16 SUBSCRIPTION TERMS

Every Advertising Professional Should Know

lineup

Empowering your media business

Introduction

Subscription business models have cemented themselves as a dominant feature on the media landscape and an essential complement to traditional advertising models. Subscriptions are also a fan favorite of consumers, among which 27% plan to increase their subscription purchases in 2021[1].

As an advertising professional, it's crucial to stay up to date on subscription-related industry developments and terms so you can help position your media organization for success in today's economy. However, familiarizing yourself with these terms is only the first step on the journey to a strong combined revenue model for your company.

Collaboration is key. If you lead an advertising team, ensure your staff understand not only the terms in this ebook, but also the relationship between subscriptions and advertising within your media organization. Encourage dialogue with your colleagues in marketing and audience departments to strengthen your knowledge of their areas of the business.

In this ebook, we'll cover 16 subscription terms every advertising professional should know, as well as offer tips for how to keep this information top of mind in your day-to-day.

[1] Small Business Trends, "27% of Consumers Increase Use of Subscription Services"

LIST OF TERMS

01 Data management platform (DMP)

DMPs are used to collect and analyze anonymous data such as IP addresses and device IDs. The platforms gather this data from multiple sources, including websites and advertising campaigns, then create a cohesive picture of audience information using this second- and third-party data.

However, the benefits of DMPs don't end there. One major advantage of this technology is that it enables advertisers to not only gather and segment data to better understand their various audiences, but also to launch targeted display ad campaigns through the DMP itself to drive website traffic[2].

Having a singular data repository, such as a DMP, empowers media companies to optimize their marketing strategies and it impacts their subscription businesses. Access to clean, quality data helps organizations promote their subscription offerings through personalized ad campaigns that they can monitor and tweak as needed, or even create new subscriptions based on audience preferences[3].

02 Customer data platform (CDP)

Similar to DMPs, CDPs also gather data from multiple sources. However, what sets the latter platform apart is that CDPs primarily collect first-party data, giving media companies a deeper level of insight into their audiences. CDPs are used to create customer profiles that include personal information such as names and email addresses.

Various media organizations have had success with CDPs. The Economist reduced its acquisition costs by 80% and tripled its digital subscriptions using this technology[4]. In addition, The Boston Globe reported growth in both its ad revenue and premium content subscriptions thanks in part to its CDP[5].

The beauty of this technology is that it enables advertisers to not only segment their audiences, but to target those audiences in specific stages along the path to purchase. CDPs can execute cohesive campaigns across multiple channels and different devices, rather than standalone display ad campaigns.

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[2]Lineup Systems, "The Move from DMPs to CDPs: What Publishers Need to Know"
[3]Lineup Systems, "An In-Depth Guide to Data Management Platforms (DMPs)"
[4]Lytics, "5 Lytics CDP marketing results that will blow you away"
[5]Automatad, "Customer Data Platform – Everything You Need to Know"

03 Customer lifetime value (CLV)

It's critical for all media companies to be able to identify and prioritize their most valuable customers in terms of both audiences and brands. While data platforms such as CDPs can help you illustrate an impressively clear picture of your audience, the CLV metric takes this insight to another level.

Determining CLV involves estimating a customer's total spend on your products or services over the course of their entire relationship with your organization. Over three quarters of businesses consider CLV an important metric to track[6]. Here's a simple way to calculate it:

CLV = [Average Transaction Value] x [Number of Transactions] x [Average Length of Customer Relationship]

Considering that acquiring new customers, such as subscribers, can cost up to 25 times more than retaining current customers, it pays to know which of your audience members have a high customer lifetime value—and ensure that you're delivering them high quality, personalized editorial content and ads regularly[7].

[6]CleverTap, "Customer Lifetime Value: What is it and How to Calculate"
[7]CleverTap, "Customer Lifetime Value: What is it and How to Calculate"

04   Recurring revenue

Netflix. Disney+. Spotify. These are all examples of household names with subscription-based recurring revenue models. When a customer signs up for a service of this nature on a recurring basis, they typically get charged either a monthly or yearly fee, which equals consistent revenue for the business[8].

Creating subscription offerings and implementing a recurring revenue model can help media organizations weather difficult economic times. For example, in the software-as-a-service industry, which is known for its subscription business model, subscription revenue increased 12% even during the COVID-19 pandemic[9].

