Building Subscriptions For Digital Publishers:
Insights From 20 Experts

Generating revenue from online publishing businesses has become an uphill task.

With advertising becoming highly unpredictable with negative implications on brand performance, the online subscription model is becoming the weapon of choice for publishers looking to monetize their content. This massive shift towards the subscription model is being pioneered by *The Wall Street Journal*, *The New York Times*, *The Financial Times*, and other leading online publishers from around the globe.

With almost two thirds of online publishers defining the move to subscription based models as their ultimate challenge (as per a recent Digiday poll), we have detected a need for feedback and advice from experts who have been in these situations. What could be more appropriate than learning about this shift from top Software as a Service (SaaS) experts, who have orchestrated similar changes in the software stratosphere?

The roots of this model are in the SaaS philosophy, which has grown exponentially in recent years. Once the first internet bubble burst in 2000, companies had to start rethinking their business models. Salesforce.com arguably pioneered the concept of delivering enterprise class applications via a simple and accessible web portal. Amazon joined the trend with Amazon Web Services.

By the turn of the decade, mega companies like Microsoft and Google also started delivering their B2C and B2B solutions as simple, accessible services.

Cloud technology turned software from a product into a service, which, in turn, facilitated a new business model based on monthly or annual subscriptions with new software updates happening automatically and already bundled into the pricing. In other words, software and content have metamorphosed from a “won and done sale” into recurring and ongoing revenue streams.

However, building a successful subscription model is one that takes time, experience, and money. I wish to thank the 20 SaaS influencers and experts for their valuable contributions. I’m confident that their tips will help you create a profitable and sustainable subscription model for your online punishing business.

Ohad Hagai
SVP Marketing
NAMOGOO

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Content as a Service (CaaS) and The Subscription Shift

Though CaaS is a relatively new concept in the world of online publishing, the subscription model is older than FM radio. When the Beatles were pumping out hits at their peak, printed daily newspapers were already charing subscriptions from readers all around the globe. Although there was no internet and nobody had heard of smartphones, readers received their dose of content from their publishers of choice.

The digital revolution has taken subscription services to a whole new level. The modern subscription based model is one of the fastest growing segments in the current business space, especially in the world of online publishing. In addition to the financial flexibility they enjoy today, readers can pick exactly what they want and manage their content consumption with unprecedented levels of customization.

Did You Know?

According to Forrester Research, the SaaS & Cloud market value is going to reach $241 billion in 2020.

But it's not just the consumers who are enjoying this change. Publishers love subscription models too because of the financial stability they introduce. Amongst other things, it provides recurring revenue, which is more predictable and allows them to build stable business models and prepare for future expansion.

Online publishers are bleeding money due the decline in traditional ad prices due to the increased user adoption of ad blockers and the prevalence of programmatic ads, which has brought increased industry automation and reduced pricing inefficiencies. Besides turning to sponsored content as a strategy to bypass these problems, creating subscription based monetary models is emerging as the ideal solution.

Did You Know?

New York Times Co. Subscription Revenue Surpassed $1 Billion in 2017

Another major advantage online publishers enjoy by implementing subscription based business models is reduced operational costs. These companies no longer need to maintain expensive and cumbersome IT departments since they can use third party services to entice consumers. These services are not only cheaper to acquire, they can also be deployed faster into the ecosystem with minimum issues.

Three Main Questions Involving Subscription Based Models

We approached top SaaS and CaaS influencers and industry leaders who are highly experienced in creating, building, and growing subscription based businesses to provide you with some actionable insights. These exclusive interviews should help you bypass the growing pains and build a strategy for implementing a long term subscription machine that will eventually help you take your business to the next level.

The experts were asked the following three questions:

1. What should one consider when adopting a paid subscription model?
2. How is a subscription based business model different from other models (i.e. — customer churn, user lifetime value, branding, customer support, etc.)?
3. Finally, what are the common mistakes made when adopting a subscription based business model?

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20 SAAS EXPERTS SPEAK

Eyal Veitzman
VP Operations
Wix.com

Eyal is using his vast experience to leverage the data accumulated at Wix.com to create a real business impact. He is passionate about using innovative ideas and technologies to make our lives more enjoyable and efficient. Eyal is a natural integrator, with extensive experience in leading cross organizational projects, processes, and changes.

In a subscription based model, you need to identify what the is user willing to pay for in the long run. You should be able to create your subscription packages just based on that. The rest is down to your user experience.

A publisher that has a wide ranging audience has more options to generate and provide value. On the other hand, a niche publisher must find how to bring targeted value to specific audiences.

