



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



Serial Entrepreneur



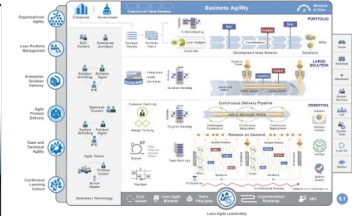
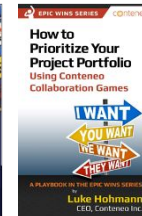
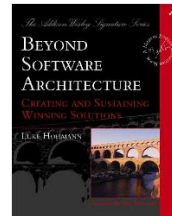
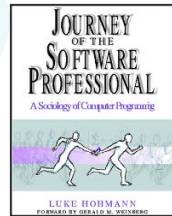
Philanthropist



Luke Hohmann

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

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





Challenges in pricing and packaging?



We operate in silos.

OUR SILO MENTALITY MAY BE GETTING OUT OF HAND.



TOM FISH BURNE



ONE RING TO RULE THEM ALL

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.

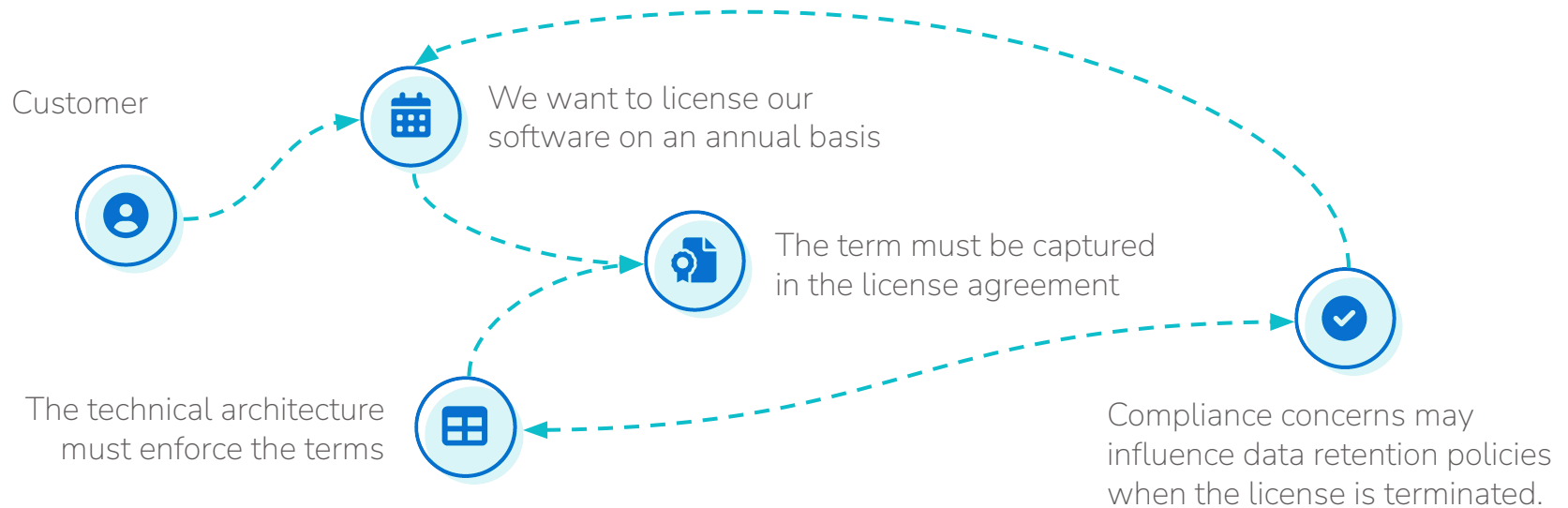


Systems Thinking

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..



