

5 hybrid pricing models to revolutionize your subscription-based business

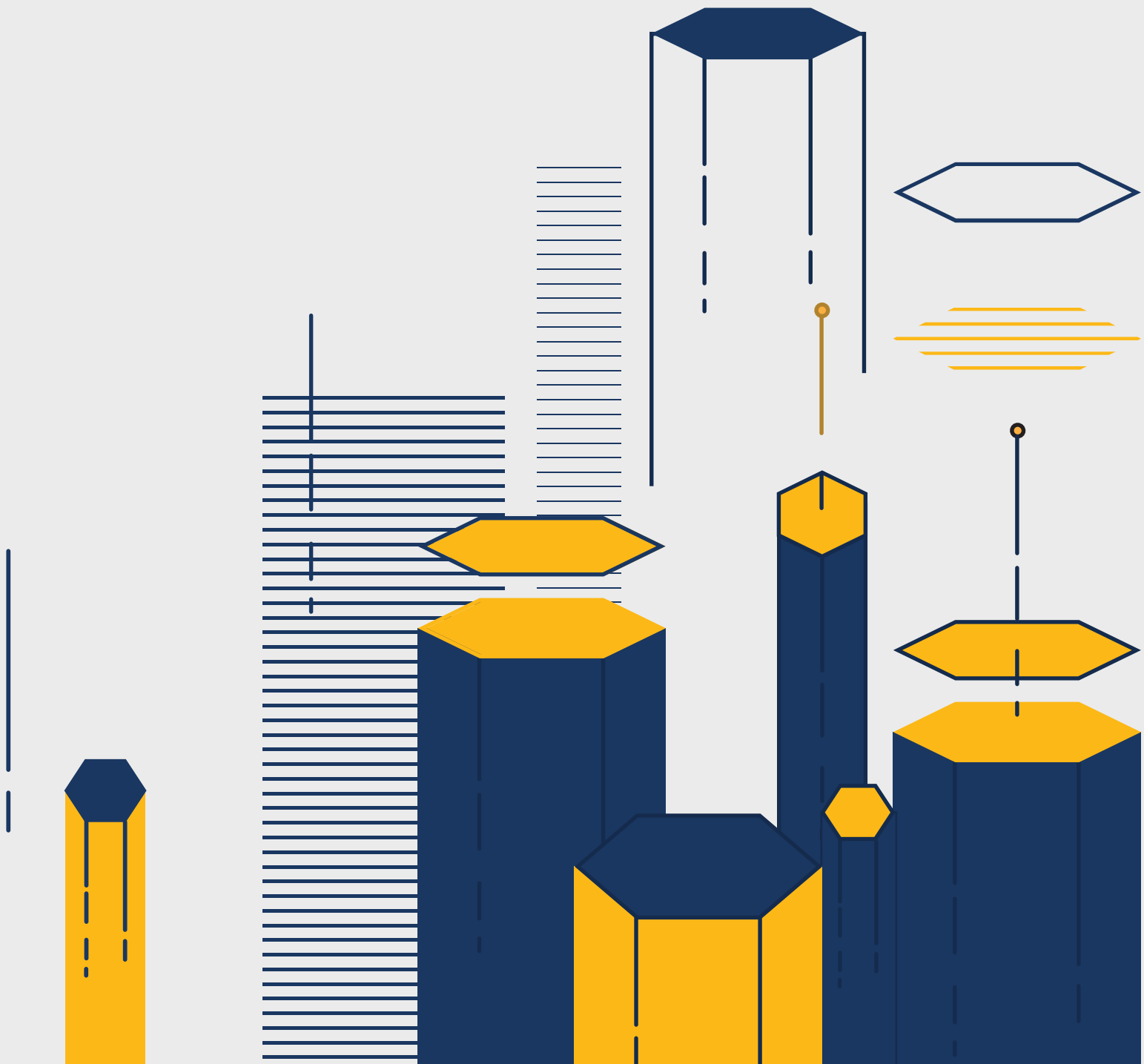


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Introduction to hybrid pricing

There are many different SaaS pricing models, which means there are many options for mixing and matching the best elements of each to create a pricing strategy that is unique and perfectly tailored to your business. The truth is that most companies eventually adopt a hybrid pricing model because it allows them to better align the value and price of their subscription services as they adapt to the needs of their buyers.

