

A Playbook to Scale Your Subscription Business

Chargebee

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by **aws**





The Trial and Pricing Playbook for Subscription Businesses

Chargebee

As exciting as starting your own subscription business can be, many disconcerting questions usually engulf those bouts of excitement. Leaving you to question if it's exciting at all. How many plans should I have, to go after each of my target customer segments? How should I price these plans? Should I offer free or paid trials? Monthly vs. Annual Billing - which will work better for me?

And even if you were to analyse thousands of subscription businesses, condense all the learnings and assumptions derived from their journeys into lessons, you'd still be unable to pick that one rule that will just work.

That's because you will keep discovering new assumptions that will challenge and uproot your existing notions, along the way.



This guide will be your ideal travel companion for this journey. The chapters in this guide will

- Walk you through some useful pricing and trial strategies
- Give you a holistic view of all the pricing models and how they're used
- Highlight the pros and cons of choosing different billing periods
- Enable you with tips of how and when Chargebee can help

This guide is definitely not the be-all and end-all of how you should approach your pricing and trial strategy. Even if it serves as a mere catalyst that gets you started at the right point in your growth trajectory, we'll consider our job here is done.



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Chapter 1

Pricing and why it's super important to get it right



Pricing models

How you charge is as important as how much you charge. And when you're just starting out, figuring out how much to charge isn't easy either.

The most primitive way to charge, of course, is to add an additional cost on top of how much it costs to provide the service. This is called cost-plus pricing and is barely functional in the SaaS and Services realm. Here's why: what happens when you've identified a marketing channel that works for you and you want to increase your spend on it? What happens when there's a new hire? Your costs are bound to continually increase, and it's hard to tune your pricing proportionally along with it.

Then, there's **competitor-based pricing**. From spending a couple of minutes on your competitor's pricing page, you can get a ballpark figure of how much you should price your product. The logic behind it, is that if a customer is willing to spend \$400 on a similar product, they should be willing to spend the same (if not more) on a better product, right?



This is the easiest way to determine your pricing, with no mind-boggling mathematics involved - just logical decisions based on where your product sits in the market.

But basing your pricing on someone else's strategy means you're building on top of a slippery slope. With no real understanding of which customer segment you're selling to and how much they're willing to pay for the value you offer, it's extremely hard to develop a foolproof product and pricing vision.

And then we have a pricing strategy that almost every SaaS pricing connoisseur swears by - **value-based pricing**. And they all believe that determining the right value-metric is critical to ensure that your pricing will scale with your growth.

This could easily be called "**Customer-Based Pricing**" because that is effectively what it is. Instead of looking inwardly at your own company, or laterally towards your competitors, with value-based pricing you look outward.

Patrick Campbell, Anatomy of SaaS Pricing Strategy



Patrick Campbell of Price Intelligently, shrinks all of his research on pricing into three digestible points, all of which we agree with.

- Don't send your customers off to refresh their mathematical skills. Keep it simple and easy for them to understand.
- Align your pricing with the value your customer receives. Run smart surveys to figure out how customers perceive each feature.
- Pick a value metric that scales with customer's usage of your product.

Pricing can seem overwhelming. Even more so when you're starting up a business. The rest of the chapter is aimed at sharing simple and hard-hitting pointers on pricing for you to take away. And tips on how you can totally belt out witty pricing experiments in your own personal laboratory that is Chargebee.

Read on to understand the different possible types of billing models for a SaaS product and how Chargebee can help you implement all of them.



Freemium Model

“Free” draws in users. The freemium model is built on this very idea. Lure in users to try your product, and give them enough reason to stay while also leveraging your product’s viral nature to get the word out.

Fictitious Scenario: WordBuild, a content management system lets you use their service for free forever. But curbs freemium users from having their own domain and access to 1000+ plugins.

Use it to: Gain market share. Let more customers use your product with essential features and load up premium features in paid plans. Test your product in a new market, by analyzing user behavior.

Use it if: Your product has the seeds of in-built virality and can be used as a branding tool in itself. Or if it’s a DIY product/service where the cost of servicing a new customer is close to nothing. Your product caters to a large market with a large number of potential users.

Ex. Evernote, the note-taking app’s Basic plan costs zilch, yet it adds massive value. And for people who go on to become power users, they offer two (Premium and Business) paid plans to serve their growing needs.





How can Chargebee help?

With Chargebee, you can easily create a freemium model by setting the Plan price to '0' and billing cycle to 'forever'. [Here's how you do it →](#)



Pay per quantity Model

Price based on a primary metric that represents quantity instead of features, like no. of seats or no. of emails. This one's a favorite in the Helpdesk and CRM space.

Fictitious Scenario: TicketIt, a helpdesk ticketing software has Team, Professional, and Enterprise tiers. Their pricing model is designed such that the total cost will depend on the number of seats chosen in each category.

Use it to: Offer customers a predictable cost that scales with their business. Have the customer move up the tiers automatically - where the upsell takes care of itself.

Use it if: There is a clear way for you to scale with the number of users. Your target market is comprised of large organizations that are likely to use multiple units.

Ex. Help Scout, a helpdesk software limits its free plan for 2 users, after which it starts billing them at \$20/user/month.





How can Chargebee help?

Chargebee lets you create per-unit subscription models with easy means to add and remove user licenses at any time. [Here's how you do it →](#)



Pay per active user Model

Adding a slight tweak to the pay per user model, charge only for the number of users who've actually used the application at least once during the billing period.

Fictitious Scenario: InsideChat, a communication platform that includes messaging, video calls, and voice over IP features charges on a per-user basis taking into account only those users who have been active at least once during this time.

Use it to: Persuade larger enterprise customers to sign up for annual subscriptions by setting an assuring tone that they will only pay for what they use.

Use it if: Your target is large companies with a wide scope for your product's adoption.

Ex. Slack, a team collaboration tool, has a per active user pricing and merits a mention for its fair billing policy. And if someone who has already been paid for becomes inactive, Slack will even add a prorated credit for the unused time.



Flat-fee Model

Charge a flat recurring fee for a single plan or product. The simplicity this offers can be an asset for some products and the opposite for others.

Fictitious Scenario: SocialGo, a social media management platform, has a very direct pricing model. They charge their customers a recurring fee based on the plans chosen.

Use it to: Generate consistent revenue from customers, which in turn makes sales forecasting simpler. Cater to risk-averse consumers who don't like surprises.

Use it if: You have a product that can be bundled for different customer personas and features, where you can align your bundled offering with different fixed pricing tiers.

Ex. Hubspot, a marketing automation tool, has three different pricing tiers for Starters (\$50/month), Professionals (\$800/month), and Enterprises (\$3,200/month).



Pay As You Go or Usage-Based Model

Charge based on usage. There are three ways to charge when you opt for usage-based pricing - Tiered, Volume, and StairStep models.

Use it to: Make your customers pay the exact dime for what they use (value-based pricing). Have flexibility in your pricing - adjust usage offers according to demand and competition.

Use it if: You can pin your product's value down to exact figures, delivered in terms of, let's say storage capacity, or a similar metric.

1. Tiered model

The Tiered Model is a means of providing products or services at different price points. In this type of pricing model, the product rates are bundled into separate pricing tiers. Based on the quantity the customer chooses, a different price will be charged depending on the tier that it falls under.



Fictitious Scenario: ManageWiz, a product management tool for businesses, offers licenses for small and large teams at flexible prices. The final charge will depend on the per unit price defined for the corresponding license's tier.

