

**SAAS PRICING FOR A LOCATION
INTELLIGENCE PLATFORM**

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Abstract

Starting a venture is one of the hardest decisions in life. At first, a somewhat unique solution has to be established, that is actually able to mitigate a problem. That problem can be simple and straightforward, or it can be a long-standing pain point. Once the product or service is implemented into practice, the entrepreneur is faced with another grueling challenge to overcome, on what price would it generate the most revenue for the firm?

In this particular case, a startup that is providing location intelligence platform-as-a-service (PaaS) would like to price its service. This platform is primarily for business-to-business (B2B) customers from all over the world. The business team of the startup have stated that the optimal selling structure would be a subscription-based model. My initial goal was to conduct an in-depth market and competitor analysis and to come up with a Software-as-a-Service (SaaS) model for the aforementioned location intelligence platform.

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Introduction

The desired outcome of my Capstone Project was to come up with a Business-to-Business (B2B) subscription-based pricing model for a startup that is offering a location intelligence platform for its clients.

Location intelligence

Location intelligence is an emerging new trend in the field of startups. The main idea behind it is to derive information from geospatial data sources. It is evolved from business intelligence (BI). Geographical information system (GIS) tools are the backbone of location intelligence in order to provide data-driven insights.

Location intelligence solutions enable businesses from various industries to gain information from consumer behaviors to IT mobility use cases. The data sources could include GPS systems, cellular devices, environmental factors, big data and publicly available dataset provided by governments or municipalities.

Nowadays, location intelligence solutions are used in the following industries:

- Insurance
- Education
- User experience
- Financial services
- Public health
- HoReCa
- Retail

Pricing methodologies

For a company, that is using Software-as-a-Service (SaaS) model for pricing is inevitable to understand its pricing strategy. Usually, startups associate growth with customer acquisition but in practice charging your customers the right amount for the provided service is equally important. Pricing intersects with every major aspect of business (sales, marketing, product

development), therefore in the process of elaborating a subscription-based model internal information is needed to stay on track. When formulating such a pricing strategy, there are three main components to be taken care of delicately: pricing, packaging and positioning.

Pricing seems to be the most obvious out of these three aspects but make no mistake it needs just as much attention as the other two. Finding the right price for your product or service means that the value it represents intersects with the price your customers are willing to pay for it. One could identify the maximum willingness to pay by surveying its customers. With four straightforward questions a price range can be formulated in which the optimal price tag lies. Packaging covers the features and details of your subscription. Customers are sensitive to certain features, differentiation between each package should be backed by data. Positioning contains the process one would compose pricing and packaging relatively to competitors. The bottom-line of positioning is to compose your offerings in a way that would attract (more) customers.

For certain venture that is selling its services online, myriad of pricing strategies can be used. The most widely used methods are the cost-based, competitor-based and value-based pricing strategy, and the combination of these three.

Capstone project

Throughout the Capstone project I have worked closely with the business unit of the location intelligence startup. The first two weeks were mainly filled with onboarding sessions, where I got to know the product better. Once I was fully aware of the use case, I have started to work towards building the pricing model. Firstly, I have gathered the internal data that was needed to build up a comprehensive cost structure.

For the subscription model, I have used a mixture of cost-based, competitor-based and value-based pricing strategy. Prior to that, I have conducted an in-depth competitor analysis focused on the pricing methods used by other location intelligence provider startups. For the pricing structure, the business team have identified two separate revenue streams, the API sales and the on-site sales. The pricing strategies differ for these two sources of income. While API usage have initial integration and setup fee, on-site sales have no on-time fees only the recurring subscription as the main source of revenue.

In the initial subscription model, I have identified 5 packages ranging from trial to enterprise. The different packages offer various features and data sets, the main differentiation aspect is the number of users per client. For that, I used competitors as a benchmark, the deviation was marginal among the opponents. In the final subscription model, the price of the data sets and the analyses are incorporated. The packaging includes some behavior finance aspect, a consensus has arisen within the business unit that non-enterprise customers should be guided toward Starter and Pro packages.