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The
Ultimate Guide to
**Usage-Based
Pricing**

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What will
you learn?

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UBP

Where it came from, and why it's taken over

Usage-Based Pricing

Where it came from, and why it's taken over

As the software industry continues advancing further from simply providing software towards delivering a service, we're seeing increased interest in usage-based pricing (UBP; sometimes called consumption-based pricing).

How did this happen?

Part of the trend comes down to imitation, with a few early adopters in SaaS finding success and inspiring others to follow. At the same time, a few fundamental shifts have created an environment that is ideal for UBP:

1.

The 3 A's: Automation, APIs and AI

It's become more and more common in recent years for "service users" to actually be machines and not humans, in all layers of the stack: from infrastructure to middleware to applications. In these cases, it makes sense for services to scale value by usage and impact rather than the number of seats.

2.

The Rise of Product-Led Growth (PLG)

With PLG, the buyer is the end user and can adopt new software through a low-friction, self-service model. When initial purchasing decisions are decentralized and don't require Sales contact, UBP works especially well by minimizing barriers and creating a path to scale independent from Sales.

3.

Economic Environment

Macroeconomic and fundraising headwinds have created further impetus, with pricing generally becoming an increasing strategic priority. Usage-based pricing specifically is being associated with churn resiliency, lower friction expansion and improved margins.

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In this landscape, adoption of UBP has grown swiftly. According to OpenView's 2023 State of Usage-Based Pricing report[1], 46% of SaaS companies already have a UBP model, 15% are actively testing it, and 4% expect to test UBP in the next 6-12 months. We expect these numbers to continue growing as more companies witness the success stories and the landscape of vendors supporting UBP deployment (like **m³ter**) continues to mature.

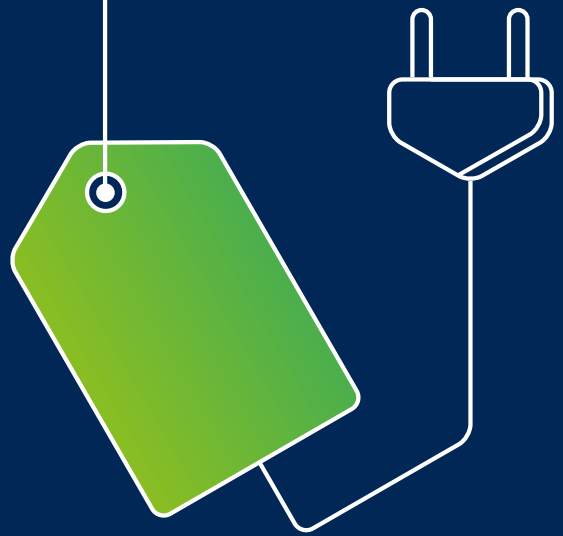In this guide, we'll cover everything you need to know about usage-based pricing, including the What, Why, How, Who and Where:

- **What** is usage-based pricing (UBP)

- **Why** adopt UBP

- **How** to implement UBP

- **Who** is involved in making UBP successful

- **Where** to learn more about UBP

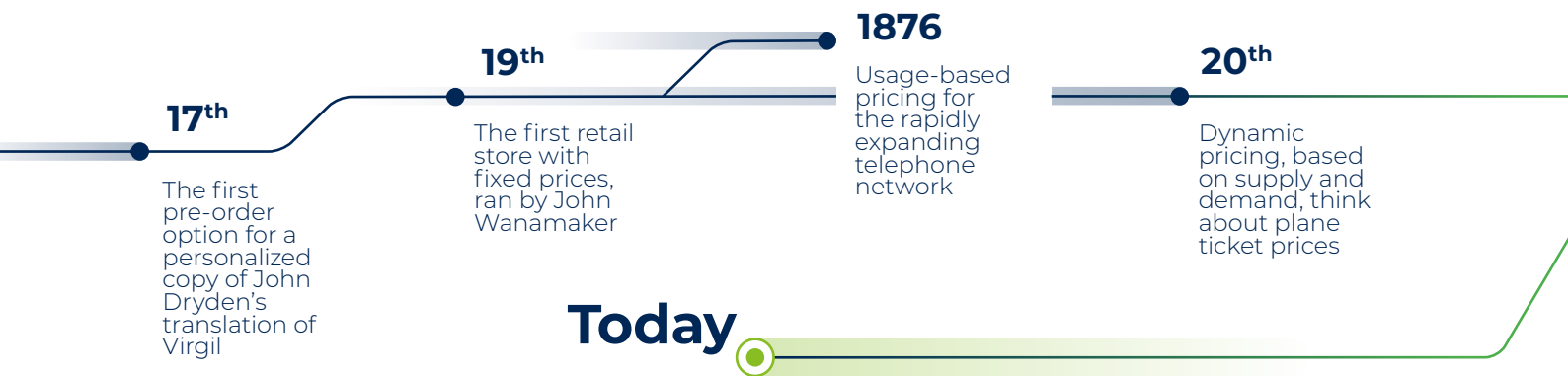With the stage set, let's pull back the curtain on usage-based pricing →

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WHAT

About usage-based pricing
(UBP)

The What

—

What about usage-based pricing (UBP)

UBP has been around for a long time in other contexts, for example with telecommunications, utilities, and logistics. Its application with B2B software, however, is newer.

17th

The first pre-order option for a personalized copy of John Dryden's translation of Virgil

19th

The first retail store with fixed prices, ran by John Wanamaker

1876

Usage-based pricing for the rapidly expanding telephone network

20th

Dynamic pricing, based on supply and demand, think about plane ticket prices

Today

With UBP, the price a customer pays for a service is based on their consumption (or usage).

So, instead of paying for how much they expect to need (an estimate of capacity) with subscriptions, they only have to pay for how much they actually use.

There are a variety of ways for UBP to be implemented. Some clearer examples range from charging based on resources consumed to the number of leads generated to the number of tasks or API calls. Other pricing models take more of a hybrid approach, layering UBP on top of their feature-based tiers or 'seat' fees.

