

# SUBSCRIPTION MODELS

Implementing Your Cross-Platform  
Subscription Strategy

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# INTRODUCTION

The publishing industry has seen a significant rise in the implementation of various subscription models during the last three years. Several sources noted a subscription rate of just 29% in 2011 which quickly rose to 47% in 2014\*, amounting to a 62% increase over the total period.

The rise comes as publishers are increasingly identifying that subscriptions are a worthy recurring business model. When implemented correctly, paid subscriptions are a solid way of generating constant revenue and are useful tools for publishers wanting to forecast their approximate monthly income. The use of subscriptions also generally improves the average customer lifetime value, creates a sense of brand loyalty and an increased potential for future purchases and cross-selling\*\*.

PageSuite works with multiple publishers to implement a vast range of subscription solutions such as; bundles, value-added, membership, digital/print only, single copy sales, recurring subscriptions, metered and freemium models. Using third-party subscription platform providers, we are able to assist our clients in managing their subscription packages to enable them to drive ROI.

One key concern for publishers is the willingness of people to pay for content they can already access through free online sources. However, reports show that consumers are not deterred by the requirement to pay for news. The successes of models such as the hard-paywall have been reported by publications such as The Times and Sunday Times, who both reported annual increases since the implementation. The Times reported a yearly increase of 8% and The Sunday Times saw an annual growth of 12%\*\*\*.

This white paper further studies the variety of **subscription models** available and discusses their success rates, benefits and weaknesses to enable publishers to make informed decisions when considering employing subscriptions.

\* [www.inpublishing.co.uk/kb/articles/digital\\_editions\\_the\\_rise\\_and\\_fall\\_1473.aspx](http://www.inpublishing.co.uk/kb/articles/digital_editions_the_rise_and_fall_1473.aspx)

\*\* [www.subbly.co/blog/10-best-practices-for-online-subscription-business-models](http://www.subbly.co/blog/10-best-practices-for-online-subscription-business-models)

\*\*\* [uk.businessinsider.com/the-times-swings-back-into-profit-and-posts-digital-subscriber-uplift-2014-12?r=US&IR=T](http://uk.businessinsider.com/the-times-swings-back-into-profit-and-posts-digital-subscriber-uplift-2014-12?r=US&IR=T)

# BUNDLED SUBSCRIPTION MODELS

The bundled subscription model is rapidly becoming one of the most popular methods for generating revenue within the digital publishing industry. In implementing bundled subscriptions, publishers give their readers access to print, digital and app editions for a recurring fee. This model is a classic example of how news companies have imitated the music and television industries to implement cross-platform 'brand subscription' concepts\*.

The popularity primarily stems from the flexibility of the solution and with readers becoming increasingly mobile, this model allows them to access their edition in their preferred format. For those who are frequently on the move, it may not always be practical for them to pick up a print edition; instead they are able to access their favourite publication on their device. Numerous PageSuite clients have reported on the success of their use of bundled subscriptions. Tim Blott at the Herald and Times asserted,

"The flexibility of our print-digital combination subscription packages suits readers who like the option of scrolling through our mobile site while adding comments through their own social media channels, or relaxing with our SundayLife magazine over the weekend."\*\*

Bundling also makes sense for a consumer who feels they have paid once for a product and are able to consume content regardless of which platform they use.

In utilising the bundled subscription model, publishers are able to protect and maintain their print circulation as well as nurturing digital. The inclusion of both print and digital options within the subscription allows publishers to distribute print content at a lower cost and can also boost their digital sales\*\*\*. By bundling print and digital together, publishers are also able to circumnavigate app stores that take 30% net of any digital sales.

In order to fully maximise the success of the bundled model, it is essential that publishers price their subscriptions strategically. Publishers have reported that by increasing the price of digital-only subscriptions and minimising the difference in print and bundle costs, they saw a monumental rise in users subscribing to bundles, making it the preferred subscription choice\*\*\*\*.

