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FIXING THE RIGHT PRICE FOR YOUR (DIGITAL) SUBSCRIPTIONS (IN UNPREDICTABLE TIMES)

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NICE TO MEET YOU!



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PRICING STRATEGIES



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The moment you make a mistake in pricing, you're eating into your reputation or your profits.

Katharine Paine (NewsGroup)

WHAT PRICING STRATEGY TO CHOOSE

Cost plus pricing

- Price based on cost of goods or services plus a markup
- Oldest and simplest way
- Inefficient and no customer perspective

Competitor based pricing

- Price based on competitors pricing
- Simple, low risk way to set immediate pricing
- Can lead to missed opportunities cause not assessing true value

Value based pricing

- Price based on its perceived worth
- All about the customer and his willingness to pay
- Biggest amount of data to make informed decisions
- Requires time and resources



most common pricing strategies

Other pricing strategies:

- Penetration pricing
- Skimmed pricing
- ...

PRICE ELASTICITY



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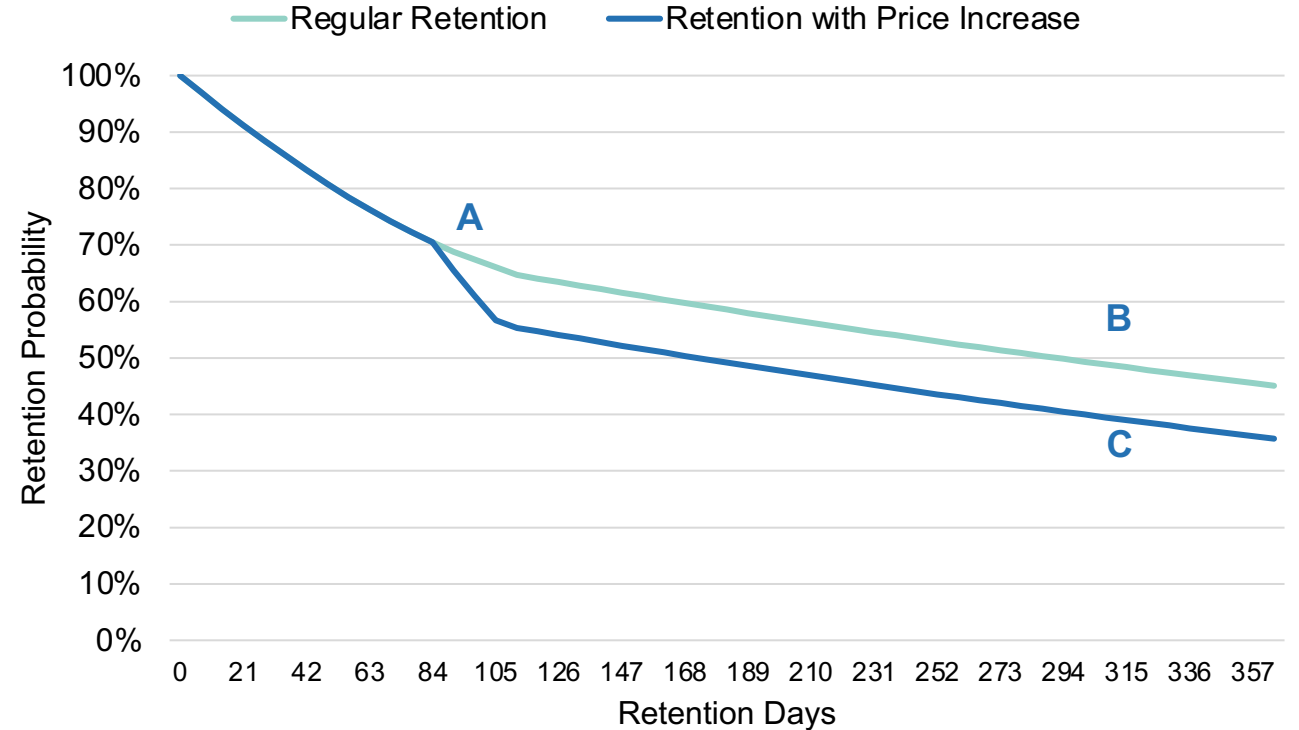
PRICE ELASTICITY EXAMPLE

Point A:
Customer status **prior** to a renewal price increase

Point B vs. C:
The expected retention probability per customer **with** and **without** a price increase (price elasticity)

Price Elasticity = $\% \text{ (change in quantity)} / \% \text{ (change in price)}$

- Assume 5,000 active subscribers have a 15% change in price
- 250 subscribers stopped
- $250 / 5,000$: 5% stops
- $5\% / 15\% = -0.33$ elasticity

