

Cost-Plus Based Pricing Strategy Checklist for SaaS

This checklist ensures every critical step of implementing the Cost-Plus Pricing strategy is covered, from cost calculation to final market validation.

Step 1: Total Cost Calculation & Allocation

- ☐ Identify all Direct Costs (COGS) per user (hosting, direct support, API fees).
- ☐ Calculate total Amortized Development Costs (R&D spread over expected product lifetime).
- ☐ Quantify and proportionally allocate all Indirect Overhead/Fixed Costs (rent, admin salaries).
- ☐ Determine all Variable Costs per unit (sales commissions, payment transaction fees).
- ☐ Sum all component costs to establish the accurate Total Cost (TC) per user/unit.

Step 2: Profit Margin & Markup Setting

- ☐ Define the desired Net Profit Margin aligned with financial goals (e.g., 20% or 35%).
- ☐ Convert the desired profit margin into the required Markup Percentage.
- ☐ Validate that the target markup supports a healthy LTV:CAC ratio (ideally \$3:1\$ or higher).

Step 3: Selling Price Determination

- ☐ Apply the Cost-Plus formula: $\text{Selling Price} = \text{Total Cost} + (\text{Total Cost} \times \text{Markup Percentage})$.
- ☐ Review the calculated price to ensure it covers all costs and guarantees the target profit.

Step 4: Market Validation & Strategy Integration

- ☐ Conduct competitor pricing research for comparable SaaS tiers and features.
- ☐ Assess customer willingness-to-pay and perceived value of the product.
- ☐ Adjust the calculated price or the markup percentage to align with market realities.
- ☐ Integrate the Cost-Plus price as the "floor price" for Tiered Pricing structures.

Step 5: System Implementation & Review Cycle

- ☐ Implement the final pricing structure within the billing platform (e.g., PayPro Global).
- ☐ Establish a mandatory review cadence (quarterly or semi-annually) for all costs and pricing.
- ☐ Monitor Gross and Net Profit Margins against the targets set in Step 2.
- ☐ Prepare to adjust pricing when significant economies of scale or cost base changes occur.