

CUSTOMER SEGMENTATION: NECESSARY BASES FOR SOLID PRICING

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June, 14th

Le Club du pricing
français



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INTRODUCTION

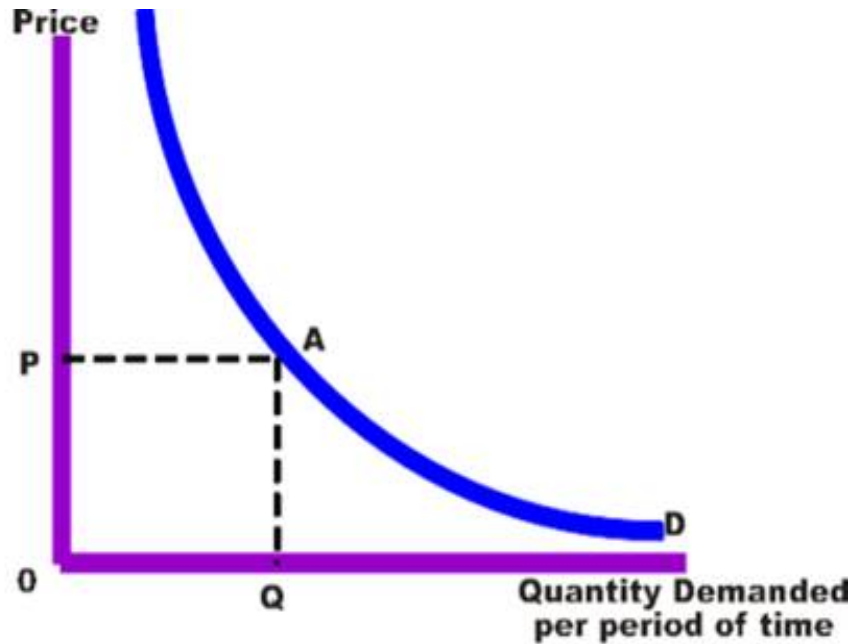




There always are several segments in any markets.
A segmented pricing strategy will allow to maximize revenue

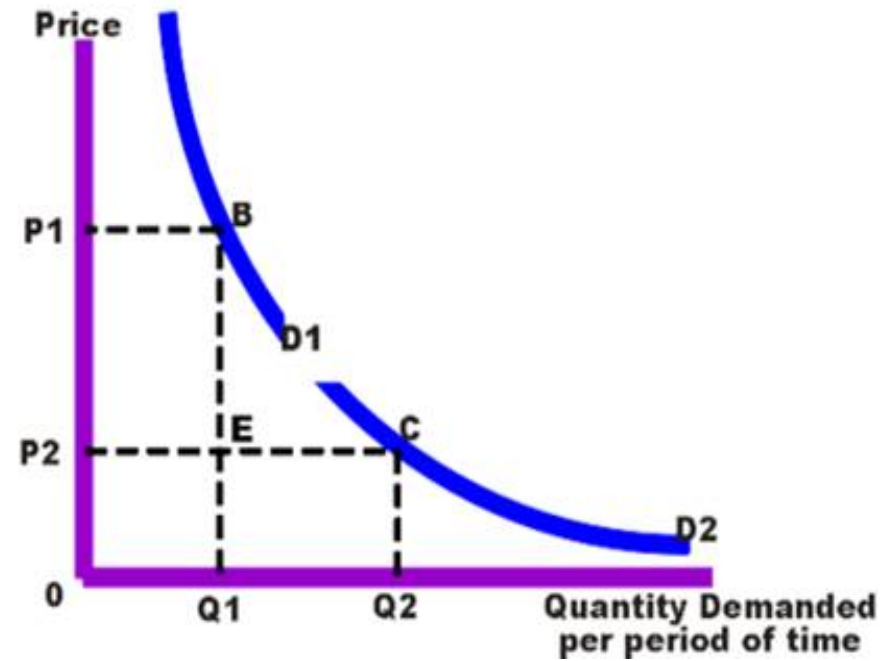
One size fits all vs segmentation effect

Segmentation will enable to cover a maximum of customers segments with different willingness to pay



One size fits all:

- only one segment of the market is addressed



Segmented approach:

- more than one segment is addressed for **greater volume and increased revenue**

Types of segmentation

Level	Type	Question	Purpose
<input type="checkbox"/> Strategic	<input type="checkbox"/> Market segmentation	<input type="checkbox"/> Where to grow?	<input type="checkbox"/> Position in a market
<input type="checkbox"/> Tactical	<input type="checkbox"/> Price segmentation	<input type="checkbox"/> How to differentiate and what to offer?	<input type="checkbox"/> Define optimal offers
<input type="checkbox"/> Operational	<input type="checkbox"/> Sales segmentation	<input type="checkbox"/> Who to call first?	<input type="checkbox"/> Sell better and faster

Price segmentation will allow to sell a product at 2 or more price levels based on value differentiation. Depending on your pricing strategy, you will adapt your segmentation or vice versa.