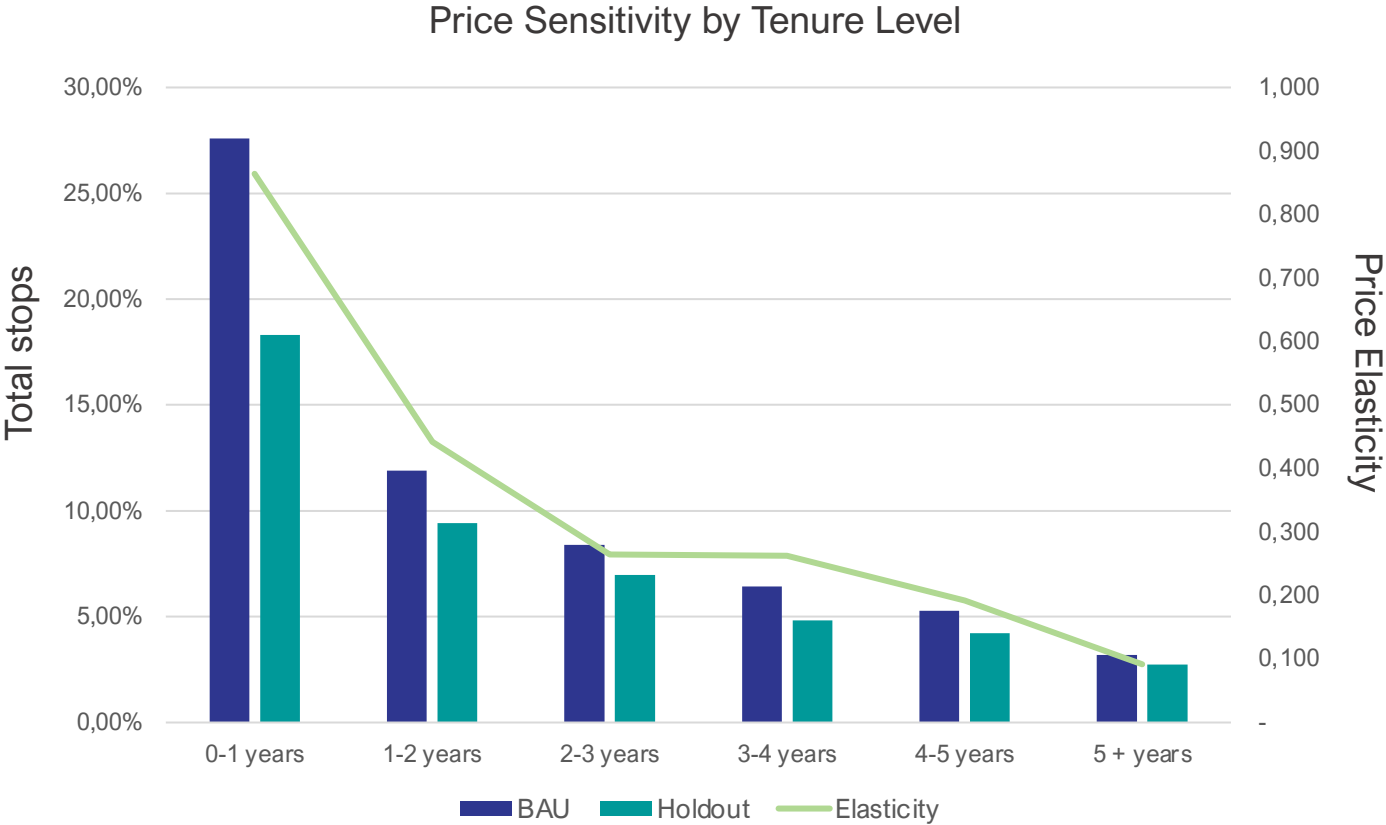


PRICE ELASTICITY/ TENURE

Price elasticity differs greatly by tenure level.

SUB. YEAR	PRICE STOPS	PRICE ELASTICTIY
0-1	4.3%	-0.9
1-2	2.2%	-0.4
2-3	1.3%	-0.3
3-4	1.3%	-0.3
4-5	0.9%	-0.2
5-6	0.5%	-0.1

- BAU target subs received 5% increase
- Holdout subs received no increase
- Differences in total stops due to price change



Similar findings are true with Digital Engagement, Income levels and Age groups.

