

**JUNE  
2022**

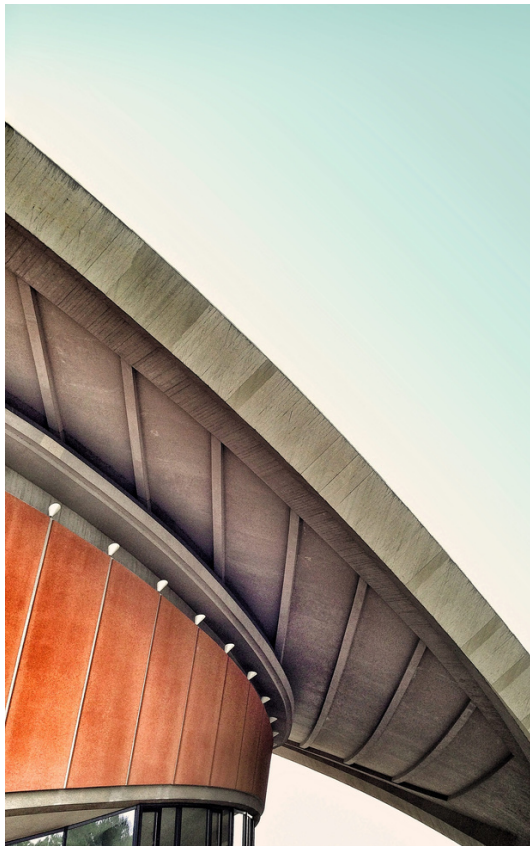
# **SUBSCRIBER EXPERIENCE**



**Arion Research LLC**

Digital Insights and  
Innovation

*Michael Fauscette, CEO & Chief Analyst*

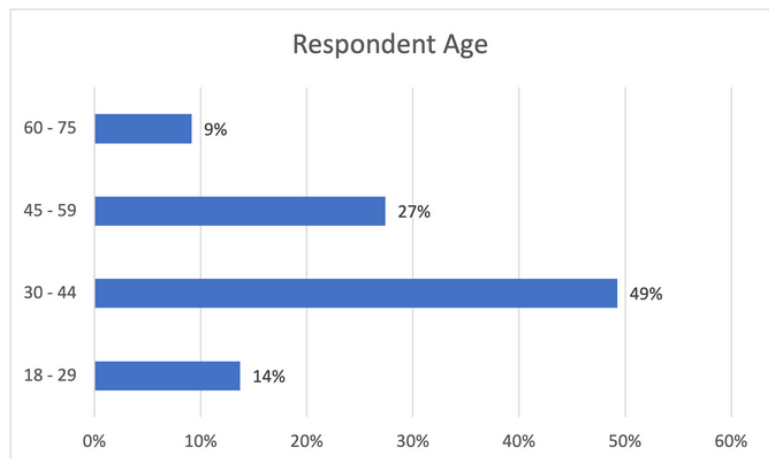


# THE STUDY

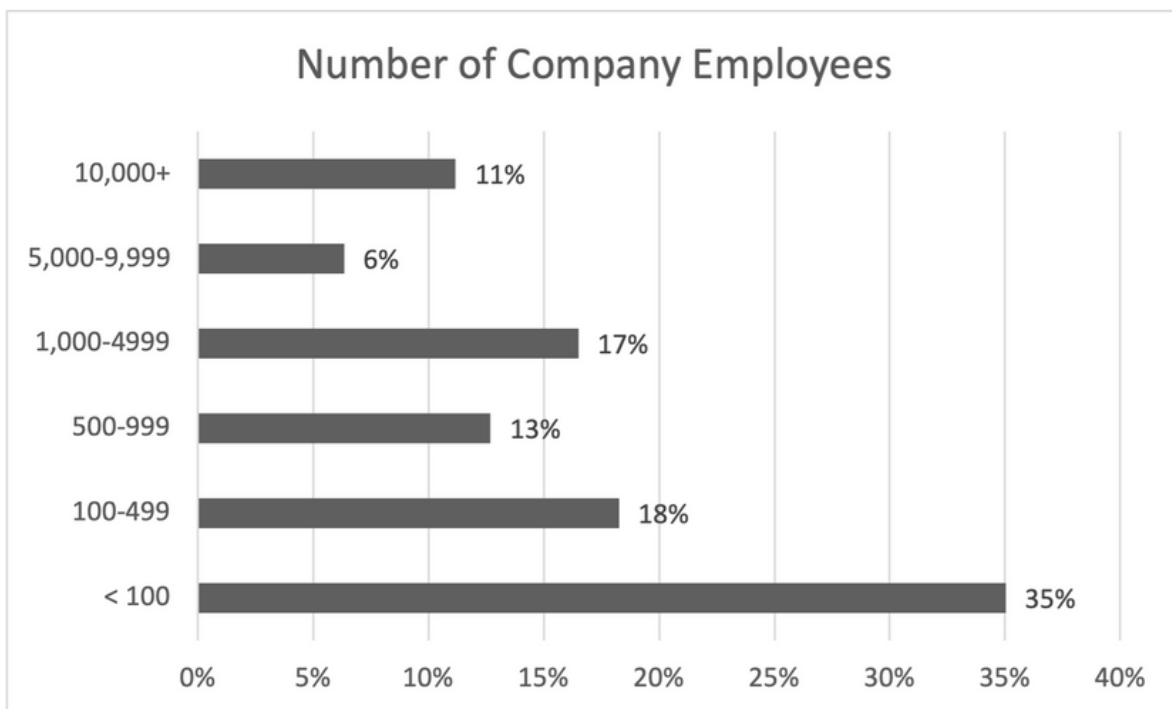
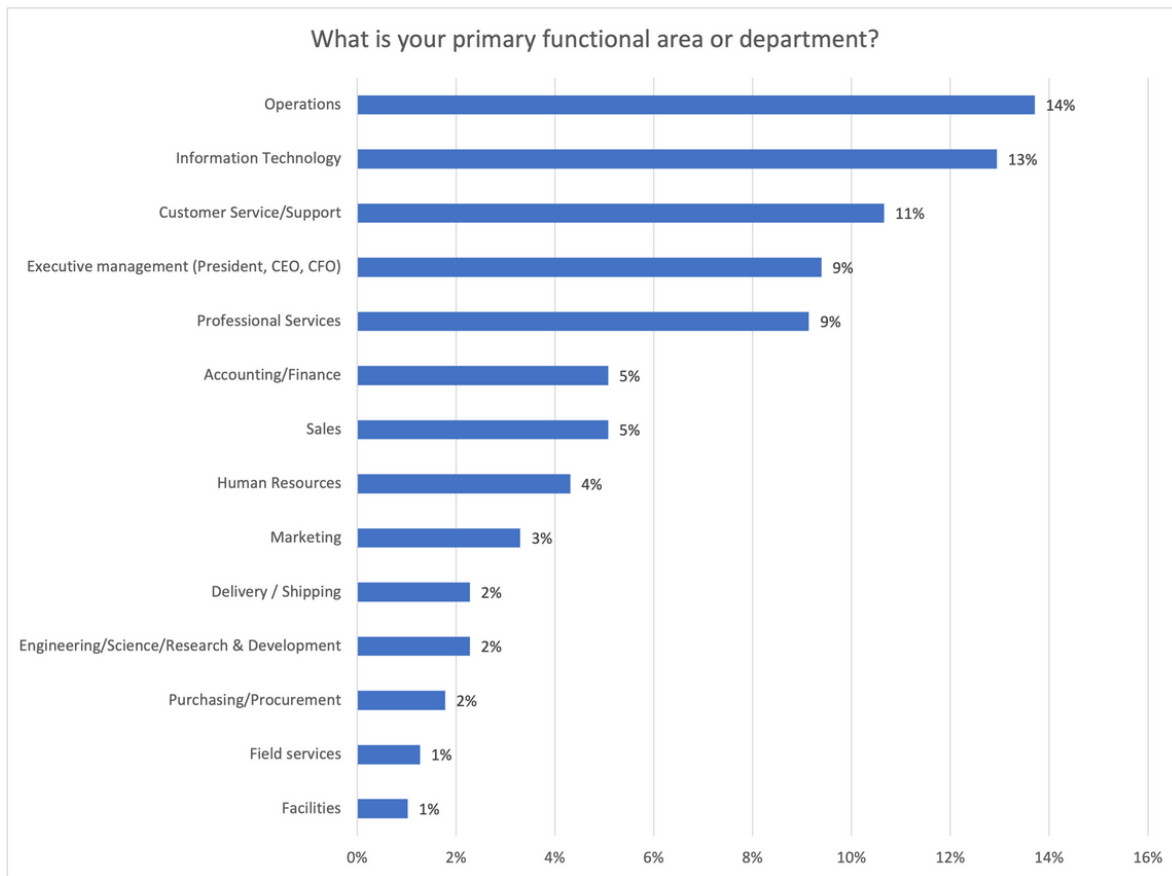
The use of subscription as a go to market model has continued to explode across both business and personal commerce. Software as a service (SaaS) and cloud computing, both built on the subscription business model, drove subscription mainstream, transformed expectations for tech company finances and changed the way companies buy technology. The model is also changing businesses across many different industries as the subscription economy gains even more momentum. According to Statista the digital subscription market worldwide was ~\$650B in 2020 and is projected to grow to \$1.5T by 2025. The global Covid pandemic has contributed by accelerating adoption of eCommerce out of the necessity of isolating for personal safety.