RESEARCH AND
DEVELOPMENT

SALES

MARKETING

PRODUCT
MANAGEMENT

FINANCE

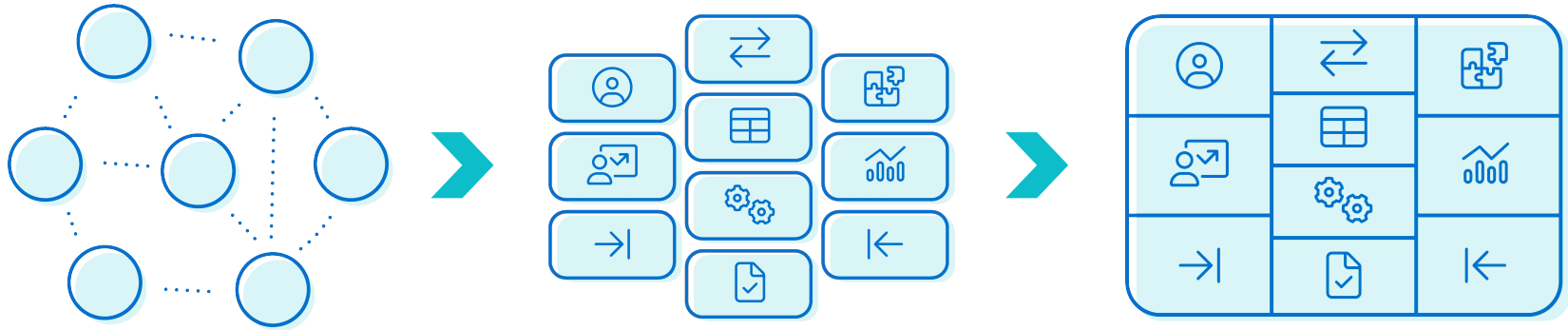
LEGAL



Who should 'own' the system?

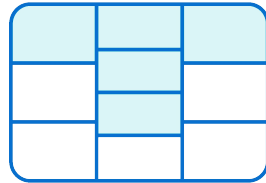


By organizing the elements of our system as a canvas we create a highly compact representation that promotes holistic innovation, collective wisdom, and collaboration.



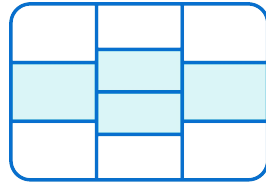


The Profit Stream Canvas helps you design Profit Streams.



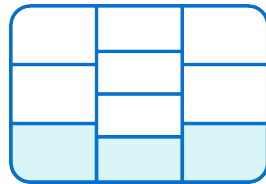
Solution Sustainability

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?

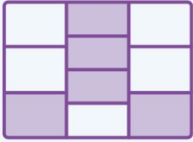


Monetization

How are all elements of profit working in harmony?

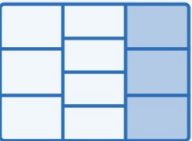
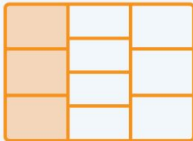
GET THESE RIGHT AND YOU HAVE A HAPPY CUSTOMER

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?

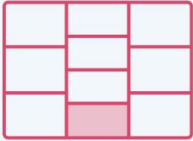


Solution

- 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

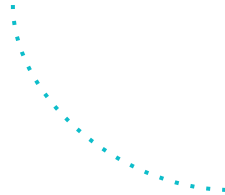
GET THESE RIGHT AND YOU HAVE A GREAT SOLUTION













Compliance

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

The Profit Stream™ Canvas



<p>Customer </p> <p>What does my customer value? + Hard / Tangible + Soft / Intangible</p> <p>What might my customer pay for this?</p>	<p>Value Exchange </p> <p>How do I "trade value for money"? Annual license? transaction?</p>	<p>Solution </p> <p>What are the ways I can provide value to my customers?</p> <p>What are the features / (other) I can provide / create?</p>
<p>Customer ROI </p> <p>Is this sustainable for my customer? + TCO vs. Benefits</p> <p>Is it better than competing or alternative offers?</p>	<p>Pricing </p> <p>How much money will this cost? What is the Price? + Strategy + Structure + Specifics + Policies</p>	<p>Solution ROI </p> <p>Is this sustainable? + Costs + Revenue</p> <p>Improvements over time?</p>
<p>Customer Licenses </p> <p>What are the Terms and conditions of the use of the solution? + Rights / Restrictions</p> <p>Are they fixed? Negotiated?</p>	<p>Profit Engine </p> <p>How do I design/engineer a sustainable business?</p>	<p>Solution Licenses </p> <p>What are my in-licenses? How do I manage them? How do they impact my model?</p>
	<p>Compliance </p> <p>How do I maintain / honor my relationship with external stakeholders? (societal stakeholders) + GDPR, FERPA, HIPAA, COPEA</p>	





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



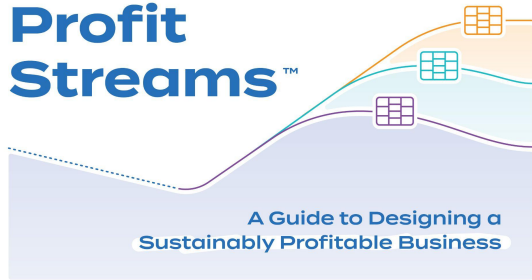
We're working together to optimize the system.

We agree that ____ is the steward.



Discussion

Software Profit Streams™



Written by
Jason Tanner & Luke Hohmann

Designed by
Federico González



Software Profit Streams™

—
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