CHECK OUT OUR GUIDE, THE HISTORY OF PRICING

LEARN MORE

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Hybrid pricing

Usage-based pricing is not an either/or option; companies don't have to choose pure UBP or traditional pricing models. In actual application, it exists on a spectrum ranging between these two points, with most UBP adopters falling somewhere in the middle with elements of both subscription and consumption models.

There are two directions of travel along the spectrum: Businesses can move toward hybrid from both extremes:

Businesses who are moving from traditional subscriptions to hybrid by adding usage-based elements to their existing subscription pricing to create a hybrid model – or 'Subscription 2.0' pricing, as we like to call it. For them, the rationale is about better price discrimination, margin control and low-friction revenue expansion.

Businesses who are moving from pure UBP to hybrid. There are a number of reasonable objections to UBP; for example, a lack of predictability and cash flow challenges from invoicing in arrears. Some companies respond to these by adding subscription-like elements such as commitments with generous usage allowances (to help deliver predictability) and prepayments of those commitments (to help cash flow). This results in a "softer UBP" that is also effectively hybrid.

SUBSCRIPTION

%

COMMITMENTS

PREPAYMENTS
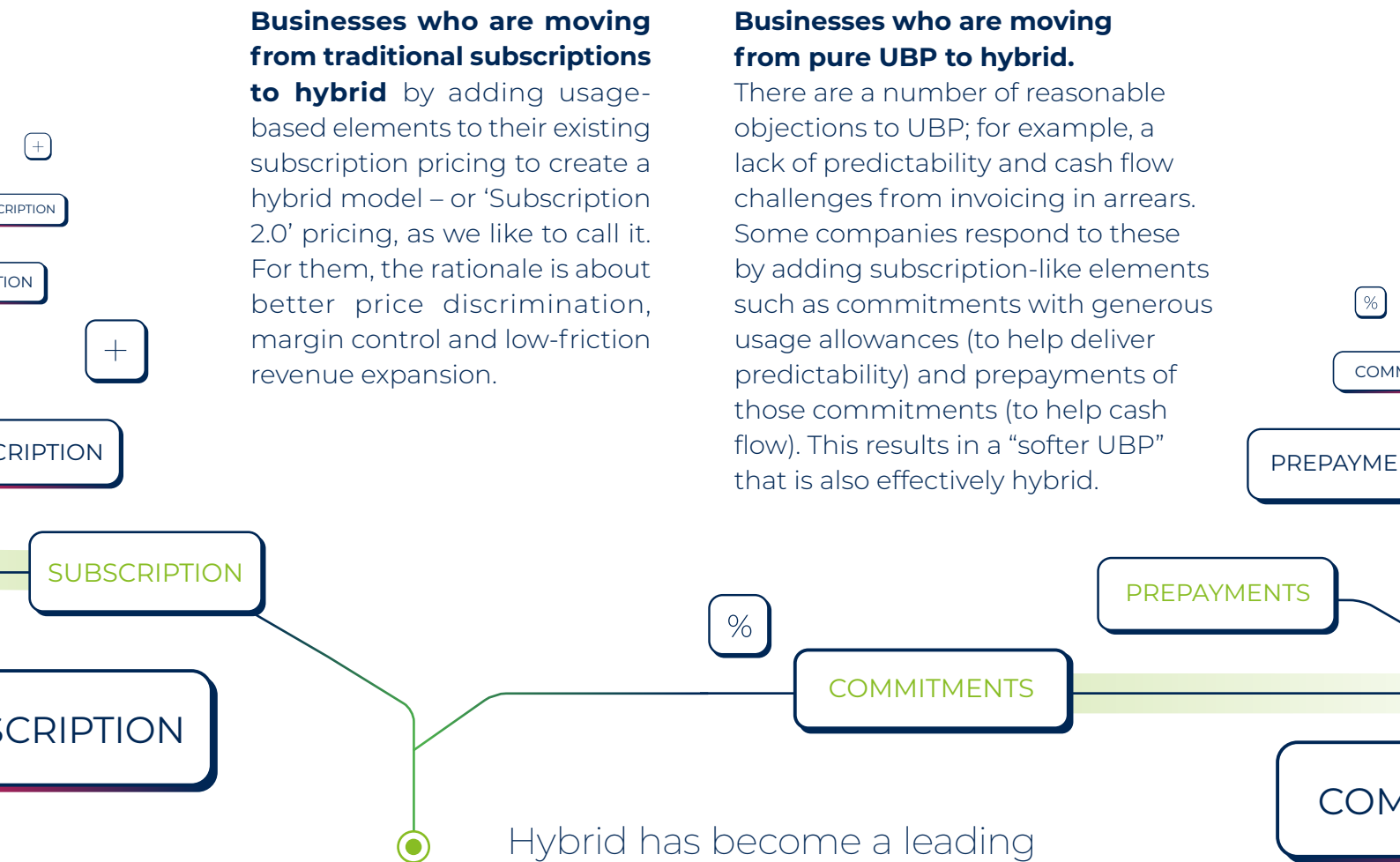
Hybrid has become a leading model for scaling businesses,

as it gives companies flexibility to move customers up or down and even personalize pricing at scale. This is already widespread: OpenView research[2] found that 61% of SaaS companies are currently leveraging a hybrid pricing model.

