

# Subscriptions 101

The complete guide to building a successful digital subscription business



piano



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# A switch has flipped in digital media.

Once dominated by users demanding content for free and media brands unsure about embracing a subscription model; in today's market, audiences are willing to pay for great content—and publishers have discovered new, meaningful revenue models.

And so, it's not shocking that growing reader revenue was the **biggest priority for publishers going into 2020**.

Then, COVID-19 hit. While nearly every business braced for impact, publishers actually saw **new subscriptions soar**. Despite the global effects of the pandemic, the rise in subscription rates further proved the resilience of the media landscape. It also emphasized how audiences are willing to pay for good content, provided the quality is high.

The time is ripe for monetizing your content. But publishers must build the right types of experiences that motivate consumers to subscribe. A winning positioning strategy, supportive of both the product and audience needs, is a good first step. Messaging, pricing and timing are crucial, while providing a long-term roadmap growing and retaining customers.

## Step 1

# Know your core

If you've made it this far in your subscription journey, you likely know who your audience is — or at the very least, who you desire to reach. But to earn their trust (and subsequently, their investment), you'll need more insight beyond knowing they like to read the sports page.

To attract and retain your ideal reader, ask yourself three questions:

### **1. Who exactly is my core audience?**

Piano data shows that, for most digital media sites, between 2 to 12% of users are responsible for half of all pageviews. You can safely assume that these are the customers most likely to subscribe. If you already have a media site you're evolving into a subscription business, it's those users you should start with.

### **2. Why are users so connected to my brand?**

What unmet need does your site fill, or will fill, for your core? What drives them to consume content and compel them to pay?

### **3. What does the competition look like?**

Who does your audience overlap with, and why? How can you differentiate? A detailed competitive analysis will help you build out your product so it aligns with your core audience needs. Create an experience that the largest number of optimal users will pay for, and one that stands out in the current competitive landscape.

## Still not convinced?

Consider business and technology newsletter **The Hustle**. By the time **they launched** their premium product, **Trends**, they knew exactly who they were developing it for, and even prepared some sample content to see how much it resonated. Their Trends target audience goes beyond The Hustle's wide-ranging business owners and entrepreneurs, to a niche segment that wants to dive deeper and get "inspiration to start a business or information to expand a business." said John Dunkel, former Head of Product. "It's targeting people that want to do something with the information, where the daily newsletter reaches a lot of people that just want to stay informed and up to date."

Step 2

# Your product

While metered paywall and freemium models once dominated, hybrid versions that feature elements of both are becoming more popular, with machine learning technology allowing digital publishers to place the right offer in front of the right user at the right time.

**The Wall Street Journal**, for instance, has some content that's always locked, some that's always unlocked, and some that's locked part of the time and unlocked others.

A smaller number of sites are also seeing success with a membership model or a donation-based option that lets users

contribute voluntarily to read their favorite content. Austrian daily **DER STANDARD**, for instance, saw a **10-fold increase** in voluntary contributions in the first month after launching their donation-based product, compared to a test period.

Central to any of those models, of course, is the content you provide. "Hardly anyone will pay for a meager serving of local content, digital or print," the Poynter Institute pointed out in an **April 2020 article**. And that's not something that's likely to change. Still, great content is only the starting point to building a digital subscription product that thrives.

## The five types of visitors to know

Whatever model you ultimately choose, you'll want to maximize engagement at every step. For that, consider your engagement funnel. What does each step towards conversion (and after) look like? And how will you move users from one step to the next?

It's important to acquire analytical insight into your visitors (and really, where they are in your subscription funnel). Moving users through the funnel and encouraging their continued investment in your site means engaging them at every stage of the journey.



**The new visitor:** They've discovered your site for the first time — maybe through a social post or search — and are a ripe potential subscriber. To get them to that point, you must motivate them to click on a second page or come back for another visit.



**The active user:** They enjoy your content so much they continue coming back, but they haven't subscribed. A subscription offer might get them there, or you could make them a known user with a 'request to register' instead.



**The known user:** They're invested enough to share personal information through a registration or a newsletter sign-up. You know who they are, and you can start to understand their behaviors. Engage them in a deeper and more personalized way where they choose to spend their time and organically move them towards paid conversion.



**The subscriber:** They're so invested that they'll pay to see more of your content. Whether they remain subscribed long

enough to read one article or continue to consume your content on an ongoing basis depends on you. Keeping your subscribers engaged even after they convert is critical for retention.