The most significant change publishers can expect, when it's successful, is that the transition stabilizes their business. Most businesses opt for stability but this can also be a disadvantage. A subscription publisher should not expect the growth Facebook experienced in their peak years.

With the subscription model, the focus is on growth but it is based on value added in the long term. It's not like an ad click. Publishers must ask themselves if what they create provides value that consumers will pay for over an entire year or beyond.

The biggest challenge with the subscription model is growth. First, the publisher incurs a large investment to acquire as many subscribers as possible. Second, the publisher must produce a good enough product, which in this case is content, that will keep those subscribers engaged over a long period of time.

The most significant change publishers can expect, when it's successful, is that the transition stabilizes their business. **Most businesses opt for stability but this can also be a disadvantage.** A subscription publisher should not expect the growth Facebook experienced in their peak years.

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Chemi Katz
CEO and Co-founder
NAMOGOO

Chemi is a successful SaaS entrepreneur with years of experience in eCommerce and Ad Tech SaaS. He co-founded Namogoo to help digital businesses create better consumer experiences that positively impact revenue.

Switching to a subscription based model from an ad monetization based model is, no doubt, a strategic decision that affects almost every business aspect. However, besides the obvious business aspect, the technological transition required to support to the subscription based model can get overlooked. To successfully grow your subscriptions means publishers need to re-evaluate their technological stacks. With subscriptions, the cost of acquisition is usually significantly higher than the cost per user publishers are used to.

To make this equation work, publishers need to be able to retain their subscribers as long as possible and avoid customer churn. Therefore, to succeed with the subscription based model, a publisher must be able to predict churn trends and optimize churn metrics to maximize retention.

This puts a greater focus on the digital experience and the software necessary to constantly track, monitor, and analyze engagement over time. Succeeding with the subscription model requires a whole slew of third party software solutions that help marketing, product, and customer success/support reduce acquisition costs and improve customer retention.

What makes the subscription model different to other monetization models is it provides stable and predictable income over time — when done right. That being said, it's a hard model to crack because it is data-driven, requires constant optimization, and is not adverse to growth. But most of all, it's about creating a product market fit.

The product market fit of the subscription model is hard to crack because it requires providing continuous and ongoing value to a specific (but not too small) audience over an extended period of time. Even the most successful SaaS companies struggle with this because reaching product market fit is not won and done. Over time, consumer demands will change and publishers will need to have their fingers on the pulse and change quickly with the market.

The most common mistake that many publishers make is that though they successfully adapt their infrastructure to support the subscription model, they don't fully evaluate the cost third party software can have on the user experience and their website's performance. This can be a very costly mistake because it can create a vicious cycle where users expect added value but end up receiving an abated user experience, which, ironically, leads to increased churn.

Publishers monetizing with subscriptions need to keep in mind that successfully growing their subscription base will require a large MarTech stack and it is up to the publisher to fully monitor and evaluate the value provided by each piece of software they add to their platform. Then, they must ensure the third party software is not taking a larger toll on the customer experience than the value it provides.

Eran Lefler
Chief Business Officer
AppsFlyer

Eran has over 20 years of Business and R&D management experience in the tech industry. In addition to other expertise, he has developed a comprehensive understanding of how the SaaS subscription model works.

When switching to a subscription based model, one needs to consider the different types and choose correctly. At AppsFlyer, we initially offered a monthly subscription that was based on usage, meaning you pay only for what you use. Businesses and consumers love the pay per use model since it's very simple to understand (and justify) what you're paying for.

However, with this model, consumer expectations can be hard to meet, as the expectation is that the more they consume the lower the cost per consumption will be. This makes it very difficult to increase the average sales price because when focusing on volume you take away focus from your product capabilities, the added value the product provides, competitive advantages, and most importantly the level of service (CSM, support, product stability, and scale). This type of model doesn't distinguish between different companies' size or needs. It doesn't provide any unique offering and makes it very easy for the competition to undercut you.

In addition, consumer loyalty is very low with the pay-per-use model. This model is unstable and tends to produce heavy fluctuations in revenue. This was one of the reasons we transitioned to a model that we felt incorporates the added value AppsFlyer provides its clients. We started out by outlining who our customers are, segmenting them, and creating bundles based on features, value added services, and dedicated customer success management services. This type of model is more predictable and provides additional value over time for both our clients and ourselves.

With regards to churn, the advantage of the value added subscription model vs. the pay-per-use subscription model is also evident in how accurately client churn is measured. With pay-per-use or pay-as-you-go, a client may stay with you but actively use your service twice a year, say on Christmas and Valentine's Day. Such a client will seem inactive and is likely to be ticked off as churned. In some cases the client will only be identified as churned a year later because you have to wait the entire year to make an assessment.