Tier	→	Quantity	→	Price
Tier 01		01 - 20 units		\$15/ unit
Tier 02		21 - 25 units		\$10/ unit
Tier 03		26 - 30 units		\$08/ unit
Tier 04		31+ units		\$05/ unit

Case 1: For a subscription created with just 10 units in the above pricing scenario, an invoice will be generated for \$150 (10 x 15\$)

Case 2: For a subscription created with 50 units, an invoice will be generated for a total cost of 490\$

The breakdown of the charges can be understood like this:
 (20 x 15\$) + (5x 10\$) + (5 x 8\$) + (20 x 5\$)



2. Volume model

Volume Pricing defines the price of the product with respect to the quantity purchased. Typically, the product price decreases with increase in quantity. The more the merrier (cheaper) holds true here.

Fictitious Scenario: DrewCraft, a UX prototyping tool for designers, offers single and multi-user licenses for businesses. When a user signs up for the product, he can choose the number of licenses he wants to subscribe for. The price depends on the pricing tier the total number of licenses fall under.

Volume	→	Quantity	→	Price
Volume 01		01- 05 units		\$10/ license
Volume 02		06 - 10 units		\$08/ license
Volume 03		11 - 16 units		\$06.50/ license
Volume 04		16+ units		\$06/ license

Unlike Tiered Pricing, where the product price of each unit may differ based on the unit range, in the case of Volume Pricing, all units of the product will cost the same.



Case 1: For a subscription created with 5 units, all units will be charged \$10 per unit, as they will fall into the ‘volume 1’ category. And an invoice will be generated for a total amount of \$50 (5 x \$10)

Case 2: For a subscription created with 20 units, all units will be charged \$6 per unit, as they will fall into the ‘volume 4’ category. And an invoice will be generated for a total amount of \$120 (20 x \$6)

Ex. Sketch, a design toolkit, has a volume-based licensing model and charges \$89 per license per month for up to 2 licenses and the price drops to \$69 per license per month for more than 20 licenses.





How can Chargebee help?

Chargebee has the power to take you tiers, volumes and stair-steps closer to flexible pricing. With complete freedom to combine and permute different pricing models for Plans and Addons, if there's a pricing model you have in mind - Chargebee lets you realize it. [Here's how you do it →](#)



3. Stair-Step Model

Assign a price point to a range instead of a unit. A mainstay of the telecom sector, this model's central gift to customers (and business owners) is certainty.

Fictitious Scenario: Trello, an API platform for WhatsApp messaging, has categorized pricing into different ranges. Every range is tagged at a fixed price. And the plan chosen will reflect that price, irrespective of the usage.

Steps	→	Range	→	Price
Step 01		01 - 10 units		\$5
Step 02		11 - 50 units		\$25
Step 03		51 - 300 units		\$50
Step 04		301+ units		\$125

Ex. Postmark, a transactional email service's pricing starts at \$10 for upto ten thousand emails sent, and goes as high as \$400 for the range between 300,000 - 700,000 emails.





How can Chargebee help?

Chargebee's metered billing feature lets you add a non-recurring charge at the end of each billing period for the quantity used. Which then automatically gets added to the invoice.

[Here's how you do it →](#)



‘Name your price’ or Custom Pricing

Ever stumbled upon a ‘Get a Quote’ CTA on a pricing page? This model entails a custom price for each customer and is especially prominent in companies where the sales touch is high.

Fictitious Scenario: SalesMachine, an enterprise class CRM software urges its customers to ‘Talk to Sales’ before they make a purchase. They do this to tailor pricing according to the enterprise’s needs.

Use it to: Hand hold bigger prospects with deals that are negotiated especially for them. Unlock value from the bigger enterprises and pitch these folks a higher value plan.

Use it if: Your buying process is less self-serve and more sales-driven. You bundle and configure your features in a bespoke manner such that it meets the customer’s requirements.

Ex. Chargebee offers custom deals for customers in the enterprise plan. And follows a hybrid model in the Scale and Rise tiers meant for other smaller customers.





How can Chargebee help?

Chargebee's one-click price override lets you override a subscription's price. Let sales-negotiated deals effortlessly translate into subscriptions.

Personalize offers that let customers derive the utmost value from your service.

[Here's how you do it →](#)



Hybrid Model

Anchor your pricing on more than one value metric, rendering a combination of two (or more) different pricing models. This multi-dimensional model is a godsend way of extracting the full revenue potential of your product.

Fictitious Scenario: Knowall, a vendor management tool, has three plans: Starter, Growth, and Scale. These plans are differentiated based on the features, as well as the size of the company. They also choose to have a flat-fee charge for the first two plans and per-employee charge for the topmost plan.

Use it to: Let users derive value from your product in more than one way. Create upgrade opportunities as and when any one of the chosen ‘metrics’ scales.

Use it if: You can differentiate your offering by a number of factors.

Ex. DocuSign, an eSignature solution, bases its pricing bundles on the number of users and at the same time, restricts the number of documents for the smallest plan.



A La Carte Model

A customizable pricing model that puts the power in the hands of the customer to choose their own features/services. A very open-ended approach towards pricing - make your own plan, and pay for what you need.

Fictitious Scenario: Securno, a security log management company, has insider threat detection, cybersecurity, predictive analysis, and other features under their kitty. Each comes with a fixed price and is not grouped under any overarching plan.

Use it to: Observe buying patterns of customers and arrive at effective pricing bundles later in your journey.

Use it if: Your product touches upon many use cases and has a wide range of target audience. You're constantly shipping features in a new market and you're trying to evaluate their value addition.

Ex. Exponea, a B2C customer data platform's 'Every business is different' perspective has led them to bucket features into different packages, which can be mixed and matched by the customers to solve their specific business needs.





How can Chargebee help?

Chargebee's recurring and one-time addons give you the flexibility to package your offering and to push the needle on upsells. You can map addons with particular plans, choose a pricing model on the addon level and do so much more.

[Here's how you do it →](#)



Perpetual License Model

Charge a ‘traditional’ one-time fee for a license that never expires. Along with an additional subscription fee for support, maintenance, and updates.

Fictitious Scenario: LegacyAdmin, an on-premise ITSM provider, lets their customers use their licensed software indefinitely for a one-time fee. An annual maintenance and support assistance fee is what customers additionally (and inevitably) pay for on a recurring basis, apart from their forever lasting license.

Use it to: Give ownership of licenses which cannot be opted out of, regardless of usage.

Use it if: You sell to large (or legacy) companies who cannot bank on renewing subscriptions. Your product is in the brink of maturity and does not require hotfixes and patches.

Ex. Modo, a 3D modeling tool, offers a perpetual license (in addition to their subscription licenses) for a fixed price. Maintenance for subsequent years is offered at an additional price per year.





How can Chargebee help?

Easily set up a one-time setup fee when you create a Plan, along with a subscription component. The setup fee occurs in the invoice only once during the start of the subscription. Here's how you do it..

[Here's how you do it →](#)



Setting up Plans & Pricing in Chargebee

Your products and services are what translate into Plans in Chargebee Glossary. Plans along with other components within our Product Catalog (like addons and coupons) give you enough flexibility to model any kind (and any number) of products and services as you wish.

Give a Plan name and a befitting description, choose a pricing model along with a recurring price, (and a setup fee if there is one) and your Plan is now good to go. The way Plans are structured within Chargebee makes launching pricing changes and new pricing tiers so much faster.



This is how simple creating a new Plan inside the Chargebee can be:

Pricing

Pricing Model Flat Fee

Defines how the recurring charges for the subscription is calculated.