5 best practices for creating a hybrid pricing model

Successful hybrid pricing models are carefully crafted to balance the cons and reinforce the pros of their standard counterparts. If your company chooses to implement hybrid pricing, ensure that you follow these five best practices when developing the model:



Complete comprehensive market research



Implement a value-based billing metric



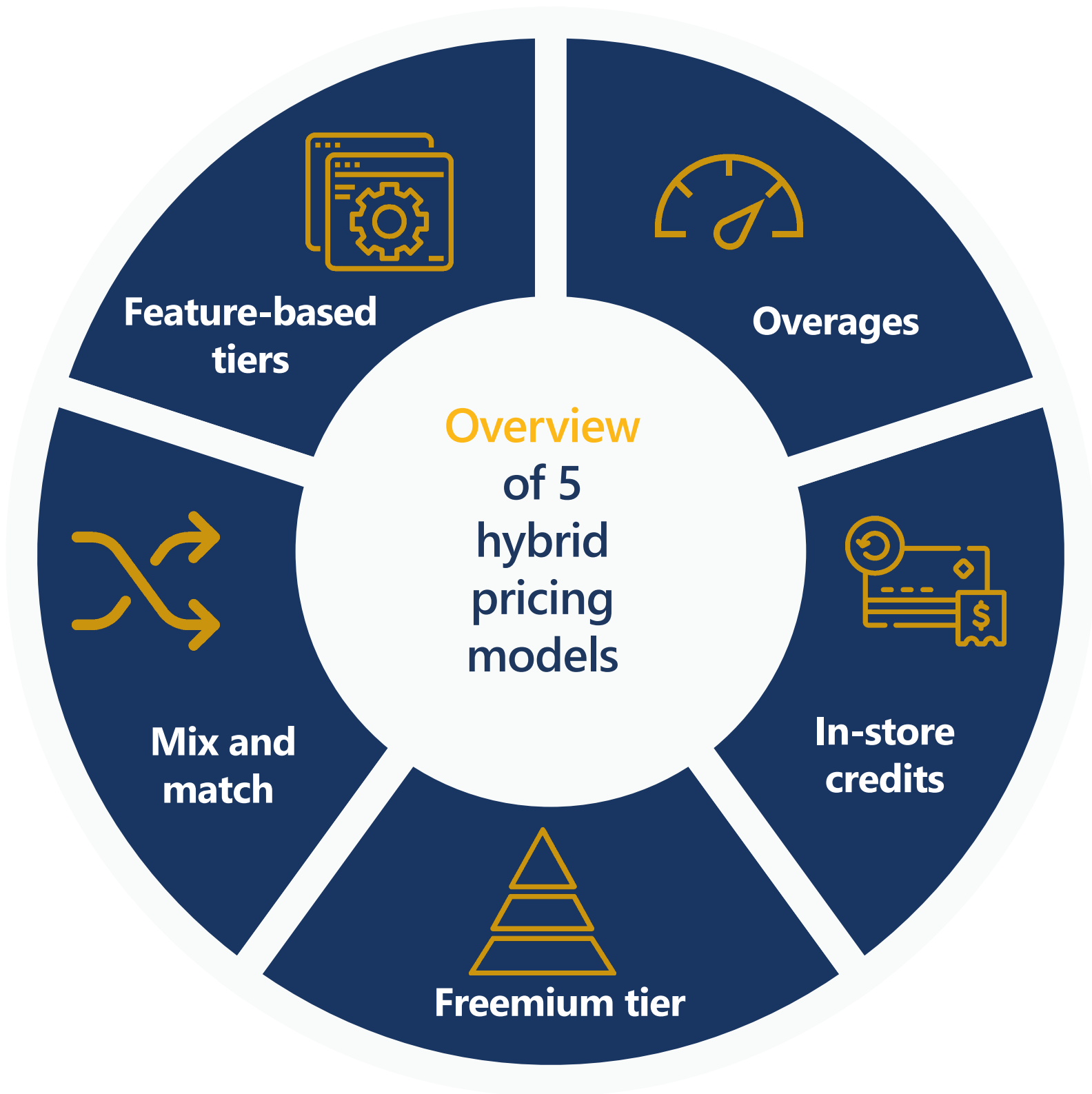
Experiment with your pricing structures



Invest in forecasting tools



Prepare for backloaded growth

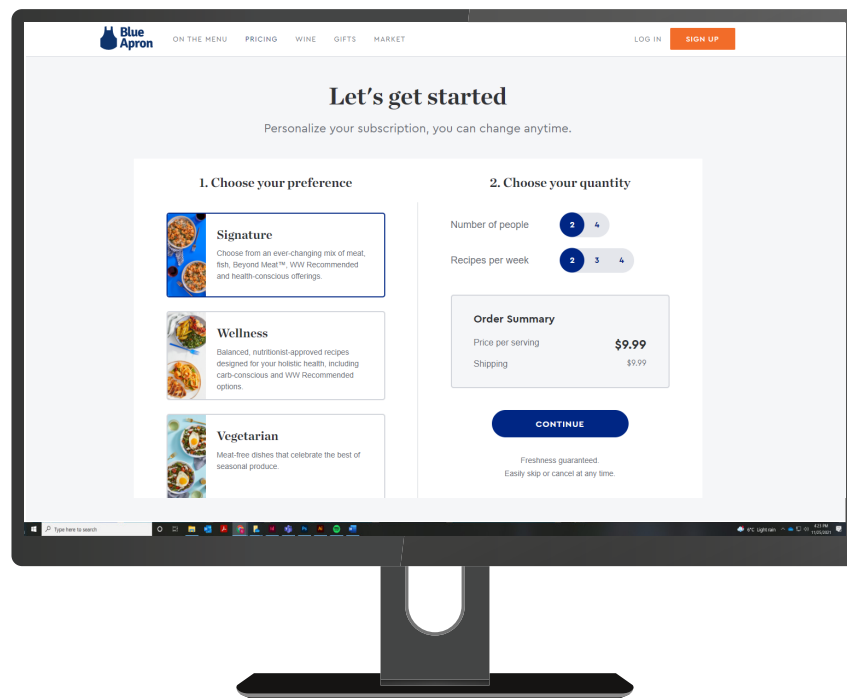


1. Feature-based tiers | Hybrid of feature based and tiered pricing

One of the most natural hybrid pricing models is a combination of feature-based billing and tiered pricing. Feature-based tiers provide companies with more control over the consumer's perceived value of their offering, as well as the opportunity to leverage the Goldilocks principle and direct customers towards their median pricing options.

Both standard tiered and feature-based pricing models attract a broad potential audience, which can create some problems if poorly managed. However, the resulting hybrid model helps to address some of those concerns. One of the main issues with standard tiered pricing is the potential loss of revenue from attracting the wrong customers or customers choosing the wrong tier. Basing the tiers on different features better communicates the justification behind the pricing. If done correctly, you can appropriately charge for complexity without overwhelming your customers.

Blue Apron is a meal-kit subscription service that sends you easy-to-follow recipes and pre-proportioned ingredients to simplify dinnertime. They currently offer four plans that target three diets and two serving sizes. Customers can choose recipes from their menu and decide whether they want the kit to arrive two, three, or four times per week. Blue Apron has an expert understanding of their buyer personas and has crafted these four tiers to appeal to their unique customer segments.

