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Exploring New Revenue Streams in a Software Company

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Abstract

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The purpose of this study is to formulate a recommendation of alternative revenue streams that the case company can implement to influence its earnings growth. The case company is a successful invoicing and financial management software company. The company's mission is to simplify administrative tasks for small business owners globally. Despite its solid foothold in the market, the case company wants to identify revenue sources that were previously untapped. This thesis looks at possible revenue streams to boost earnings growth while remaining compatible with the present revenue model and assuring a quick, cost-effective adoption. The proposed stream should be lightweight and not upset the present consumer base and their behaviors.

The study used a mixed-methods approach, combining qualitative interviews with stakeholders with quantitative data from an annual consumer survey (about 2k responses out of 15k volunteer invitations among Daily Active Users (DAU) with 13.34% response rate). The theoretical framework dug into available knowledge and best practices for revenue generation in the software as a service (SaaS) industry. The highlights from best practice were merged into a conceptual framework for investigating new revenue models.

The development part involves crafting a proposal comprising multiple revenue model options, accompanied by an analysis of their potential impact on revenue growth and challenges of the case company. Data collected from interviews with key stakeholders informs this phase. The proposal is founded on the results of the current state analysis, supplemented by best practices, and co-creative input from the company's stakeholders and staff. In the proposal, this thesis recommends implementing a PAYG usage-based pricing model for the company's online invoicing business.

The study culminates in the proposal validation, where the chosen pay-as-you-go (PAYG) revenue model, a variant of the usage-based revenue model, gets discussed and adopted by the case company. This model allows users to accumulate costs for additional software features only. This innovative strategy aligns with market trends and benefits both our company and its clients, and thus allows to stay agile in the ever-changing world of online invoicing and payment processing. The case company eagerly anticipates the implementation of this new pricing model to meet evolving customer demands and reinforce its industry leadership position.

Keywords Usage-based revenue model, revenue growth, SaaS

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Glossary

API	Application Programming Interface
CI/CD	Continuous Integration / Continuous Deployment
DAU	Daily Active Users
PAYG	Pay-as-you-go
SaaS	Software as a Service
SLA	Service Level Agreement
SME	Small or Medium Enterprises

1 Introduction

Profitable software firms employ a variety of deployment and monetization methods to meet a wide range of client demands, create recurring income, and align pricing with value. Such businesses often commence their investigation towards new income streams mostly with their subscription models. Building a good subscription model with different pricing levels is the most utilised strategy of selling their product. This needs innovation, dedication, and careful research. However, subscription models are just one of the many ways how the customers can be charged for the value generated by the product or services.

Revenue streams are one of the most crucial elements of business models. A company must know in advance how the value they are offering can be monetised to be a profitable business. The channel of how the investments itself can be converted to incoming revenues after the customer segments use the value of the product offered by the company. Some companies use only one type of revenue stream to collect the revenue for the value proposition offered whereas others utilise different combinations of revenue stream methods. Therefore, businesses must have a general understanding about the revenue collection method for each type of their possible customer segments and their level of willingness to pay for the service or product offered.

This thesis explores the problem of diversifying revenue streams within the context of SAAS (Software as a service) models instead of traditional business models as this is the model how all new software companies are set up nowadays, including the case company of this thesis. The case company is an established software service company which has already used and tried some of the models of revenue stream generation. In this thesis, possible revenue streams will be explored in the context of the case company and the findings will tell how the company is performing in each of those revenue streams and what can be improved to have a substantial impact on the company's growth.

1.1 Business Context

The case company of this Thesis is an invoicing and financial management software company, founded in 2009 by three entrepreneurs who aimed to simplify the administrative tasks of running a small business. The company is based in Keilaniemi,

Espoo, Finland, and currently has around 40 personnel working in different sectors of software development, customer service and management.

The company's goal is to empower small business owners across Europe to grow their business in the invoicing and financial management sector and create their own path to success. The company's software includes features such as simpler invoicing, real-time tracking, expenses and travel cost management, and automatic reminders for important business and administrative tasks.

The most common challenges faced by SME companies around the world is finding a specific group of clients as per the services of the company while having to manage the paperwork as per different countries' rules and regulations. Information is the key to succeed in this modern fast paced business era for business owners. The service of the case company is focused on solving these issues, so that the business entrepreneurs can focus on their company services which they enjoy working on. It also allows customers to function productively without establishing an accounting department, which helps entrepreneurs in managing their business efficiently and cost-effectively. This service is targeted at freelancers, IT-professionals, independent consultants, designers, musicians, and other small service providers.

In a nutshell, the case company offers a newly and recently developed way to operate a business all while enlightening customers with different ideas and creating a more simplified way to focus on their core competence. It gives the entrepreneurs space to reflect the real reason and their passion for their business idea in the first place. With the ability to automate administrative tasks, manage finances and connect with potential customers, the software product empowers small business owners to take control of their business and prevail in today's fast and dynamic business world.

1.2 Business Challenge, Objective and Outcome

Even though the case company has been in the market for several years, the company is utilizing very few of the possible revenue streams. The company has been actively looking for new sources of revenues for the company's earnings growth. The new sources to be implemented must not interfere with existing revenue models but work on top of that. The other requirement is that the new revenue source implementation should be quick to implement and with minimal cost and time. There is always the risk of losing

an existing customer base when some distinct system is introduced on existing systems. The new revenue stream model should not affect this consumer behavior. Therefore, this study focuses on exploring various types of revenue streams possible for the case company. The Objective is to establish:

Which are the new revenue models that the case company can implement to influence its earnings growth?

The outcome is a recommendation which new revenue models the case company can implement to influence its earnings growth. The new model recommendation should help to find a new source of revenue on top of existing subscriptions-based model.

1.3 Thesis Outline

This thesis focuses on the analysis and exploration of new revenue model streams for a software product which serves the small business sector in Europe. The study is conducted through a combination of market research, literature review and case studies.

The thesis is written in seven separate sections. Section 1 describes the background and scope of the study. Section 2 outlines the method used in conducting the study. Section 3 reports on the outcome of the current state analysis of revenue streams used by the software product to generate income. Section 4 explores best practices and literature review on the topics of revenue streams management by the software companies in Finland and globally. Section 5 presents the initial proposal for the multiple ways of generating revenues. Section 6 reports on the results of early testing and validation of the proposed improvements. Finally, Section 7 concludes the thesis by summarizing the findings and providing recommendations to the case company.

2 Method and Material

This section reflects the research approach, research design, and data collection and analysis methods used in this Thesis. First, it gives a summary of the research methodology used for the thesis project. Second, the data collecting methods employed for this work are presented.

2.1 Research Approach

Saunders et al. (2016) mentions that the researcher utilizes a research methodology to gather, assess, and interpret data. Occasionally, research is misconstrued as simply obtaining information, documenting facts, and unearthing data. The research process follows a systematic approach, wherein establishing the purpose, managing the data, and disseminating the findings occur within specified frameworks and standards. The frameworks and recommendations guide researchers on the incorporation of study elements, execution of research, and anticipated conclusions drawn from the acquired data. Various research families exist, including basic research versus applied research, desk study versus field studies, and quantitative, qualitative, and hybrid approaches.

Basic research in the business and management sector is motivated largely by a goal to widen understanding by developing universal principles applicable to processes and results, with discoveries having societal value. This research is often undertaken in university settings, giving researchers liberty in picking topics and objectives, as well as flexible timeframes. In contrast, applied research focuses on specific business or management challenges, with the goal of providing practical answers that are immediately relevant to organizational managers. Researchers working in a variety of settings, including organizations and universities, frequently negotiate their objectives with the problem's originators, working under tight time constraints to deliver timely and context-specific results, highlighting the diverse approaches to research in this field. (Saunders et al. 2016.)

Desk research is analysing existing data and published sources to obtain insights, offer context, and find patterns. It is a low-cost approach to obtaining historical or widely available information. Field research, on the other hand, comprises the collecting of new, primary data through direct contact with participants, making it vital for acquiring detailed,

current, or context-specific information. While desk research is efficient and good for broad knowledge, field research is more resource-intensive but provides control and personalized data collecting, making the decision between the two contingents on study goals and available resources. (Saunders et al. 2016.)

In academic circles, the process of delving into a particular subject matter through an intricate examination of written and graphic materials, with the aim of extracting profound understanding and meaningful perspectives, is known as qualitative research. This methodology entails a comprehensive exploration of various facets pertaining to the chosen domain, along with a sincere endeavour to apprehend its inherent nature unobtrusively. To analyse a phenomenon, qualitative research must delve into several facets of it. Thus, qualitative research is a term used to describe the process of gathering, analysing, and interpreting extensive narrative and visual data to get insightful knowledge about a certain topic (Lapan 2011). To arrive at conclusions, qualitative methods use inductive reasoning. When doing qualitative research, researchers make a critical decision about the study design by selecting a framework that prioritizes the relevance of people's statements of their experiences, convictions, and attitudes as the main units of investigation. This type of analysis is called Thematic or Content analysis. In contrast, quantitative research employs numerical data and statistical analysis to investigate and deduce findings regarding a research subject.

In this study, Applied Action Research is employed, also known as Design Research. (Kananen 2013) states that this research prioritizes the practical implementation of study findings to address real-world challenges or obstacles. This methodology underscores collaboration with stakeholders to devise and implement solutions dynamically and iteratively. Applied action research is particularly efficacious in domains such as education, healthcare, and organizational development, wherein the aim is to enhance practices and outcomes. This method entails a systematic progression of issue identification, data collection, analysis, and action planning, with a strong focus on continuous improvement and problem-solving. It is an optimal choice for scholars seeking to effectuate tangible and advantageous enhancements within specific circumstances.

In this thesis, the research methods employed encompass interviews, surveys, and observations, serving as crucial tools for collecting and analysing data to tackle distinct research objectives. Interviews, a prevalent technique, facilitate profound qualitative

perspectives using individual or collective dialogues with relevant stakeholders. Structured questionnaires are used to conduct surveys, which gather data from a larger sample and offer a broader quantitative perspective. Observations, whether involving participants or non-participants, prove valuable in capturing real-time data on revenue-related behaviours or practices. Next, this section discusses the research design of this thesis.

2.2 Research Design

The term "research design" conjures up images of meticulous planning. Many elements are shared by all research designs, regardless of the various assumptions that underpin the specific work. However, these seemingly similar elements can mask significant differences in research approaches. If this distinction is not recognized, those unfamiliar with the premises may judge an interpretive research design to be unusable. (Schwartz-Shea 2011). Next, this section discusses the research design of this thesis.

The research design used in this thesis includes five steps which is shown in Figure 1 below. The thesis consists of five steps in the order of the research process with the preceding step laying the groundwork for the upcoming step. The research design also includes three distinct data collection phases, Data 1, Data 2, and Data 3. These data collection phases serve as inputs for the steps that generate the intermediate outputs, as illustrated in Figure 1.

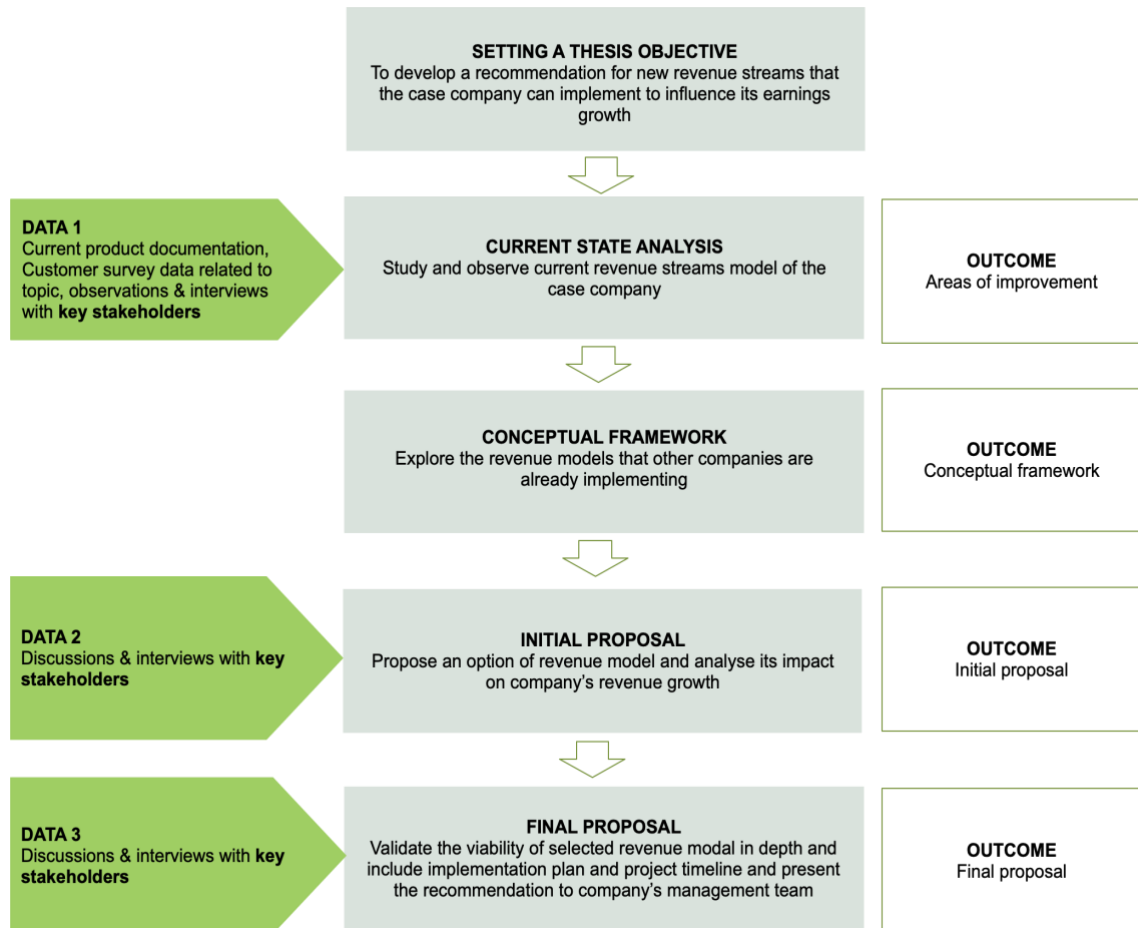


Figure 1. Research design of this study.

