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Savvy Software Pricing by the KickStart team

Traditional economic principals guide pricing methodology in today's information economy. But there is one big difference: Information is costly and time consuming to "produce" BUT inexpensive and fast to "reproduce." Read on for eight savvy software pricing considerations.

Software Pricing Considerations

1. **Product Lifecycle** – At product introduction, promotional pricing can get buyer attention, but when the product is at its prime, sell the value. When the product is a commodity, pricing is pulled down.
2. **Versioning** – You introduce a new product version because it offers something the earlier one didn't. This is an opportunity to increase the price based on increased value. On-demand companies may throw versioning in to the price, but may not need to.
3. **Personalization** – An individual finds greater utility in a product designed for that person's needs. Mass products get mass pricing. Personalization warrants personalized prices.
4. **Rights Management** – Usually applied to digital rights, this means controlling access to and use of intellectual property. The more value the user is entitled to do, the higher the price can be.
5. **User Access** – Different delivery methods (think download or physical shipment) can warrant different pricing. Instant delivery is perceived to be less expensive, but think about value to the user, including retention value, as with a DVD vs. a download.
6. **Partnering & Distribution** – The more levels a distribution channel has, the lower the price a product manufacturer gets. You hope you will reach more of the market and you'll "make it up on volume." If you have a mixed model that includes direct sales, balance distribution pricing against direct pricing.
7. **Standards** – Technology standards generally lower costs and increase competition which in turn affects market prices. It's hard to be proprietary these days, because unless you're very, very good, you can't dominate a market.
8. **Open Source** – With an open source model, your revenue has to come from some place other than product sales. Either plan to sell professional services, or develop products that you can license.