**The loyal subscriber:** The holy grail. This is the customer that remains engaged with your site even after they've converted. They always come back and continue to renew. And as long as they remain engaged, you can transform them into an advocate for your brand.

## Achieving organizational alignment

Your subscription strategy will depend on your audience and business objectives. But however you land, it's important that the whole company be aligned — from your audience and marketing teams, to product and tech, to editorial and advertising.

That last group is particularly key: traditionally, advertising teams have sometimes been reluctant to embrace a subscription model, often viewing it as a competing revenue stream. The right subscription strategy, though, can actually increase ad revenue, build engagement and expand the zero- and first-party user data you collect. Navigating both sides of the monetization coin will help you together find a strategy that maximizes your entire revenue business.

Step 3

# Engagement

As someone moves from an occasional visitor to a loyal user, you want to inspire action and point them in the right direction. That's where your messaging and engagement tactics come in.

Visitors frequently view multiple offers, multiple times, before choosing to subscribe. Learn how to customize those experiences by building a library of offers and tactics that encourage engagement. In fact, Piano data shows that users who see multiple offers tailored to their unique interests are more likely to choose higher-priced subscription options. You can earn more revenue per user by customizing their offers.

## Your messaging and engagement tactics

Moving users through your funnel and inspiring them to take the next best action is critical to a successful strategy, and a variety of tactics can help you achieve this:

- **Ad block disablement** offers asking visitors to “turn off your ad blocker or pay” can be effective in increasing ad block disablement rates and building ad revenue — though they're less effective for conversion.
- **Content recommendations** can increase engagement by ensuring users see the

content aligned to content consumed in previous viewing experiences. This is an effective way to increase pageviews and time on site. By using **personalized content recommendations**, for example, Canadian daily **The Winnipeg Free Press** experienced five times as many new registrations and trial sign-ups per month, and a 200% increase in active time on site. On top of that, they reported a 40% year-over-year increase in digital subscriptions.

- **Push notification opt-ins.** Push notifications keep your content top of mind and drive users back to the site. That's important for both acquisition and retention.
- **Newsletter sign-ups** build loyalty and move users from "unknown" to "known," while providing an effective medium for delivering promotions and trial offers. Piano's data shows that email also has one of the highest conversion rates of any subscription acquisition channel.
- **Registration offers** encourage users to provide their zero-party data, but they won't do that without reason. And why should they? Customers must be certain they'll gain access

to premium content or added functionality like the ability to save stories for later.

- **Promotions** are an effective way to convert users into subscribers. **Golf Digest**, for instance, saw a **400% lift in revenue** on their video-based Golf Digest All Access product after introducing a limited-time 20% off promo around the 2018 Masters. Just don't overdo promotions — otherwise, you might find it difficult for users to accept full price.
- **Trial offers** are another way to inspire paid conversion. Usually only available to new subscribers, they can nearly double conversion rates. Low-priced trials often perform better than free, though, when it comes to retention.
- **Subscription offers** ask users to convert so they can access content behind the paywall.

Step 4

# Your Price

The first thing to know about subscription pricing: there is no exact right price, but there are plenty of wrong ones.

Bad pricing decisions — whether you go too low or too high — are often made when a price point is out of line with your audience and goals. Audience research and modeling of revenue scenarios will help you come to a price range that makes sense for your product.

## Three best practices of subscription pricing

### 1. Remember the science of pricing.

Every product has psychological price thresholds above which demand falls off a cliff: people might be just as likely to pay \$99.99 as \$80, for example, but balk at \$100, leading to sharply declining subscription numbers.

Understanding where these “price cliffs” are will give you the edge in making better pricing decisions.

### 2. Offer both monthly and annual subscriptions. Monthly subscriptions

don't generally retain as well as annual subscriptions, but they do increase conversion rates. Offering both means getting the benefits of both. A majority of users will still typically choose the monthly option unless you adjust your annual pricing to make it more appealing. Many sites offer a 20% discount or more on annual offers to push more subscribers that way.

### 3. Improve performance with

**a “decoy offer.”** If you do introduce two subscription offers, why not add a third? Adding another, more expensive alternative can optimize your performance. Psychologically, people are inclined to go for the middle option if there's something higher in the mix. Piano has seen increases in revenue of over 50% with the addition of a two- or three-year option.