Today, 76% of companies view subscription models as a way to drive customer retention (which can ultimately increase CLV because customers tend to spend more money with a company after the first year of business with that vendor)[10]. In addition to generating predictable revenue, this business model makes it easier for media organizations to gather a higher volume of audience data over a longer period of time to better understand subscribers and their preferences.

05   Paywall

Paywalls are a foundational component of media subscription businesses. As opposed to giving all of your high quality journalism or other content away for free, implementing a paywall entices your audience to sign up for access to the best of the best that you have to offer. There are several different kinds of paywalls used by publishers today. Let's walk through a few of them briefly.

Metered	Access to a specific number of free articles in a given time period, like one month. When a user exceeds this number, they'll be prompted to sign up for a subscription.
Hard	No access to any content without a subscription. This type of paywall is less common, and is usually only used successfully by publishers with a dominant market position in their niche.
Freemium	A combination of free and premium content[11].
Usage Based	Cost varies and is dictated by content consumption. Customers are typically charged at the end of each month based on their consumption during that time period[12].

[8]FastSpring, "The Comprehensive Guide to Recurring Revenue"
[9]Fusebill, "11 Stats that Show How SaaS and The Recurring Revenue Software Model Is REALLY Doing"
[10]FastSpring, "The Comprehensive Guide to Recurring Revenue"
[11]Chartbeat, "Paywall model breakdown: The current landscape and new frontier"
[12]Baremetrics, "Usage-Based Pricing: What SaaS Companies Need to Know"

06 Subscription economy

The subscription economy consists of businesses that sell subscriptions to customers. It spans myriad sectors (media, food delivery, and home exercise have taken center stage in 2020) and is expected to grow into a $243-billion market by 2022—up significantly from $152 billion in 2018. In the U.S. alone, 42% of men and 28% of women have at least three subscriptions[13].

An evolution of the product economy, which was based on one-off sales, the subscription economy enables media organizations to build and leverage long-term customer relationships. This means customer loyalty has become increasingly important, as has the data businesses use to personalize their offerings and make them more attractive to consumers.

"Running a subscription company means there's a continuing relationship with the customer. No longer does the business-customer relationship end with the swipe of a credit card," said marketing expert Neil Patel[14].
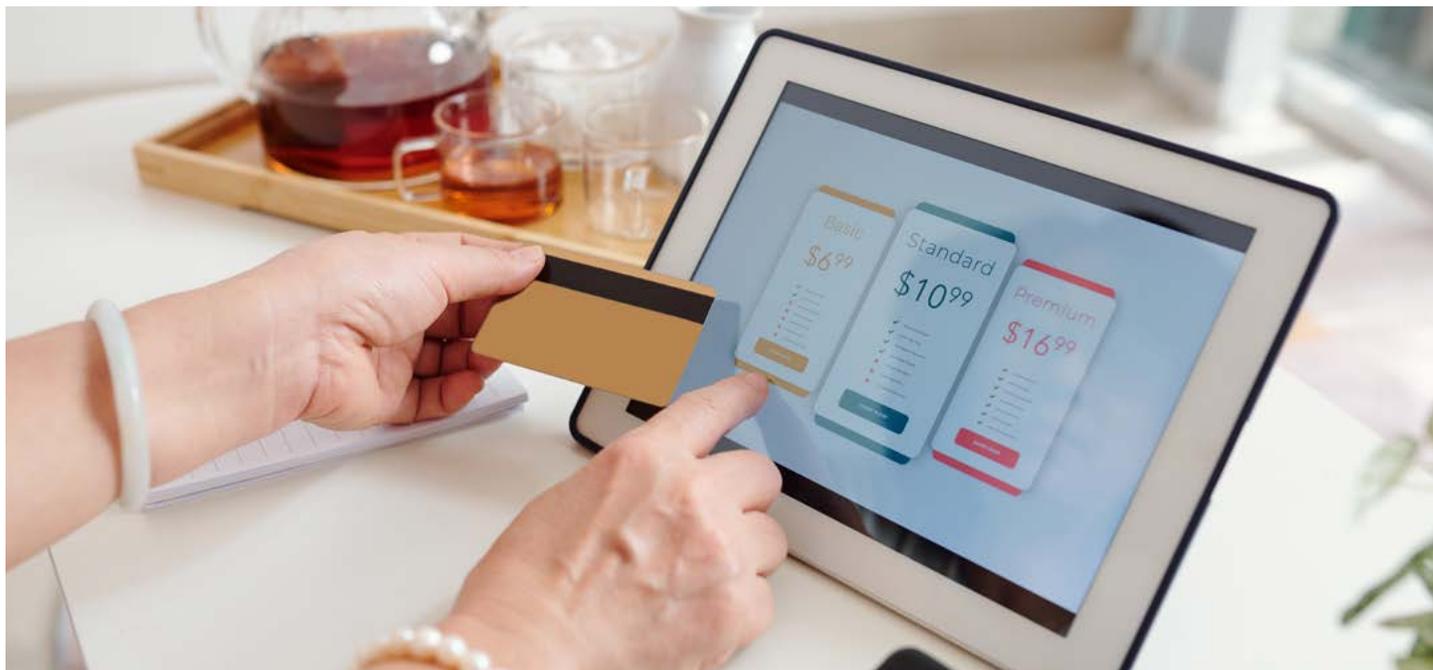
What does this mean for advertising professionals? In the subscription economy, audience expectations around quality content are high, and the same can be said for expectations around personalized advertising. By collaborating with your marketing and audience teams, you can ensure you deliver on both areas.