LET'S TALK ABOUT SUBSCRIPTIONS

TRANSACTIONAL CONVERSION FUNNEL



SUBSCRIPTION CONVERSION FUNNEL

LET'S TALK ABOUT SUBSCRIPTIONS

TRANSACTIONAL CONVERSION FUNNEL



SUBSCRIPTION CONVERSION FUNNEL

- Acquisition price
- Promotional to regular subscription price
- Ongoing renewal price increases

TODAY'S CONTEXT AND WHAT TO DO



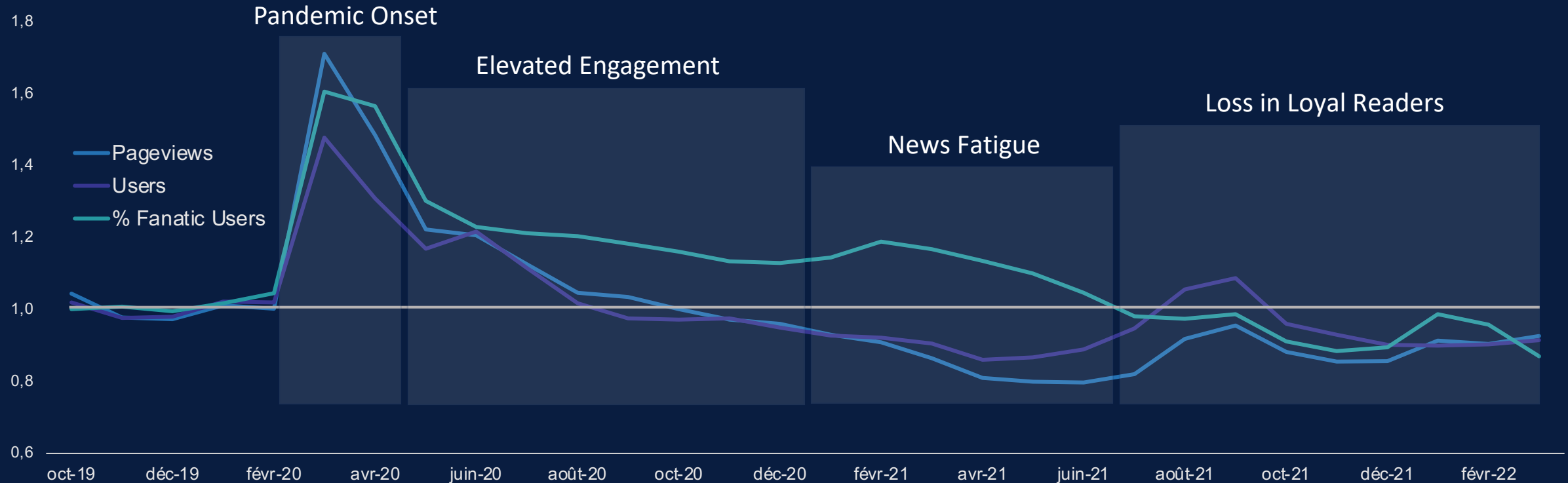
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POST COVID

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Engagement Retrospective

March 2022



March 2020 – April 2020

- Unprecedented spike in engagement and information-seeking.
- A period of extremely high volatility began.

May 2020 – December 2020

- Engagement remained at or above the 2019 baseline.
- Total audience declined steadily, except in June, coinciding with mass protests.

January 2021 – June 2021

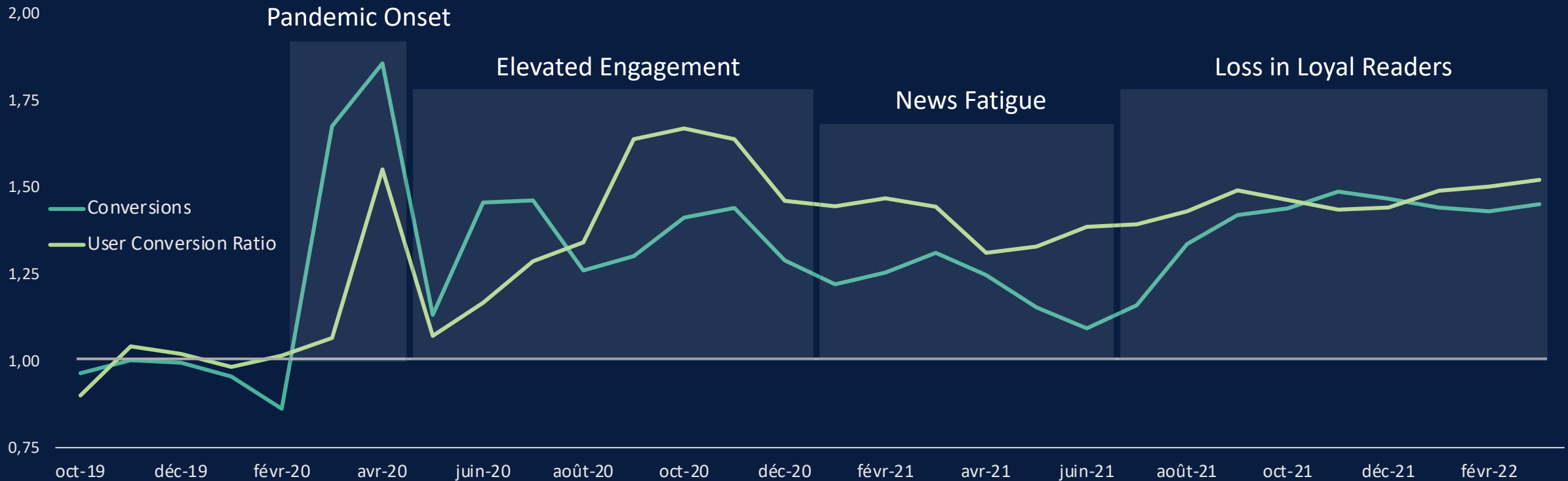
- Users and pageviews dipped significantly below the 2019 baseline.
- % of users who are highly engaged returned to baseline by the summer.