Pricing segmentation can be based on:


- Customer segment pricing
- Product segment pricing
- Location pricing...



Example of price segmentation in the software industry


0800 0921223 (FREEPHONE) CONTACT US @ LOGIN

Our Products




Sales Cloud
Sell smarter and faster with the world's #1 CRM solution.

WATCH DEMO
LEARN MORE >




Service Cloud
Support every customer. Anytime. Anywhere.

WATCH DEMO
LEARN MORE >




Marketing Cloud
The future of marketing is 1-to-1 customer journeys.

WATCH DEMO
LEARN MORE >




Community Cloud
Reimagine customer, partner, and employee engagement.

WATCH DEMO
LEARN MORE >




Wave Analytics
Get analytics on any data, from any device.

WATCH DEMO
LEARN MORE >



App Cloud
Build apps fast. Build business faster.

WATCH DEMO
LEARN MORE >



IoT Cloud
Rethink the Internet of Things.

WATCH DEMO
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See all products



GROUP	PROFESSIONAL	ENTERPRISE	UNLIMITED
Basic sales & marketing for up to 5 users	Complete CRM for any size team	Deeply customizable CRM for your business	Unlimited CRM power and support
\$25 /user/month* (billed annually)	\$65 /user/month* (billed annually)	\$125 /user/month* (billed annually)	\$250 /user/month* (billed annually)
Try for FREE >	Try for FREE >	Try for FREE >	Try for FREE >
FEATURES			
Account & contact management Opportunity tracking Lead scoring, routing & assignment Task & event tracking Customizable reports & standard dashboards Mobile access, customization, & administration Chatter—company social network Outlook Side Panel & sync Case management	Get all Group features PLUS Campaigns Customizable dashboards Collaborative forecasting Products, quotes, & orders Mass email Role permissions	Get all Professional features PLUS Workflow & approval automation Report history tracking Profiles and page layouts Custom app development Integration via web service API Salesforce Identity Salesforce Private AppExchange	Get all Enterprise features PLUS Unlimited customizations Unlimited custom apps Multiple sandboxes Additional data storage 24x7 toll-free support Access to 100+ admin services Unlimited online training
Bundle Pricing: Sales & Service Cloud Over \$600 in value PLUS THE FOLLOWING EXCLUSIVE FEATURES:			PERFORMANCE Fully integrated sales and service platform \$300 /user/month* (billed annually) Watch demo >
Best Value > Single console view for Inside Sales Access to new contacts and accounts Auto data cleansing Goals, coaching, and rewards for teams Integrated knowledge base Live web chat Additional sandboxes Additional data storage			



How to segment effectively?