As illustrated in Figure 1, the first step establishes the study objective which is to develop a recommendation for new revenue streams that the case company can utilize to influence its earnings growth. This is followed by the current state analysis in step two. The current state analysis is reliant on Data 1 collection, which includes stakeholder interviews, a customer survey, and an internal documentation review. The goal of this step is to identify the current state and the overall goal of the study. The current state analysis is orchestrated by studying and observing the current model and its revenue streams of the case company.

The third step of the research design is the existing knowledge and vest practice review. It focuses on exploring the available knowledge and best practices for new revenue models that other companies are already implementing. The exploration results in a conceptual framework for developing a new revenue model plan constructed based on selected elements form available knowledge and best practice.

The fourth step focuses on developing a recommendation with multiple revenue model options and analyzing their impact on the company's revenue growth and challenges. Data 2 collection serves as input for the proposal, and this data is gathered as inputs from stakeholders into the proposal development. The outcome of this step is the first draft of the new revenue model. Data 2 is gathered through discussions with key stakeholders, documented as field notes. The proposal is also reliant on the review of the current state analysis results (Data 1), and selected best practices, in addition to the input from the company's employees and stakeholders for the proposal building (Data 2).

The fifth and final step of the research design is the proposal validation. This step entails discussions and approval of the recommendations for selecting the revenue streams with the key stakeholders in the case company. Data 3 is gathered through discussions with key stakeholders carried out through interviews and documented as field notes. The revenue streams recommendation is thus approved by key stakeholders and incorporates their modifications and updates as feedback obtained in Data 3 interviews.

2.3 Data Collection and Analysis

Data collection is the action of obtaining materials for measurement and analysis. The methods for gathering data in this study includes the following data sources, as shown in Table 1 below.

Table 1. Details of Data collections 1-3 used in this study.

	Participants / role	Data type	Topic, description	Date, length	Documented as
	Data 1, for the Current state analysis (Section 3 or 4)				
1	Respondent 1: Product Owner	Face to face Interview	Current state analysis and proposal	Feb 2023, 90 min	Field notes and recording
2	Respondent 2: Product Designer	Face to face Interview	Current state analysis and proposal	Feb 2023, 1 hour	Field notes and recording
3	Respondent 3: Customer 1	Face to face Interview	Collect suggestions and impact overview on possible changes	Feb 2023, 30min	Field notes and recording

4	Respondent 4: Customer 2	Face-to-face Interview	Collect suggestions and impact overview on possible changes	Feb 2023, 30min	Field notes and recording
5	Respondent 5: Customer 3	Telephone interview	Collect suggestions and impact overview on possible changes	Feb 2023, 30min	Field notes and recording
6	Respondent 6: Customer survey results	Customer feedbacks (year 2022)	Selected feedback related to revenue model		Written responses
Data 2, for Proposal building (Section 5)					
7	Respondents 6- 7: Monetization team software engineers	Face-to-face group discussion	Brainstorming ideas related to topic	March 2023, 90 min	Field notes and recording
8	Respondent 8: Product Owner	Face-to-face meeting	Form initial recommendations	March 2023, 90 min	Field notes and recording
Data 3, from Validation (Section 6)					
9	Respondents 9- 11: Monetization team members	Group interview/ Final presentation	Validation, evaluation of the Proposal	April 2023, 1 hour	Field notes and recording
10	Respondents 12-15: Management team members	Discussion/ Final presentation	Validation, approval of the Proposal	May 2023, 1 hour	Field notes and recording

As shown in Table 1, the thesis had three major data collection stages: Data 1, Data 2, and Data 3. Data 1 accumulates data for the current state analysis phase, Data 2 for building the proposal, and Data 3 for validation and building the final proposal.

For Data 1, various stakeholders in various positions of company were interviewed. The first respondent interviewed was the product owner of monetization and financial features development team. The team consist of 1 product owner, 1 product designer and 4 software engineers. The interview examined the current state of revenue model implemented in the case company. The product owner holds most of the existing knowledge of this topic. In that discussion, several ways to improve the current model were raised. The product designer was included in that discussion because they play a vital role in the creation and enhancement of products or services that are pivotal to the process of revenue generation. Their proficiency lies in comprehending user requirements, market demands, and usability aspects, all of which are integral elements in the formulation of offerings that appeal customers and foster revenue expansion.

Through the crafting of user-friendly and market-responsive solutions, product designers directly contribute to the triumph of the revenue model.

Though software engineers are not experts formulating ideas for a revenue model, the implementation part heavily depends on technology, as is the case with numerous contemporary business models. They are accountable for the development, maintenance, and enhancement of software systems and platforms that serve as the foundation for revenue generation. Their primary objective is to ensure the seamless and efficient functioning of technology to support sales, subscription models, and other sources of revenue. They play an essential role in transforming revenue strategies into practical, functioning software solutions.

The other respondents in Data 1 were customers who actively use the software product in their daily businesses. For this study, it was beneficial to know the perceptions of customers about the existing revenue model and find out their expectations. Besides these interviews, the data from recent customer surveys was also reviewed. The case company conducts yearly customer survey with set of questionnaires related to customer satisfaction and expectations. This survey was done at the end of 2022 on voluntary participation basis. The survey invitation was sent to all the active users of the software product of the case company. There were about 2k respondents out of 15k survey volunteer invitations among Daily Active Users (DAU) with 13.34% response rate. In the survey methodology used, customers were presented with form which included 38 statements to express their level of agreement or disagreement.

To avert survey fatigue and guarantee impartial responses, the order of sections and questions within them was randomized, while upholding consistency by retaining the same questions within each section. This approach sought to uphold a balanced response rate and avert bias. We delivered the survey through email and Intercom in-app messages, utilizing data analytics tagging on links to identify respondents by their user IDs, thus enabling enhanced tracking and analysis of responses. Moreover, participants were granted an open comment field after each section to freely articulate their thoughts. Since this survey report includes wide range of topics, only those related to revenue models and current subscription model were filtered and studied. Most of respondents expressed a positive inclination towards the implementation of alternative revenue models for the services provided.

Data 2 was gathered to build the initial proposal related to proposing multiple options of revenue models and analyzing their impact on the company's revenue growth and challenges. The primary method of data collection was a workshop session of the monetization and financial features development team. The agenda for this discussion was to brainstorm new ideas of revenue model recommendations based on the previously completed current state analysis. Each participant of this session was involved to form the initial proposal. The field notes were collected from the workshop which were later utilized to formulate the revenue stream model recommendations and presentation.

After the initial proposal was built, it was presented to the team members who were involved before in initial proposal discussion. This round of discussion was for the final validation of the ideas raised in initial brainstorming session. Data 3 consisted of the feedbacks collected from the validation step which was used to update the initial proposal. The final changes requested from Data 3 were implemented to form the final proposal, which was then presented to the management team of case company. The management team consisted of Chief Executive Officer (CEO), Chief Finance Officer (CFO) and Chief Operations Officer (COO).

Table 2. Internal documents used in the current state analysis, Data 1.

	Name of the document	Number of pages/other content	Description
A	Case company's website and blogs	Website content	About case company, blog articles, product documentation
B	Blue Book	8 pages	Current Operational Processes
C	Business Strategy Report	5 pages	overall business strategy.
D	Financial Reports	-	Financial documents detailing the company's revenue and expenses.
E	Revenue Projections	2 diagrams	Internal documents forecasting future revenue trends and growth.

Each document, denoted by a unique letter, is accompanied by a brief description of its content and function, providing a concise overview of internal documents used in the

current state analysis for a business thesis focused on revenue models. Document A, the Case Company's Website and Blogs, encompasses a wide array of information, encompassing details about the case company, blog articles, and product documentation. Document B, the Blue Book, provides insights into the company's existing operational processes within its eight pages. Document C, the Business Strategy Report, elucidates the case company's comprehensive business strategy across its five pages. Document D, Financial Reports, critically details the company's revenue and expenses, serving as a vital financial resource. Document E, Revenue Projections, includes two diagrams that predict future revenue trends and growth, serving as an internal point of reference. These documents collectively played a crucial role in the analysis of the present state, providing invaluable insights into the company's operational, financial, and strategic aspects, all of which are pivotal to the examination of revenue models within the thesis framework. All textual data analysing in this study used Thematic or Content analysis.

The findings from the current state analysis are discussed in Section 3 below.

3 Current State Analysis of Existing Revenue Stream Model

This section defines and analyzes the current state of the existing revenue streams in the case company. Then, it is followed by the analysis of different types of existing digital solutions in the software industry, and the ideas that already exist. The outcome of the current state analysis is to identify the benefits and drawbacks of the current revenue stream model utilized in the company compared with other possible revenue streams.

3.1 Overview of the Current State Analysis

The direction of this thesis was determined by the current state of existing practices related to the revenue stream model of the case company. A holistic current state analysis was done to evaluate the current state of the revenue stream model. The main source of data needed for this analysis was a review of relevant parts of annual customer survey results. Besides these data, the data collection process also involved various sources like face-to-face interviews and online sessions with customers. After the crucial step of identifying these data sources, a comprehensive analysis was conducted in five steps.

For the first step, a face-to-face interview with the product owner of the monetization and payment resource handling team. A week before this session, the meeting agenda and templates were provided. This helped to ensure an efficient discussion on the relevant topic. During this session, all about the current revenue stream structure of the company was discussed. The session was also recorded and documented. This process ensured that all information was included in the current state analysis. Weaknesses, strengths, opportunities, and threats of the current revenue model of the case company were identified from this meeting.

Next, interviews were conducted with three paying customers to identify the current state of their experience with the product. The interviews were organized individually with each respondent to gather different perspectives towards the product payment structures. The differentiated views provided by these customer respondents were crucial to understanding the current state. These sessions helped to identify customer experience and feedback, to identify weaknesses in customer interaction, which is also linked to the company's revenue model.

Finally, a general review of the annual survey results was conducted to obtain data about the current state of payment systems. Only relevant parts of the survey result were used, as the survey contained various other questionnaires that were not relevant to this study. This review was necessary to understand the common point of view among a larger number of respondents who were all customers of the product when the survey was conducted. Overall, the current state analysis provided a comprehensive understanding of the company's revenue stream model, which will inform the direction of the thesis.

3.2 Description of Current Business Model & Revenue Stream Types

In the current state analysis, evaluation of the revenue stream model employed by a software company was focused. The revenue stream model encompasses the diverse methods through which the company generates revenue from its products and services.

The case company operates as a provider of online invoicing and accounting software, generating revenue through subscription fees and value-added services. An in-depth description of their business model will be provided, encompassing various vital components.

The case company depends on a revenue model based on subscriptions, wherein users make regular payments to gain access to their online invoicing and accounting software. This subscription model guarantees a steady and foreseeable flow of income for the company. They provide a variety of subscription plans customized to cater to diverse user requirements. Customers can select the plan that best aligns with their specific requirements, whether they are solo freelancers, small business owners, or entrepreneurs managing their finances, by choosing between monthly or annual payment options offered through the tiered pricing structure.

The case company offers a freemium offering in addition to its subscription plans, granting users access to the fundamental features of their software at no expense. The objective is to allure a broad user base and enable prospective customers to acquaint themselves with the platform's functionality. As users familiarize themselves with the software and acknowledge its inherent value, they might opt for upgrading to paid subscriptions to avail themselves of enhanced functionalities and expanded usage thresholds.

The case company can generate additional revenue through value-added services, aside from subscription fees. These services aim to enhance the fundamental functionality of their invoicing and accounting software, potentially providing integrations with other business tools, e-commerce solutions, or even financial advisory services. These supplementary services offer customers the opportunity to enhance their financial management processes, and the case company imposes fees for these services, thereby augmenting their overall revenue.

The case company comprehends that its user base encompasses many customers with disparate demands and financial limitations. To accommodate this heterogeneity, they employ customer segmentation. Freelancers, small business proprietors, and entrepreneurs exhibit unique prerequisites in the realm of financial management. The company can customize its offerings for various customer segments through tiered subscription pricing. Each segment is free to choose the subscription plan that most closely matches their distinct requirements and financial capacity.

To stay competitive and retain its current subscribers while attracting new ones, the case company prioritizes continuous software development. They allocate resources to research and development to enhance their platform, rendering it more user-friendly and feature-laden. This unwavering commitment to ongoing improvement guarantees that their clientele has access to the most cutting-edge tools and technologies for efficient invoicing and accounting.

The case company acknowledges the significance of delivering exceptional customer support, training resources, and educational content. It may provide premium support services at an extra expense to guarantee that subscribers obtain prompt assistance and guidance when necessary. Training resources and educational content facilitate users in maximizing the software's functionalities. These services enhance the customer experience and contribute to the company's overall revenue.

The software company under investigation operates several revenue streams to generate income. The main sources of revenue generation are subscription-based fees and software licensing fees.

Clients incur charges for software licensing fees upon their purchase of a software license: these fees vary in accordance with the type of software acquired and the user

count. The company presents clients with two options--perpetual licenses: subscription-based licenses. The perpetual license bestows upon the client an indefinite usage of the software, while a subscription-based agreement requires periodic payments monthly or annually.

Customers who choose a subscription-based license must make recurring payments, usually monthly or annually. It is crucial to emphasize that the expenses linked to these subscriptions may vary based on the software product selected. These providers, through their unwavering dedication to delivering exceptional software and services, have not only established a strong reputation in the industry but have also amassed a devoted and faithful customer base.