In a subscription based model, you know for certain which client is committed, engaged, and you have a predictable revenue stream. In this model, churn measurements are clean, accurate, and unaffected by seasonality. This will hold true for every KPI your organization uses.

We started out by **outlining who our customers are, segmenting them, and creating bundles** based on features, value added services, and dedicated customer success management services.

Ray Coppinger
Director of Marketing
teamwork.com

Ray has extensive experience in marketing leadership, demand generation, digital transformation, project management, content marketing, and marketing measurement. This powerful blend of experience has given him a skill set that has enabled him to drive positive change and growth at teamwork.com.

There are so many things to consider when adopting a paid subscription model for your products or services. Three critical areas to consider include:

- **Pricing:** If you follow any thought leaders or success stories in the SaaS world, you will not have to look hard to find stories of them making mistakes (in some cases repeatedly!). An 'owner' for pricing within any organization is absolutely critical — someone whose role it is to build pricing strategy and be responsible for all aspects of pricing. This owner should work with the sales, marketing, and product teams. It is also important to constantly be monitoring competitors and industry trends, and be able to test different approaches to pricing.

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- **On-boarding:** You absolutely need someone responsible for mapping out and owning the experience of users/customers who are starting to use your products. This owner can live on a number of teams — it is just important that there is an owner.

- **Key Metrics:** Running any business requires you to have a scoreboard of the most important metrics — this is no different in a paid subscription company where you might look at metrics such as customer acquisition cost (CAC), lifetime value, revenue churn, and logo churn to name but a few. Knowing the most critical metrics related to your subscription model is an absolute must.

One point of concern with paid subscription models is that they generally have a cancel anytime policy, which introduces differences in tactics/behaviors across many aspects of a business. Here at Teamwork.com, we have a paid subscriber model and a contract model (annual and multi-year options) — if we look at churn, for example, in the paid subscriber model, churn can range from 1% to 2.5% depending on the cohort in question while on the enterprise contract side, churn is almost zero.

This goes for user lifetime value (LTV) as well — the longer the commitment, the higher the LTV. Finally, publishers need to keep in mind that there are so many pitfalls to be aware of when operating a paid subscription model. One of the most common areas in which mistakes happen is pricing (i.e. how much you charge for a product/service) but also in relation to your pricing model (i.e. do you charge per user or by some other measure etc.). These mistakes are often costly and, as with pricing, you can be leaving money on the table with every single sign-up. In high volume subscription businesses, this can also very quickly become very costly.

Andy Evans
CMO
sovrn

A longtime digital entrepreneur, Andy started his first business at the age of 15. He founded the international digital advertising sales company Net Communities Limited in 1999, which he sold to Future plc. in July 2015. Andy then co-founded award-winning viewability technology provider OnScroll in 2013, which he sold to Sovrn Holdings, Inc. in April 2016.

For me there are two areas of subscriptions I find interesting. The first is very high value, niche content. For example, let's looks at a website like Stratechery. Stratechery doesn't really create a ton of content but the content it creates is of very high quality. The second requires answering the question "Why are consumers subscribing"? As opposed to "How can I make money out of subscriptions"?

Instead of thinking how to make money from content using subscriptions, publishers need to think outside of the box and consider exclusive perks they can offer for "membership". Perks that provide added value beyond the content currently being offered.

For example, in the music industry, and, more specifically, in the heavy metal rock industry, publishers traditionally offer community oriented events, premium content, and exclusive discounts bundled under the subscription umbrella for added value. Publishers must go beyond repackaging their content if they're hoping for subscription success.

The subscription model is actually tougher than some might think. Publishers need a whole new business cycle to support this type of acquisition. A good starting point is to create an ambassador introduction program, where you try to get the first 100 people to subscribe. Then, step-by-step, you have your ambassadors subscribe other users. Subscription publishers will need to measure ROI in terms of time and effort required to acquire subscribers. With this type of model, you're looking at longer-term ROI and cohort analyses. Publishers can expect the first months to be tough while they're layering subscription cohorts.

> Answer the question:
> **"Why are consumers subscribing"?**
> as opposed to "How can I make money out of subscriptions"?

Adopting a subscription based model is a commitment and should be considered as such. Subscribers have high expectations, which means that even if you are successful as a publisher you can't just take what you're currently offering and place it behind a paywall. Publishers need to provide added value to subscribers. Publishers need to consider it as a business within a business that requires its own resources.

Bottom line, publishers must think of different ways to diversify their offering and provide additional value be it through subscriptions or other ways like eCommerce, for example.

