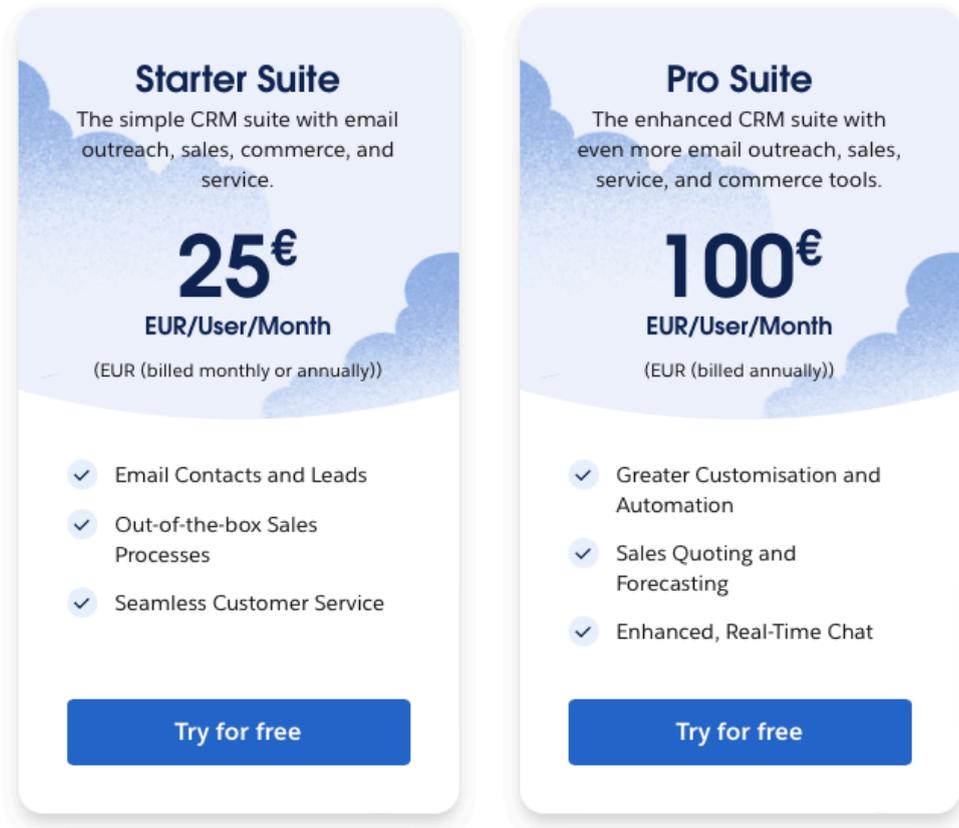---

3.5 Tiered Subscription Model

In this lecture, we will discuss the specifics of the tiered Subscription model and take a look at SaaS companies that utilize it.

- offer service packages at different price points

- designed for a wide range of customers with varying needs and budgets

- tiers vary by features, user/account limits, or device access limits

- commonly, 2-4 tiers are offered to balance choice and simplicity

A tiered model provides a spectrum of service packages, each with a different combination of features and its own price tag. This model is structured to serve a broad customer base, with diverse preferences and budget ranges, as it allows customers to select the tier that aligns precisely with their needs and avoids the cost of unneeded features. Tiers can be constructed based on the number of features, number of users of accounts that can access the service, or the number of devices on which the product can be used simultaneously. SaaS companies often structure their tiered subscription models with anywhere from two to four core tiers. Beyond four tiers, it can become challenging for customers to differentiate between each level and decide which is best for their needs. The most straightforward approach is the Two-Tier model in which we usually offer a basic plan and a premium plan. It's clear and simple, making the decision process easier for customers.

Let's take a look at the Salesforce offering for small businesses.

Starter Suite

The simple CRM suite with email outreach, sales, commerce, and service.

25€
EUR/User/Month
(EUR (billed monthly or annually))

- ✓ Email Contacts and Leads
- ✓ Out-of-the-box Sales Processes
- ✓ Seamless Customer Service

Try for free

Pro Suite

The enhanced CRM suite with even more email outreach, sales, service, and commerce tools.

