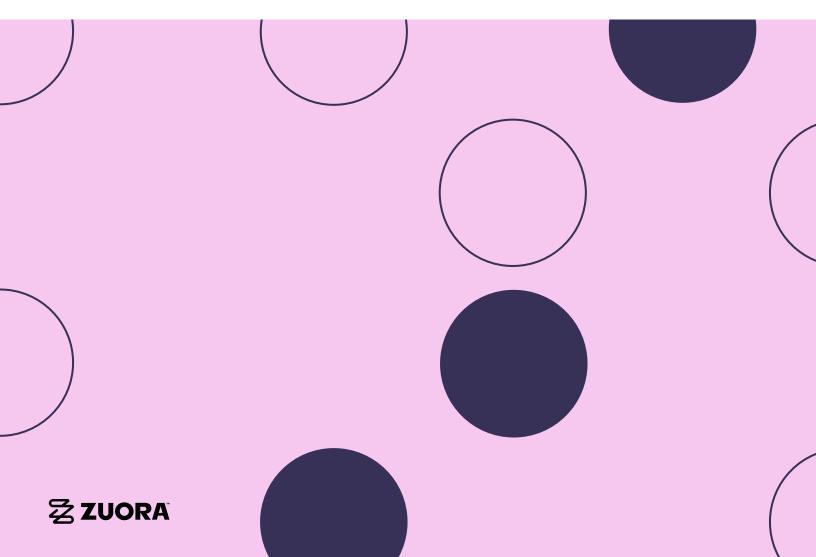
The Blueprint for Building a Highly Predictable Subscription Revenue Stream

Your step-by-step guide to understanding user states and mastering personalization



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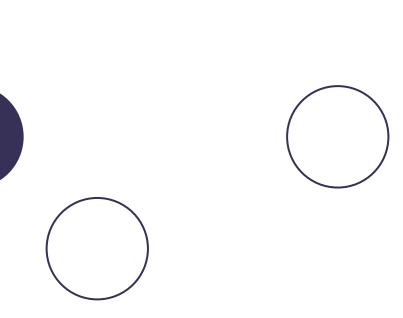
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Introduction

When it comes to building a profitable, reliable customer base, being able to generate a clear picture of users and effectively personalize their experience is second to none. With many successful companies showing that personalization is key to making it in an oversaturated publishing environment, it's clear that understanding your users, and acting on that understanding, can make or break a subscription business.

Not only that, but according to **SmarterHQ**¹, 72% of consumers say they now only engage with marketing messages that are personalized and tailored to their interests. Further emphasizing the need to understand users in order to stand out in an increasingly competitive market.

In this blueprint, we'll walk through how you can understand your users at each stage in their subscription journey, and use that knowledge to ensure your business continues to grow. Consider this your step-by-step guide to turn any subscription business into one that dominates in their niche.



https://smarterhq.com/blog/personalization-statistics-roundup

Know your user states

The first step to making the most out of your subscriber base is understanding and defining exactly what your user states are. In a sentence, user states describe the situation a reader is in at different points of their relationship with your brand. The definitions vary from company to company depending on how they want to track user behavior, so it's important to be clear on what these mean to your business. Here's a few of the most widely used user state definitions.

ANONYMOUS USER

This is someone who has viewed your content but hasn't yet signed up for an account or shared any information with you. The goal here is to collect some data about these anonymous users to help convert them into known users later on. From there, you can start to customize the user experience.

KNOWN USER

This is a user who has shared some data but hasn't necessarily agreed to receive further communications or requested additional access. You might be familiar with this stage in the journey when you see sites use social login as an option. Social login is a way for a site visitor to use existing login information from a service such as Facebook to access preliminary content on a website, without having to create a new account specifically for that website. With this process, companies can gain familiarity with some data about the user while removing the friction associated with filling in a registration form.

REGISTERED USER

This is someone who has seen your content and signed up to access additional articles or read your email newsletter by registering for a user account (but not necessarily made an active purchase yet).

At this user state, you know more details about the user, usually from a registration form, and can really begin personalizing their experience. Registration forms can be customized to include questions about interests, location, age, gender, and any other details that might be useful for personalization.

SUBSCRIBER

This is someone who has registered for a user account, activated it, and made a purchase (e.g., premium membership access). At this stage, you should now know details about the user's content preferences, and the value they get from your products (using their activity data). Your goal now is to customize their experience as much as possible using the preferences they have provided so they remain interested and active, and we reduce the chance of them churning.

