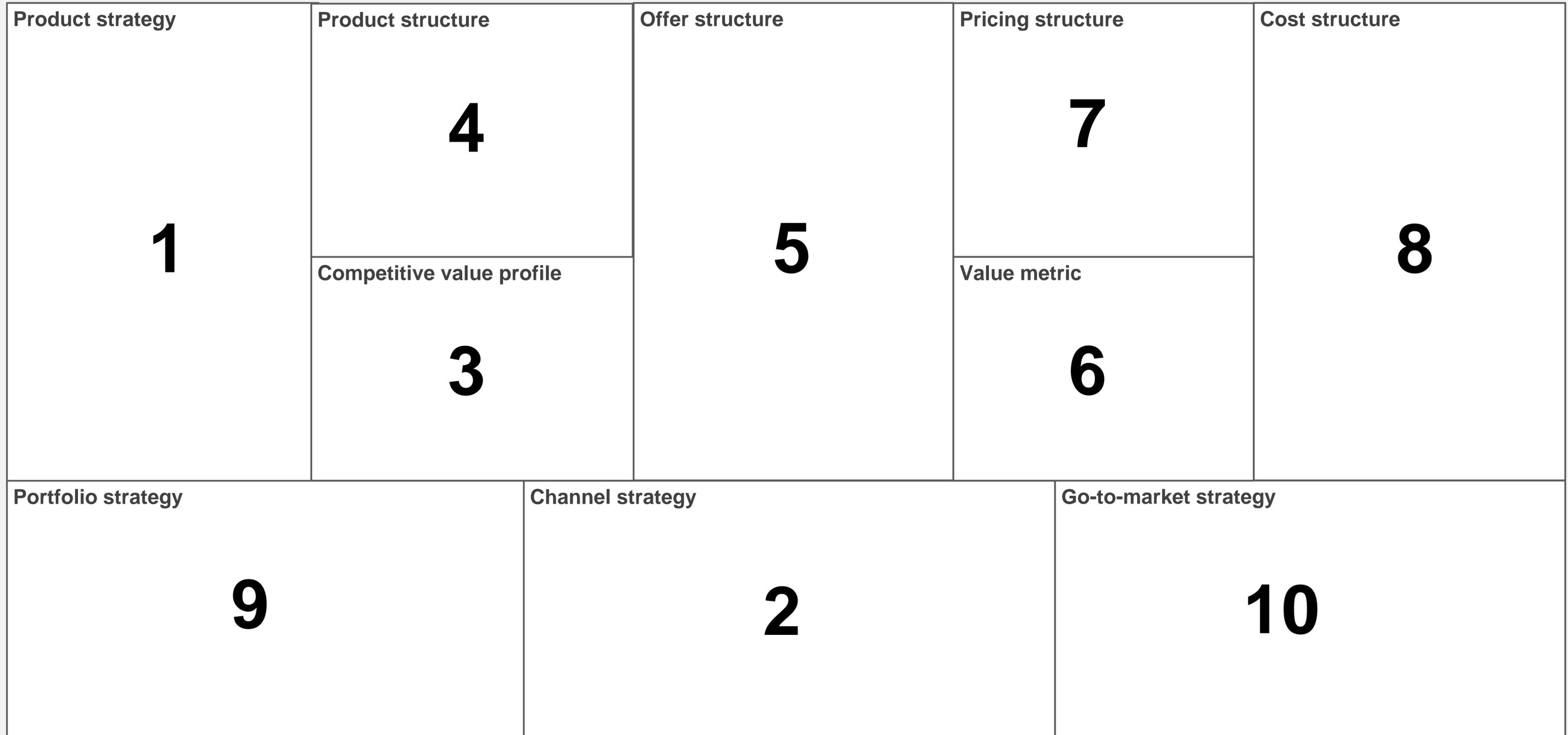
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Product strategy	Product structure	Offer structure	Pricing structure	Cost structure
	Competitive value profile		Value metric	
Portfolio strategy		Channel strategy		Go-to-market strategy



Still have questions?

We can help



We will work with your team and get you ready to test your new pricing design in just 4-6 weeks.

[Book a discovery call](#)



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