► Several of PageSuite's clients have opted to utilise bundled subscriptions within their solutions. This example shows a subscription prompter within The Press and Journal application.

\* [www.inma.org/modules/store/index.cfm?action=store\\_detail&pubid=134#ixzz3u0g13TM5](http://www.inma.org/modules/store/index.cfm?action=store_detail&pubid=134#ixzz3u0g13TM5)

\*\* [www.scotns.org.uk/herald-times-grows-circulation-hits-record-online-subscriptions-in-september/](http://www.scotns.org.uk/herald-times-grows-circulation-hits-record-online-subscriptions-in-september/)

\*\*\* [www.businessweek.com/debateroom/archives/2008/12/the\\_print\\_media\\_are\\_doomed.html](http://www.businessweek.com/debateroom/archives/2008/12/the_print_media_are_doomed.html)

\*\*\*\* [www.dovetailservices.com/guides/case-study-the-week-making-digital-bundles-pay/](http://www.dovetailservices.com/guides/case-study-the-week-making-digital-bundles-pay/)

This model is thus a useful tool for generating revenue and boosting circulation for both print and digital. The flexibility of this format is particularly attractive to a progressively mobile audience and is undoubtedly an effective selling-point. However, in order to maximise the

success of bundles, publishers need to ensure that they price each of their subscription models tactically. PageSuite is always on hand to advise publishers on the suitability of various subscription models and how to tailor the pricing to meet your requirements.



# METERED CONTENT SUBSCRIPTIONS

The metered content subscription model is widely used by digital publishers due to its enticing nature and proven success rate for circulation, revenue and retention. Metered subscriptions permit customers to view a certain amount of free content before a paywall appears. Once users have read a certain amount of free articles, a small pop-up notification appears with a message stating their article limit has been reached and a call to action to subscribe for a small fee which then allows them access to unlimited content.

The metered subscription model was pioneered by the likes of the Financial Times and Daily Telegraph who have both reported huge successes since the introduction. The Financial Times' 2014 results showed that the metered model helped them to reach a print and digital circulation of **720,000**. Profits have also tripled each year. The CEO of the FT, John Ridding, said,

"Eight years ago we launched the metered model which has been fantastically successful. It's been a real source of transformation and a good source of contribution to the business."\*

The Telegraph also reported a profit of **£55million** in 2014 as a result of the implementation of a metered paywall\*\*. The retention rate for content with metered subscriptions is also considerably higher compared with other models such as hard

paywalls. Sources have shown that the average retention rate for newspapers using metered paywalls is **58.5%**, with some reporting as much as **90%** reader retention\*\*\*. The free content initially offered within publications utilising metered subscriptions provides benefits for both publishers and consumers. For consumers, they are able to sample the content for a period of time before committing to a subscription. For publishers, they are able to attract new users with free articles and then convert them to subscribers. Ridding commented on the concept behind this, he said, **"The theory is that within that they can build a habit, and then become a subscriber."** The success of this theory is clearly proven by the reported retention rates.

The triumph of the metered content subscription model is evident from studying results reported by renowned publishers. It is a valuable tool for growing circulation, boosting revenue and retaining customers.

