Applied Frameworks

Agile Marketing Alliance

Why Arguing About Who Owns Pricing Models is the Wrong Argument!

July 2023
Webinar

Agenda

01 / Introductions

02 / Challenges in pricing and packaging

03 / Reframing pricing and packaging as a systems challenge

04 / Who should “own” the system?

05 / Q&A

Welcome

Luke Hohmann

- Serial entrepreneur, author
- 20+ years of Scrum & Agile
- CINO at Applied Frameworks
- SAFe® Fellow

Serial Entrepreneur

conteneo

SCALED AGILE

APPLIED FRAMEWORKS

firstroot

Philanthropist

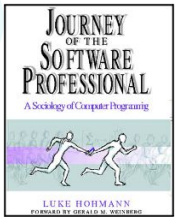
Every Voice Engaged

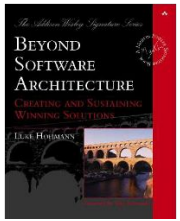
ROTARY INTERNATIONAL

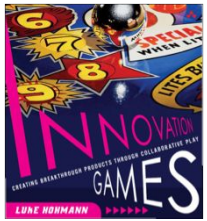
Agile Alliance

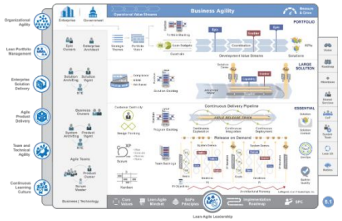
Scrum Alliance®

Agile Software Development and Agile Product Management Leader









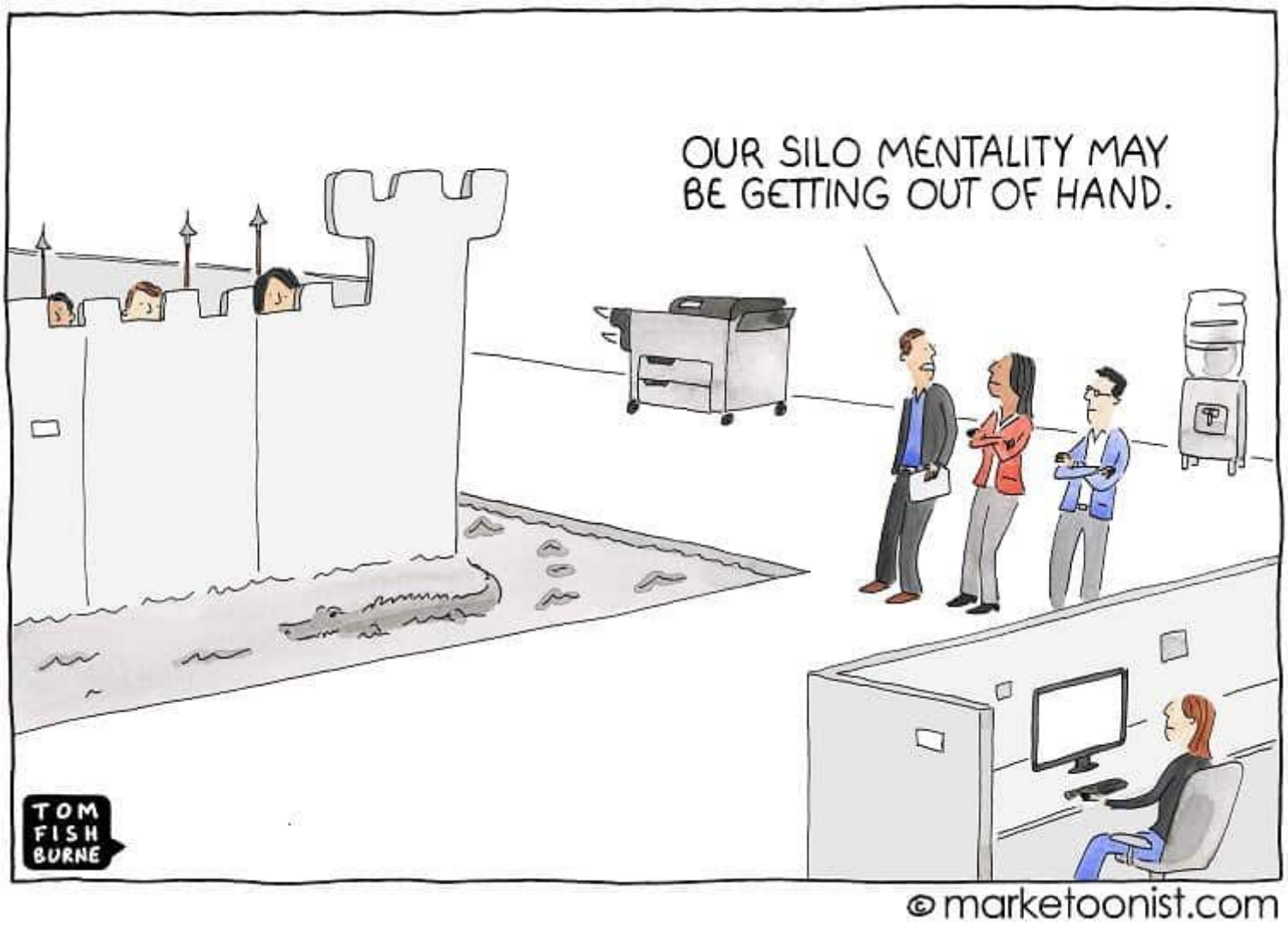
Welcome

Melissa Reeve

- Co-Founder, Agile Marketing Alliance
- 25 years in marketing leadership
- SAFe Contributor
- Agile Marketing thought leader

Agile Marketing Alliance

Challenges in pricing and packaging?



We operate in silos.

We believe that one ‘owner’ can ‘rule’ all…

We use the wrong tools - or no tools at all!

We believe that one ‘owner’ can control the outcome

We don’t have a tool to help us think through the system

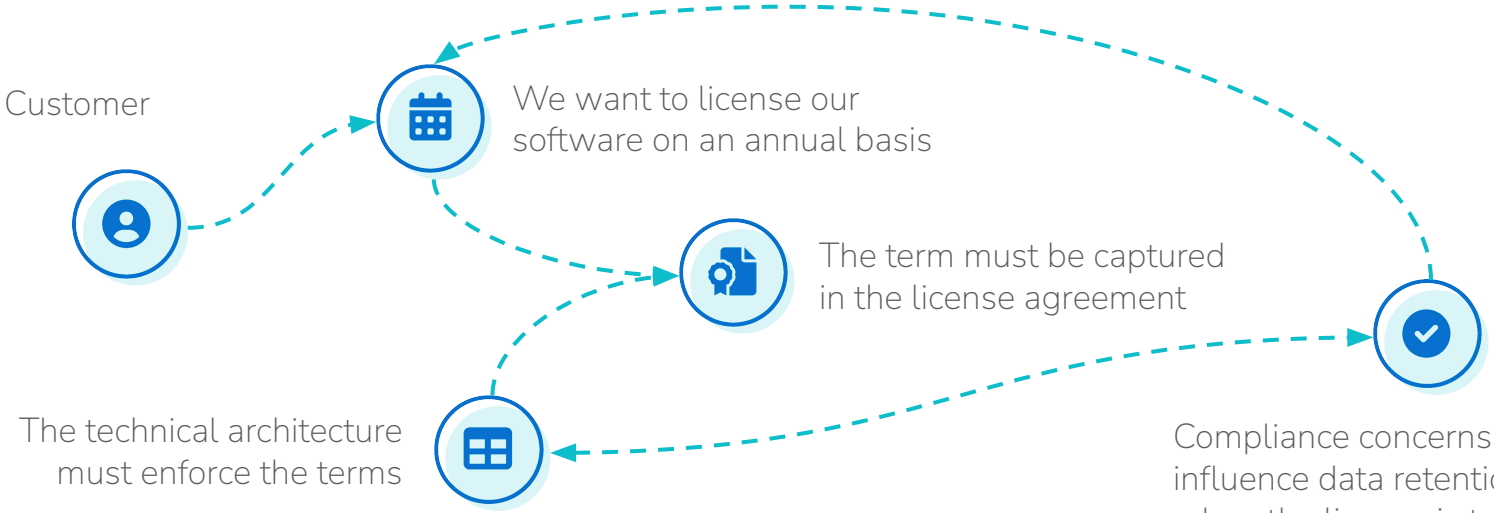
Reframing pricing and packaging as a systems challenge