ACTIVE USER

User states don't just stop when someone becomes a paying subscriber. Once subscribed to a paying membership, you can categorize these subscribers into different states too. For example, active users are individuals who have seen your content, signed up, and are actively using your product and paying for a subscription. These are the kind of users we all want because they're logging in and using the service on a daily or weekly basis, making them unlikely to churn.

INACTIVE USER

This is someone that has subscribed to your paid product but is very inactive, maybe for a length of time, and therefore likely to be a high churn candidate. It's important to track inactive users so you can put strategies in place to manage the churn risks. The goal here is to personalize their experience and provide access to additional content in order to entice them to engage again.



Move users along the journey

Value exchange is fundamental for the success of modern subscriptions, trading a piece of information for a better experience or service. Ultimately, this is how we can move someone through the different user states, but it can create some friction, so subscription companies will often employ several different strategies to help make this transition smoother.

The main strategy is simple: Ensure that the amount of information you're requesting in the first stages is minimal. This removes resistance in the registration process and gives you just enough information to start demonstrating value and gaining leverage.

Ultimately, deciding what's in your registration forms relies on the ability to build, test, deploy and iterate different experiences to find what works best. Once you have tested and found the best type of data to collect, when to collect that data, and how to design your data collection forms for highest conversions, you'll be able to predictably move users along the journey to different states. As a user moves through the journey, you'll be able to leverage the data you already know about them to ensure they get the most value possible.

Knowing which state a user is in also helps you determine what they need to progress. For example, a registered user might need to build a trusting relationship with your brand before they commit to purchasing a premium subscription.

This could come in the form of social proof, customer recommendations, or recommended content. This is where we see the true power of personalized user experiences. The ability to convert users from one user state to another becomes far easier when you can meet the user "where they are."

Semrush, a keyword research and online metrics platform, says:

"The return on investment (ROI) for personalized content is significant. About half of the retailers that personalize their marketing content see a 300% ROI over the course of their relationship with a consumer. Other industries have seen an increased ROI due to content personalization as well."

Moving users along the subscriber journey doesn't just happen on a website either. It's important to manage their data and integrate personalization into email and social campaigns too. This not only ensures more points of contact, but also allows for another layer of customization.



Make use of progressive profiling

As mentioned in section 2, moving users along the journey can create friction if you try to get too much information too soon. Instead of trying to gather all user information at once, progressive profiling is a technique that enables companies, brands, and marketers to gradually collect more information on their users and consumers over time as they move through the subscriber journey.

This is typically done at strategic intervals by leveraging data capture forms which request a few pieces of information at a time, it enables you to build a bigger and more complete picture of your user—without overwhelming them with questions.

A recent **study**² found that reducing registration form fields from 11 to 4 increases conversion rates by up to 120%! With stats like that, it's easy to realize the importance of spreading out your data collection through the different user states.

Sibel Ugur, Senior Director of Marketing at Zuora, says:

"The more information marketers have about their customers, the better they can target their marketing efforts and craft their messaging. But trying to gather all of a user's information at once will leave them running a mile. That's why progressive profiling is an essential technique in marketing without users feeling like you're invading their privacy. By gradually collecting data at the right time, you can build up a precise and accurate profile of your customers, and then focus your marketing efforts on campaigns that will resonate and delight your audiences."

For more help with progressive profiling, take a look at our guide on <u>5 actionable ways publishers can improve the digital subscriber experience</u>.³

- ² https://unbounce.com/conversion-rate-optimization/how-to-optimize-contact-forms/
- ³ https://www.zephr.com/eguide-5-actionable-ways-news-media-publishers-can-improve-digital-subscriber-experiences



Segment your users

Now that you've defined user states in your business, moved users along the subscriber journey, and implemented progressive profiling to gradually collect more data over time, you're now in a good place to start segmenting your audience. The data you've collected might include demographics, general login activity, or interests. Once we segment users at each state, based on their interests or some other attributes, targeting and personalizing their content becomes a lot easier.

For example, The Wall Street Journal (WSJ) allows registered users to create profiles based on their news interests. By doing so, they can then share targeted recommendations and point readers towards relevant content they're likely to engage with.

Tips for segmenting user interests and states:

1ST TIP

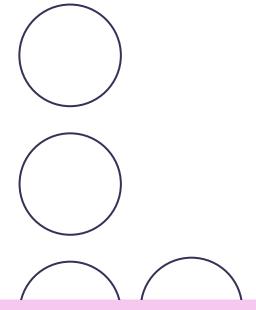
Segment subscribed users into active and inactive. Decide what you will class as Active users. Is an active user someone who has used your product in the last 30 days and is expected to use it again soon? Or is it longer (e.g., a yearly or monthly subscription)?