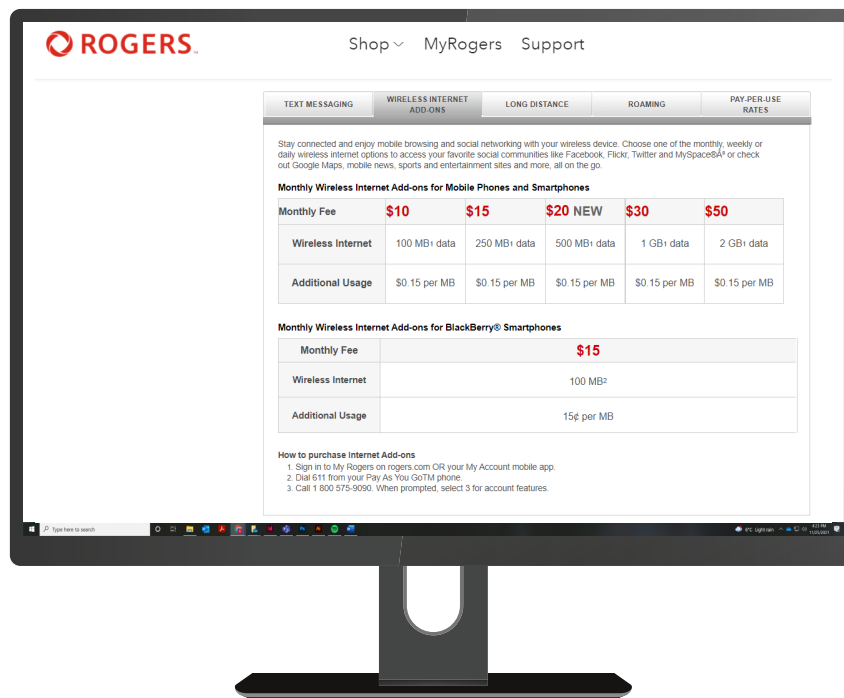


2. Overages | Hybrid of usage-based and flat-rate pricing

Most phone and internet companies use a common hybrid pricing model called overage pricing. Customers are charged a flat-rate each month, but rather than cutting off their access at a certain limit, companies allow them to continue to use the service and charge an additional fee for the extra amount, like in usage-based billing.

This combination works well to overcome some of the cons of the standard pricing models. One of the cons of the flat-rate model is inflated operating costs caused by high-use customers, like large business buyers. By incorporating usage-based pricing, your company can continue to earn revenue from these customers to fund the resources required to maintain high calibre output. This hybrid model also alleviates some of the cons of a traditional usage-based pricing model. It can be easier for buyers to understand and simplify forecasting due to the flat-rate minimum payment per billing cycle.

Rogers uses a hybrid model to account for their wireless Internet add-ons for mobile phones and smartphones. Customers pay a basic fee each month to access a specified amount of data and then pay an additional amount for any usage beyond that. Since Rogers offers multiple add-ons with overage pricing, they've also opted to include feature-based tiers to capture different customer segments based on data usage and ultimately upsell customers that routinely incur overage fees.