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[13]Payvision, "Must-know trends for success in the $240B+ subscription economy"
[14]Neil Patel, "How to Excel at the Subscription Economy"

07 Registered user (et al.)

Registered user. Subscriber. Reader. Member. Customer. With multiple ways to refer to our audiences, it begs the question: what's the difference between all of these terms?

Registered User	Someone who has provided personal information to your media organization, either by purchasing a product or signing up for a service or account[15].
Subscriber	The defining factor of this type of customer is that they've signed up for scheduled, recurring transactions with your business, which makes them a more valuable customer than someone who has only made a purchase on one occasion[16].
Reader	Anyone who reads your publication, including your paid or free content. Readers don't have to be registered users, subscribers, members, or customers.
Member	A membership business model goes beyond even a subscription model in that members often get access to events and experiences, as well as a platform to connect with other members. Membership payments are typically monthly or yearly recurring transactions[17].
Customer	This refers to anyone who has made a purchase from your media company, including a one-time transaction. Customers are far less loyal to your business than subscribers or members, which generally results in precarious revenue stability that's more difficult for your business to predict and track.

Why do these distinctions matter? As an advertising professional, your customers are your media organization's advertisers. What's most valuable to these brands is your ability to get their messages in front of your most engaged audience segments: your subscribers and members. So, you should get to know these folks very well.
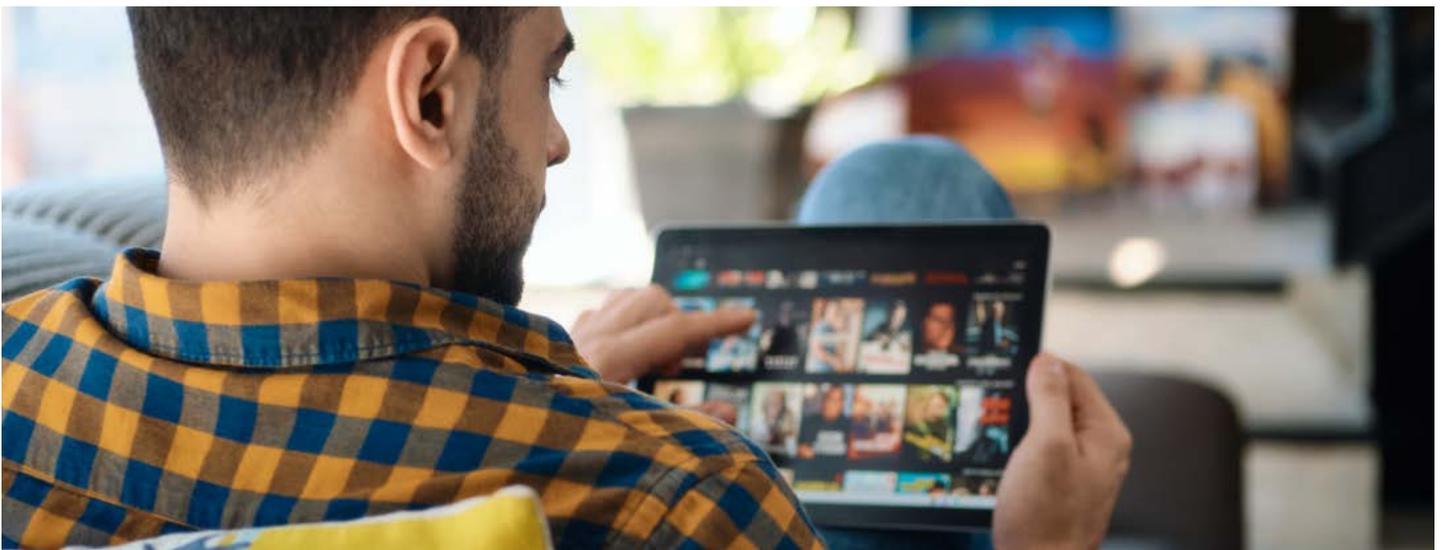
[15]Computer Hope, "What is a Registered User?"
[16]Cratejoy, "What's the Difference Between a Subscriber and Customer?"
[17]Daily Buzz, "The Difference Between Memberships and Subscriptions"

