How to Price a SaaS: Frameworks That Actually Work

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How to Price a SaaS: Frameworks That Actually Work You're undercharging. Almost every solo founder is. Start higher than feels comfortable, use value-based pricing to justify your number, structure 3 tiers with clear differentiation, and revisit quarterly. A 1% improvement in pricing generates 4x more profit than a 1% improvement in acquisition. Pricing is the scariest decision in building a SaaS. Pick a number too high and nobody buys. Pick it too low and you're working for free. So most founders do the worst possible thing: they guess a low number, never revisit it, and wonder why their MRR is stuck. Here's the uncomfortable truth: over 55% of SaaS companies price based on pure guesswork. And only 10% treat pricing as a growth lever. The other 90% obsess over acquisition — more ads, more content, more features — while ignoring the one thing that moves the needle fastest. Patrick McKenzie (patio11) puts it bluntly: developers judge their software against an imaginary perfect version rather than against what exists in the market. Your code costs you nothing to write, so you price it like it's worth nothing. This guide is the antidote. Three pricing frameworks, real numbers from bootstrapped products, and a calculator to model your own scenarios. If you want to bookmark this for later, use this direct link: How to price a SaaS. Why pricing matters more than you think A study across 512 SaaS companies found that a 1% improvement in pricing yields an 11-12.7% increase in profit. That makes pricing optimization 4x more effective than acquisition and 2x more effective than retention. Read that again. You could spend $10K on ads or you could spend an afternoon rethinking your pricing page. The afternoon wins. And yet, roughly 75% of software companies don't even have someone responsible for pricing. It's treated as a set-it-and-forget-it decision, not an ongoing practice. Framework 1: Cost-plus pricing (the baseline) Cost-plus is the simplest approach: calculate your costs, add a margin, divide by expected customers. It's how restaurants price food. **How it works:** - Add up your monthly costs — infrastructure, tools, domain, email, time - Pick a margin (20-50%) - Divide by expected customer count **The problem:** SaaS has near-zero marginal cost. If your server costs $50/month and you have 100 users, cost-plus logic says charge $0.60 per user. That's not a business — that's a rounding error. Cost-plus is only useful for one thing: establishing a floor. Your price can never go below what it costs you to serve each customer. But it should almost always be significantly higher. **When to use it:** As a sanity check. If your price is somehow below your cost-per-user, you have a problem. Otherwise, move on to the next framework. Framework 2: Value-based pricing (the one you should use) Value-based pricing works backward from the customer. What is your tool worth to them? What pain does it eliminate? What money does it save or generate? If your scheduling tool saves a consultant 5 hours per week at $150/hour, that's $3,000/month in recovered revenue. Pricing at $49/month is a 61x ROI. The customer doesn't care about your server costs — they care about the $3,000. **How to estimate value:** 1. **Time saved** — how many hours does your tool save per month? Multiply by the user's hourly rate. 2. **Revenue generated** — does your tool help users make money? What's the delta? 3. **Cost replaced** — what were they using before? Manual work, a more expensive tool, an agency? Price at roughly 10-20% of the value delivered. That feels generous to the customer (10x ROI) while building a real business on your end. 78% of SaaS companies now use value-based pricing, up from 62% in 2023. It works because it aligns your revenue with the customer's outcome — not with your ego or your infrastructure bill. **Real example:** Plausible Analytics charges $9/month for privacy-friendly web analytics. The value proposition isn't "we track pageviews" — it's "you stay GDPR compliant without cookie banners while getting the data you actually need." That's worth way more than $9 to any business that cares about privacy compliance. Framework 3: Competitor-anchored pricing (the quick way) When you're launching and don't have customer data yet, competitor pricing gives you a range to work within. **How it works:** - List 5-8 competitors and their pricing - Note what's included at

