The State of B2B SaaS Pricing in 2024

How B2B SaaS businesses are getting smarter in a post-inflation economy and actions to outpace the competition.

INTRODUCTION

Why pricing and packaging is no longer an afterthought in SaaS

When Price Intelligently was founded over a decade ago, most SaaS and subscription companies treated pricing and packaging as an afterthought when it came to their growth strategy.

They would often focus their time and budget on customer acquisition first and then retention.

Even though pricing has the greatest impact on revenue, reducing acquisition costs and improving retention, it wasn't a fundamental piece of a business's monetization strategy at the time.

Now, many SaaS companies we speak to know pricing is a critical part of their revenue growth strategy and many update their pricing and packaging at least once a year.

Monetization, particularly pricing and packaging, is crucial for staying competitive. Based on our data, companies connecting their product to user value will always outperform their peers.

We surveyed hundreds of B2B pricing leaders to learn how they make pricing decisions and to get a current view of the state of SaaS pricing and packaging in 2024.

In this report, we'll break down the pricing and packaging strategies dominating the SaaS industry today.

By the end, you'll have a picture of how your company stacks up against the market and where you can set yourself apart from your competition.

We'll dive into the data and recommendations around:

1. The SaaS revenue metrics leaders are focussing on optimizing
2. How B2B leaders are researching and structuring the pricing process.
3. The pricing and packaging strategies dominating the market.
4. Why value-based pricing is increasingly popular going into 2024.

CHAPTER ONE

How SaaS businesses are operating in the 2024 macroenvironment

Understanding the current macroenvironment

It's important to evaluate the current state of SaaS in 2024.

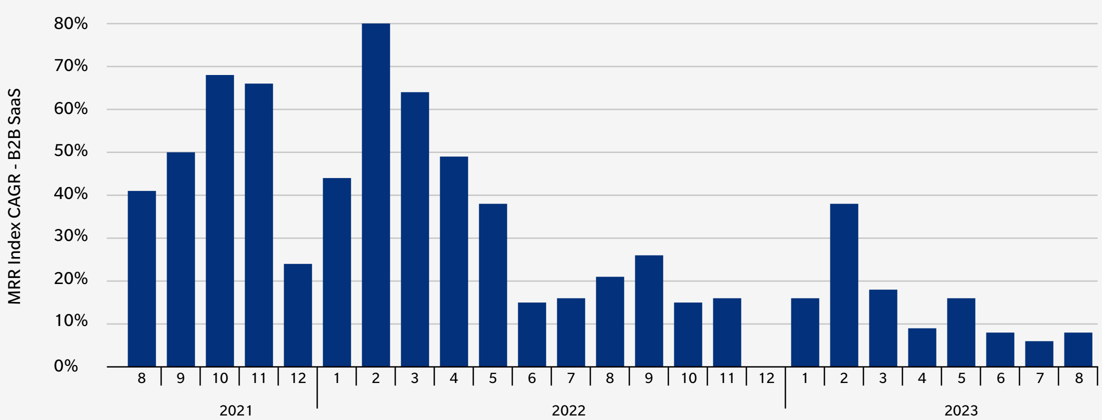
Growth is slower and harder than the zero interest rate environments of a few years ago.

After evaluating the financial data from approximately 34,000 software companies in ProfitWell Metrics[1], we can observe how industry growth is influenced by various macroeconomic shocks mentioned in the news.

We're seeing that all of that new revenue is being eroded more than in the past by churn. Churn's revenue impact is now at an all time high since we started tracking it in January 2019 - 30 % higher than at its peak in the COVID boom times.

ProfitWell B2B SaaS Index: CAGR

The aggregate MRR CAGR of all B2B SaaS companies on ProfitWell metrics.
Each data point is the growth rate of the MRR index in each month, annualised.



[1] *ProfitWell Metrics is the analytics team of Price Intelligently.*

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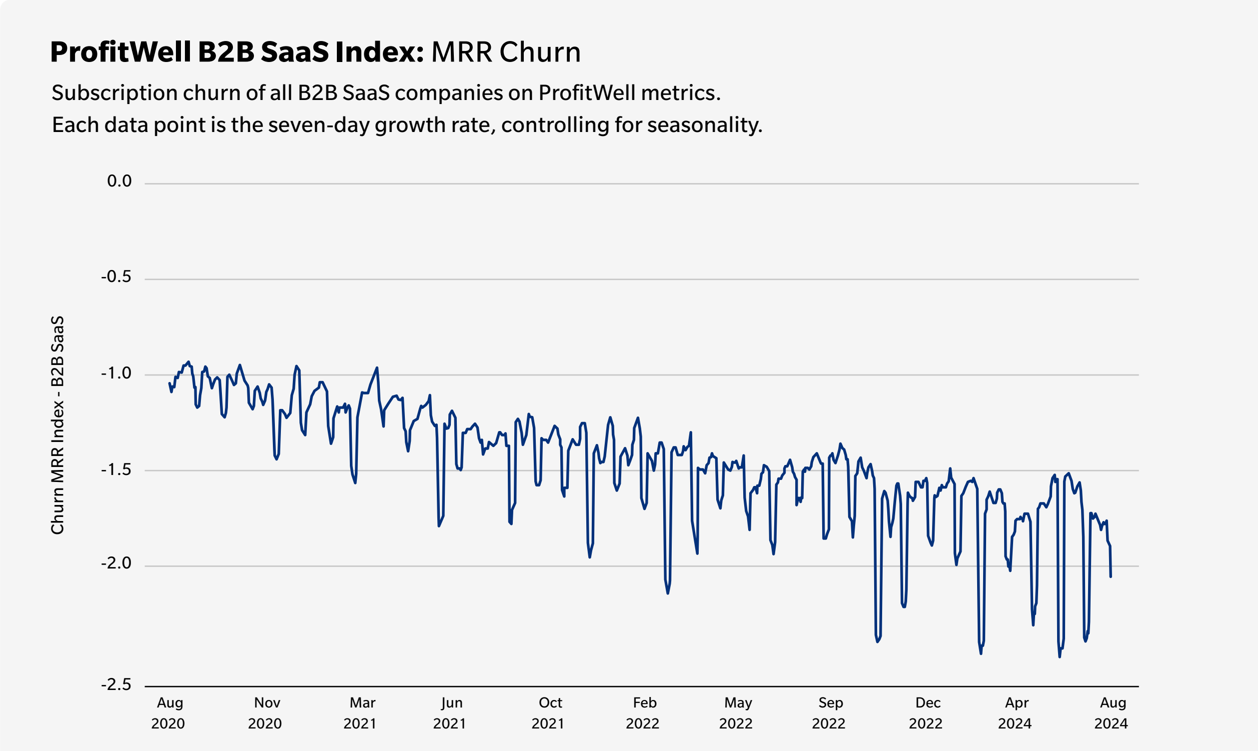


We spoke to 760 B2B SaaS leaders about how they are making their pricing decisions.

