3 B2B Software Pricing Myths In A B2C World

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We can pay two different prices for a plane ticket, sit next to each other in first class, and the price will never come up in our casual small talk. The airline, in this B2C transaction, can get away with it. But let's say during our small talk I mention my company just bought a certain software. You're intrigued because your company bought the same software with a similar configuration. Price is likely to come up in the conversation. You paid $10,000. How angry would you be if I told you I only paid $3,000?

Unfortunately, up to 70-point margin swings are quite common in the software industry. Pricing mistakes like this — inadvertently mimicking B2C sales tricks — quickly erode trust. By applying B2C sales tactics to your B2B software, you could be inadvertently absorbing a very large amount of risk. Whenever we merge an element of the B2C world with the B2B software space, we can build in errors from invalid assumptions. Let's debunk a few myths that are a byproduct of this.

1 MYTH: RELYING ON SLEIGHT-OF-HAND, OPTICAL TRICKS WILL BOOST SALES.

REALITY: YOUR B2B SOFTWARE CUSTOMER IS SHARPER THAN YOU THINK.

You've probably come across articles on how to make your prices appear lower to customers. Some of the popular tricks include dropping the dollar signs and removing the commas from your prices. And apparently, there's a "science" behind when to round-up to the nearest dollar and when to go with a .99 or .89 strategy.

Those could be cute maneuvers for the consumer market, but you simply can't intermingle B2B and B2C pricing strategies. The pricing goal of B2B software should be to connect on a deep level to the business problem you're trying to solve. Astute buyers will see through a gimmick.

Inconsistent discounts on your software are another sleight-of-hand move that could damage your reputation. Do you really want two similar customers to discover that they've purchased the same product with the same configuration at vastly different prices? Of course not.

2 MYTH: NAILING THE PERFECT PRICE POINT IS THE BIGGEST OBSTACLE.

REALITY: IT'S MORE IMPORTANT TO FOCUS ON GREAT PACKAGING. MAKE SURE EVERY OFFERING IS VIABLE AND VALUABLE TO YOUR BUYER.

Many B2B companies stress over finding a perfect price point that values their software and welcomes buyers. Software pricing tends to be painful because it requires change, explicit decisions, and often exposes an organization's weaknesses. As a result, many software companies devote most of their energy to nailing the price.

But here's the dirty little secret in pricing: There is no magic price; there's a magic *range*. That's why it may be more important to focus on the overall offering model. How you decide to package your products and services for different customers is all part of that offering model.

Product packaging is one of the most powerful tools in your monetization approach. When packaging is done correctly, functionality and services are combined to achieve simplicity and address the needs of multiple customer segments. Packaging can be used to enter new markets, make further inroads into existing markets, and address specific needs within those markets. It can also be used to reset those legacy customers where you feel you left money on the table.

3 MYTH: MIMICKING THE PRICING STRATEGIES OF MEGA-COMPANIES WILL POSITION YOUR FIRM FOR SUCCESS.

REALITY: YOU'RE PROBABLY NOT APPLE.

If I benchmark my B2B software company to Apple, Microsoft, Google, or Amazon, I'm setting myself up for failure. Many small-time investors have lost their shirts trying to emulate Warren Buffet's moves; he can literally pour billions into a failed investment to break even.

It is not an appropriate backdrop to draw a conclusion because those behemoths are distinctly different. You can compare your pricing strategy to Apple's all day long, but you're probably not Apple. Yes, you're noticing their current pricing strategies, but only after they've evolved over decades. Likewise, Apple may be struggling with sales of a premium-priced product, but that doesn't mean you can't offer a premium-priced product. You might not be at market saturation like Apple.

There are many lessons we can learn from B2C companies, but unfortunately pricing isn't one of them. **S**