



# Benchmarking Subscription Funnels

INMA 2024

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# The Subscribed Institute



Zuora's dedicated think tank that serves our community of recurring revenue business leaders through research, content, events, and advisory services.

*1,300+  
successful subscription engagements*

*100,000+  
unique performance data points*

*1700+  
executives from 600+ companies*



**Zuora's annual  
Subscription  
Economy Index™  
reflects the growth  
metrics of hundreds  
of companies around  
the world**

***COMING APRIL 2024***



# The Subscription Economy Index™ (SEI™)

## What is it?

The Subscription Economy Index™ (SEI) measures the growth in the volume of business for subscription-based products and services. The SEI captures data which demonstrates:

- Typical behaviours of companies in the index
- Overall growth in the subscription economy
- Future opportunities available to investors

### ● Anonymized

To protect the privacy and confidentiality of our customers.

### ● Aggregated

At the tenant level, to protect the privacy and confidentiality of our customers' customers.

### ● Outcome Oriented

Including revenue, account, and upsell growth, as well as churn.

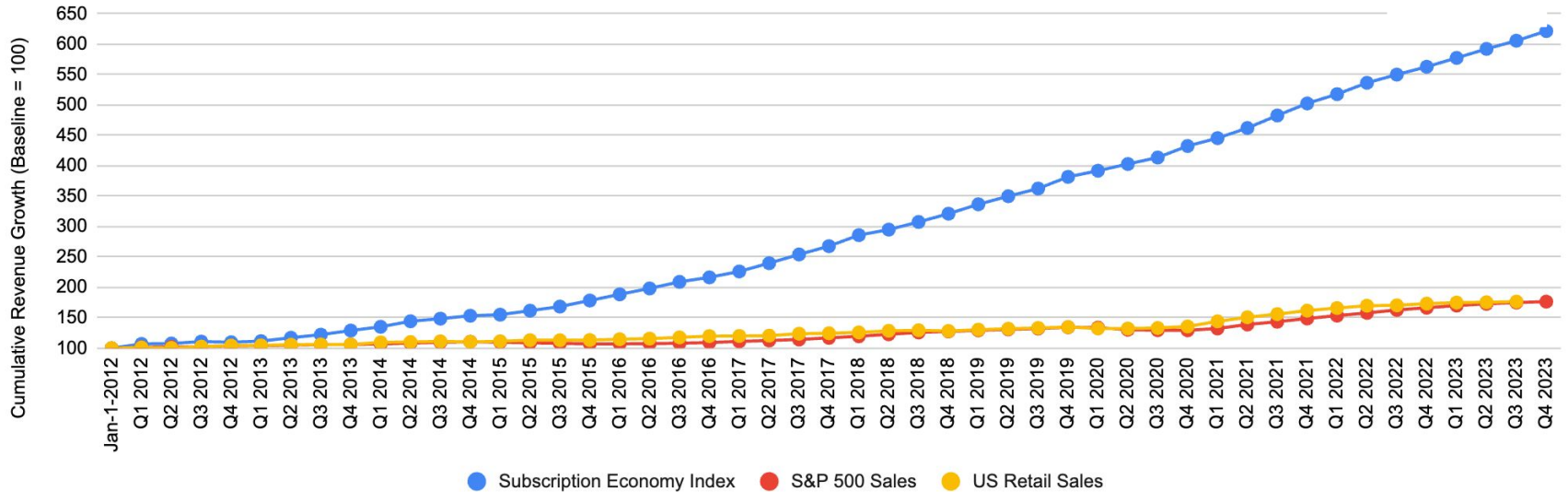
### ● Practice Driven

Including pricing and packaging (ex. usage-based billing) and scaling/internationalization.

In the last 12 years, SEI CAGR is 17% vs 4.8% for the S&P 500. SEI revenue growth in 2023 was 10.4%.

