



Developing a Successful Pricing Strategy

Pricing and packaging your white-labelled offering is imperative to your short- and long-term business success. Compelling pricing can not only boost your profitability but also demonstrate your value-added proposition to your potential customers.

4 Key Factors to Consider

1. Competition

Know what your competitors are offering and be able to adapt accordingly. But, avoid merely copying their pricing models, which will lead to a “race to the bottom” bidding war. Instead, focus on offering a value-added service that will support your customers’ short- and long-term goals rather than your bottom-line price per seat.

2. Value

Out of the box, the KAZOO platform provides your clients with a value add that’s unique in the cloud-based telecom market -- it’s a fully integrated, geo-redundant solution, which means your customers will have access to a communications stack that is reliable, secure, and works seamlessly. Also, the API-based flexibility of KAZOO enables your offering to grow and evolve with your customer’s needs.

3. Profitability

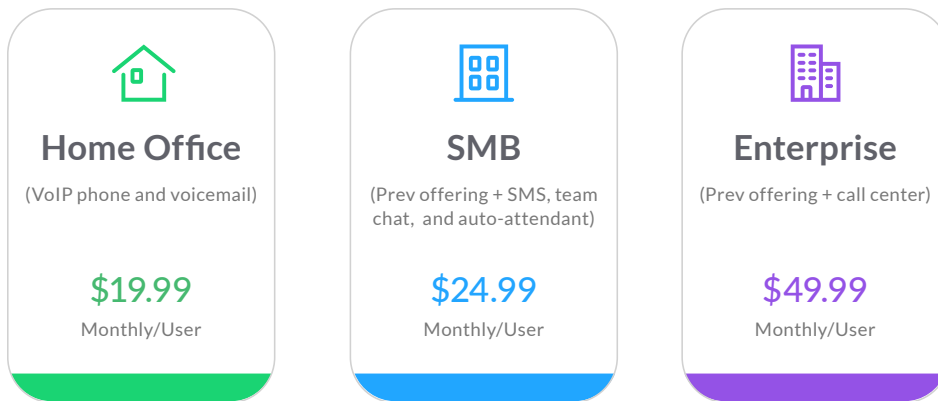
It is important to know and maintain your margins at all pricing levels to ensure a consistent and reliable ROI. While lowering your entry-level pricing or offering flat-fee packages may get customers in the door, these deals will quickly stagnate as there is no real room for growth. Instead, understand what your costs are, including operating expenses and customer support, to craft a pricing model that allows you to be profitable from day one. You may even want to consider pricing additional packages for services that would allow upgrade paths as your customer base grows or begins to need additional services.

4. Scalability

One tactic to ensure your profitability, demonstrate value, and remain competitive is to employ scalable pricing models. Because you know 2600Hz’s pricing, you can build tiers that scale to meet the needs of your clients in real time and grow your business relationship with them as they grow. This approach to pricing bakes future growth into the package, so you can focus on supporting your clients with the assurance that organic growth is always a part of the relationship. Most importantly, scalable pricing models increase stickiness and profitability for you -- much like the KAZOO platform, your communications offerings will be able to expand with your customer’s businesses.



This sample tiered pricing model can shorten your sales cycle by standardizing pricing into an easily repeatable sales pitch:



Choosing A Pricing Strategy

When crafting your own pricing strategy, the two most important factors to have top of mind are your agreement with 2600Hz and the ratio of users to devices across your entire client portfolio. The pricing plan you offer customers should be based upon the plan and services you choose from 2600Hz. If you are on an unlimited plan, you have a set price that you can determine as per device or per user -- a decision which should be dependent upon your entire portfolio, rather than a particular client.

For example, you may have a customer that has a 2:1 user to device ratio, but, when factoring in other clients, it still may make the most sense to offer them a per device pricing plan. While your revenue may diminish from \$15/seat to \$12/seat for that one account, the potential revenue across your entire portfolio may justify a per device plan, which gives you an opportunity to incentivize the customer with a 2:1 ratio to become a customer. It's this holistic approach to pricing across your client portfolio that can set you up for long-term growth and profitability.

Whether you opt for a per user or per device strategy, be sure to always include upgrade paths in your offerings. Not only do multiple upgrade paths demonstrate the value and flexibility of your offering, they also incorporate scalability. Whether customers upgrade along a tiered structure or add one-off services over the years, their plan is growing with their needs and creating increased revenue over time for you. Taking the time to establish upgrade paths from the outset can shorten your sales cycle and create organic revenue growth within each contract your customers sign.