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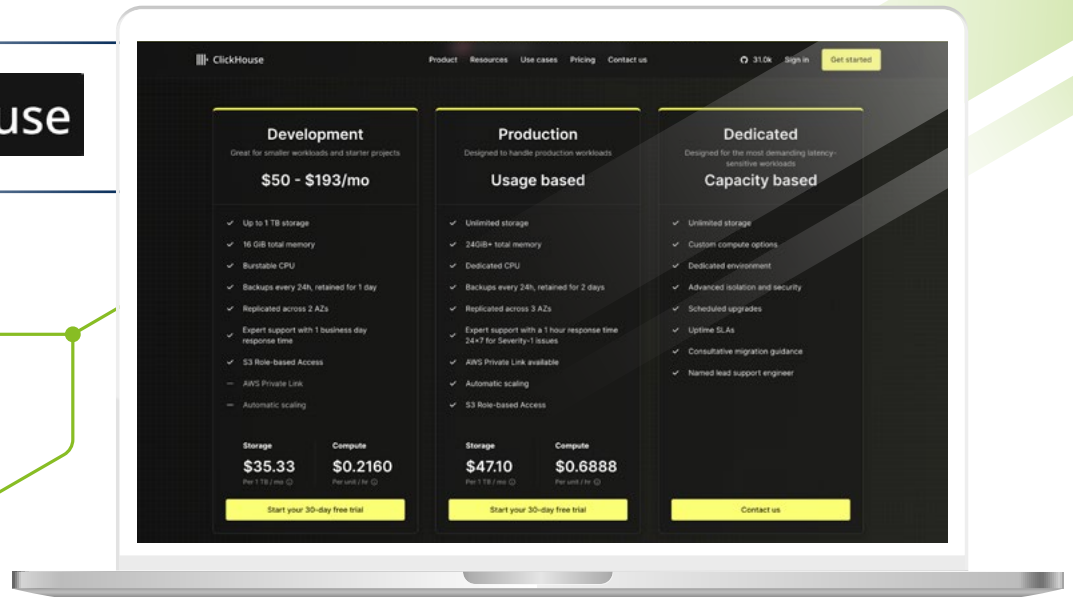
HOW CLICKHOUSE DEVELOPED THIS PRICING MODEL

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Hybrid pricing in action: Take a look at ClickHouse's pricing page. Their 'Development' tier offers a subscription element with usage add-ons, while 'Production' is fully usage-based and 'Dedicated' is capacity-based.

Examples of usage-based pricing strategies

Usage-based pricing can come in many forms, depending on factors like the company itself, the product or service, customer personas, usage patterns, economic conditions, and more. To see how this can be put into practice, let's go over a few UBP techniques:

Deploying hybrid models – As mentioned before, this is the most common application of UBP. An example of a hybrid model would be per-seat or tier-based pricing with the addition of usage limits (or extra fees for high consumption). Example: HubSpot.

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DATADOG

snowflake

Linking the price to resource consumption – This strategy is usually utilized lower in the stack where the product is the infrastructure resource itself (e.g., AWS, MongoDB, Snowflake) or a service that obviously consumes a lot of resources (e.g., Datadog or Sumo Logic).

paddle

stripe

Linking the price to product impact – In this strategy, the customer's price is based on the impact the product had on their business. This can be effective as it links pricing to the customer's success ("mutually assured success", if you will). Examples include Paddle and Stripe pricing based on a share of revenue.

Confluence

Discounting based on volume – Offering discounts to customers based on volume can encourage more usage, as it's rewarding these customers with declining marginal costs of use (the opposite of diminishing returns). Example: Confluence.

aws

Trading discounts for commitments – In this strategy, companies will decrease the variable usage price in exchange for the customer committing to a specified level of spend. For example, AWS Reserved Instances, Savings Plans and the Enterprise Discount Program all trade discounts for usage commitments.

5 EXAMPLES TO IMPROVE YOUR UBP PRICING STRATEGY

LEARN MORE

Want more detail?
Learn more about all these UBP examples.

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3

WHY

Why adopt
usage-based pricing

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The Why

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Why adopt usage-based pricing?

Usage-based pricing works particularly well when it links costs to value received and allows fees to scale as customers grow. UBP isn't right for every business – more on this later – but for those it works well for, the benefits are significant.

Benefits of usage-based pricing

1) Facilitates easier adoption
Potential customers face fewer barriers and minimal upfront costs with UBP, reducing capacity estimation requirements, mental load and the fear of loss. Easier adoption for individuals and companies means they can evaluate and experiment, expanding your market reach. Nearly half of SaaS companies using UBP say it has helped them acquire more customers.[3]

2) Enables costless upsell
UBP enables efficient PLG motions, creating opportunities to grow revenue without additional Sales effort. Instead of spending time on gatekeeping manual work, Sales can focus on value-adding activities like securing commitments, facilitating adoption and chasing new business.

Customer usage increases

They pay more

Sales intervention not required

Efficient & profitable GTM

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3) Enhances customer satisfaction

According to research from Bain & Company [4], 80% of customers reported better alignment with value received when paying based on consumption. This is especially true when the business chooses the right pricing metric to align with the customer's objectives.

Customers don't have to worry about shelfware, wasteful spending or failing to maximize value from a product. Instead, they just scale their usage – and therefore spend – up or down depending on current needs.

4) Improves margin control

For SaaS companies with significant costs driven by customer usage, UBP helps you gain tighter control over margins. The right pricing metric can link revenue and costs to usage, improving consistency of unit economics per customer.

5) Increases logo churn resiliency

Usage-based pricing can be a pressure valve: Customers can choose to use less to spend less, making logo (i.e. complete) churn less likely. While that can mean fairly rapid revenue shrinkage in tough economic times, businesses retain logos better and have the potential to bounce back quickly as conditions improve. Enhancing customer satisfaction can inhibit churn even further.

TL;DR: Not all churn is the same. Churning customers is much worse than having revenue shrink from the installed base.
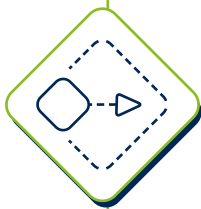
6) Increases NRR

Because of all the points above, businesses using a UBP model typically see higher Net Revenue Retention (the most important metric for SaaS businesses). This is a massive impact and key metric to measure the success of the UBP strategy.

Let's first look at the model on the next page.

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The model below illustrates how a business with
- **5% of customers** in the high growth category and
- **10% churn** could still achieve
- **13.6% for 10 year compound growth rate**
  —without booking any new business.

Customer Type	% of Initial Revenue	Growth Rate	Initial MRR (in thousands	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
High Growth	5%	50%	12,5	18,8	28,1	42,2	63,3	94,9	142,4	213,6	320,4	480,5	720,1
Normal Growth	40%	5%	100,0	105,0	110,3	115,8	121,6	127,6	134,0	140,7	147,7	155,1	162,9
Stable	35%	1%	87,5	88,4	89,3	90,2	91,0	92,0	92,9	93,8	94,8	95,7	96,7
Shrinking	10%	-5%	25,0	23,8	22,6	21,4	20,4	19,3	18,4	17,5	16,6	15,8	15,0
Churned	10%	-100%	25,0	23,6	25,0	27,0	29,6	33,4	38,8	46,6	57,9	74,7	99,5
	100%		250,0	212,3	225,2	242,6	266,6	300,5	348,9	419,0	521,5	672,4	895,8

According to Todd Gardner, Managing Director of SaaS Advisors, UBP is the best way to drive Net Revenue Retention, which in turn positively impacts valuation.

