



# Ibbaka Powers Growth

IN PURSUIT OF DEEP AND LASTING IMPACT THROUGH VALUE AND PRICE



**New** ibbaka  
**Ventures BC**



# Introduction to Value-based Methodologies

**PRICING FOR INNOVATION**

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April 15, 2023

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## TODAY'S PRESENTERS



### Anapaula Pollak

Designer

Experienced Graphic Designer working on developing a platform to support Value Based Pricing. With also a lot of experience working in the management consulting industry and E-learning. Skilled in User Interface Design, 2D animation, Microsoft Excel, Customer Service, Microsoft Word, and Typography. Strong arts and design professional with a Bachelor's of applied design focused in Graphic Design from Art Institute of Vancouver and The Institute of Design in Caracas.

[See her skill profile](#)

[Connect on LinkedIn](#)



### Steven Forth

Managing Partner

Steven has been identified by OpenView Venture Partners as one of the world's leading experts in SaaS and software pricing. His work combines design thinking, data analytics and parametric design to pricing.

He is an active member of the Professional Pricing Society, leading workshops and giving talks.

Steven demonstrates his commitment to innovation through angel investing and by managing the 240,000 member design thinking group on LinkedIn.

[See his skill profile](#)

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- **Aspects of your company may be incomplete**
  - Management team may be lacking key individuals
  - Product is still in development, or
  - Product is not yet on the market in a commercialised form, (typically in 'beta')
  - If commercially available, the product is generating revenues but on a limited basis
  - May have filed for patents for proprietary technologies
- **Funding is transitioning from founders, friends & family**
  - Looking to attract funds from accelerators, angels and maybe VCs



## PRICING PLAYS A KEY ROLE

- Pricing is central to how you communicate your value and position your offer
- Value has economic, emotional and community aspects – these matter
- Market segmentation is the foundation of your pricing strategy
- Connect the value metric to the pricing metric



**Pricing power is important to investors**

## THE WORLD HAS CHANGED



- **Cost of capital is much higher**
  - Higher interest rates
  - Lower valuations
  - Cautious investors (unless you are in Generative AI or government subsidized CleanTech)
- **Investors want cash flow positive companies**
- **More attention is being paid to scaling costs**



**Pricing execution has become critical**

# AGENDA



## Framing Principles

- Why pricing matters
- Fairness, Consistency and Transparency in Pricing
- Value cycle

## Value

- Understanding economic, emotional and community value

## Differentiation & Segmentation

- Value-based market segmentation

## Pricing Core Concepts

- The basic framework
- Pricing strategies
- Pricing methods
- Pricing models
- Pricing over the lifecycle
- Why pricing matters to investors

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# Framing Principles

# WHY PRICING MATTERS



**Pricing is where it all comes together**



**How you create value?**



**Who you sell to?**



**How you communicate value?**



**How you capture value?**



## FRAMING PRINCIPLES – GOOD PRICING IS FAIR, TRANSPARENT, CONSISTENT

### Fairness

- Pricing must be perceived to be fair. This means two things:
  - Value for what is provided
  - Different stakeholders receive and pay for value in a balanced way

### Transparency

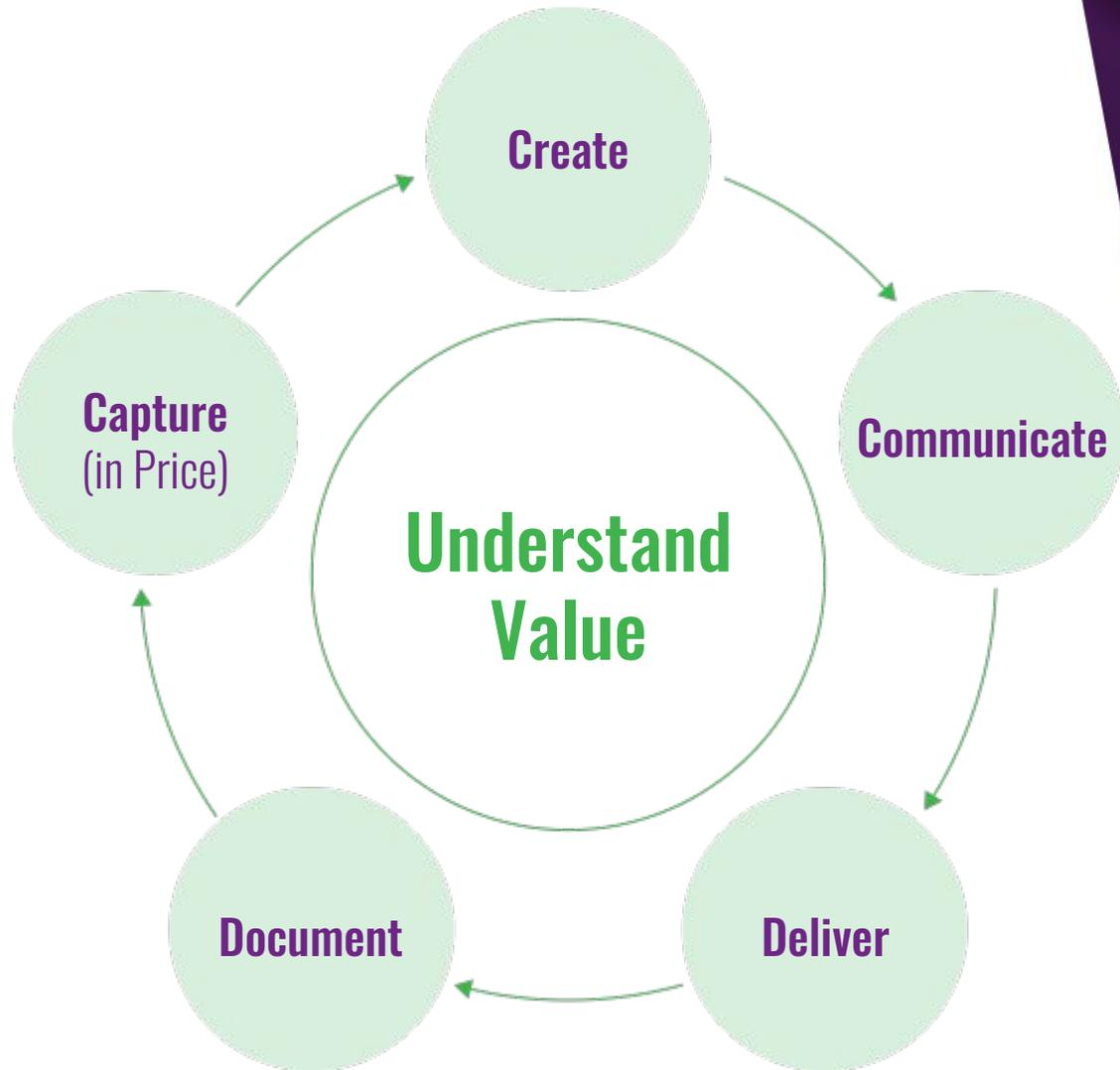
- In order for pricing to be perceived as fair there must be transparency. It must be clear to people how and why prices are set

### Consistency

- Pricing and value delivered need to be consistent over time
- The same pricing principles need to be applied to different market segments

**A standard pricing process that is visible to all stakeholders will contribute to the perception of fairness, transparency and consistency**

## FRAMING - THE VALUE CYCLE





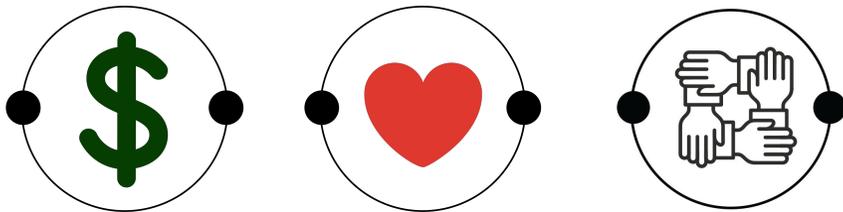
# Value Drivers



# VALUE AND PRICING - WHY VALUE BASED PRICING?

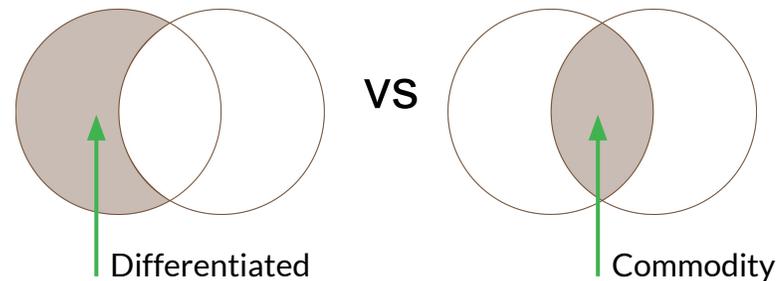
## Value-based pricing factors in

- Economic value drivers
- Emotional value drivers
- Community value drivers



## Decomposes value into two components

- Differentiated
- Undifferentiated or commodity



## CORE CONCEPT - VALUE



Understanding value  
is the foundation for

- **Market Segmentation**  
↓
- **Value-Based Pricing**  
↓
- **Marketing Strategy**  
↓
- **Value-Based Sales**



