



Pricing strategies for paid content

How to boost margins with professional pricing

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Vocatus is the leading research and consulting company in psychological pricing

- **Our USP:** Experts in psychological pricing.
We understand that consumers act in predictably irrational ways.
And we know how to leverage this with smarter pricing strategies.
 - **Awards** for our approach to Pricing:
 - 2005 German Market Research Award: 'Best Study'**
 - 2006 ESOMAR nomination: 'Fernanda Monti Award'
 - 2007 ESOMAR nomination: 'Excellence Award'
 - 2008 Nomination for German Market Research Award: 'Best Study'
 - 2010 German Market Research Award: 'Best Study'**
 - 2010 ESOMAR Award: 'Best Methodological Paper' (Congress)**
 - 2011 ESOMAR nomination: 'Excellence Award'
 - 2011 Nomination for German Market Research Award: 'Tool'
 - 2012 Nomination for German Market Research Award: 'Innovation'
 - 2012 ESOMAR Award: 'Research Effectiveness Award'**
 - 2012 ESOMAR nomination: Best Methodology'
 - 2012 „Best German Research Institute“ (maktforschung.de)**
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Even though our individual price optimisation projects have varied greatly, there are a number of fundamental insights

Fundamental insights: print

- Soundly based pricing research is indispensable because **using 'rule of thumb' to decide upon price increases is doomed to failure**

**Payback of project investment is
between 1 day and a few weeks
ROI between 600 and 30,000% p.a.**

- **Publishing companies play a much more active role than they suspect when it comes to determining price sensitivity:** unnecessary price wars vs. deliberate development of relative price acceptance
- The basis of any optimal pricing strategy is always a **soundly based understanding of the role of price within the decision and usage processes**
- **The core asset of media is habit** – this has existed in print for a long time and helps preventing the negative side-effects of the classical marketing approaches

What is true for print pricing is also true for e-publishing but with different implications because of two key differences

Focus: Apps

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Price acceptance differs in accordance with how users 'mentally position' the app

Price acceptance and mental positioning

Mental positioning of Apps



Resultant price acceptance

'Expensive' curve

'Cheap' curve

Extended print edition
26%

Don't know
31%

% respondents

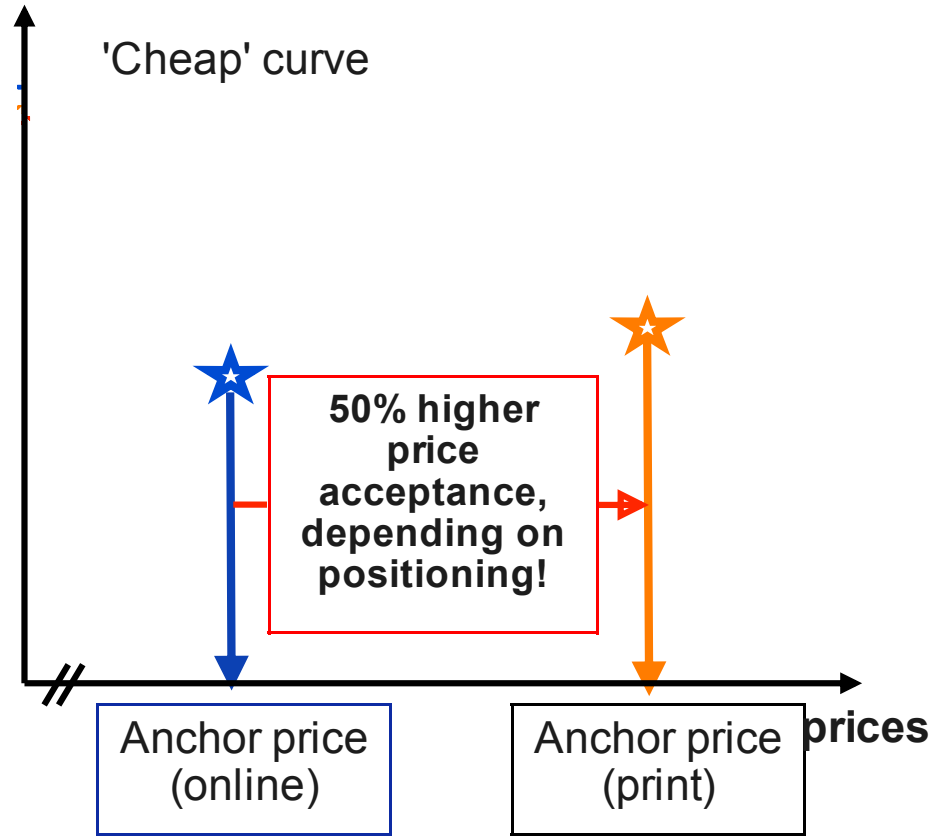
50% higher price acceptance, depending on positioning!