With the growth of subscription and the wide variety of products and services available in a subscription model, customer expectations of the subscription experience is setting the bar higher for vendors, similar to the general shift of customer expectations that has manifest over the past 15+ years. To better understand these expectations, Arion Research conducted a survey of 394 employed adults in North America that was completed in May 2022.

# STUDY DEMOGRAPHICS



Survey: N=394, May, 2022



Survey: N=394, May, 2022

# KEY FINDINGS

A few highlights from the survey:

## 81% - PRICING TRANSPARENCY

#1 Most Important for selecting a provider

## 71% - FREE VERSION

Have subscribed to a free version of a product or service

## 83% - UPGRADE TO PAID

Free version users that have upgraded to paid

## 70% - ADDITIONAL FEATURES

#1 reason to upgrade to a paid version

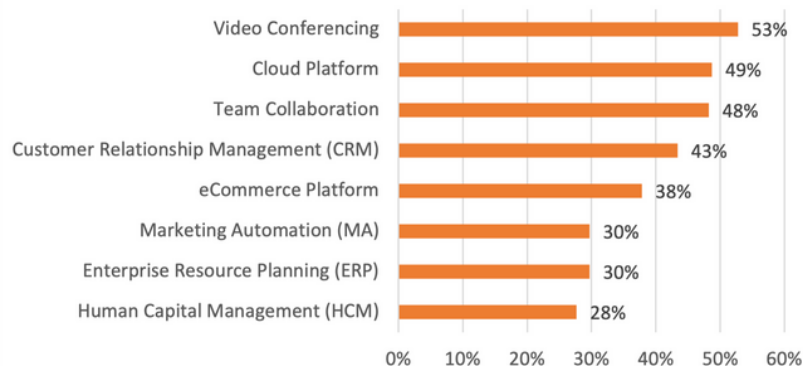
## 83% - PRICE

#1 most important contributor to satisfaction

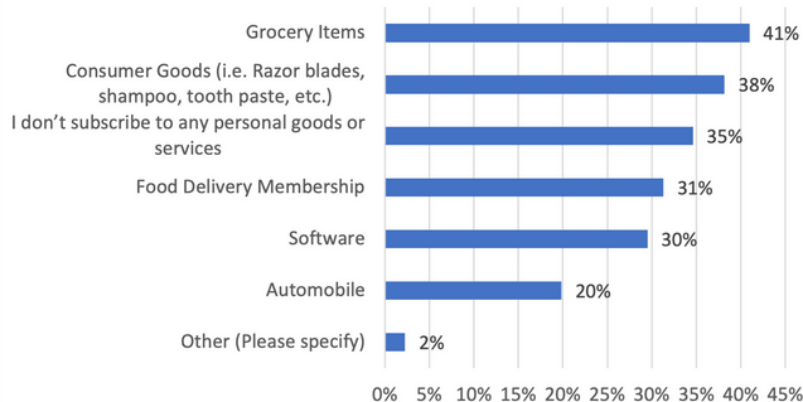
## 56% - DIDN'T MEET NEEDS

#1 Reason for non-renewal or cancelling

### Business Solution Subscriptions



### Personal Subscriptions



Survey: N=394, May, 2022

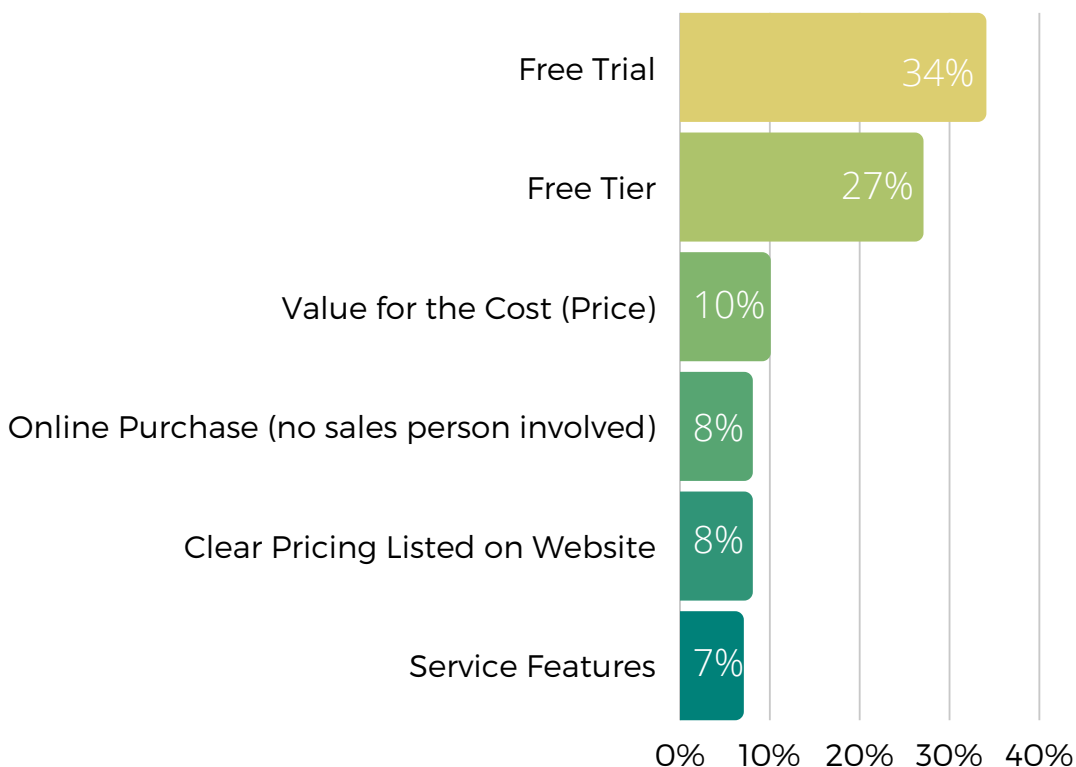
A background image showing a group of people sitting in a meeting or conference. The focus is on the lower half of the image, showing legs and hands. One person is wearing a plaid shirt and holding a pen, another is wearing blue jeans and sneakers. The image is partially obscured by a black rectangle at the top and a yellow rectangle in the middle.

