3.6 How to design a Tiered Model?

In this lecture we will discuss several key points that we should consider when designing a tiered subscription model on a practical example. Suppose we want to design tiers for our project management tool.

Market Research: Understand customer needs and preferences.

Tier Features: Align features with customer segments.

Enhanced Options: Include demos and free trials.

Value Communication: Clearly articulate benefits of each tier.

Competitor Insights: Incorporate competitive analysis to enhance offerings.

To begin, we might conduct detailed market research to understand what features our customers value most. We may discover that while freelancers prioritize cost-effective solutions with basic project tracking tools, larger tech companies seek advanced reporting and collaboration features. Based on these insights we can design a basic tier tailored for individual professionals and a premium tier suited for tech companies. This ensures that the features in each tier align with the specific needs and willingness of customers to pay for each package.

As we expand the number of tiers, customers might have trouble choosing one that is relevant for them and may hesitate to upgrade. Including options like booking demos or providing free trials can be highly relevant and beneficial when designing tiered offerings. These features help potential customers experience the service firsthand and increase the likelihood of conversions from free or demo users to paid subscribers.

Also we need to communicate the value of each tier clearly. We must ensure that customers understand what they gain by moving up a tier and feel confident that the price increase is justified.

Finally, a competitor analysis plays a significant role as well. If direct competitors are offering integration with popular communication tools only in their highest tiers, we might

decide to include this feature in our mid-tier option.