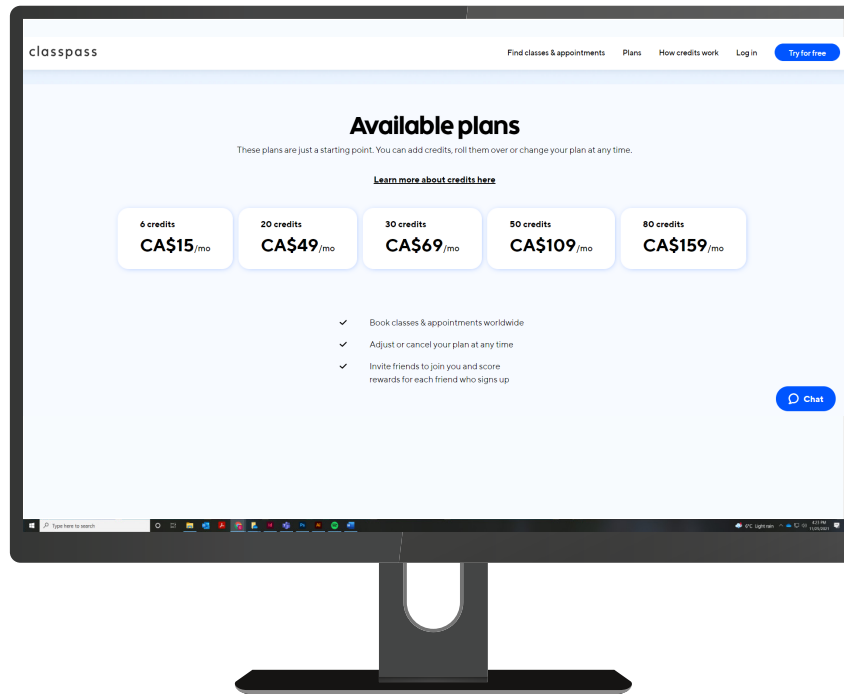


3. In-store credits | Hybrid of bundling and usage-based pricing

In-store credits when adapted to a subscription service unites the benefits of bundle pricing and usage-based billing. Customers purchase a certain number of credits on a recurring basis and then use those to 'buy' a selection of goods and services offered by the company. Both bundle and usage-based pricing are created to easily convey the value of discounts, so when it comes to customer acquisition, you can readily offer bulk discounts to reward high usage.

Customers can enjoy a one-stop shopping experience purchasing multiple goods and services via one recurring bill, and therefore, streamlining the buyer's journey. An in-store credit system adds an extra layer of flexibility and personalization afforded by the usage-based pricing model. This hybrid model can also be easily adapted to your industry. For example, it's common for companies in the gaming industry to develop an in-game currency system, especially if their product is freeware.

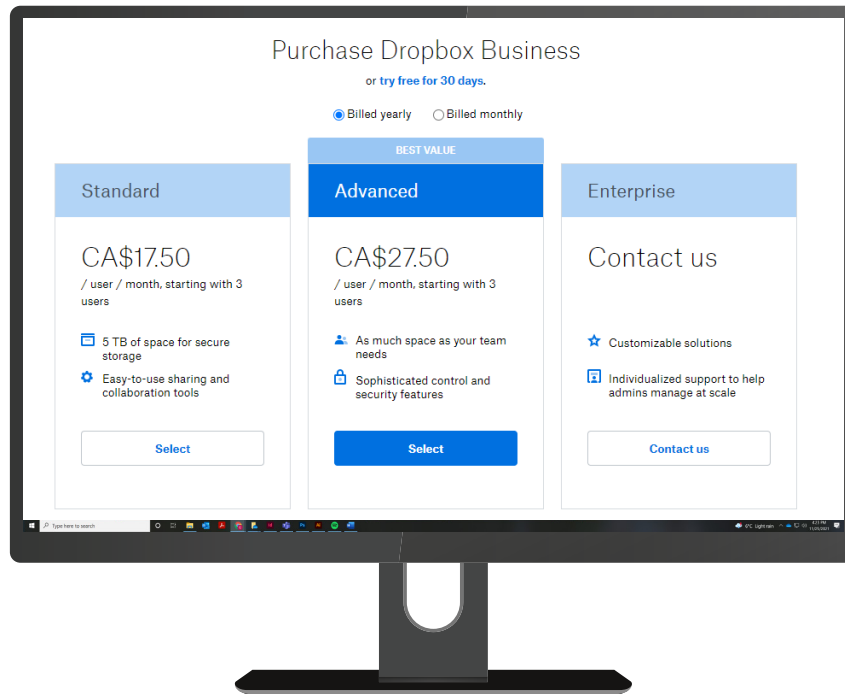
Class Pass is a health and fitness subscription service. You are allotted a certain number of credits each month to 'spend' on a selection of different available classes. This flexibility allows customers to curate their activities to fit their needs as they progress through their health journey. The five different plans facilitate a natural upselling process as customers grow familiar with the system.



4. Freemium tier | Hybrid of freemium with other pricing models

The freemium model easily lends itself to hybridizing with almost any other pricing model because it can be offered as an introductory tier. A freemium tier can attract more customer segments and allow buyers the opportunity to familiarize themselves with the offering before committing to a specific plan. When managed appropriately, the freemium tier will offer just enough functionality to appease customers in the awareness and consideration stages, but ultimately leave them wanting more as they transition to the decision stage.

