



PRICING AND PACKAGING TRANSFORMATION ALIGNMENT



PRICING AND PACKAGING TRANSFORMATION ALIGNMENT:

What your colleagues on other teams care about

For nearly every type of product and service – across regions, industries, and company sizes – pricing is not meant to remain stagnant. As products, technology, economies, and customer desires evolve, so must the prices being charged.

In SaaS, pricing and packaging transformation projects are huge undertakings that involve a range of departments coming together to rework their pricing strategy and unlock growth. If every team wants the same outcomes, like increased profitability and competitiveness and customer satisfaction, then surely the project will be a seamless process, right?

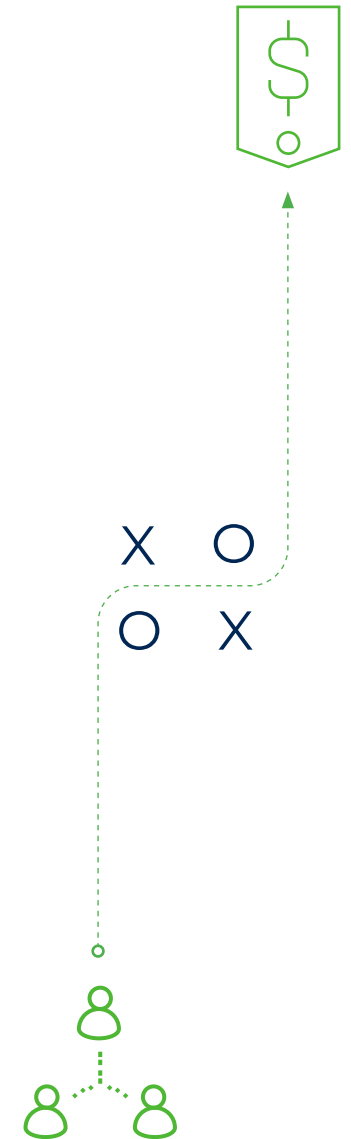
It's not that simple. Without alignment, pricing transformation initiatives quickly fall apart.

There are two main elements to every pricing project, and both require alignment across all stakeholder teams:

- 1. Setting strategy** – If you don't have the entire executive team aligned on the strategy and GTM plan, then you create disconnects – between marketing and sales, which breaks your pipeline; or between product and sales, which breaks your customer promises and success; and so on.
- 2. Operationalization & implementation** – Pricing is the intersection between product, GTM, and finance because it is deeply embedded in all those teams. There aren't many subjects that touch all of those areas, so if any links in the chain are misaligned – from rev ops and deal ops to legal and product data – the whole system collapses.

Every team has different motives for pursuing a pricing project. If efforts are not made to establish common understanding, teams will accidentally undermine the goals of the initiative.

This guide walks through the five core teams in a pricing and packaging transformation – Product, Engineering, Sales, Finance, and Customer Success – and lays out each function's top priorities, enabling every stakeholder to better align with what their colleagues care about.





FINANCE TEAMS:

The champions of operationalizing pricing strategy for financial performance and predictability

In a pricing and packaging transformation, Finance teams will have priorities in three main buckets:

Operationalization

At the FinOps level, focus is on the effort it takes to bill and book revenue as quickly and efficiently as possible. This is an indirect function of pricing design, i.e. how well it has been implemented by Sales. If pricing and packaging are well designed and deals follow the same construct, then billing is straightforward to automate and time to bill can decrease.

Financial performance

At a higher level – e.g. the CFO – the focus is on profitability: ensuring margins will meet the financial goals of the company.

Predictability

Certain pricing models – e.g. consumption-based – make forecasting and predictability a bigger challenge, but this can be overcome. The proper tooling and solutions can give Finance the same level of accuracy they'd have with subscription models.