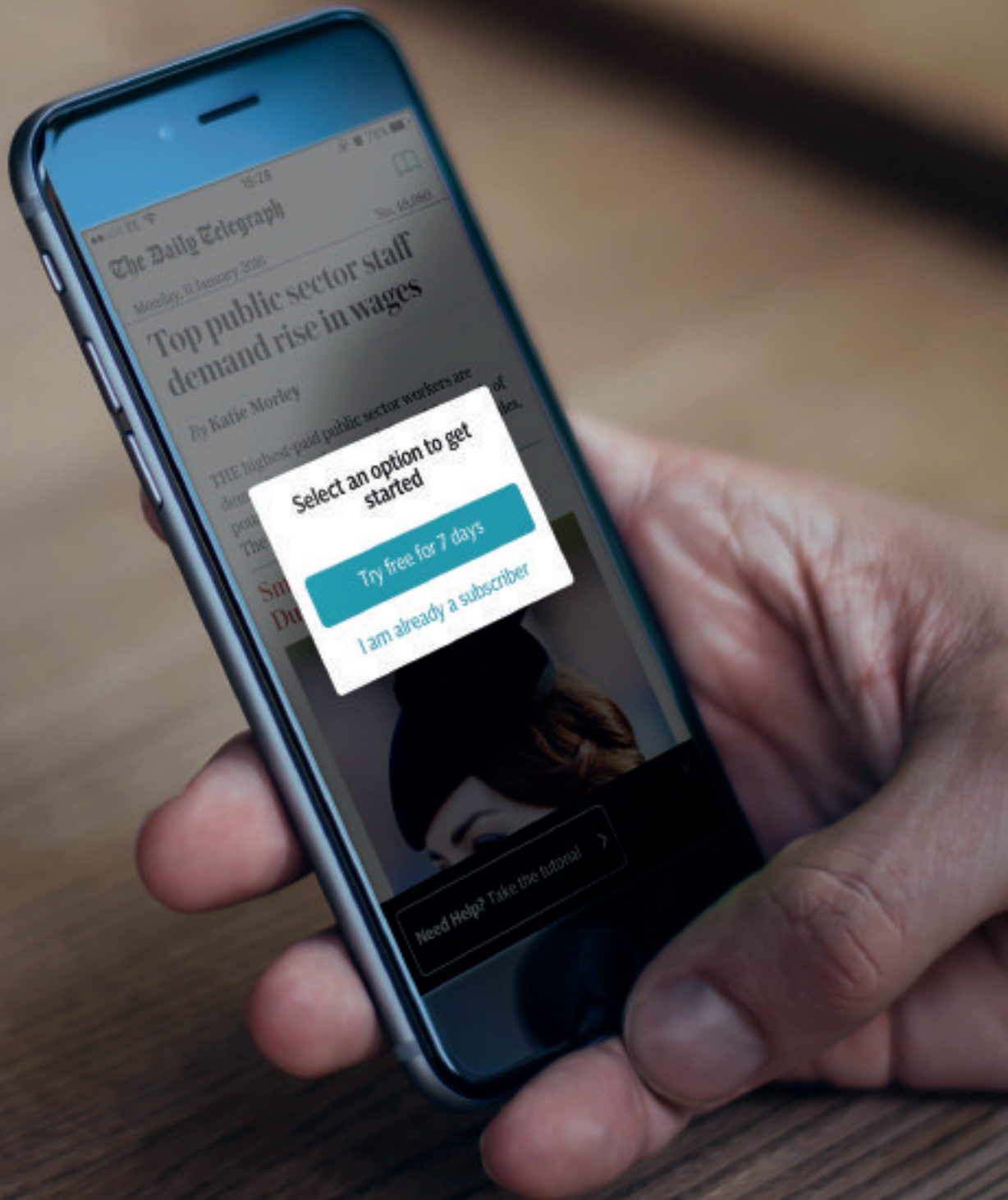
\* [www.theguardian.com/media/2015/feb/27/financial-times-to-change-way-it-charges-for-online-content](http://www.theguardian.com/media/2015/feb/27/financial-times-to-change-way-it-charges-for-online-content)

\*\* [econsultancy.com/blog/66002-newspapers-and-subscription-barriers-what-works-best/](http://econsultancy.com/blog/66002-newspapers-and-subscription-barriers-what-works-best/)

\*\*\* [www.theguardian.com/media/greenslade/2014/nov/07/paywalls-charging-for-content](http://www.theguardian.com/media/greenslade/2014/nov/07/paywalls-charging-for-content)



▼ The below example shows a pop up notification prompting the user to select their subscriber status. This message shows them that they must be prepared to pay for content after 7 days.