Ranking from the volume of revenue created, the subscription fee model tops the list of total revenue generation by case company (about 90%) and the next in line is the revenue generated from the license agreement with invoice financing providers. In this part of the thesis, both revenue-generating methods are discussed in the following sub-sections.

3.2.1 Subscription-Based Model

The case company employs a subscription-based revenue model to generate a consistent and foreseeable flow of income. In this model, customers remit a regular fee, typically on a monthly or annual basis, in exchange for software usage and related services. The subscription-based revenue model offers multiple benefits such as predictable revenue, customer loyalty, and the potential to generate supplementary income through upselling or cross-selling. However, it also necessitates a strong emphasis on customer satisfaction and continual advancement and assistance to ensure that customers persistently perceive value in their subscriptions.

The subscription-based model encompasses various sub-types primarily relying on the nature of the software service provided. The case company currently uses a tiered subscription model. A tiered subscription-based revenue model is a type of subscription-based model where a software company provides different levels of service to its user base. In this model, different levels of distinct group of features and products are offered. Customers can opt for the level that best suits their requirements and pay a subscription fee for access to those features.

Premium plans

Pay yearly and save or pay monthly and try Premium free for 14 days

Find out how much more productive you can be with Premium. Select a monthly plan to try Premium services for free for 14 days. Or choose to pay annually and save!

Pay monthly | Pay yearly

	MOST POPULAR	
<p>STARTER</p> <p>9 €</p> <p>Price per month*</p> <p>108 € paid once per year</p> <p style="background-color: #00b050; color: white; padding: 5px; text-align: center;">Upgrade</p> <ul style="list-style-type: none"> ✓ 30 customers Number of customers ✓ Unlimited invoices and estimates Send by email and pdf ✓ 36 premium deliveries Sent as e-invoice or postal invoice <hr/> <ul style="list-style-type: none"> ✓ Android and iOS apps ✓ Convert estimates to invoices ✓ Reminders ✓ Invoices with attachments ✓ Online Bank Payments 	<p>PRO</p> <p>17 €</p> <p>Price per month*</p> <p>204 € paid once per year</p> <p style="background-color: #00b050; color: white; padding: 5px; text-align: center;">Upgrade</p> <ul style="list-style-type: none"> ✓ Unlimited customers Number of customers ✓ Unlimited invoices and estimates Send by email and pdf ✓ 120 premium deliveries Sent as e-invoice or postal invoice <hr/> <ul style="list-style-type: none"> ✓ Android and iOS apps ✓ Convert estimates to invoices ✓ Reminders ✓ Invoices with attachments ✓ Down payment ✓ Payment schedules ✓ Multiple trade names ✓ Time tracking ✓ Recurring invoices ✓ Online Bank Payments 	<p>GROWTH</p> <p>40 €</p> <p>Price per month*</p> <p>480 € paid once per year</p> <p style="background-color: #00b050; color: white; padding: 5px; text-align: center;">Upgrade</p> <ul style="list-style-type: none"> ✓ Unlimited customers Number of customers ✓ Unlimited invoices and estimates Send by email and pdf ✓ 360 premium deliveries Sent as e-invoice or postal invoice <hr/> <ul style="list-style-type: none"> ✓ Android and iOS apps ✓ Convert estimates to invoices ✓ Reminders ✓ Invoices with attachments ✓ Down payment ✓ Payment schedules ✓ Multiple trade names ✓ Time tracking ✓ Recurring invoices ✓ Online Bank Payments

Figure 2. Tiered subscription plans offered by the case company.

The figure above displays the three types of SLAs (Service Level Agreements) offered by the case company in a tiered subscription model. The first SLA, named "Starter," caters to individuals and small businesses seeking a cost-efficient gateway into the invoicing and accounting software of the case company. Users under this SLA attain access to indispensable functionalities necessary for adeptly managing their financial processes. Such functionalities generally encompass fundamental invoicing capabilities, expense tracking, and comprehensive financial reporting. The Starter SLA caters to the requirements of freelancers and small business proprietors seeking essential financial resources. Despite potential usage constraints, this plan offers a cost-effective

alternative for individuals embarking on their journey or possessing modest financial management needs.

The second SLA, known as "Pro," caters to businesses that have surpassed the fundamental features of the Starter SLA or necessitate supplementary functionality. Opting for the Pro SLA grants users an array of enhanced attributes, such as advanced invoicing, customizable templates, expanded reporting and analytics, and more comprehensive expense management. This SLA is frequently utilized by established enterprises and freelancers who must oversee a greater magnitude of financial transactions. Users who require more robust financial management tools typically receive higher usage limits and increased flexibility through the Pro SLA.

The third SLA, known as "Starter," embodies the pinnacle level of service and caters to enterprises with intricate financial requirements and significant aspirations for expansion. Those who choose the Growth SLA are bestowed with a comprehensive array of functionalities, empowering them to proficiently oversee every step of their financial journey. This encompasses cutting-edge accounting capabilities, seamlessly integrated financial planning tools, and advance options for reporting and analysis. The Growth SLA caters to mid-sized businesses and entrepreneurs undergoing rapid expansion, seeking refined financial management solutions. It provides ample usage allowances and potentially incorporates prioritized customer support for prompt aid.

This tiered methodology empowers customers to select the SLA that aligns most seamlessly with their distinct necessities and financial means. This flexibility guarantees that users can discover the appropriate level of service that corresponds to their financial management objectives.

The subscription-tier levels are structured as a hierarchy. The higher levels and more expensive offer more advanced or specialized features whereas the lower levels lack access to some of those advanced features. A basic subscription level might include access to core software functionality. But a higher-level subscription might provide access to additional features within the software or integrations with other software systems. This tiered methodology empowers customers to select the SLA that aligns closely with their requirements and financial situation. This flexibility guarantees that users can explore the appropriate level of service that corresponds to their objectives. For example, the customers can start with a basic subscription level. After that, they can

upgrade to higher levels as their needs grow or change. The higher subscription SLA additionally includes ongoing support and maintenance. This can provide additional value to customers.

The tiered subscription-based model provides several benefits to both the case company and its customers. It offers a recurring revenue stream for the company. This can be more predictable and stable than other types of service sales. This model enables the company to present customers with a variety of choices at different price levels, thereby facilitating the attraction of a broader customer base and the increase in overall revenue.

However, there are also some potential disadvantages to the tiered subscription-based model. Customers may feel pressured to upgrade to higher levels to access certain features or functionality. This issue has been also raised by customers on customer survey results mentioned in Data 1. Also, the complexity of managing multiple subscription levels can be challenging for the software company. To fix this, it may require significant investment in infrastructure and support resources for the company.

3.2.2 License Agreement with Invoice Financing Providers

Invoice financing has become an increasingly popular option, as it provides a flexible and efficient way to manage cash flow for customers. With the help of invoice financing, customers of the case company can overcome cash flow gaps and maintain operations without facing any financial hurdles. The introduction of this financial alternative has proven beneficial for SME corporations, who frequently encounter obstacles in procuring funding due to limited availability of resources and difficulties meeting loan criteria.

Due to global competition, the financing service providers have been offering an unprecedented level of accessibility to invoice financing. These companies offer diverse types of financial solutions, such as invoice factoring and invoice discounting. These offerings are meticulously customized to accommodate the unique requirements of every entrepreneurial venture. The customer companies are free to choose an optimal financing scheme that aligns with their specific cash flow requirements. This option may not be readily available from traditional banking systems.

With the case company's partnership with a market-leading invoice financing service providers, the customers of the case company now have access to various financing

services across Europe. Invoices are paid generally within one to two months, and entrepreneurs can receive the money in as little as 48 hours with invoice financing. This means that businesses can quickly address any cash flow gaps and continue operations without any disruptions.

Moreover, funds generated from invoice financing can be used for a wide range of purposes, including paying suppliers, investing in new equipment, and even hiring additional staff. This makes it a versatile financing option that can help businesses in various ways. By using their unpaid invoices as collateral, businesses can access the funds they need to grow and expand their operations. The case company's invoicing financing service provides customers with a low-cost option to improve their working capital situation.

In addition, the invoicing financing service helps the case company increase user retention and attract new users to the platform. As more customers discover the benefits of invoice financing, they are more likely to use the case company's platform for their invoicing needs. This can help the case company expand its market share and increase its revenue streams. The fee for using the service may be low, but with many financing requests, it can accumulate to significant number. As the service becomes more popular and attracts more users, the case company can scale its revenues quickly.

Overall, invoice financing is a crucial instrument for businesses seeking to enhance their cash flow and sustain operations. By collaborating with a major financing provider, the case company has provided entrepreneurs with effortless entry to financing services that can assist them in solving cash flow gaps and expanding their businesses. With the persistent expansion of invoice financing, businesses can anticipate a more adaptable and streamlined approach to managing their finances in the future.

Currently, for the case company, invoice financing is a relatively new trend and it's slowly catching up with the traditional bank lending market. Due to this, the revenue collected from this method does not contribute much to the general income of the case company.

3.3 Analysis of the Current Revenue Streams

The current state analysis provides a detailed overview of the revenue streams for the case software company. This study aims to identify the advantages and disadvantages of the existing revenue stream model in comparison to alternative options. This analysis consists of five steps, involving in-person interviews with the product owner of the monetization and payment resource handling team, interviews with three paying customers, and an evaluation of relevant sections from the annual customer survey findings. The result of this analysis is a comprehension of the company's revenue stream model, which guides the objective of the thesis.

The software company under investigation primarily relies on subscription-based fees and software licensing fees for its revenue stream. It offers both perpetual licenses, which grant clients indefinite software usage, and subscription-based licenses, which entail recurring fees on a monthly or annual basis. Clients who choose a subscription-based license are charged subscription-based fees, granting them access to the software throughout the duration of the subscription.

The current state analysis illustrates the advantages of the subscription-based revenue model. This is a widely utilized strategy employed by numerous software companies to generate a constant and predictable stream of revenue for the services they provide. It offers various merits for software companies, creating a predictable revenue stream, customer retention, and the capacity to gather supplementary revenue through upselling or cross-selling. The tiered subscription-based model includes several benefits for both the software company and its clients, as it provides a recurring revenue stream that can be more predictable and stable in contrast to one-time sales. The company can also provide a multitude of choices to customers at varying price levels, thereby attracting a broader range of customers. This helps in increasing the overall revenue.

The tiered pricing model provides customers with various levels of features and benefits, enabling them to choose the level that best suits their requirements and financial capabilities, thereby promoting a sense of autonomy and customization in customer's perspective. It also ensures a consistent and foreseeable source of income for the business while affording the opportunity to cultivate customer loyalty through exclusive content or services at higher tiers. Additionally, it provides businesses with the flexibility

to adjust pricing and features according to customer feedback and market trends, thereby attracting a wide range of customers with diverse financial capacities.

A tiered pricing model can pose challenges in terms of management and administration, requiring substantial resources. If the tier options are excessively costly or perplexing, it might dissuade prospective customers from subscribing. Moreover, customers may experience frustration if vital features are withheld from lower-tier subscriptions, potentially resulting in dissatisfaction. Educating customers about the various tiers and their advantages presents a challenging task, necessitating considerable marketing and communication endeavors. Additionally, maintaining equilibrium in the value of each tier to guarantee equitable pricing poses another hurdle. Moreover, this model may not prove as efficacious for products or services lacking discernible differentiations in features or benefits across various levels.

We divide and explain the key findings of this current state analysis in the following sub-categories:

3.3.1 Finding 1, Management and Administration of Current Revenue Streams & Related Costs

The current revenue stream model offers a prominent advantage in its ability to provide the company with a consistent and anticipated inflow of revenue. This is achieved through the company's provision of perpetual licenses and subscription-based licenses, allowing for the generation of revenue from both one-time sales and ongoing subscriptions.

“The tiered level SLA is easy to use and intuitive for users and this has gone through continuous development and numerous updates since the start of the company.” (Respondent 2: product designer)

As Respondent 2 mentioned the company excels in providing an extensive array of subscription choices, thus attracting a wide range of user base. This accomplishment is attained by empowering customers to personally determine the subscription option and service level that harmonizes flawlessly with their needs and monetary limitations, ultimately leading to heightened customer satisfaction and loyalty.

However, the current revenue stream model also has certain deficiencies. For instance, relying on subscription-based fees may result in reduced revenue when customers terminate or withdraw from their subscriptions. This presents a potential risk as the company's revenue stream depends on customers renewing their subscriptions, and a significant number of cancellations could detrimentally impact the company's revenue stream.

“Approximately 90% of the revenue generated by the software is coming from tiered subscription revenue model.” (Respondent 1: product owner)

The company's overdependence on a tiered subscription revenue model, which makes a significant contribution to its revenue, poses a potential vulnerability. This susceptibility arises from the possibility. Mitigating these weaknesses is feasible, and doing so would be of great benefit to the company. The case company can implement an additional revenue model to solve this problem.

The company's emphasis on delivering top-notch software and services may yield increased expenses and lower profit margins. This is owing to the company's potential necessity to allocate resources towards continuous research and development, ensuring the unwavering excellence of its offerings, consequently accumulating escalated costs. Moreover, the provision of exceptional service may require a greater workforce or additional resources, thereby further impacting the company's profit margins.

3.3.2 Finding 2. Customer Fluctuations & Dependence on Customers

The tiered subscription model has achieved eminence due to its capacity to offer customers flexibility, enabling them to customize their experience by selecting the extent of features and advantages that correspond to their precise demands. This approach acknowledges the diversity among customers, as certain individuals may aspire for sophisticated features, while others pursue more economical alternatives. Through the provision of multiple tiers, the model accommodates a wider spectrum of customers with diverse financial capacities and unique requisites.