The primary B2B target buyer for these businesses

is predominantly in the mid-market (50.7%) followed by enterprise (31.1%) and SMB (18.3%).

When we look at the go-to-market models of the respondents we spoke to, the majority (62.5%) are either sales-led or sales-assisted, 37.4% of the businesses are product-led (PLG) or product-assisted.

A breakdown on how we define each strategy

Sales-led
A sales rep is the main driver of acquisition, conversion, retention and ultimately expansion throughout the customer journey.

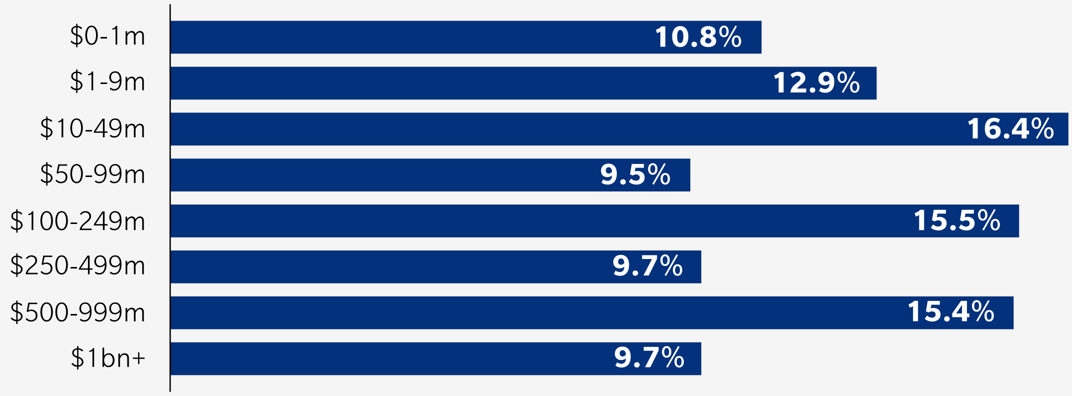
Sales-assisted
A sales rep is the main driver of acquisition, conversion, retention and ultimately expansion throughout the customer journey.

Product-assisted
The product drives a majority of revenue itself, but there is a portion that sales reps will drive.

Product-led
The product drives user acquisition, conversion, retention and ultimately expansion.

Source: ProfitWell, By Paddle

Survey respondents by annual revenue



Survey respondents by go-to-market model

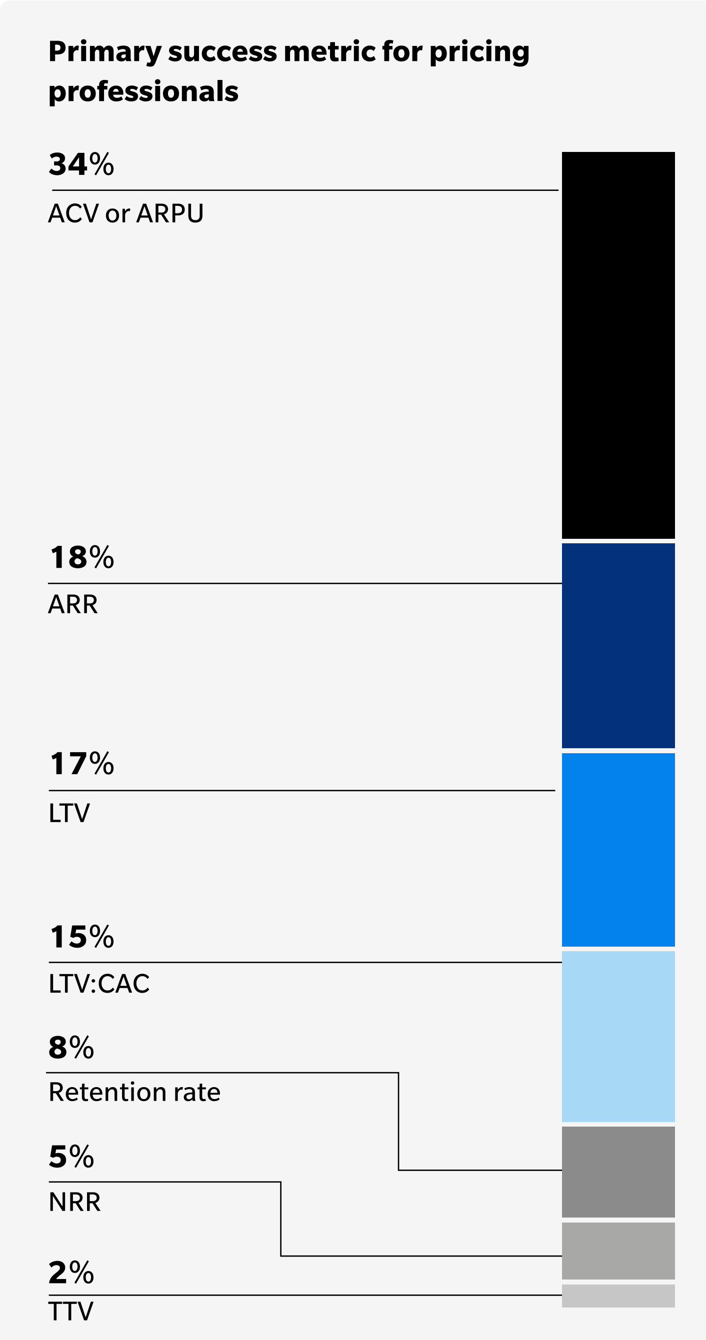
Success metrics SaaS leaders care about in 2024

The most common success metric for these leaders is average revenue per user (ARPU) (20.9%) followed closely by annual recurring revenue (ARR). We often see B2B pricing leaders focusing on these success metrics as it is the headline revenue growth number.

When you are first getting your SaaS business off the ground, it makes sense to focus on the basics like ARPU or ARR, but when you reach a certain point you need to focus on other metrics like LTV:CAC.

When you look at the success metrics across different go-to-market models, the focus changes. If you have a sales-led go-to-market strategy, you'll likely be focused on chasing accounts with higher value or longer terms.

But companies with product-led or hybrid models are more focussed on customer lifetime value (LTV) to customer acquisition cost (CAC) ratio (LTV:CAC).