Nadav Shoval
Co-Founder and CEO
Spot.IM

Nadav is an ambitious entrepreneur who constantly brings new and creative ideas to the table, and works continuously to bring them to reality. Spot.IM replaces old-school comments with thriving communities and empowers publishers to drive conversions, page views, clicks, and revenue.

Subscriptions have developed for and by the need for better digital experiences. That's why media companies that want to provide better experiences need to focus on what they do best, which is create great content. The other parameters required to create a better digital experience, like the technological infrastructure, should ideally be something third party providers can provide.

When it comes to creating a subscription infrastructure, each publisher is going to have a totally different offering. Some publishers prefer to continue to partially monetize with ads and offer a minimum subscription of a few bucks. Some prefer to opt a "high end" experience and charge a premium, like the *Financial Times* and *The New York Times* who provide a fully ad-free experience. Eventually, it's about one thing: what's the value you bring to your user?

Obviously, switching from one revenue model to another is a big change, and getting people to pay is not easy. Besides having the right offering in place, the publisher needs to have the right infrastructure, too. You need to hire different staff with different KPIs. It's a lot more than just a feature, it's a totally different business model. That being said, for many publishers this is the right solution.

A subscription is a long-term investment. You will see its fruits after 12 to 24 months. This timeframe requires a total change of mindset for publishers used to quickly scaling traffic and monetizing against it.

The worst mistake I've seen publishers make in transitioning to a subscription based model is switching without testing. I've seen publishers make the switch within a single day. A publisher would add a payment wall and simply wait for subscribers to sign up. They quickly proceeded to lose significant traffic and then it then became very hard to get it back.

Test your offering and transition slowly. You need to make sure people actually want to pay for what you are offering.

A subscription is a long-term investment.
You will see its fruits after 12 to 24 months. This timeframe requires a total change of mindset for publishers used to quickly scaling traffic and monetizing against it.

Emma Clark
Strategy & BI Manager
Recurly

Emma has been working passionately to provide a clear overview of the state of Recurly's subscription business. She is also using machine learning to reduce subscriber churn. Recurly Analytics currently includes 12 unique dashboards and over 20 unique metrics for online publishers.

Pricing, packaging, and distribution of subscription offerings can not stay static. Subscription commerce is moving at a fast pace and there will always be more competition and choices for your subscribers. Subscription businesses must prioritize providing value to their subscribers in order to win. Part of this is providing what your subscribers want in a way they want to consume it. This means consistently testing pricing, packaging, and distribution methods of your product or service AND ensuring you can measure the outcome of those changes to find the right mix that maximizes value for your subscribers.

1. **Predictable Revenue Streams:** A subscription model provides a level of revenue predictability, measured in terms of monthly (or annual) recurring revenue. Because we know the cadence at which subscribers will renew their plan (i.e. monthly, yearly, weekly plan), and we can use historical churn rates to predict the number of subscribers that will renew, this allows subscription businesses to anticipate revenues over the next month(s). This significantly helps decision making around when and how to invest.

2. **Data Visibility:** Because your business will develop a relationship with customers during the length of the customer's subscription(s), this provides extremely valuable data that would not otherwise be available in a one time transaction model. For example, you have information about what products customers purchase over their subscriber lifetime, what marketing efforts acquired high quality subscribers and what changes in pricing/product expand revenue from existing subscribers. This type of visibility, if harnessed, allows subscription businesses to make informed product and marketing decisions.

3. **Customer Loyalty is Key:** In order to maximize Subscriber LTV, which is necessary to sustain a subscription model, encouraging customer loyalty is extremely important. Subscription businesses should use the abundance of data at their fingertips about subscribers to delight their customers, demonstrate value, and turn regular customers into loyal evangelists of their brand.

> Subscription businesses must prioritize providing value to their subscribers in order to win. Part of this is providing what your subscribers want **in a way they want to consume it.**

There is a complexity involved with billing subscriptions. Therefore, it is important to make it easy/seamless for customers to pay. From upgrades, downgrades, and proration to refunds, credits, and discounts — invoicing and billing on a recurring cadence gets complicated quickly. It is not uncommon for businesses new to subscriptions assume they can keep the same processes in place from before.

Yoav Schwartz
Co-Founder & CEO
überflip

Yoav's passion is product. He has accumulated over 2 decade's worth of experience working in multiple businesses from brick & mortar to SaaS, with focuses in marketing, design, and product development.

The big advantage to the subscriber based models is predictability — you don't have to start from zero every year. That allows a business to invest with some confidence that (most of) the revenue earned will keep flowing in. The downside is it requires a lot of investment upfront, and if your customers pay monthly, it can take a long time to recover your cost of acquiring that customer (CAC).