July 2021 – March 2022

- Gains across engagement metrics for the first time since March 2020, coinciding with the rise of the delta variant.
- Engagement remains low through Q1-2022.

Subscription Growth Retrospective

March 2022



March 2020 – April 2020

- Unprecedented spike in digital subscription growth.
- User conversion ratio spiked in April rather than March due to loosened content restrictions at the beginning of the pandemic (many publishers initially took down paywalls during the start of the pandemic).

May 2020 – December 2020

- User conversion ratio continued to grow.
- Despite growth in conversion ratio conversions declined due to decreased engagement and fewer *total* users.

January 2021 – June 2021

- Conversion ratio declined slightly.
- Conversions reached a low point but remained above 2019 baseline.

July 2021 – March 2022

- Recovery in engagement and growth in conversion ratio led to sustained gains in conversions for the first time since April 2020.
- Conversion ratio and total conversions remain elevated.

WHAT TO DO WHEN SURGE IN DEMAND SUBSIDES

METRIC	DIRECTION	WHY	WHAT TO DO
Monthly Start Volume	 Decreases	Fewer users visiting the website and encountering paid content	Offer more attractive introductory pricing; initiate win-back campaigns
Average Price	 Increases	Fewer subscribers on introductory promotional terms	Targeted renewal price increases; targeted stop-save offers online or via customer service center
Monthly Churn	 Decreases	Fewer new subscribers skewing churn upward	Target disengaging subscribers with relevant content and CTAs; “value of journalism letters” to high value subscribers
Monthly Unique Users	 Decreases	Less interest in news, fewer people clicking to website	Invest in paid marketing channels; identify best-performing channels; follow the user on other platforms to establish relationship