**Without Value  
There is nothing to  
price**

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**Need to understand  
Value Drivers**

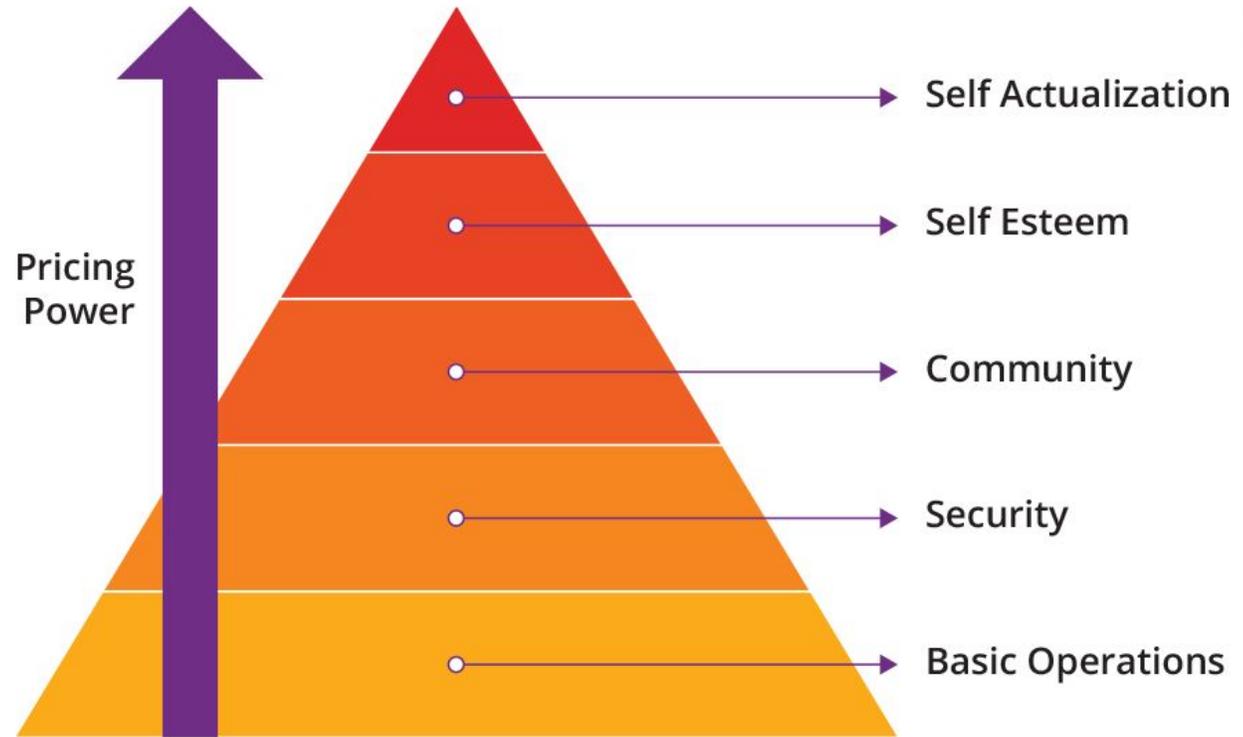


## Maslow's Hierarchy

Provides a good way to frame emotional value

Basic functionality (that drives most economic value) is not a powerful way to frame emotional value

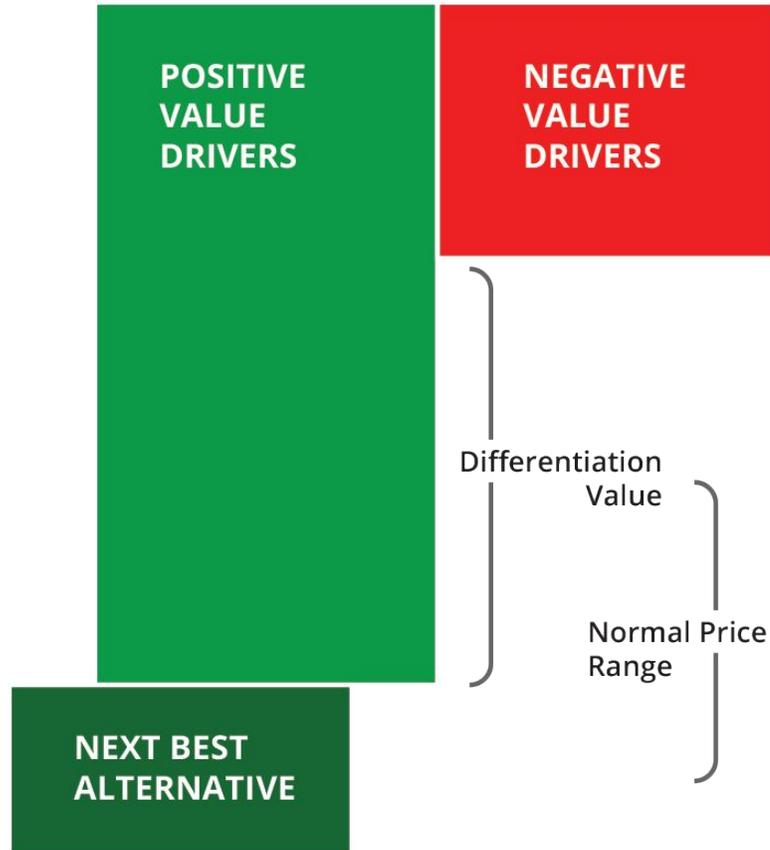
The higher up the hierarchy you can position your offer the more pricing power you will have





Community Value Driver	Description	Examples
Social (Citizens) Impact	Engaging society as a whole to build community	Advance diversity; Reduce social injustice; Promote equality
Health and Wellbeing	Fostering good health including healthy lifestyles, physical, mental, and social wellbeing	Eradication of disease or infirmity
Rights and Freedoms	Facilitating rights to other community drivers Enabling freedom of choice, expression and basic human rights	Enabling life, equality, liberty and security; Freedom of speech; Fair and public trials; Right to due process; Voting; Worship; Mobility
Security and Safety	Being safe from other undesirable outcomes caused by deliberate threats Being protected from harm of unintended threats	Eradication of terrorism; human trafficking; theft; harassment; violence; corruption; discrimination
Society Advancements	Facilitating advancements of other community drivers	Providing resources, facilities, frameworks and process towards elevating society as a whole
Education	Providing education and knowledge towards the betterment of society Providing knowledge, skills, and cultural norms for members within a community to improve personal lives and help societies to run smoother	Improving literacy and numeracy
Environment and Sustainability	Protecting and having a positive impact on the environment; promotes sustainable development	Sustainable practices, conservation initiatives