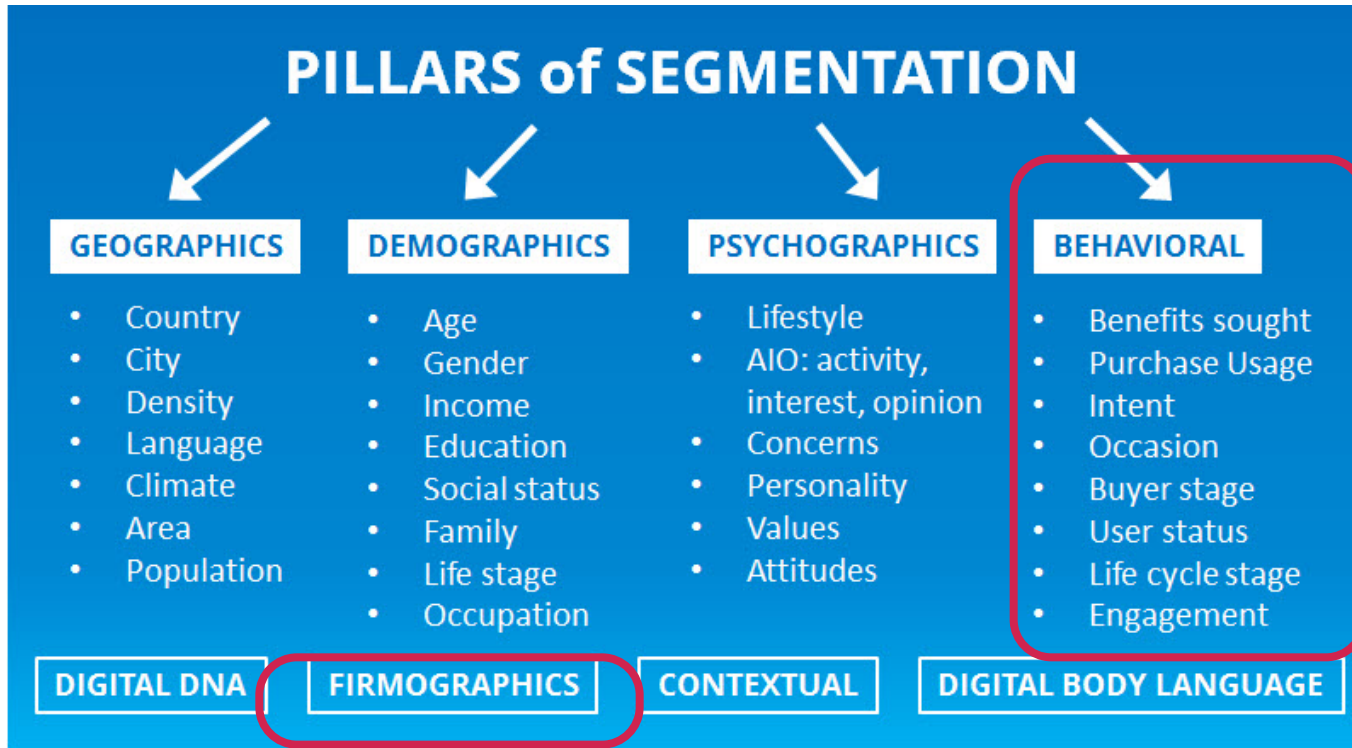


Geographics is good, behavioural is better.



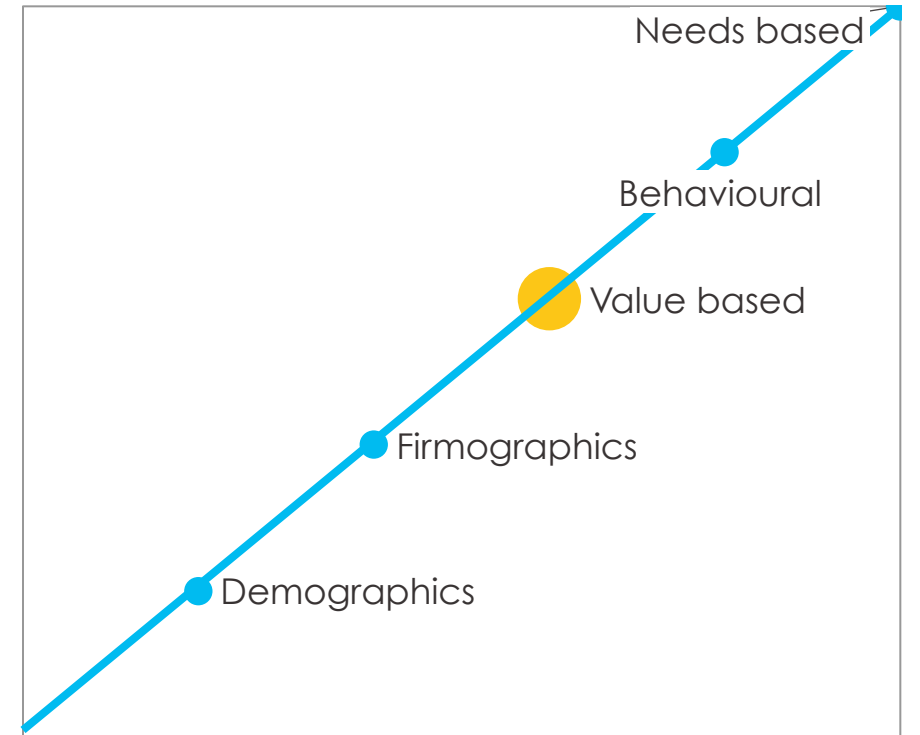
Pillars of segmentation

Exemples à compléter par Mélanie



Jordie van Rijn - Emailmonday

Potential Value Creation



Customer insight

The optimal segmentation strikes a balance between customer insights and potential value creation



How to define good segmentation criteria ?

Homogeneous	<input type="checkbox"/> Yes	What it means: The members of the audience segment are similar in a relevant way.	Why it is important: This is the basis of audience segmentation – that the members of each segment are similar in terms of needs, values and/or characteristics.
Heterogeneous	<input type="checkbox"/> Yes	What it means: Each segment is relatively unique, as compared to the other segments that have been identified.	Why it is important: This demonstrates that the broader audience has been effectively divided into sets of differing communication needs.
Measurable	<input type="checkbox"/> Yes	What it means: Data from the situation analysis or other research should indicate the size of the audience segment.	Why it is important: Measurements allow programs to evaluate whether to focus on a particular segment.
Substantial	<input type="checkbox"/> Yes	What it means: The audience segment is large enough, in terms of potential impact on public health, to warrant the program's attention.	Why it is important: Programs should have a minimum expectation for the impact of their investment. Therefore, programs should only consider segments that are big enough or important enough to impact public health.
Accessible	<input type="checkbox"/> Yes	What it means: The audience segment is reachable, particularly in terms of communication and access to products or services needed to address the problem.	Why it is important: Each segment needs to be able to be reached and communicated with efficiently.
Actionable/ Practical	<input type="checkbox"/> Yes	What it means: The program is able to implement a distinctive set of messages and interventions for each audience segment.	Why it is important: The program must have the resources and ability to address the segments identified.
Responsive	<input type="checkbox"/> Yes	What it means: Each audience segment can be expected to respond better to a distinct mix of messages and interventions, rather than a generic offering.	Why it is important: If the segment will not be more responsive to a distinct approach, then the segment can probably be combined with another similar segment.