"

Todd Gardner
Managing Director
SaaS Advisors

As this model shows,
the growth of the business is much more sensitive to modest changes in the High Growth segment than any other segment. If the business increased its pool of high growth customers from 5% to 6%, its ten-year growth rate would improve 1.5 percentage points to 15.1%. Conversely, were it to improve its churn from 10% to 9%, growth would only improve .2 percentage points. This is the asymmetric nature of growth customers vs. churned customers, and UBP is an amplifier on the much more powerful growth side."

According to the same report from Bain & Company[5], two-thirds of SaaS companies with UBP models say it's helping them increase revenue with existing customers.

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# How do you know if UBP is right for your SaaS business?

This is the billion dollar question, and you likely won't find a straight response anywhere – with good reason. The short answer is that it depends – UBP is highly effective for many (as can be seen in the benefits discussed on the previous page), but it might not be the right pricing model for others. Understanding where UBP has been historically successful can help companies assess the pros and cons of deploying a usage-based pricing model.

Based on research from Todd Gardner and conversations with SaaS experts, here are some company and product characteristics that lend themselves to usage-based pricing:

- Lower-in-the-stack products

- Other high COGS solutions

- Products linked to revenue

- Products capable of usage intensity growth

- Self-provisioning

WHICH USAGE-BASED PRICING WOULD FIT YOUR BUSINESS?

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As mentioned in a previous section, there are also ways to bring in elements of usage-based pricing into your existing pricing, creating a hybrid model. This is a great way to experiment with UBP if you're a subscription business, or to bring in more predictability if your pricing model is exclusively usage-based.

Ready to implement usage-based pricing? Let's dive in! →

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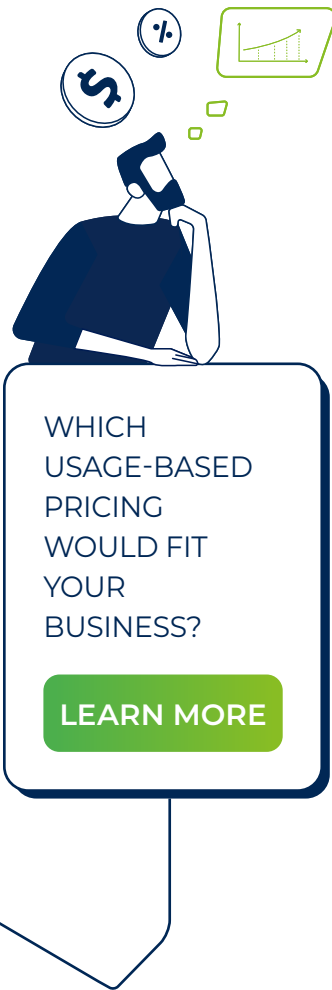
4

HOW
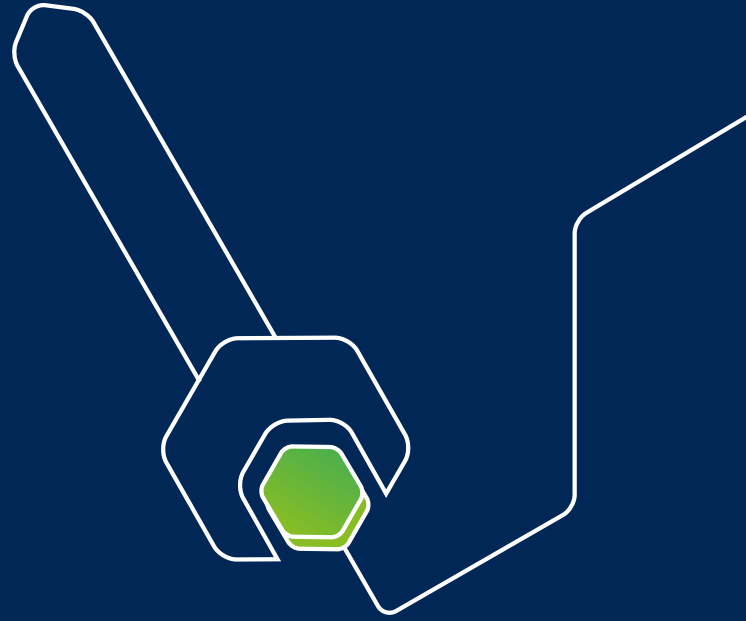
How to implement
and succeed at UBP

The How

How to implement and succeed at UBP?

Implementing and managing usage-based pricing requires the whole business to come together – from leadership to the board to key internal teams like Finance, Product, Engineering, Sales and Customer Success. Whether you're handling this manually and struggling with a system built in house, or are looking to launch a new product with UBP, you need to have the right infrastructure and systems in place, with access to the right usage and commercial data.

Pricing is not a set-it-and-forget-it task or a box you can check off.

This is especially true for usage-based strategies, which require businesses to make pricing an ongoing, active motion.

This chapter will walk you through the journey of UBP implementation, from selecting your pricing metric to building (or transitioning to) the right infrastructure to mitigation strategies for common challenges.