INFLATION

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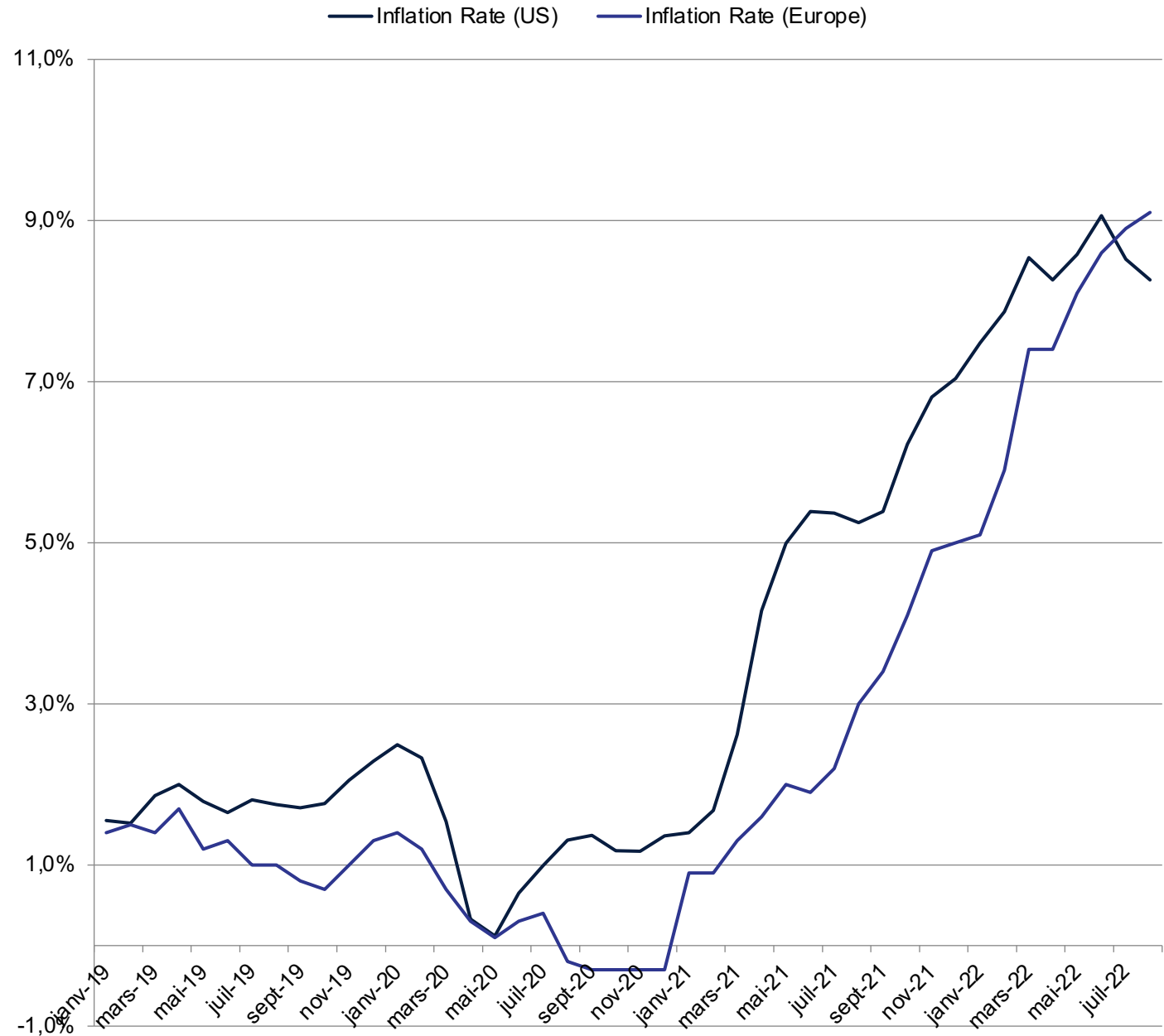
Macroeconomic Conditions - Inflation

Inflation is at levels not seen in decades.

Price pressure is influencing decisions made by consumer and publishers.

How can publishers ensure their products are priced profitably as the cost of production increases?

How will consumers respond to inflation? How would they react differently to a price increase in this environment?