What Finance cares about most in a pricing and packaging transformation:

- ❑ **Calculating accurate bills** – This is a complex, time-consuming process. They'll need the right source data and to aggregate this (with help from Engineering) then to run the calculations in a spreadsheet.
- ❑ **Automation** – Better yet, Finance teams want a solution that can streamline their manual processes, enabling accurate billing without the extreme pains of implementing new pricing/usage parameters manually.
- ❑ **Revenue recognition** – In the case of UBP, rev rec will be more complicated, especially if there are prepayments or commitments. Finance needs to recognize revenue as usage happens.
- ❑ **Efficient provisioning processes** – Moving customers from contract signing to active license quickly is especially important to the Deal desk.
- ❑ **Revenue leakage** – Under-billing happens. If the pricing model involves usage allowances and overages, but there's no way of recording usage or capturing the threshold, that has an immediate impact on profit.
- ❑ **Reporting** – Finance needs to generate the right dashboards and analysis to help leaders manage the business.
- ❑ **Margins** – Finance cares about the cost of delivering revenues and the implications for profitability.



PRODUCT TEAMS:

The guardians of customer-centric pricing strategy

Product teams care about creating best-in-class customer experiences. They typically have a long-term vision for where the product is going in order to delight customers and require consistent feedback from those “on the ground” (Sales & CS) to ensure it’s working.

It is the Product team’s job to know how much value the product is delivering to buyers – information that is crucial to setting and iterating new pricing.

Ownership over a pricing project depends on the company (more on that later), **but some of the most successful pricing programs have lived within product** or product marketing. This is because it gives the pricing department greater influence on one of the most important levers: packaging strategy.

What Product cares about most in a pricing and packaging transformation:

- ❑ **Data** – Product leaders root their decisions in reason and evidence. They are hungry for analytics and reporting that show what is working (or not) and why.
- ❑ **Iteration speed** – Good Product leaders know they’re unlikely to get things right the first time, and pricing is no different. They want the ability to experiment, gather results quickly, and make changes based on those results.
- ❑ **Customer experience** – Product knows pricing and packaging is part of CX. They need to ensure customers have access to the right features based on their plan. In a UBP model, they also know their customers will want to understand (on-demand) their usage and how that converts to spend, e.g. through a billing dashboard.
- ❑ **Enabling colleagues** – They want to ensure CS can deal promptly with billing enquiries and that there aren’t billing errors that undermine trust. They also want Engineers to spend their time on the features that progress their product vision



ENGINEERING TEAMS:

The executors of scalable and reliable pricing models

As the team responsible for facilitating the implementation of whatever pricing model is developed, Engineering needs its own seat at the table. They need to figure out how to implement the improvements and ensure scalability, security, performance, reliability, and data accuracy.

Engineering teams will have to set up the product to control access to features depending on pricing and packaging, to record the product usage that needs to be charged for (where applicable), and will also need to frequently extract and transform that data so Finance have what they need to run billing.

Alignment throughout the pricing and packaging transformation process can also ensure Engineering understands the detail of workflows for operations staff, so that information can guide how the pricing is built.

What Engineering cares about most in a pricing and packaging transformation:

- ❑ **Scalability** – Engineering teams care about building systems that can run themselves, or that enable other teams to flexibly help themselves. Repetitive, manual, and error-prone tasks and busy work are automated whenever possible; setting up pricing and pulling data to run billing would fall in that category.
- ❑ **Simplification** – Why do the same thing twice? If they are already capturing metrics for something else – e.g. for logging or product analytics purposes – that could also run billing, they will try to find a way to reuse it.
- ❑ **The workload of UBP** – Usage data for billing can be scary, because it can often be high velocity and high volume, and it needs to be high veracity. If consumption-based elements are part of the pricing model, engineering teams know it is a significant task for them: to ingest it, clean it (e.g. remove duplicates and address formatting errors), store it, and process it so it's ready to run billing. Finding a billing tool that offloads some of this will alleviate a significant portion of the workload for them.



SALES TEAM:

The voice of the customer in pricing strategy

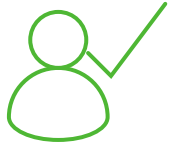
The Sales team is both 1) an ideal source of customer insight and dialogue, and 2) the group that has to take updated pricing and packaging back to the customers. As the team that has to make it effective in the marketplace, Sales is essentially the main “customer” for pricing and needs to be intimately involved with every stage of the project.