A software business model is a system.

Systems Thinking

Designing a sustainable
Software-Enabled Solution (SES)
involves making -*and remaking*-
a system of interdependent choices.

Systems Thinking



The choices we make can be captured as a set of nodes and relationships. Our path through this system is dynamic.

Profit Streams are the evolution of value streams

A Profit Stream is a value stream designed to create a sustainable business.
This means that a Profit Stream must:

- Quantify the **economic value** of the solutions they create…
- Be sold through **pricing** and **licensing** choices that…
- Ensure the **revenue** generated from these solutions exceed the **costs** required to serve customers…

NOT JUST ONCE, BUT OVER TIME

Profit Stream Design integrates three aspects of sustainability, all of which are interdependent and evolve over time.

SOLUTION SUSTAINABILITY

ECONOMIC SUSTAINABILITY

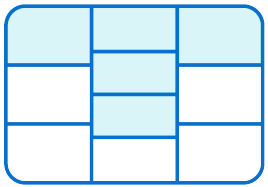
RELATIONSHIP SUSTAINABILITY

Many groups are involved in pricing and packaging..

Who should ‘own’ the system?

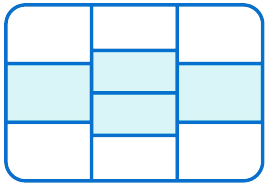
By organizing the elements of our system as a canvas we create a highly compact representation that promotes holistic innovation, collective wisdom, and collaboration.

The Profit Stream Canvas helps you design Profit Streams.



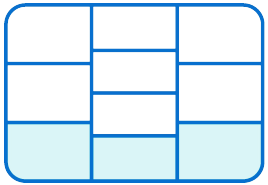
Solution Sustainability

Delivering value to your customer over time.



Economic Sustainability

You are making a profit. Your customers assessment of value is greater than their total cost of ownership.



Relationship Sustainability

How are you designing long-term relationships that benefit all stakeholders?

Focus Areas!

Monetization

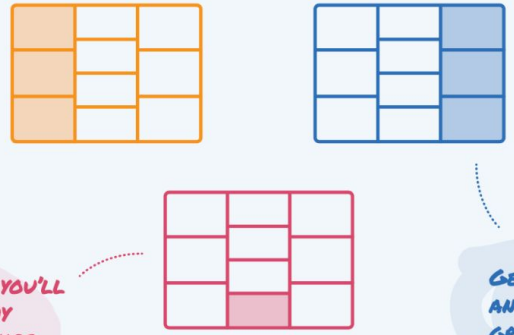
How are all elements of profit working in harmony?

GET THESE RIGHT AND YOU HAVE A HAPPY CUSTOMER

GET THESE RIGHT AND YOU HAVE A PROFITABLE SOLUTION

Customer

What are their goals and aspirations?
What problems are they trying to solve?
How do they perceive value?
What are their economic choices?
What licenses do they require?



Solution

What solutions might you create?
How will they promote sustainability?
How will they generate a profit?
How will you manage supplier relationships?