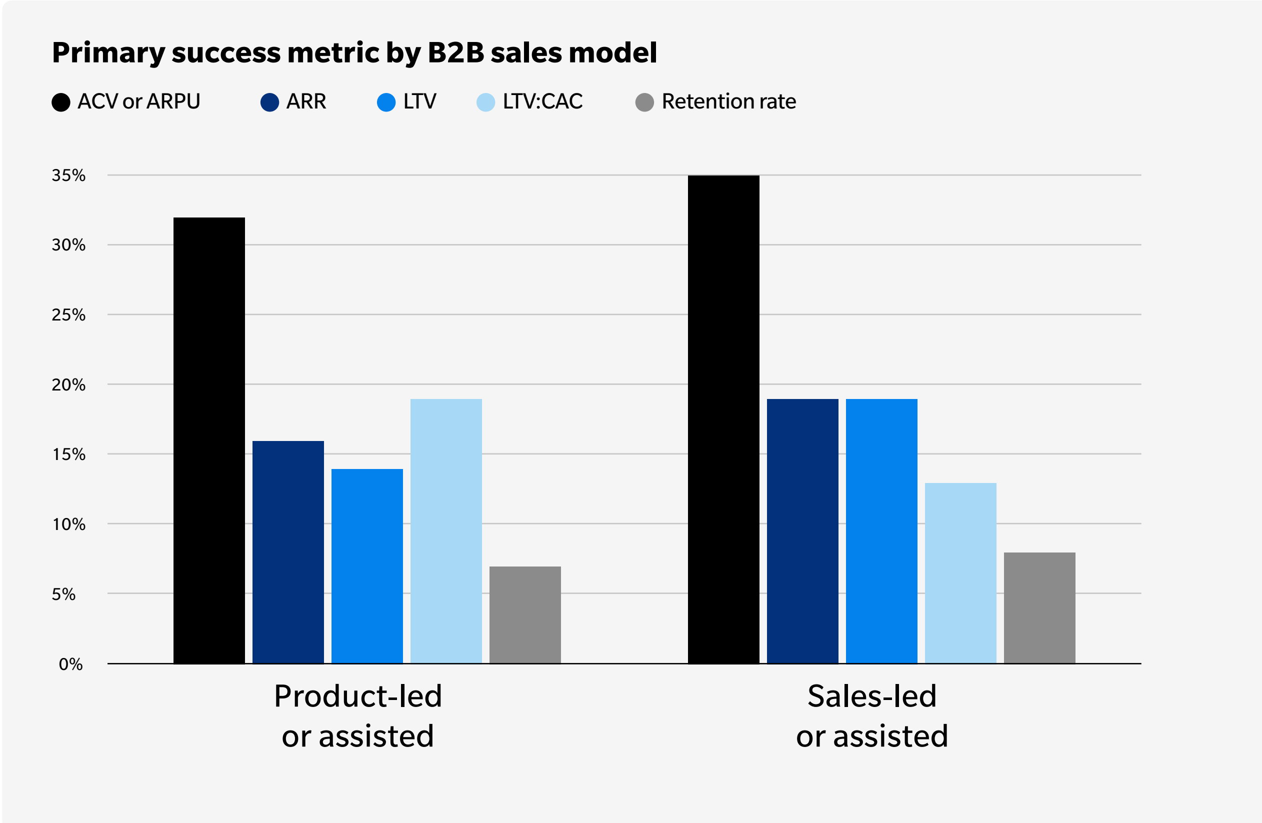


> **If you have a sales-led go-to-market strategy, you'll likely be focused on chasing accounts with higher value or longer terms"**

> **It's less common for sales-led or sales- assisted deals to track, because it is easier to determine the economics of a deal while you're negotiating it."**

LTV:CAC is a popular metric for product-led and product-assisted because it helps indicate whether your acquisition costs are efficient, along with whether you're going after customers with enough monetization and expansion potential.

It's less common for sales-led or sales-assisted deals to track, because it is easier to determine the economics of a deal while you're negotiating it. With PLG, you'll need to scrutinize this in more detail, so you'll want to focus on LTV:CAC.



SaaS leaders are leveraging pricing updates in 2024

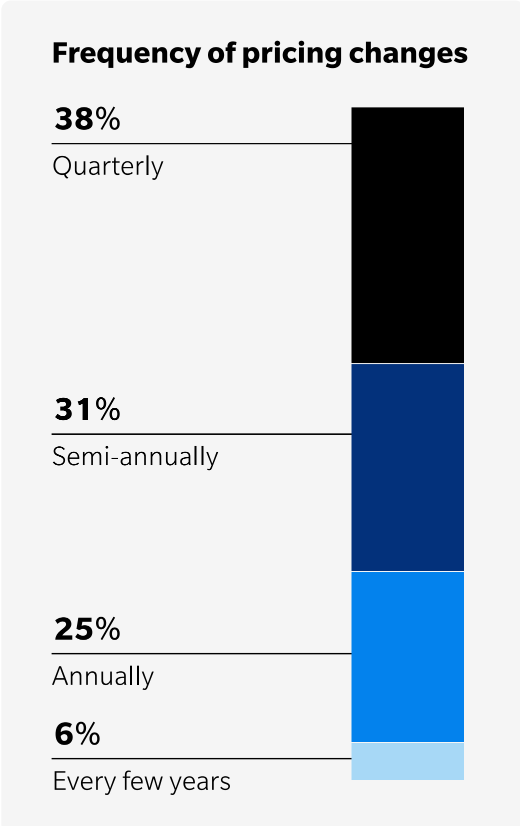
Pricing changes used to either fill SaaS operators with worry over the impact on their demand, or they were carried out as an afterthought (if at all).

