



PROBLEM STATEMENT:

Implementing a new pricing strategy that exudes value for customers to support customer retention whilst maximising gross margin for the client.

Client profile

- Australian Advertising Industry
- SMB Customer Segment
- 200k+ customers
- 1500+ employees
- \$600M+ Revenue

Key Team Roles

- Pricing Lead
- Pricing Analyst
- Product SME
- Sales SME
- Commercial Analyst
- System Developer

Business Impact

- Developed a pricing strategy that is consumption driven and protects the value of the core product
- Improved weighted average gross margin on proprietary digital product by 5%
- Created a dynamic bundle discount model
- Built a ROI calculator and alert trigger within the CRM to notify account managers when a customers offering is not delivering expected results to mitigate churn

PRICING STRATEGY & OPTIMISATION



Our client was in the process of transforming their proprietary digital advertising product to offer substantially greater value to both customers and consumers, and as part of this product transformation the pricing and packaging strategy needed to be constructed. The pricing strategy had three guiding design principles: to be consumption driven, protect the value of the proprietary product and unbundle the legacy product within three years that was becoming redundant in today's digital environment.

Approach: The pricing strategy needed to address 4 key components: acquiring new customers and regenerating the base, converting ~700k customers from free listings to paid listings; converting existing paid customers into higher tiers through more valuable products and eliminating customer churn. It was critical that for each dollar spent by the customer there was a high degree of confidence that they will receive tangible value and to bring our client's offering back to parity with competitors – particularly in verticals generating majority of revenue.

- Develop a tiered structure for products and features to provide a strong growth corridor for customers whilst also ensuring a migration path for all existing customers. Clear delineation between product pricing tiers will allow customers to see what they are and aren't getting as part of their tier.
- Explore options for local demand pricing whilst accounting for industry (vertical) demand
- Build dynamic bundling model to encourage customers to bundle their products and
- Simplify existing product pricing model

Solution:

- Developed a tier and bundle model to support the product's transformation and alignment of value for customers
- Constructed a pricing elasticity model to support a consumption driven model
- Established a commercial model to provide market competitive value and allow for dynamic bundle discounts
- Created a Return On Investment (ROI) calculator and alert trigger to notify account managers when a customer's bundle is not delivering expected results
- Managed the systems implementation of the new pricing model and alert trigger within the CRM

PRODUCT GROSS MARGIN

+5%

YEAR ON YEAR

SIMPLIFIED PRICING TIERS

4

BASIC, SILVER, GOLD, PLATINUM

IMPROVED PRODUCT CHURN

7 pp

YEAR ON YEAR