08   User journey

You've likely had the experience of visiting a website with poor navigation, only to bounce off the site frustrated that you couldn't find the information you were looking for. This is the beginning of the user journey—a path that leads all the way to recurring revenue for your media company, if you get it right.

Visually mapping the user journey involves carefully considering a series of actions that form relationships between your business and your various audience segments. These actions can include visiting your website and reading an article, clicking on one of your ads on social media, receiving your daily newsletter focused on a specific beat such as politics or sports, and many other types of engagement with the goal of driving subscriptions.

"Turning first-time users into long-term customers requires an understanding of where your users are coming from and what they want to do. User journey mapping helps you keep user motivation at the front of your mind and create user experience flows that get users where they want to go," according to Appcues[18].

Organizations that use customer journey maps can decrease their cost of service by up to 20%[19]. However, it's not enough to set it and forget it—you must monitor the effectiveness of your user journeys and leverage data to make adjustments as needed.

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[18]Appcues, *"A complete guide to user journey mapping"*
[19]Forbes, *"50 Stats That Prove The Value Of Customer Experience"*

09 Funnel vs. engagement wheel

As an advertising professional, you're likely familiar with a traditional sales funnel that has a goal of getting your audience to make a purchase. In the subscription economy, the sales funnel is more of an engagement wheel, with a focus on retaining subscribers and preventing churn (which we'll dig into later in this ebook). Here's how it works:

Awareness	This is the stage where your audience first engages with your media organization's content. They may have found an article on your website via search or may have seen a display ad promoting your brand on social media.
Engagement	You need to keep your eye on several data points when it comes to engagement. It's important to know your most engaged readers, listeners, or viewers who aren't already subscribers so you can nurture them and drive conversions. In addition, it's crucial to know your least engaged subscribers so you can prevent customer churn. Tracking metrics such as site visits, time spent on various webpages, e-newsletter open and click through rates, and content shares can give you valuable insight into your audience's level of engagement.
Conversion	Your team can choose what a conversion means to you, but for the purposes of this ebook, we'll focus on the moment when a registered user, reader, or customer becomes a subscriber. Keep in mind, this is not where the funnel ends!
Retention	This stage is what transforms the traditional sales funnel into an engagement wheel. It's critical to keep your brand top of mind with subscribers by delivering an excellent customer experience, and eventually transitioning them from monthly to annual payment models[20].

10 Identity and access management (IDAM)

IDAM is essential for every media company, with cybersecurity concerns on the rise and 36 billion records exposed by data breaches in the first six months of 2020 alone[21]. Typically overseen by information technology (IT) departments, IDAM involves defining and managing user roles and access levels for both employees and customers, and allowing or preventing access to certain enterprise data.

"The core objective of IDAM systems is to have one digital identity per individual. Once that digital identity has been established, it must be maintained, modified, and monitored throughout each user's 'access lifecycle,'" according to CSO[22].