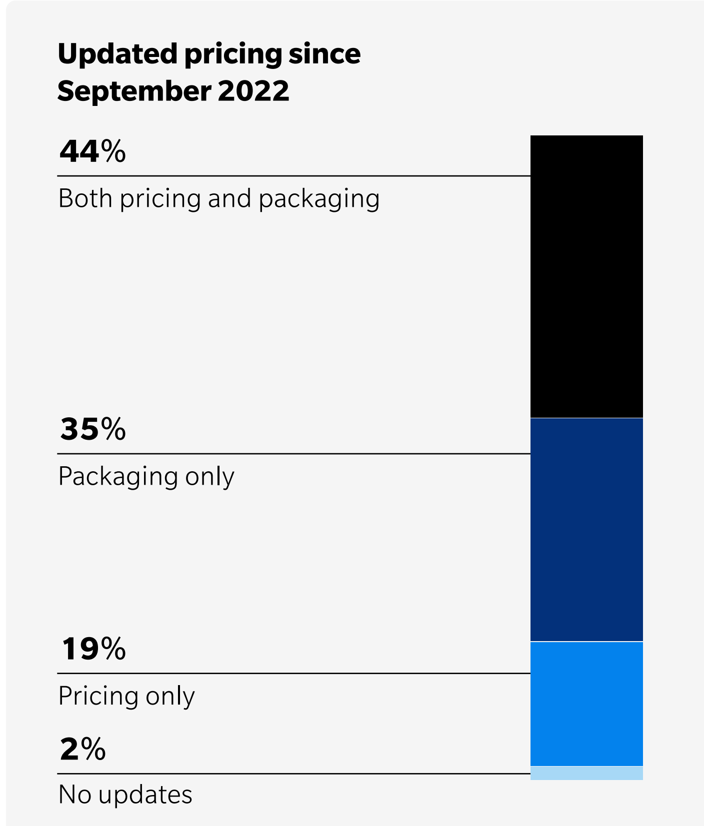
Few were paying active attention to pricing. Comparatively, today, operators understand the importance of pricing and packaging on their growth strategy and consider it essential.

Over 94% of pricing leaders update pricing and packaging at least once per year, with almost 40% updating as often as once per quarter.

Despite the challenging economic situation, SaaS leaders are still continuously adjusting their pricing and packaging strategies. Since September 2022, 98% of those surveyed have made updates to their pricing or packaging. Among them, 43.8% have made updates to both. Even with the macroeconomic changes over the past year, this shows it's especially important to reevaluate your monetization strategy.

Over a third of B2B companies are only making packaging changes without touching their price points. Which highlights that pricing leaders likely worry that pricing changes will hurt demand, or upset current customers.





So, what does this mean for you?

If your monetization strategy is not a driving factor in your revenue growth strategy, you risk falling behind. Here are ways you can get ahead of the curve before they become standard approaches.

Assign a designated leader or committee that owns pricing and packaging and drives action. They will have an overall understanding of your company goals, whether it's to get more customers, improve your unit economics, or position for a successful exit.

Your monetization strategy can go beyond just changing prices; it can include various tactics such as refining value metrics and adjusting packaging. While many SaaS B2B leaders are updating their pricing and packaging approaches, the most sophisticated ones are using comprehensive research and customer-focused value strategies to maximize their monetization efforts even further.

What is a pricing committee?

A pricing committee is a team of people within a company that are assembled and given the authority to develop the pricing model for the company.

The team should be made up of pricing experts who can avoid the competing interests of different departments to set prices that are best for the business as a whole.

This committee should exist in-house with a leader who can have final say on decisions, even if they work with external stakeholders on the research or analysis.

Everything you need to know about B2B pricing and packaging in 2024

We know that most SaaS businesses are updating pricing and packaging at least once per year. But how are they making those changes, and what pricing strategies are coming out on top?

Common research methods

The research process is where you can see the savviest B2B pricing leaders in action and where you might find great opportunities to get ahead. The most common input into pricing research is competitive analysis (42.5%), with current customer feedback following closely behind (33.7%).

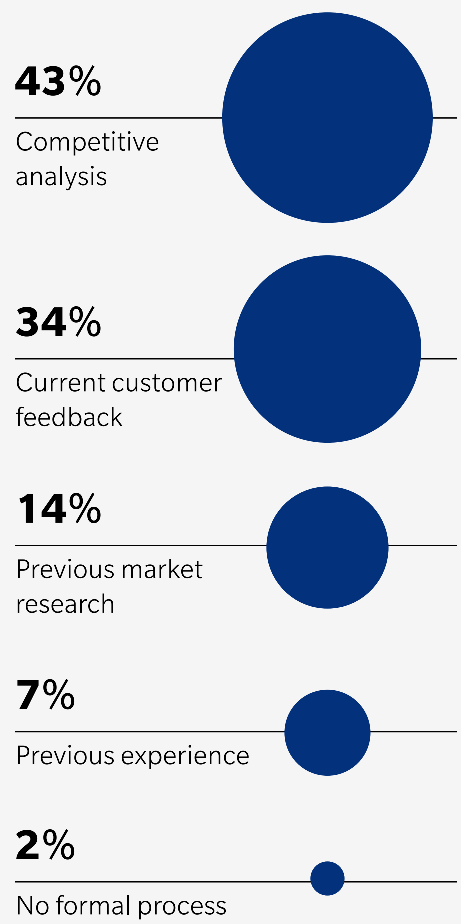
Let's cover the nuances around customer feedback analysis. While this is more closely related to finding what your customers value (as opposed to simply ranking against your competitors), there are some flaws. You'll run into confirmation bias amongst existing customers, and potentially a lower willingness-to-pay than the rest of the market as they are already grounded in what they currently pay.

For many businesses, internal customer outreach can also lack established processes, methodological soundness, or significant sample size for confident and actionable results.

Market research that includes data on buyers who are not customers, in addition to your current customers, is most objective and useful to your pricing strategy. While it shouldn't be your only research metric, it's the biggest lever you could be ignoring because it's expensive or time consuming.

Whether you gather this data yourself or work with an external pricing expert, your market research must have a big enough sample size, account for bias, and have methodical soundness to give you actionable insights.

Most common inputs to pricing research process



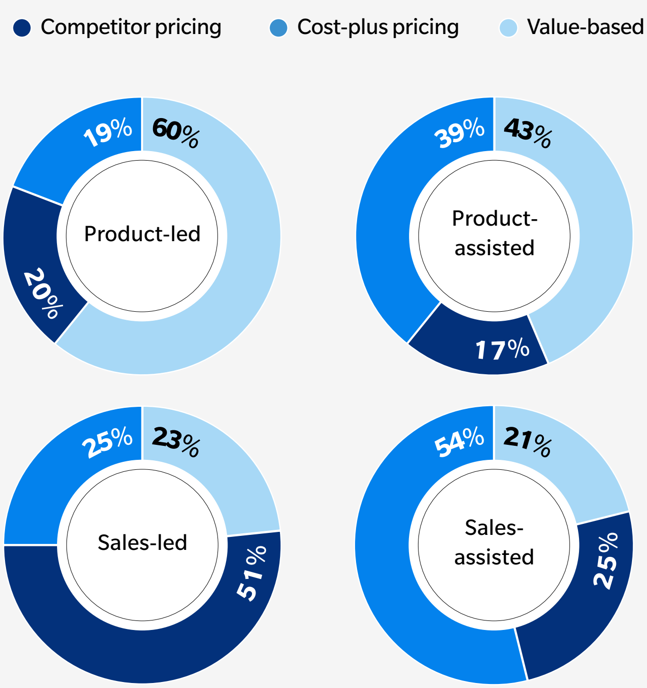
Pricing strategies dominating the market
(and what you should focus on)

Just as we see in the common research methods, competitor pricing is a commonly-cited pricing strategy, followed by value-based and cost-plus.