# MOST INFLUENTIAL IN MAKING A SUBSCRIPTION PURCHASE

In a rank ordered list  
**Free Trial** was ranked  
most influential (34%)

# INFLUENCING THE PURCHASE DECISION

Most Influential in Making a Purchase Decision (Top 6)

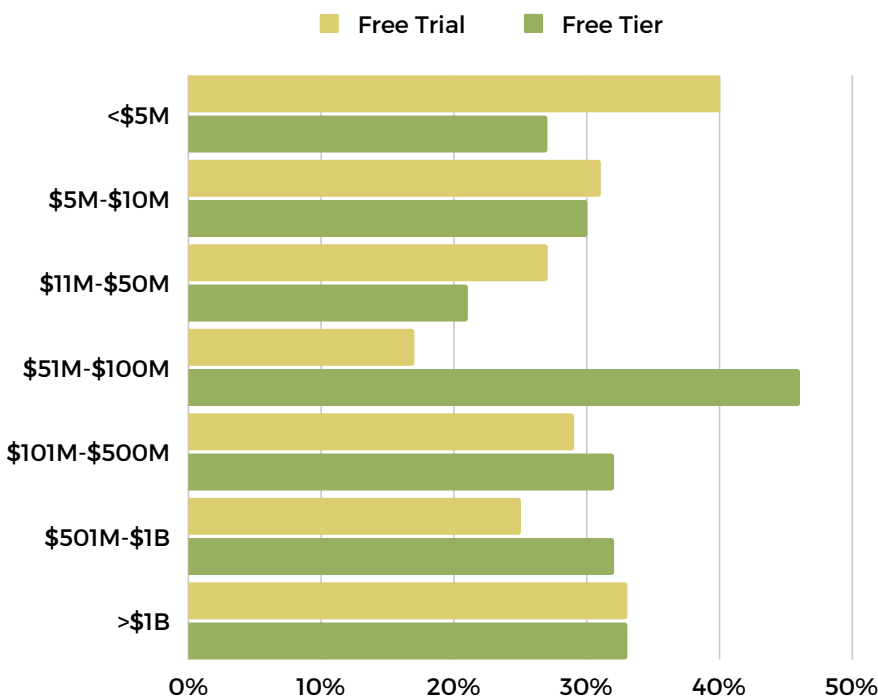


Many factors influence the purchase decision of a subscription product or service including:

- Free Trial
- Free Tier
- Online Purchase (no sales person involved)
- Service Features
- Clear Pricing Listed on Website
- Value for the Cost (Price)
- Reputation of the Vendor &/or product
- Online Reviews
- Recommendation of a Peer / Colleague
- Recommendation on a Social Network

The chart on the left is the top 6 on the rank ordered list and the chart on the next page drills down on "free trial" and "free tier" by company size.

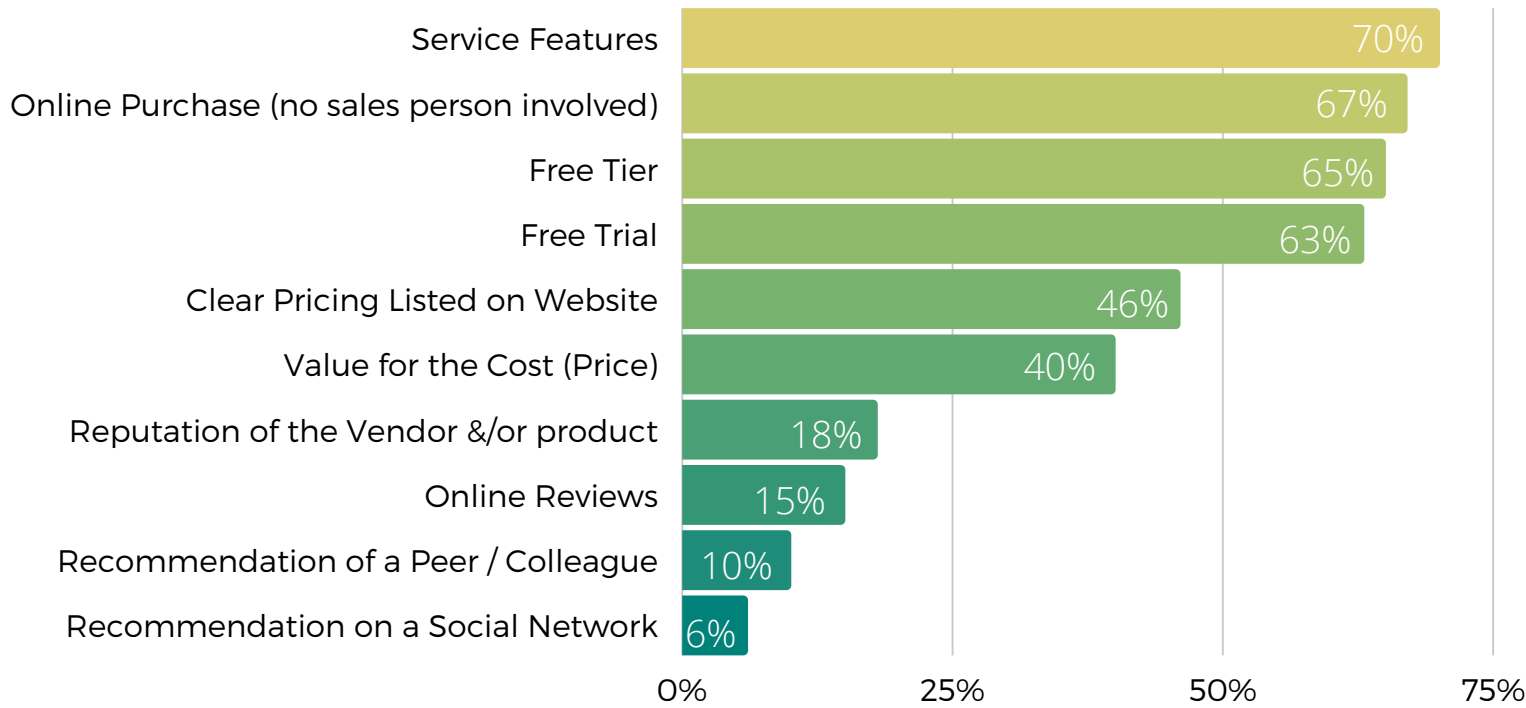
In the straight rank ordered list of factors "free trial" is a clear #1 with "free tier" second. Looking at both free trial and free tier by company size shows a strong preference for free trials for small businesses (<\$5M - \$50M) but shifts to free



tier for mid market companies (\$51M-\$1B). For large enterprise (>\$100B) the respondents were evenly split between the two. The remaining factors generally fell significantly lower in #1 rankings than the top 2. The only other factor that was relatively significant was online purchase (no sales person involved) or self-service purchase, but only in the mid market (\$11M-50M and \$51M-\$100M) with 21% and 13% of respondents rating it as #1.

To take a slightly different view of the factors, the following chart shows the list based on the sum of the 1st, 2nd, 3rd and 4th ranking responses. The view of the list based on the top 4 provides a slightly broader interpretation of the data, with "service features" and "online purchase (no sales person involved)" moving into the top 2 spots, edging out "free trial" and "free tier".