Your product/service not only has to be great, **your marketing and onboarding need a ton of focus to ensure buyers know what they're getting** and can easily set themselves up for success.

This makes setup costs very high, which makes it hard to bootstrap a SaaS business, and why so many seek venture capital. That said, if you can figure out how to keep the CAC below one year's worth of subscription revenue and have customers subscribe annually (or at least quarterly), then you've built something special and totally sustainable. Ride that out as long as you can without raising capital and then raise only when you're ready to grow.

Also, watch out for these common mistakes:

- Companies underestimate the importance of a great user experience as part of the acquisition process (like Uberflip in the early days).
- Your product/service not only has to be great, your marketing and onboarding need a ton of focus to ensure buyers know what they're getting and can easily set themselves up for success.
- Even if you're enterprise software, think of the consumer out of the gate.

Eran Ben-Shushan
CEO and Co-Founder
BIZZABO

Eran has led Bizzabo in winning the People's Choice Award at the Event Tech Awards for three years in a row. Before he founded Bizzabo, Eran was an event marketer and served as the CEO of the Rosh-Pina Media Convention. He also was a team leader and systems engineer at Elbit Systems.

Before adopting a paid subscription model you have to establish the value your company presents to its customers. Be critical of your offerings and identify the value you provide. Second, you must estimate CAC (Customer Acquisition Cost) when taking on a new customer, and, later on, the ongoing cost that will be present for the duration of the subscription.

Next, you need to make sure your company delivers a strong year-long value proposition that will make your customer stay with you. This type of relationship forces a SaaS company to build a great product with accurate product-market fit. You should look at your business as an extension of the customer's team.

As a business, your recurring revenue is a huge factor of your company's valuation. A subscription model maintains a consistent cash flow, which is always great news for you and your investors. In addition, a subscription model helps increase the lifetime value of your customers. Numerous studies have proven that customer acquisition costs are much higher than customer retention costs, so it makes sense to retain your customers for as long as possible.

However, keep in mind that while establishing customer commitment is one of the biggest benefits of deploying a paid subscription model, it can also be the biggest risk. When implementing a subscription model, you must ensure that prices remain competitive, yet sustainable. It's enticing to price yourself lower than your competitors to give your business an advantage. However, once you establish a relationship with a customer, changing the price can be difficult.

It's enticing to price yourself lower than your competitors to give your business an advantage. However, **once you establish a relationship with a customer, changing the price can be difficult.**

Once the business relationship is established, you need a competent customer success team to ensure the relationship not only survives, but thrives. Before adopting a subscription model, analyze the organizational structure and competency of your customer success/support team to ensure they can keep your customers satisfied with your services over time.

Amit Bivas
VP Global Marketing
optimove

Amit is a seasoned marketing executive with extensive experience in planning, developing, and executing B2B and B2C marketing strategies from the ground up.

First and foremost, I would say that a subscription based model gives the company much more stability. To migrate from more of a transaction-based model to a subscription based model the business must make sure to deliver value, frequently.

Generally speaking, the biggest challenge we see with adopting a subscription model is churn. In a transactional model, in terms of CRM initiative, a publisher would want to make sure the customer completes the next purchase, the N+1 purchase. However, in a subscription based model, the publisher should want to prolong activity, increase engagement, and prevent churn.

With subscriptions, churn is proactive. The customer must communicate their desire to end the subscription versus a transactional model where a customer can simply stop consuming content. Therefore, in a subscription based model, the ability to win back a churned customer is much harder.

Investment in churn prediction must increase significantly. From a data perspective, sufficient "data signals" are required to predict or prevent churn.

The biggest mistake a publisher can make when switching to a subscription based model is not establishing a forward thinking plan that details how the company plans to provide value over the next two to three years in a fixed frequency. If you have a good plan for five, six horizons ahead, you should be in a good place. Sometimes we see that SaaS companies are able to deliver value two, three or four months in. However, anything after that is a struggle, which can be very dangerous and introduce churn.

With subscriptions, churn is proactive. The customer must communicate their desire to end the subscription versus a transactional model where a customer can simply stop consuming content. Therefore, **in a subscription based model, the ability to win back a churned customer is much harder.**

Elle Morgan
Head of Partnerships

Elle leads strategic partnership identification, negotiation, implementation, and retention. She has a proven track record of helping businesses cultivate data-driven cultures and experiences by transforming real-time insights into actions.

Know Thy Users: Consumers are flooded with content (both high and poor quality) every second of the day. Get to know your readers. The majority of analytics solutions on the market can tell you where readers came from, the types of content they click on, how long they read that content, where they go to next, and if they come back. Generate reader profiles based on this behavioral data that can be used to connect with the right readers, through the right channel, at the right time.