# ECONOMIC VALUE – ECONOMIC VALUE ESTIMATION (EVE)



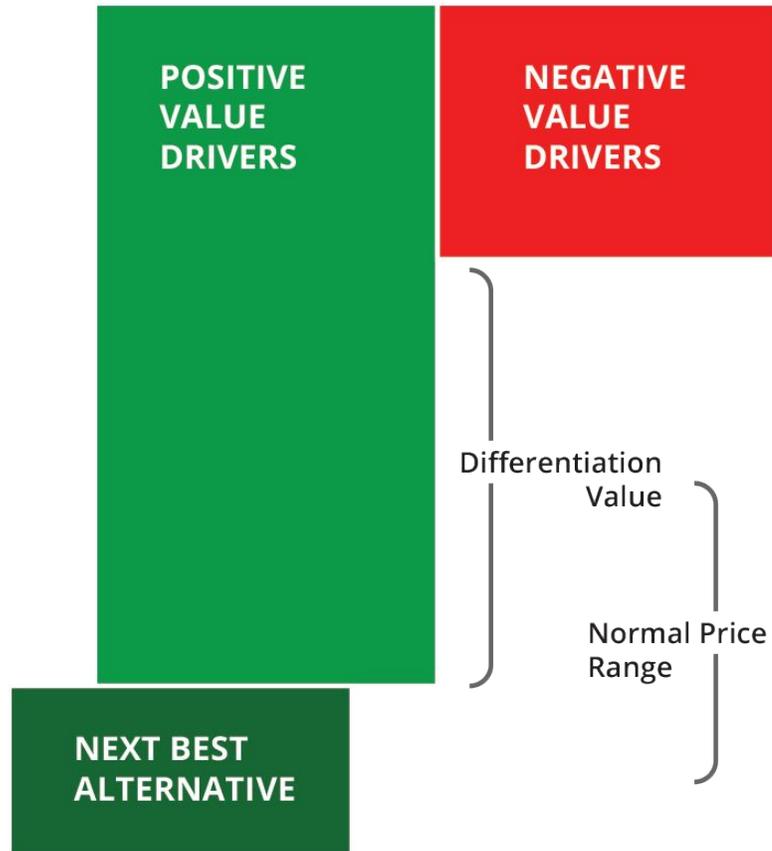
## Economic Value Estimation (EVE)

Developed by Tom Nagle

Value drivers measure the impact of your solution on your customer's P&L relative to an alternative

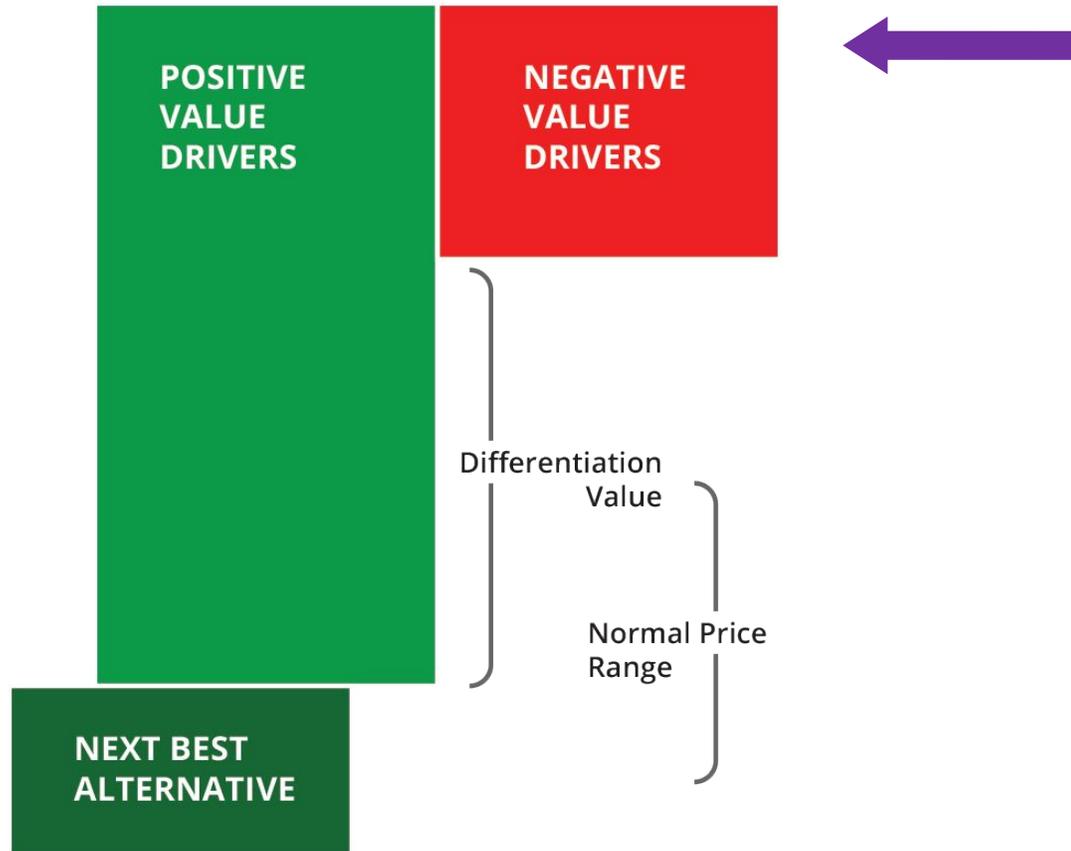
Always consider your own shortcomings and unique costs relative to the alternative

# ECONOMIC VALUE – POSITIVE ECONOMIC VALUE DRIVERS



ECONOMIC VALUE DRIVER	EXAMPLES
Increase revenues	Increase market size Increase market share Improve pipeline metrics
Decrease operating expenses	Reduced employee turnover/cost of recruiting Streamlined/automated administration
Decrease operating capital	Reduced inventory Faster collections/accounts receivable
Decrease capital investment	Get more productivity from existing assets Defer capital investments
Decrease risk	Better compliance
Increase options	Flexible benefit packages tailored to individual needs Ability to scale usage as required

## ECONOMIC VALUE – NEGATIVE ECONOMIC VALUE DRIVERS



### Negative economic value drivers are:

- **Your shortcomings** compared to the next best alternative (that is, your competitor's differentiation)
- The **unique costs** associated with your offer, such as switching costs

