Software Product Management

SellerApp

A Case Study on Software Pricing

© ISPMA® 2023
Abstract
Set in 2023, the case talks about SellerApp, an all-in-one data-driven platform built for budding entrepreneurs, small businesses, and Fortune 500 companies alike to help seamlessly upscale customer businesses on eCommerce marketplaces like Amazon, powered by modern machine learning technology. SellerApp is a behavioral eCommerce analytics software that provides Amazon sellers insights derived from their data through tools and reports to help optimize and generate more sales. This E-Commerce solution allows sellers to fully capitalize and take complete advantage of the full value of their digital data by aggregating them and gain meaningful insights that they can use to further improve their processes, service, products, and more. The company has been growing in the US, Europe and Indian markets and has identified four major customer segments. But the founder faces different challenges in different markets and must address them to determine a pricing model in the different markets that would lead to increased user base and revenue growth.

Case Objectives:
- This case can be used to provide an understanding of the challenges that companies need to address when determining product prices.
- To understand the process of price discovery and to examine the pricing strategy and pricing options
- To outline the issues involved in determining pricing for a software product, particularly when selling to a target market in a developing economy vs a developed economy

This case study was developed by Prof. Merlin Nandy (IIM Sambalpur), Abhishek Yadav (MBA student, IIM Sambalpur) and Manoj Pillai in cooperation with Brij Purohit and his SellerApp team.
SellerApp: A Case Study on Software Product Pricing

Introduction

Brij Purohit, a first generation entrepreneur and co-founder of SellerApp headquartered in Singapore, was recalling his entrepreneurial journey with his co-founder Dilip Vamanan and how they created this AI-powered e-Commerce Intelligence platform to help sellers maximize their potential on Amazon. They saw tremendous potential in the fast growing industry of e-commerce. Four and a half years into the business, they had experimented a lot with their pricing as SellerApp being an Indian company with development and technology base in India but sales in the US. That is how SellerApp started. With the company now launching in the Indian market, the founders see a challenge to determine what should be the right price for the Indian market and the charges to levy for different categories of audience. Brij sat at his desk and pondered over the problem of how they could price in India:

We started the Indian operation one and a half years back and placing a price was a much bigger problem. For example, one of our basic criteria for Amazon US was to provide sellers free usage of the platform till they reached $1000 in ad spend. Now the similar amount for India could be a much bigger number as Rs 80,000 was a decent monthly ad spend. While it came to pricing, a standard 10% of the freemium limit (i.e- $1000) could be an optimum subscription point which is $100 but the same in India might not work at times as cost of labour is more affordable to provide managed services in that amount. This obviously led us to experiment and iterate around with multiple price points of $49, or $39 or even lower at times which would be ideally suited for Indian sellers.

One of the largest beverage brands pays SellerApp annually. I think there is a contract of $3,000. So, on the enterprise side still we have to figure out what should be the proportion of the product and how it is to be tied to pricing and what should be the levers to probably decide incremental values. Because at an enterprise level you cannot say you will give a flat Rs. 5000 or $5,000. So we are still working around those levers.

Against these dynamics what could be the best way to price that would be fair to SellerApp as well as to its customers?
Most of the process of price discovery was experimental and iterative. They ran the prices for a week, observing the response to how much was the inflow. If we talk in terms of the funnel, how many people have visited those landing pages and what was the response - based on that SellerApp tweaked the price.

**Company Background**

**Company**: Established in 2018, SellerApp is the all-in-one platform built for budding entrepreneurs, small businesses, and Fortune 500 companies alike to help seamlessly upscale customer businesses on e-commerce marketplaces, including Amazon, powered by modern machine learning technology. The platform boasts of 116M+ keyword repository, 335M+ products analyzed, 235M+ revenue generated, and 50K+ ad campaigns managed. The company is Headquartered in Singapore with 50+ employees worldwide. It is a profitable entity.