> **Focus on reader engagement over time.**
> **Every other metric will come from engagement.**

Give Them a Taste: I wholeheartedly believe that readers appreciate quality content enough to pay for it if you give them a taste of what you can offer. Mix your free and gated content. Allow readers to go in-depth enough with a piece to have their interest piqued before requesting a subscription. Once you have their attention, make it as easy as possible to subscribe. Start by asking for an email, offer one-click payment methods such as Apple Pay. Streamline the process and watch your subscriptions skyrocket.

Personalize, Personalize, Personalize: With so much valuable information being collected, there comes an expectation of personalization. Engage back with your readers through the channels they leverage to engage with you. Recommend content that meets their consumption habits. Essentially, create a hub of fresh, quality content matched with quality engagement data. Then, leverage this data to connect based on their interests.

Focus on reader engagement over time. Every other metric will come from engagement. If you have the eyeballs, if they're coming back to your platform, if they read through entire articles or watch full-length videos. All of these engagement metrics will lead to a lower customer churn, a higher customer lifetime value and overall growth over time.

Amir Nehemia
Co-Founder & CEO
connecteam

Amir founded Connecteam to help dispersed and decentralized companies better connect using the mobile devices they know and love. By leveraging their employees' smartphones companies can now provide productivity tools to inform, train, supervise, and manage all their employees more efficiently and benefit from substantial time and cost savings.

Do your research. As a digital publisher you have a huge advantage over the average SaaS company. To produce as much content as the average publisher does they must know their audience inside and out. It is this experience that publishers must leverage to be successful with the subscription model. Unlike most SaaS companies that face an ongoing struggle to reach a product-market fit, publishers need to leverage their knowledge of their audience to create premium content and a great experience that their specific audience will appreciate enough to want to pay for it again and again.

User or visitor acquisition happens just as fast with subscription or ad monetization models. However, with subscriptions, revenue takes time. When making the change to a subscription based model, publishers should consider longer sales cycles. To be successful, publishers should account for the time it takes to get a return on their acquisition costs and constantly make an effort to shorten it.

Finally, the most common mistake made when shifting to a subscription based model or when shifting between any kind of business model is not realizing that this change will require additional human resources. Your current headcount won't be able to handle the additional responsibility successfully. You'll need to not only hire additional staff but, and this is where it gets tricky, make sure that your different departments are all working together quickly and harmoniously to make this whole thing work.

User or visitor acquisition happens just as fast with subscription or ad monetization models. However, with subscriptions, revenue takes time. When making the change to a subscription based model, **publishers should consider longer sales cycles.**

Tim Brown
CFO
motus

Tim is responsible for the financial management of Motus and is working with the CEO to drive many of the company's strategic initiatives. With over 15 years of experience working with technology and growth companies as an executive and investor, Tim also oversees reporting and compliance functions for Motus.

Some companies are scared off during the transition phase to a subscription model, but it's important to stay focused on the unit economics. The sales, implementation, and servicing costs may result in a break-even year or even a loss in the first year, but working with the fundamentals will ensure long term success. Multi-year contracts can ensure that each customer you add is profitable over the initial term.

When setting pricing, consider how attractive your costs are relative to an on-premise or software purchase model. The subscription model needs to appeal to companies working to hedge their bets in both the short term and the long term.

There are several considerations that go into a subscription based model that you think about differently with other models. For instance, if the solution you're offering requires a lot of customization or configuration, you should consider how you will provide and charge for the professional services related to the implementation and training of end users. Businesses should consider adopting tiered support models and upselling premium support to further engage their customers.

Reporting also needs to happen differently with subscription based models. Businesses should be using reporting to track not just billings, but also renewable bookings, monthly and annually recurring revenue (MRR and ARR) and customer churn. You will need these operating metrics to manage the business and to raise outside capital to fuel your growth.

Customer satisfaction is key as you grow in a subscription based model. Over time, the renewable customer base will drive most of your revenue. Many businesses serve their customers well, but there is such a thing as too much service. When this happens, consumers can drain your cash flow with requests for customizations. Businesses need to find the right balance, keeping consumers happy without simply saying "yes" to everything.

When setting pricing, **consider how attractive your costs are relative to an on-premise or software purchase model.** The subscription model needs to appeal to companies working to hedge their bets in both the short term and the long term.

David Lavenda
Chief Product Officer

David is an accomplished hands-on product and marketing executive with over 20+ years of experience in developing and launching innovative products for successful B2B and SaaS companies in the security, enterprise software, networking products, and services spaces.