Illustration in the Software Industry

Target audience : Certified Public Account (CPA)

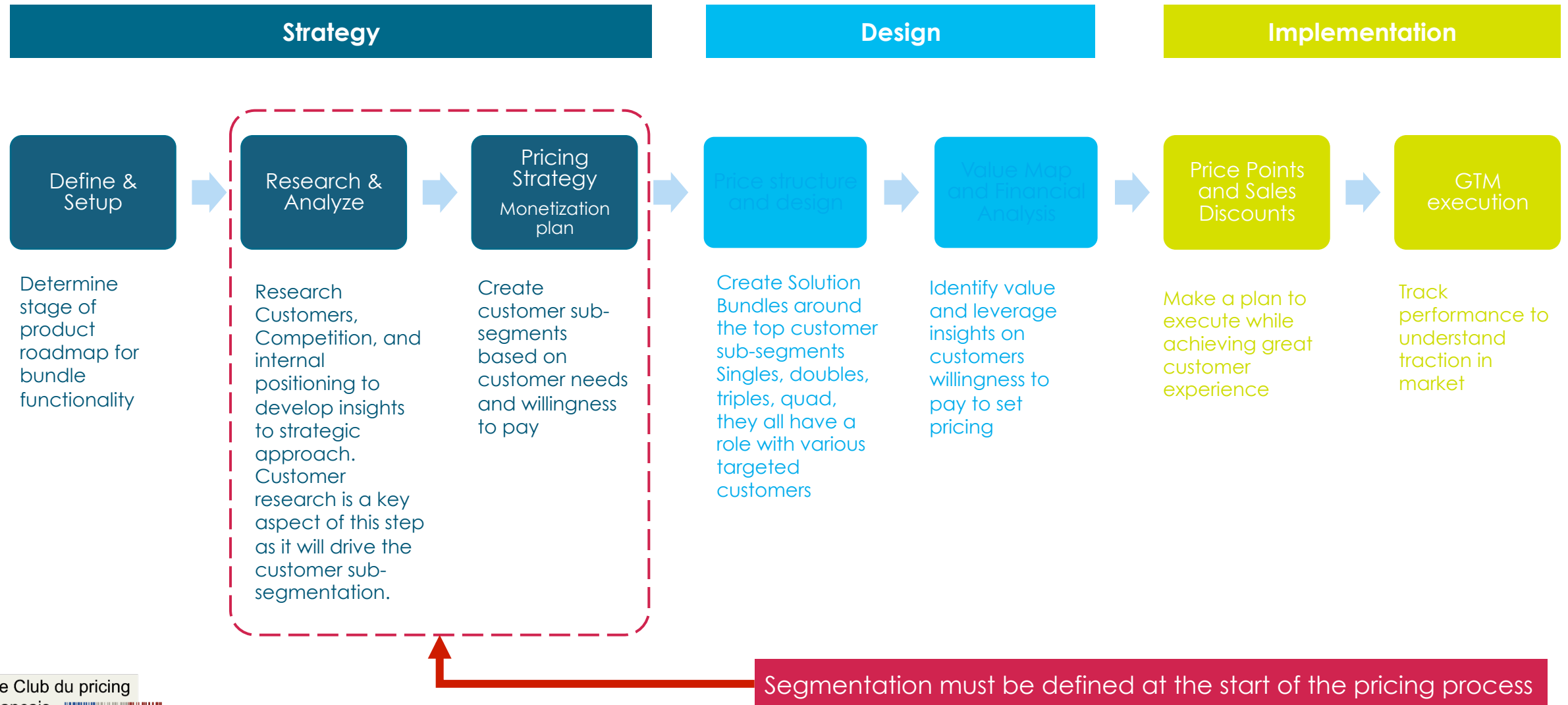
Criteria	Profitable	Measurable	Sizeable	Accessible
Demographics				
Age of the partner	●	☒	●	☒
Firmographics				
Number of employees	●	●	●	●
Date of creation (age of the company)	☒	●	●	●
Number of partners	☒	●	●	●
Revenue growth	●	●	●	●
Type of advisory mission proposed by the CPA	●	●	●	●
Behavioural				
CPA's digital strategy	●	☒	●	☒
Use rate of the current product	●	●	☒	☒
Average productivity of employees	●	●	●	●