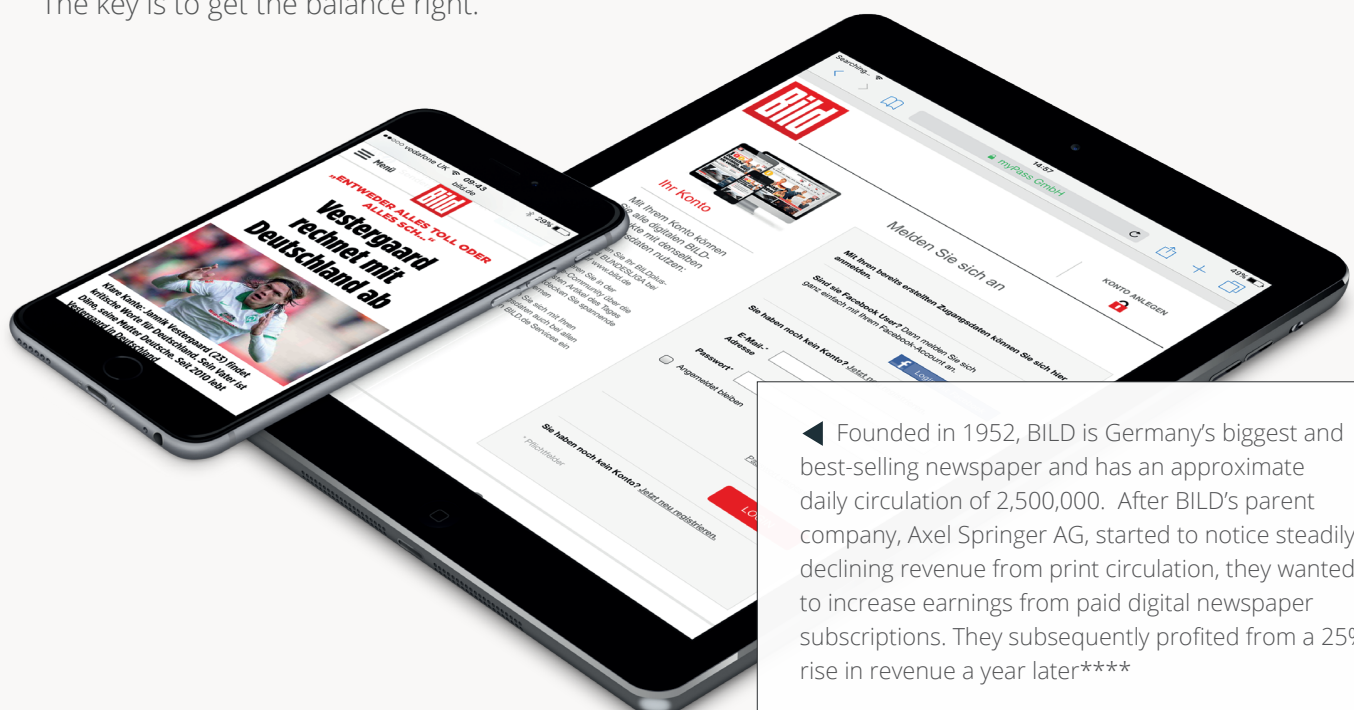


# FREEMIUM SUBSCRIPTION MODELS

Freemium subscriptions are rapidly becoming the dominant business model within the digital publishing industry. As its name suggests, the freemium model offers a combination of 'free' and 'premium' content. Websites and apps that adopt this format typically offer a smaller proportion of free content, users who want to access the rest of the content will have to pay.

With the predominant goal to attract new users, the theory behind freemium subscriptions is that users will be so compelled by the quality of the free content that they will then want to subscribe to see the rest of the articles. Publishers must ensure they get the correct balance of quality between their paid and free content. If publishers are failing to attract new users, it probably means that the free offerings are not captivating enough – why would users then want to pay for more of the same? In this case, you'd probably need to provide richer features for free. If you're producing lots of traffic but people are failing to upgrade – your free content is too rich\*. The key is to get the balance right.

