Original audio:
https://mobiledevmemo.com/how-to-win-with-subscriptions-on-mobile/
Where to find those brilliant minds:
Twitter @Thomasbcn & his newsletter MADV
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Summary/Notes

On web flow vs app store flow

Thomas' assumptions when he first experimented with web flows back in 2016-17...
1) web clicks are cheaper than app clicks
2) greater control over landing page -> lower drop off rate
3) ability to save on the 30% store commission

...all turned out to be wrong:

- web clicks not necessarily cheaper
- a long onboarding is not really an issue for the app store flow: once people have committed with a download, the dropoff from install to registration is low (*Solal's note: Thomas mentions 80% which matches with own benchmark*). OTOH, web CRO is HARD. 8fit's bounce rate was 90%. They thought they were bad at it but after trading notes with other companies, they realized it was normal.
- the 27% saved on payment fee (30% store vs. 3% Stripe) is eaten up by a conversion rate 27% lower vs app flow (trust in Apple as a payment processor, low chances of getting scammed)

That said, there are true benefits of using a web flow:
1) greater reach if combined with app install campaigns. Some traffic sources like FB don't show your ads to users with LAT on for app install campaigns.
2) web customers are YOUR customers. You own all transaction related topics: renewals, churn prevention, upsell, partial refunds (i.e post purchase discount on yearly subs), promo codes, discount, referral programs...

On tracking

People are freaking out because of IDFA deprecation in Jan 2021 and think they should move to a web flow to circumvent the issue but they underestimate the complexity of tracking and CRO on the web.

Solal's note: with ITP enforced in all browsers in iOS14, 3rd party cookies are blocked, 1st party cookies have a lifetime of 7 days. FB is pushing their conversion API and offers advanced matching but not all traffic sources are ready for server-side and even for FB, the matching rate remains to be seen.

On limited testing possibilities in the app flow

- There's beauty in the limited amount of elements you can test in an app flow. This is a fun limitation to work with and the simplicity enables you to focus on the big picture rather than getting lost in 1000 A/B tests.
- A lot of times A/B tests are done wrong anyway because a team loses sight of how changes in traffic composition over time affect outcomes.
- The best growth practitioners are at the intersection of marketing, data and product. They are able to connect the dots between traffic segmentation (device, OS, traffic source) and funnel optimization, etc.

On the danger of over-optimizing against a single metric

- An ex-CMO @Booking once told Thomas "be careful about short-term gains that end up being long-term losses'. At the time, Thomas and his team were over-optimizing for short-term revenue and their churn was very high
- The tactics/mindset that enables a scrappy, early-stage startup to survive will hinder growth past a certain point
- They introduced secondary metrics for every test. Example: implementing the FB SSO option on the registration page helps increase the registration rate but how does it affect CRM as a revenue source?
- The secondary metrics made everything more complex, made it a challenge in the short term but ended being beneficial in the long run

On hybrid monetization models

- New models are emerging: sub + IAP, freemium + sub upgrade
- health & fitness, streaming are the biggest verticals for subscription
- Most mobile gaming companies have not yet implemented subscription offerings in a meaningful way
- Eric has witnessed several cases/games where hardcore players spent more on IAP after subscribing (arms race)

- Thomas bullish on hybrid models
- Freemium models let game devs get the most out of every user type. Cheapskates who would never have paid a dime can contribute to WOM. For whales, there’s no ceiling.
- OTOH subscription has a high barrier to entry but low ceiling.
- Some countries like Germany and China see subscriptions with skepticism (fear of automatic renewals). Outside of Tier 1 countries, a subscription is too high a barrier to entry (even dividing the sub price by 3 like 8fit tested).
- Thomas’ tip: subscribers have already demonstrated paying intent. Use upsell to remove the inherent LTV ceiling that comes with a subscription: second sub tier, family bundles, non digital goods (Sweat is doing that), additional IP (Disney’s new Mulan costs $27 on top of the D+ sub)

On monetization/pricing tests at an early stage

- The monetization testing playbook is different for early stage cos vs established players
- Early-stage companies should make radical tests. Testing 7 vs 14 day trial, $30 sub vs $40 sub is not going to move the needle that much. These tests work for more established players like Tinder where a 5% increment represents millions of $ and the numbers of users is so high that statistical significance is reached fast.
- Early-stage cos should be radical in their testing: $30 vs $150.
- People who subscribe are not that price sensitive, don’t be afraid to charge more.
- Thomas once tested changing the price from $50 to $100 and the CR barely moved. They then moved it to 200 and the CR decreased but overall it had a positive impact on revenue.
- Caveat: charging 1 user $1000 vs charging 100 users $10 has an impact on churn risk distribution and virality/WOM because of the smaller user base. Don’t push price elasticity too far.
- Paywall screen: don’t try to improve on your paywall screen with a bigger button or a banner at the top. Don’t make the skip button less visible either. That will artificially inflate your trial start rate but the increased churn is not worth the trade off. Instead, change the whole abandonment flow. When people skip/close the paywall screen, suggest taking a different action: give them a daily pass, give a free month if they invite someone, etc.
- When it comes to monetization, the most successful apps are the ones that have nailed the whole flow before the user even hits the paywall.
- Funny/sneaky example: a company Thomas has worked with a PM who artificially increased the load time after users have filled out their information. The additional load time suggests to users that their data is being processed to create a super tailored offering and monetization improved.
- Personalized, dynamic pricing (example: having someone in a high income zip code pay more than someone in a low income zip code) is not the way to go. It is complex to implement and can cause a backlash within the user community.

On investors making the wrong assumptions about mobile subscriptions

- Investors like subscription models because of the predictability of revenue but they compare with what they know: content subs (Netflix and Spotify) and SaaS.

- Problem is: those comparisons don’t hold. Netflix and Spotify users don’t churn. SaaS has high switching costs.
- Average mobile subscribers churn much more

On user acquisition nowadays

- Pure media buying skills are commoditized, acquisition is now a monetization competition
- A 5-10% increase is monetization can have a massive impact on the bottom line because you reach a threshold that suddenly makes huge pockets of traffic profitable
- 1 example Thomas witnessed: after 10 failed experiments, a paywall test improved monetization by 17% and unlocked massive traffic volume
- Brand is playing a bigger and bigger role as a moat. Verticals with strong brands are hard to enter because they own the customer's mind. Exercise bike? -> Peloton. Meditation? -> Calm/Headspace. Language learning? -> Duolingo
- But there’s only 1 #1 spot. The logic of VC is to try and get the top spot at any price, burning a ton of money on marketing and potentially killing the company when it could have been a profitable, bootstrapped #2, 3, 4.

The specificities of video content subscriptions

- People are not loyal to the brands, they are loyal to the shows. Exclusivity is what justifies huge investments in production as opposed to licensing
- Quibi was lacking great IP