Currency* USD

Price* USD 0.00

Setup Cost USD No setup cost

One-time setup fee charged as part of the first invoice.

Trial

Free Trial No trial Day(s)

Specify trial period. Leave it empty if you don't want to provide trial. Note: You can extend the trial period for certain users before it expires.

Shipping Preference

Product is shippable

Hosted Page & Customer Portal

Display in Customer Portal

Allows customers to switch to this plan using the 'Edit Subscription' option in the customer portal.

Checkout using drop-in script

If enabled, users can checkout using Chargebee's drop-in script.



Here's how your Plans will be listed inside the Chargebee App:

Plan Name	Billing Period	Price	Pricing Model	Trial Period
ACTIVE Scale	6 Months	\$279.00	Flat pricing	14 Days
ACTIVE Grow	3 Months	\$89.00	Flat pricing	14 Days
ACTIVE Go Bananas	1 Month	\$50.00	Flat pricing	—
ACTIVE Hustle	1 Month	\$49.00	Flat pricing	14 Days
ACTIVE Pro	1 Month	\$35.00	Flat pricing	—
ACTIVE Banana cake 🍰	3 Months	\$30.00	Flat pricing	—
ACTIVE Plus	1 Month	\$25.00	Flat pricing	—
ACTIVE Perform	1 Month	\$19.99	Unit pricing	—

To learn more about how Plans work in Chargebee, here's our extensive documentation on setting up your products and services as Plans within Chargebee.





How can Chargebee help?

There's zero friction between setting up plans and collecting payments. With Chargebee's range of checkout options, drop in the right scripts and immediately get the checkout process started.

[Here's how you do it →](#)



Metrics you need to watch

How do you know if you're getting the hang of whether or not you're making smart pricing decisions? Sometimes, numbers are your harshest reality checks. But if you're not looking at the right metrics, you'll just stand there waiting for reality to hit you. And it never will quickly enough.

Look out for these possible red flags on your dashboard, for which a pricing problem is the most likely villain.



Is this a problem you're facing?

You have no problem acquiring customers but your LTV/CAC ratio falls below the bare minimum.

Simply put, you are spending more money getting a new customer through your door than the customer will pay you in their lifetime. In other words, you're losing out on money with every new customer.

Then, monitor this:

LTV to CAC Ratio



Is this a problem you're facing?

Irregular high-volume churn/downgrades

You may be looking at a recent pricing change and one that didn't bode well. On the other hand, the downgrades could be because you recently moved the features important for those customers to a lower plan.

Then, monitor this:

Gross MRR churn

To ensure your churn doesn't become a long-term trend.



Churn breakdown by time

To understand if customers are churning earlier in their lifecycle or later.

	Cancelled within (days)	Overall subscription activation
1	Within 7 days	63
2	Between 8-30 days	127
3	Between 31-90 days	146
4	Between 91-120 days	71



Plan movement report

To see how customers are migrating between your higher and lower tiered plans.

		<i>Previous Plan</i>	<i>Current Plan</i>	
1	Sept	Trial	Scale	1
2	Sept	Trial	Go	1
3	Sept	Launch	Multi-user	1
4	Oct	Launch	Standard	1
5	Oct	Trial	Launch	1
6	Oct	Launch	Scale	1





How can RevenueStory help?

RevenueStory is Chargebee's end-to-end subscription analytics and intelligence tool. RevenueStory's dedicated churn dashboard called "Churn Watch" lets you monitor every single churn-related metric and report.



Is this a problem you're facing?

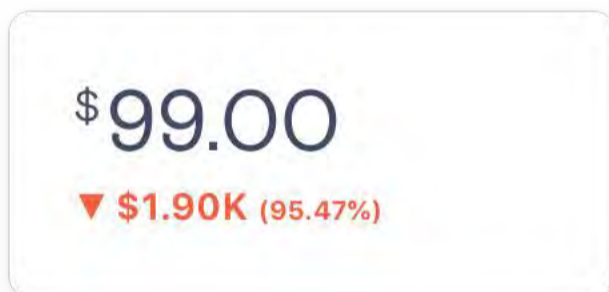
Low Expansion MRR - Customer stagnation in one plan

Your higher plans aren't providing enough value for money.

Then, monitor this:

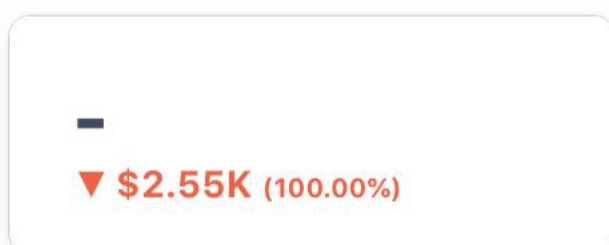
Expansion MRR

An increase in this number indicates that the revenue generated from your existing customer base is growing.



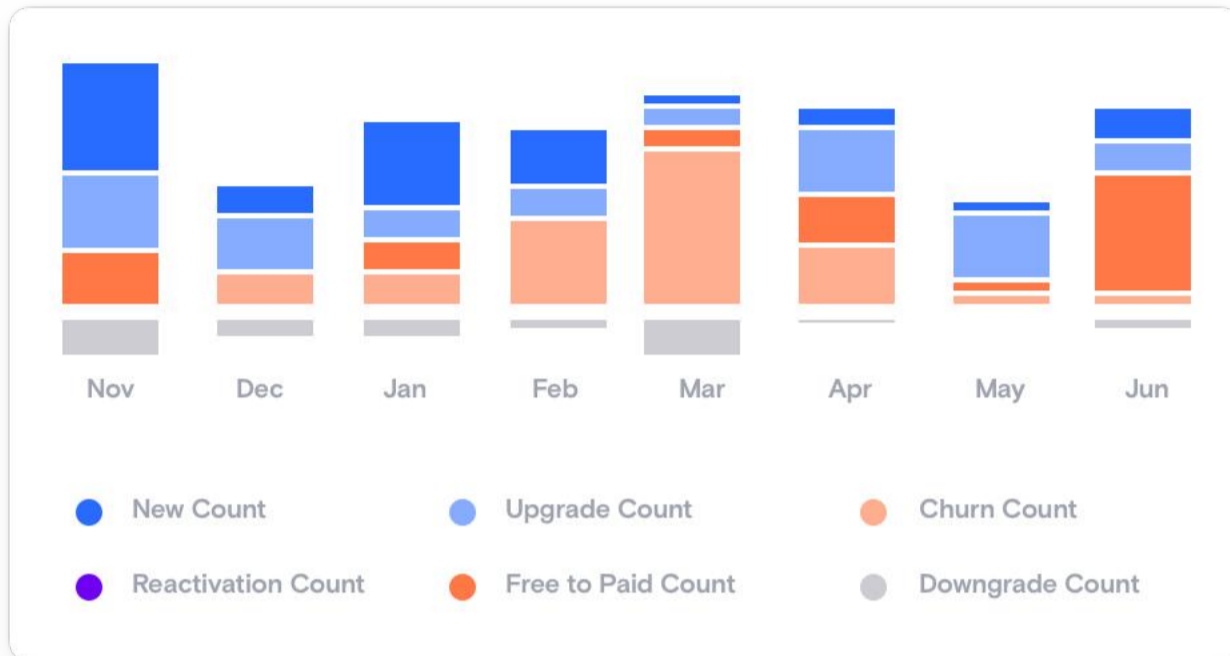
Upgrade MRR

Increase in upgrade MRR indicates your product is scaling as your customers scale.



Subscription breakdown

This chart shows the number of subscriptions that got added, upgraded, downgraded, cancelled, or reactivated in the last 12 months.