When implemented correctly, freemium subscriptions are effective in enticing new users and converting them to subscribers. However, it is also important to recognise the value of free users, as not only do they potentially become subscribers, they also attract other new members who become subscribers. Reports from the Harvard Business Review show that a free user is worth around **15% to 25%** as much as a premium subscriber, with significant value as result of referrals\*. Publishers can increase the value of referrals by introducing incentives for users.



◀ Founded in 1952, BILD is Germany's biggest and best-selling newspaper and has an approximate daily circulation of 2,500,000. After BILD's parent company, Axel Springer AG, started to notice steadily declining revenue from print circulation, they wanted to increase earnings from paid digital newspaper subscriptions. They subsequently profited from a 25% rise in revenue a year later\*\*\*\*

\* [hbr.org/2014/05/making-freemium-work](http://hbr.org/2014/05/making-freemium-work)

\*\* [www.inma.org/blogs/conference/post.cfm/how-bild-made-its-freemium-model-a-success-just-2-years-in](http://www.inma.org/blogs/conference/post.cfm/how-bild-made-its-freemium-model-a-success-just-2-years-in)

\*\*\* [www.nytimes.com/2015/11/05/business/media/axel-springer-raises-outlook-citing-strength-of-ad-sales.html?smid=li-share&r=1](http://www.nytimes.com/2015/11/05/business/media/axel-springer-raises-outlook-citing-strength-of-ad-sales.html?smid=li-share&r=1)

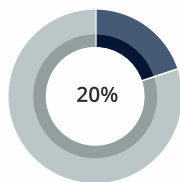
\*\*\*\* [www.nytimes.com/2015/11/05/business/media/axel-springer-raises-outlook-citing-strength-of-ad-sales.html?smid=li-share&r=0](http://www.nytimes.com/2015/11/05/business/media/axel-springer-raises-outlook-citing-strength-of-ad-sales.html?smid=li-share&r=0)



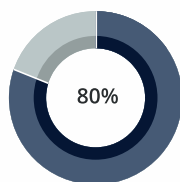
# FREEMIUM SUBSCRIPTION MODELS

A key example of a successful freemium model in practice is BILD, Germany's biggest newspaper.

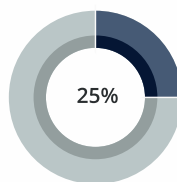
**% OF ARTICLES THAT ARE PAID FOR**



**% OF ARTICLES THAT ARE FREE**



**RISE OF PAID SUBSCRIPTIONS**



Its parent company, Axel Springer, introduced the freemium model two years ago and at present, about 20% of the articles are paid and 80% are free\*\*. BILD's paid subscriptions rose by 25% to more than 392,000 in the third quarter of 2014\*\*\*. Despite increasing their digital focus, BILD also manages to support their print circulation by giving their print readers a special code whereby they can read the digital version for free on the day they buy the paper!

The freemium model is clearly beneficial for publishers, consumers and even the print industry. Publishers have the opportunity to use their content to convert users and also increase

their circulation. Consumers are able to have free access to content and have the choice to pay for the rest.



▼ The success exhibited by BILD's freemium model indicates that they have reached the correct balance between free and paid content. Their free content is rich enough to attract and interest people but conceals its most exclusive content.