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Implementation checklist

ACTION	DESCRIPTION	OWNER
BUILD YOUR CUSTOMER COMMUNICATION STRATEGY		
☐ Define migration strategy	Plan how new pricing is treated with existing customers, including: ☐ Calculate customers new spend levels ☐ Decide how to treat and migrate different customer cohorts ☐ Provide guidance to sales with before and after spend by account	Pricing/ Customer Success
☐ Create customer communication plan	Launch of new pricing - Email comms, blog posts, etc.	PMM
☐ Update website documentation	If public on website - update pricing page. If not public - update sales collateral for negotiations.	PMM
☐ Customer transparency	Provide customers a dashboard or reports for visibility into consumption.	Product/ Customer Success
ENSURE BILLING, FINANCE, AND LEGAL ARE PREPARED		
☐ Set up usage tracking	Ensure product is designed and set up to track usage.	Product
☐ Provisioning systems	Provisioning systems are updated to account for new pricing.	Finance
☐ Billing systems	Billing systems are updated and configured to charge for new pricing and SKUs.	Finance
☐ Revenue reconciliation	Ensure revenue reconciliation process is updated with the new pricing structure.	Finance

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ACTION	DESCRIPTION	OWNER
☐ Order form language	Updated as appropriate.	Deal Desk/ Legal
☐ Terms and conditions	Appended to apply new pricing.	Legal
☐ CRM updates	Send spend data back into your CRM for Sales visibility.	Sales Operations
MANAGE ALL GTM IMPACTS		
☐ Confirm Sales organization is aligned with pricing changes	Items to consider include: ☐ Sales compensation ☐ Territory planning ☐ Quotas	Sales Operations / Head of Sales
☐ Review go-to-market motions	If implementing a usage-based pricing model for the first time, consider how this may impact your GTM process. Questions to ask include: ☐ How will Sales and Customer Success work together? ☐ Who is responsible for driving consumption?	Sales Operations / Head of Sales / Head of Customer Success
☐ Update materials	Update pricing resources including one-pagers, ROI calculator, pitch decks, etc.	PMM
☐ Provide Sales, Customer Success, and Support enablement	Training session for customer facing teams on new pricing and how to handle questions and objections.	PMM

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Selecting the best pricing metric

According to a 2021 survey from Coatue Partners[6], the hardest part of deploying usage-based pricing is finding the right metric.

When including elements of UBP in your pricing model, it's crucial to attach pricing to a usage metric that aligns with how customers glean value from the service and what success looks like to them. All of this ensures spend is connected with positive business outcomes, rather than a cost item to be managed downward.

Fees also need to be simple to understand and not impossible to predict. If not, how their spend would scale becomes opaque, and that creates adoption (or additional commitment) friction.

To provide an example, let's say you offer a backend-as-a-service to mobile games. If you price based on the number of players they attract, this overlaps well with their own metrics for success - it's 'good' spend that is easy to understand, and forecasting is simple.

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The tech stack you need to implement and manage UBP

The good news is that a majority of companies already have the tech stack needed for UBP implementation mostly in place and don't have to make extensive changes. But UBP does require an additional component.

> **"**
>
> **A new category of**
> *pricing operations platforms has emerged – a solution that elegantly captures usage data, applies pricing,converts it to spend and then allows the data to be sent across systems and users to make the most of it."*

Marek Rubasinski

VP, Business Development
and Partnerships
at m3ter

WHAT IS THE
NECESSARY
TECH STACK
FOR UBP

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When you deploy UBP you need usage and spend data to be available throughout the business. This is a crucial enabler for multiple use cases: For billing to prepare invoices and recognize revenue in the right way, for sales agility in pricing negotiations, and more.

We'll go into more details on building out your UBP infrastructure in the next chapter: "Who is involved in making a UBP strategy successful?"

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Best practices for integrating the missing component

5 TIPS
TO EVALUATE
UBP VENDORS
FOR
INTEGRATIONS

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There are some best practices to keep in mind for integrating a new platform with existing systems. To fill the gap discussed above, you will crucially need:

☐ Bi-directional integrations to your existing finance and CRM systems

☐ An easy UI for Ops users, so they can set up and manage changes without overly relying on Engineering

☐ Capability to easily manage pricing in a way that matches the flexibility and complexity of your own pricing and packaging

☐ Alerting and events systems, to allow for automation

If you do this well, you don't just ensure that data is delivered everywhere it's needed; you also create a platform that enables easy change and adaptation of pricing. Because of the weight of this decision, when considering a vendor solution for UBP, you should look carefully at how they think about, prioritize and support integrations.

Consider if a solution offers the following:

Built from a developer-first mindset, meaning engineers can quickly and painlessly establish integrations and retain control and transparency about data flows

Include features that empower non-tech users (e.g. Ops) to set up and manage object mappings without ongoing reliance on developers


DIY tool sets to allow for easy customization, like events systems

Native integrations with leading Finance, CRM, and CPQ systems make it easy to automatically sync data bi-directionally.

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Implications for operations and GTM

Since UBP's application to B2B software is newer, it's important to consider the implications of the pricing model for operational and Go-To-Market (GTM) capabilities. Here are four major areas affected by UBP:
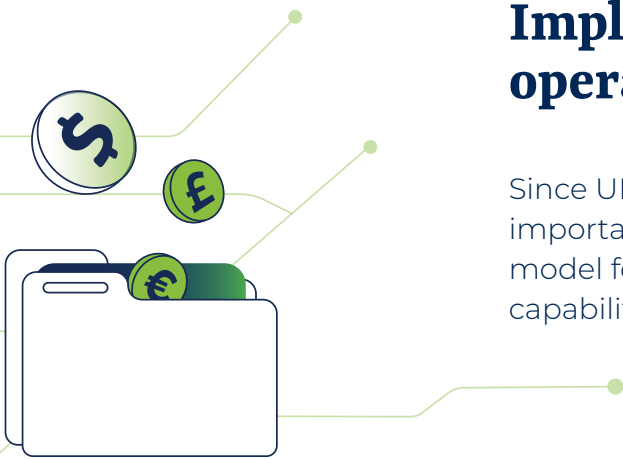
Customer experience

With UBP, pricing is part of the product itself: customers need to understand their consumption and how that will translate to their spending. This requires transparency and trust, and a once-per-month invoice won't cut it.

Instead, customers will want information on demand – for example, a running total and a forecast for their monthly bill, right within the product.

Billing operations

Accurate invoicing can be a challenge with UBP, especially if Sales often does customized pricing for a significant portion of the customer base. This is because you need to bring usage data together with pricing terms to calculate the amount that goes on a bill. Many organizations have spreadsheet-based systems for billing or clunky tools built in house, which are time-consuming, prone to errors, risky for audits, difficult to change and not scalable. This process should be automated, which will help Finance, Sales, and Customer Success.