Most common pricing strategies

38%	33%	30%
Competitor pricing	Value-based pricing	Cost-plus pricing

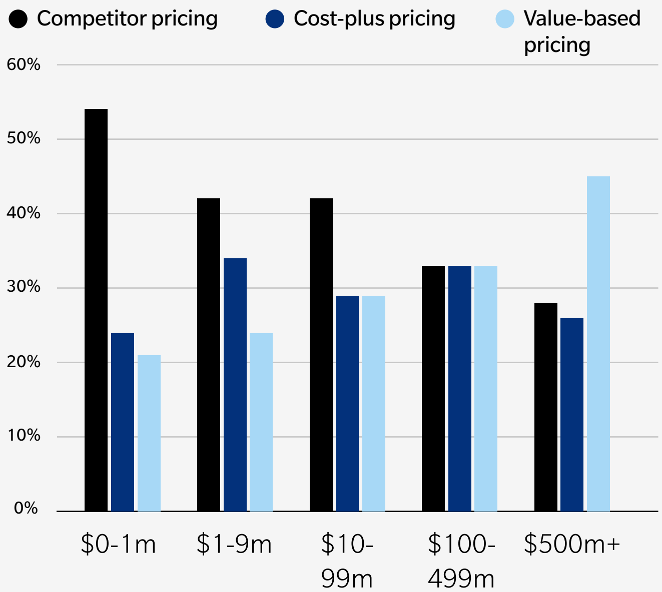
Most common pricing strategies by go-to-market model



If we look at the pricing strategies across the go-to-market models, product-led and product-assisted companies are most likely to use value-based pricing because measuring value is critical to these strategies.

Aligning with customer value is why PLG can be so effective. Meanwhile, sales-assisted motions favor competitor-based and sales-led favor cost-plus pricing.

Most common pricing strategies by annual revenue



If you look at the most common pricing strategies by annual revenue, we see that more mature companies shift both to value-based pricing and product-led tactics.

Large companies are most likely to employ value-based pricing, because they have the most resources to do the proper research to figure out their value.

But value-based pricing is powerful and shouldn't be reserved for big business. Even companies as small as $1M ARR should be able to execute this without having to resource a giant in-house team.

Let's take a look at each pricing strategy currently dominating SaaS pricing.

Competitor pricing

Competitor pricing utilizes competitor prices as a benchmark, rather than setting a price based on company costs or customer value.

For a SaaS company starting out in a new industry, this will seem the logical way to go, it is simple and gives you the confidence that you are not too high or too low.

The problem with competitive pricing is that you are putting a higher value on your competitors than your customers. Your customers don't care about your competitors, they care about you.

It often leads to or shows a lack of product differentiation meaning you and your competitors are interchangeable and you risk turning products into commodities. Instead of being able to articulate the unique value of your product, and position yourself better for certain user segments, you're only able to articulate how your products are different in price to your competitors.

Your competitors often won't know their own value. Mirroring them will likely end up in a "blind leading the blind" phenomenon across your products.

Overall, this will damage your ability to acquire new customers and keep them if your competitors do drop their prices.

> **"The problem with competitive pricing is that you are putting a higher value on your competitors than your customers."**

Cost-plus pricing

Cost-plus is what people automatically think of when they think of "pricing strategy." That's because it's the most basic form of pricing: selling something for more than its cost price.

It's simple and will cover your costs but it's not without its flaws. Just as you do in competitor pricing, cost-plus ignores what's valuable to customers, and often signals that you're only paying attention to your own day-to-day operations. Customers don't care about your costs, they care about the value they expect to receive.

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Value-based pricing

Customer value should lie at the heart of value-based pricing

It shows that you are basing a product or service's price on how much the target consumer believes it is worth. It is especially critical for product-led and product assisted companies.

Let's explore the pitfalls of value-based pricing. It can be time-consuming and expensive to implement properly. With price sensitivity measurements and feature analysis you are only going to get approximations of the right pricing, packaging, and positioning for your product. But this is much closer to the truth than using only costs or competitors to set your price.

Once you have aligned your pricing with the value that your customers receive, then you have a clearer picture of what your buyers need at each stage of their journey. You've gathered data on what attracts prospects, what features get users on free or paid plans, and how to retain them.

> **With price sensitivity measurements and feature analysis you are only going to get approximations of the right pricing, packaging, and positioning for your product."**

3 Reasons to Price on Customer Value

1 Willingness-to-pay
You need to know what customers will actually pay for your product based on the value they see in your product. Competitor-based pricing does this in a roundabout way, but it misses the fundamental point that your product should be different to your competitors, and should be priced differently.

2 Build the best product
Pricing isn't just about a number on the page. It is about how you package and offer your selection of products and features, and to whom. This will help you understand what your customers truly want, and what features should be developed.

3 You get to know your customers and buyers
By placing a premium on the opinions of your customers and buyers, you are focusing on the people who will eventually be deciding if your pricing and packaging is correct.

Freemium, free trial, reverse trials - free offerings coming out on top

Free offerings are common acquisition tactics in the SaaS world. They are a way of putting customers into your sales funnel with the hopes of transitioning them into paying users.

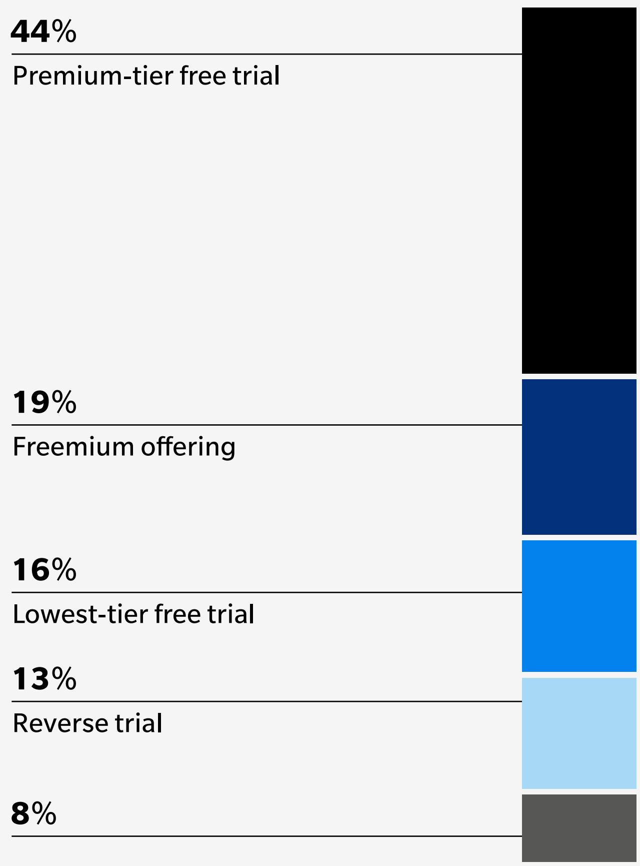
Freemium, free trials, reverse trails - what's the difference?