The flexibility, though advantageous, presents a paradoxical situation. The tiered subscription model, while appealing to a wide range of customers, can also expose vulnerabilities linked to customer fluctuations and reliance on these customers. As their requirements change or they assess the worth they derive, customers may transition

between different tiers. A customer might commence with a fundamental tier, but as their business flourishes, they might ascend to a superior tier to avail themselves of more sophisticated functionalities.

On the contrary, the fluctuating nature of customer preferences can present obstacles. If a significant portion of customers choose lower tiers or opt to discontinue their subscription, it can profoundly affect the company's revenue stream. Therefore, businesses must implement strategies to ensure customer retention and minimize fluctuations, as over-dependence on customer subscriptions can be a precarious position for the sustainability of the business, despite the advantage of attracting a wider customer base offered by the tiered subscription model. This is highlighted by following feedback.

“The increasing number of churned users has direct effect the revenue growth of the company” (Respondent 1: product owner)

The tiered subscription model offers customers flexibility, empowering them to choose the tier that aligns perfectly with their budget and feature needs. This customer-centric approach strives to provide personalized value. This aspect of choice has the potential to serve as a captivating selling point, alluring a broader audience encompassing individuals with diverse financial capacities and unique requirements.

“Since the tier level have grouped feature, I need to pay for higher tier subscription even though I only require one feature from that group” (Respondent 4: customer 2)

As mentioned by customer 2, certain tiers may be seen as excessively costly or complex by customers, dissuading them from subscribing due to various factors, including their inability to anticipate the complete utilization of all features offered by the tiered subscription plans. In such instances, customers may perceive that they are paying for the functionalities they do not require.

3.3.3 Finding 3. Customer Perceptions

The current state analysis further emphasizes the significance of customer satisfaction and continuous development and support in ensuring that clients consistently perceive their revenue model based on subscriptions. The tiered subscription model, with its distinct levels of features and benefits, not only caters to diverse customer needs but

also shapes customer perceptions of the brand and the value they obtain from it. Customer perceptions play a crucial role in the triumph and durability of this model.

The tiered subscription model possesses a noteworthy capability to cultivate customer loyalty by providing exclusive content or services at higher tiers, thus creating a sense of exclusivity, and added value. This, in turn, fosters a perception among customers who invest in these higher tiers as esteemed and privileged members, ultimately bolstering brand loyalty. Furthermore, businesses can employ an upselling strategy over time through the utilization of the tiered model. As customers accumulate more value and trust in the brand, they are more likely to delve into the advanced features offered at the higher tiers. This gradual advancement not only caters to the evolving needs of the customers but also strengthens the revenue stream for businesses as customers upgrade.

However, businesses must carefully navigate the perception of customers regarding the tiered offerings, as exclusive content and premium services at higher tiers can strengthen loyalty, but a delicate balance must be maintained. Customers should perceive the added features as justifying the increased expense and not as arbitrary or excessive. Avoiding the perception that customers are being excessively charged for essential features that are withheld from lower-tier subscriptions is particularly important. When vital functionalities are unfairly limited to higher tiers, customers may feel that they are not receiving equitable value at their chosen level. This perception can result in dissatisfaction and potential churn as customers search for alternatives that better meet their expectations.

“The software has one of the best e-invoicing features in the market and I use it a lot for my business. It would be great if I could pay only for that.” (Respondent 5: customer 3)

In summary, the tiered subscription model can positively influence customer perceptions by cultivating loyalty and offering opportunities for upselling. However, businesses must exercise caution to prevent the negative perception of unjustly withholding crucial features from lower-tier subscriptions, as achieving the appropriate equilibrium is crucial for maximizing the advantages of this model. Providing alternative revenue steam on top of existing model will surely enhance the customer perception towards the product.

3.3.4 Finding 4. Marketing Related Points

The tiered subscription model exerts a distinctive array of marketing-related advantages and disadvantages that influence both the provider company and the customers, ultimately molding the triumph and perception of the model. The tiered subscription model possesses a remarkable advantage in affording customers the flexibility to modify pricing and features according to their evolving needs, preferences, and market trends. This results in a personalized experience for customers, granting them the liberty to commence at a tier that corresponds to their present requirements and budget, and subsequently adjust as circumstances fluctuate. The company can modify the subscription structure if it is found that customers need additional functionalities or if certain functionalities become obsolete, thus ensuring flexibility and customization to meet your specific requirements, potentially resulting in long-term cost savings.

The tiered subscription model's flexibility imposes a considerable marketing and communication burden on both the provider and the customer, necessitating the company to allocate substantial resources towards educating customers about the various tiers, highlighting their benefits, and marketing the unique features. For customer, this implies that they may be required to allocate additional time towards comprehending the available options and making well-informed choices.

“Customer onboarding to the application and subscription features has always been a challenge despite availability of extensive product documentation blog and manuals” (Respondent 1: product owner)

Balancing the value of each tier to ensure customers perceive fair pricing at each level can pose a challenge. Customers may find this complexity intimidating and must meticulously assess whether the advanced features at a higher tier warrant the escalated cost. Furthermore, determining the most appropriate tier for your requirements may not be readily apparent, thus prolonging the decision-making procedure.

Moreover, products or services without distinct differentiations between features or benefits at various levels may not effectively operate under the tiered subscription model. In such instances, customers may encounter difficulties in perceiving the enhanced value of higher tiers, thus diminishing the attractiveness of the tiered model.

In conclusion, the tiered subscription model's strength lies in its flexibility to accommodate the ever-changing needs of customers, enabling them to modify pricing

and features as time progresses. However, this adaptability necessitates extensive marketing and communication endeavors, demanding customers to invest significant time and effort in comprehending the available options. Ultimately, the triumph of this model hinges on providers' ability to strike a harmonious equilibrium between tier value and transparent communication.

3.4 Summary of the Current State Analysis Results

After conducting a comprehensive examination of the existing revenue models, we analyzed the crucial findings to ascertain the optimal course of action. We concluded that our efforts should primarily concentrate on enhancing the tiered subscription-based model and exploring inventive strategies for its augmentation. Throughout the research process, we uncovered that alternative revenue models currently employed had negligible influence on our objectives. Therefore, we decided to exclude them from the study's scope and instead focus our efforts on enhancing the tiered subscription-based model.

The data and identifying specific areas for improvement were analyzed and it was determined that the tiered subscription-based revenue model justifies the need for focus due to its substantial growth potential and ability to achieve desired outcomes.

In conclusion, the study on revenue models determined that the tiered subscription-based model possesses the greatest potential for growth and enhancement. By prioritizing efforts to augment this model and conceive innovative ideas for it, one can maximize revenue and attain the desired objectives.

3.4.1 Strengths and Weaknesses of Tiered Subscription-Based Model

This model possesses its own strengths and weaknesses wherein customers can opt for diverse tiers that provide varying levels of features, benefits, and access, based on the amount of money they are willing to expend.

The tiered subscription-based model possesses several strengths. Firstly, it provides the case company with flexibility, thereby captivating a broader spectrum of customers with varying budgets and specific requirements. Secondly, this model ensures revenue

predictability by enabling the case company to segment its customers and anticipate revenue based on the number of subscribers in each tier. Third, this model facilitates the retention of customers as it empowers them to select the tier that most aptly caters to their requirements, thereby fostering customer contentment and diminishing churn rates. Fourth, this model presents lucrative prospects for upselling, thereby increasing revenue and enhancing customer satisfaction for the case company.

The weaknesses of the tiered subscription-based model are twofold. Firstly, managing a tiered subscription-based model can prove to be intricate and demanding, consequently leading to escalated management overheads. Secondly, customers may encounter bewilderment due to the various tiers and face difficulties in selecting the most suitable option, ultimately resulting in either discontentment or attrition. Thirdly, customers may manifest price sensitivity, deeming the elevated pricing tiers excessively costly, consequently precipitating a decline in revenue. Additionally, fourthly, rivals might offer similar services at reduced rates, rendering the acquisition and retention of customers arduous for the case company, ultimately culminating in diminished revenue.

The strengths and weaknesses of this model can be summarized in the table below.

Table 3. Strengths and Weaknesses of Tiered Subscription-Based Model

Strengths	Weaknesses
1. Provides a predictable revenue stream for the business (based on the number of subscribers in each tier)	1. Complex to manage and administer, requiring significant resources, also in technical capabilities
2. Allows flexibility to customers by choosing the level of features and benefits they want, and thus attracts a wider range of customers with different budgets and needs	2. Discourage some customers from subscribing, since the tiers seem too expensive or confusing (they seldom utilize all the features provided by the tiered subscription plans)
3. Builds customer loyalty by offering exclusive content or services at higher tiers, which also allows businesses to upsell customers to higher tiers over time as they gain more value and trust in the brand	3. Customers will feel like they are being nickel-and-dimed if too many essential features are withheld from lower-tier subscriptions
4. Provides flexibility for the company to adjust pricing and features over time based on customer feedback and market trends	4. Require significant marketing and communication efforts to educate customers about the different tiers and their benefits:

	<ul style="list-style-type: none"> - challenging to balance the value of each tier to ensure that customers perceive fair pricing for each level - won't work well for products or services that don't have clear distinctions between features or benefits at different levels
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3.4.2 Selected Focus Areas

Following the analysis of the strengths and weaknesses of the selected tiered subscription-based revenue model, the focus of this study will now shift towards developing effective solutions to mitigate its weaknesses. Based on the findings of the current state analysis, it was revealed that the subscription model employed by the case company is deemed as expensive by the targeted user group, as they seldom utilize all the features provided by the tiered subscription plans. Consequently, this factor is causing many potential customers to refrain from subscribing to the product, and even existing paying customers are choosing to abandon the service, leading to a high churn ratio.

Furthermore, the company's significant dependence on a solitary subscription-based model for its complete revenue presents a considerable hazard, underscoring the necessity for immediate measures to investigate and execute alternative methodologies to alleviate these difficulties and broaden the revenue sources. Consequently, this investigation will chiefly focus on discerning and advocating pragmatic resolutions to overcome these existing impediments, aiming ultimately to augment the company's comprehensive sustainability and expansion possibilities.

4 Existing Knowledge and Best Practices on Revenue Models of Software Product

In this section, insights from case studies, articles, books, and white papers are discussed. Section 3, which precedes this one, has analyzed the current state of the case company's revenue streams. Section 4 focuses on exploring literature and best practice on revenue models utilized by software companies.

4.1 Revenue Model for Software Companies

Osterwalder (2010) mentions revenue streams as 1 out of 9 significant aspects of any business in BMC (Business Model Canvas). Revenue streams serve as the essential source of financial sustainability and expansion for a business. They encompass the products, services, or value offerings for which customers are willing to pay and define how a company earns income. These streams are fundamental sources of revenue that not only cover operational expenses but also allow for investment in innovation and ultimately lead to profits. Not only do revenue streams serve as sources of income, but they also inform a company's pricing strategy, customer segmentation, and value proposition.

Various types of revenue streams may have various pricing mechanisms, such as set list prices, negotiation, bidding, market- or volume-dependent pricing, or yield control. (Osterwalder 2010) There are many ways to classify the types of revenue streams. The most basic way to differentiate this is by frequency of payment periods. With this classification method, a business model can have transaction revenues either as one-time payments or recurring payments (Osterwalder 2010). The business can have either one of these or both at the same time which is dependent on the type of business itself.

SaaS can be defined as a process of delivering applications on the internet platform. In this service setup, the companies can easily offer services without installing, renewing, or maintaining software on-premises of customers. (Ojala 2013.)

Customers access a software business's service through an online platform within this model, deviating from the conventional practice of installing software on their local computers. This approach empowers users to utilize the most up-to-date software version without the need to acquire new editions. Additionally, it allows software

companies to effortlessly introduce new features through continuous integration/deployments (CI/CD), ensuring uninterrupted service delivery. Notably, this model enhances accessibility by eliminating the necessity for individualized computer technical specifications for each customer. (Ojala 2013.)

The key benefit of this model is that they receive recurrent revenue that is predictable. Companies are not required to spend money on maintaining previous versions of their products. Because of the reduced initial cost, it is easier to persuade clients to adopt. This makes it an appealing method for upending well-established companies. Companies can see which features are being used and which are not, allowing them to better satisfy their consumers' demands. Supporting and marketing software over the cloud is less expensive than traditional methods. (Mullins 2014.)

There are multiple ways a SAAS product can generate revenues. Most used revenue streams are either software subscriptions or pay-per-use models. The pay-per-use model charges the customer for specific types of features on a metered usage basis whereas the subscription model has fees based on the period the customer will be using the software product and services (Ojala 2013). Apart from these, there are numerous ways to charge the customer for the service which will be discussed in detail in this thesis later. The viability of these revenue stream is dependent on the type of software business as well as customer demands, and various other circumstances as shown in Figure 3 below.