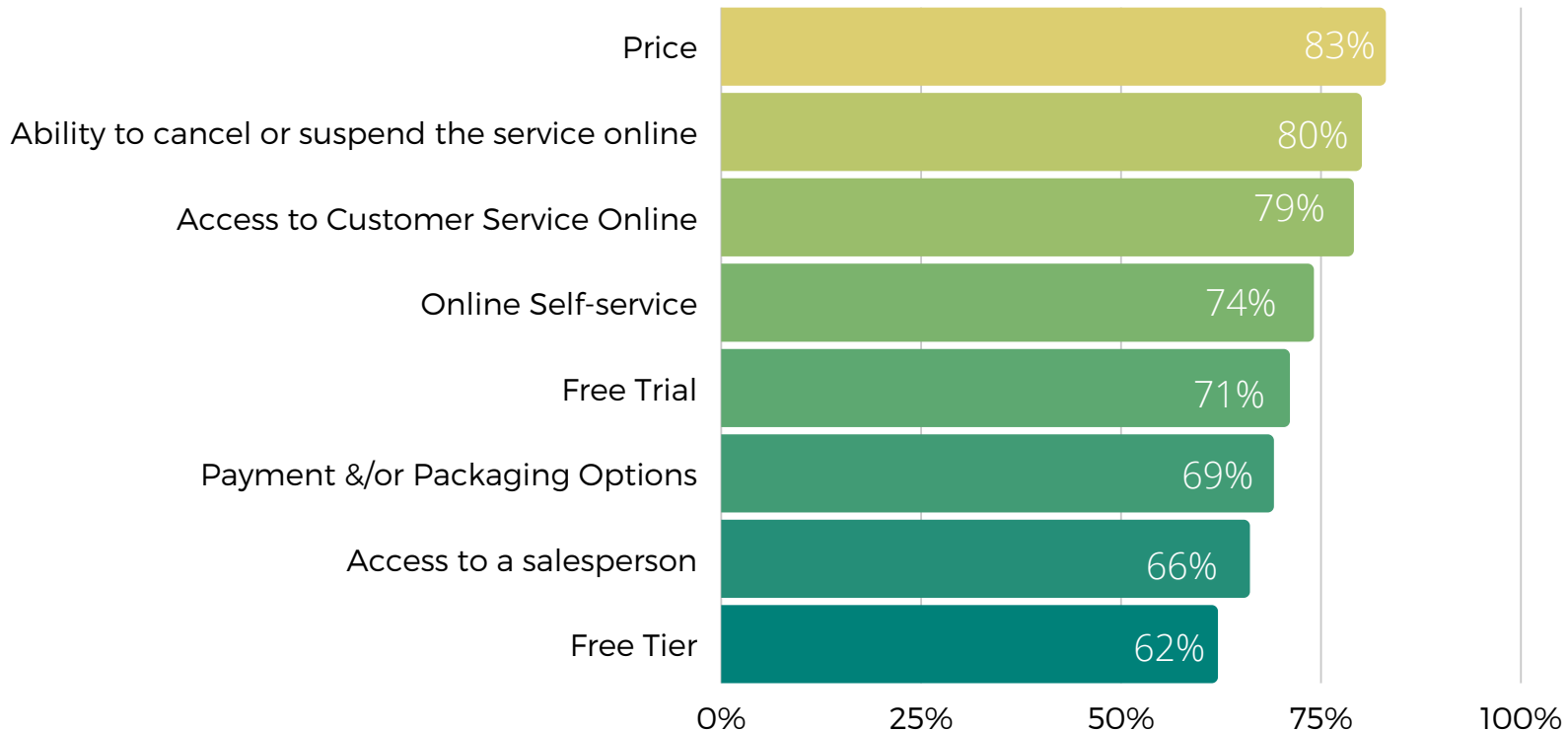
Most Influential in Making a Purchase Decision (Sum of Most Important - 1 to 4 out of 10)



Survey: N=394, May, 2022

# SATISFACTION

## IMPORTANT IN OVERALL SATISFACTION

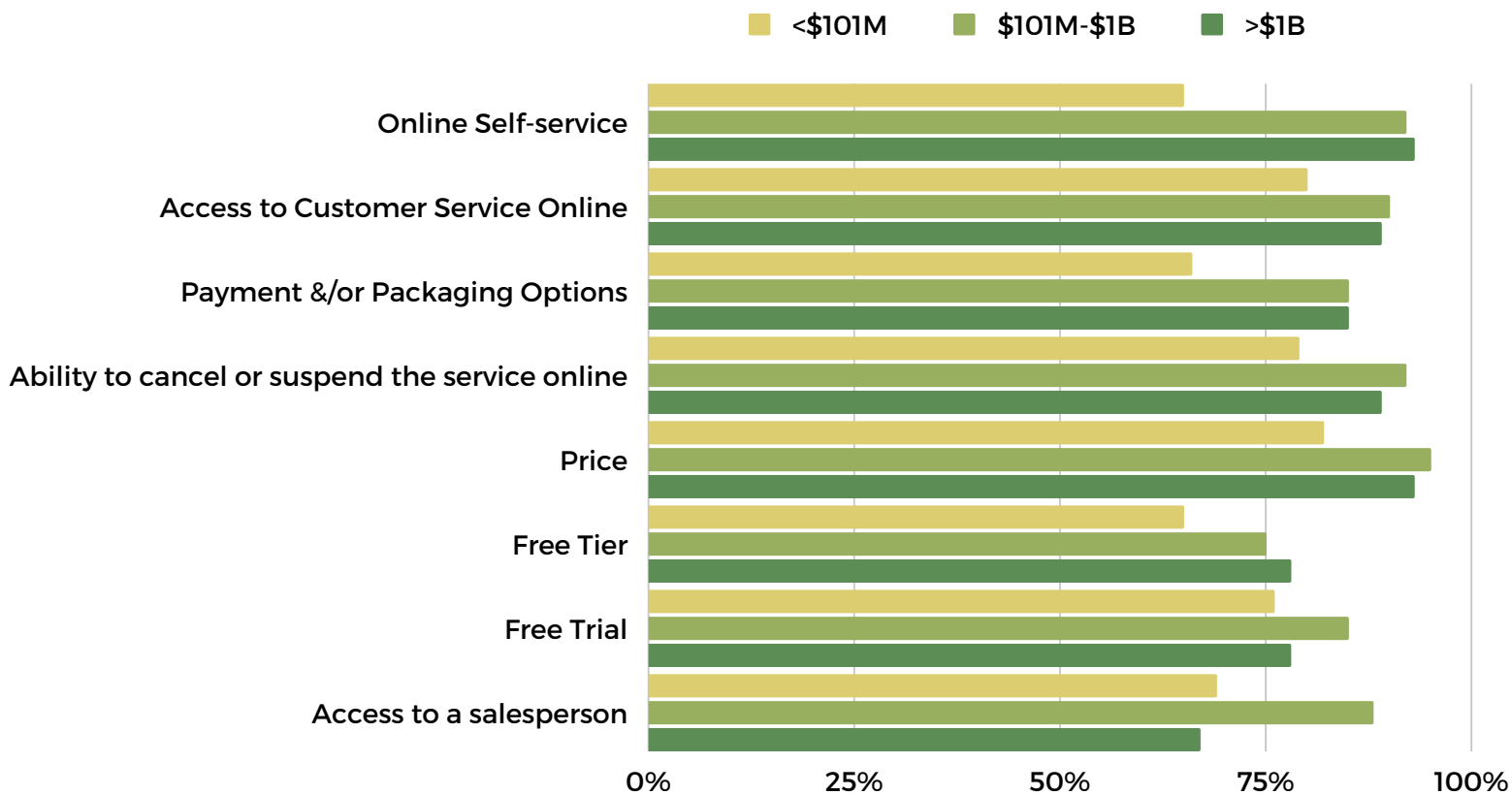


You will note that the range of responses is reasonably narrow and only spans 21 points. Satisfaction with a service is generally multifaceted with no single factor as the key driver. Dissatisfaction can be driven from a single factor that is a point of failure for the customer or a series of unpleasant interactions across many factors. The order of the list of factors provides some insight. Price is not a surprising response, although it is probably more useful to think of it as perceived value for money spent versus simply the price of the service. The following three factors, "ability to cancel or suspend the service online", "access to customer service online" and "online self-service", reinforce the customer's strong desire for online self-service, something that shows up across several questions in the survey. Lack of self-service, or full self-service is a significant satisfaction risk and something that all leading subscription management SaaS tools can enable. The subscriber should have the ability to manage the entire lifecycle of the relationship through the customer portal including purchase, renew, cancel, suspend and access to customer service. If you have a product led growth (PLG) product(s), self-service free trial, free tier and ability to purchase are critical to your business model. That doesn't mean that non-PLG products and companies should ignore self-service though, it is too important to the overall experience.