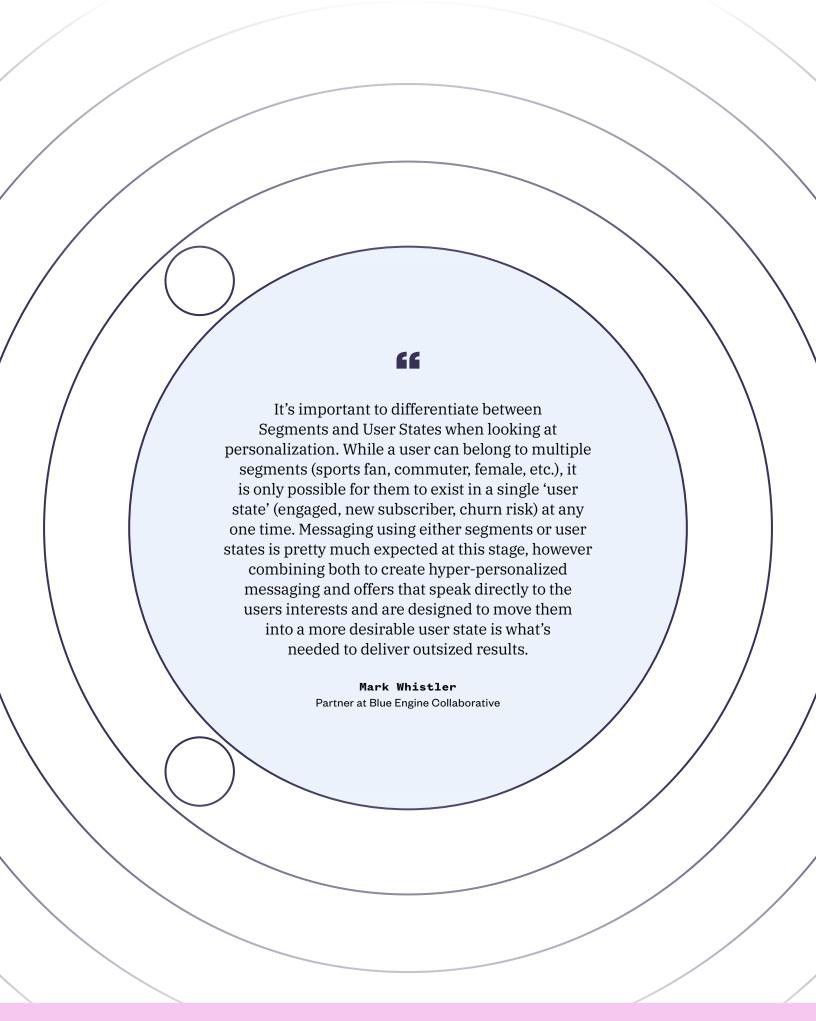
2ND TIP

Create interest categories and segments based on different interests (e.g., sports, politics, science, and headlines). If you can show relevant content to a user at the registered state, they'll be more likely to become a paying subscriber because they'll see the value in your membership.

3RD TIP

Segment users based on demographics. Customers who reach the subscriber state might be in the age range 18-30, or 50-70+. Having the ability to segment these users will enable you to not only personalize content, but also customize methods of contact, offers you send their way, and pricing structures.





Manage pricing based on user state

An <u>infamous Harvard Business Review</u>⁴ study by Michael Marn (Pricing consultant, McKinsey & Company) and Robert Rosiello (Principal, McKinsey & Company) found that a 1% improvement in pricing leads to an estimated 11.1% increase in operating profits.

With that in mind, it makes sense that managing your pricing based on user states is a great way to keep users engaged and stop them from churning. For example, some companies offer student discounts if they know a user is in a particular age range, or advertise for upsells and additional features if they know a user is in an age range with a higher average income.

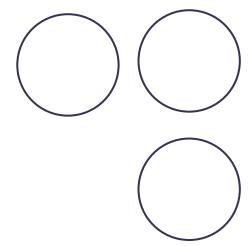
Another method is to offer special discounts to inactive customers to entice them to stay and re-engage with your content. You might've seen this in action if you ever called customer service to change phone contract providers and then received a cheaper offer as an incentive to stay.