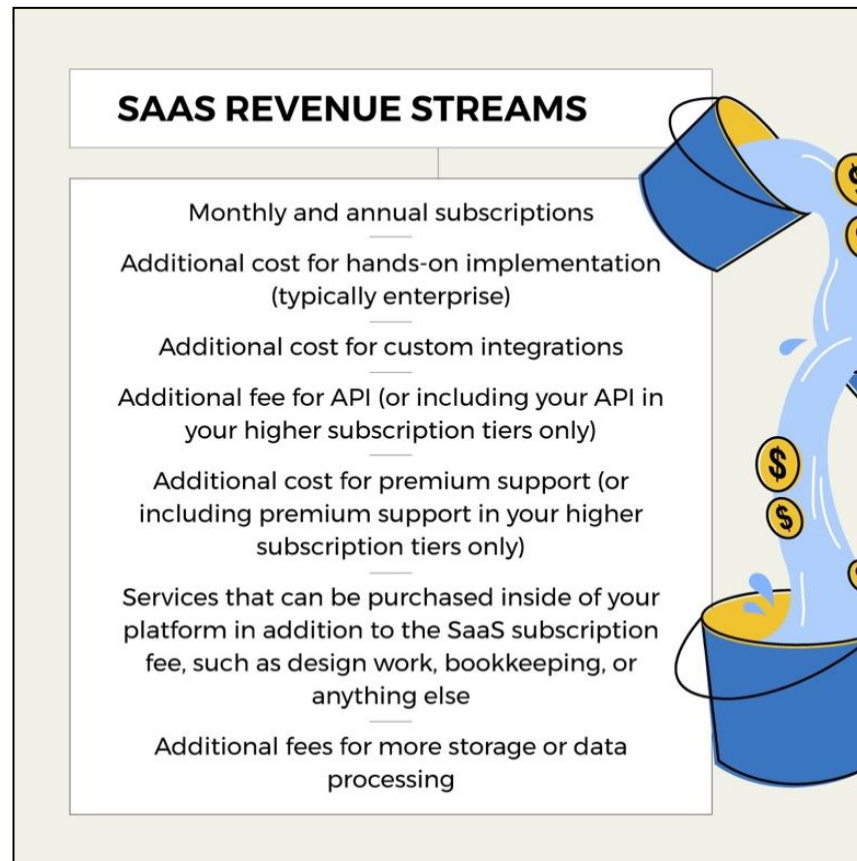


Figure 3. SaaS revenue streams (<https://devsquad.com/blog/saas-business-model>)

The SaaS company utilizes a revenue model based on monthly and annual subscriptions, wherein customers make recurring payments to gain access to the product on a monthly or yearly basis. This strategy guarantees a consistent and foreseeable stream of income, thereby enabling investments in product enhancement and customer acquisition. Additionally, it bestows upon clients a pliable payment framework, empowering them to modify their usage levels as needed, free from the constraints of long-term agreements. Therefore, this model offers an appealing choice for both businesses and individuals in search of economically viable software solutions. (Mehta 2016.)

In a SaaS revenue stream model, the hands-on implementation cost refers to the additional costs that customers may pay when deploying and integrating the SaaS solution into their existing systems and workflows. This cost may include training, consultation, customization, and data migration fees. Hands-on implementation costs vary based on the complexity of the solution and the customer's individual needs. To minimize unpleasant shocks for customers, SaaS businesses should be honest about

any additional deployment expenses. Some SaaS vendors include implementation services in their packages, whereas others charge a fee for these services. Clear price and service information can assist to create consumer trust and promote a great customer experience. (Huang 2019.)

Customers may face additional charges when integrating our SaaS solution with non-native software or unique systems, resulting in increased expenses for customized integrations. Enterprises with complex IT infrastructures and specific needs may require these tailored integrations, potentially leading to elevated overall costs and complexities in developing and maintaining the solution. The extent of customization and integration intricacy greatly influences the financial burden on SaaS providers. It is critical to be honest about any additional charges associated with special integrations and to provide clients with clear pricing and service information. The additional cost should be weighed against the potential benefits of integrating the solution with other systems to determine the overall value of the investment. (Maglyas 2016.)

Customers may incur additional payments for accessing premium support services or utilizing advanced features of the product's API in a SaaS revenue stream model. Premium support services offer more personalized and prompt technical assistance, including faster response times, specialized account managers, and supplementary training and consulting services. These services are often provided alongside the standard support services included in the SaaS subscription. (Ramanujam 2016.)

There is always extra cost for customers who want to use advanced capabilities of the product's API, such as greater API call limits, more data storage and integrations provided by SaaS providers. These prices vary according to the volume of usage and the individual API features requested. SaaS providers must be honest about any additional expenses associated with premium support and API fees, as well as to offer consumers clear pricing and service information. Consumers should compare the possible advantages of these added services against the higher cost to see if they are worth the expenditure. Overall, premium assistance and sophisticated API capabilities may give value to consumers who need more help or customization, as well as earn additional cash. (Maglyas 2016.)

Customers may incur additional fees when purchasing supplementary services or advanced features within the SaaS platform, known as "in-app purchases." These

transactions occur within the platform and expand capabilities beyond the standard subscription, such as extended storage, premium content, and advanced analytics. This falls under the framework of a SaaS revenue stream model. Customers can choose whether to make these purchases based on their requirements and budget. (Javed 2020.)

Depending on the exact services or features supplied, SaaS providers may charge additional fees for in-app purchases, either one-time or recurring. These fees can generate additional money for the provider while also increasing consumer engagement and loyalty by providing personalized and configurable alternatives. Consumers should carefully weigh the possible advantages of these additional services and features against the higher cost to determine whether they are worthwhile. Overall, in-app payments for services within the platform can give SaaS providers a flexible and scalable option to deliver customized services to their consumers while also creating new income streams. (Javed 2020.)

In a SaaS revenue stream model, additional costs for greater storage and quicker data processing refer to additional charges that customers may incur for growing their storage capacity or accessing faster data processing capabilities inside the SaaS platform. As part of their regular subscription plan, many SaaS systems provide a certain amount of storage and processing capacity. Customers with enormous volumes of data or high processing needs, on the other hand, may require more resources to satisfy their individual needs. In these circumstances, SaaS providers may charge a premium for increased storage and processing capabilities. These fees can be structured in various ways, such as a flat fee for a certain amount of additional storage or processing capacity, or a usage-based fee that increases with the amount of storage or processing capacity used by the customer. (Mehta 2016.)

4.2 Recurring Pricing Models

In the software business, recurring pricing models are frequently employed, particularly in the software as a service (SaaS) market. These pricing models give software vendors a stable and predictable income stream while giving clients flexible and personalized price alternatives (Maglyas 2016). The acceptance of subscription-based licensing has been a significant movement in the software industry because of the growth of SaaS as

the new means of providing software. Customers are no longer required to acquire hardware to run apps, therefore this shift made sense. Formerly, customers were responsible for the expenditures of hardware, data centres, security, and employees necessary to execute the software. Nowadays, however, software providers include all these components with the program, opening the path for subscriptions as a price model. (Mehta 2016.)

Clients pay a regular subscription to utilize the software and its associated services, with the charge contingent upon factors such as the number of users, the extent of services provided, or other relevant considerations, making subscription pricing a highly pervasive recurring payment approach within the software industry. Subscription pricing is popular because it affords the software vendor a steady influx of cash while simultaneously empowering clients to govern their expenditures. Furthermore, the usage-based approach is another pricing model that recurs, wherein customers are invoiced based on their real-time utilization of the software product. For example, charges may be determined by the quantity of API calls, or the magnitude of data processed. Although this model may attract customers due to its pay-as-you-go nature, it presents a predicament for software providers in accurately forecasting their revenue streams. (Rao 2023.)

The figure below is an example of a simple subscription-based recurring pricing model.

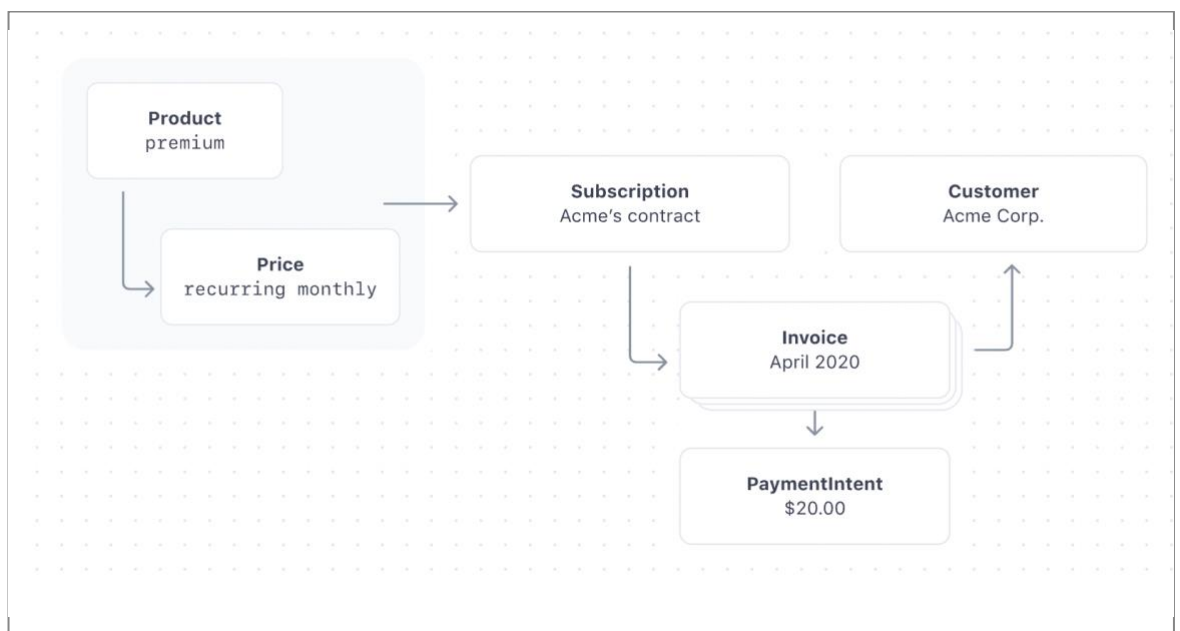


Figure 4. Example of a simple recurring pricing model based on monthly subscription (<https://stripe.com/docs/billing/subscription-resource>)

The above figure illustrates the straightforward flow of the monthly recurring subscription model. The service provider company establishes the price for the premium product utilized by the customer. The invoice is sent monthly if customers are utilizing the product, and they proceed to make payment within the app using their preferred payment method.

In recent years, recurring pricing models such as subscription-based licensing and usage-based pricing have grown in popularity, notably in the software as a service (SaaS) sector. These revenue models give software providers a consistent and predictable revenue stream while simultaneously providing clients with flexible and tailored pricing options.. Because of the emergence of SaaS as a new way of offering software, the acceptance of subscription-based licensing has been a significant shift in the software industry. Customers were previously responsible for the costs of hardware, data centers, security, and people required to run the program. But, nowadays, software companies bundle all these components with the application, paving the way for subscriptions as a pricing strategy. Subscription pricing is popular because it provides a continuous income flow for the software vendor while also allowing clients to regulate their expenditures. (Chee 2010.)

Apart from subscription-based licensing, usage-based pricing is another method of recurring pricing. Clients are paid based on how much time they spend using the program. Customers may find this price model appealing because they only pay for what they use, while software suppliers may find it challenging to foresee income streams. Another typical recurring pricing model is tiered pricing, which entails having many pricing levels with various degrees of service or features. This approach enables clients to choose the level of service that best meets their needs and budget, and it may also help software businesses segment their client base and customize their pricing and service offers appropriately. (Stoppel 2015.)

Subscription logic is constructed of time- and price-based rules that allow for proper billing of clients on a set frequency. When a company has only one product and flat-rate pricing, such as a \$25 per month software subscription, applying this logic in a billing system is simple because the dollar amount does not vary every month. However, because online businesses are typically complex and dynamic, billing systems must be

adaptable to the changes that occur in such environments. An ideal billing system should allow consumers to experiment with alternative pricing models, such as usage-based pricing or tiered pricing, based on the feature bundle they choose. (Mullins 2014.)

Software companies can effectively segment their customer base and customize pricing and services by widely adopting a recurring pricing model called tiered pricing, which offers multiple pricing tiers with varying service levels and features, allowing customers to choose the tier that best aligns with their requirements and budget. The "freemium pricing" model, which entails providing a complimentary, restricted edition of a software product along with the opportunity to upgrade to a superior version with enhanced functionalities, can allure new users and broaden the user base. However, this approach may present difficulties for software providers in converting complimentary users into paying customers. (Maglyas 2016.)

Before the cloud era, customers would commonly obtain software through perpetual licenses, which bestowed upon them ownership of the software. Nevertheless, the internet and the rise of the software-as-a-service (SaaS) distribution model have fostered the widespread acceptance of software leasing, often assuming the role of the preferred option for numerous users. These subscription-based models are now widely recognized as "software subscriptions." In this contemporary methodology, users acquire not only the software itself but also a vital fraction of the indispensable infrastructure necessary for its functioning. These subscriptions are commonly accessible on a monthly or yearly basis. It is imperative to acknowledge that these transitions transpired almost concurrently and are intricately interconnected, although it is crucial to differentiate between them. Mehta (2016) argues that subscriptions primarily serve as a form of payment.

Online businesses in today's digital landscape are increasingly adopting recurring revenue models, as they can stimulate growth, bolster engagement, optimize cash flow, diminish client acquisition expenses, and streamline operations (Maglyas, 2016). To proficiently handle recurring payments, businesses must establish a robust billing system. This system not only serves as the foundation for facilitating continuous customer relationships but also assumes a crucial role in determining a business's triumph when executed with efficacy. However, building a billing system from scratch can prove to be an intricate and expensive undertaking. As a result, businesses must guarantee that their billing systems possess the capacity to precisely generate invoices

for customers according to the selected pricing structure, manage billing and proration throughout the entire customer journey, offer incentives like complimentary trials and reductions to encourage acquisition and retention and accommodate a diverse range of payment methods (Mullins, 2014).

Recurrent pricing models have grown in popularity in recent years, owing to the advancement of technology and the internet. These models are based on the idea of giving clients ongoing access to a product or service for a certain period, with payment provided on a recurrent basis. The certainty of income provided by recurring pricing structures is a big advantage for organizations. Rather than depending on one-time expenditures, this revenue model enables businesses to estimate their revenues and plan appropriately. Additionally, recurring income may assist organizations in establishing a more secure financial foundation by allowing for more continuous cash flow and mitigating the risks associated with seasonal sales variations. (Mullins 2014.)