It often makes sense to spend more money than you'll make back in the first year from customers because if you can keep the churn rate low, the life time value of the customer can be quite lucrative.

Keep churn low by engaging with customers and by continuing to enhance the service. The beauty of the subscription model is the ability to continue to make money even after the customer has subscribed and is engaged. With the old perpetual module, if a customer decides to forego maintenance/support, they can continue using your product forever and you get no ongoing return on that usage.

The most common mistakes made when adopting the subscription model are, first, not investing enough in customer retention and upselling. Second, not budgeting for the initial drop in revenue with moving to a subscription based model. Third, not being aggressive enough (in competitive markets) in grabbing market share. It makes sense to lose money initially but to grab as much market share as possible, because over time you will recoup those costs, while your competitors are not able to acquire enough customers to remain viable.

Trevor Longino
CMO

Trevor has grown five different startups from their beginning to #1 in their industries through a rigorous application of continuous marketing testing, content marketing, and improving customer LTV.

Publishers adopting a subscription model should ask themselves the following questions:

1 **Is this a land and expand or implemented onboarding model?**
Do you want a low barrier to entry and then your use spreads virally because people adopt and love your content? Or are you a niche content provider that requires heavier onboarding?

2. **Are you hunting flies or elephants?**
Or something in between?

3. **What is your LTV / CAC ratio and how do you drive it up?**
Hint: the answer is almost always, "Charge more" because startups always undervalue themselves.

4. **Who is the persona you sell to?**
Make sure that your landing pages / ad copy speak to them.

Matt Stormoen
Founder
MOBIBI

Matt is a high energy, goal oriented leader with an exceptional record of restructuring ineffective digital strategies resulting in cost containment and improved bottom line results.

Acquisition: Build a hypothesis — what channel is your target customer most likely to receive information? Create messaging that resonates — prepare a minimum of three messaging variations. Define a budget that allows you to reach the minimum threshold for gathering enough data to make decisions. Run campaigns, collect data, and then build your models to determine if that channel can produce subscriptions at an effective/profitable cost per new subscription.

Activation: Acquiring signups does not mean the channel is/will be profitable. After acquiring a new user/subscription you have a small window to engage and activate the new subscriber. The new user must realize value within the first 1-3 uses of the product. To achieve this make sure you have a clear path for users to get started and immediately see the benefits of your product.

Retention: The first 90 days are critical to ensure the new subscribers don't churn — your content has to become a routine in the daily life of the user. The competitive nature of the SaaS market today requires diligence, discipline, and a customer experience that exceeds the standard measure of success.

Zuzana Tomascikova
Marketing Specialist
EXPONEA

Zuzana is a digital marketing specialist at Exponea, the #1 Fastest Growing SaaS Company in Europe according to SaaS 1000. Companies on five continents have chosen Exponea for its cutting edge customer analyses and predictions, rich API that allows third-party integration, and marketing automation enriched with artificial intelligence.

One of the most important takeaways is to pick the right metrics to optimize. For us, it's net retention because it tells the complete revenue-related story of your business. By consistently keeping net retention well above 100%, your growth potential can be virtually limitless.

What sets SaaS apart from traditional monetization models is their flexibility to adapt to clients' needs and often by supporting them with an ongoing consultancy. This blend of software and a consultancy helps your clients to consistently gain value out of your SaaS business.

By consistently keeping net retention well above 100%, your growth potential can be virtually limitless.

Alexander Winston
Director
PPC Protect

Alexander runs an award winning SaaS company, manages an exceptionally talented team, and makes crucial business decisions that improve design and UX.

The whole point of the SaaS business model is to provide customers with a service that is constantly updated and improved in exchange for a monthly subscription fee. If you don't include free updates and the occasional new feature then it's not really a SaaS model, they're just simply buying software.

The other important thing to note is that SaaS platforms often offer a unique service that is ongoing. If you cancel your subscription then you instantly lose all the benefits of the service. It's not like where you buy software and can continually use it until you decide to upgrade. When you stop your subscription you lose everything.

Due to the nature of constant updates, many SaaS platforms are actually cloud-based for easy access. This is very beneficial as it means users don't have to constantly download and update their version on their computer.

My advice for any publisher trying to create a SaaS platform would be to focus on implementing a unique feature that will give you a USP. The chances are there will be lots of competing platforms in your industry, but if your service is the only one with a certain feature, then certain users who need that feature will be forced to use you. This means you'll have lots of loyal customers who are paying you a monthly subscription fee which you can invest in developing more unique features to attract more users.