each tier - Position yourself: premium, parity, or undercut This is how most founders actually start. It's not ideal — you're letting competitors define your strategy — but it prevents wildly miscalibrated pricing on day one. **The trap:** Don't race to the bottom. If every competitor charges $29-$49/month, pricing at $9 doesn't signal "great deal." It signals "worse product." Unless you have a genuine structural advantage (like dramatically lower costs), underpricing hurts more than it helps. **Use competitor pricing as guardrails, not gospel.** It tells you where the market is. Value-based pricing tells you where you should be. The pricing page: tiers, anchoring, and psychology Your pricing page is the most important page on your site besides the homepage. Here's what the data says about making it convert. Three tiers, always 41% of successful startups use exactly three pricing plans. For every 10 combinations you add to a pricing model, conversion rates drop by about 1.5%. Three tiers avoid analysis paralysis while giving enough room for upselling. The classic structure: **Good, Better, Best.** - **Good** ($19-$39) — Gets people in the door. Limited features, lower usage caps. - **Better** ($49-$99) — Your money tier. This is where you want most customers. Highlight it as "Most Popular." - **Best** ($149-$299) — The anchor. Makes the middle tier feel like a deal. Some customers will actually buy it, and that's gravy. The decoy effect Your highest tier isn't just for big spenders. It makes the middle tier look reasonable by comparison. If your plans are $29 and $79, the $79 feels expensive. Add a $199 tier and suddenly $79 feels like the smart choice. Monday.com does this — their Standard plan is priced just slightly below Pro but with significantly fewer features, making Pro the obvious pick. Anchoring specifics Show your highest-priced plan first or most prominently. When people see the big number first, everything else feels cheaper. There's also a subtle trick: use round numbers for the anchor ($200) and precise numbers for the target tier ($79). Precise prices feel more carefully calculated, which increases trust. What real indie SaaS products charge | Product | Category | Starting Price | Model | |---|---|---|---| | Plausible Analytics | Privacy analytics | $9/mo | Usage-based tiers | | Fathom Analytics | Privacy analytics | $15/mo | Usage-based, all features | | Buttondown | Newsletter | $9/mo | Subscriber-based | | Carrd | Landing pages | $9/year | Annual only, site tiers | Notice a pattern? Successful bootstrapped products keep pricing simple. Flat monthly or usage-based. No per-seat enterprise complexity. No surprise fees. The pricing page should take 10 seconds to understand. Free tier: yes or no? Let's be honest about the math. Freemium conversion rates sit at 2-5% for most SaaS. That means if 1,000 people sign up for your free plan, 20-50 will ever pay you. Meanwhile, all 1,000 are using your servers, filing support tickets, and shaping your product roadmap toward features that serve non-paying users. Free trials with a credit card requirement convert at roughly 2x that rate. Reverse trials — where users get full Pro features temporarily and then downgrade — hit around 20% conversion. **Our take:** If you're a solo founder or small team, skip the free plan. Offer a 14-day free trial with a credit card upfront instead. 70% of solo founders now require a card at signup, and it roughly doubles conversion compared to no-card trials. Free plans make sense in one scenario: you're building a product where the user base itself is the value (Slack, Figma, Notion). If your product doesn't have network effects, freemium is probably burning money. If you do offer a free tier, make it genuinely limited. Not "free with a watermark" but "free up to 100 records" or "free for personal, paid for commercial." Give enough to prove value, not enough to replace paying. Annual vs monthly: the actual math 83% of SaaS companies offer both annual and monthly billing. You should too. Here's why: annual plans show 30-40% lower churn than monthly plans. **The standard annual discount:** 16.7% — that's "two months free" when you pay upfront. Charge for 10 months, deliver 12. It's the most common pattern in SaaS, and customers immediately understand it. The discount tiers by market: - **Self-serve / SMB:** 10-15% - **Mid-market:** 15-20% - **Enterprise:** 20-30% One thing that surprised us: enterprise customers choose annual 87% of the time even with smaller discounts (10-15%), while solopreneurs only choose annual 18% of the time even with steeper ones (20-30%). Solo buyers

are more cash-flow conscious and less willing to commit upfront. **Default your pricing toggle to annual.** It's not shady — it's what most companies do, and it frames the annual price as the "normal" price, making monthly feel like a premium. Quick math for a $49/month product: - Monthly: $49/mo = $588/year - Annual (2 months free): $490/year = ~$40.83/mo - Your savings: guaranteed 12 months of revenue vs. the risk of monthly churn That guaranteed revenue is worth the discount. Always. How to actually pick your first price Enough theory. Here's a practical process: The last point matters most. Patrick McKenzie's advice: go with the highest number you're thinking of and probably double that. If customers buy with zero hesitation, your price is too low. Some resistance is healthy — it means you're capturing real value. How to change your prices (it's less scary than you think) Founders treat price changes like open-heart surgery. In reality, 96% of SaaS companies that changed their pricing grew faster afterward. Only 4% saw any slowdown. Here are real examples from solo founders: **Peter Suhm** removed his free plan and raised his Pro plan from $25 to $35. New customers jumped from 5 in three weeks to 14 in ten days. **Inkdrop (Takuya Matsuyama)** doubled his price from $4.90 to $9.98 after seven years. Churn briefly spiked to 9%, then dropped below 3% within nine months. MRR grew. **Influize (Liam Derbyshire)** moved from a flat $49 plan to three tiers ($29/$79/$199). ARPU jumped 38% and churn was cut in half. The pattern is consistent: raise prices, brief churn spike, then faster growth. **Rules for raising prices safely:** 1. **Grandfather existing customers.** They keep their current rate. This builds massive goodwill and avoids the backlash SimplePractice got when they raised prices on everyone at once. 2. **Test on new signups first.** Apply the new pricing only to new customers for 30-60 days. If conversion holds, you're good. 3. **Communicate openly.** Tell people why. Inkdrop's founder focused on transparency about rising costs and new features. The initial churn was temporary. 4. **Restructure, don't just raise.** Sometimes the structure matters more than the number. Influize's move from flat to tiered pricing increased revenue while actually lowering the entry price. 5. **Revisit quarterly.** Not necessarily to raise every time, but to check if your pricing still aligns with your value. Nearly 40% of SaaS companies haven't touched pricing in 18+ months. That's too long. Model your pricing Use the revenue calculator to test different pricing scenarios. Plug in your target price, expected customers, and churn rate to see where you'll land in 12 months. And use the metrics calculator to track how pricing changes affect your unit economics — LTV, CAC payback, and gross margin. The biggest mistake: pricing too low We'll end where we started. The number-one pricing mistake for solo founders is charging too little. Low prices attract price-sensitive customers who churn faster, demand more support, and leave negative reviews when you eventually raise rates. Higher prices attract customers who value your product, stick around longer, and require less hand-holding. McKenzie calls these "pathological customers" — the ones a low price attracts. They're optimizing for cheap, not for value. You don't want them. Price for the customer you want, not the customer you're afraid to lose. Start with value-based pricing. Three tiers. Entry plan at $29 minimum. Annual discount at two months free. Skip the free plan unless you have network effects. Revisit quarterly. And when in doubt, charge more — a 1% price increase is worth more than a 1% bump in any other metric.