Alternative online edition
43%

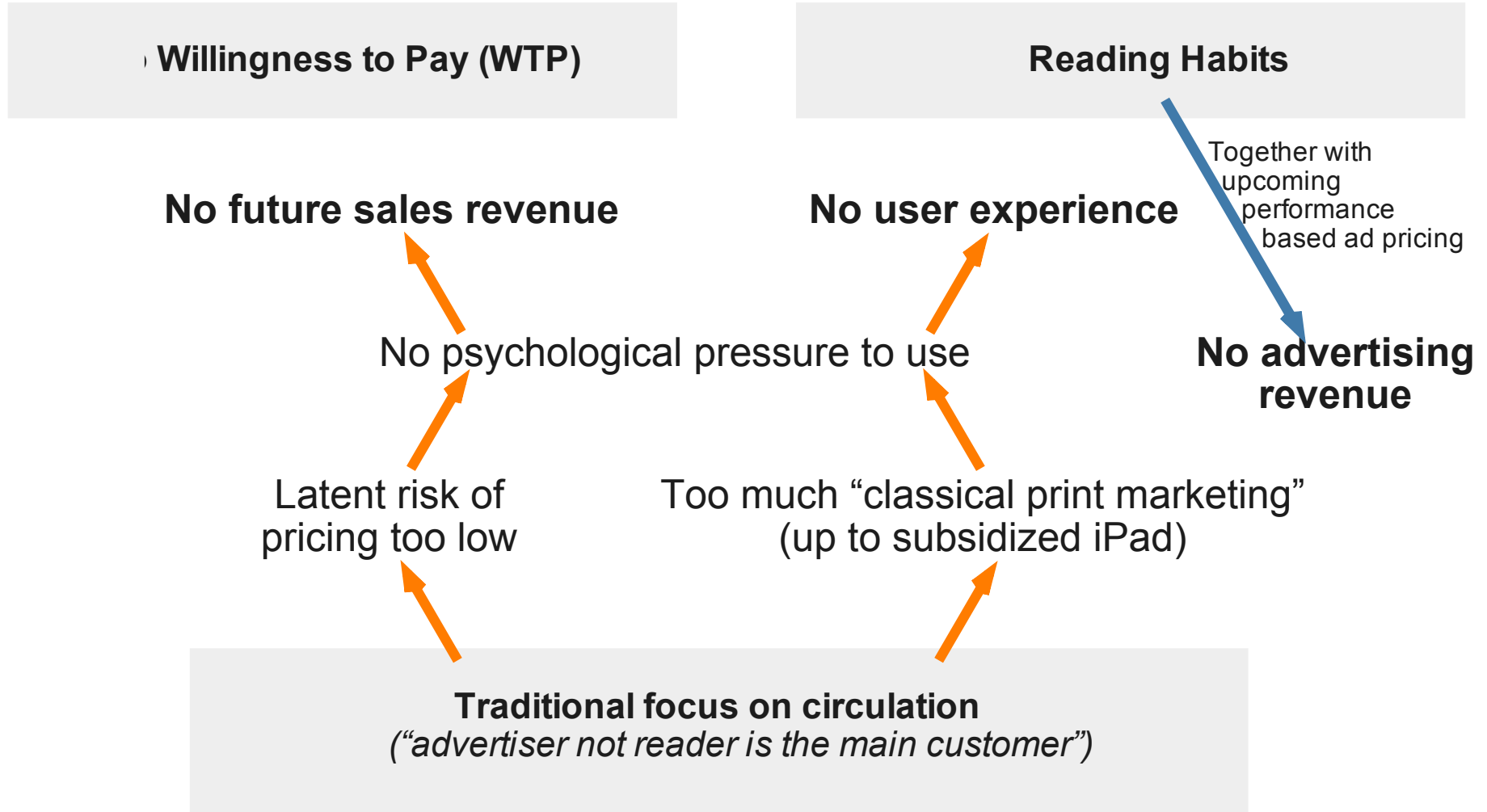
Anchor price (online)

Anchor price (print)

prices



Developing WTP and habit is often not seen as a core target and more often counteracted by too much focus on circulation



What is true for print pricing is also true for e-publishing – but with different implications because of two key differences

1. Willingness to Pay (WTP)

- There is no pre-existing WTP for an unknown product (no reference point)
- Hence, the first task is not to measure but to actively develop WTP
- Therefore is critical to understand and actively manage the initial “Mental Product Positioning”
- From there we should rather skim than start too low as WTP **is not absolute but relative**

2. Reading Habits

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Successful e-publishing products are building and gradually evolving print reading and purchase habits

