



# Maximising loyalty the publishers' way

Readers of Stakeholder know the benefits of keeping customers highly satisfied. Whatever your favoured acronym or model, the message is the same - highly satisfied customers behave in a way that will benefit your business both in the short-term and long-term. As long you are able to keep them highly satisfied, that is.

They will buy more, pay more, stay longer, recommend more and cost less to service. As a result they are more profitable, and this profitability increases the longer you keep them. As most businesses are aware, this means that it makes logical sense to retain customers as long as possible and to put at least as much, preferably more, effort into retaining them as finding new ones.

However, not all market -places operate in the same way, and for some businesses, such as clubs, societies, magazine publishers or insurers, retaining customers (or getting customers to 'renew' their contract), has the added pressure of being defined by an annual cycle that typically relies on a once a year contact - more often than not in the form of a letter or 'invitation to renew'. In most of these cases, customers are presented with a choice that has no subtlety. Stay or go!

This could be viewed as a dangerous ultimatum. However, it could also be seen as a great opportunity to strengthen an existing relationship. After all, once a customer has 'signed up' they are captive, ready and waiting to be impressed. More than likely, they are also giving you at least a year to do this. And the chances are, they already like you.





Creating highly satisfied customers is paramount - they are more likely to renew. However, assuming you are on the way to doing this, there is another 'tool in the box' that can significantly improve renewal rates - the 'renewal campaign' itself.

This article looks specifically at the methods employed by publishers to encourage readers of consumer magazines to renew their subscriptions.

Let's first look at a few facts and figures to understand exactly why subscription renewals are so important:

Magazine subscription renewals are likely to be between 30 and 100 times more profitable than new subscriptions, which, in turn, are more profitable than shop sales.

Consumer magazines tend to have a low cover price and small margins. Effective cross-selling, up selling, upgrading and extending can double or treble the revenue from each subscriber during their 'lifetime', and each new purchase brings longer commitment.

The number of independent magazine retailers is diminishing and supermarkets, stocking only a limited range of high-turnover magazines, are increasingly dominating the retail sales market. Smaller publishers and lower circulation titles are finding it hard to maintain a presence in the high street, and subsequently hard to survive. There are more than 3,000 magazine titles in publication. The average independent newsagent handles 285 titles.

The advent of desktop publishing means that it is relatively straightforward to create a new magazine. Competition for readers is greater than ever with 350 new titles launched every year.

All in all, subscriptions are the lifeblood of the magazine publisher - providing not only guaranteed sales for the future and vital income, but reducing the reliance

on newsstand sales, alleviating seasonal fluctuations and providing publishers with a profile of their readers.

The publishing sector would agree that when it comes to recognising and addressing the importance of subscriptions and renewals, the US is far ahead of the UK.

In the UK, subscriptions account for around 10% of magazines sales. In the US this figure stands at over 80%. The US is a 'bill-me later' (soft payment) market whereas UK customers tend to pay upfront, although the UK market is slowly changing.

**What makes a renewal campaign successful?**

Any successful renewal 'campaign' starts on the day that the new subscription is acquired. It is not how long an order takes to process that is paramount but more the time taken to make the first 'delivery'. The quicker the subscriber receives the first issue of the magazine, the happier they are likely to be. Living up to customers' expectations at this stage is vital. When renewal time comes - those who got less than expected will be the first to go.

Immediately post-purchase when customers are feeling good - they have no reason not to have high hopes of their new 'relationship'. This is when new subscribers are most receptive to selling propositions and therefore, this is also the time when subscribers are most likely to be tempted into expanding their product holding. A welcome 'pack' (which may just take the form of a letter) provides the ideal opportunity for the publisher to promote new products and invite the

subscriber to 'Introduce a friend'. This may be seen as cost prohibitive but when balanced against the lifetime value of a subscriber, it could be budget well spent.

The more products subscribers buy, the stronger the relationship.

It is not unusual for publishers to offer 'renewals at birth' and throughout the year - not just as the subscription period comes to an end.