How can RevenueStory help?

We have a dedicated dashboard called “Subscription Watch” to monitor all subscription-related metrics.



Is this a problem you're facing?

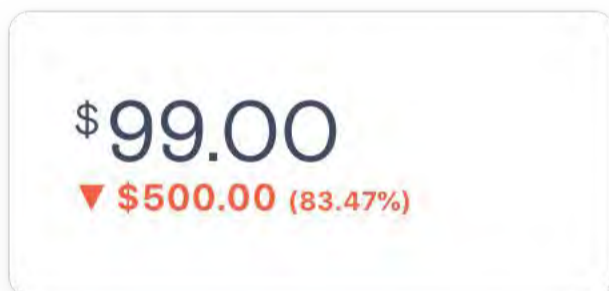
New MRR leakage

The least-expensive paid plan could be too steep a jump for the user in terms of cost. And/or the free plan has more incentives in terms of features and capability than the paid plans.

Then, monitor this:

Free to Paid MRR

If this is low, it could mean that users think your product is priced too high.



Free to Paid Evolution Cohort

This cohort shows how a group of customers move from free to paid in a span of 12 months.

	Total Activations	June	July	Aug	Sept	Oct	Nov
June	19	8.72%	8.39%	8.05%	7.05%	7.05%	7.72%
July	13		9.06%	10.40%	10.07%	10.07%	10.07%
Aug	7			8.45%	8.45%	7.87%	7.58%
Sept	7				7.83%	7.53%	6.93%
Oct	12					10.80%	11.20%
Nov	7						9.23%



Chapter 2

Pin down on how often you want to bill your customers



What's in a billing cycle, you might think. A lot more than what meets the eye. How frequently you charge customers can affect customer behavior as well as your metrics. Each type of billing cycle has its own pros and cons and strong reasoning behind why it suits a certain type of business.

In this chapter, we'll discuss the most prevalent billing cycles in SaaS - monthly and annual, and when and why each of them are used.

Monthly Billing

Use it to: Shorten sales cycles because the initial price to get started is relatively low and it's often an easier decision to purchase a monthly plan. Get more short-term users who need to test a service.

Use it if: You're targeting smaller companies and startups who cannot break their banks by paying a large sum up front.

Ex. HootSuite, a social media analytics tool, has four distinct plans, each of which is billed monthly.



Annual Billing

Use it to: Earn back your acquisition expenditure almost instantly, instead of having to wait for 12 more months to revel in positive cash flow.

Use it if: Your product inherently has a variable usage pattern and an annual billing cycle will enable your customers to justify that downtime with their yearly cost.

Ex. Salesforce, a sales CRM software, offers only annual plans. And it works for a company of that scale, that has a mature sales force within their company who can bring out the value in their service to lock in the bigger deals.

Most companies leave the choice of billing to the customer because different billing cycles appeal to different customer segments. And if you find that annual billing is more fruitful for your business then try to make it more enticing by adding a discount to it.

Ex. PandaDoc, a quote customization software, has four different plans and for each plan, they let the customer decide between monthly and annual billing.



Non-SaaS equivalents tend to veer from the traditional monthly and annual billing. They even have billing frequencies set for every 45 days, once every 2 weeks, etc. depending on the business type.





How can Chargebee help?

Chargebee lets you create billing frequencies in days, weeks, months, and years. [Here's how you do it →](#)

With Chargebee's Calendar Billing, you can customize billing dates as well. Do you want to bill on the 1st of the month, or on the 15th of the month? [Here's how you do it →](#)



Chapter 3

Sell to local and global markets with multiple currencies



Your customers are all humans who are unique, come from different geographies, and pay in local currencies. And they instinctively convert the price of a product into their native currency to see how much it is actually going to cost them.

Which is why, when you localize pricing for your global SaaS product, you eliminate the process of converting the price into their native currency (let's not forget the exchange rates bit) for buyers, and introduce familiarity at the very first touchpoint.

There are two ways of going about this:

Cosmetic Localization: Where you have a price in a base currency and convert it into various currencies.

True Localization: You quantify buyer personas sliced by geographies, and understand if pricing works differently in each market, and how. And then, price accordingly.

It's advisable to start with cosmetic localization and gradually move into optimizing for true localization.





How can Chargebee help?

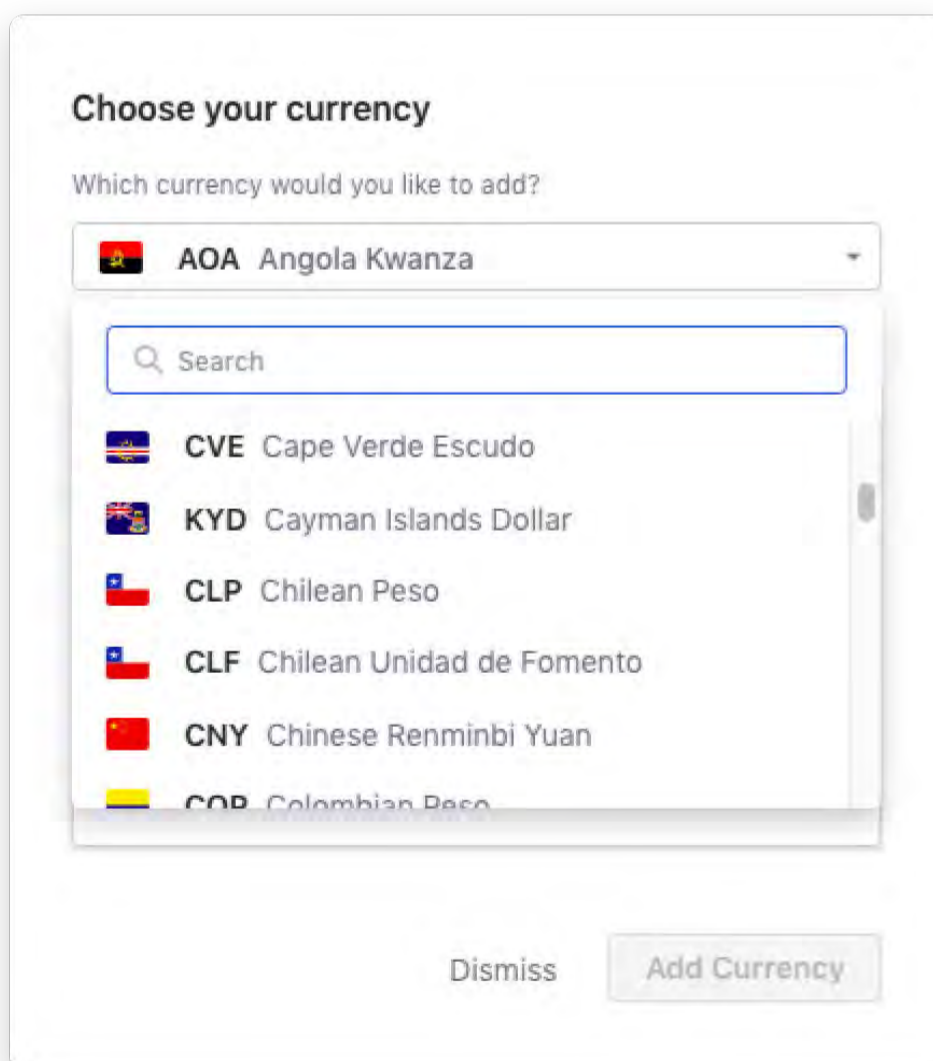
Chargebee lets you configure Smart Routing Rules that automatically picks the payment gateway for specific payment methods, based on currencies.