Another pricing strategy is to give your subscribed users reduced rate access to your highest priced service for a trial period. This considerably improves the likelihood of them converting to a bigger package in the long term.

<u>Marcela Kunova</u>⁵, Editor of the English Journalism Website Journalism.co.uk, said that:

"Many newsrooms still struggle with the concept of paid-for digital content. Poor knowledge of their audience [is an issue], having no idea whether their readers will actually pay for online content."

For more tips on pricing — $\underline{\text{check out our 5 do's and}}$ $\underline{\text{don'ts of pricing guide here.}}^6$



- 4 https://hbr.org/1992/09/managing-price-gaining-profit
- https://www.linkedin.com/in/marcela-kunova/
- https://www.zuora.com/resource/the-5-dos-and-donts-of-digital-subscription-pricing

Personalize messaging based on user state

Different user states require different messaging. For example, an active user is more likely to be spending money and therefore might respond well to service-based messages that offer new features. On the other hand, new users who have just become "known" won't have formed a brand relationship yet, so this sort of messaging won't be very useful for them.

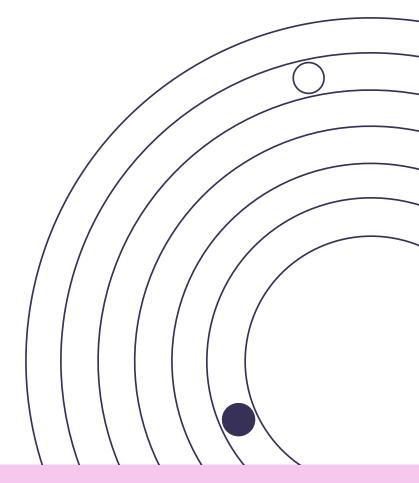
For best results, messaging should align with a user's state as well as their preferences and identity.

This could come in the form of personalizing general marketing emails based on time zone, or sharing relevant location-based offers depending on where a user is in the world. Any relevant information we can incorporate to make a user feel heard will have a dramatic improvement on conversions, engagement, and retention.

We only have to look at Coca-Cola's "Share a Coke" campaign to see the power personalized messaging has for any brand. In this marketing campaign, each Coke bottle had a person's name printed on the label, allowing consumers to pick a bottle which matched a friend or family member. This simple personalization touch resulted in an 11% boost in Coca-Cola sales in the US alone.

As well as general messaging, a key component of messaging that can have a direct impact on conversions is in your calls to action (CTAs). Engagement with a CTA can vary depending on phrasing, meaning it's essential for publishers to ensure readers are following CTAs as easily as possible. This helps ensure there's no friction for continued activity on the site and potential purchases.

Wingify, a tool for increasing website sales, says that one in seven call-to-action tests on their platform produces a statistically significant improvement in conversion rates. When these messaging tests do pay off, the average increase in conversion rate is up to 49%. That could be a huge difference from changing just a few words!



Keep active users engaged

Harvard Business Review famously estimated that it's "5-25x easier to sell to an existing customer than to a new one." And yet far too often, existing subscribers are taken for granted.

Keeping a subscriber's user journey frictionless is one way to achieve long-term reader relationships. But a more effective way to keep users coming back for more is to monitor their behaviors and ensure you provide them with valuable content and a tailored experience that meets their needs.

Here's some tips for keeping existing customers happy:

PERSONALIZE PACKAGES

Create personalized product packages such as bundles of content based around a particular topic of interest (e.g., sports bundle), or by giving them multi-site access to your other publications at a discount.

USE THE RIGHT INCENTIVES

Offer meaningful freebies that a customer is likely to want. Tailoring freebies and offers to suit an existing user's preferences means they're more likely to feel satisfied with your service.

HAND OVER CONTROL

Give subscribers control over the frequency and types of communication they receive from you. Of course, communicating with users is important, and you want to make the most of your audience. But giving them the power to decide what messages they want to receive, and how often can avoid your customers getting annoyed with messaging they deem as unnecessary.

LISTEN TO FEEDBACK

Customers offer real-world experiences that will guide your service. If you provide a way for customers to give feedback and act on what they say, it won't go unnoticed. This is an extremely powerful way to show customers that they are valued and appreciated. Consider providing feedback forms on websites and social media accounts.



Manage churn signals

It's critical to keep an eye on customer churn
— identify users who are at risk of canceling;
inform the right teams and focus energy
there. Key ways to track churn include:

1ST WAY

Monitoring a lack of user activity. If someone is paying for your service and not using it, you have a critical problem! Publishers need systems in place to spot when activity drops and intervene before it's too late.