Casey Hill
Founder, HGC

Casey provides advice for entrepreneurs in his blog titled [Musings of an Entrepreneur](#)

The key takeaway for businesses looking to move to a subscription model is you need to focus on CLV (Customer Lifetime Value). In a standard business, if your CPA (cost per acquisition) was above your profits you would be worried that it is not sustainable or scaleable. In SaaS, you are looking at what the client is worth if they stick for a year, two years etc. Also connected to that is the concept of churn.

Unlike a physical product or service, once you sell a SaaS product it is not done. You have to continuously work to delight and deliver value to that customer to keep them from churning and typically you want to have dedicated team members focused on nothing but retention of your clients.

John Garvens
CRM Strategist
SIMPLUS

As a consultant for Simplus, John helps companies implement software solutions like Salesforce CPQ and Salesforce Billing to build sales quotes, generate proposals and contracts, and manage revenue and subscriptions.

Monetizing with subscriptions is a smart idea for any business because it increases revenue predictability, which leads to better budgeting, planning, forecasting, etc. When you monetize with subscriptions, you are not solely reliant on windfall opportunities that can make or break your company.

With that said, the subscription model is not without its risks and downfalls. It is important to look at your business holistically and monetize strategically to create a balanced portfolio of revenue streams, creating opportunities for big wins and consistent wins at the same time.

When you monetize with subscriptions, you are not solely reliant on windfall opportunities that can make or break your company.

EVERY SUCCESSFUL SUBSCRIPTION MODEL REQUIRES A SMOOTH USER EXPERIENCE

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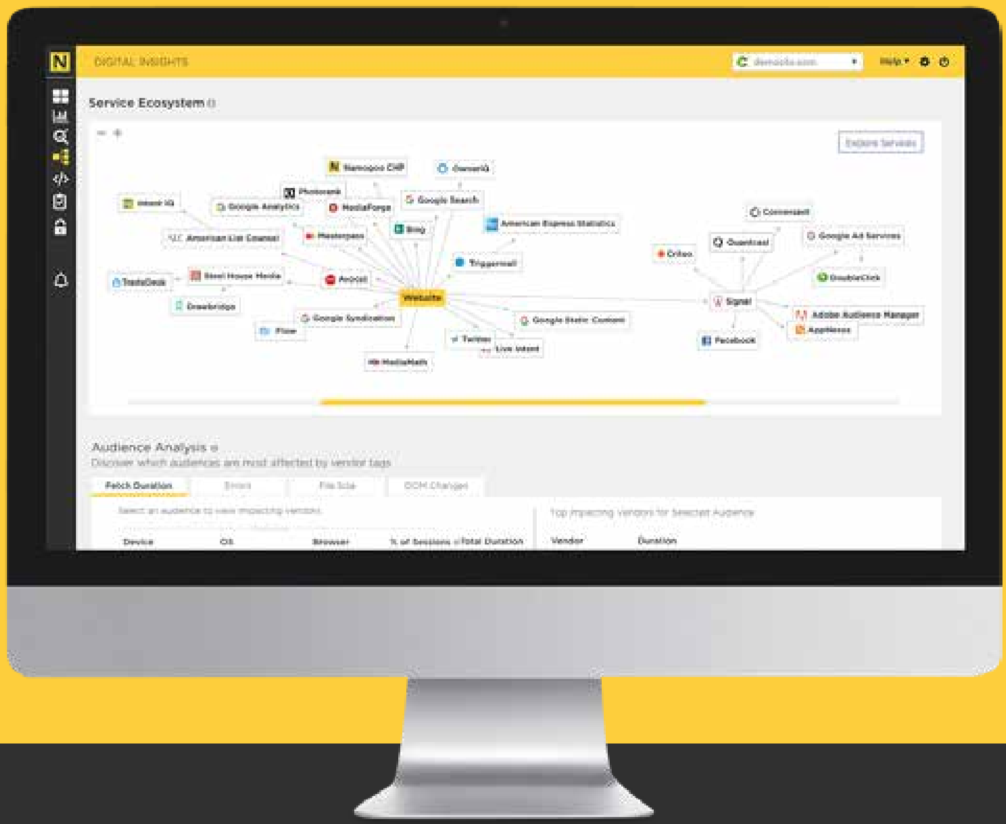

Namogoo helps online businesses and publishers enhance customer journeys and business results. With over 500 million web sessions analyzed each day, Namogoo's disruptive client-side platform enables online businesses to deliver a distraction-free user experience by blocking unauthorized product ads injected into consumer web sessions, and gaining full visibility and intelligence over all third- and fourth-party services running on their site. The world's largest online brands rely on Namogoo to gain control over their online customer experience and consistently improve business metrics. For more information, visit namogoo.com.