[20]Poynter, "Here's how the subscriber funnel, or whatever you want to call it, works"
[21]Varonis, "134 Cybersecurity Statistics and Trends for 2021"
[22]CSO, "What is IAM? Identity and access management explained"

## 10 Identity and access management (IDAM) *cont.*

As an advertising professional, it's imperative that you support your media organization's IDAM efforts by keeping the databases you use clean and adhering to data privacy regulations. Considering that 95% of data breaches are the result of human error and the average breach takes 207 days to identify and costs $3.9 million), media companies and audiences alike have good reason to be concerned[23]. Customer trust is a priceless currency, and robust IDAM policies can help ensure brands steward that trust responsibly.

11 First-party data

Using first-party data as opposed to second- or third-party data in your marketing and advertising efforts—and being transparent about what you do with it—is another way to build trust with your audience. First-party data includes clean and legally-obtained information gathered directly from your users through e-newsletter and subscription sign-up forms as well as other methods involving consent and data privacy law adherence.

Advertising professionals know first-party data is extremely valuable to advertisers because it enables media organizations to create highly personalized and effective advertising packages for different audience segments. Unlike second- or third-party data, your company owns your first-party data and has not collected it from an external source whose commitment to privacy is unknown[24].

Robust first-party data also empowers media organizations to create customized subscription offerings to drive audience engagement and revenue. This is a win-win for both business and their customers because superior products and services result in a greater customer experience and a stronger bottom line.
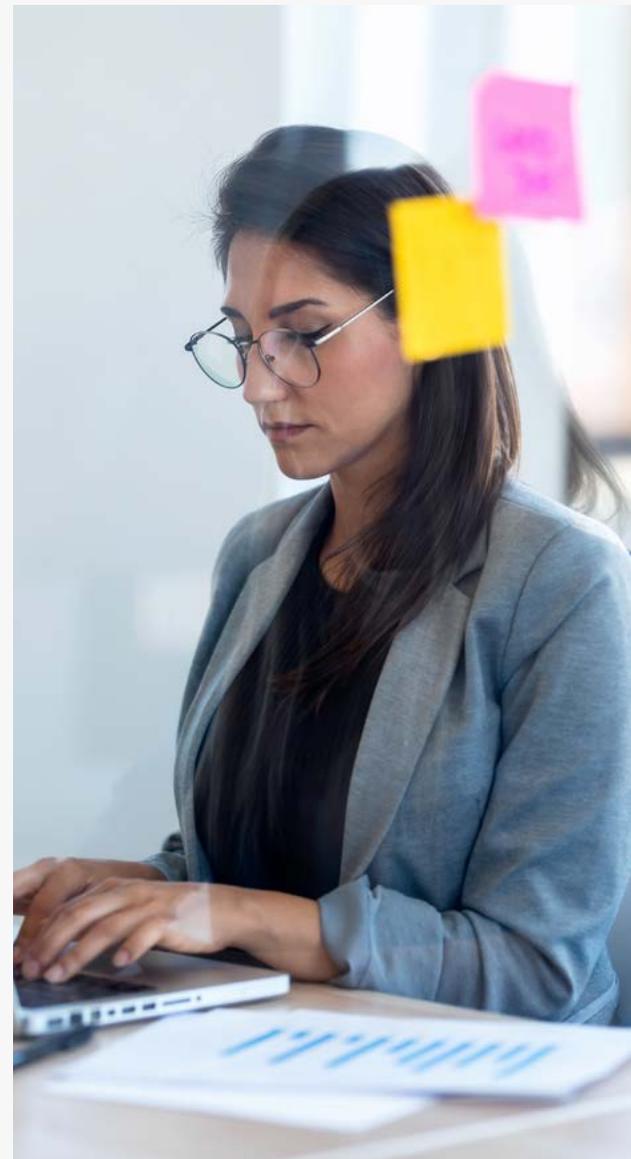
[23]Varonis, "134 Cybersecurity Statistics and Trends for 2021"
[24]Lineup Systems, "Every Article You Need to Read About Advertising Data"

12 Churn rate

Avoiding churn is a mission critical business objective in the subscription economy. Losing customers carries a price tag of $136 billion annually in the U.S. alone. To complicate matters, churn can be difficult to anticipate since only one in 26 unhappy customers will voice their complaint[25]. With that in mind, media companies must understand and monitor subscriber churn rate. Let's explore how to calculate it.