Sales and Customer Success performance

Customer-facing team members need usage data for inbound billing enquiries, but also to drive revenue growth. They should be able to respond to usage signals and be proactive about encouraging further adoption, upselling or securing commitments. When these teams are more informed, they can have more higher-quality, value-adding conversations.

Reporting & KPIs

UBP has demanding requirements for reporting, oriented on the customer and their usage. Teams need to have ways to get visibility into spending, usage, costs of service, unit economics and who the outliers are (i.e. those with particularly good or bad gross margin performance). The pricing model also requires finance to track slightly different metrics, like NRR. Forecasting becomes trickier, so teams need accurate data and the right tools in place in order to accurately forecast revenue.

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While these are certainly significant implications to consider, all of them come back to one core issue: Data.

All businesses with a UBP strategy need the foundational capability of data infrastructure. Having an effective way to meter usage data, apply pricing and utilize spend data across all operations in near real time is crucial; without it, UBP businesses can't compete at the highest level and could actually hurt their relationships with customers due to inaccurate bills, exhausted finance teams and broken customer trust.

Example in practice: onfido

Onfido, a provider of state-of-the-art identity verification SaaS, already had a UBP strategy in place – but their legacy platform was struggling to handle 2.5X the events it was designed for. Reconciling data to answer customer questions was also painful every time.

m3ter helped Onfido prevent tens of thousands of dollars of revenue leakage each month. Want to know how?

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> " *Our auditors and customers would ask how we got certain calculations and it would take a full squad of people to trace back through the logic in the system to explain it.*"

Gordon Laing
Senior Company
Operations Manager
Onfido

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Implications for Sales-led vs. Product-led sales channels

Businesses with both Sales-Led Growth (SLG) strategies and Product-Led growth (PLG) strategies can adopt UBP, but there are differences in how it's implemented and the complexity that arises.

Purely SLG businesses have one particular advantage over PLG businesses (most of which still have SLG as well) when making a switch to UBP: They have less transparent pricing on the website and can more easily run pricing experiments with different customers, even running two pricing plans simultaneously as they transition to UBP. SLG companies will often be able to offer volume discounts to provide incentives to grow with a single provider.

However, there is a reason why many PLG businesses choose to couple usage elements with a freemium or self-service offering: UBP is the ultimate tactic for frictionless revenue growth, as it helps customers graduate through tiers or graduate to sales-led. Infrastructure providers like ClickHouse, AWS and others are good examples of this – many customers start self-serve and will want to talk to sales to get discounts as they scale. A best practice to enable this is to keep the same metric throughout channels and tiers to ensure a consistent customer experience and lower friction path.

PLG WITH
UBP DRIVES
COMPLEXITY

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VP, Business Development
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at **m³ter**

> **The two approaches [PLG & UBP] reinforce each other**
> *and help create an equilibrium between what customers value
> + what they use, and what you build + what you charge for it."*

Examples:

Sift is an example of a sales-led organization that leverages usage-based pricing but does not have a freemium or self-provisioning product. The Sift products require integrations with other systems, so self-provisioning is not a viable option on a direct basis. Sift has, however, pre-built integrations into other applications such as Shopify.

Snowflake uses both product-led and sales-led growth tactics, but even sales-led enterprise opportunities begin with a low-cost "proof of concept" project that expands with usage. Their usage pricing methodology has enabled Snowflake to achieve 178% net-dollar retention.

Commercetools is another example of a sales-led company that leverages consumption-based pricing to align the value it creates with the compensation it receives. This is a relatively common approach in the e-commerce space.

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Challenges & mitigation strategies

When implementing UBP, there are challenges commonly faced by businesses that require careful consideration. Below are some examples of these as well as mitigation strategies:

1) Predictability

This can be a challenge for both sides. Customers who place high value on predictability may be uncomfortable with the uncertainty of consumption-based pricing. Others may be fine with it, but could get angry if they end up with a surprise in their monthly bill due to a spike in usage or poor forecasting.

For the vendor, there can be revenue unpredictability and cash flow challenges. Because it's dependent on variable usage, UBP has less predictable revenues than traditional pricing models. It could also create challenges for working capital, as it's more likely to use payments in arrears rather than in advance.

Mitigation: For the customer – Deploy hybrid models to combine subscriptions with allowances and overage rates like Zapier. Consider ignoring infrequent usage spikes like Datadog. Provide the option to trade commitments for discounted variable rates to limit runaway costs, like AWS.

For the vendor – To an extent, both revenue unpredictability and cash flow challenges can be mitigated by trading commitments for discounts, but the built-in uncertainty can create obstacles for investment decisions or providing investor guidance.

HOW UBP
AFFECTS
BILLING
OPERATIONS

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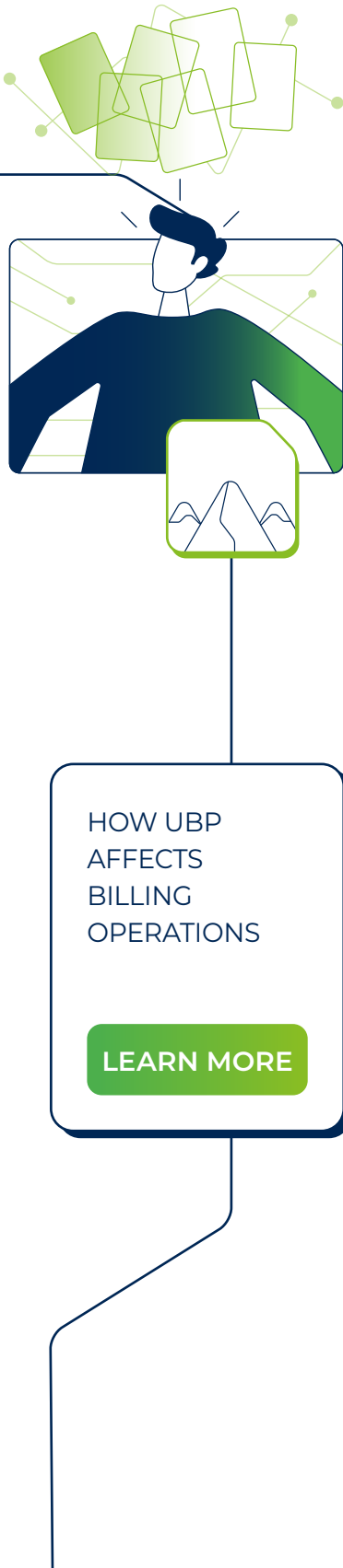
2) Unclean data

UBP requires businesses to incorporate two types of data:

- Usage data, based in your platform; and

- Commercial data, e.g. accounts, products, plans, deals and pricing from your CRM or CPQ system.