Survey: N=394, May, 2022

# SATISFACTION DRIVERS BY COMPANY SIZE

## IMPORTANT + VERY IMPORTANT

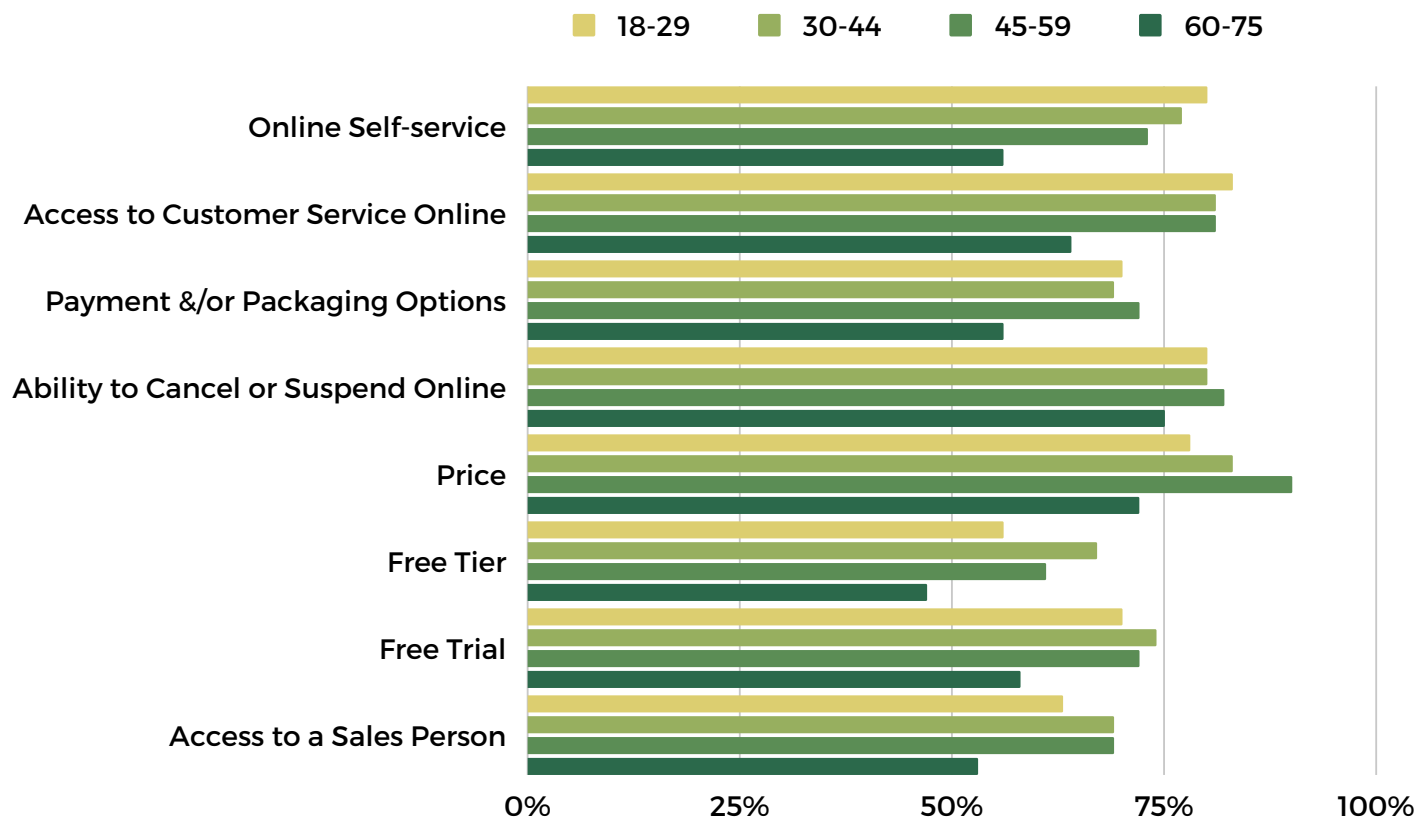


Looking at the satisfaction data by company size consolidated into three bands, <\$101M (small), \$101M-\$1B (mid market) and >\$1B (enterprise) shows some variation, particularly between small business and the other two bands. One of the more surprising deviations occurs with "online self-service" responses, where 65% of small business respondents ranked it important or very important while mid market and enterprise were both over 90%. Small business respondents were the lowest on all eight factors except "access to a salesperson" where 67% of enterprise respondents reported that it was important or very important versus 69% of small business. Mid market and enterprise respondents tended to have very similar responses except on "access to a salesperson" where the gap was 21 percentage points (67% to 88%).

Survey: N=394, May, 2022

# SATISFACTION DRIVERS BY AGE

## IMPORTANT + VERY IMPORTANT

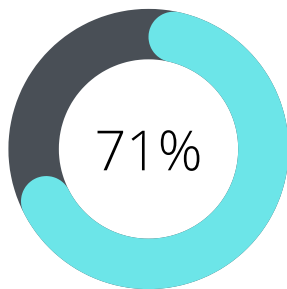


Looking at the satisfaction data by age shows some differences based on generational preference, particularly around online self-service features. The two oldest groups tended to be less inclined to online self-service than the younger two groups. For the 45-59 group though, the differences were mostly small enough to be inconsequential for all but "price", where that group was the most price sensitive.

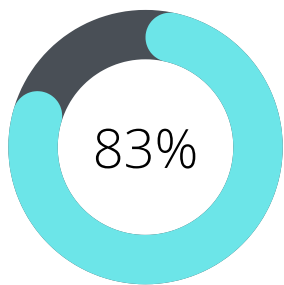
Survey: N=394, May, 2022

# FROM FREE TO PAID

**70% OF RESPONDENTS THAT UPGRADE TO A PAID  
VERSION DID SO TO "GET ACCESS TO ADDITIONAL  
FEATURES"**



Subscribed to Free Version



Upgraded to Paid

Respondents frequently subscribe to free versions of services. The good news for vendors is that users of free versions often move to the paid version.