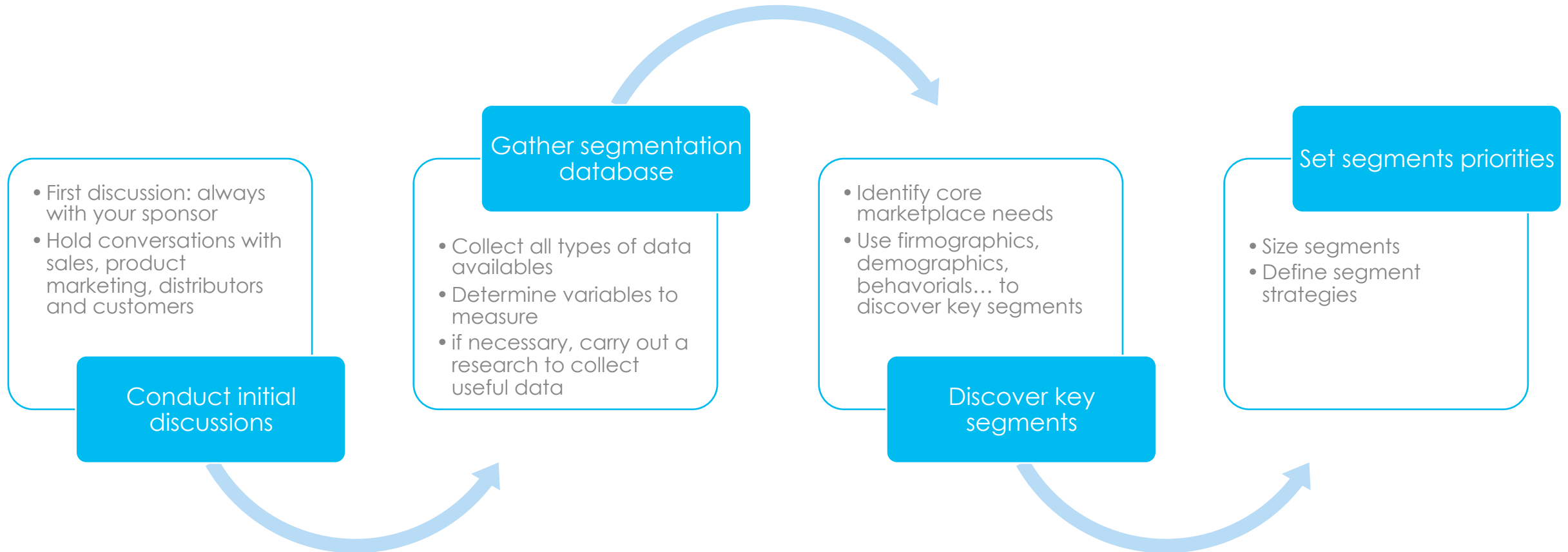
An aerial photograph of a vast tulip field in the Netherlands. The field is divided into numerous long, narrow rows of tulips in various colors, including red, yellow, green, and purple. A dark, winding canal or irrigation channel runs through the field, curving from the top left towards the bottom right. The overall scene is a vibrant, colorful landscape.

Follow the long calm river of value creation process

Segmenting along the Pricing Process



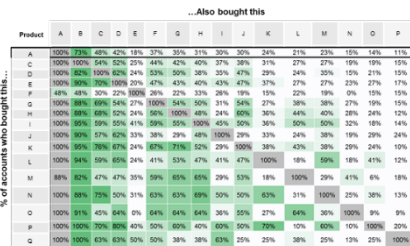
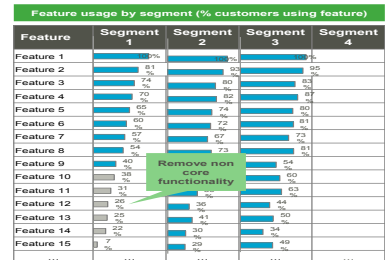
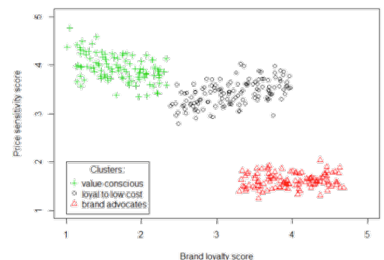
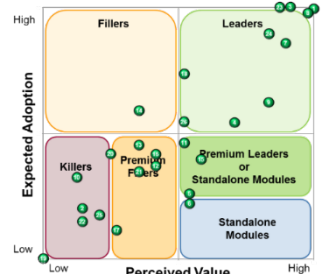
Segmentation process