The challenge is calculating the bill for every customer by bringing together their usage data with their pricing and having near real-time running totals that are accurate to the hour or even more frequently, rather than calculating invoices just once per month.

Mitigation: Manual UBP is a non-starter, especially as you scale. While you could try to build an involved custom solution, this is a drain on development resources and a slow, expensive and risky process. You'll need a solution that sits between the customer, the finance stack and the platform and pricing systems, taking the heavy lifting off your Finance team and making BillingOps automated, efficient and scalable.

WHEN TO BUILD VS BUY A SOLUTION

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3) Sales compensation

Sales comp is one of the trickiest topics to tackle when moving toward UBP. Some of the biggest friction occurs when businesses charge by consumption but still incentivize Sales to maximize upfront committed spend.

Mitigation: This is an ongoing conversation in the industry with many points of view to consider (OpenView's take has some great nuance.) The (unfortunately) ambiguous answer is that it's not black and white, and every business with a current or future UBP model needs to have these conversations. (Sales comp would be a great topic for your pricing committee to work on.)

READ OPENVIEW'S TAKE ON SALES COMPENSATION

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4) Weathering a downturn

As mentioned previously, UBP models are more susceptible to shrinking accounts than other pricing models, so although logo churn may be lower, decreased usage (and therefore revenue) can be a concern during a recession.

Mitigation: It may depend on how long the downturn is expected to last, but start by making a strategic decision about priorities during the period. If minimizing logo churn is most important, there are many ways to use UBP for this goal. If you are less worried about logos and more concerned about customers decreasing usage, focus on efforts to drive product adoption, keep customers happy and continue investing in the product to add value.

UBP:
REDUCE
CHURN IN A
DOWNTURN

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5

WHO

Who is involved in making a UBP strategy successful

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The Who

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Who is involved in making a UBP strategy successful?

Undergoing a pricing transformation and moving to a usage-based strategy will impact a wide range of stakeholders. You'll need to ensure all teams are aligned and working toward the same goal, while also preparing and getting support from your board. Most importantly, you'll need to prepare your customers and overcome any objections or concerns they may have.

Internal teams: Finance, Product, Engineering, Sales and Customer Success

Without alignment of internal teams, a pricing transformation quickly falls apart. Each team has its own motives for taking on a pricing project, so you'll need to develop a common understanding of what the business hopes to achieve.

There are five core teams in a pricing transformation, all of whom need to be aligned for a UBP strategy to succeed:

Finance

—

The champions of operationalizing pricing strategy for financial performance and predictability

Product

—

The guardians of customer-centric pricing strategy

Engineering

—

The executors of scalable and reliable pricing models

Customer Success

—

The frontline experts in providing pricing strategy feedback and iteration

Sales

—

The voice of the customer in pricing strategy

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GUIDE TO ALIGN YOUR TEAM FOR SUCCESS

LEARN MORE

Our guide to aligning teams during a pricing transformation goes deeper on the motivations of each team and how to collaborate for UBP implementation. ← Read it here

Your board

WANT TO PREPARE YOUR BOARD FOR UBP?

LEARN MORE

As reviewed in earlier chapters, UBP is a powerful tool to drive value and frictionless revenue growth, but it also requires effort and risk. If you are making the switch to UBP from a more traditional pricing model, or adding elements of usage to create a hybrid strategy, this will impact your financial profile and the board should be part of the conversation from the start.

Your customers

HANDLING CUSTOMER OBJECTIONS TO UBP? HERE'S WHAT YOU CAN DO!

LEARN MORE

When implementing a usage-based pricing model, you may be wondering how your customers are going to take the change. Remember: the core value proposition for UBP is very compelling; you just need to know how to respond to customer objections if they do arise and get them on board with the change. Customer objections to UBP typically fall into two categories:

- Control and predictability

- Incompatibility with organizational models and budgeting approaches

There are a number of ways to respond to and manage concerns in both of these categories; for example, simplifying pricing, choosing a pricing metric with strong ties to value, prioritizing transparency, getting customer feedback on pricing changes ahead of launch and more.

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6

WHERE

Where to learn about UBP

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The Where

—

Where
to learn about
UBP?

Usage-based pricing is a hot topic with wide-ranging conversations across the SaaS industry, so you might be wondering where to look for accurate, insightful resources.

Start here:

1) Usage-based pricing reading list

2) **m³ter** blog

3) 2023 B2B SaaS Pricing Predictions Report

4) State of Usage-Based Pricing (OpenView Partners)

Gordon Laing
Senior Company
Operations Manager
Onfido

in

Tanya Bragin
VP Product
ClickHouse

in

Kyle Poyar
Operating Partner
OpenView

in

Todd Gardner
Managing Director
SaaS Advisors

in

James Wood
Software and
Technology
Monetization Expert

in

m³ter PRICING PIONEERS

7

PRICING

Pricing Operations:
Successful UBP deployment
with m3ter

The Pricing Operations

Successful UBP deployment with m3ter

m3ter is a pricing operations platform that powers every variation of usage-based pricing for software companies at all stages of growth.

