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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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 'O' 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: Trellio, 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:

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

2.98
△ 0.3 (11%)

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.

$509.60
▲ $509.60
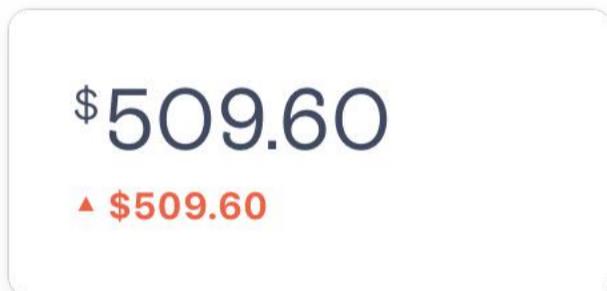
Churn breakdown by time

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.

		Previous Plan	Current Plan	
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.

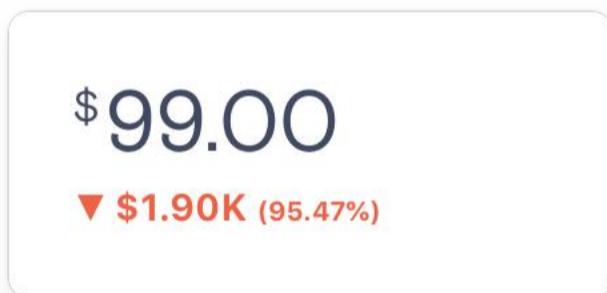**Is this a problem you're facing?**

Low Expansion MRR - Customer stagnation in one plan

Your higher plans aren't providing enough value for money.
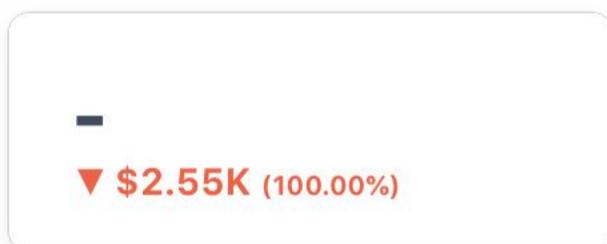
Then, monitor this:

Expansion MRR

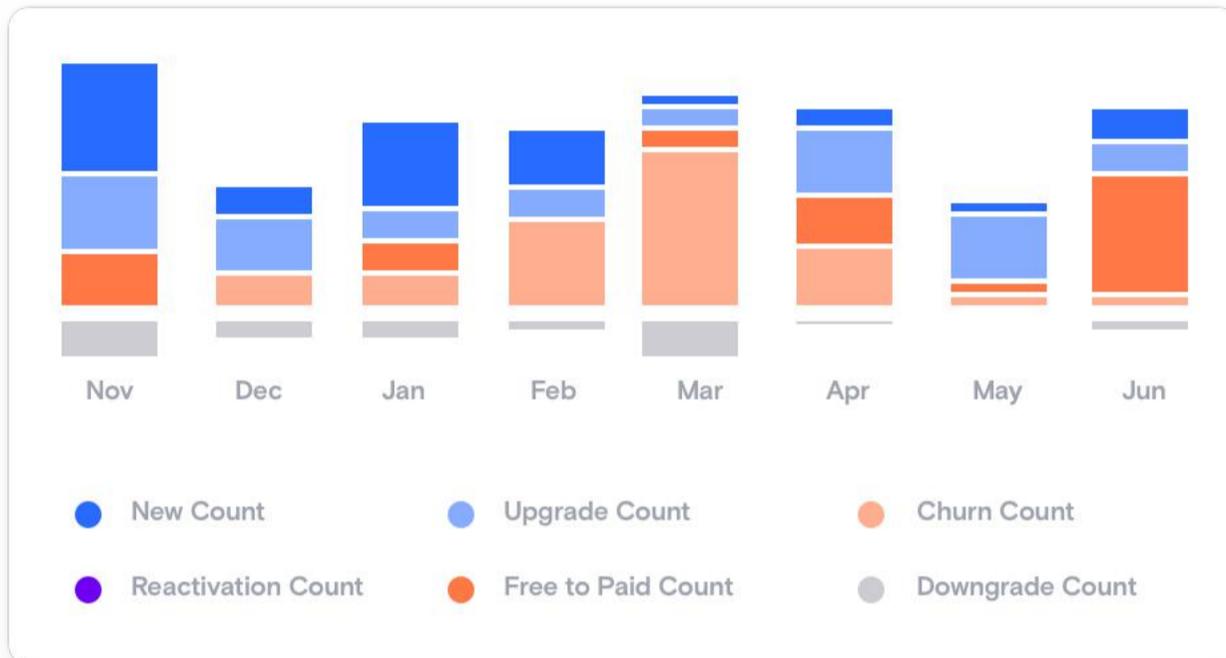An increase in this number indicates that the revenue generated from your existing customer base is growing.

$99.00
▼ $1.90K (95.47%)

Upgrade MRR

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

—
▼ $2.55K (100.00%)

Subscription breakdown

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

- ● New Count
- ● Upgrade Count
- ● Churn Count
- ● Reactivation Count
- ● Free to Paid Count
- ● Downgrade Count

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.

$99.00

▼ $500.00 (83.47%)

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%

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 →

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.

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.

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.
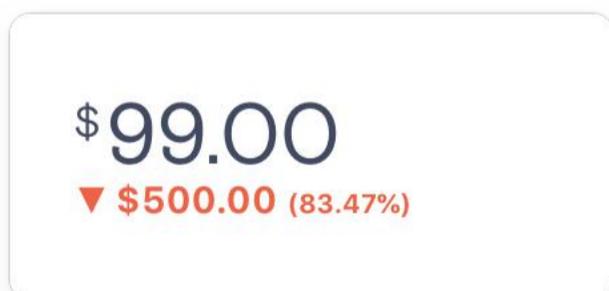
Is this a problem you're facing?

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

$99.00
▼ $500.00 (83.47%)

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.