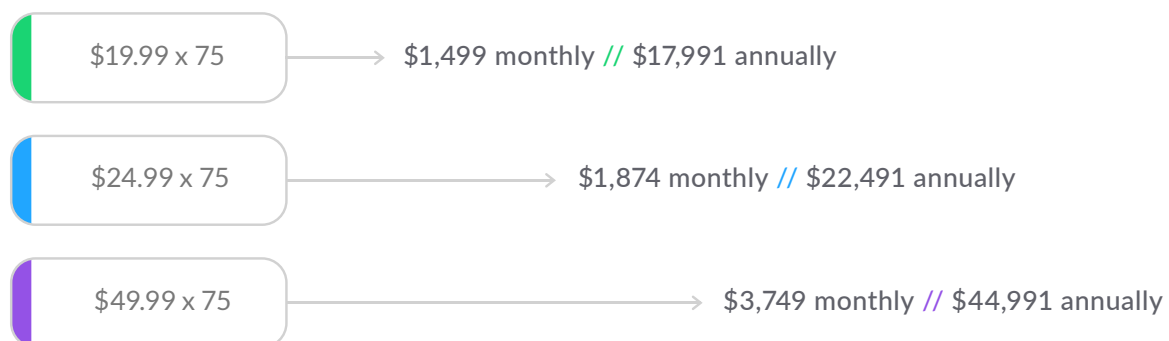


Tiered Pricing Strategies In Action

Strategy 1: Tiered Growth

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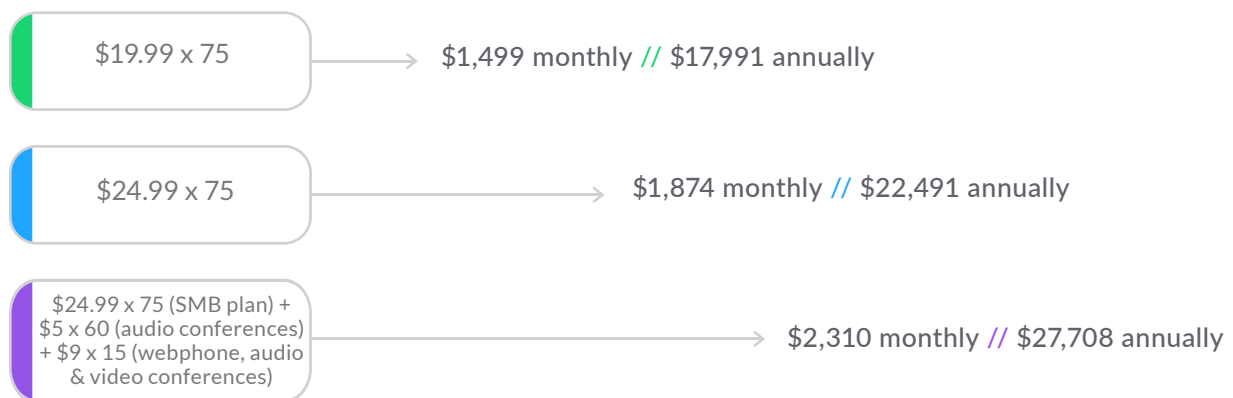
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Strategy 2: Tiered Growth with A La Carte Services

In the previous example, your customer progressed neatly through the tiered upgrade paths; however, what should you do if they are unable to make the investment to move up to the next level? Enter a la carte services. Because the tiered offering does not include all services available via KAZOO, you can upsell one-off services at a flat fee to your customer in order to continue adapting your offering to their needs and growing your revenue.

To continue the example, after your customer upgrades from the Home Office plan to the SMB offering, they come to you expressing an interest in adding conference bridges to their plan. Rather than offering the Enterprise plan that you know they're not interested in, you can instead pitch more targeted upgrade paths with the a la carte services they want. Given their interest in conference bridges, you can offer them an upgrade of \$5/device for a conference bridge, \$7/device for a conference bridge and enabling the webphone feature, or \$9/device for a conference bridge and enabling webphone and video conferencing. The customer opts to add conference bridges to all devices and to enable a webphone and video conferencing for their 15-person sales team. By offering a la carte upgrade paths, you were able to demonstrate flexibility to meet the needs of your client and increase revenue 54% without taking on any additional cost. And, most importantly, you always keep the door open to upsell your customers on additional one-off services.



Possible Services to Upsell A La Carte

- Multiple Auto-Attendants
- Video Conferencing
- Call Recording App
- DIDs
- Group Pickup
- E-Fax
- Mobile App
- Hot Desking
- Additional Voicemail Boxes
- Intercom Services
- Web Phone
- Operator Console Pro
- Call Parking
- Distinctive Ringing
- Dynamic Caller ID