

By now surely most people have heard of or read Elon Musk's internal memo to Tesla employees regarding discounts. I wanted to not only echo that here, but offer a few additional comments about my own experiences and how this sentiment translates to software.

*...it is absolutely vital that we adhere to the no negotiation and no discount policy that has been true since we first started taking orders ten years ago. This is fundamental to our integrity and we maintained this policy even through the terrible depths of the great recession of 2008/2009.*

*It is fine to have a discount on cars that have been floor models, were used in test drives or were damaged before delivery. All we are doing there is assigning an accurate price to the vehicle. However, there can never — and I mean never — be a discount on a new car coming out of the factory in pristine condition, where there is no underlying rationale. This is why I always pay full price when I buy a car and the same applies to my family, friends and celebrities, no matter how famous or influential.*

*The acid test is that, if you can't explain to a customer who paid full price why another customer didn't without being embarrassed, then it is not right. We either win in a way that is fair and right or we lose with our honor intact and accept the consequences.*

This was all in response to finding out that some sales were completed by discounting the price of the vehicle in a "small number of cases worldwide," but nevertheless warranted a company memo.

What I love about this is the commitment to quality and respect for the customer. To be

clear, there are several circumstances where discounts make sense and is practical; even in the auto industry. New model years diluting the value of previous models is a prime example. However, imagine if this practice was applied to software; particularly software as a service. Or services in general.

How many of us call Comcast at the end of our 12 month plan threatening to quit only to be granted a new promotion/discount? This works because ultimately the value of the service is not worth the cost, and Comcast knows it. Particularly with eroding market shares to Netflix, Hulu, etc, the quickest sale can only be achieved by discounting the cost of the service. To me this represents an erosion of quality and trust in their product, and further articulates one of the many reasons the cable industry is failing.

Speaking more directly about software however, there has been a recent push for [value based pricing](#), and I think this quote from Mr. Musk hits a nerve with me particularly as someone with many years of SaaS experience on multiple levels of the technology. I believe this kind of thinking is dangerous and potentially risky because the [concept of value](#) is relative to the individual or organization. If you price at the maximum of that spectrum you risk eventually being more expensive than the derived value. If instead you build your model around the minimum expected value and accept the fact that some people are going to receive more value than others, particularly when factoring in cost, then everybody wins.

I cannot begin to explain how many conversations I have had where software companies attempt to charge based on the depth of pockets their customers have just because they have it. This is contrarian thinking and to me shows an immeasurable disrespect to the customer. I believe more companies pricing, selling and behaving like Mr. Musk and Tesla Motors not only in the automotive industry would be a welcomed shift!