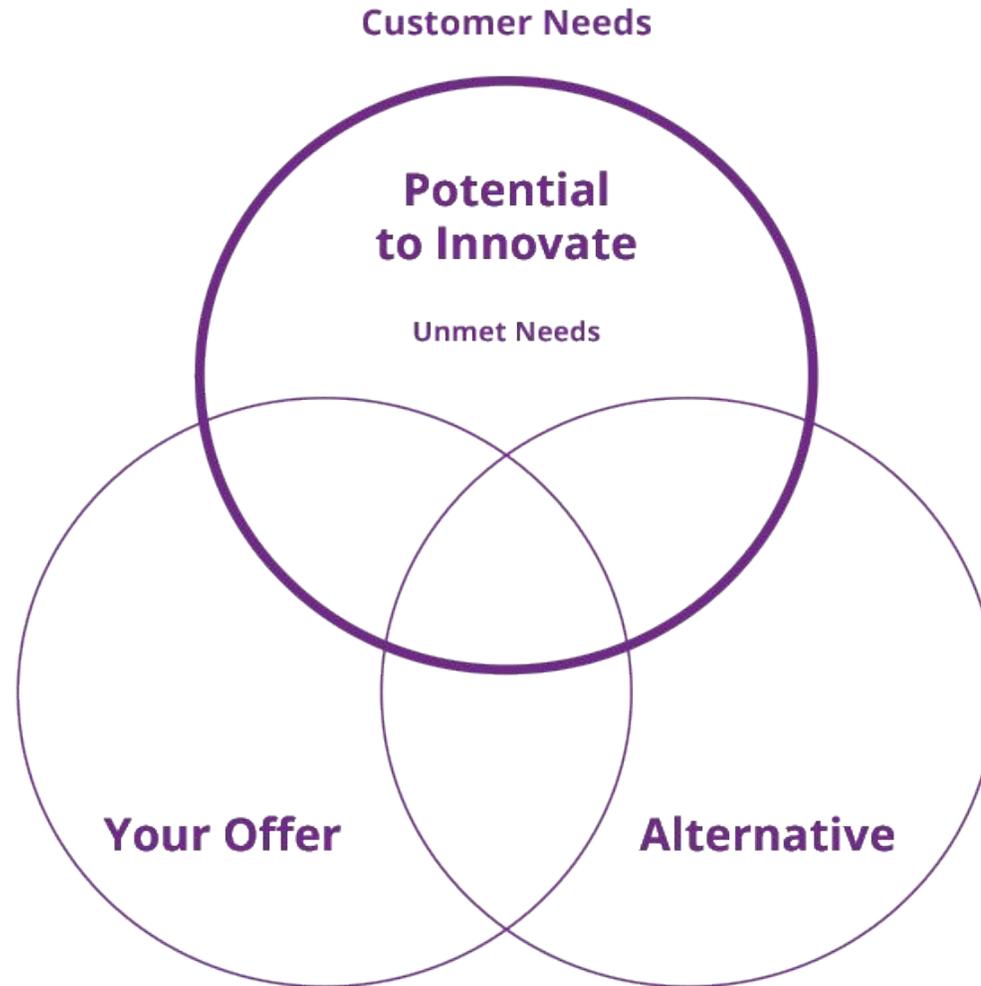


# Differentiation

# DIFFERENTIATION



# DIFFERENTIATION



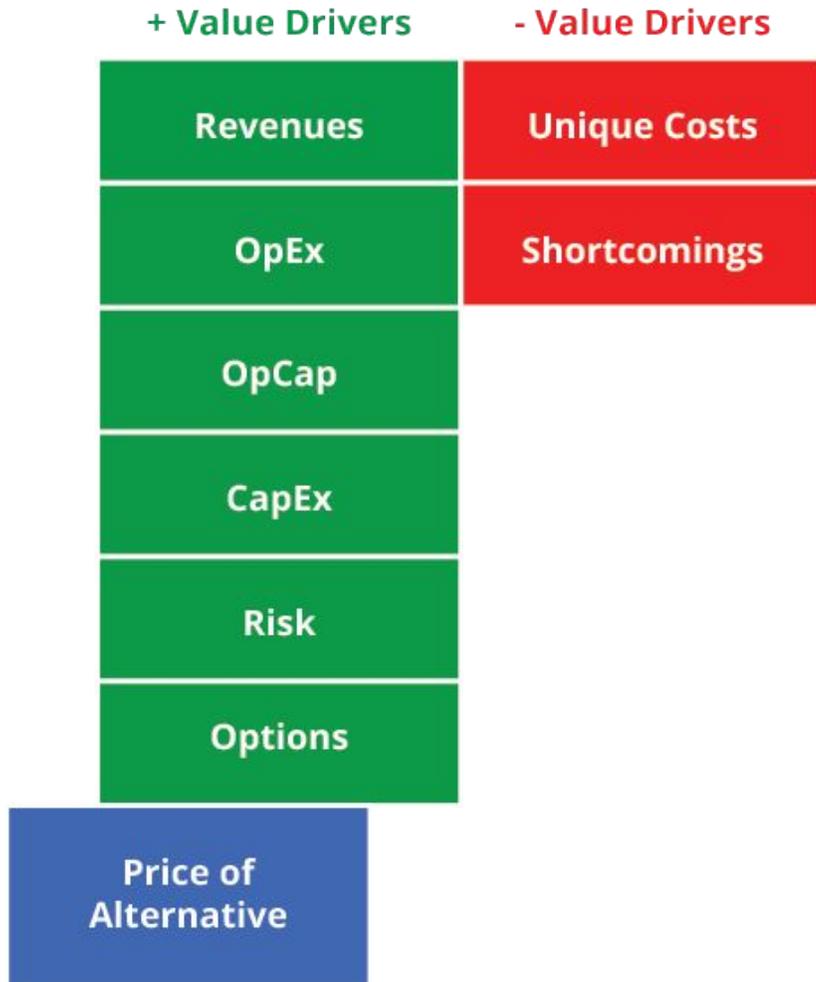
# DIFFERENTIATION



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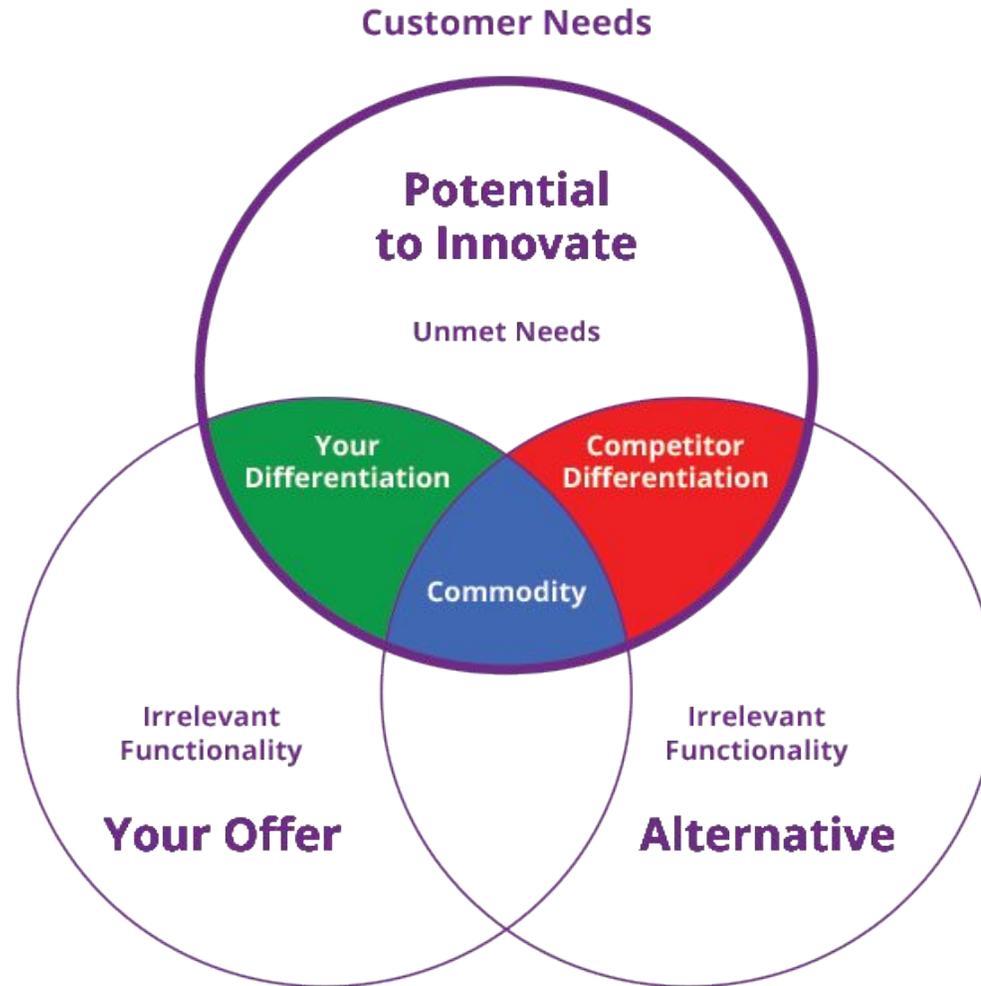
# DIFFERENTIATION



# DIFFERENTIATION



# DIFFERENTIATION



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# Segmentation

## DEMOGRAPHIC SEGMENTATION

- The simplest and most common form of segmentation is demographic (or firmographic)
- Do firms of a similar size, or in a similar industry, or in the same geography all buy in the same way?



## DEMOGRAPHICS OFTEN FAIL



**Lives in a castle**  
**Wealthy**  
**75 year old**  
**Cares about family**



## DEMOGRAPHICS OFTEN FAIL



**Ozzy Osbourne**



**Lives in a castle  
Wealthy  
75 year old  
Cares about family**



**King Charles III**

## CORE CONCEPT: A GOOD SEGMENTATION



**A good segmentation brings together companies that**

1. Buy in the same way
2. Get value in the same way
3. Will act as reference for each other  
(especially important in launching a new offer)