The company’s focus: “Our purpose is to enable a million sellers with data-driven decisions to sell globally”

**SellerApp Technical Detail**: It is a Software as a Service (SaaS), Cloud, or Web-Based. Supported features: Product Research, Amazon Keyword Research, PPC Analyzer, Keyword tracking, and Competitor Analysis. Product Categories: Product Intelligence, Channel Management

**Customers**: B2B sellers and customers, which includes all budding entrepreneurs, small businesses, and Fortune 500 companies.

**Competitors**: Jungle Scout, Helium-10, Sellics

**Collaborators**: Amazon Ads Advanced Partner

**Climate**: The E-commerce Industry is one of the fastest growing industries today. The global e-commerce industry is predicted to increase at a CAGR of 21.5% between 2020 and 2030, reaching US$ 74.8 billion.

India has seen exponential growth in Internet and smartphone penetration that gave a boost to the Ecommerce industry. The pandemic has given a huge push to online shopping and marketplaces like Amazon, Flipkart are growing by leaps and bounds. The growth of India’s e-commerce industry has changed the face of business in the country and enabled new forms of trade, including B2B, D2C, C2C, and C2B transactions. Big markets like business-to-business and direct-to-consumer have expanded rapidly in recent years. With advancement of AI and other digital technologies ecommerce platforms are becoming increasingly powerful. By FY27, the direct-to-consumer (D2C) industry in India is projected to be worth 60 billion USD (Statista 2023).
Choosing the right Customer segment

When SellerApp first began, the founders had a very limited tunnel-like perspective. Their first assumption was that they were creating a product for someone who, in terms of a pyramid, would likely be at the base of the pyramid. The sellers that SellerApp was targeting may be arranged in the pyramid as illustrated below, and each level of the pyramid required a different strategy. SellerApp created the pyramid based on the revenue brackets that each client falls within.

![Customer segments diagram](image)

**Figure 1: Customer segments**

The small size sellers were many and could all benefit from the product. When SellerApp eventually introduced the product, they discovered that perhaps these sellers were the target market. This was the ideal target market for them. The problem with them, however, was that a number of additional factors, many of which were beyond Sellerapp's control, might cause these individuals to fail in their companies. For example, let's say someone who was sourcing products from China sitting in the US and had a very limited budget of $10,000. For them, there was a greater possibility that any mistake which they made during the sourcing process would result in failure of their business. There was a higher possibility that they would not resume their business if constrained by a limited budget. However, after entering the market, Sellerapp realised that targeting sellers, of whom 90% have a possibility of failing, was not the best strategy. They began climbing the pyramid from that point on. The mid segment is where they started to move, followed by the top 10% of these vendors, who were primarily consumer product companies and large brands. They came to realise that they could not offer these consumers ten different things while targeting them. Therefore, it is not a
product market fit; rather, as stated by Brij, they were searching for a product feature fit at any given time...

So, let’s say, if SellerApp introduces a feature related to advertising optimization, and a certain set of users within a target group are going to use it, I will outline this feature and its improvements for this target group specifically. The iterations of this feature and its similar use cases can be defined by the user stories of this target group. So, in this case, we are not aiming for SellerApp’s PMF as a whole, however, we are defining a product-feature market fit which can now be used by different types of sellers based on their relevant problems on these E-commerce marketplaces. But, in reality, when it comes to the business and when it comes to really launching those things, then there are several constraints. You will always be pressed against something you cannot say. I will go in the market talking to 10,000 people and then probably I will develop my feature or a product.

For Sellerapp, the approach was always to ensure that understanding the requirements of the small number of users was done correctly and to ensure that they all shared an issue that could be solved by a specific feature. For example, if you were to discuss the platform's optimization module, it would focus more on how to make your ads, listings, and content as effective as possible. However, when you are running advertisements, the issue for someone with a $1,000 budget and someone with a $10,000 budget would be very different. They would not look for one individual ad campaign or the keyword for optimization. They will probably look at their whole product-line which they have recently launched for optimization. Sellerapp targets to have features that should solve that problem rather than sellerapp’s complete product solving all their problems.