100€
EUR/User/Month
(EUR (billed annually))

- ✓ Greater Customisation and Automation
- ✓ Sales Quoting and Forecasting
- ✓ Enhanced, Real-Time Chat

Try for free

Priced at 25€ per user per month, the Starter Suite is the entry-level option. This suite is the simpler CRM package, including basic features such as email contact and lead management. If a customer needs enhanced CRM capabilities such as customization and automation, he might choose the Pro Suite tier.

Some companies such as Calendly offer four tiers, each designed to meet the needs of various user groups — from individuals and small teams to large enterprises.

Free

For individuals starting out with basic scheduling

Always free

[Get started]

Free features

- One event type with unlimited meetings ?
- Connect one calendar and basic integrations ?
- Customize your booking page ?
- Automate event notifications
- Embed scheduling on your site

See all features →

Standard

For those with more sophisticated scheduling needs

$10 /seat/mo ?

[Get started]

Free features plus

- Unlimited event types with unlimited meetings ?
- Multiple calendars for availability and scheduling ?
- Integrations with Hubspot, PayPal, Stripe, and hundreds more
- Group (1-to-many) and collective (2-on-1) event types ?
- Reminders, re-confirmation requests, and other workflows
- More customization of your booking page, emails, and Calendly on your website ?
- 24/7 live chat support

See all features →

Teams Recommended ☆

For teams who need advanced features such as reporting, meeting distribution, and automations

$16 /seat/mo ?

[Try for free]

Standard features plus

- Connect to Salesforce to flow meeting data into the CRM
- Round robin events ?
- Route leads to the right calendar based on HubSpot lookup and form responses (Calendly, Marketo, Pardot, or HubSpot forms) ?
- Admin features for management of team events and permissions

> Optional add-on
>
> + **Single Sign-On**
> Simplify team access with SAML-based SSO through Okta, Azure, OneLogin, Auth0, and more

See all features →

Enterprise

For teams who need more security, admin control, support, and enterprise-grade procurement ?

Starts at $15k /year

[Talk to sales]

Teams features plus

- Enable Single Sign-On and advanced user provisioning
- Claim your domain and work in one account ?
- Use the full suite of Salesforce routing features ?
- Ensure compliance with an audit log and data deletion API
- Access expedited support, onboarding and implementation
- Connect to Microsoft Dynamics 365 and Power Automate

See all features →

Calendly starts with a free tier, perfect for individuals just beginning to explore the benefits of automated scheduling. Moving up to the Standard tier, users receive significantly more value with features such as unlimited event types and integrations with payment systems. At the premium level, the Enterprise tier delivers the highest value, targeting large organizations with a suite of enterprise-grade features.

So we can see that as we move to higher-priced tiers, the price reflects a corresponding enhancement in feature complexity and range.

Drawbacks of Tiered subscription models

As we can see, the tiered subscription model presents numerous benefits. Yet, it also can posses some drawbacks:

- Complex management of packages

- Misalignment of features in tiers

- High price gaps between tiers

- Problematic customer segmentation

Managing several different service packages introduces operational complexities. Without thoughtful design, tiers can lead to management challenges, as each tier might require distinct support, marketing strategies, and resource allocation. This not only increases

operational overhead but also requires advanced systems to handle the details between tiers effectively.

Then there could be misalignments of features. While it's tempting to add more features to justify higher prices, doing so without a clear strategy can lead to feature overload. If the higher tiers are packed with features that aren't perceived as valuable by the customer, it can create a gap in value perception. Customers might view these tiers as not cost-effective if the additional features don't justify the higher price.

Additionally, a significant price jump to the next tier can act as a psychological deterrent for customers considering an upgrade. If the additional cost doesn't clearly align with noticeable improvements in features or services, customers may hesitate to move up.

Another hurdle is accurately segmenting customers and predicting which tier they will choose. Misjudgments here can lead to customers defaulting to lower-priced tiers. Effective customer segmentation requires a deep understanding of customer needs and behaviors to align tier offerings closely with market demand.

While these challenges certainly exist, understanding them is crucial for creating more effective and appealing tiered subscription models. In our next lecture, we will dive into the practical aspects of designing such a model.