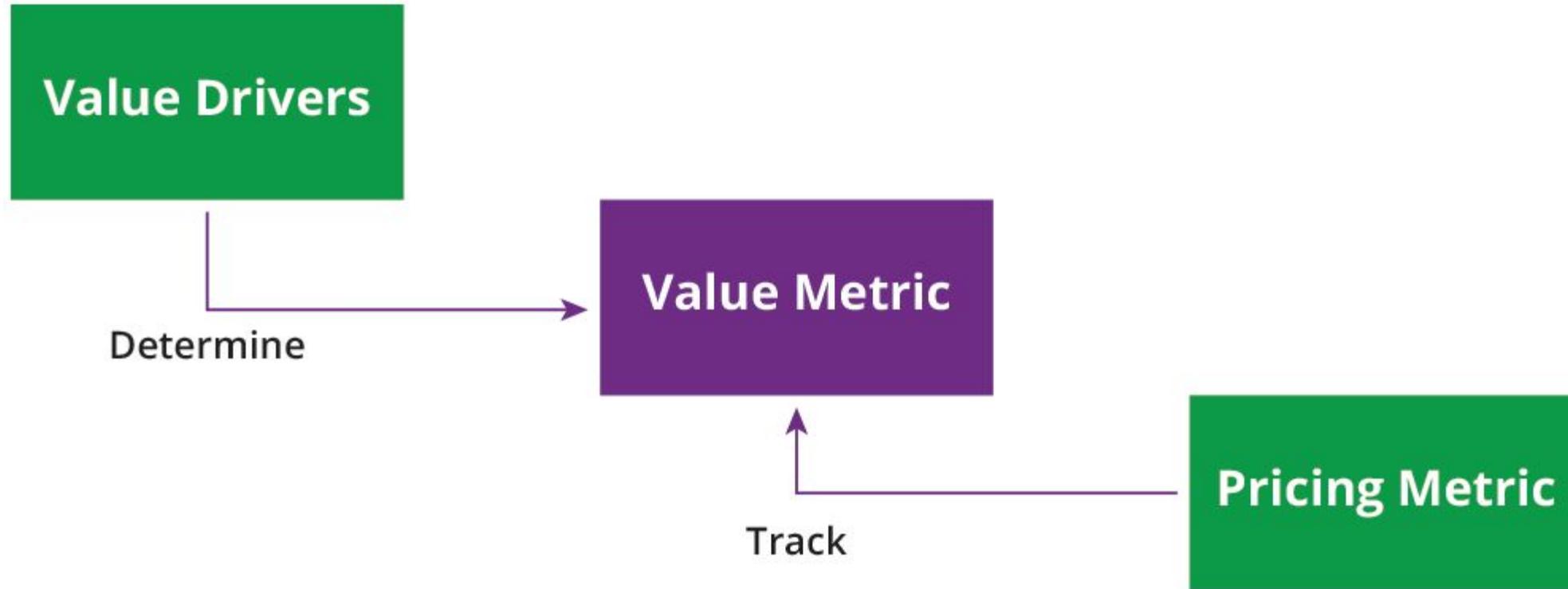


**Critical for pricing strategy**



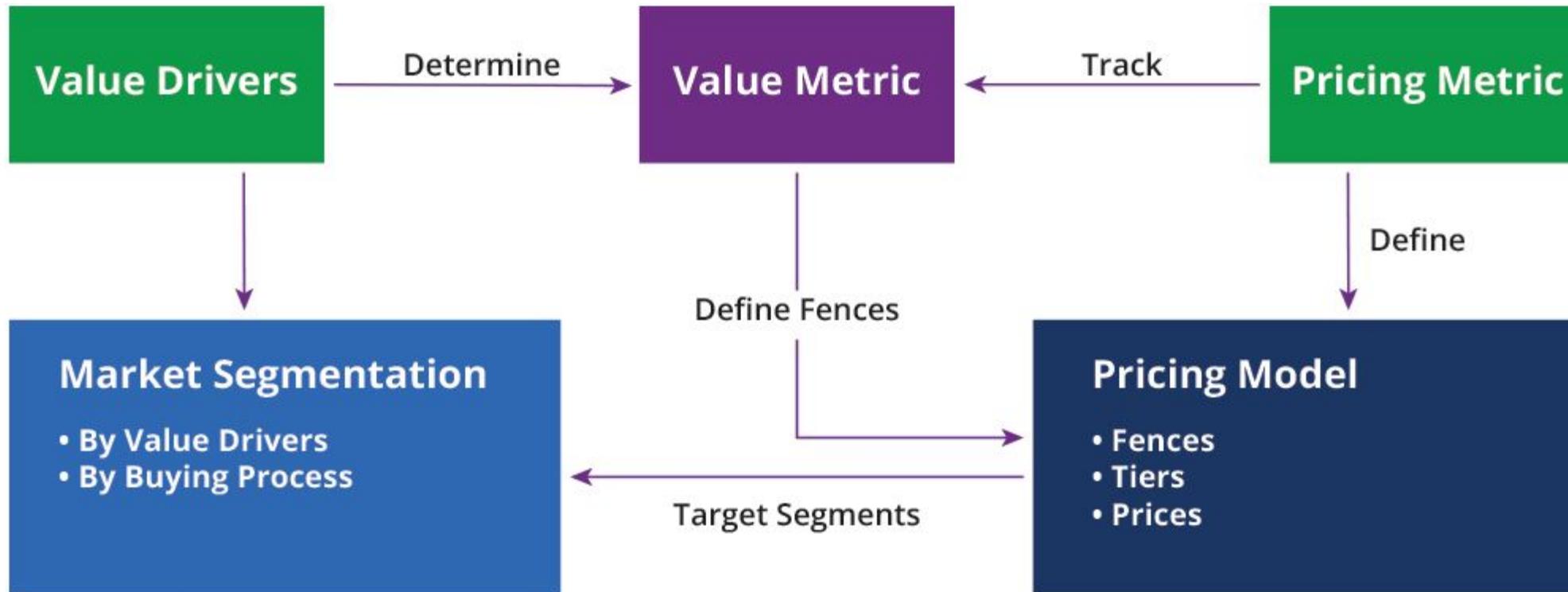
# Pricing Core Concepts

## PRICING CORE CONCEPTS – THE BASIC FRAMEWORK





## PRICING CORE CONCEPTS – THE BASIC FRAMEWORK EXPANDED





**A pricing model is the structure of how you price for each target segment ...**

- What is priced?
- What are the pricing metrics?
- What are the fences (that guide buyers to the right offer?)
- What are the price guide rails and discounting policies?
- Is there a tiered offer? What are the functions of the tiers?



**What are the actual prices?**

**How is price communicated?**

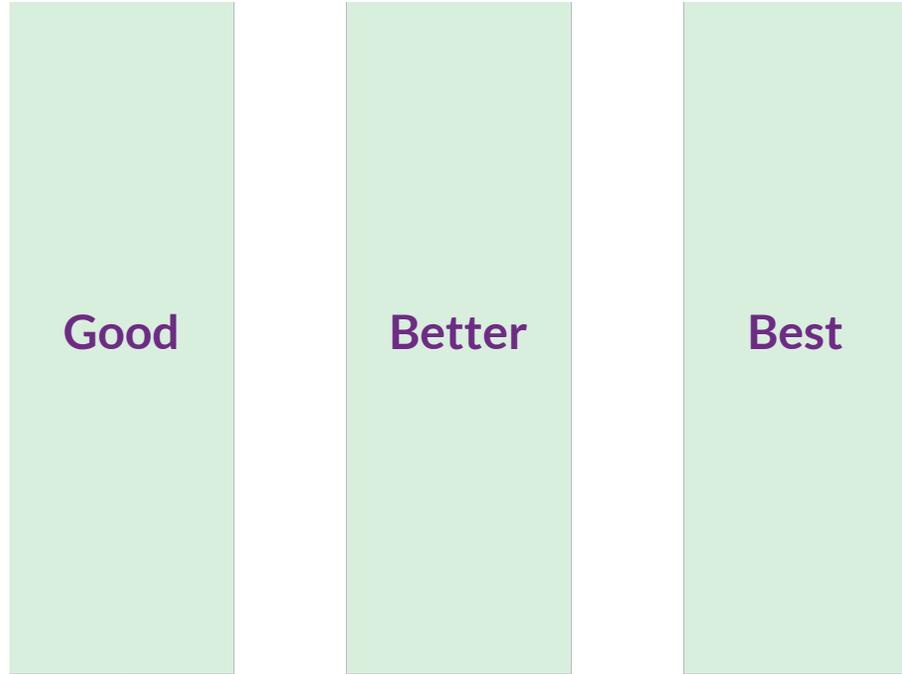
**How are value and price connected and tracked?**