Another key advantage of recurring pricing structures is the decreased cost of client acquisition. Businesses may attract a larger spectrum of clients and encourage them to try their products or services by giving a cheaper first cost of access. After a customer has subscribed, firms may aim to keep them through continual value delivery, enhanced customer experiences, and chances for upselling or cross-selling. The recurring pricing model is very helpful for organizations in the software sector. Cloud-based SaaS offers to give clients continuous access to software goods and services in exchange for recurring payments. This technique allows software firms to avoid the expenditures of generating and supporting numerous versions of their products while also reducing the requirement for continual marketing activities. (Mullins 2014.)

Overall, recurring pricing models have shown to be an effective strategy for companies seeking to establish long-term connections with their clients. Businesses may achieve long-term development and profitability by offering a consistent supply of value and concentrating on client retention. (Mullins 2014.)

4.3 Flexible Usage Based Pricing Model

Consumers are charged based on their actual consumption of a product or service in a flexible usage-based pricing model. It is different from the subscription revenue model

where customers are charged monthly or yearly rates. This pricing model proves particularly advantageous for companies offering software as a service (SaaS) or cloud-based services, enabling users to solely pay for their usage. The price structure in this model typically follows a tiered approach, compensating users according to the volume of consumption within specific usage thresholds or tiers. For instance, a SaaS provider might charge customers based on the number of users, the volume of data processed or stored, or the count of transactions executed. (Stoppel 2015.)

A flexible usage-based pricing model advantageous for the clients who have varied amounts of consumption from month to month. In such cases, this model deems to be more cost-effective for clients. A client with a low consumption month, for example, may pay less than a customer with a set monthly price, but a consumer with a high usage month may pay more. This is especially valuable for firms with seasonal or erratic consumption patterns. Another benefit of a flexible usage-based pricing model is that it may be more appealing to consumers who are just getting started or are on a restricted budget. Clients can begin with a lesser tier of consumption and progressively raise their usage as their business grows. (Stoppel 2015.)

The figure below displays different bases where flexible billing can be incorporated by SaaS providers.



Figure 5. Options for flexible billing logic (<https://stripe.com/id-us/guides/introduction-to-recurring-billing>)

As seen from figure 5, the flexible billing logic has 6 types. In simple linear charge based on usage logic, the price of the service increases proportionally with the increase in volume of the usage. A flat rate in volume subscription charge is a pricing strategy in

which users are paid a given price for a specified quantity of consumption, regardless of actual usage levels. A flat rate plus overage costs in volume subscription charge is a pricing model in which consumers are paid a fixed base rate for a particular level of consumption, with extra charges imposed for usage over that threshold. A subscription fee progressively or regressively on consumption in volume is a pricing strategy in which the cost of the subscription grows or reduces dependent on usage levels. A charge with a volume cap is a pricing model in which consumers are charged depending on how much they use a certain product or service, up to a predetermined maximum. After customers hit that limit, all subsequent usage is either free or subject to a fee. The bucketed pricing model provides clients numerous pricing tiers, each with a different price point dependent on the volume of consumption within a certain range. The different logic can be utilized independently or combined to form a revenue structure that is suitable to the product.

Flexible billing logic refers to the ability of a billing system to adapt to changes in a company's pricing strategy, thereby assisting organizations in testing various pricing models, and adjusting in accordance with shifts in consumer demand, market conditions, or the competitive landscape. A noteworthy advantage of flexible billing logic lies in its capacity to empower organizations to offer tailored pricing options to their clientele. For instance, businesses can offer utilization-based pricing, wherein clients solely remunerate for the services they employ, while also presenting tiered pricing alternatives, wherein clients incur diverse expenses based on the feature package they opt for. (Patel 2017.)

Businesses can experiment with various pricing models and promotional offers utilizing adaptable billing strategies. To attract new customers businesses may offer free trial periods or reduced pricing for a certain duration. Companies can base the pricing of their products or services according to the fluctuations in the market or the competition. Organizations can utilize flexible billing logic to effectively manage uncertain circumstances like economic recessions or shifts in client demand, allowing them to pause subscriptions or provide discounts to consumers experiencing financial trouble. (Patel 2017.)

Organizations should possess the capability to experiment with promotional discounts and offer complimentary trials to adapt to emerging competitive challenges or client demands. They may opt to implement a subscription model that entails an initial fee,

followed by automatic price adjustments after a specified number of payment cycles. A good billing system should be adaptable enough to deal with rapid changes or unforeseen events, allowing firms to adjust their pricing strategies in response to client requests and market conditions. (Patel 2017).

4.4 PAYG (pay-as-you-go) Model.

Chargebee (2023) states that the pay-as-you-go pricing model is a versatile and consumption-based pricing strategy widely used across different industries, particularly in the domain of cloud computing and software services. In this approach, customers are charged based on their real-time utilization of a product or service, thereby offering a more personalized and cost-effective payment framework. Instead of committing to a fixed upfront fee or subscribing to regular payments, clients are only charged for the specific resources, features, or services they require on a need-based basis.

Chargebee (2023) states that the model's appeal is rooted in its cost-effectiveness, making it a perfect match for businesses with fluctuating or unpredictable usage. Pay-as-you-go pricing enables customers to adjust their usage according to evolving demands, in contrast to fixed or subscription-based models that require regular payments regardless of actual usage. This pricing strategy is ideally suited to the dynamic requirements of the modern technology and service industries, providing both scalability and cost-effectiveness.

Conversely, the Pay-before-Use method embodies the most straightforward strategy for organizing a Software as a Service (SaaS) subscription, wherein users pay a predetermined fee in advance for entry to the service before employing it. Although this pricing model proffers benefits such as sustaining a consistent revenue stream for SaaS providers and streamlining sales and communication procedures, it fails to establish a direct connection between fees and the tangible magnitude and excellence of service rendered. Consequently, it may not achieve an optimal equilibrium in attracting a diverse range of guaranteed clients. Chen (2023) suggests that this approach may hinder compliance with evolving service delivery standards and customer expectations due to its misalignment with the service industry's current focus on automated execution and ongoing service monitoring, particularly within the realm of flat-rate pricing.

A more customer-friendly and cost-effective subscription model includes a "Pay-as-You-Go" structure that corresponds to the conditions of the subscription agreement and real-use characteristics such as storage volume or CPU utilization. This payment option provides clients with additional flexibility, allowing them to exercise better control over their spending and personalize services to match their specific needs. SaaS companies increase their income potential and strengthen their market competitiveness using this strategy. This can be accomplished by more closely matching the cost of the service with its real usage and by giving clients the flexibility to scale their consumption according to their personal needs. This approach is particularly effective in sectors characterized by dynamic and variable demands. As a result, in the changing world of subscription-based services, the Pay-as-You-Go subscription model can be the alternative revenue model which can help the service providers to balance between customer empowerment and supplier competition. (Chen 2023.)

This pricing model is particularly developed for Software as a Service (SaaS) enterprises. For starters, it saves money by billing clients based on their actual consumption and matching expenses with the value they receive. This adaptability appeals to a broad client base and enables firms to minimize expenditures while adapting to varying workloads. Pay-as-you-go pricing also improves revenue stability by generating a regular income stream, which contributes to recurring revenue. It helps SaaS companies to remain competitive by providing a pricing strategy that changes in response to changing consumer preferences and market circumstances. Furthermore, the model's capability to generate data-driven insights may inspire service enhancements and resource allocation, enhancing customer happiness and retention. (Chargebee 2023.)

4.5 Conceptual Framework of This Thesis

A conceptual framework is a critical examination and summary of current research and academic papers on a particular topic. The literature discussed in section 4 investigates recurring pricing structures and their significance in the software business in the context of this specific issue. This literature review was used to build the conceptual framework. The conceptual framework with summary table and explanation is presented below.

Table 4. Summary of conceptual framework

4.1 Revenue Streams for SaaS	Types of SaaS Revenue Stream		
	4.2 Recurring Pricing Models	4.3 Flexible Usage-Based Pricing Model	4.4 PAYG (Pay-As-You-Go) Model
<ul style="list-style-type: none"> - Software Subscriptions - Pay-Per-Use Model - In-App Purchases - Premium Support - Advanced API Features - Additional Storage and Data Processing 	<ul style="list-style-type: none"> - Subscription Pricing - Usage-Based Pricing - Tiered Pricing 	<ul style="list-style-type: none"> - Simple Linear Charge Based on Usage - Flat Rate in Volume Subscription - Flat Rate Plus Overage Costs - Subscription Fee Progressively/Regressively on Consumption - Charge with a Volume Cap - Bucketed Pricing 	<ul style="list-style-type: none"> - Customer-centric Approach - Cost Saving - Scalable - Competitive Edge

Table 4 showcases the sections of the literature review done to identify the types of revenue streams for SaaS companies. The descriptions in detail can be found in section 4.1. Second, section 4.2 describes recurring pricing models. Thirdly, the types of flexible usage-based pricing model are explained in section 4.3. Lastly, PAYG model is defined in section 4.4 which is a variant of flexible pricing model. The summary of these sections is presented below.

The review of literature emphasizes the importance of managing recurring payments through a billing system, which can assist businesses in accurately billing customers

based on the pricing model, managing billing throughout the customer lifecycle, providing free trials and discounts to encourage acquisition and renewals, and supporting multiple payment methods. The assessment finishes by emphasizing the benefits of recurring pricing structures for organizations looking to build long-term relationships with their consumers. These approaches may deliver a steady supply of value to clients, improve customer experiences, and lower business expenses. The highlight of this conceptual framework was PAYG, a usage-based pricing model which can help software companies and other enterprises achieve long-term growth and profitability. The proposal was built using this conceptual framework which is presented in following sections.

5 Building Proposal for New Revenue Model Option

The proposal-building phase of the suggested new revenue model for the case software corporation is the subject of this chapter of the thesis. The findings from the current state analysis and the conceptual framework for existing knowledge, which were presented in the earlier sections of the thesis, serve as the foundation for the proposal-building stage. The findings from Data 2 and an overview of the proposal-building stage are included in the two sections that make up this chapter. The next parts will cover the initial proposal.

5.1 Overview of the Proposal Building Stage

The steps taken during the study's proposal-building phase start with the review of the results identified during the current state analysis. The primary weakness of the current revenue streams is a dependence mainly on the subscription-based model as the primary source of revenue for the company. Other two revenue streams currently do not play any visible role.

The best practices discussed in the preceding part related to what is required to develop a usage-based revenue model and how it is going to contribute to the overall revenue growth of the company. All these components were important for constructing the proposal.

Throughout the proposal creation process, the stakeholders played a role of key participants in forming the concept of new revenue streams in the context of the case company. The project team actively engaged the stakeholders in thorough consultations as the initial ideas took shape, with their inputs, thoughts, and viewpoints. Each participant in these proposal-building sessions had the chance to provide their specific feedback, which was recorded in field notes.

Each participant in these consultative sessions had the chance to provide their specific feedback, which was painstakingly recorded in field notes. The rich tapestry of input and comments from the stakeholders was captured in these field notes, which served as an exhaustive record of the talks.

The original agenda documentation was first made, along with a summary of the CSA's findings and existing knowledge conclusions. This was crucial since the final proposal

was based on the research that was carried out in the stages that followed the proposal-building stage.

Second, collecting data for Data 2 was carried out. Two internal stakeholder group meetings were included in Data 2. As each participant was required to study the agenda and offer their expectations and ideas for the proposal's content, these brainstorming sessions were crucial for the proposal-building stage. The participants went through each suggestion one by one and chose the best one based on the context of the company's service and the option's practicality and impacts.

Third, the Pay-as-you-go revenue model was chosen following the two rounds of discussion. This variant of the usage-based revenue model was favored by the stakeholders since this is a model where users accumulate costs for additional features within the software. During this final step, all the anticipated outcomes and impacts of this model were brainstormed by the stakeholders of this meeting. More about the contents of the initial proposal is presented in the section below.

5.2 Findings from Data 2

The input from the stakeholders matched the CSA's chosen emphasis area, which recognized transparency and sustainability as two important areas for development. These observations will act as the cornerstone for the proposal's construction, ensuring that it addresses the issues noted and takes stakeholder perspectives into account.

Table 5. Key stakeholder suggestions (findings of Data 2) for Proposal building in relation to findings from the CSA (Data 1) and the Conceptual framework.

	<i>Key focus areas from CSA (from Data 1)</i>	<i>Inputs from literature (CF)</i>	<i>Suggestions from stakeholders for the Proposal, summary (from Data 2)</i>
1	Case company utilizes traditional way (subscription-based) of revenue generation.	For a SaaS company, there are lots of ways to generate revenue.	The competitors are already using them, and we should explore those potential.
2	There are lots of user who just to pay for the features they use only	Usage-based revenue model works best for the companies that provide services like case company.	The usage-based revenue model works best for companies like ours and this can be perfect alternative to existing model.

3	There is need new type of revenue model which can co-exist with current model.	It is possible to offer multiple revenue streams for the customer at the same time.	For the initial phase, experimenting with PAYG model to the existing software is way to go.
4	Recurring Pricing Models	<p>Common Models</p> <ul style="list-style-type: none"> - Subscription Pricing - Tiered Pricing 	This is the existing model used in company and its important to maintain this even when the alternative models are implemented.
5	Flexible Usage-Based Pricing Model	<ul style="list-style-type: none"> - Billing Based on Consumption - Cost-Effective for Varied Consumption - Ideal for Seasonal or Budget-Conscious Clients - Customizable Billing Logic 	Implementation of this model will provide competitive-edge, revenue growth and data-driven insights to the company.
6	PAYG (Pay-As-You-Go) Model	<ul style="list-style-type: none"> - Type of Flexible Usage-Based Pricing Model - Ideal for Changing or Unexpected Workloads - Contrasted with Fixed or Subscription-Based Models - More Customer-Friendly and Cost-Effective - Matches Costs with Real Utility - Data-Driven Insights for Enhancements - Suited for SaaS Enterprises - Improves Revenue Stability and Competitiveness 	This model is advantageous to both company and users because it is customer-centric, scalable, and cost efficient.