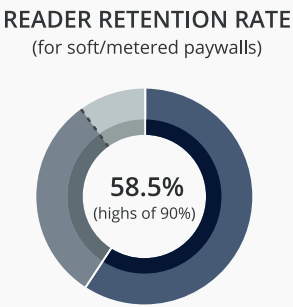
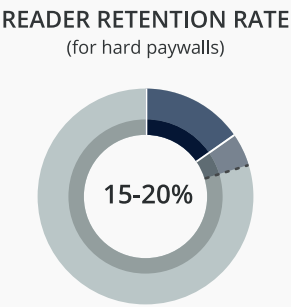
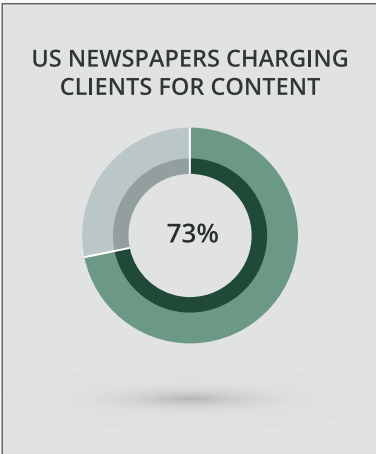
# HARD PAYWALL MODELS

The hard paywall model requires a paid subscription before visitors can access and read any of the app or website content. Hard paywalls are utilised by multiple organisations such as The Times and Sunday Times, who reported noteworthy growth since the introduction. There was significant annual growth in digital subscribers for each of the annual publications; 8% for The Times and 12% for The Sunday Times, and an operating profit of £1.7m. Combined sales now account for 51% of the publications’ revenue, whilst 44% comes from advertising\*.

Despite the reported success of subscriber growth, it is widely conveyed that soft paywalls have a better customer retention rate than hard paywalls and the difference is significant. A study by a US technology company found that **73%** of US newspapers are currently charging readers to access content. **40%** of them have implemented a hard paywall and the remaining **60%** use a ‘soft’ or metered paywall. The study unveiled that the reader retention rate for those with hard paywalls were as low as **15-20%**, whilst those with soft paywalls have an average of **58.5%** and highs of **90%\*\***. Low retention rates were a contributing factor to scrap the hard paywall

from the UK’s biggest-selling tabloid. Since relaxing their subscription strategy, the Sun increased its daily average visitors to **1 million\*\*\***.

The secret to paywall success is essentially to ‘know’ your readers. Publishers need to know the reading habits and the demographics of their customers. Pricing is a fundamental factor, if the price is too low, you may miss out on revenue but if the price is too high, your readers may feel alienated\*\*\*\*. It is also important to know your competitors, researching their pricing will assist your understanding of the market.