## TWO APPROACHES TO PACKAGING SAAS OFFERS



### Align

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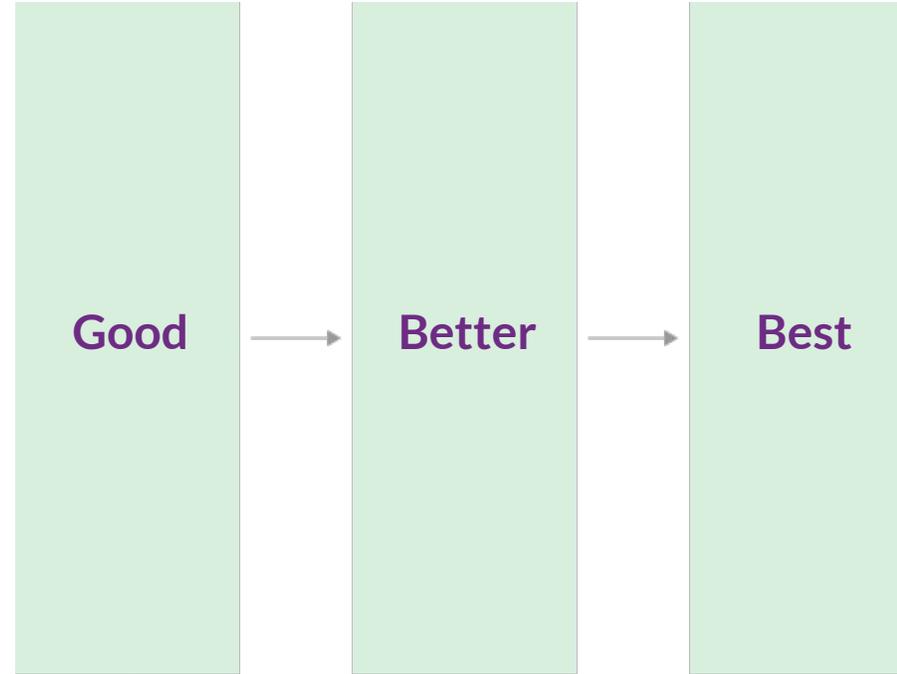


Sell buyers the package that best suits their need

OR

### Upsell

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Sell buyers **the Good** package then upsell

# PRICING CORE CONCEPTS - HUBSPOT



## Marketing Hub™

Everything you need to capture leads and turn them into customers. [Calculate your price](#) ↓

### Starter

Essential marketing tools to engage and convert leads

Starts at

**\$45/mo**

billed at ~~\$600~~ **\$540/yr**

**Includes 1,000 marketing contacts**

\$45/month per 1,000

**additional marketing contacts**

Buy now

### Professional

Comprehensive marketing software for automation, reporting, and campaigns

Starts at

**\$1,250/mo**

billed at ~~\$16,680~~ **\$14,994/yr**

**Includes 2,000 marketing contacts**

\$225/month per 5,000

**additional marketing contacts**

Talk to Sales

### Enterprise

Our most powerful marketing software for advanced control and flexibility

Starts at

**\$3,600/mo**

billed at ~~\$43,200~~ **\$43,200/yr**

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Start a free 14-day trial

Talk to Sales

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Three Packages

Pricing per Package

Pricing per Contact

Product Led Growth for Starter

Sales Led Growth for Professional & Enterprise

# PRICING CORE CONCEPTS - HUBSPOT



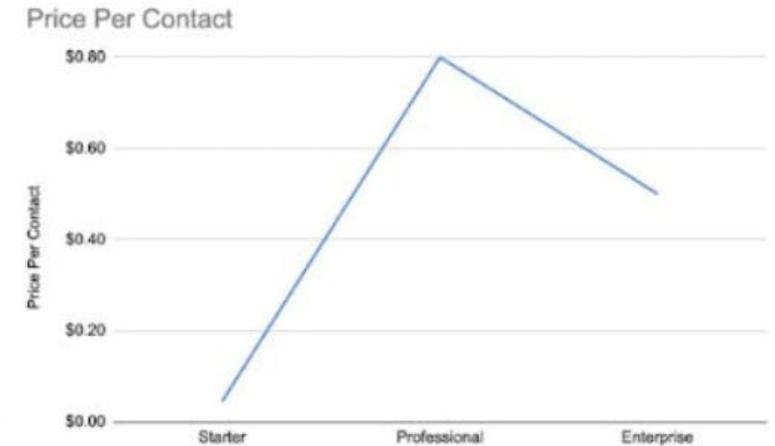
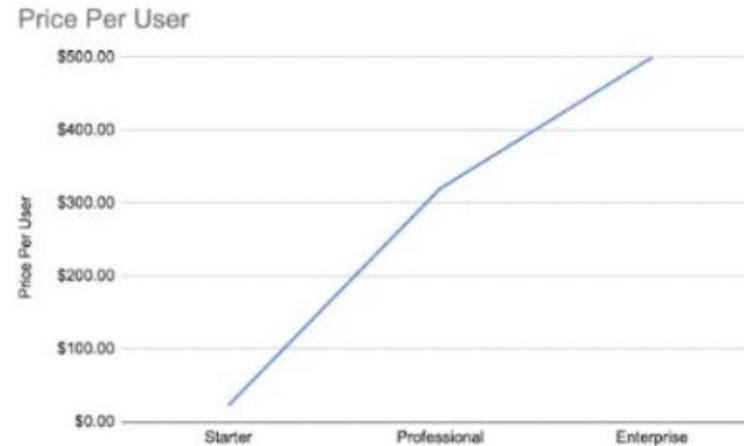
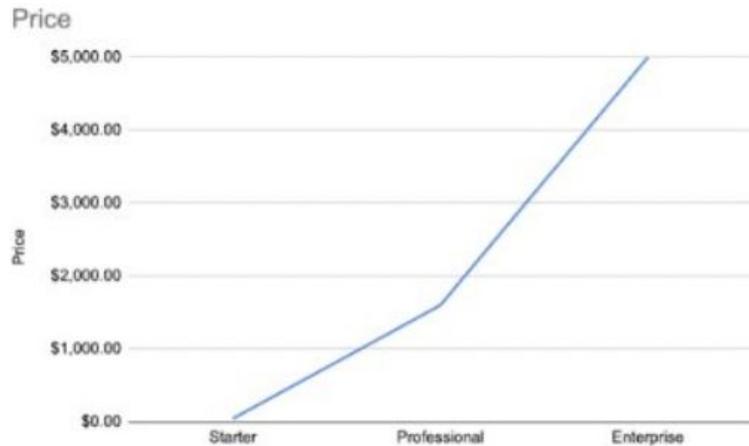
## Marketing Hub™

Everything you need to capture leads and turn them into customers. [Calculate your price](#) ↓

Starter

Professional

Enterprise



Buy now

Talk to Sales

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Talk to Sales



**You cannot optimize for everything, a good pricing strategy requires clear alignment on goals**

- Category growth (float all boats)
- Category share (get a bigger share of the pie)
- Revenue (top line growth)
- Gross Profit
- Unit Economics (Lifetime Value of Customer)
- Facility Utilization (where this has a big impact on costs)



**What are the pricing goals  
at your organization?**

(What do you need to optimize?)



## There are three basic pricing strategies



### **Skimming (or Premium)**

Charge the maximum price that your pricing power allows (often in order to invest heavily in continuing innovation and value creation for customers)



### **Market Following**

Price relative to a market leader



### **Penetration**

Price as low as possible to grow the overall market or to increase category share

## PRICING CONCEPTS - PRICING METHODS



METHOD	HOW IT WORKS	CHALLENGES
<b>Cost Plus</b>	Measure your cost to serve and apply a desired rate of return	Competitive pressure and/or strong customer buying power
<b>Market Following</b>	Follow competitor pricing and match or under price	Price wars. Commoditization. Transactional.
<b>Input Based</b>	Pricing is tied to an external variable like interest rates or energy prices	Lack of predictability (for both sides)
<b>Value Based</b>	Price is based on capturing a portion of economic value created for customer. It enables premium pricing	Requires deep understanding of customer business & upfront investment

## PRICING METHODS - EMERGING



METHOD	HOW IT WORKS	CHALLENGES
<b>Dynamic</b>	Algorithms adjust pricing based on real-time demand and capacity	Requires investment in sophisticated pricing management software.
<b>Usage-Based</b>	Pricing directly tied to consumption. For successful PLG strategies value, price and usage metrics are align.	If not align with value, it actually discourages use and adoption. Clients dislike unpredictable costs.
<b>Outcomes-Based</b>	Pricing in part dependent on achievement of specific client outcomes.	Contractual complexity. Extraneous factors.