Looking at the creative deals salespeople have made is a great source of learning for all teams. If you have good sellers designing creative deals to win deals and expand accounts, that’s important for the company – it drives results and is an engine for innovation around pricing, both at a rate card level and to identify the best custom pricing strategies for particular segments. Channel it into the pricing and packaging transformation to build something that better meets the needs of customers and enables wins for Sales.

All stakeholders should keep in mind that a significant chunk of salespeople’s remuneration will be variable, based on outcomes.

What Sales cares about most in a pricing and packaging transformation:

- Reducing friction** – Sales is invested in the ease of transacting and having a frictionless customer experience.
- Flexibility and freedom** – Salespeople want the flexibility to be creative. They are on the frontlines and want to experiment with pricing variations to win deals and expand accounts.
- How Sales comp will change** – New pricing is personal for the Sales team, as it’s directly tied to their income. Often a pricing change will require a shift in sales comp, particularly with UBP.
- Information access** – Salespeople want to be updated on a customer’s usage when engaging them, to avoid looking uninformed but also to establish trust and rapport and add value.
- Minimizing admin** – Sellers want to be out there selling, not using their limited time on, for example, attending to data hygiene in Salesforce.



CUSTOMER SUCCESS:

The frontline experts in providing pricing strategy feedback and iteration

Customer Success is the team that will see firsthand any pain your customers experience due to outputs of pricing decisions. This is invaluable during the pricing project, as CS can offer insight on pain points with current pricing or packages in relation to renewals and upsells, but also after the project, when they can bring back feedback for iteration purposes.

One big priority for CS is access to information. CSMs need to be able to address questions and their dependencies, and often the answer sits in a financial spreadsheet. If possible, pricing and systems should be built in a way that empowers CS (and customers) to find the data and answers to their questions.

What CS cares about most in a pricing and packaging transformation:

- Information access** – Like Sales, CS want to be informed before customer conversations and to be able to add value.
- Data** – CS needs to be able to answer billing queries from customers. This requires that they understand the pricing and have the right data at their fingertips about usage and billing.
- Reduced friction** – This accompanies the above. CS wants to avoid needing to go to Finance (adding extra steps, time, and people involved) to answer customer questions.
- Usage insight** – For companies with UBP, CS wants to be alerted when a customer's feature usage and overall product usage patterns change. This enables them to be proactive in upselling or preventing churn.

THE NECESSARY COMPONENTS FOR PRICING AND PACKAGING TRANSFORMATION SUCCESS

There are several high-level elements to align on in order to ensure a successful pricing transformation project. They include:

1. The right working groups

CORE TEAM

The day-to-day working group that handles analysis, talking to customers, etc. Usually includes pricing lead, analysts, customer research, someone from Sales/CS, etc.

STEERING COMMITTEE

Everyone that needs to sign off on the project in order for it to work. A vast majority of projects include the entire exec team on the SteerCo. Should have multiple points of alignment throughout the project.

PRICING COMMITTEE

An ongoing monthly or quarterly meeting to get the pulse from Sales leaders on what's working and make incremental improvements. Chaired by whoever owns pricing, and includes some members of the core team and SteerCo.

- 2. Realistic timelines** — Don't budget this to be done in a few weeks. Pricing and packaging transformations typically take 6-10 weeks of ideation, and an additional 6+ weeks to implement. However, the additional revenue growth and customer benefits from a successful implementation will be worth the effort and it's important to take the time to get it right.
- 3. Ability to iterate** — No one gets pricing exactly right the first time, and it's something that evolves as your company grows and matures – so the ability to test and roll out incremental change at every step should be built in. Pricing transformation isn't a once-per-three-years activity; it's the beating heart of GTM.
- 4. Measurable success** — Know how you will measure the success of the pricing transformation, at a team level and as a whole. This is a great way to create alignment.