1 **Freemium**
Businesses offer a free version for the basic product or service features for an unlimited time and then charge for additional features when the user reaches certain usage limits.

2 **Free trials**
A business provides access to a version of their product, usually for a limited time period, after which, the customer either starts paying for the product or cancels.

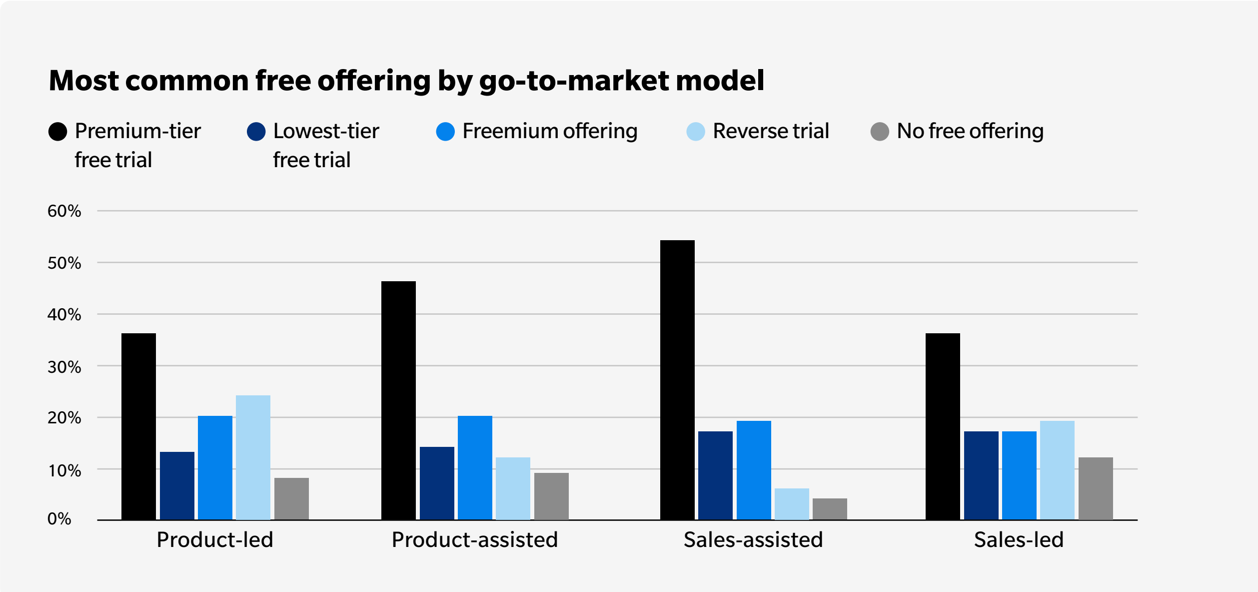
3 **Reverse trial**
New users start with a time-limited trial of your paid features, after which, they can either buy that tier or downgrade to a freemium plan. Simply put, it's a combination of the freemium and free trial.

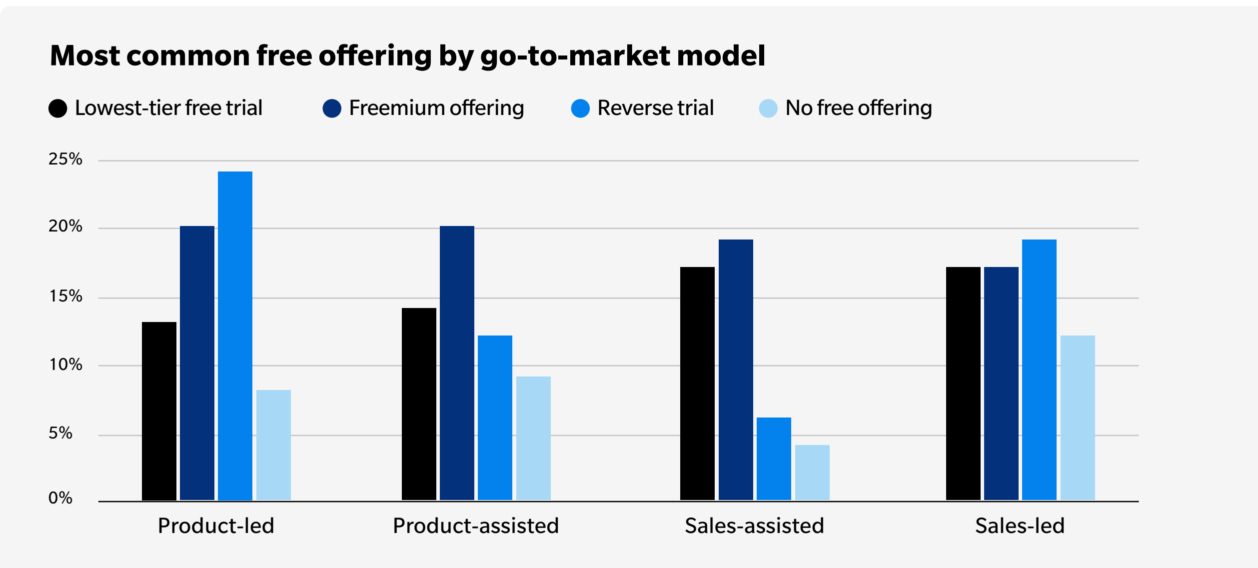
Most common free offering



Premium-tier free trials are also most popular amongst hybrid companies as there is a specific trigger for sales to get involved and adds a sense of urgency with a time limit.

Premium-tier free trials are so common, it is hard to see variation across the other offerings so we zoomed in to take a look at the data without this group.





Freemium and low-tier free trials are well-used among companies with a sales-led motion, and reverse trial offerings are disproportionately popular with purely product-led companies.

Sales-led companies very commonly have a free offering but this usually comes in the form of a free trial, not freemium.

If there's one theme that indicates whether you can upsell customers to paid plans, its value. The product or feature you give away for free or for a limited time has to have value. If it doesn't, then people aren't going to use it even if it doesn't cost anything.