(A renewal at birth is when a new credit subscriber receives an invoice containing a second offer to subscribe for two or three years and pay for a longer subscription than they had originally accepted.)

Typically, but not always, the renewal campaign, for a monthly publication, will consist of a five letter series:

- Stage 1** 1st Renewal notice - three months before last issue
- Stage 2** 2nd Renewal notice - two months before last issue
- Stage 3** Reminder - one month before last issue
- Stage 4** On expiry - at time of last issue
- Stage 5** Lapsed - One month after lapsed

It is generally thought that three months prior to expiry is actually quite late to start a renewal series. If any letters are added to the series it is always preferable to include letters earlier in the series rather than later. Some publishers do send advance renewals letters at nine months prior to expiry, and early renewals letters at six months prior to expiry.

The optimum timing between letters is generally accepted to be one month - allowing time for subscribers to respond. Ensuring databases are updated so that subscribers do not continue to receive inappropriate letters once they have

responded, is key... these are the sorts of simple mistakes that can upset customers. When it comes to training, staff need to be aware of the timing of renewal letters so in the event of being faced with agitated customers they can





explain any cross over in the post.

Some publishers will send a 'grace' (free of charge) issue of the magazine after the subscription has expired. The purpose is to prevent the subscriber from breaking the buying habit. It gives them a last opportunity to see what they will miss if they allow the subscription to expire - and hopefully encourages them to re-instate.

A first time renewal letter will offer the subscriber the opportunity to extend the length of the subscription, introduce two and three year subscriptions and, where relevant, the opportunity to convert to direct debit payment. Paying by direct debit significantly increases renewal rates.

### Focus on benefits

When it comes to the renewal efforts, it is important that the content of the letter, at every stage, is benefit led, and specific - to both the product and the customer. There are different classes of benefits - and they should all be covered:

- 1) Subscription benefits - Save money, free delivery
- 2) Product benefits - Learn the secrets of origami
- 3) Deep-seated benefits that play on longings and fears - Ensure you are creating the best origami there is

The most successful publishers ensure renewal letters are updated every month to reflect the magazine contents. Early renewal efforts will promote the specific contents of forthcoming magazines as 'must-read' articles and emphasise that renewal is necessary for the subscriber to continue to enjoy the publication. Testimonials are also powerful.

Later efforts will focus on just what the subscriber will be missing if they allow their subscription to lapse.

The letter received by lapsed subscribers will remind them what they have missed but advise them that they can still receive a copy of the magazine... and it is not too late to renew their subscription - if they respond straightaway. A further follow-up might state 'We are sorry to lose you as a subscriber. We would very much appreciate any feedback...'

Again, as touched on earlier, research shows that response is greater if at each stage, letters differ in theme, size, design, content, paper colour or ink colour. The outer envelope should also differ for each effort.

Making letters personal, with the use of 'you', 'I' and 'we' also has a positive effect on response. Research shows longer letters can encourage a greater uptake than shorter letters by up to 50%.

In addition, response rates improve if there is no expiry date on the renewal notice. A phrase such as 'three magazines to go' incorporates a smaller number and therefore, psychologically, seems closer to expiry. This encourages the subscriber to respond more rapidly. It is also preferable not to use the word 'renewal' in early efforts - use 'upgrade' or 'extend'. Almost without exception, first time renewal rates are significantly lower than for second and subsequent renewals. A first year renewal rate is likely to be around 30% lower than subsequent years. Typically, third year renewals will be higher than first and second years. In general, renewal rates will increase the

longer the subscription is held. Publishers will therefore segment first year and subsequent renewals, treating each year differently. Furthermore, customers will be segmented by source. From this information, it will be possible isolate the most likely defectors.

### Segmentation is key

An overall renewal rate is borderline



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useless providing no information on the state of a publication or the loyalty of its customers. It is important to segment customers and know how various segments are behaving. This segmentation will highlight opportunities for tailoring the sales message and offerings to customer groups, for example treating new and existing customers differently. To a degree, the principles for increasing renewals are the same as for generating new subscriptions - never stop 'selling'.