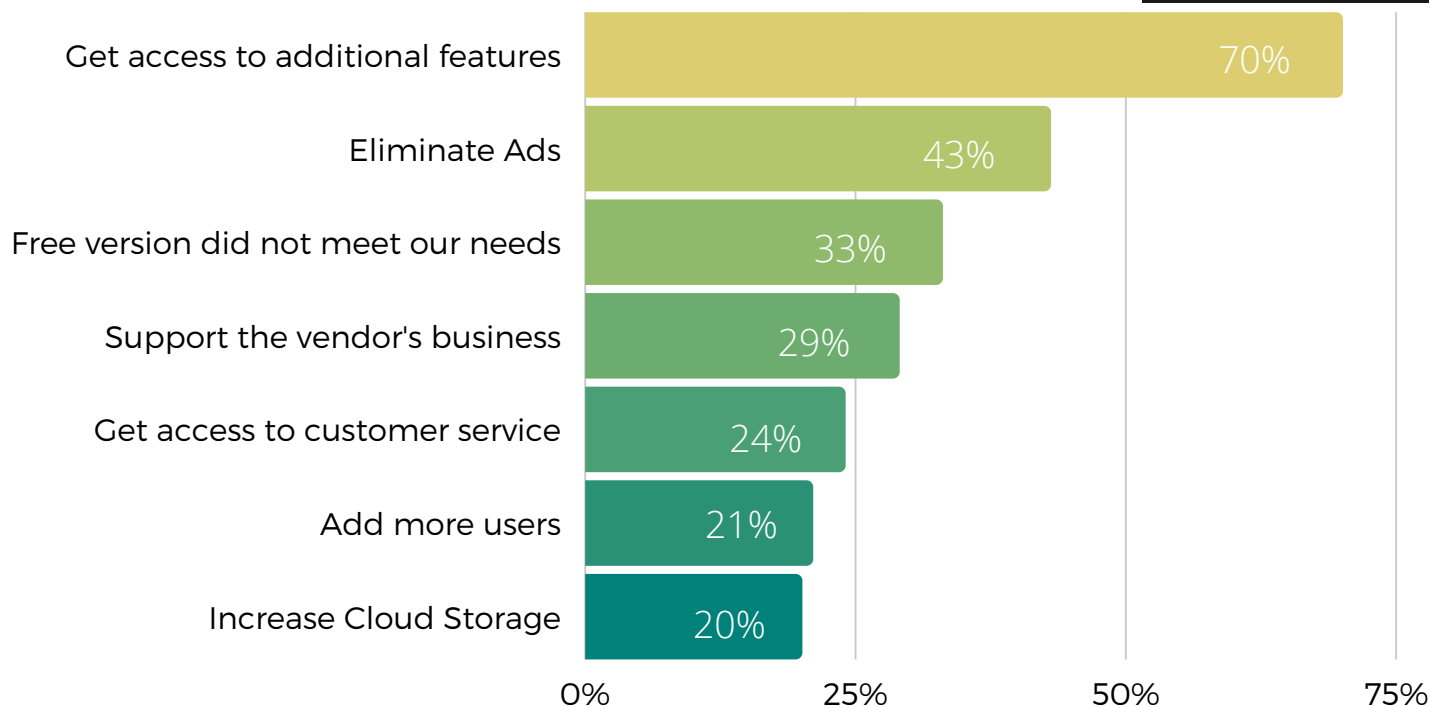
Survey: N=394, May, 2022

# UPGRADING TO PAID

Feature management by package or version is an effective incentive to convert customers to a paid version, which includes the #1 and #3 response ("free version did not meet our needs"). The challenge though, is balancing the free version's usefulness to feature limitations, providing enough of a positive experience that the customer doesn't choose to churn over moving to the paid version.

Limiting features, or perhaps having compelling additional paid features, is the biggest conversion lever.

The 2nd most common conversion lever is eliminating advertising, which could be called "reducing aggravation with your service"



The #4 answer, "support vendors business" is essentially providing so much value that the customer grows to rely on the product / service and would rather move to a paid version over the risk of the vendor not remaining financially viable. It's more of an edge case, and often tied to services that provide tools that increase individual or team productivity or eliminate a significant business issue (or friction point).

Getting access to service, adding additional users or additional storage are common limitations that are, assuming your service is meeting the customer's business needs, a simple method to create the perception that easily quantifies the need for a shift to a paid version. The concept of paying for increased consumption of any feature that has demonstrable costs and value generally provides a positive perception of the packaging and provider.

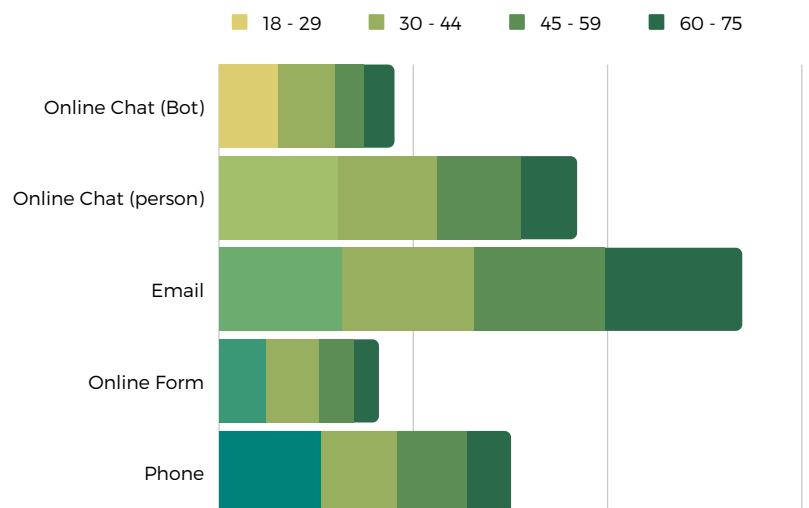
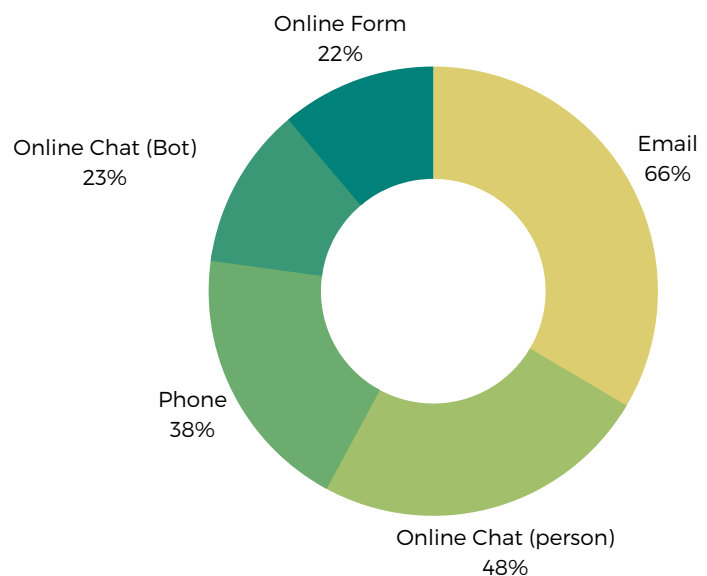
Survey: N=394, May, 2022

# COMMUNICATING WITH YOUR PROVIDER

## CUSTOMERS EXPECT YOU TO COMMUNICATE IN THEIR PREFERRED CHANNEL

Email is still the most popular method of communicating with a vendor.

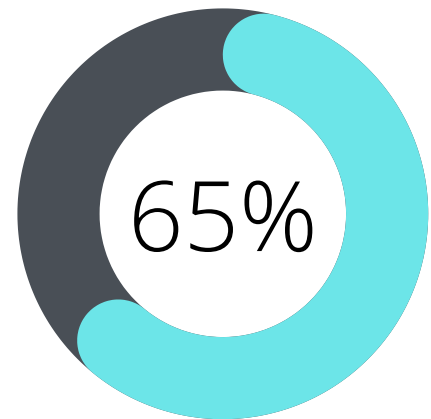
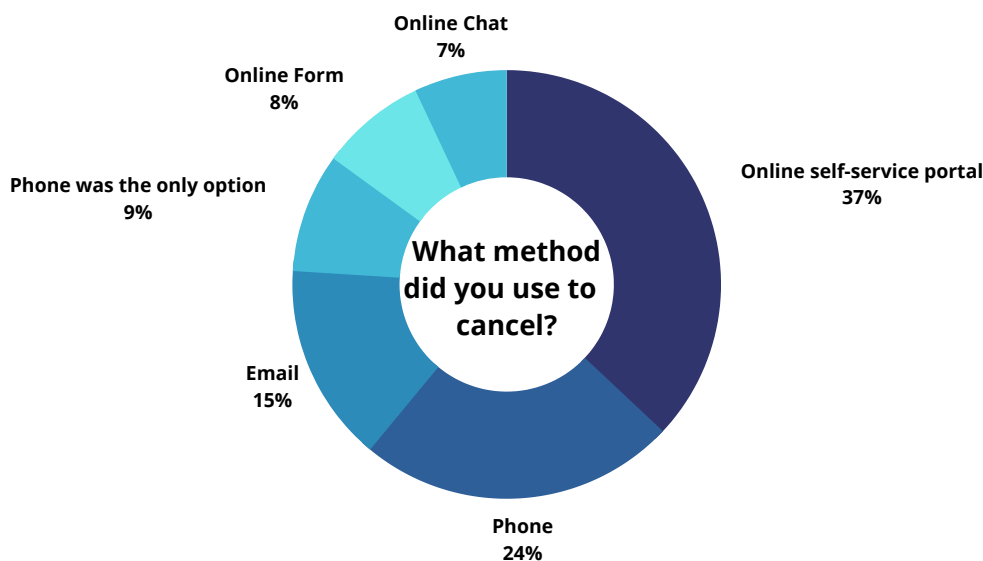
For many years individual customers have demonstrated a preference for certain communication channels over others. The massive shift to online caused by the Covid pandemic has only magnified and accelerated those desires. Providers have, in the past, often pushed customers to the channel that the provider prefers, in spite of whatever the customer desired. With a short term view, this might be cost based (it's cheaper for us to use...) or even cultural. More and more though, customers are revolting and insisting on their preferred channel, and if denied their choice, choosing to voice their dissatisfaction or even choosing not to renew the service. Meeting the customer where they choose is critical for creating positive interactions.



