# SBIR Proposal Writing Basics: Commercializing via Freemium, Subscription or Advertising

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Quick! Name 3 ways to sell the results of your SBIR/STTR project:

1.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Before you jump behind a tree because you are embarrassed that you don’t know the answer, go back and re-read the title of this article. Three ways are freemium, subscription, and advertising. We’re going to talk about these pricing schemes in the context of Software as a Service (SaaS), but they also may apply to other services.

Freemium is a relatively new word, which combines “free” and “premium.” You give away a basic version of your software to anyone who wants it. Then you sell premium features of the software, at a price, to someone who wants more than the basics. A good example is the SurveyMethods software (<https://www.surveymethods.com/Index.aspx>), which allows users to create and deploy opinion surveys. A basic version of this surveying software is available for free, but then there are three upgrade versions (advanced, professional and enterprise). The free basic version allows users to try the software and, if they like it, then upgrade to get additional features that make the software even more valuable to their organization.

A subscription is what it sounds like. Someone who wants to use your software will have to subscribe and pay a monthly or annual fee. The upgrades to the SurveyMethods software follow this subscription pricing scheme: you pay a monthly fee of $9, $39 or $156 depending on which upgrade version you choose. A variety of bells and whistles can be added to a subscription model, such as making the first month or year free or at a deeply discounted price, or an annual subscription paid up front is cheaper than the sum of 12 fees paid each month, for example.

Advertising also is what it sounds like. You don’t charge your customer or client for their use of your software, but instead you sell advertising to third parties that want to get their message in front of your customers. Some advertising is targeted--for example, if SurveyMethods used advertising, they might include ads from a provider of client contact lists, or companies that provide cheap unskilled labor (e.g., law school students) who can administer your survey door-to-door, via the phone, or at a shopping center. Other advertising may be very general—the way that Coke or Geico has ads anywhere and everywhere.

There is no reason that you have to pick one of these pricing schemes over another, if instead it makes better sense to combine them. Again, our SurveyMethods example shows a combination of the freemium and subscription schemes—you get access to the basic software for free, but if you want premium features you have to sign up for a monthly subscription. And certainly SurveyMethods could include advertising, so they would then have a combination of freemium, subscription and advertising in their pricing scheme.

We recommend that you ponder, in advance of writing your SBIR/STTR commercialization strategy or plan, what are your SaaS pricing scheme options, and how each fits (or not) with your market and your business model. Then decide what fits best, and write it into your commercialization plans. Realize that you may change your mind, or the market may change it for you, so be prepared to pivot to a different pricing scheme as you go forward through Phase I and II of your SBIR/STTR project, and as you begin selling your software.