[Here's how you do it.→](#)



Setting up multiple currencies in Chargebee

Go into **Settings** > **Multi-currency** within the Chargebee Interface to set up your currencies. Choose your currency from 100+ currencies and get started with creating a plan.



The additional currencies that you've set up will appear for selection when you create your Plans/Addons/Coupons.

If you offer the same plan in various currencies, you need to create a plan for each of the currencies. This can be easily achieved using the 'Clone Plan' option.

To learn more about how multi-currency support works in Chargebee, [here's our extensive documentation](#) on setting up and managing your localized pricing within Chargebee.



Chapter 4

Trials, and the tribulations of finding the perfect strategy that works for you



Trial Strategies

Trials are undoubtedly the best way to make your product sell itself. Short, long, free, paid, with a credit card, or without a credit card. You just can't ignore trials.

And no matter the effort that goes into concocting a brilliant marketing strategy and whipping out thoughtful content pieces for your ideal prospects to hit that coveted 'Sign Up' button, if they don't convert at the end of the day, then you're staring at an empty MRR dashboard.

You might be debating on how long you want the trial period to be set. You might choose to add friction early on in the cycle by requiring the prospect's credit card. Or you might want to attract a larger base by not asking for their credit card up front - all of these factors (and more) will decide if your evaluators are going to turn into buyers.

So read on to understand the different possible types of trial models for a SaaS product, when to use each, and how Chargebee can help you implement all of them.



Free Trial with a credit card

Fictitious Scenario: emailWeapon, an email marketing software for marketers, collects credit card information up front. When the trial period is about to expire, they give customers a heads up with an option to upgrade.

Use it to: Improve lead quality and keep the wrong users and tire-kickers out the door. Get better qualitative feedback from users who've canceled their trial, which in turn can be looped in to optimize for better product-market fit.

Use it if: You're hitting the growth pedal and are looking for fewer sign-ups and more revenue per user (RPU).

Ex. Moz, an SEO toolset, requires a customer's credit card information to sign up for a 30-day free trial of their Pro plan



Free Trial without a credit card

Fictitious Scenario: Notesy, a visual board and idea organizer for creators, steers their prospect through a zero-friction sign-up by not asking for the credit card information. When the trial period is about to expire, they give them a heads up with an option to upgrade.

Use it to: Have zero or minimum friction during the sign-up process - sometimes asking users for credit card information for a product they're unfamiliar with, can turn them away. Build trust during the first interaction.

Use it if: You're just coming up with a beta version of your product, and all you care about is the numbers game. You're looking for more sign-ups and less revenue per user (RPU), and already have a well-trained sales team to qualify and handle these leads better.

Ex. Basecamp, a project management software, lets their users take their product for a credit card-less 30-day test run before they decide to commit to it.



Free Trial with Freemium Plans and a Usage Limit

Offer a free trial with a freemium model pricing structure and a usage limit, with a credit card requirement.

Fictitious Scenario: InFloat, a drag-and-drop intuitive drawing app, entices users to explore their product by offering a freemium (forever free) plan as long as the user only uses 100 ‘elements’. The freemium plan also requires a valid card on file to remain active. If the user exceeds the free usage limit, usage charges will be applied.

Use it to: Coax more customers to use your product with a free trial and a forever free plan, and create upgrade opportunities by restricting usage.

Use it if: Your product is simple to understand with an interactive UI, and you can rely on upgrades to happen automatically as usage scales.

Ex. SurveyMonkey, an online survey tool, has a basic plan which is free but allows only 10 questions per survey. It collects the payment information up front, just in case anybody exceeds the limit.



Free Trial with Premium Plans

Offer the highest paid plan as a free trial for a limited time, without a credit card requirement.

Fictitious Scenario: DesignFor, a design collaboration app, lets users get a taste of the gamut of features that are housed under their highest plan. When the trial period is about to expire, they send an email asking the user to pick a plan. After she chooses the plan, they ask her to key in her card information. If she doesn't pick a plan, her account will be disabled.

Use it to: Tease your audience with everything in your arsenal.

Use it if: You can clearly classify the base features that must be a part of each plan, and your product is bundled and priced based on this classification.

Ex. Xero, an accounting software, has a 30-day free trial and unlocks all of the product's features and optional add-ons for the trial users.



Paid Trials

Offer a paid trial for a limited period before sealing the actual deal.

Fictitious Scenario: Gregory's gym, a world class fitness membership platform, offers Silver, Gold and Platinum programs. They let prospects check if this is a convenient setup for them by offering a 30-day paid trial.

Use it to: Get people to start using your services because there is already an initial investment involved.

Use it if: Servicing your customers comes at a cost, and therefore the trial cannot be offered as free.

Ex. GuavaPass allows paid trials for their services.





How can Chargebee help?

Chargebee lets you configure paid trials that automatically charges the customer at the start of the subscription. [Here's how you do it →](#)



Trial periods – The long and short of it

When Serge Salager, CEO and Founder of Retarget Links, a Link Retargeting Service and a budding SaaS startup was quizzed on what he thought was the biggest mistake they've made so far, this is what he had to say:

“During our MVP we gave users a one-month free trial and then charged a monthly subscription. This kept our costs low but prevented users from testing the service beyond the first month. It also created some friction when we had to ask them to pay. So for now at least, the service is free so that our users can create audiences, and we only charge when ads are served.”

Fix a trial too short, and you risk not giving your users enough leeway to understand the value of the product. Fix a trial too long, and you fail to create a sense of urgency and give freeloaders a chance to game the system.



You've built a product with a target audience in mind. Now, correlate how long your target audience would take to evaluate the product for their different use cases, given the complexity of it. And you get your magic number.

But we know it's simpler said than done. It involves experiments, a good understanding of the market, and a teeny-tiny bit of intuition too.

Sometimes, the more someone uses a product, the more they get hooked to it. Let's take productivity tools like Basecamp, HootSuite etc, for example. These companies provide a 30-day free trial because gauging if their solutions actually fulfill what they promise (to increase productivity within teams) takes time.

Sometimes, the user already has a good sense of understanding of what a product does, and a short window is enough to test their particular use cases. Ex. Intercom, Shopify etc. are big brands who give a 14-day free trial.





How can Chargebee help?

Chargebee's Trial Management lets you create trials of all lengths with as many (one-click) extensions as you need. [Here's how you do it →](#)



Trial periods, free, paid, credit card or not are only the tip of the iceberg. How you actually make users believe that you've married their needs to the product's capabilities, within this period, is what will drive your customer acquisition metrics and let you leverage this beauty of a marketing strategy. If your free-to-paid conversion is taking a hit, start paying extra attention to onboarding and product education if you are not already doing so.