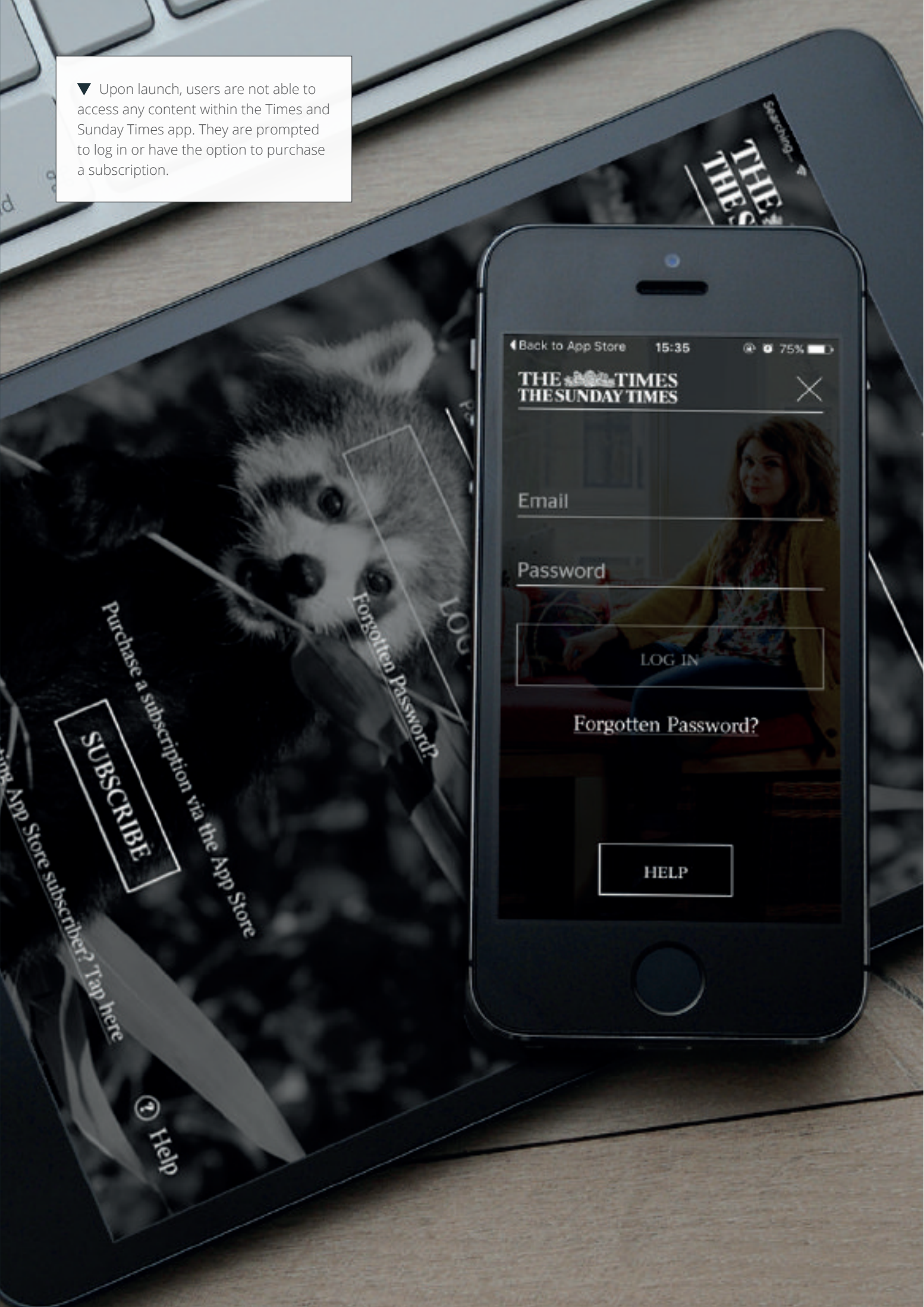
\* [uk.businessinsider.com/the-times-swings-back-into-profit-and-posts-digital-subscriber-uplift-2014-12?r=US&IR=T](http://uk.businessinsider.com/the-times-swings-back-into-profit-and-posts-digital-subscriber-uplift-2014-12?r=US&IR=T)

\*\* [www.theguardian.com/media/greenslade/2014/nov/07/paywalls-charging-for-content](http://www.theguardian.com/media/greenslade/2014/nov/07/paywalls-charging-for-content)

\*\*\* [www.theguardian.com/media/2015/oct/30/sun-website-to-scrap-paywall](http://www.theguardian.com/media/2015/oct/30/sun-website-to-scrap-paywall)

\*\*\*\* [blog.cointent.com/2015/06/25/hard-vs-metered-paywall/](http://blog.cointent.com/2015/06/25/hard-vs-metered-paywall/)

▼ Upon launch, users are not able to access any content within the Times and Sunday Times app. They are prompted to log in or have the option to purchase a subscription.





# OTHER SUBSCRIPTION MODELS

There are various other subscription models available to implement within your digital solution. This section explores a selection of the more niche models suitable for specific publications.

## MEMBERSHIP SUBSCRIPTION MODELS

Membership subscriptions are typically utilised within regional publications and are relevant for publishers wanting to offer their users more materials. This model is popular amongst users as it makes them feel as though they are part of an exclusive club, as they are eligible for offers and experiences from retailers. Publishers such as The Guardian offer their members the opportunity to visit their head office and meet with journalists and The Times exclusively invites their members to art galleries, music concerts and other events. The industry is also witnessing regional papers and magazines allowing their members to submit content, meaning that they do not have to go through a press department.