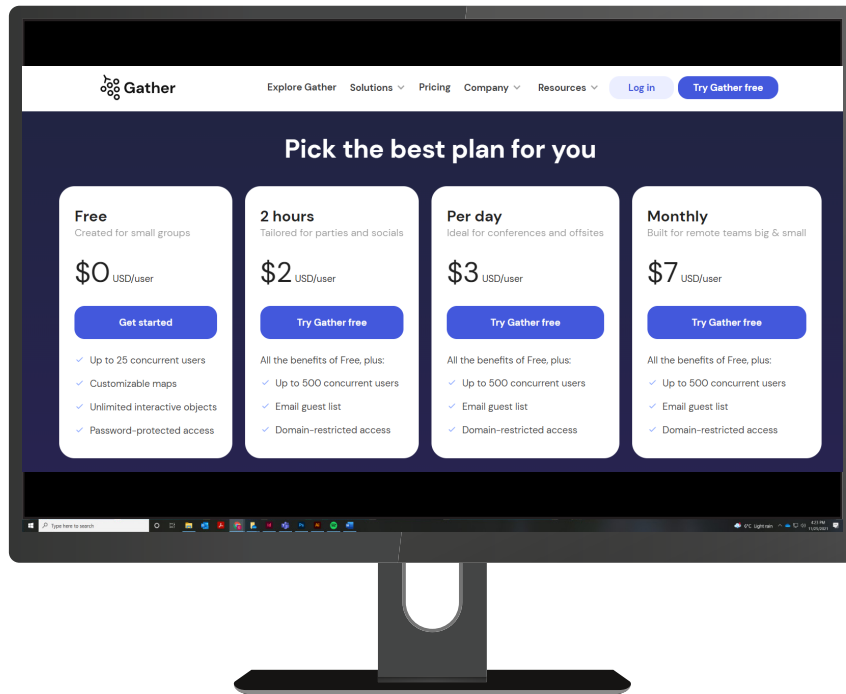
Dropbox is a file hosting service that offers cloud storage, file synchronization, personal cloud, and client software. They provide a basic free tier for personal use, called 'Dropbox Basic' and then upgraded plans for that include more storage and are priced on a per-user basis. Individual plans and Dropbox Business have separate pricing pages, which are strategically positioned to minimize any anchoring effects of the individual freemium tier and gain the benefits of offering a thirty-day free trial for the added functionality of the business tiers.



5. Mix and match | Hybrid of more than two pricing models

Some businesses benefit the most from combining so many elements, they practically invent their own pricing models. At the peak of customization, this strategy can be very lucrative if carefully crafted for maximal appeal to your buyer personas. However, due to its complexity, you will need an advanced recurring billing solution to ensure error-free invoicing and maintain compliance with accounting standards.

Gather provides a virtual environment for people to meet up or attend events. They have a basic freemium tier that is capped at 25 concurrent users. After that limit, all their plans can host up to 500 concurrent users. Their paid subscription plan is available monthly at a flat rate of \$7 per user, but you can also purchase two-hour, or day passes for standalone events. Considering that the small enterprise was founded in 2020, it's doing quite well one year on with 4 million users and \$4.8 million in annual revenue.



Introducing Subscription Billing Suite

A comprehensive solution for billing, deferrals, and recognition that streamlines the entire quote to cash process at every step from billing and invoicing to reporting and forecasting. It provides consistent and reliable invoicing for a wide range of pricing models and allows you to take control of your pricing and billing schedules at the line-item level within Microsoft Dynamics 365 for Finance and Operations, Microsoft Dynamics 365 Business Central, and Microsoft Dynamics GP.

What our customers say

Wonderful, wonderful, wonderful. A joy to work with Binary Stream. Everyone was super helpful and positive, which had a big impact on the success of the implementation.



What makes Binary Stream different from other software companies we have worked with is their ability to truly listen to customer input and enhance their subscription solution to meet those needs.



Since I have come on board, Subscription Billing Suite has paid for itself more than once over. Having this solution to help us manage over 10,000 deferred contracts is an essential part of our financial processing.



I've long been a fan of Dynamics, and Subscription Billing Suite met and exceeded every feature of our previous solution. However, the factor that made this project a success is having a partner who augmented our internal integration efforts.





Start your subscription billing journey today

Learn more by reading our complete guide to subscription management, offering insights into billing models, pricing page psychology, and plenty more.

[Discover more](#)