Table 5 presents crucial stakeholder recommendations for constructing proposals by integrating insights from a Customer Satisfaction Analysis (CSA), the Conceptual Framework (CF), and stakeholder input (Data 2). The CSA emphasizes the case company's conventional revenue model based on subscriptions, while stakeholders propose investigating alternative revenue streams employed by rivals to maintain competitiveness. CSA identifies users who are inclined to remunerate solely for the features they utilize, while stakeholders advocate for the adoption of a revenue model based on usage, as it harmonizes seamlessly with the company's offerings.

Stakeholders suggest the implementation of a Pay-As-You-Go (PAYG) model in conjunction with the current revenue model to introduce adaptability. They emphasize the significance of preserving recurring pricing models, such as subscription and tiered pricing, when introducing alternative options. Implementing this variant of Flexible Usage-Based Pricing Model is believed by stakeholders to offer the company a competitive advantage, enhance revenue growth, and provide valuable data insights. The PAYG model is regarded as customer-centric, scalable, cost-effective, and capable of enhancing revenue stability and competitiveness for the company.

The improvement of the usage-based revenue model was one of the key achievements of this collaborative endeavor. All the recommendations and remarks made by the stakeholders were thoroughly examined and analyzed by the project team. Through this iterative approach, it was made sure that the revenue model was adjusted to best suit the requirements and conditions of the example company. In summary, the contributions of the stakeholders were crucial in shaping the revenue model to be as suitable as possible for the given context.

Additionally, the stakeholders' active involvement in the proposal's construction phase was of utmost strategic importance. The project team made sure that they were a part of this crucial stage to ensure that the final validation process would flow naturally into the overall development process. As it effectively became an integral component of the construction phase, this alignment was crucial in speeding up the validation process.

In conclusion, the stakeholders' dual involvement in the proposal creation process as contributors and validators was crucial in producing a proposal that was not only well-informed by a variety of perspectives but also expertly tailored to the requirements of the

case company. Their early involvement made the validation process run more smoothly and effectively, thus raising the likelihood that the implementation will be successful.

5.3 Initial Proposal

In the continuously evolving landscape of online invoicing and payment processing, flexibility is crucial to cater to the diverse needs of our extensive clientele while maintaining our competitive advantage. Realizing the necessity to promptly address changing market dynamics, we have proposed a strategic plan for our esteemed online invoicing enterprise - the implementation of a usage-based pricing model known as Pay-As-You-Go (PAYG). This innovative approach to pricing not only aligns seamlessly with current market trends but also offers numerous benefits for both our company and the valued clients we serve.

We understand that conventional pricing structures no longer work as organizations operate in an increasingly technologically advanced environment. In response to this paradigm shift, we have proposed a PAYG usage-based pricing model. This pricing model is ready to deliver the flexibility and customization that modern organizations require. It perfectly captures our dedication to adjusting to the always-changing environment of online invoicing and payment processing.

Traditional flat-rate pricing schemes might not always be able to satisfy our customers' diverse needs and usage patterns. It's time for us to accept this transition since many organizations are now looking for more adaptable and affordable solutions through usage-based pricing models.

Table 6. Aspects of the proposal.

	<i>Aspects</i>	<i>Description</i>
1	Model Overview	The PAYG model is a flexible and consumption-based pricing approach for our SaaS offerings.
2	Advantages	<ul style="list-style-type: none"> - Cost-effective for customers. - Aligns costs with actual utility. - Ideal for changing workloads. - Enhances revenue stability and competitiveness.

3	Key Features	<ul style="list-style-type: none"> - Customers pay based on actual usage. - Scalable and adaptable to varying workloads. - Offers data-driven insights for service enhancements. - Suited for SaaS enterprises.
4	Pricing Structure	<ul style="list-style-type: none"> - Variable pricing based on usage volume (e.g., data storage, API calls). - Transparent billing.
5	Customer Benefits	<ul style="list-style-type: none"> - Enhanced cost control. - Customized services based on needs. - No upfront fixed charges.
6	Business Benefits	<ul style="list-style-type: none"> - Predictable, regular income. - Competitive advantage. - More accurate resource allocation.
7	Data Analysis	<ul style="list-style-type: none"> - Regularly analyse usage data to fine-tune pricing tiers and ensure cost-effectiveness.
8	Customer Communication	<ul style="list-style-type: none"> - Clearly communicate the transition to PAYG. - Highlight benefits of flexibility and cost control.
9	Feedback Mechanism	<ul style="list-style-type: none"> - Establish channels for customers to provide feedback and report any issues with the PAYG model.
10	Monitoring & Adaptation	<ul style="list-style-type: none"> - Continuously monitor customer usage patterns and adjust pricing tiers accordingly
12	Competitive Analysis	<ul style="list-style-type: none"> - Assess how competitors are implementing PAYG models and adapt accordingly.
13	Risk Mitigation	<ul style="list-style-type: none"> - Implement clear communication to avoid customer confusion. - Continuously analyse data to prevent under-pricing or overcharging.
14	Key Performance Indicators	<ul style="list-style-type: none"> - Revenue growth over time. - Customer satisfaction levels. - Usage data accuracy.
15	Conclusion	<ul style="list-style-type: none"> - The PAYG model is a strategic move to stay competitive, meet customer demands, and drive long-term growth in the SaaS market.

Table 6 highlights the major aspects of the proposal with their descriptions. The PAYG model presents a customer-centric approach, wherein customers pay according to their actual usage and reap the advantages of scalability and adaptability to diverse workloads. It offers flexible pricing based on usage volume, encompassing data storage and API calls, with transparent billing, improved cost management, and personalized services tailored to individual requirements. By eliminating upfront fixed charges, this model guarantees a steady, foreseeable income for the company while providing a competitive edge. Continuous analysis of customer usage patterns enables accurate resource allocation and precise adjustment of pricing tiers, based on data-driven insights. It is crucial to effectively communicate the transition to PAYG, emphasizing its flexibility and cost control, while also establishing channels for customer feedback. Consistently monitoring competitors' implementation of PAYG models and adapting accordingly is essential to avoid under-pricing or overcharging. The overall impact is witnessed in the progressive growth of revenue, heightened levels of customer satisfaction, and the precision of usage data. The PAYG model represents a strategic step to maintain competitiveness, fulfil customer expectations, and foster enduring expansion within the SaaS market.

5.3.1 Key Advantages

Customers can align their expenditures with real usage by paying only for the number of invoices they produce or process via PAYG. Startups and small enterprises profit from cheaper entry costs because they only pay for the services they utilize. Customers can simply modify their usage based on their professional requirements, guaranteeing they never overpay for services they won't utilize. In a cutthroat market, adopting usage-based pricing promotes us as a creative and customer-focused business. Our customers' use and income contribution increases proportionally as they expand and grow. Pay-as-you-go pricing produces useful usage information that can guide product development, marketing plans, and consumer engagement initiatives.

The benefit that customers will see a greater correlation between the price they pay and the value they receive from your service is arguably the usage-based pricing model's largest strength. For assuring client happiness and, ultimately, customer retention, that is a good thing.

From the standpoint of many businesses, a usage-based approach is simpler to administer if consumption and value are both generally rising over time. This enables smaller businesses to use the product with less of an initial expenditure and pay more as they begin to realize its benefits. Businesses can have good Net Dollar Retention (NDR) metrics and organically expand as the customer base expands.

To forecast model adoption, it is helpful for customers to be able to foresee how much they will use and, consequently, how much they will spend. Predictability in this context does not necessarily imply consistency. With unexpected usage, there is a risk that customers would use significantly more than they anticipated, be dissatisfied that they must pay more, and leave the company as a result.

If the cost of your service needs to be divided among other divisions or departments, the consumption-based pricing model also deserves attention. Like the previous instance, a client may also be reselling your services, in which case it is simpler to pass along the expenses of a usage-based model as opposed to needing to prorate or amortize prices.

The company can use it to create more standardized and straightforward pricing throughout the whole service offering. Additionally, it might lessen the entry barrier for prospective new customers while making it easier for current customers to upgrade or test out new services. One of the key benefits of consumption-based pricing is that it offers a flexible option without requiring a commitment over the long term beforehand.

5.4 Summary of the Initial Proposal

The main benefits are outlined in this proposal. This strategy is anticipated to increase client happiness as well as our company's profitability and sustainable growth. We are looking forward to implementing this revolutionary pricing strategy. The aspect of proposal is summarized in the following table.

6 Validation of the Proposal

This section of the thesis focuses on the critical procedure of validating the proposal, which acts as an evaluation of the acceptability and viability of the proposed concepts and tactics. Here, we carefully consider how our major stakeholders saw the proposal and investigate the priceless input that was gathered throughout this crucial process.

6.1 Overview of the Validation Stage

The close connection between proposal creation and validation was demonstrated by the smooth integration of the proposal validation into the thesis 'Building the Proposal' part. This narrative explains how the major stakeholders, particularly the members of the monetization team, played a crucial role in this organized journey.

Through a planned series of evaluations, a fruitful conversation developed that was notable for both its insightfulness and its crucial contribution to the proposal's development. Stakeholders were able to provide priceless comments on the initial concept through discussion. They critically assessed many aspects of the plan, including its components, viability, and alignment with organizational goals, drawing on their significant experience and subject expertise.

The development of a feedback loop involving key stakeholders was important to the validation process. Each item of feedback, whether a suggestion, comment, or recommendation, was scrupulously logged and thoroughly analyzed. This iterative feedback process was the driving reason behind the proposal's continuous refinement. It guaranteed that the proposal remained dynamic and flexible, changing in direct reaction to the stakeholders' knowledge and insights.

In conclusion, including proposal validation in the thesis process demonstrated the importance of stakeholder participation in refining and reinforcing the strategic direction. The recommendation is ready, armed with an accepted proposal and a well-defined implementation plan, building on the collaborative efforts and insights.

6.2 Developments to the Proposal

When the idea was approved by the main stakeholders, it accomplished a crucial milestone. The document that resulted from the iterative process of feedback and modification was more than just a theoretical construct; it was the result of collaborative efforts, reflecting the monetization team members' combined expertise and consensus. This authorized version of the proposal was a watershed event in the thesis journey, symbolizing the convergence of disparate viewpoints into a united and verified strategic vision.

During the final validation phase, additional conversations with key stakeholders were undertaken, with a special focus on the project's execution strategy and timeframe. This phase successfully acted as a link between the formulation of the proposal and the implementation of the planned strategy. The ideas and feedback obtained during these discussions were critical in developing a practical and effective implementation strategy to steer the research team's strategic endeavors.

Table 7. Expert suggestions (findings of Data 3) for the Initial proposal.

	<i>Element 1 of the Initial proposal</i>	<i>Parts commented in Validation</i>	<i>Description of the comment/ feedback by experts (in detail)</i>	<i>Development to the Initial proposal</i>
1	Recommendation of PAYG as alternative revenue stream model	a) Include implementation strategy	The experts suggested to include clear implementation strategy to start the work immediately after the proposal is accepted.	Addition of implementation plan with process steps.
		b) Define project timelines	The experts suggested to define timeline and milestones of the project to have insights of ETA.	Timeline was created and added to the proposal.

As mentioned in table 7, The validation discussion raised need to add two essential sections which were missing in the initial proposal. These sections were the implementation strategy and the project timeframe. The addition of these sections made this phase highly effective. The implementation plan functioned as a practical blueprint, outlining the step-by-step execution of specified methods, including roles, responsibilities, resources, and dates. The project timeline supplemented this by providing a visual depiction of critical milestones and deadlines, increasing transparency,

and supporting successful project management. These additions together turned the plan from a theoretical framework to a detailed and executable strategic roadmap, indicating a critical leap from concept to implementation.

6.3 Final Proposal

The validation of the initial proposal, collection of Data 3, culminated in a discussion on the thesis outcome, and the recommendation for a usage-based revenue model. Because such projects have never been implemented inside the case firm, the potential implications and influence on the organization were also reviewed and speculated on.

The final proposal methodically summarizes the important findings gained from the initial proposal in the last validation phase of the research endeavor, compressing them into a clear reference point for the following activities. This comprehensive validation procedure highlighted a focus on ensuring that the plan could be quickly adopted and transformed into actual outcomes, therefore adding considerably to the organization's success.

Table 8. Implementation plan.

	<i>Steps</i>	<i>Process</i>
1	Market Research	Conduct thorough market research to identify customer segments that would benefit most from a PAYG model. Understand their needs, preferences, and price sensitivity.
2	Pricing Strategy	Develop a pricing strategy that reflects the value of our services while remaining competitive. Consider tiered pricing options, volume discounts, and introductory pricing plans.
3	Tech Integration	Ensure our invoicing and payment processing systems can support a PAYG model. This may require updates or integration with usage tracking tools.
4	Communication	Develop a comprehensive communication plan to inform existing and potential customers about the new pricing model. Emphasize the benefits of PAYG pricing.
5	Customer Support	Enhance customer support resources to assist customers in understanding and optimising their usage to maximise value.
6	Data Analytics	Implement robust data analytics tools to track and analyse customer usage patterns. Use this data to refine pricing tiers and offerings.

As mentioned in table 8, the implementation plan explains action steps for integration of this revenue model which includes market research, pricing strategy, technology integration, communication, customer support and data analytics.

The implementation plan for introducing a Pay-As-You-Go (PAYG) model in the company entails executing a sequence of strategic steps. Initially, comprehensive market research is undertaken to precisely identify the customer segments that would reap the utmost advantages from the PAYG model. This necessitates obtaining a profound comprehension of customer requirements, inclinations, and their responsiveness towards pricing frameworks.

After conducting market research, the next important task is to formulate a comprehensive pricing strategy. This strategy must effectively determine the cost of the services provided while simultaneously maintaining competitiveness. The pricing of the service offered are largely dependent on various factors such as tiered pricing alternatives, volume discounts, and introductory pricing schemes. This should be carefully determined because the customers of the company have diverse range.