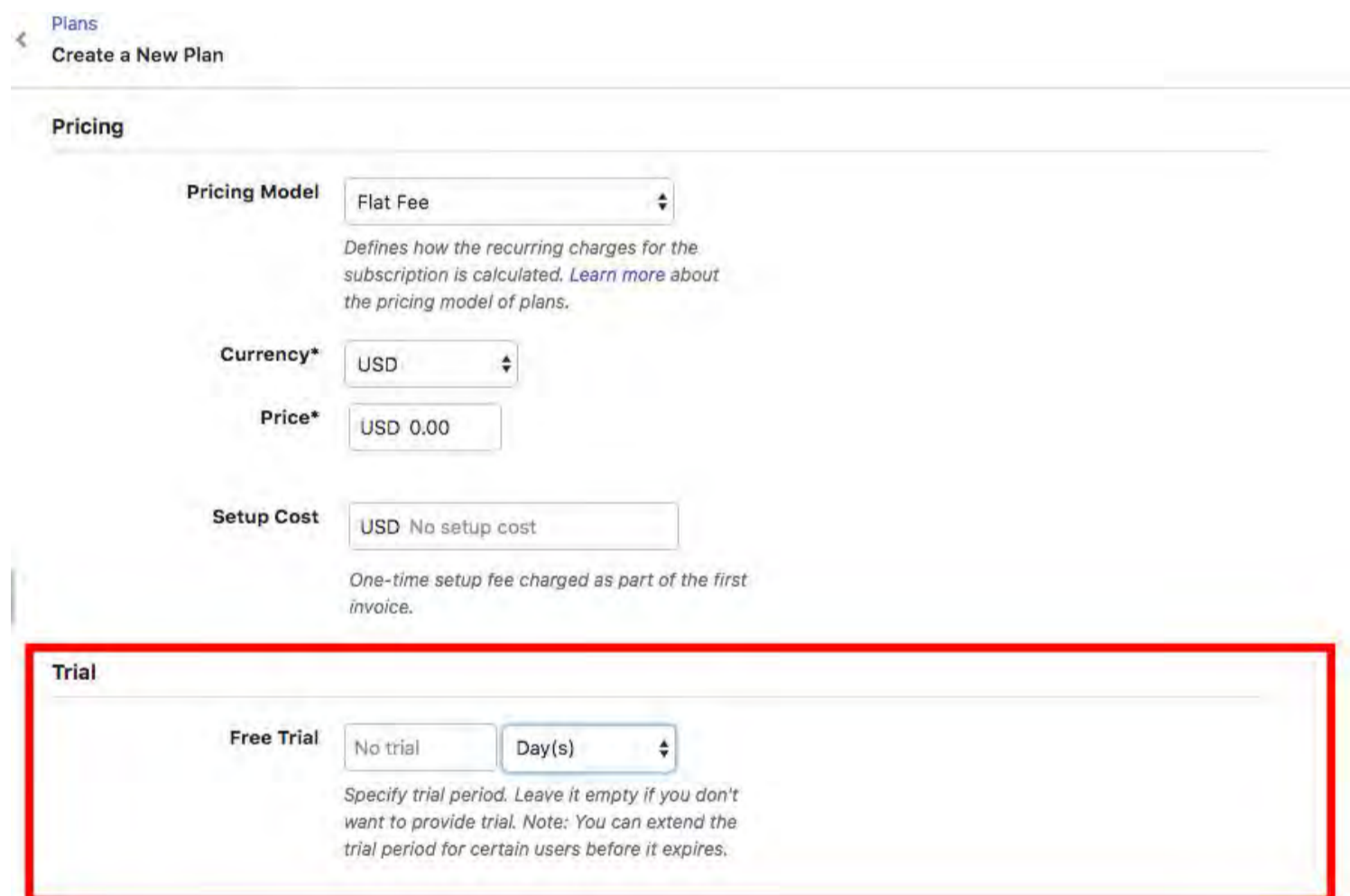
How can Chargebee help?

Chargebee lets you automate trial ending reminder emails when the trial runs its course. Customize email templates to your fancy.



Setting up Trials in Chargebee

You can create a trial when you create a plan for a product/service that has a trial period.



The screenshot shows the 'Create a New Plan' interface in Chargebee. The 'Pricing' section is visible, with the following settings:

- Pricing Model:** Flat Fee (dropdown menu)
- Currency*:** USD (dropdown menu)
- Price*:** USD 0.00 (text input)
- Setup Cost:** USD No setup cost (text input)

Below the pricing section, the 'Trial' section is highlighted with a red border. It contains the following settings:

- Free Trial:** No trial (text input) and Day(s) (dropdown menu)

Below the 'Free Trial' settings, there is a note: "Specify trial period. Leave it empty if you don't want to provide trial. Note: You can extend the trial period for certain users before it expires."

To learn more about how trials work in Chargebee, [here's our extensive documentation](#) on setting up and managing your trials.



Metrics you need to watch

Look out for these possible red flags on your dashboard, for which an unoptimized trial strategy is the most likely villain.

Is this a problem you're facing?

New MRR leakage

This could be due to the lack of a free trial. And if there's a free trial, the trial to activation flow isn't smooth.

Then, monitor this:

Free to Paid MRR



Free to Paid Evolution Cohort

This cohort shows how a group of customers move from free to paid in a span of 12 months.

	Total Activations	June	July	Aug	Sept	Oct	Nov
June	19	8.72%	8.39%	8.05%	7.05%	7.05%	7.72%
July	13		9.06%	10.40%	10.07%	10.07%	10.07%
Aug	7			8.45%	8.45%	7.87%	7.58%
Sept	7				7.83%	7.53%	6.93%
Oct	12					10.80%	11.20%
Nov	7						9.23%





How can RevenueStory help?

We have a dedicated dashboard called “Marketing watch” to monitor all metrics related to customer acquisition and New MRR.



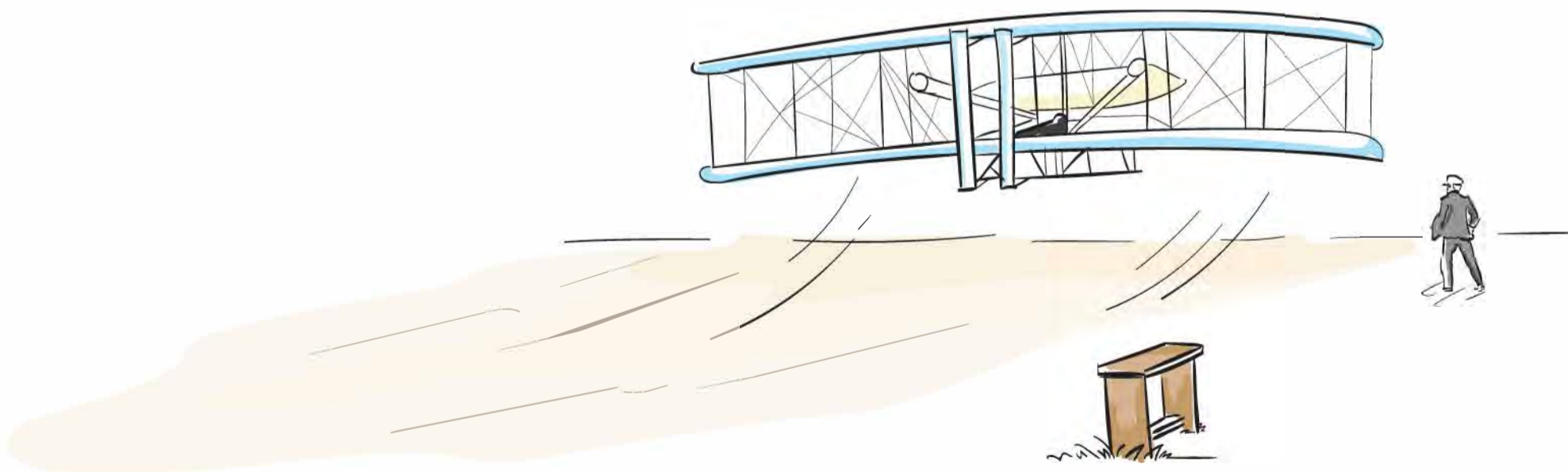
Conclusion

The interplay between understanding what your customer needs, getting acquisition channels right, and setting up a scalable (and optimized) monetization system is not one that you can easily grasp – it takes consistent and deliberate thought, testing, and tweaking.