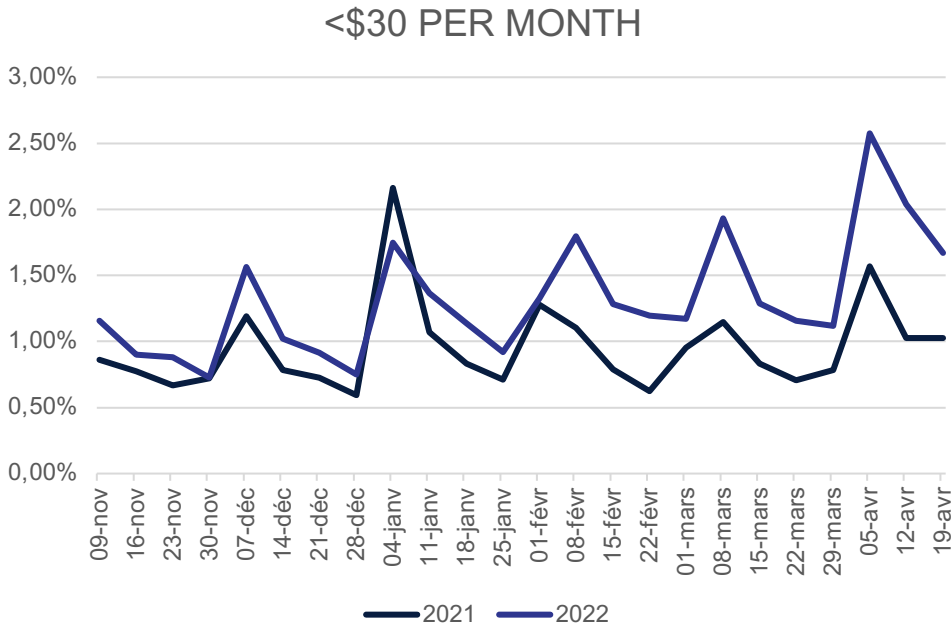
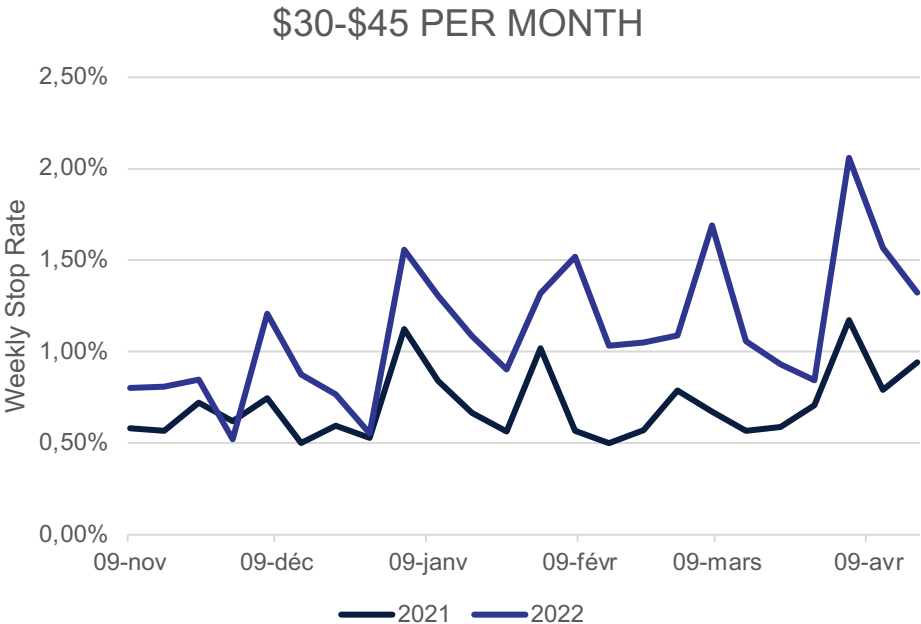
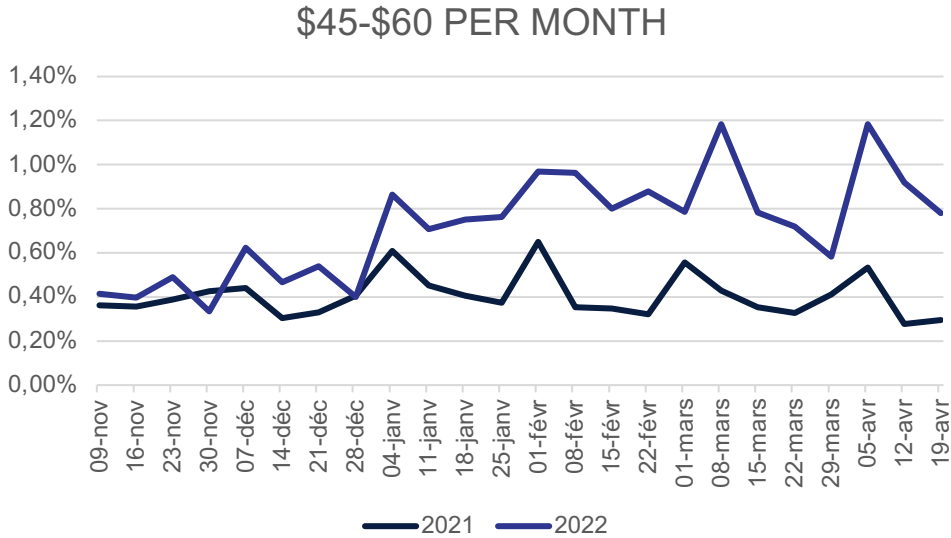
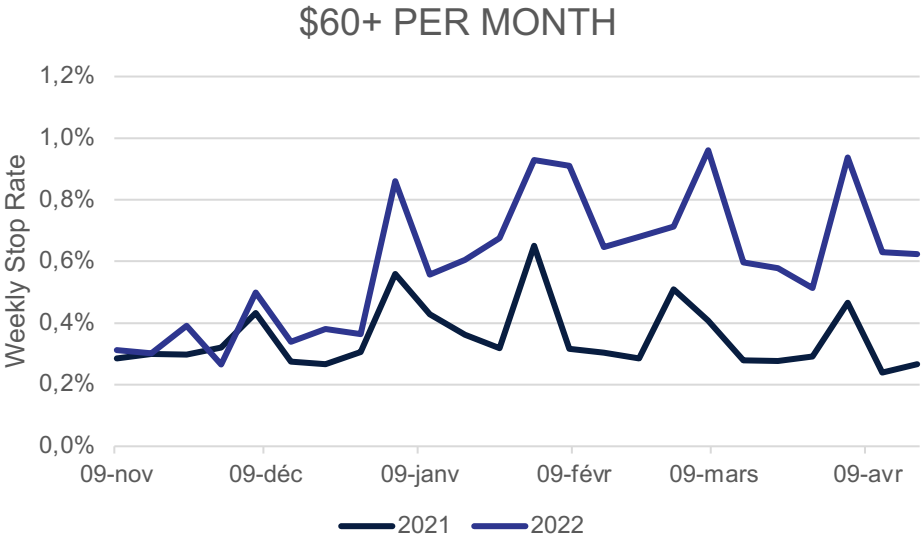