Analytical techniques for segmented pricing

Internal

External

	Sold-with analysis -mapping of products by customer	Product / usage engagement	Cluster analysis	Leaders / Fillers/ Killers -ranking of different features																																																																																																																																																																																																																																																																																																																																																																																																		
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<p>Feature usage by segment (% customers using feature)</p> <table border="1"> <thead> <tr> <th>Feature</th> <th>Segment 1</th> <th>Segment 2</th> <th>Segment 3</th> <th>Segment 4</th> </tr> </thead> <tbody> <tr><td>Feature 1</td><td>81%</td><td>82%</td><td>85%</td><td>86%</td></tr> <tr><td>Feature 2</td><td>81%</td><td>82%</td><td>85%</td><td>86%</td></tr> <tr><td>Feature 3</td><td>74%</td><td>74%</td><td>74%</td><td>74%</td></tr> <tr><td>Feature 4</td><td>70%</td><td>70%</td><td>70%</td><td>70%</td></tr> <tr><td>Feature 5</td><td>65%</td><td>65%</td><td>65%</td><td>65%</td></tr> <tr><td>Feature 6</td><td>59%</td><td>59%</td><td>59%</td><td>59%</td></tr> <tr><td>Feature 7</td><td>57%</td><td>57%</td><td>57%</td><td>57%</td></tr> <tr><td>Feature 8</td><td>54%</td><td>54%</td><td>54%</td><td>54%</td></tr> <tr><td>Feature 9</td><td>50%</td><td>50%</td><td>50%</td><td>50%</td></tr> <tr><td>Feature 10</td><td>38%</td><td>38%</td><td>38%</td><td>38%</td></tr> <tr><td>Feature 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Application	<ul style="list-style-type: none"> Identify opportunities for cross sell based on affinities between products 	<ul style="list-style-type: none"> First classification of leaders, fillers and killers 	<ul style="list-style-type: none"> Build sub-segments of customers based on needs and WTP 	<ul style="list-style-type: none"> Classification of leaders, fillers and killers 																																																																																																																																																																																																																																																																																																																																																																																																		
Benefits	<ul style="list-style-type: none"> Provides good basis for bundles, however, not complete due to inward focus of analysis Simple to use 	<ul style="list-style-type: none"> Does not require external funding to determine leaders, fillers, killers Identifies sub-segments of customers based on usage of products 	<ul style="list-style-type: none"> Groups customers based on similarities i.e. price sensitivity, brand affinity, needs, ect. Leverage these customer clusters with willingness to pay to create sub-segments 	<ul style="list-style-type: none"> Shows the perception of customers (unlike product use analysis) 																																																																																																																																																																																																																																																																																																																																																																																																		



Product segment pricing: use case

Pricing optimisation of a Tax Management Software

Current pricing: « pick and choose »



- 13 different product options – same price for each option – no bundle
- Pricing structure based on company size (10 levels)
- Fixed price per level

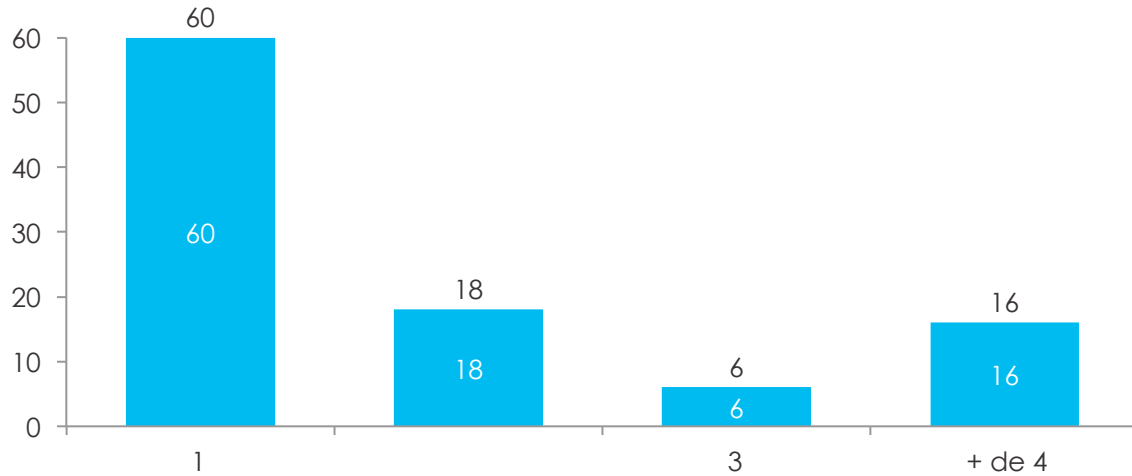
Future pricing : packaged solution design



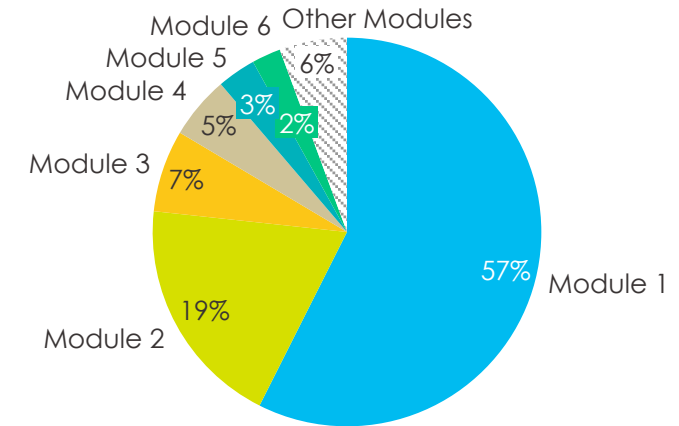
- Define sub-segmentation after market and usage analysis
- Assure a consistent price level with other products sold to the same customer segment and align with the willingness to pay
- Choice the best metric per segment
- Propose a packaging adapted to customer needs