### **Power by the Hour (PBH) Performance-based Logistics (PBL)**

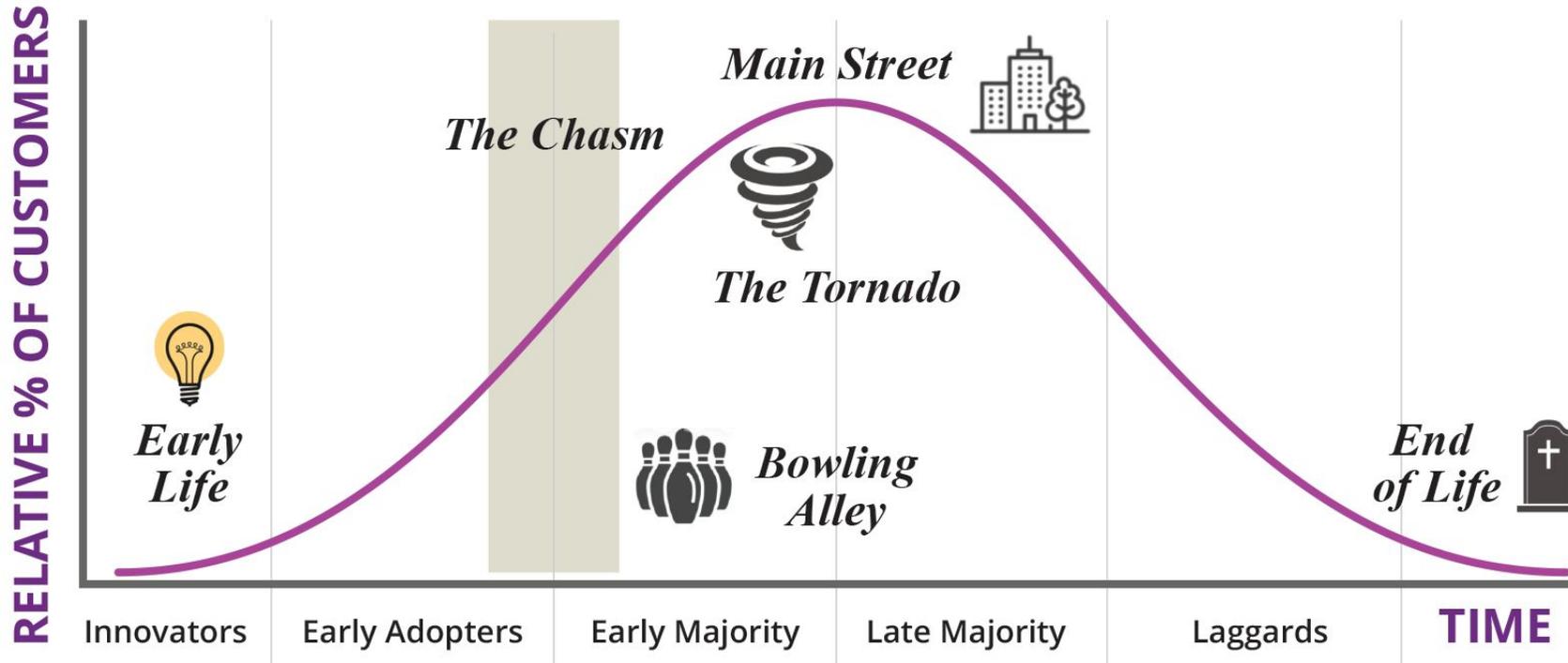
- Shared risk and incentives between suppliers and customers

Reference source: <http://panmore.com/general-electric-ge-generic-strategy-intensive-growth-strategies>



## PRICING CONCEPTS – PRICING OVER THE LIFECYCLE 1

Pricing changes over the Moore technology lifecycle



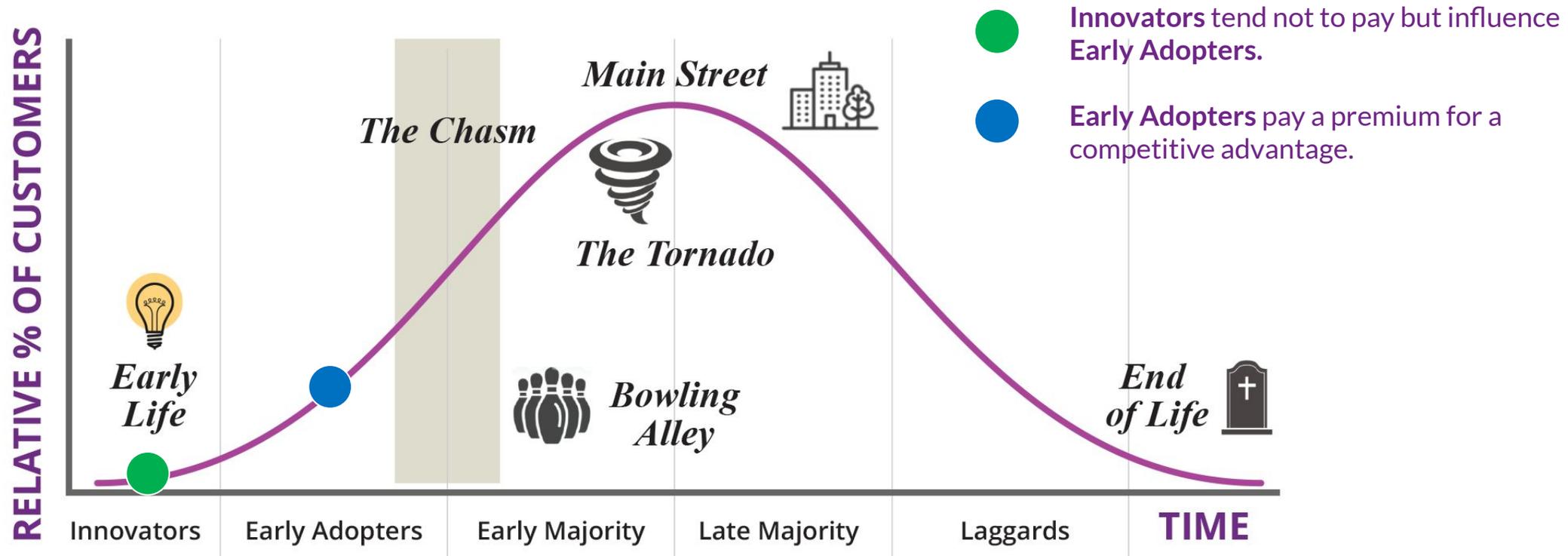
## Technology Adoption Life Cycle

[www.SolutionMarketingBlog.com](http://www.SolutionMarketingBlog.com)  
Sources: E.M. Rogers, G.Moore