*Data Sources: US Bureau of Labor Statistics, EU Eurostat

WEEKLY STOP RATE BY MONTHLY PRICE

Stop rates have increased significantly year-over-year across all products and price points

While low-rate subscribers constitute most cancelations, stop rates have increased the most for high-rate subscribers, and those cancelations are most costly



*200+ local US print publications

Market Response to Inflation

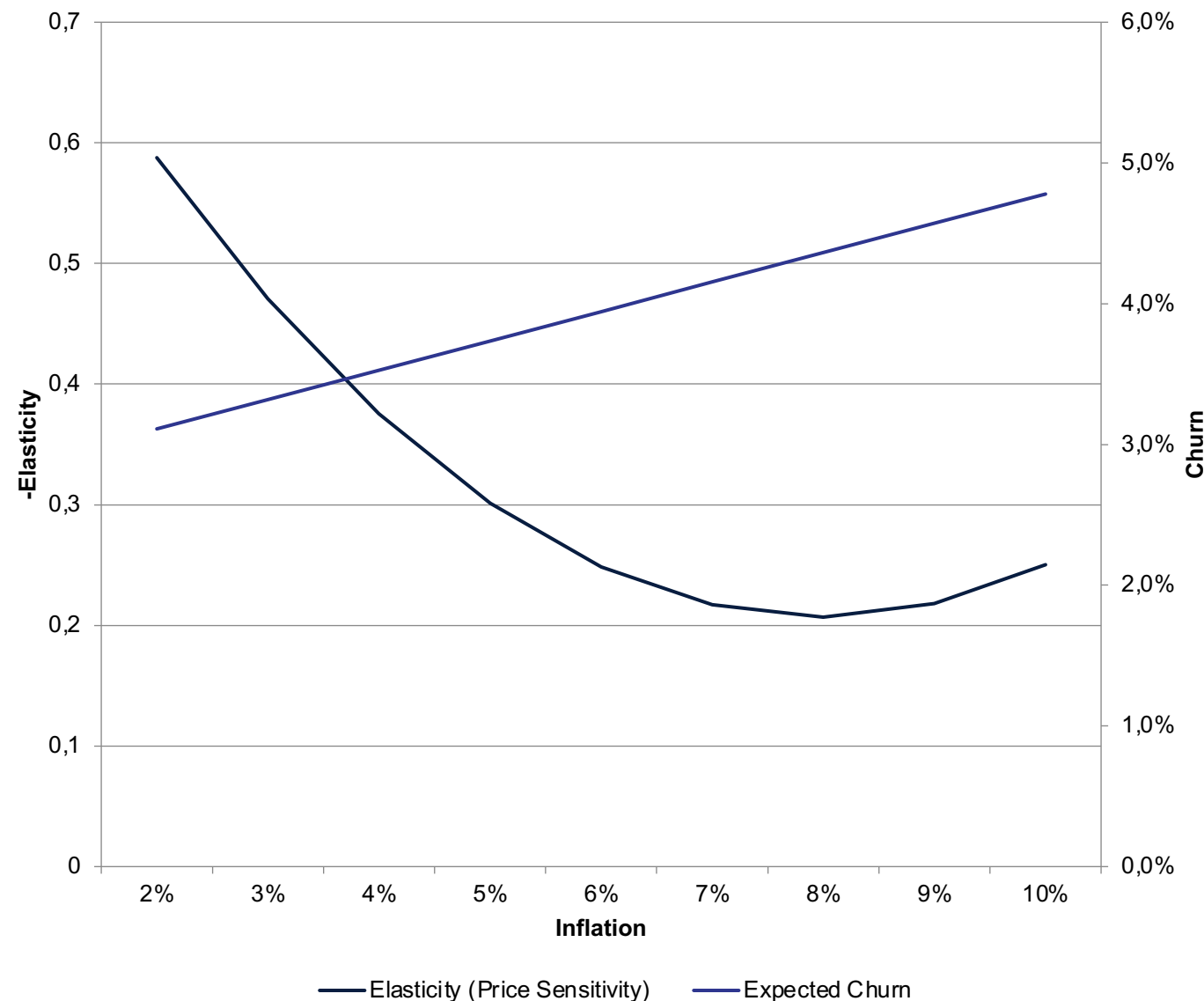
As inflation rises, subscribers tend to cancel their subscriptions at higher rates.