## RECURRING DIGITAL - ONLY SUBSCRIPTION MODELS

According to a recent audit by ABC, consumers are increasingly choosing digital only subscriptions\* but with the print versus digital debate still waging on, some publishers are cautious when it comes to implementing digital only subscriptions. However, the benefits for publishers are unprecedented. By utilising digital only subscription models, publishers are able to considerably reduce their print and distribution costs\*\*. Recurring digital subscriptions also provide publishers with renewable revenue\*\*\*, as once someone is signed up, the subscription auto-debits from their account. Each billing cycle also gives the publishers a perfect opportunity to engage customers, helping to boost their loyalty\*\*\*\*. Publishers can easily promote recurring digital only subscription models by offering short term promotions such as free gifts, a discounted first edition or free collectables.



◀ PageSuite offers membership subscription solutions whereby members have unlimited access to the publications and supplementary documents. This can be flexible so that those without a membership can access the app but the publications are exclusive to subscribers only.

\* [www.thedrum.com/news/2015/08/13/magazine-circulation-growth-fuelled-digital-subscriptions](http://www.thedrum.com/news/2015/08/13/magazine-circulation-growth-fuelled-digital-subscriptions)

\*\* [www.businessweek.com/debateroom/archives/2008/12/the\\_print\\_media\\_are\\_doomed.html](http://www.businessweek.com/debateroom/archives/2008/12/the_print_media_are_doomed.html)

\*\*\* [www.themediabriefing.com/article/times-digital-subscribers-reach-140-000-as-paywall-project-reaches-maturity](http://www.themediabriefing.com/article/times-digital-subscribers-reach-140-000-as-paywall-project-reaches-maturity)

\*\*\*\* [opera-mobile-store.com/mobile-app-subscription-revenue/](http://opera-mobile-store.com/mobile-app-subscription-revenue/)

# OTHER SUBSCRIPTION MODELS

PageSuite works with numerous publishers to implement various types of subscription models and are not limited to those featured within this white paper. We are always on hand to offer further information on the other available formats.

▼ The Think Fishing digital edition produced by PageSuite features digital-only subscriptions. This model is a valuable tool for reducing print and distribution costs.





# CONCLUSION

Despite the various different formats available, our analysis has identified that most subscription models are an instrumental business tool within the digital publishing industry. The reported successes of subscriptions from renowned, global publishers speak for themselves.

Digital subscriptions are fundamental in driving repeat revenue and can considerably reduce distribution and print costs whilst protecting print circulation. They are also an effective means of sustaining relationships with their customers as the retention rate is reportedly greater. The retention rate indicates that publishers increasingly understand their consumers and are therefore choosing appropriate subscription models that suit their target market.

It is imperative that publishers truly comprehend the market in order to secure the potential for success. Publishers need to price their subscriptions strategically whilst knowing the consumption habits and demographics of their readers. They also need to know their competitors and their offerings. It is also critical that publishers make their subscriptions attractive to consumers. Allowing them to sample free content and access their edition via multiple mediums appears convenient for subscribers and makes them feel as though they are getting more for their money. Incorporating other promotional offers such as free gifts, discounted editions and exclusive event invitations is also advantageous. Promotions and incentives are also a useful method of converting free visitors to subscribers.

PageSuite's expertise and industry knowledge allows us to advise publishers on the suitability of each subscription model to their target consumers. We incorporate subscription paywalls from third-party providers allowing you to fulfil your ultimate goals of driving revenue and boosting circulation.

Contact one of our specialists for further information on how to implement a successful subscription strategy.

# CONTACT US

## UK OFFICE

PageSuite,  
Goldwell Court, Goldwell Lane,  
Aldington,  
Kent,  
TN25 7DX  
01233 721030

## US OFFICE

PageSuite Inc,  
50 Mall Road,  
Suite 210,  
Burlington,  
MA 01803  
+1 781 365 0953

[hello@pagesuite.com](mailto:hello@pagesuite.com)