Customer Base Analysis

Number of modules per customer (in %)



Share of sales of the preferred modules

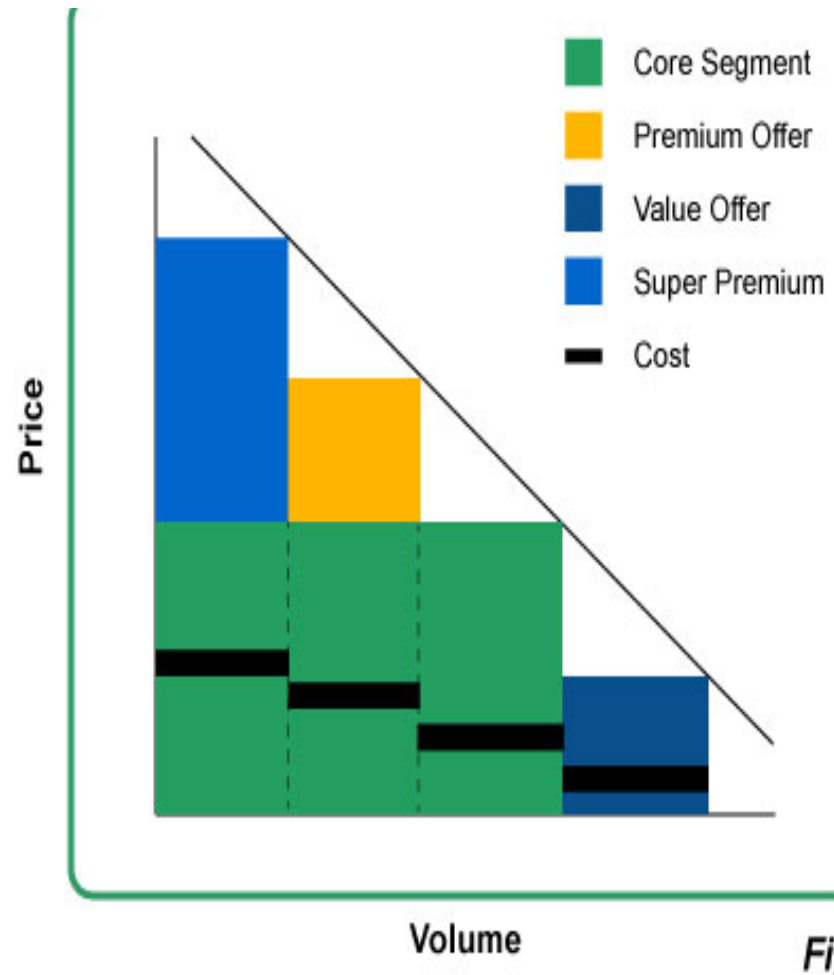


Sold with analysis

	Average price	Penetration	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9
Option 1	104 €	21,44%	1%	0%	100%	4%	24%	0%	0%	0%	0%
Option 2	1 513 €	13,78%	100%	35%	2%	45%	40%	16%	40%	40%	29%
Option 3	521 €	13,56%	46%	27%	7%	100%	28%	13%	25%	24%	19%
Option 4	9 €	10,56%	52%	23%	48%	36%	100%	9%	23%	18%	16%
Option 5	755 €	6,67%	82%	38%	0%	52%	37%	17%	100%	37%	43%
Option 6	1 259 €	6,33%	88%	35%	0%	51%	30%	25%	39%	100%	39%
Option 7	760 €	5,11%	93%	100%	0%	72%	48%	30%	50%	43%	43%
Option 8	607 €	4,56%	88%	49%	0%	56%	37%	27%	63%	54%	100%



New pricing (illustrative only)



Pricing Model	Offer1
Subscription per company/mo	99€
Price for additional company	4.99€
+ price per flow (EDI)	0.99€
Options	Other
Per module	99€
+ price per site	0.49€
+ price per flow (EDI)	0.99€