You can measure churn rate as either the total number or the percentage of subscribers you lost in a particular time period (typically a month, quarter, or year). Churn can include customers who chose not to renew their subscriptions, cancelled their subscriptions, or closed their accounts entirely. For example:

Customer churn rate = [number of subscribers lost in a month] / [number of subscribers at the beginning of that month]

or

5 / 500 = 1% churn rate[26]

As we mentioned previously regarding engagement funnels, tracking engagement is one way to help prevent customer churn. When a subscriber begins spending less time engaging with your content, it's a sign that you need to act quickly to ensure you retain their business. For instance, you could try giving subscribers at risk of churn an exclusive content offering that will let them know you value their loyalty.

13 Termed vs. evergreen subscriptions

When your customers sign on the dotted line, they generally enter into one of two main types of subscriptions:

Termed	These subscriptions have a specific end date and typically follow a cycle of either 12 monthly billing periods or one yearly billing period. Your customers are committed for the entire time. Many organizations offer auto-renew subscription options to help prevent churn at the end of the billing period[27].
Engagement	These subscriptions don't have an end date. The advantage of this model is that customers don't have to renew their subscriptions, but the disadvantage is that they can cancel at any time[28].

[25]Gravy Solutions, "Customer Churn and Retention: Top 25 Stats You Need to Know"
[26]WordStream, "How to Calculate (And Lower!) Your Customer Churn Rate"
[27]Recurly, "Subscription Billing Terms"
[28]Salesforce, "Evergreen Subscriptions"

14   Termed vs. evergreen subscriptions

Acquisition and retention are both important parts of the engagement wheel for any media organization with a subscription model. Let's break down what each term means.

Acquisition	This involves gaining new subscribers, which is essential to a healthy subscription revenue stream. As an advertising professional, you have a crucial role to play in this process by creating and tailoring campaigns to various audiences to promote your media company's subscription offerings[29].
Retention	This is all about keeping your current customers happy and engaged with your subscription offerings to prevent churn. Establishing and maintaining trust is crucial to customer retention, as is delivering high quality content that your audience finds interesting[30].

15   Upsell

In the context of the subscription economy, upselling involves inviting your subscribers to purchase a higher subscription level by communicating the benefits of such an upgrade.

"When done correctly, upselling strategies enhance value for a customer while also improving recurring revenue for a subscription-based business," according to Fusebill[31].

The key to upselling is showing your subscribers you're familiar with their content preferences and providing them with a relevant offering at the right time. Perhaps a subscriber is signed up for a tier one plan, but you've noticed they're occasionally consuming more content and paying for the extra articles they're reading. In this situation, you could upsell a tier two package to lock in greater recurring revenue.

16   Customer experience

We've left the best for last, folks. One reason why it's worth your time to familiarize yourself with subscription related terminology is so that you can work with your colleagues across departments to deliver an excellent customer experience to your audience.

Nearly 70% of customers who cancel subscriptions cite poor customer service as the reason for their cancelation[32]. The greater your understanding of the subscription economy, the better you'll be able to attract, engage, convert, and retain loyal customers.

[29]HubSpot, "The Ultimate Guide to Customer Acquisition for 2021"
[20]Shopify, "Customer Retention 101: Grow Your Business by Selling More to Current Customers"
[31]Fusebill, "6 Ways Your Subscription Business Can Upsell for Growth"
[32]Digital Commerce 360, "Customer experience is key to subscription success"

Tips: 4 ways to remember these terms

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01	Create a cheat sheet
02	Host lunch-and-learns for your team
03	Share articles via email
04	Gamify the learning process with prizes

Accelerate your success in the subscription economy

amplio

Lineup Systems' ground-breaking **Amplio** software is the first complete recurring revenue platform designed specifically for media organizations. This industry leading audience platform blends rich customer data and intelligent user journey creation to help you engage both existing and new audiences, amplifying your subscription strategy.

Learn about how Amplio can benefit your media business.

Learn more

[33]Lineup Systems, "Are Publishing Executives Over-Confident on Interdepartmental Collaboration?"