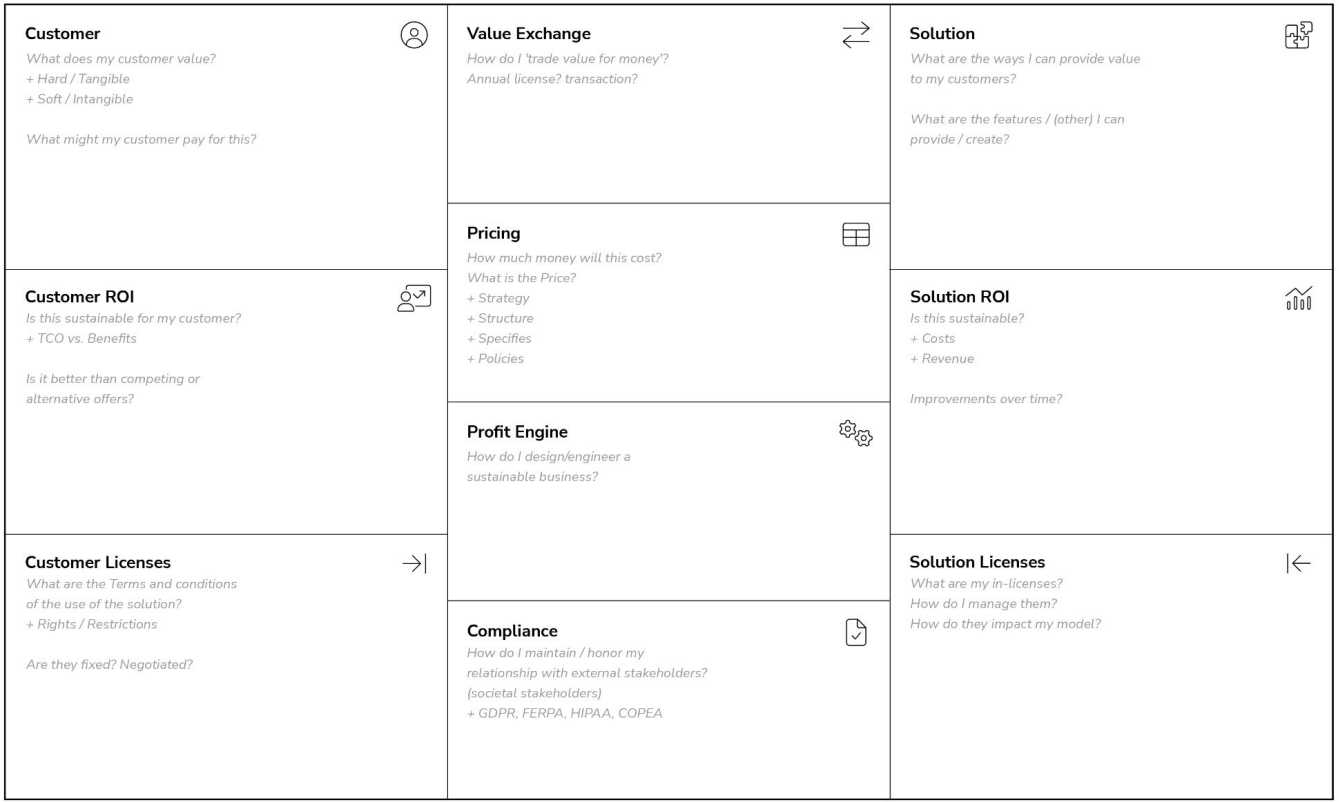
GET THIS RIGHT AND YOU'LL HAVE STABLE, HEALTHY BUSINESS RELATIONSHIPS

GET THESE RIGHT AND YOU HAVE A GREAT SOLUTION

Compliance

How does our solution ethically and responsibly comply with applicable regulations and laws?

The Profit Stream™ Canvas



Who should “own” the system?

Each of has a mental model of our responsibilities

I am a Product Manager (PM) and I am responsible for...

I am a Product Marketing Manager (PMM) and I am responsible for...

Two dysfunctional patterns

If PM and PMM both think they ‘own’ pricing…

They argue.

If PM and PMM both think the OTHER ‘owns’ pricing…

Sales or finance sets the price.

Movement from Ownership to Stewardship

One functional pattern

We’re working together to optimize the system.

We agree that ____ is the steward.

Discussion

Software Profit Streams™

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