In the words of Brij their approach was ...

Approach a small group of users, understand their common problem and then propose a solution for that problem through one of the features of our product.

The Product & Its Features

The product is an e-commerce analytics software that provides Amazon sellers insights derived from their data through tools and reports to help optimize and generate more sales. Powered by modern machine learning technology, their tools help the sellers to seamlessly upscale their Amazon business. The key features supported by the product are depicted below.
Software Pricing

Pricing is an important element of the product strategy. The primary objective of software pricing is to find customer value propositions that align with the product management’s objectives. Value-based pricing is the way for software products as opposed to cost-based pricing for professional services. Achieving the “right pricing” requires a tighter alignment between pricing management and development processes.

Pricing in SellerApp

The pricing in SellerApp was decided based on the customer segment and the 3 levers such as - ad revenues, profitability and number of products being tracked.
The pricing model for the US market is shown in the figure below:

**Figure 4: US pricing model**

*Source: SellerApp’s website*
Challenges in Pricing

Price level of a product or service is the most important building block in Strategic Pricing which is based on the value that the product or service provides to its customer. SellerApp focussed on maximizing the value of their services and realised that it is important for customers to grasp SellerApp’s core competency or offering. The core offering of SellerApp was on Data Analytics, to collate and provide Insights into a shopper’s journey, products or services that are sold by various sellers on Amazon. The core offering could be categorised into 4 areas namely

- Research
- Optimization
- Monitoring
- Business Efficiencies

with Optimization, Research and increasing Business Efficiencies as primary offerings. But, Brij had a few concerns, particularly pertaining to pricing.

Challenge 1: Not all sellers used every feature offered, hence how to offer value based price

The Primary offerings were initially positioned at USD $9 for bottom of the pyramid customers which were primarily D2C businesses but the challenge there was these businesses had limited scaling capabilities and consuming insights was secondary. SellerApp then decided to concentrate on Mid-Tier and Top-Tier Sellers of Amazon where the volume of products and services sold were higher which led to getting more data points on the patterns or insights emerging out of

1. Research data : like Keyword combinations that were more effective or how the listings could be built better
2. Optimization : In terms of optimization of inventory and listing or automations using AI
3. Business Efficiencies and Automation : Measuring the impact of optimization and automations introduced

The insight for SellerApp at this stage was that not all sellers used every feature offered. The Sellers in all the tiers of Amazon Ecosystem, be it bottom of the pyramid small business of up to $15k in sales, scaling up and moving up the value chain to subsequent top tiers were consuming only specific features around Research, Optimization, Business Efficiencies and Automation. The audience used to pay for Optimization Feature where the sub offerings were Full-funnel optimization, Retargeting with Sponsored Display ads and Amazon DSP insights. SellerApp structured the pricing to bundle a feature with its sub offerings. They
then spread the offerings across board by building multiple such feature sets and started offering them at price points in three buckets ranging from $49 per month at the lower end to $549 per month on the top end. 80% of platform consumers fell in lower tiers of $49 to $149 range. The 20% high volume businesses and enterprises saw benefits from most of the features offered and hence prices were customized to the value that customers derived from the SellerApp platform which ranged from $249 and above.

**Challenge 2: Pricing in different markets**

All this was achieved in a span of 12 to 18 months by focusing on sellers in the USA. The reason for perfecting the model in the USA was the high maturity of sellers in terms of awareness and processes around Digital Marketing and Advertisements. The Freemium tier was introduced later in the journey based on the learning of the founders from their previous gig that

1. to subsidise free users or trial periods there should be enough funding reserves that had to be ploughed in to pay for the cloud costs or other operating costs to meet the growing scale
2. there could be churn right when the free or trial period is hitting the paid usage stage which also led SellerApp to introduce a 30 day no-questions asked return plan post the free or trial period for users who did not wish to continue

