Main objective:
Demo Helps Customers Visualize Solution
Validate Early Adopter

- **Customer risk: Who has the pain?** *(Early Adopters)*
Validate Solution and Pricing

- **Product risk:** How will you solve these problems? *(Solution)*

- **Market risk:** What is the pricing model? *(Revenue Streams)*
Realizable?
Look real?
Quick to Iterate
Minimize Waste
   - Switch soon to the technology you will build the final product with
   - Use real-looking data
   - Or better yet, use real data!
Pricing Strategies

Don’t Just Roll the Dice
A usefully short guide to software pricing

Neil Davidson


CISC 879 : Technology Start-ups
Pricing Strategies

PACS

- Prizing
- Anchoring
- Confidence
- Scarcity
Pricing Strategies

- Prizing
  - Rather than trying to impress, position yourself as the prize
### Pricing Strategies

#### Anchoring

- When people make decision based on the first information they encounter.

<table>
<thead>
<tr>
<th>Pro</th>
<th>Plus</th>
<th>Standard</th>
<th>Basic</th>
</tr>
</thead>
<tbody>
<tr>
<td>$99 /mo (paid annually)</td>
<td>$49 /mo (paid annually)</td>
<td>$19 /mo (paid annually)</td>
<td>$9 /mo (paid annually)</td>
</tr>
<tr>
<td>250,000 VISITS PER MONTH</td>
<td>100,000 VISITS PER MONTH</td>
<td>25,000 VISITS PER MONTH</td>
<td>10,000 VISITS PER MONTH</td>
</tr>
<tr>
<td>100 ACTIVE PAGES</td>
<td>50 ACTIVE PAGES</td>
<td>20 ACTIVE PAGES</td>
<td>10 ACTIVE PAGES</td>
</tr>
<tr>
<td>Hourly REPORTS</td>
<td>Hourly REPORTS</td>
<td>Daily REPORTS</td>
<td>Daily REPORTS</td>
</tr>
<tr>
<td>+ Advanced Filtering</td>
<td>+ Advanced Filtering</td>
<td>+ Daily REPORTS</td>
<td>+ Daily REPORTS</td>
</tr>
<tr>
<td>+ Mobile Heatmaps</td>
<td>+ Mobile Heatmaps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ Priority Email Support</td>
<td>+ Priority Email Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ Priority Phone Support</td>
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</tbody>
</table>

That $99 number is the anchor. Everything else listed to the right looks like a killer deal.
Pricing Strategies

• **Confidence**
  - Don’t be embarrassed by your MVP!
  - It is the “simplest” product that solves a real customer problem
Right now, we are specifically looking for 10 early adopters who clearly have a need for [state top problem].
Solution Interview Canvas

<table>
<thead>
<tr>
<th>PROBLEM</th>
<th>SOLUTION</th>
<th>UNIQUE VALUE PROPOSITION</th>
<th>UNFAIR ADVANTAGE</th>
<th>CUSTOMER SEGMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Solution interviews will validate minimum feature set.</td>
<td></td>
<td></td>
<td>Solution interviews will validate first-time moms with kids under the age of 3 as early adopters.</td>
</tr>
<tr>
<td></td>
<td>KEY METRICS</td>
<td></td>
<td></td>
<td>CHANNELES</td>
</tr>
<tr>
<td></td>
<td>REVENUE STREAMS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Solution interviews will drive verbal commitments to pay $49/yr for service.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
WELCOME
2 min • Set the Stage

COLLECT DEMOGRAPHICS
2 min • Test customer segment

TELL A STORY
2 min • Set problem context

DEMO
15 min • Test Solution

TEST PRICING
3 min • Revenue Streams

WRAPPING UP
2 min • The Ask

DOCUMENT RESULTS
5 min

• THE SETUP
• IDENTIFY EARLY ADOPTERS

• TEST SOLUTION

• TEST PRICING

• PERMISSION TO FOLLOW UP
• REFERRALS

• DOCUMENT RESULTS
Thank you very much for taking the time to speak with us today.

We are currently working on startup for a course project. I got the idea for the service after blah blah blah.

The interview will work like this. I’ll start by describing the main problems we are tackling, and then I’ll ask if any of those resonate with you. I also would like to show you an early demo of the application.

I’d like to stress that we don’t have a finished product yet, and our objective is to learn from you, not to sell or pitch anything to you.

Does that sound good?
Ask some introductory questions to collect basic demographics and qualify your early adopters:

Before we go on to the problems, I’d like to learn a little about you:

• Do you know about the latest data breaches?
• Do you know about the latest security products?
• Are you in charge of security at your company?
• How much time do you devote to security?
• With whom?
Illustrate the top problems with a story:

So, let me tell you about the problems we are tackling.

<For each problem>

STORY and Problem n.

Does any of this resonate with you?
STORY and Problem 1.

Example: We had to organize the files, resize them, and babysit the upload process. Video was even more painful because we often had to convert the video first (transcode) into a web-friendly format.
<For each problem>
Solve the problem using demo
Pause ask if they have any questions

This is the heart of the interview!
Finish with this!

We are trying to prioritize what to finish and release first and would like to ask you a few more questions:

1. What part of the demo resonated with you the most?
2. Which could you live without?
3. Are there any additional features you think are missing?
Tell him your pricing model
Gauge response immediately
  • Do they hesitate or readily accept price?

So, let’s talk about pricing next.
We will launch the service using a subscription model.
Would you pay $XX a year for XYZ?
• **Permission to follow up**
  • “pilot” the product?

Example: As mentioned at the start, this isn’t a finished product, but we are close to launching something soon. Would you be interested in trying out the product when we have something ready?

• **Referrals** to other potential prospects
• Take five minutes to document results
  • while they’re fresh in your mind
• Helps to have a template
Problem worth Solving?

- Review results weekly
  - Don’t change script often!
- Features
  - Compelling reasons to add/drop features
- Confirm your earlier hypotheses
  - Until you get consistent results
- Refine pricing
  - If no resistance, consider raising price
When are you done?

You are confident that:

- Can identify the demographics of an early adopter
- Have a must-have problem
- Can define the minimum features needed to solve this problem
- Have a price the customer is willing to pay
- Can build a business around it
  - back-of-the-envelope calculation