Habit development and its implications

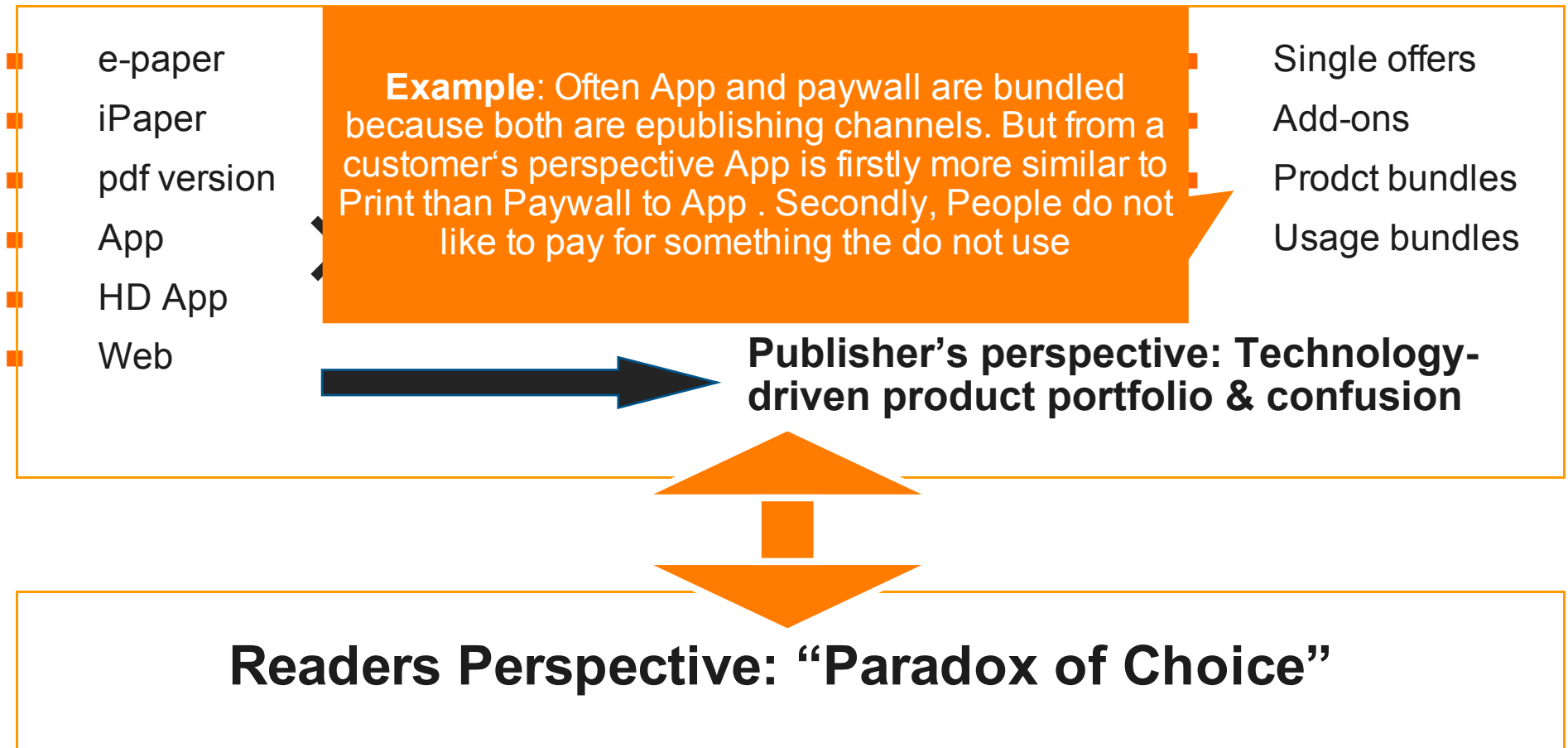
- **Strategic position** of e-publishing products is often undefined
- e-publishing products must be **more clearly differentiated and more explicitly communicated**
- **It's easier to learn new habits if old ones can be 'transferred'** (PDF as 'killer app')
- Success is **less driven by “innovation” than by “evolution”**
- **Most important challenge comes after download**



Habit

A lot of hurdles are home-made and a consequence of fundamental ignorance of customer needs

Product confusion



To make this point even clearer:

Can I just ask you something about your approach...?

