5 Common Pricing Models
for SaaS Products

This is an extra resource to go along with the original article:
[SaaS Pricing: Here's What You Need to Know to Generate More Leads](#)

Pricing Model 1: Freemium

In this model, you give the user limited access to your product for free and forever. It's one of the most popular models because it attracts leads easily. Freemium generates leads, period. It's great for businesses that are just starting out because it allows you to introduce your product to your customer pool without risk to them.

However, freemium is not a sustainable long-term solution. It can be difficult to get users to shift to a paid version of your product, especially if they're happy with the free one. And if your free version is too generous with features, you'll never make money.

Pricing Model 2: Tiered

In this model, you offer multiple variations (or packages) of your product, with each variation containing a unique combination of features. The tiered pricing model is generally configured into three packages, representing budget, middle, and premium prices.

The benefit of the tiered model is that it appeals to multiple customer types. However, choosing the right package can be confusing and ultimately frustrating for some of your customers.

Pricing Model 3: Usage-Based

In this model, customers pay as they go. The benefit of this model is that the price is flexible and can scale with the customer. Because you're asking for a lower upfront investment, you can attract a larger group of customers.

However, when using this model, it can be difficult for you to predict revenue.

Pricing Model 4: Flat Rate

In this model, you sell one product at one price. There's no guesswork and the customer knows exactly how much they'll pay each month. They also don't need to compare packages and

deliberate over which product they need because there's only one. You've stripped away the agony of choice.

This model isn't so great when you're dealing with one customer that has multiple users (i.e. an enterprise). It makes better sense to charge per user in that type of scenario.

Pricing Model 5: Charge Per User

In this model, you charge based on the number of users. Customers can influence the price by adding or subtracting users. This model is easy to understand for your customer. That said, it may be easy for a customer to cheat by allowing multiple users to share one login.

Instead of charging per user, you can opt to charge per active user. This allows customers to sign up more team members without worrying about being charged unless that team member is active on the software.