The upsell that you are charging for has to have additional value over the free offering, enough to make upgrading worth it to the customer.

In order to understand the value to your customers, you need to talk to the market. It is especially important with free offerings. You may think you've got a killer feature set aside as an exclusive to the paid version of your product, only to find out that customers aren't particularly willing to pay extra for it. Or worse, you might be giving away a feature for free that customers might be willing to pay for.

Pricing is not the beginning and end of your monetization strategy, let's take a look at packaging strategies in B2B SaaS in 2024.

When is it most effective to use freemium, free trials or reverse trials?

The answer depends on your value proposition, how quickly users can realize value, and how wide the target market is.

For a wide market segment (micro-SMB up to enterprise) - freemium works well to cater to small companies. As they grow, they will upgrade to pay for features they need. This is particularly true when there's a version of the product that caters to individual end users.

On the other hand, if you operate in a narrow market and users can realize value relatively quickly, free trial may work better.

Reverse trials are helpful if you want to get people hooked with a sticky product early on.

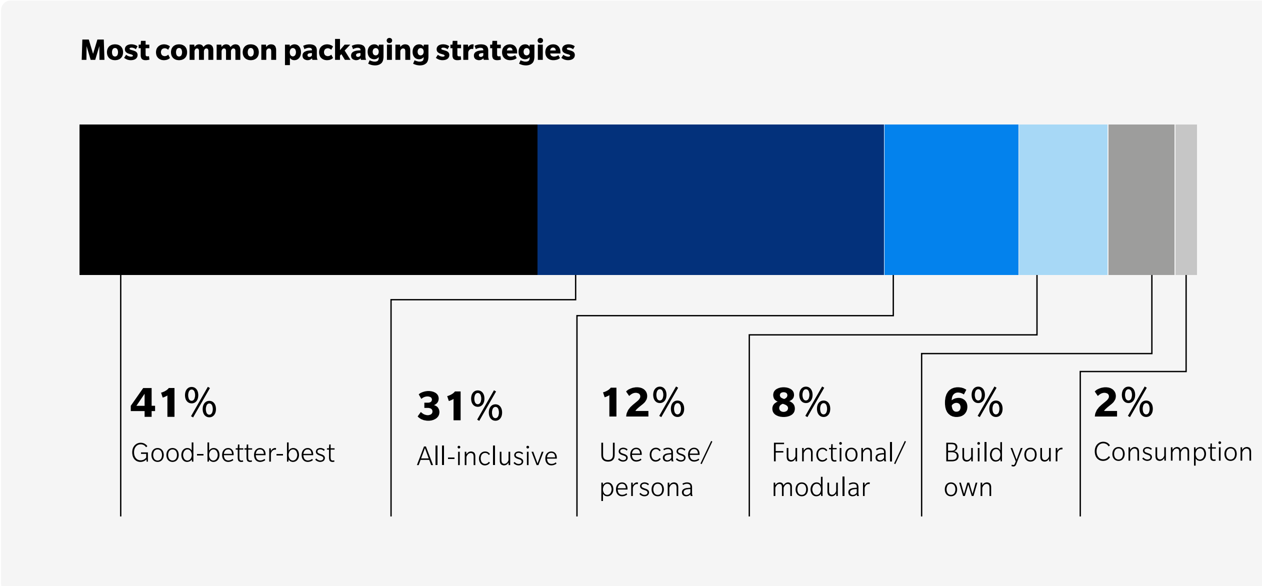
Packaging strategies making an impact in 2024

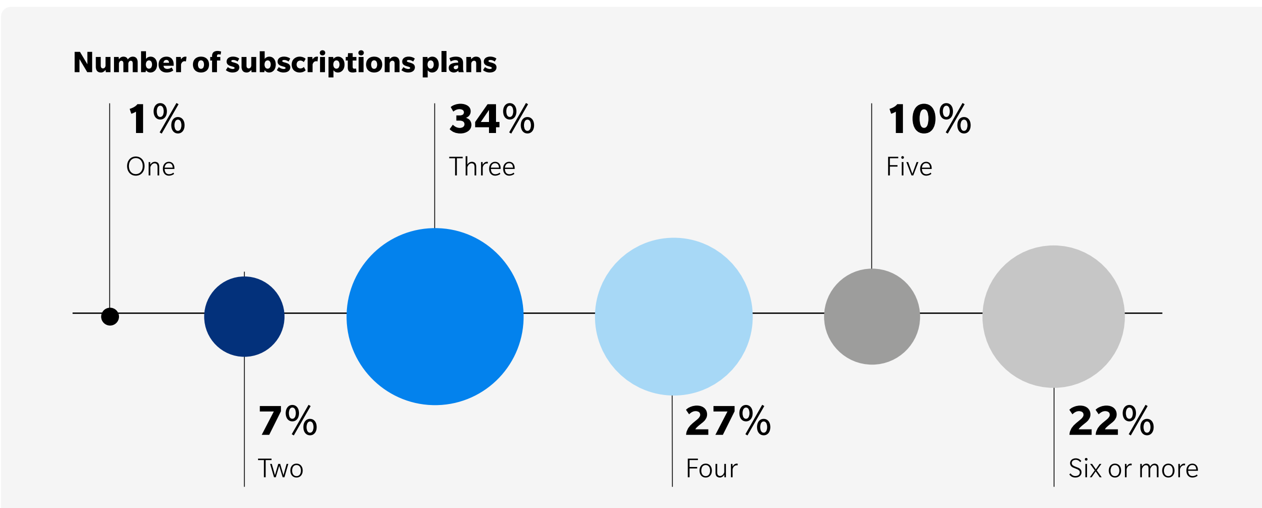
A third of B2B leaders have made changes to their packaging since September 2022.

While it is indicative of the concern pricing leaders have around making pricing changes in this macroeconomy, it also shows the impact that packaging can make on your monetization strategy.

Over the past decade, the good-better-best packaging model has dominated packaging strategies used by B2B leaders, and it continues today at 40.8%. When breaking it down by revenue, we see the largest companies are more likely to use an all-Inclusive packaging strategy. They typically have a broader total addressable market (TAM).

When looking at smaller start ups, they are more likely to keep it to three tier good-better-best packages. Most only have a single core product line, focused on effectively solving a limited set of use cases. In these cases, it's best to keep packaging streamlined and understandable for the buyer.





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You should consider going multi-product once you're above $10M in ARR, but it's a critical strategy once you're above $100M ARR."

So, how many subscription plans should you have in your pricing strategies? Too many, you risk confusing the buyer. Too few and you're boxing people in plans they are not suited for.