Survey: N=394, May, 2022

# CANCEL OR NON-RENEWED

## HAVE YOU EVER CANCELLED OR CHOSEN NOT TO RENEW A SUBSCRIPTION?



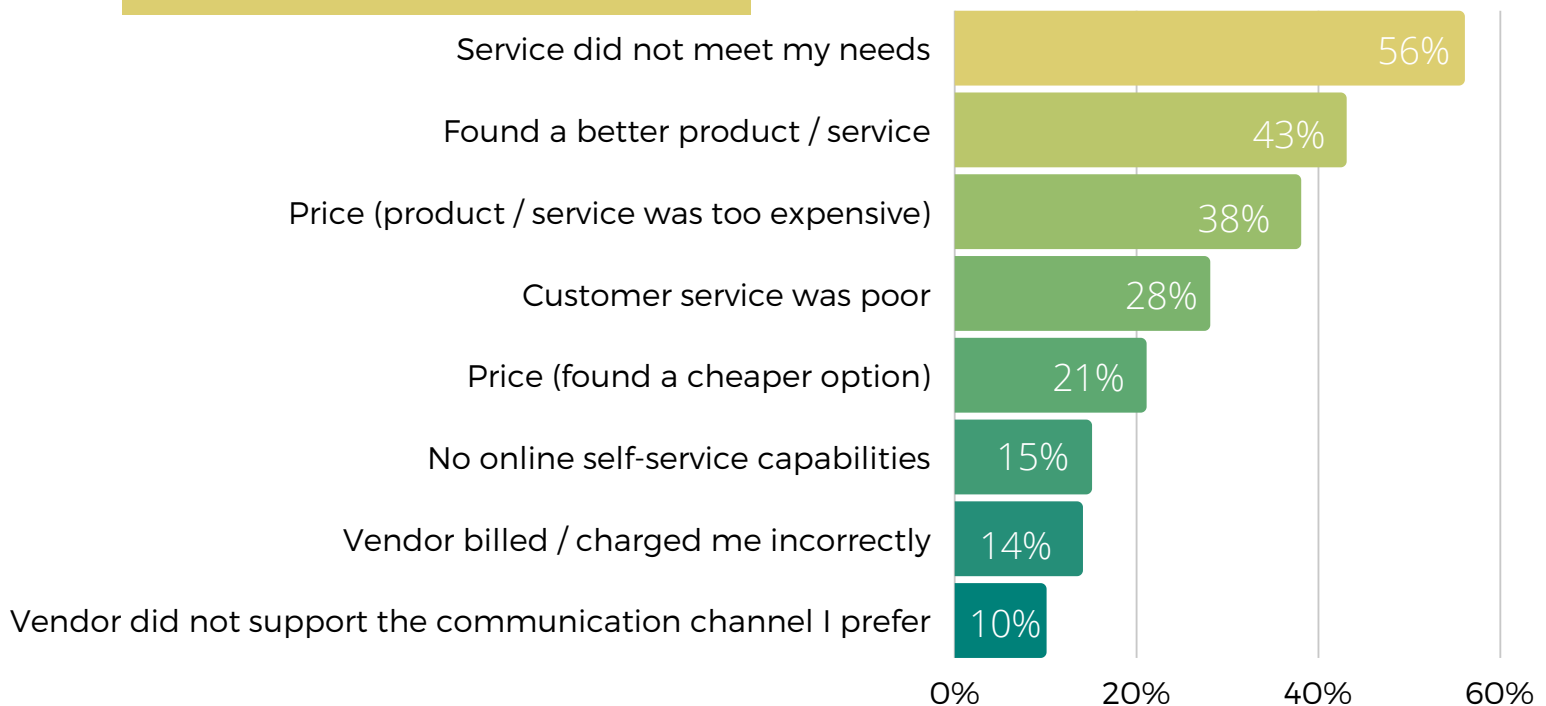
Choosing to cancel or not to renew a subscription is not uncommon, with 65% of respondents indicating that they have done so. The 65% though, is spread across a diverse population and across all solution types rather than a single service. A net dollar retention (NDR) of 35% would be disastrous for any subscription business. The successful subscription business should see over 100% NDR, replacing any churning subscribers with new customers. Minimizing churn is a critical part of building a healthy NDR and subscription business. Providing a positive subscriber experience is a big part of minimizing churn and maximizing NDR.

Looking at cancellation methods reinforces the concept that online self-service is an important part of a providers processes and helps keep customers satisfied with the service. Making it easier to suspend or cancel may seem counter intuitive but maintaining the positive experience across the complete lifecycle creates the potential for the customer to return to the subscription when their needs or situation (moving to a new department or company) change. Looking at the most common reasons to cancel or not renew supports this.

Survey: N=394, May, 2022

# CANCEL OR NON-RENEWED

## WHY DID YOU CANCELLED OR CHOOSE NOT TO RENEW?



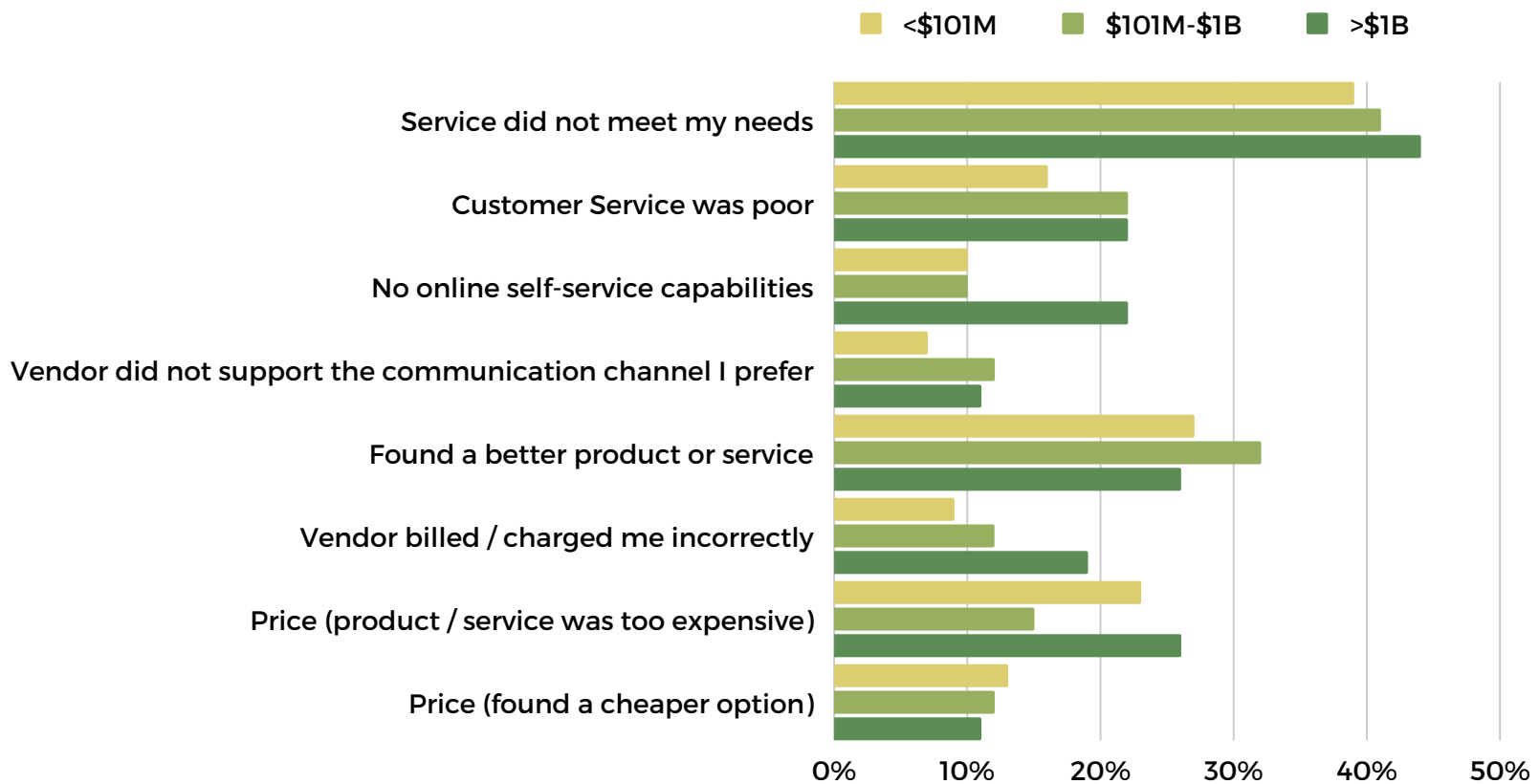
There are many reasons customers churn, but the most prevalent response is that the service didn't meet the needs of the subscriber. The #2 reason, "found a better product / service" is also related to the solution fit and whether the features are the best solution for the business need. Those 2 answers are beyond the provider's control in the short term, although the missing functionality might be important to inform the service roadmap for the future. Price is a tough issue since it might be absolute price and it might actually be that the service isn't delivering the promised value. Subscriptions are ongoing relationships and have to continue to deliver value (or the perception of value) to keep customers from defecting.