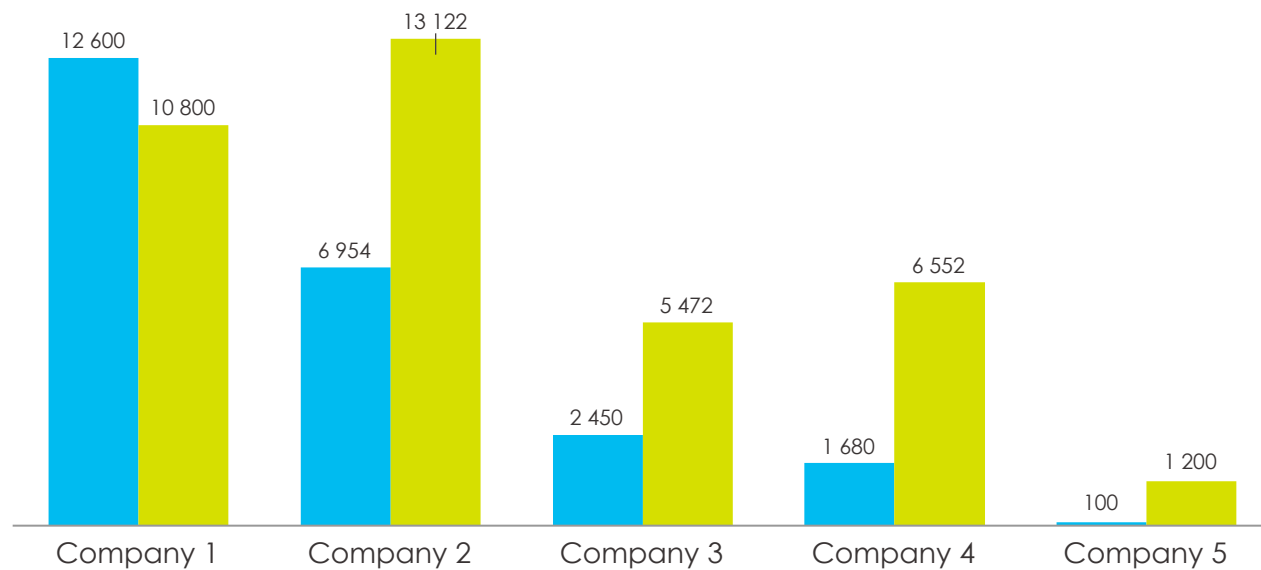
Pricing Model	Bundle 1	Bundle 2
1 to 9 locations	300€	600€
10 to 99 locations	350€	700€
100 to 499 locations	400€	800€
500+ locations	500€	1000€
+ price per location	0,2€	0,5€
+ price per flow (EDI)	0,99€	0,99€



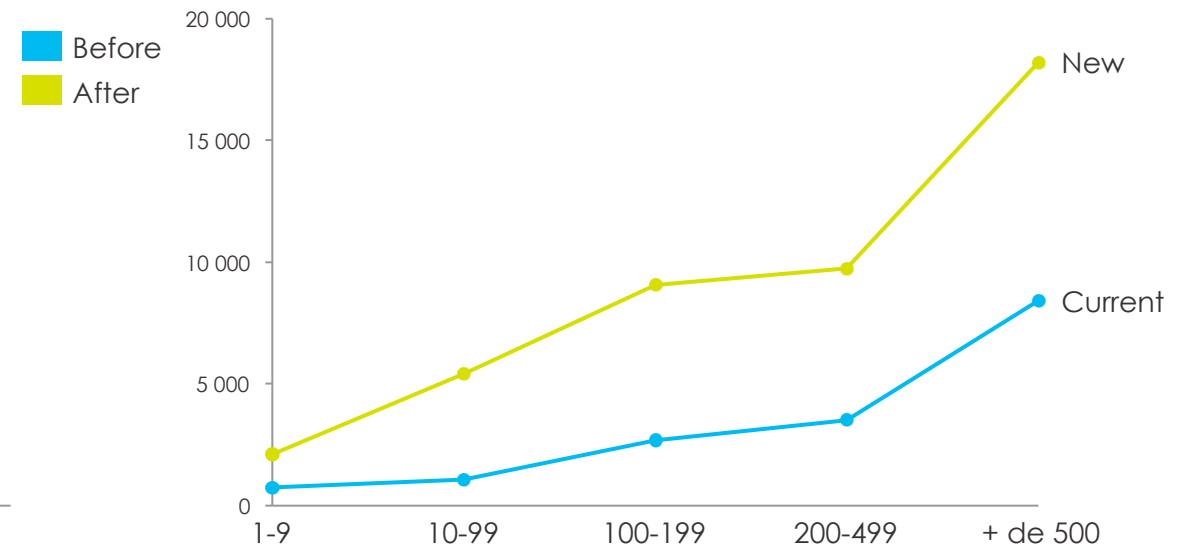
Revenue projection (base on existing customer base)

New pricing model is likely to grow our revenue by 260% with little impact on volume

Examples of new prices application



Evolution of the ARPAC with the new pricing



SUCCESS



Key factor of success

1

Keep it simple, by all means !

2

Think customer first, as always 😊

3

Value is all which matters, what else?

4

Segment, learn, refine... and segment again

5

Segments are often specific to an offer, should you change the offer, then reconsider your segmentation

Trash



Independent research has identified 4 distinct segments within the Small Business space, each with different accounting need.



Side-preneurs

I'm doing business as well as my job and I just need basic income and expenses



Independents

I'm a sole-preneur, I'm successful and need invoicing and sales tax submission



Local-heroes

The business has grown, I need good information for decision making and business management



Growth

Successful, I'm now trying to optimise performance and need reporting flexibility

Accounting Needs

Lower

Higher