Product confusion

- Which of you has an ePublishing product?
 - Who tested the product professionally before its launch?
 - Who systematically evaluated the most important "moments of truth" (download, initial reading, etc.) and the first time they used it?
 - Who—at any point—asked current users...
 - ...whether they actually used it?
 - ...whether they were satisfied?
 - ...how they used it in conjunction with other channels?
 - Who—at any point—asked current non-users...
 - ...whether they were aware of / had tested the product offer?
 - ...whether they understood the product offer and the product differentiation?
 - ...why they hadn't used it previously?
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Often, the issue isn't the “pay”, it's the “wall”

Habit development and its implications



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 - **Payment habits, contexts and ergonomics are often more crucial than actual costs**
 - **Online purchase is still too different** from the well-trained offline one (e.g. pull versus push)
 - **Basic service standards are often not satisfied in e-publishing** (e.g. depth and clarity of price and transaction information)
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Finally, portfolio thinking offers new strategic dimensions which can be used for pricing if one understands pricing psychology

Case study: media

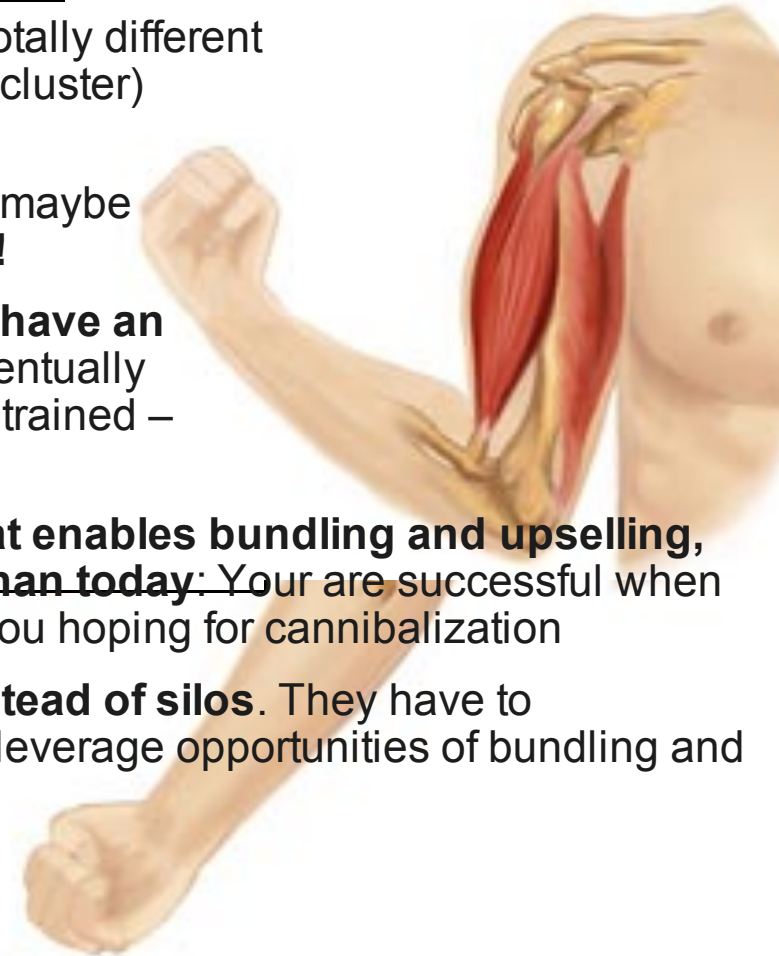
■	Economist e-paper subscription	\$ 59,-	Choice (%)	Av. revenue: ca. \$ 114,-
■	Economist print subscription	\$ 125,-	16%	
■	Economist e-paper & print subscr.	\$ 125,-	0% 84%	

■	Economist e-paper subscription	\$ 59,-	You might think that an option that nobody buys is dispensable, but...	Av. revenue: ca. \$ 80,-
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Great challenges provide even greater opportunities!

Key take-aways

1. **e-publishing is not about content it's about developing and shaping new habits** – in every respect: Price, Payment & Product: Classical print marketing approaches as well as the focus on circulation are counter-productive
2. **Challenges and challenges** for each channel are totally different (“e-publishing” is in no respect a homogenous product cluster)
3. **E-publishing has to be developed outside-in** – publishing houses must learn to listen to their readers; maybe for the first time ever! **There are tools for it! Use them!**
4. **Willingness to pay must be developed, here you have an active role:** Don't think of WTP as a "tank" which is eventually empty, it is much more like a "muscle" which has to be trained – or it may go flabby if it doesn't get a vigorous work-out
5. **Price/product structure is a huge opportunity that enables bundling and upselling, given that customer needs are better understood than today:** You are successful when you have implemented a pricing structure that makes you hoping for cannibalization
6. **Publishing houses need to think in portfolios instead of silos.** They have to differentiate, explain and manage product portfolios to leverage opportunities of bundling and upselling



To make a long story short:

**Forget all
“top-down”, greenfield, gutt-
feeling decisions about product
and pricing!** (No matter how smart
they might seem to be)

Stop copying the competitor!

**Start by understanding your
customer!** (even if it is the
first time ever)

Thank you for your kind attention!



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