The other factors are directly in the provider's control. Thinking of the relationship as a lifecycle and optimizing all the interaction points across that lifecycle is critical to keeping the customer. That doesn't mean providers can't make mistakes, but knowing how to deal with and communicate when you make that mistake can mitigate the risk. A properly implemented, complete subscription management solution can go a long way in keeping those customers from churning.

Survey: N=394, May, 2022

# CANCEL OR NON-RENEWED

## WHY DID YOU CANCELLED OR CHOOSE NOT TO RENEW (BY COMPANY REVENUE)?

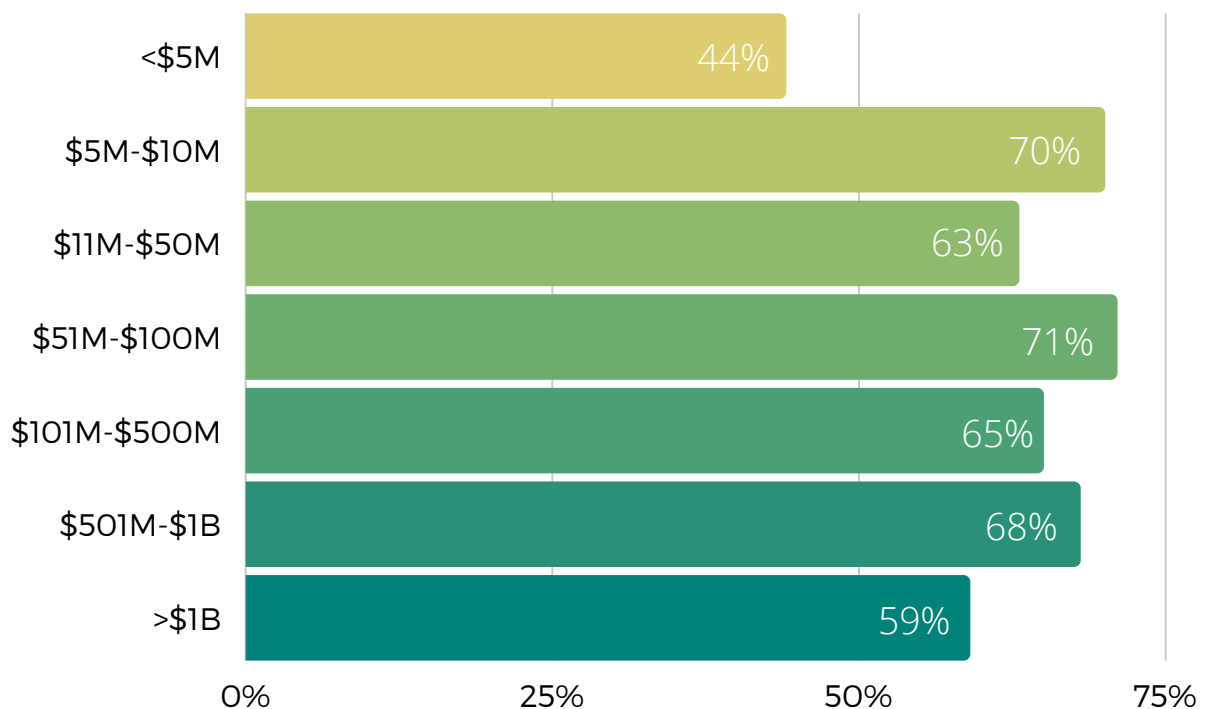


Looking at the three broader company size bands: <\$101M (small), \$101M-\$1B (mid market) and >\$1B (enterprise) the responses do show some difference in priorities and sensitivities. Enterprise customers often have more complex business issues (and businesses), so extra sensitivity to and the need for mature functionality isn't surprising. They are also the most likely to churn over lack of self-service capabilities and a poor billing experience.

Survey: N=394, May, 2022

# SALES OR SELF-SERVICE?

## I PREFER TO TALK TO A SALES PERSON WHEN PURCHASING A SUBSCRIPTION. (BY COMPANY SIZE)



The desire for interaction with sales during the purchase has been on a downward decline for many years. In other relevant studies respondents indicated a low desire for sales interaction unless the rep contacted them with relevant and contextual information. That trend seems to continue in these responses. Small business respondents were the least likely to want sales in the purchase process, with large enterprise as #2. The enterprise response on this question is consistent with its responses on churn reasons as well. In both cases self-service seems to play a big role in the purchase process. The rest of the respondents were all under 70%, again supporting the need for self-service purchase as a sales channel, or risk missing a big segment of the prospect population.

Survey: N=394, May, 2022

# SO WHAT...

The survey and study show a few new insights and best practices that subscription providers can incorporate to elevate the overall subscriber experience. The subscription business model depends on building and maintaining a long term subscriber relationship. Churn is the enemy of growth and financial health, but beyond that, building customer advocates is an essential growth lever as well. Providing a positive experience across all interactions is difficult, but necessary. The definition of "positive" though varies by activity. When it comes to billing, for example, the standard is simply charge the correct amount all the time (which sounds easier than it is). Compare that to a customer service request, which is much more complex and has a higher standard for the correct method, communication style, solution, timing, etc. Based on the survey results we recommend:

## Recommendations

- Clearly define the entire **subscriber lifecycle** from 1st contact to renewal or churn.
- Provide **online self-service** across all the interaction points including suspend / resume / cancel to provide the best possible experience.
- The most effective way to manage a subscription business is with a purpose built **subscription management solution**. The solution should enable lifecycle self-service as well as the end-to-end subscription process.
- For most products and services offering a **free trial** provides the best experience and will help increase close rates. There are products that cannot offer a free trial, but that should be the exception.
- **Packaging** is critical to conversion. If you have a free version you need to find the balance between offering enough features to demonstrate the product / service's value but not enough to make upgrading to a paid plan unnecessary.
- Providing pricing online for all permutations (with maybe an exception for a highly customized plan) will have a positive impact on your close rates. Prospects value **pricing transparency** most as a factor in the selection process.
- Provide **multiple communication channels** to allow customers to interact in the way they are most comfortable. A cloud communications platform can be a big asset in opening up all communication channels.
- **Process automation** can greatly reduce your risks of providing a poor subscriber experience. The best method of automating is using a complete subscription management solution.
- Running a successful subscription business is a significant **culture shift** for most companies. Having a service mindset is a critical success factor.

# THANK YOU!

**ANY QUESTIONS?**

*Contact us at [info@arionresearch.com](mailto:info@arionresearch.com)*



**Arion Research LLC**  
Digital Insights and  
Innovation