But nailing that interplay is how winning businesses torpedo the rest.

The first step to getting there is building a sturdy foundation, to assimilate the basics of how each of the above factors operate. And this guide hopefully gave you just the right launchpad to do that.

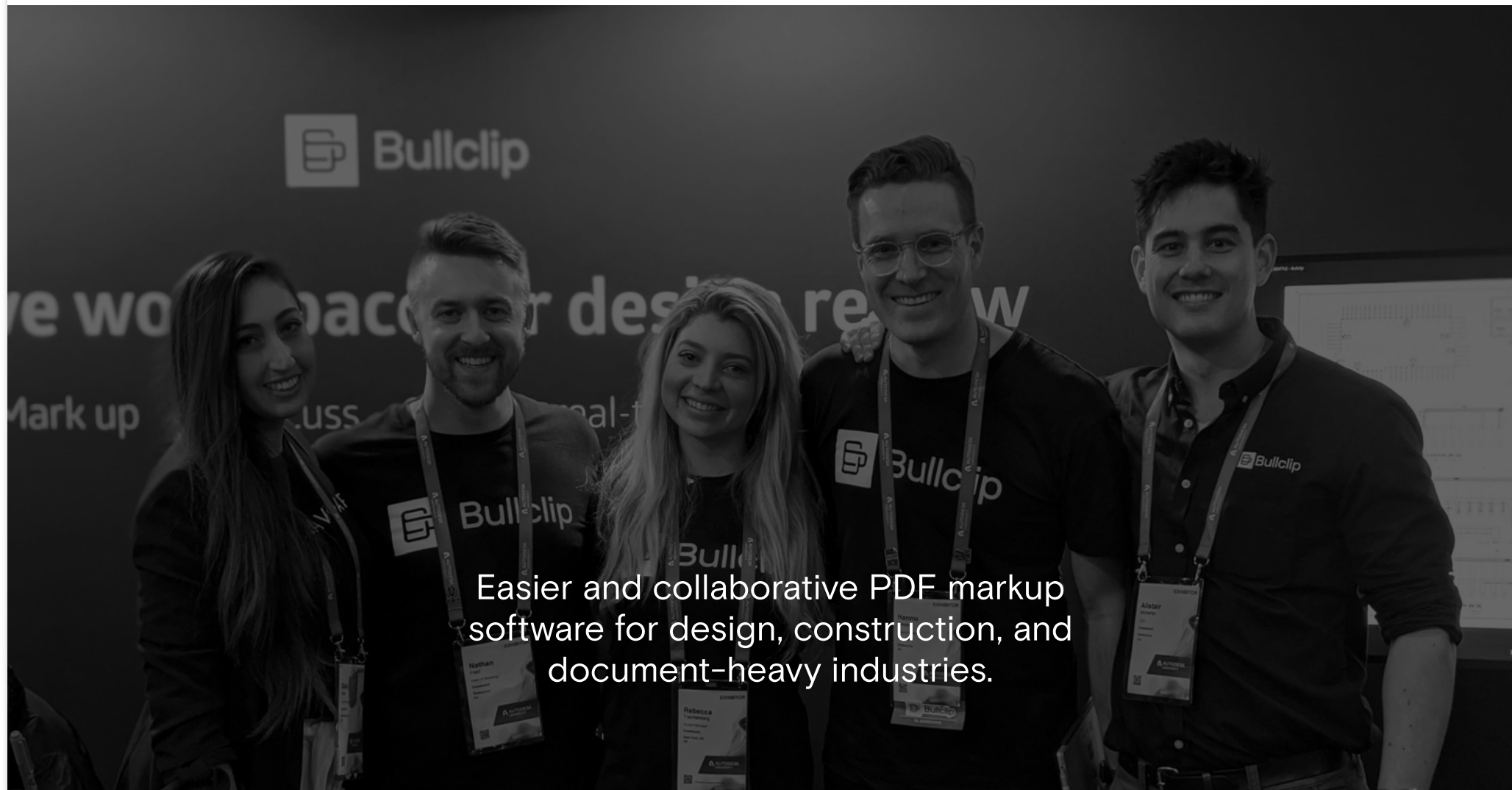
If you found value in this guide, and are itching to learn more about how to join the league of winning businesses, let us know by writing to launch@chargebee.com. We'd be more than excited to accompany you on your growth journey.





How Australia-based Drawboard expanded globally to new markets using Chargebee

Drawboard's subscription product, Bullclip, leverages Chargebee from acquisition to collecting recurring revenue and achieving a global scale.



Easier and collaborative PDF markup software for design, construction, and document-heavy industries.

Tool Stack

Finance

Pin Payments, Chargebee, Xero

Sales & Marketing

Intercom, HubSpot, Vero, Facebook, Google Ads, Adroll, LinkedIn

Operations

Slack, Zapier, Google Apps

Analytics

Segment, Amplitude, Google Analytics, Intercom

Success

Zendesk, Uservoice

The Problem

Drawboard's suite comprises of two products. Drawboard PDF is based around single-user PDF markup and is a top productivity app on the Microsoft Store. Bullclip, on the other hand, is a central platform for design review, where some of the largest architecture and engineering firms in the world markup, discuss and track changes in real-time. While Drawboard PDF uses Microsoft's subscription service, it was a classic case of build vs buy for Bullclip. Building the billing architecture was likely to have an impact on Bullclip's launch — they concluded at the time that a significant portion of their time would be spent on building the billing platform rather than actually building the product. There were clear legacy and tech debt decisions that came into play here.

In Nathan's words, "For example, we're currently getting to the point where we want to build out our custom internal licensing dashboard internally for our SaaS team as it grows. But until now, we have been able to rely on a third-party platform for this. Simply, our IP is not billing, our IP is not a sales dashboard. Our IP is our value prop in Drawboard products, and so we focus our 16 engineers on that. Not the things that somebody else like Chargebee does better."

The Solution

After evaluating Chargebee against Recurly, Chargify, and Zoho to handle their billing component for Drawboard, and even considering building it within Salesforce, the team decided to go for Chargebee as the choice of solution for four main reasons:

- Chargebee showed promise in terms of managing licensing because of its well-thought-out API structure
- Every use case that they could come up for the present and future was handled by Chargebee — including billing models, pricing models, and offline payment methods.
- The freemium plan offered by Chargebee helped them focus on scaling their business across different channels, rather than worry about payments at their early stage.

- The Chargebee dashboard was an excellent interface for the sales team to manage licenses from.

Nathan says it better — “We felt confident in scaling with Chargebee for the foreseeable future. It’s been four years with Chargebee. We’re now expanding how we use Chargebee, but I don’t see us moving off Chargebee for the next several years just because it’s just so well considered in the way that it’s been designed for a use case like ours.”



**Nathan Field,
Head of Marketing,
Drawboard**

It just comes down to numbers. The big thing for a billing platform is not just about building, but also maintaining. If our cloud engineers are going to be building, maintaining, and expanding what our billing architecture looks like internally, then they’re not focused on scaling our core value prop. And if they’re not building the product then we need to hire someone else to do that. Or we could pay Chargebee \$5,000 a year. It’s just a numbers game if that’s the way it works out.