2ND WAY

Tracking user engagement with promotions and specials that are offered. If someone doesn't engage with relevant offers, this is a red flag as they're likely not engaged enough to consider saving money for future purchases.

3RD WAY

Maintaining awareness of users interacting with your support services. These show user engagement with the product and how often the user is interacting with customer support. Lots of calls to customer support suggest dissatisfaction with your service.

These indicators help you track and segment your current, active user base to get a better picture of whether they are likely to churn.

Why users churn

Now you're able to spot when a user is likely to churn, it's important to understand why they reached that stage so you can put in remedial action. Reasons for customer churn can vary drastically from business to business, but there are a few that remain consistent throughout.

1ST REASON

Pricing mismatch: The value you provide may not align with what the customer expects it to cost.

2ND REASON

Product or market fit: Your product or content might not meet their needs or align with their interests enough to keep them engaged.

3RD REASON

Customer experience: Your customers may have an unresolved technical issue, irritating payment problem, or frustration with the frequency of your marketing efforts.

4TH REASON

Feeling unappreciated: An essential component of the personalized experience is that your customers feel like you listen to them and respond.

To see some methods for how publishers are tackling churn in today's world, check out our **in-depth report on the topic with Digiday**. ⁷ Customers churn for many reasons, and while recovery strategies can work to re-engage some users, the biggest key to managing churn lies in how you monitor and nurture customer relationships before they get to that stage.

⁷ https://www.zephr.com/report-how-publishers-are-tackling-audience-churn-and-acquisition

Conclusion

To summarize in a sentence: Segmenting user activity and user needs is key to building a profitable customer base in a subscription business model.

Every business in the subscription economy needs to have a strategy for keeping active users engaged. Misunderstanding your users and failing to tailor messaging or understand your customers' willingness to pay for subscriptions have a detrimental effect on all aspects of your commercial goals.

Not only does understanding and taking action for various user states help to increase retention and decrease churn, it also helps companies gain valuable insights for all departments within the business (e.g., customer support, product, and finance).

Subscription-based businesses should employ the steps above because they need to focus efforts on maximizing the service for active users who are spending money with them, while also encouraging new users to become paid (and continue to grow their audience).



Here at Zuora, we encourage you to hit every point in this blueprint. Here's a recap at what we covered:

1. Know your user states.

Understand and define what points in a user journey you want to track, and what the triggers will be that move them to the next stage (e.g., a registration wall).

2. Move users along the journey.

Make use of testing and personalization early on to create the most effective process for moving users to the next state.

3. Use progressive profiling.

Continue to gather data about your users throughout their subscriber journey so their experience can continue to grow more and more personalized.

4. Segment users.

Fully bespoke strategies take too long to create personalization for everyone. Work around this by grouping users into segments. Find out who you're speaking to and then categorize them.

5. Manage pricing based on state.

Analyze and track willingness to purchase. Know your most active users, and know how to appeal to their buying power by tracking their interests.

6. Personalize messaging.

You have many different customers. Don't treat them like one community. Customize messaging based on segments and user states.

7. Focus on keeping active users engaged.

These are your most valuable users. They are the most likely to pay for additional features. Understanding them will increase revenue.

8. Manage churn signals.

Define when a subscriber becomes an inactive user, and watch for lack of activity or ignored offers.

User states can be difficult to keep track of and manage because they change quickly throughout the customer journey.

To make tracking and personalization easier to wrap your head around, we recorded a quick podcast with Chris Scott (Zephr's Co-Founder and CPTO). In this podcast, we'll dive deep into how to implement some of the steps we've talked about in this guide, as well as show you some of the challenges media and publishing might face in the near future, and how you can work around them. **Check it out here.**⁸

⁸ https://www.zephr.com/blog/podcast-27-chris-scott-user-states

Want to learn more about using first-party data to nurture relationships with your readers? Download our e-guide, "7 Best Ways to Leverage First-party Data Capture Strategies for a Competitive Advantage."

Download now



Zuora provides the leading cloud-based subscription management platform that functions as a system of record for subscription businesses across all industries. Powering the Subscription Economy®, the Zuora® platform was architected specifically for dynamic, recurring subscription business models and acts as an intelligent subscription management hub that automates and orchestrates the entire subscription order-to-cash process, including billing and revenue recognition. Zuora serves more than 1,000 companies around the world, including Box, Komatsu, Rogers, Schneider Electric, Xplornet, and Zendesk.

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