SellerApp introduced its platform in India in 2020. In the Indian market the positioning was to start with the top of pyramid sellers on Amazon and then gradually move to the bottom of the pyramid. This approach was the reverse of that in the USA market. Indian market maturity in terms of doing business on e-commerce platforms was observed as unstructured. There was more effort required to convince the sellers of value realization from the research data, optimization techniques or automations introduced in the seller business processes regarding digital marketing and Advertisements. The customers had to be educated and convinced of the value that they derived and only then the adoption increased. This led to SellerApp introducing Freemium tier in India where users could use the features, experience it and then start paying subscriptions. This was coupled with a series of digital content like videos, blogs, social media contents, partnerships with ecosystem players like logistics players webinars and so on for educating the users on the benefits of such a platform. The audience in India was price sensitive as well. The learning was to revise the pricing for India and to target top of the pyramid businesses first which were more mature in understanding the digital economy. SellerApp introduced the pricing which was 1/5th of that of the USA. Since the brand and visibility was already established in the USA market and then coming back to India helped.
Pricing in India vs Pricing in US vs Pricing in Europe

<table>
<thead>
<tr>
<th>Feature</th>
<th>India (Price/month)</th>
<th>US</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freemium</td>
<td>1 Lac Rupee</td>
<td>$1000</td>
<td>$1000</td>
</tr>
<tr>
<td>Market Intelligence</td>
<td>1k - 5k</td>
<td>$39-$250</td>
<td>same as US</td>
</tr>
<tr>
<td>Advertising and automation</td>
<td>% od adspend</td>
<td>$99 + % od adspend</td>
<td>same as US</td>
</tr>
<tr>
<td>Business Monitoring</td>
<td>5k-20k</td>
<td>$99 - $399</td>
<td>same as US</td>
</tr>
</tbody>
</table>

The Price Levels that were set for various tiers are discussed more in the next section.

Value-based Pricing Strategy

Value based pricing charged a price relative to the customer’s perceived value of the unique benefits received. Value based Pricing generally follows the 4 Step Process as described in the framework below:

a) Define Your Upper Bound
b) Define Your Lower Bound
c) Identify Reasons to Charge Less than Your Maximum Value
d) Structure Your Pricing Model as a Compromise Between the Upper Bound and Lower Bound

![Value-based Pricing Strategy Diagram](source)

**Figure 5 - Decision-making framework for pricing**

The value-based pricing approach for SAAS Offerings or Software is generally based on the Strategic Pricing Pyramid as shown below:

![Figure 6- The Strategic Pricing Pyramid](image)

*Figure 6- The Strategic Pricing Pyramid
Source: ISPMA Software Product Management – The Foundation Syllabus*

Let's look at how SellerApp realised the Value-based pricing

**Value Creation: Firming up on the price points or price levels per tier reflecting value offered to the customer:**

SellerApp, while analysing the seller behaviour, understood that positioning the tiered pricing based on the number and type of features that the seller consumed was dependent on the value that each feature provided. Their customer acquisition was organic and observed that they got a variety of customers in the same segment. Which means the same feature (Ex: Market Intelligence) in one tier was consumed by Top sellers (Enterprises or Large organizations selling many products on e-commerce platforms) as well as the bottom of the pyramid sellers (Seller with one product being sold on e-commerce platform). The usage of each feature was also limited like 15 product searches per day or 10 Keyword searches per day. Hence the starting tier of $9 with one feature was appealing to a wide range of customers with varying revenues. This insight helped SellerApp to bundle the features in various incremental tiers. Each incremental tier created, packed in more value, which enabled the end customer to appreciate the broad range of value proposition from SellerApp and choose which tier was right for them to subscribe to.

The product costs associated with every feature being delivered was taken into consideration while fixing the lower and upper bounds for every tier ie., Starting Tier at $9 to Enterprise Tiers at $549 or custom pricing for certain marquee customers included the data lake costs and other overhead costs and were willing to charge lesser than on the maximum price points as long as the right value is experienced by the customer at that particular price point.
SellerApp segmentation was based on the revenue ranges of sellers on e-Commerce platforms. Even though the platform's primary revenue stream is subscriptions, if you take a closer look, it has multiple revenue streams combined.