With m3ter, B2B software businesses can:

Ingest, enrich, and store usage, pricing and account data automatically

Apply pricing and billing logic of any complexity

Send detailed bills to the Finance system for invoicing and payment collection, creating automation and control across workflows

Share near real-time usage and spend data with customers and Sales teams

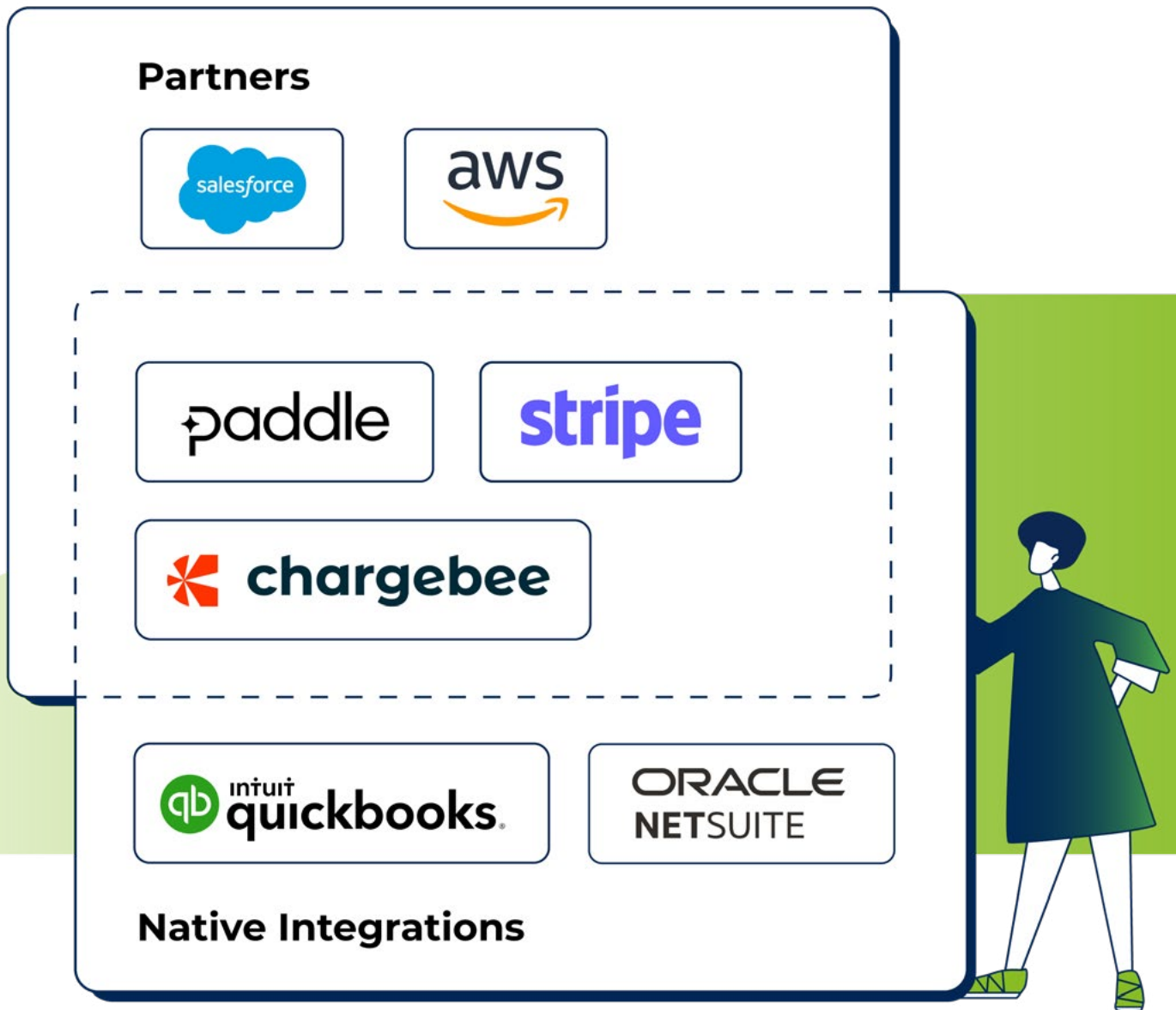Quickly launch new products and add-ons, and easily test and deploy pricing and packaging changes

By automating pricing and billing with m3ter, you can free up valuable internal resources, consistently generate accurate bills, eliminate revenue leakage, and support happier customers.

Leading B2B software businesses are using **m3ter** to intelligently deploy and manage UBP →

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m³ter Partners

From the start, we built **m³ter**, as a "drop-in" solution; one that helps existing systems – like your CRM/CPQ, invoicing, payments, ERP and BI tools – work as needed for the complexities of UBP, rather than replacing them.

We're proud to make quote-to-cash system integration a breeze with leading providers:

Partners

salesforce

aws

paddle

stripe

chargebee

intuit quickbooks

ORACLE NETSUITE

Native Integrations

m³ter

![onfido]

> *We got onto a demo call with m3ter and within about 30 seconds we knew that this was what we needed."*

![Gordon Laing]

Gordon Laing
Senior Company
Operations Manager
Onfido

LEARN MORE

Getting rid of operational pain

Onfido's legacy platform had been designed to handle up to 10 million events per month, so when it reached 25 million, it was struggling. Company engineers had to assist with the monthly processing of invoicing data in batches, and reconciling data for audits was painful every time.

With m3ter, Onfido decreased time to process monthly invoices, significantly improved auditability and prevented tens of thousands of dollars of revenue leakage each month – adding up to about 1% of total revenue.

![ClickHouse]

> *One of the best decisions we ever made. m3ter allowed us to focus on our customers and strategy, not implementation."*

![Tanya Bragin]

Tanya Bragin
VP Product
ClickHouse

LEARN MORE

Supporting a pricing transformation

ClickHouse needed to build its cloud offering from scratch, with usage-based pricing and billing capabilities delivered within the one-year timeframe, so the team could meet customer demand and bring its first commercial offering to market.

Without m3ter, building the billing capabilities could have taken six months or more. With m3ter, it took only two months.

Reducing the development time to build a solution by 3x, let the ClickHouse team focus on their core capabilities and partner with industry leaders for theirs.

m3ter

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6. 2021 survey from Coatue Partners

Click for more **m³ter** contributions, available for free download:

The SaaS Pricing Spectrum

The History of Pricing

B2B SaaS Pricing Predictions Report 2023

m³ter

Uplevel your usage-based
pricing strategy
with m³ter