



Getting Paid on Customer Value

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General Tenants

- ◆ *All value-based models must be a function of production costs or product revenue (or else they are not value-based)*
 - Production cost if functionality reduces COGs (most likely)
 - Revenue if functionality enables or expands an end market
- ◆ Any risk borne by the customer will come with a significant discount on expected value
- ◆ There is an anti-royalty bias held by many customers
- ◆ *You have a significantly higher level of responsibility to your customer*
 - Their sins are no excuse
 - They must realize the promised value

Observations

- ◆ **The industry can help itself by moving in unison to value-based pricing**
 - **Wafer-based pricing is healthy for the industry (including our customers)**
 - **Broader usage will educate and knock down the biases**
- ◆ **Need a gold standard for yield prediction**
- ◆ **Value-based pricing will change your relationship with your customer; be prepared to make the change positive**