According to our data, most B2B companies we spoke to have three (33.6%) to four (26.5%) plans, and 22% of leaders have six or more plans.

This tells us that SaaS leaders are recognizing the fact that today's buyers demand more flexibility in pricing. But you don't want to be introducing more plans than you need, especially in your early days.

Early on, companies should focus on building out their core functionality and delivering value. If there are too many plans up front, buyers will be confused on where they belong and what truly matters.

We see that most companies below $10M ARR have three to four plans which usually covers a single product. As businesses mature and they add more features or products, they can have six or more plans.

This aligns with the growth patterns we've observed in the most adept SaaS leaders over the past decade. You should consider going multi-product once you're above $10M in ARR, but it's a pretty critical strategy once you're above $100M ARR.

With all these pricing and packaging benchmarks, where does it leave the B2B SaaS leader trying to get ahead of the competition in a growth-stricken macroeconomic environment?

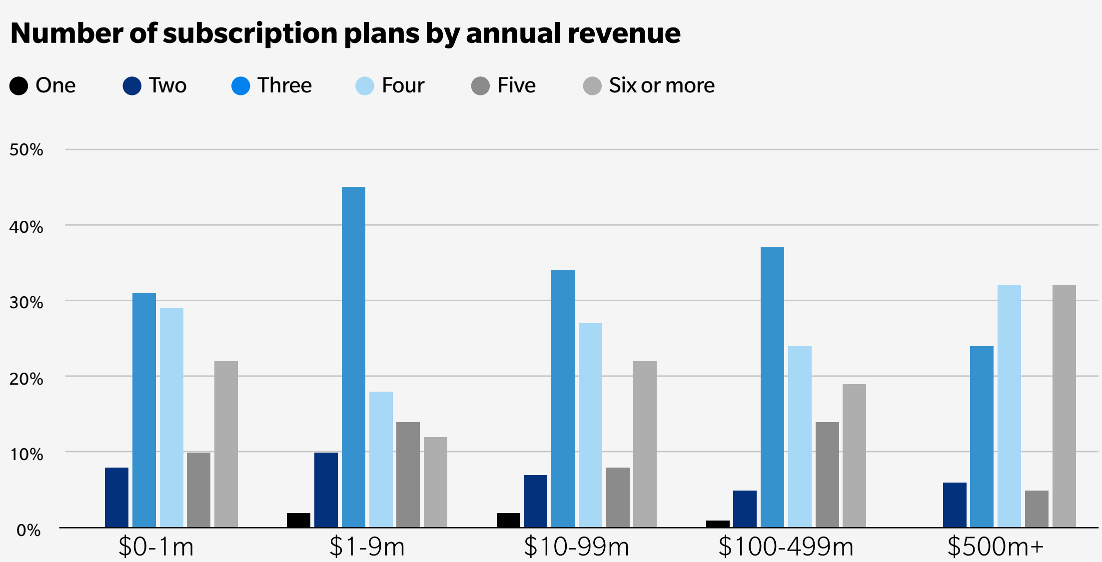
A note on all-inclusive pricing:

We see a lot of larger companies leaning toward an all-inclusive packaging strategy, yet they tend to have three or more add-ons.

If you find yourself constantly monetizing individual features in your all inclusive strategy, it is probably time to reconsider your packaging strategy, as you are not purely all inclusive.

Additionally, we found that 66% of companies that have an all-inclusive strategy automatically charge their customers overages, typically across three or four value metrics. When this happens, customers often feel deceived by a lack of transparency.

If your pricing strategy has become ad-hoc where you find yourself with lots of add-ons, tons of value metrics, and constantly charging overages, it is time to revisit your strategy. The likelihood is that you might have lost sight of what your customer values, and are making purchase decisions complex for buyers.



CHAPTER THREE

It all comes down to value

It's clear that the majority of B2B SaaS leaders are actively paying attention to their pricing and packaging in 2024, more than they were a decade ago.

The real opportunity for those who want to get ahead of the competition is how you approach your monetization.

Most companies are still held back by overemphasizing competitor analysis and underemphasizing market research to measure what brings customers value.

Except for the largest companies, many companies haven't actually done their homework either, so why trust your competitors?

For a scaling SaaS company in a growth-stricken environment, value-based pricing is where your real opportunity lies without losing margins or throwing more money at marketing.

It forces you to differentiate yourself from competitors and be able to articulate that difference in everything from your product development to your messaging. It requires that you understand how your customers get value from your product. This puts you in a better position to deliver on that value, acquire customers and retain them.

Value-based pricing is especially critical in product-led companies. You need to know what features will drive adoption and what will make people pay. If you don't know what customers value (and how much), then your product can't and won't sell itself.

Finally, value is at the heart of how you package your plans. Today's buyers want an easy buying experience. Value-based pricing requires you to articulate how your customer's needs will be met, how each part of your product provides value and why its cost is justified.

In 2024, it's no longer viable to just funnel more money into marketing to differentiate yourself from the competition. By prioritizing and revamping your internal pricing process, you'll have the first steps toward making that connection to customer value. Better yet, you'll be getting ahead of a market that's getting smarter with their pricing every year.

"You should consider going multi-product once you're above $10M in ARR, but it's a pretty critical strategy once you're above $100M ARR."

How can Price Intelligently by SBI help?

With over a decade of experience, Price Intelligently has worked with some of the largest subscription companies to implement value-based pricing and has developed a toolkit of frameworks, survey methods, and algorithms to collect and analyze quantitative and qualitative data.

This process puts you closer to your target customers, what features they value and what they would be willing to pay for them. We have access to data you can trust and design tailored research plans to reach the pricing outcomes you need.

If you are looking to get started with revamping your pricing processes, you can chat to our team today.

Book yourself a free 30-minute consultation with our pricing experts and walk away with actionable tips and resources to improve your pricing strategy.

Book a free pricing audit

"[Price Intelligently] really gave us a better understanding of the perceived value in the marketplace, not just for our product, but relative to the problems we solve and how people are benchmarking it, how they talk about it and what the different value levers are for the different stakeholders."

Andrew Morton
Chief Revenue Officer

USERVOICE

Why Price Intelligently by SBI?

SBI acquired Price Intelligently from Paddle in November 2024 to strengthens SBI's existing pricing practice by introducing advanced data analytics and insights, enabling clients to optimize their pricing strategies in the evolving post-inflation economy.

In addition to enhanced pricing capabilities, SBI offers clients access to tools and frameworks designed to analyze market dynamics, consumer behavior, and competitive positioning. These resources enable clients to make informed pricing decisions that drive profitability and growth.

SBI Growth Advisory

Driven by Insights
Delivered from Experience

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