Sellers on e-commerce platforms are the primary paying customers of SellerApp platform who consume a variety of functionalities or features for specific periods of time. The combination of features of the SellerApp platform determined how much they are charged. This led to the creation of Subscription-based tiers where each tier bundled a set of features and were offered to be consumed as Self-service. The second type of revenue stream is from the Managed Services like Keyword Optimization + Listing Creation or Amazon Ad Management features where Dashboards, Onboarding support, services for Scaling and Optimization and Business Monitoring are thrown in as value add with a minimum cap on period of subscription. The Third Revenue stream is from the Add-ons which are revealed after the users are onboarded. The Addon services can be consumed based on need or usage. The fourth revenue stream is exposing the Data collated by the data lakes using Integrations and APIs that expose the insights which are charged per Integration and/or per API run.

So if you see there is a combination of Functionality based, time based and usage based models. The Charging models are also a combination of recurring - fixed fees per month, per usage in terms of APIs/integration and so on.

Value Metrics:

KPI indicators that help measure the success and impact of SellerApp are as below. These metrics help the business to track the value that they are delivering to their customers and make informed decisions about product development and marketing.

The Value Metrics that SellerApp uses are

- **MRR** - The recurring revenue generated by SellerApp on a monthly basis.
- **CLV** - An estimate of the total value a user will bring to the company over the course of their relationship.
- **GM** - The total profit generated by the users to SellerApp
- **Net Promoter Score** - The customer satisfaction quotient on each of the individual features used by the users on the platform.
- **Customer Acquisition Cost** - The cost of acquiring a new user, including marketing and sales expenses.
- **User Retention Rate** - The percentage of users who continue using the product over time, indicating the success of the product in delivering value to users.
- **User Engagement** - A measure of how actively users are engaging with the product, such as frequency of use and level of interaction.
- **Feature Adoption** - The percentage of users who are using specific features of the product, providing insight into which features are most valuable to users.
- **Behavioural cohorts** - Analyzing the platform usage who onboards based on similar problem statements and are currently in a similar stage of their Product lifecycle journey on these ecommerce marketplaces.
- **Topic Modelling on Reviews & Feedbacks** - The bifurcation of user’s problems and feedback on the platform that can be categorised into broad problem statements which can be solved to improve the user experience.

**Pricing Structure**

The structure of pricing is based on how the features are offered in terms of the levers attached to every feature like Ad Spends or number of Products or number of keyword searches per month or the kind of business monitoring service that a customer needs. The structure was created reflecting the value to customers by interspersing the flavour of usage based where limits are placed on the tracking of number of products or Keywords tracking or number of searches and so on.

![Pricing Structure Chart]

The Pricing is subscription-based where the base tier is Free for starters with users moving to higher tiers. Subscriptions are either monthly or annuity enabling SellerApp to accommodate half-yearly or annuity.

SellerApp Pricing Structure is based on three broad value bundles unlocking multiple revenue models described earlier in the Value Creation section. The three value bundles are:

- **Self-Serve Platform for Sellers**
- **Managed Services** where users can avail the help of dedicated team who provide professional services - for example Amazon Ad Management where the team devises unique campaign based on the business goals of the customer.
• Other Custom Services and API Integrations

Pricing Communication
The Pricing Structure is positioned as fully self-service lower and mid range customers where the core principle is WYSIWYG (What You See Is What You Get). The Price that is shown for each bundle or tier on the website is what a customer pays for during the month or period of subscription for every set of features used. This allowed for transparency and to communicate with customers as to how reasonable the prices are. Add Ons were offered in-app which can then be subscribed to by customers if the need arises to consume those specific features. The integrity of the offerings are also on display with such an approach.

Managed Services Tiers are offered for customers who are higher up on the value chain. The Pricing structure includes the support and maintenance. A Custom pricing tier is also offered which includes Outbound APIs which customers can use to access data lake, extract data and use for their insighting. There are certain custom reports and integration support that is thrown into the mix to complete the value chain for the customers.

