

NiPay's Pricing Conundrum

NiPay is a software provider competing in the Nigerian business-to-business payments market. Founded by Idaku Ibrahim nearly 20 years ago, NiPay sells two products to retailers and other merchants, which enable individual shoppers to transact either online or via a mobile device.

For online transactions, NiPay's software solution seamlessly plugs into the legacy IT infrastructure of commercial banks. For mobile transactions, NiPay's product complements the more advanced systems of telecommunications companies.

These products are purchased by NiPay's clients separately through an annual license, with additional fees tiered according to usage. The annualised cost to offer these products is £700 and £800 per unit, respectively.

Recent research commissioned by Idaku estimated the potential size and value of NiPay's offerings in the market. In particular, the research agency identified four traditional segments with roughly equal customer numbers. These segments are best defined by their payment needs, as follows:

1. Merchants that historically process mostly mobile payments;
2. Merchants that favour mobile payments, yet also process online payments;
3. Merchants with a near 50-50 split between mobile and online payments; and
4. Merchants that historically process mostly online payments.

The following table shows the value a representative customer from each segment places on the two software products:

Segment	Online payments	Mobile payments
1	£200	£1,000
2	£850	£1,000
3	£900	£950
4	£900	£500

Idaku wants to maximise profit for the business, but is hesitant to charge different prices across segments. What should she do?

Marco Bertini is Professor of Marketing at Esade – Universitat Ramon Llull and a visiting professor in the marketing unit at Harvard Business School. He previously served on the faculty at London Business School. Oded Koenigsberg is Professor of Marketing at London Business School.

London Business School cases are developed solely as the basis for class discussion and are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

© 2021 London Business School. All rights reserved. No part of this case study may be reproduced, stored in a retrieval system, or transmitted in any form or by any means electronic, photocopying, recording or otherwise without written permission of London Business School.