## PRICING CONCEPTS – PRICING OVER THE LIFECYCLE 2 (Initial Phases)

Innovators and Early Adopters Buy for Different Reasons



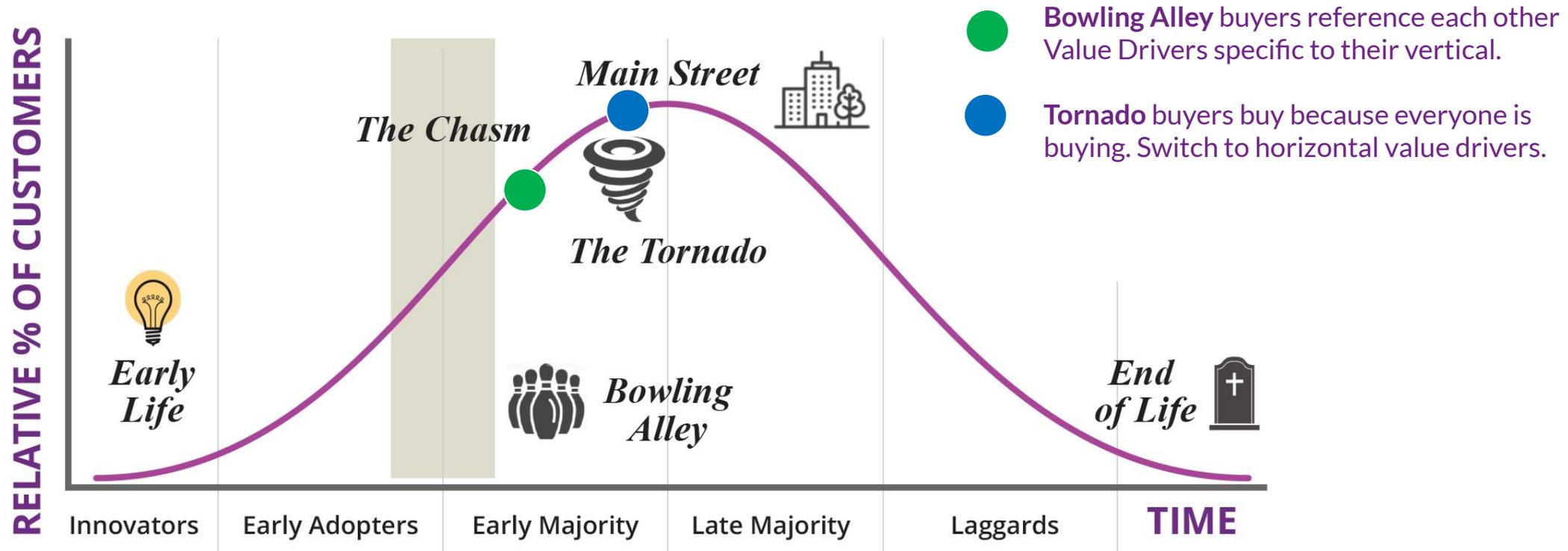
## Technology Adoption Life Cycle

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## PRICING CONCEPTS – PRICING OVER THE LIFECYCLE 3 (Early Majority)

Value Driver Structure Changes Between Bowling Alley and Tornado



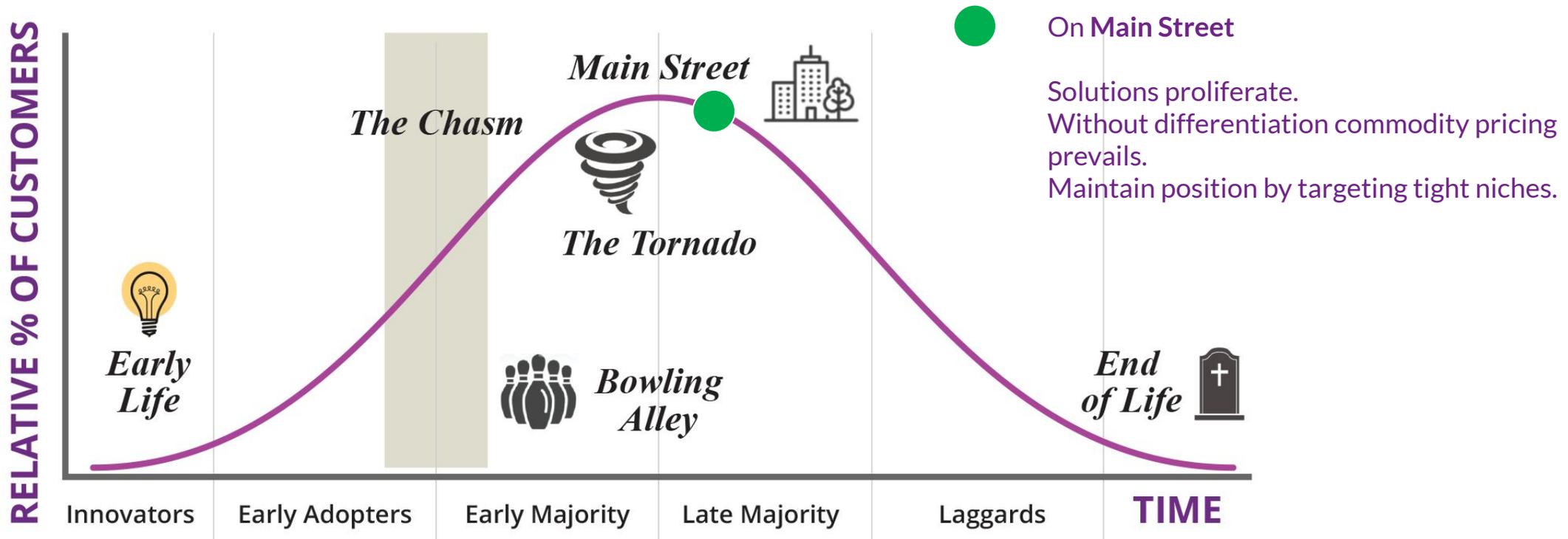
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## PRICING CONCEPTS – PRICING OVER THE LIFECYCLE 4 (Late Majority)

Main Street B2B Buyers Are More Economic Value Driven



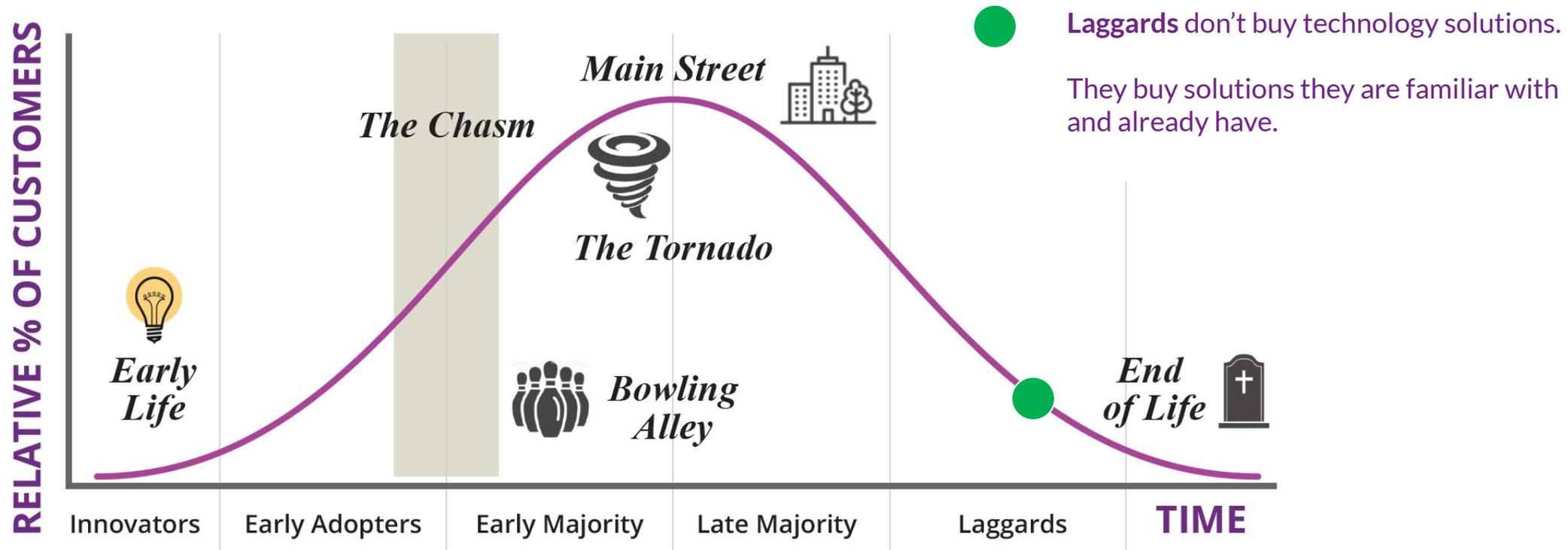
## Technology Adoption Life Cycle

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## PRICING CONCEPTS – PRICING OVER THE LIFECYCLE 5 (Laggards)

Laggards Buy Technology Bundled Into Other Solutions They Already Have



## Technology Adoption Life Cycle

[www.SolutionMarketingBlog.com](http://www.SolutionMarketingBlog.com)  
Sources: E.M. Rogers, G.Moore

## CREATE VALUE



- Create and capture value for customers and your investors—all stakeholders
- Pricing is where your marketing strategy gets real
- You and your customer need to agree on price to win a sale



# Price to create and capture value for all





[Ibbaka.com](https://www.ibbaka.com)  
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**Thank you!**



**We enable industry leaders** to continue to stay ahead of their competition. By connecting market insights to talent insights through the shared lens of economic, emotional and community value, Ibbaka leads its customers to sustainable growth. Executives are looking for data-driven insights to make key decisions to drive performance. Our platforms give innovators and category creators the ability to make choiceful investments as they transform the way in which they conduct business to create higher levels of value and differentiation.