- PCI & GDPR Compliance: With Chargebee’s PCI compliance, Drawboard opted to use the self-service portal for users to manage their own subscriptions and payment information. Similarly, scaling to Europe meant Drawboard needed to be GDPR-compliant with how they handle their customer data. Having a trusted third-party vendor like Chargebee ease PCI & GDPR compliance was a game-changer according to Drawboard.
- Managing changing billing and pricing structures: With Chargebee’s flat pricing as well as per-user pricing capability, the ability to prorate charges based on when their customer signs up as well as accounting for the prorated amount, Drawboard’s billing complexities was significantly abstracted. It also allowed Drawboard to scale confidently, knowing they can iterate how they bill or price their customers.
- Global-scale with global payments: As a business catering to different geographies, a portion of Drawboard’s customers prefer paying via wire transfer along with card payments. With Chargebee’s multi-currency support, the team was able to have ‘local financial representation’, that allowed for transfers across borders far easier.

- Revenue Recovery with Smart Dunning: Chargebee's dunning allows easy follow-ups for overdue payments for Drawboard with smart retries in conjunction with relevant follow-up emails. What made this capability better was extending to offline payments as well.
- Flexibility and Ease of use: Chargebee abstracts complexity for Nathan's team by easing the configurations on the interface and usage of Chargebee across a plethora of use-cases. The clear documentation also helped a great deal in understanding Chargebee as a product, making it easier for Nathan to be a knowledge expert. He justifies this by saying, "I can be the knowledge expert for Chargebee without having an extensive software engineering background. I was totally able to own the process of rolling it out in our company."

Advocately

Doodle

 Envoy

 GetAccept

 sisu™

**Interested in exploring Chargebee?
Let's get started today.**

[Schedule a demo](#)

Speak with our product expert today.

www.chargebee.com

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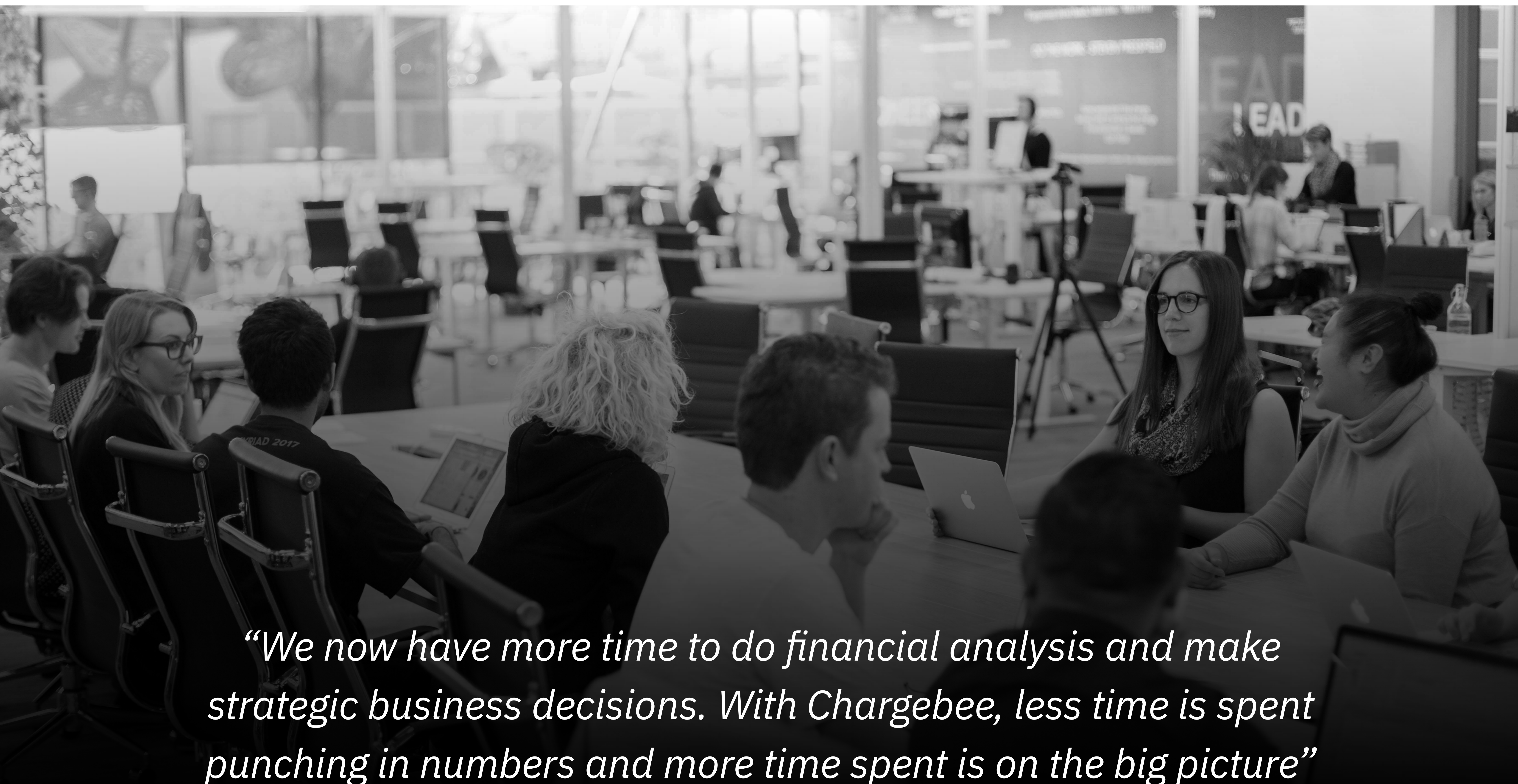


How Chargebee Helped Fishburners Solve Their **Growing Pains**

And Saves Them 32 Hours/Month
of Manual Accounting Work

Fishburners is Australia's largest coworking community for technology in Sydney, Brisbane, and Shanghai, that hosts over 300+ companies and 700+ members.

Fishburners



“We now have more time to do financial analysis and make strategic business decisions. With Chargebee, less time is spent punching in numbers and more time spent is on the big picture”

Tool stack

Payment Processor

Stripe

Accounting System

Xero

Growing pains

Operations

Fishburners' operations couldn't scale at the same pace as that of their business.

Reconciliation

Manually reconciling data between gateway and accounting was a full-time job and prone to human errors.

After Chargebee

32 Hours/month

Fishburners could save 32 hours/month of manual accounting.

Focus on better things

Finance is now able to dedicate more time in analysis and strategy.

The Problem

Fishburners spent almost 8 hours a week on manual accounting work. Managing their fast-growing subscriptions in multiple geographies wasn't seamless either.

The finance team had to manually reconcile the invoices and the payment gateway data, which didn't allow them to focus on financial analysis and other pressing problems.

The customer success team used the accounting system to access customers' subscription information, which isn't built for subscription management in the first place.

The Solution

Chargebee's integration with Xero retained most of their existing processes without disrupting the workflow and automated their reconciliation with a simple plug-in.

The simple and intuitive UI, along with the built-in customer portal gives Fishburners' customers the freedom of self-service to access, edit, and pause their subscriptions.

The role-based access helps the customer service team access subscription information directly from the billing system.

The Pay-off

The finance and accounting teams now save up to 32 hours of manual accounting every month.

Chargebee's effortless payment gateway integration, multi-currency support, and tax-supported invoicing enables them to run their finance operations on auto-pilot.

With the smart dunning system, Fishburners prevents potential revenue loss from payment failures, improves their collections, and stays free from bad debts.



Aayush Patel,
Finance Manager, Fishburners

"Since Chargebee integrates with both the payment gateway and Xero, we can now automate the entire process without any hassle, whilst simultaneously managing our memberships in one place."

goop

Study.com

freshworks

Envoy

Advocately

**Interested in exploring Chargebee?
Let's get started today.**

[Schedule a demo →](#)

Speak with our product expert today.

Chargebee.com

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