Pricing Policy
The price adjustments year on year for SellerApp depended on

1. The Marketing & Sales funnel where they monitored on
   a. the targets to meet per segment which then rolls up to the overall revenue target of SellerApp for the previous financial year
   b. Type of customers in the top of the funnel and the conversion rates during the previous year

From these arrive at price adjustments to be made to meet the revenue numbers if there was a shortfall or continue the price points or increase the price, all without compromising on the value.

2. Additional value that is packed into the existing tier. For example; an Enterprise customer like the largest beverage brand that is mentioned earlier (subscribed to Professional Tier + Managed Service for Ad Management) looking at an overall category of soft drinks and there could be multiple products being sold each category, wishes to add custom automation rules on their dataset then price is adjusted to say from $99 per month to $110 evaluating on the additional value that is provided to the customer by executing this customization.

3. The increase in price was considered as an increase of subscription period like an annuity or adjust the cost over the pricing levers by apportioning the cost increase over the volume of each of the levers.
The end goal being introducing the price adjustments without affecting the value that is provided to the user.

The Pricing levers were used for price adjustments or moving a customer from one tier to the other once the usage limits exceed. The three pricing levers used are

1. The Ad Spend of the customer
2. The Profitability targets of the customer &
3. The number of ASINs (Amazon Standard Identification number or catalogue number) or in other words the products being tracked

The Pricing for each tier was based on customer segments and the segments were based on the revenue ranges of customers:

- Tier 1 was customer having revenue ranges from $1 to $50K
- Tier 2 was customers having revenues from $50K to $1 Million
- Tier 3 was revenues from >$1 Million to $5 Million and
- Tier 4 was revenues >$5 Million

SelleApp defines clear and comprehensive pricing policy that outlines their pricing philosophy, pricing models, discount policies, and any other relevant pricing guidelines, and make sure

- SellerApp team trains all employees who are involved in pricing decisions or who interact with customers
- Establish clear lines of communication for questions or concerns about pricing policies
- Regularly review and update your pricing policies as needed to ensure they remain relevant and effective

The Pricing is set by the founding team members in collaboration with Sales, Marketing and Product teams with feedback from the trends of sales, average revenue per tier in a year, performance of various tiers in terms of ASINs/products and so on that is observed from the Value Metrics (defined in Value Creation section).

The pricing structure of SellerApp was evolved over a period of time of about 2 years by looking at the challenges, explained in the previous sections. The price adjustments were carried out based on the feedback from customers in the US Market and while solving the challenges which then were replicated to Europe. The India market being price sensitive and less mature in terms of Digital Marketing understanding was the insight for them to tweak the prices specifically for the market. SellerApp invested in the infrastructure to create data
lakes for storing and processing the data generated by thousands of sellers in e-commerce platforms, exposed APIs which could be used by sellers to gather insights and visualize their own performance apart from the AI powered dashboards and automated reports which were generated by the platform.

Conclusion: Lessons Learnt

SellerApp’s experimentation with their pricing across the geographies and customer segments helped them gain valuable lessons as delineated below:

1. Arriving at the right customer segment is essential in discovering the right price levels
2. Price levels need to be anchored on Value provided to customers in each segment
3. Price level anchoring is arrived at by testing the price points in the market. Testing is all about allowing the customer to see the value that they are getting for the spend and analysing at which price levels that customer sees the maximum value
4. Value provided to customers must be reflected on the Pricing Structure which includes the levers by which the price adjustments are made
5. Pricing levers are essential in making price adjustments

References

- https://www.linkedin.com/company/sellerapp/about/
- https://www.sellerapp.com/partners.html
- https://www.trustradius.com/products/sellerapp/reviews#overview
- https://www.g2.com/products/sellerapp-sellerapp/reviews
- https://www.ibef.org/industry/ecommerce
- https://www.sellerapp.com/pricing.html
Appendix

Figure 7: The SellerApp ecosystem