Ensuring that the company's technical infrastructure is well-equipped to handle the PAYG model is an important aspect of this implementation plan, which may require updates and integration to the current software provided. The inclusion of usage tracking tools to precisely measure and bill for customer consumption is crucial part. Furthermore, a robust data analytics tools should be employed to monitor and measure customer usage patterns, enabling the refinement of pricing tiers and offerings, thereby ensuring the PAYG model's competitiveness and alignment with customer requirements.

The successful adoption of the PAYG model relies on effective communication. The company must formulate a comprehensive communication plan that efficiently educates both current and prospective customers about the new pricing model. Emphasizing the advantages of PAYG pricing is important to make the service attractive and easily understood.

In present conditions of case company, the customer support resources must be improved to help customers in understanding and optimizing their usage to maximize value. This includes providing guidance on effectively utilizing the PAYG model and

ensuring that customer support teams are adequately equipped to handle customer inquiries.

In summary, this implementation plan includes the strategic measures required to effectively introduce a PAYG model in the case company, spanning from market research and pricing strategy to technical integration, communication, customer support, and data analytics.

During the validation phase, the need for concrete timeline was also raised. After the discussions with stakeholders, the following timeline was suggested. The implementation timeline for the PAYG Usage-Based Pricing Model will span six months, with the following milestones:

- Months 1-2: Market research and pricing strategy development.
- Months 3-4: Technology integration and system updates.
- Months 5-6: Communication plan execution, customer support enhancement, and data analytics implementation.

After multiple reviews, the final recommendation proposal was made in a presentation format which will be presented to management and the final decision-making team of the case company. A copy of the final proposal is attached to this thesis (Appendix 1).

7 Conclusion

This chapter within the thesis serves as a comprehensive summary and evaluation of the entire study, encompassing the journey from defining its objectives to the outcomes achieved.

7.1 Executive Summary

The case company in this thesis is a successful invoicing and financial management software firm founded in 2009, headquartered in Espoo, Finland, with approximately 40 employees spanning software development, customer service, and management roles. Their mission is to empower small business owners across Europe by simplifying administrative tasks and offering features like invoicing, real-time tracking, expense management, and automated reminders. This service addresses common challenges faced by SMEs worldwide, such as client targeting and navigating international regulations, enabling business owners to focus on their core services and operate efficiently without establishing in-house accounting departments. Freelancers, IT professionals, consultants, and individuals are the main customers of the case company. The software's purpose is to streamline processes and empower entrepreneurs to pursue their aspirations. The case company, despite its established presence in the market, is currently underutilizing potential revenue streams. There is a strategic imperative to diversify revenue sources while ensuring compatibility with the existing revenue model and a swift, cost-effective implementation. A paramount concern is to avoid disrupting the current customer base and their behaviors.

This study is centered on the exploration of viable revenue streams for the case company. The primary objective is to identify new revenue streams capable of bolstering earnings growth. The study aims to provide recommendations for implementing these new revenue streams, which should complement the existing subscription-based model without adverse effects on customer behavior. The thesis research employs both qualitative and quantitative methods. The qualitative research consisted of in-depth discussions with relevant stakeholders while the quantitative research consisted of parts of an annual customer survey, which was addressed to the decision-makers of the case company.

Second, the thesis contains an analysis of existing knowledge, which also contains best practices, about various options for revenue generation in a software service business (SaaS). The third step centered on an investigation into existing knowledge, encompassing an exploration of contemporary research and best practices related to discovering novel revenue models that had already been implemented by other enterprises. This effort materialized in the development of a conceptual framework, laying the foundation for the exploration of a new revenue model plan. The fourth step was dedicated to crafting a recommendation report comprising multiple revenue model options. An in-depth analysis of their potential impact on the company's revenue growth and challenges followed. Data 2 collection, coupled with insights gleaned from step 3, informed this phase, culminating in the creation of the initial draft of the new revenue model plan. Data 2 was obtained through interviews with key stakeholders and meticulously documented as field notes. The proposal was founded on the results of the then-current state analysis, as well as select best practices and input gathered from the company's stakeholders and staff. Finally, the fifth and ultimate step, proposal validation, was initiated. This phase involved validating the revenue stream recommendation plan. Data 3 acquisition, like Data 1 and Data 2, was conducted through interviews, with findings diligently recorded as field notes. Importantly, the revenue streams recommendation plan underwent validation by key stakeholders who were tasked with approving the study's outcomes. In cases where approval was not granted, necessary modifications or updates were made based on the feedback obtained during Data 3 interviews, ensuring a comprehensive and rigorous research process.

After conducting a comprehensive analysis of the strengths and weaknesses of the chosen tiered subscription-based revenue model, the study shifted its focus towards devising solutions to mitigate its shortcomings. The examination of the current state uncovered the fact that the case company's subscription model was perceived as costly by the target user group, discouraging potential customers from subscribing and leading to a high churn rate among existing paying customers. Furthermore, the company's heavy reliance on this tiered subscription-based model as its sole revenue source raised concerns due to its associated business risk. Consequently, the study had an urgent imperative to explore and implement alternative strategies to address these issues and diversify the company's revenue streams. The study aimed to identify and suggest efficient remedies for the present challenges, thereby improving the overall sustainability and development of the company.

During the stage of constructing and validating the proposal, it was determined to utilize a pay-as-you-go (PAYG) model. This model, a variant of the usage-based revenue model, involved users accumulating costs for additional features within the software. The key benefits of this strategy were outlined in the proposal, with expectations of enhancing customer satisfaction, boosting company profitability, and promoting sustainable growth.

In summary, the proposal describes the need for the PAYG revenue model as it is a strategic move to meet the evolving demands of our customers and solidify our position as an industry leader. This proposal outlines the key advantages and an actionable implementation plan. It is also mentioned that this model will not only enhance customer satisfaction but also drive sustainable growth and profitability for the case organization. The company had eagerly looked forward to the implementation of this innovative pricing strategy.

7.2 Managerial Implications

To proceed, we must undertake a thorough and all-encompassing market analysis to lay the foundation for implementing the Pay-As-You-Go (PAYG) pricing method. The primary objective of this investigation is to pinpoint specific consumer demographics that stand to derive the greatest benefit from adopting the PAYG model. It will go further into knowing their specific demands, preferences, and pricing sensitivity. We want to get significant insights into the target audience through careful market study, which will serve as the foundation for the succeeding phases in our execution strategy.

The development of an appropriate pricing plan is critical to the successful implementation of the PAYG model. The aim will be to devise a pricing structure that not only appropriately reflects the underlying value of our services, but also remains competitive in the market. Tiered pricing choices, volume-based discounts to encourage larger-scale consumption, and introductory price plans to ease the transition for new consumers will all be part of this strategy. Our pricing approach will prioritize striking the correct mix between value and affordability.

To integrate the PAYG model into our operational framework, we must guarantee that our invoicing and payment processing technologies are fully capable of supporting this novel pricing method. Our implementation strategy relies on actively modifying systems

and engaging with specialized usage-tracking technologies. The smooth transition for both our staff and clients is guaranteed through the seamless integration of technology. Educating our existing and prospective customers about the implementation of the PAYG pricing model necessitates a robust and comprehensive communication strategy. Ensuring that our clients comprehend the benefits of this novel pricing strategy necessitates effective communication.

As we launch the PAYG model, we recognize the importance of bolstering our customer support capabilities to cater to the needs of our clientele. We acknowledge that customers may have inquiries and require guidance to maximize the benefits of our services. Hence, we are committed to enhancing our customer support proficiency and equipping our staff to provide invaluable assistance and empowerment to our clients throughout this transition.

We will utilize robust data analytics technologies to monitor and analyze client usage trends as part of the implementation strategy. These tools will provide vital insights into the interactions of our PAYG consumers with our services. The gathered information will be employed to enhance our price tiers and products, enabling us to consistently adapt our approach to align with the evolving demands and preferences of our client base. Data-driven decision-making is crucial for the success of our PAYG model deployment.

In summary, our implementation approach encompasses thorough market research, meticulous price strategy formulation, seamless technology integration, meticulous communication planning, enhanced customer service, and comprehensive data analytics. It is intended to allow the smooth implementation of the PAYG pricing model, eventually benefiting our consumers while enhancing our market position.

7.3 Thesis Evaluation

The primary objective of the thesis was to explore potential avenues for increasing the case company's revenue. The culmination resulted in a recommendation to incorporate an alternative revenue model alongside the existing one.

To ensure the research's construct validity, multiple methods of data collection were employed, encompassing interviews and workshops, drawing from diverse data sources.

The internal validity was substantiated through validation by the case company itself, affirming the practical applicability of the proposed usage-based revenue model plan within the organization. Importantly, the final recommendation presented in the thesis, advocating the adoption of an alternative revenue model, possesses relevance beyond its immediate context, indicating a positive external validity. These collective measures serve to ensure the validity of the study.

Ultimately, the study equips the case company with a tangible blueprint for the implementation of best practices in revenue generation. The data and information gathered for this research were derived from reliable sources and key stakeholders, imbuing the study with credibility and reliability.

7.4 Closing Words

The concluding section of this thesis serves as a platform for my reflection on the thesis-writing process and its broader implications. The challenge addressed in the business case transcends the confines of the case company; it is a challenge that resonates with organizations worldwide. The proposed Pay-As-You-Go (PAYG) usage-based pricing model has been strategically designed to align with the evolving demands of contemporary organizations. In contrast, traditional flat-rate pricing schemes often fall short of accommodating the diverse and dynamic requirements of customers, particularly when it comes to varying usage patterns. This discrepancy has spurred a growing trend among organizations, where they are actively seeking more flexible and cost-effective solutions offered by usage-based pricing models.

The outcome of this thesis, coupled with the feedback received from within the case company, has proven to be immensely gratifying. The tangible result, in the form of a concrete and pragmatic plan designed to generate value for the business, is a rather exceptional achievement. The journey of crafting this thesis was undeniably lengthy and occasionally challenging. It demanded a considerable investment of time in identifying appropriate sources of best practices and subsequently translating these insights into actionable solutions applicable to the case company's context.

From a personal perspective, this master's thesis writing process has been a profound learning experience. I have come to appreciate the structural framework of the thesis, notably the gate model, which possesses applicability beyond the academic realm and can be effectively implemented in various development scenarios. Additionally, I have acquired expertise in a subject matter that is currently reshaping the world, an opportunity for which I feel exceptionally privileged.

Ultimately, the benefits of this thesis extend beyond the realm of academia. My employer stands to gain significantly from the thesis's outcomes, potentially instigating lasting transformations in how software companies can explore new streams of revenues based on their business context. I firmly believe that this thesis yields advantages for all parties involved, contributing positively to the broader landscape of revenue stream models.

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Final Proposal – Usage-Based Revenue Model (PAYG)



Background of Proposal

- ▶ A need for new revenue revenue model that could co-exist with current model was raised by CSA.
- ▶ Literature review and conceptual framework pointed out that there are many types of revenue models that SaaS companies (like the case company) can implement for its revenue growth.
- ▶ PAYG usage-based revenue model is selected as the best solution.

Why PAYG?

-  Conventional pricing structures are no longer suitable in today's technologically advanced environment.
-  The proposed PAYG usage-based pricing model is designed to meet the needs of modern organisations. Many organisations are seeking adaptable and cost-effective solutions through usage-based pricing models.
-  The model offers flexibility and customisation. It demonstrates the commitment to adapting to the evolving landscape of online invoicing and payment processing.
-  Traditional flat-rate pricing schemes may not cater to diverse customer needs and usage patterns.

Key Advantages of PAYG

CUSTOMER-CENTRIC APPROACH

PAYG allows customers to pay only for the number of invoices they generate or process, aligning their costs with actual usage.

COST SAVINGS

Small businesses and startups benefit from a lower entry cost, paying only for the services they actively use.

SCALABILITY

Customers can easily adjust their usage based on their business needs, ensuring they're never overpaying for unused services.

COMPETITIVE EDGE

Embracing usage-based pricing positions us as an innovative and customer-focused company in a competitive market.

REVENUE GROWTH

As our customers grow and expand, their usage and revenue contribution increase proportionally.

DATA-DRIVEN INSIGHTS

PAYG pricing generates valuable usage data that can inform product development, marketing strategies, and customer engagement efforts.

01

Market Research

Conduct thorough market research to identify customer segments that would benefit most from a PAYG model. Understand their needs, preferences, and price sensitivity.

02

Pricing Strategy

Develop a pricing strategy that reflects the value of our services while remaining competitive. Consider tiered pricing options, volume discounts, and introductory pricing plans.

03

Tech Integration

Ensure our invoicing and payment processing systems can support a PAYG model. This may require updates or integration with usage tracking tools.

The implementation timeline for the PAYG Usage-Based Pricing Model will span six months, with the following milestones:

- Months 1-2: Market research and pricing strategy development.
- Months 3-4: Technology integration and system updates.
- Months 5-6: Communication plan execution, customer support enhancement, and data analytics implementation.

Implementation/Action Plan

Communication

Develop a comprehensive communication plan to inform existing and potential customers about the new pricing model. Emphasise the benefits of PAYG pricing.

04

Customer Support

Enhance customer support resources to assist customers in understanding and optimising their usage to maximise value.

05

Data Analytics

Implement robust data analytics tools to track and analyze customer usage patterns. Use this data to refine pricing tiers and offerings.

06



SUMMARY

Summary of Recommendation to the company

- Implementation of Pay-As-You-Go Usage-Based Pricing Model is a strategic response to evolving customer demands.
 - Aims to establish the company as an industry leader.
 - Proposal outlines key advantages and an actionable implementation plan.
 - Expected to enhance customer satisfaction.
 - Anticipated to drive sustainable growth and profitability.
 - Encourages feedback and collaboration to bring the pricing model to life.
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