## Adapt to get it right

Pricing shouldn't be set in stone. You'll want to keep testing, even after you launch, to adapt and learn as your audience does.

Consider technology news site **TechCrunch** as an example. When setting out to price their premium subscription-based product, **Extra Crunch**, they interviewed existing readers and analyzed the competition. Eventually, they settled on a price of \$15/month, or \$150/year **when they launched Extra Crunch** in February 2019, with a free trial to encourage new users. But that was just the start.

“Obviously if we need to adjust it moving forward we'll be certain to do that,” Travis Bernard, TechCrunch's senior director of membership said at the time. And that's exactly what they did. By mid-2020, they'd introduced a two-year membership for \$190, reduced the annual offer to \$100 and started charging \$5 for a one-month trial offer.

There's one thing you should remember when you launch: pricing too high, especially out of the gate, can be just as detrimental to your business as pricing too low. While high prices make sense in certain circumstances, killing demand by overpricing is the most common pricing mistake that new subscription businesses make.

Step 5

# Launch

A successful subscription business relies on audience engagement, strong messaging and the right pricing. It also depends on a user-friendly experience, quality content and the right technology to fuel the entire thing. But it's all for naught until the rubber meets the road: at some point, you actually need to pull the switch and turn that strategy into a business.

Start by launching with the best strategy you can assemble. You shouldn't get so caught up in perfection that you never put it into action. Keep in mind that your product will change over time anyway, and you want to adapt your business strategy as the product and its capabilities evolve with time.

## What to expect at launch

Once you've put all of the work in, and your subscription product is out into the world, what can you expect from a successful launch?

First, don't be surprised if you get a burst of subscriptions when you first go live. Piano's most successful clients can get 30 to 35% conversion on their first active day as their most loyal users jump on board. But don't get too overconfident either because there's often a subsequent dip. How much of a dip, though, depends on you.

The median paid conversion rate is around 0.2%, but there is nearly a 1,457-times

difference in conversion rates between sites at the highest and lowest ends of the spectrum. The difference, for many of those sites, is the amount of work spent experimenting and learning after launch.



## Testing and learning

The types of offers you use, your targeting strategy and your pricing usually have a bigger impact on conversion rate than the media vertical or geographic location you're in. Invest in continual testing, learning and improvement to get those right and accelerate your performance.

"It requires continuous effort to integrate a paid subscription offering within a digital publishing organization," says Claudius Senst, from Business Insider. Which is why, the year after launching their membership product, BI Prime, **Business Insider** tested a total of 402 UX changes, 171 design updates and 99 split test variants — all with the goal of getting their experience exactly right.

If a product's features, pricing and marketing are continually optimized, Piano data shows that the number of new subscribers per quarter can be 800% higher at the end of year two compared to the initial launch quarter.

Like a fine wine, the best digital media subscription businesses just get better with time. They build on their ideas and add new ones. They improve their models as they gain new knowledge into their market and users. The launch is just the beginning of the journey.

Also, keep in mind that some of the most successful subscription businesses have multiple products aimed at different audience segments. Once you've got your initial subscription product up and running, don't be afraid to add a different type of offer into the mix. Just rinse and repeat, and keep iterating.

# Wrap-Up

More and more media outlets today are seeing digital subscriptions as the best way to establish a stable revenue stream and meet their monetization goals. But a successful digital subscription strategy does more: it builds user engagement and loyal audiences.

Build a strategy that puts your user first and a product that moves those users through the funnel towards subscription, conversion, and lifetime value. Once you launch, prepare for a process of continued iteration and optimization to get the strategy right.

By putting in the work, and adapting as new insights become available, you can start to see subscription success. And there's no better time to start than now.

## ABOUT PIANO

Piano enables the world's largest media companies and brands to accelerate their subscription, advertising, analytics and personalization initiatives in order to engage, monetize and measure content experiences. Piano works with leading global organizations such as Hearst, CNBC, The Wall Street Journal, the Associated Press, NBC Sports, Business Insider, The Economist, Gannett, Le Parisien, TechCrunch, Ringier Axel Springer, Thomson Reuters, Prometheus, Singapore Press Holdings, MIT, The Telegraph, and more than 300 other clients. In 2019, Piano was recognized as one of the fastest growing technology companies in the world by Red Herring, Deloitte and Crain, and was included in the top 1000 of the Inc. 5000 list for its second consecutive year.

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