Despite higher levels of overall churn, **incremental** cancellations from price increases decrease or remain constant in high-inflation periods.

A price increase may be **more acceptable** to consumers when prices are rising for many other goods they purchase.

Consumers who are actively looking to reduce costs may choose to cancel their subscription regardless of a price change.

Churn and Price Elasticity by Inflation Level



PRINT SUBSCRIPTION PRICING STRATEGY

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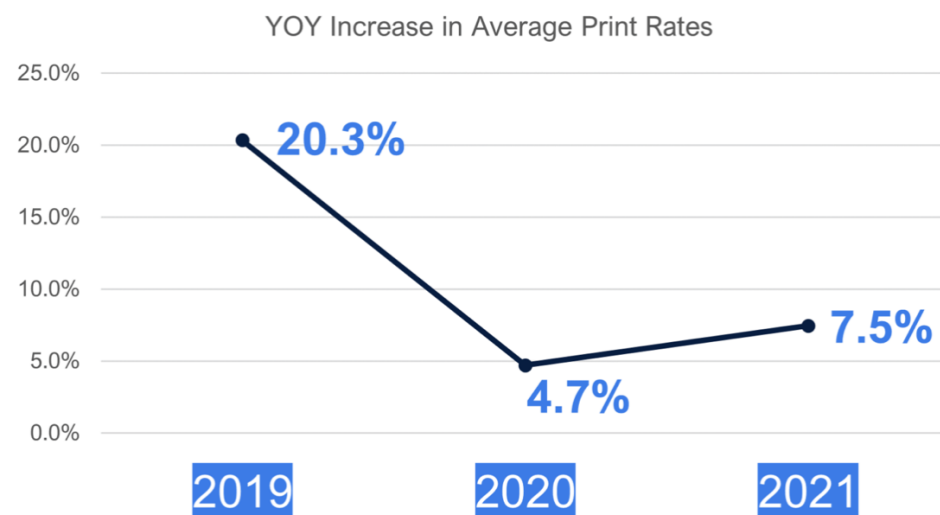
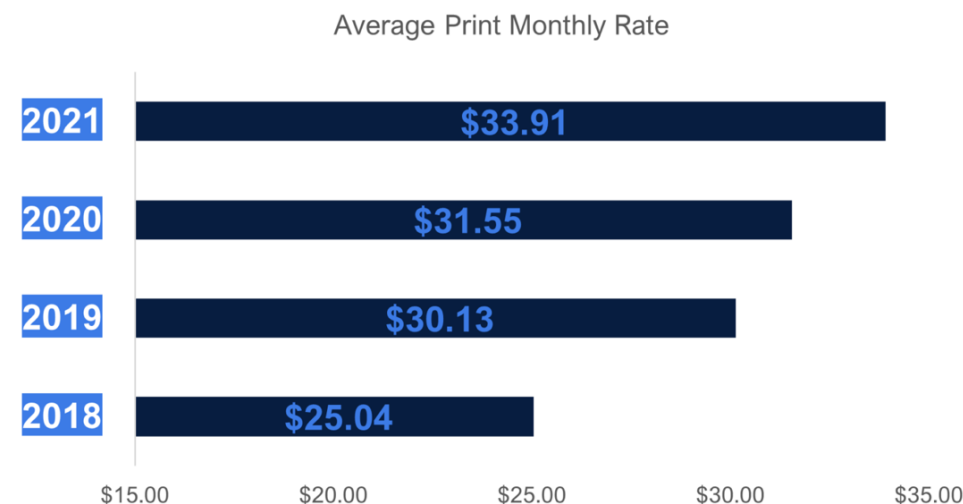
Is your print pricing strategy too aggressive?

Publishers have been aggressive with print subscription pricing to combat revenue losses from declining advertising revenue and to fund their digital transformation.

The average monthly rate for print subscriptions has grown significantly (7,9%). Also, the average pricing year-over-year (YOY) growth rate has been much lower in the last two years than in 2019.

Strategic decisions :

- **Shortening the runway** (i.e., aggressive pricing path) when:
 - Need for near-term revenue and cashflow to solve 2023 challenges
 - Carrier-based distribution is under pressure
- **Elongating the runway** (i.e., ease print pricing) when:
 - Macro-economic conditions of continued inflation
 - Alternative distribution models are developed
 - **More time needed to become digital ready**



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Thank you!

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