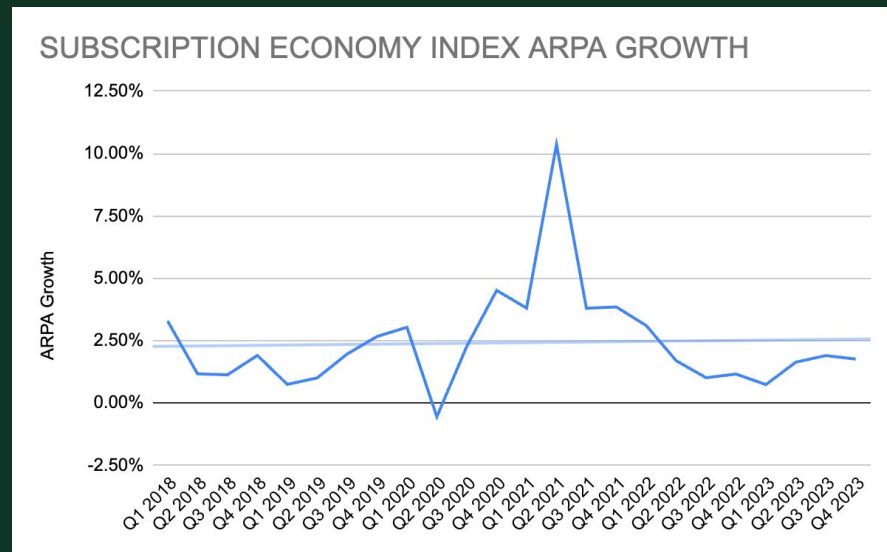
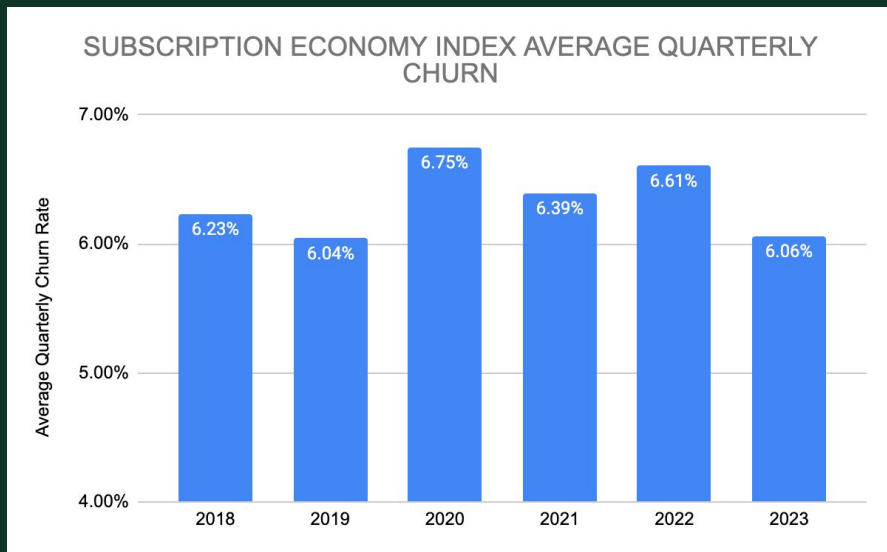


THE SUBSCRIPTION ECONOMY INDEX LEVEL VERSUS S&P 500 AND US RETAIL SALES (TABLE 1)





# Churn and Average Revenue Per Account (ARPA) are showing signs of leveling off.





THE WALL STREET JOURNAL.

PERSONAL FINANCE

## People Are Sick and Tired of All Their Subscriptions

Consumers are rethinking their relationship to subscriptions—and so are companies

**Deloitte.**

**Americans Spend \$48 per Month on Video Streaming Services — and Half of Those Surveyed Say That's Too Much**

*The Atlantic*  
**This Is Peak Subscription**

**Forbes**

**The Great Unsubscribe**

**AXIOS**

Exclusive: Time to remove digital paywall

*The New York Times*

**The Sneaky Sticker Shock of Subscription Culture**

 **The Drum**

**US subscription fatigue is real, with consumers managing an average of 5 accounts**

**INVESTOR'S BUSINESS DAILY™**

**Consumers Are Cutting Back On Subscription Streaming Video Services**

 **USA TODAY**

**Subscription fatigue: More companies are charging monthly fees. How much can consumers take?**



# Is “subscription fatigue” really a thing?



**Sort of.  
But there's something else going on.**



# Consumer demand for subscription is under increasing pressure from economic externalities

**6X**

**median home  
price to  
income**

**11.3%**

**income spent  
on food**

**50%**

**increase in  
credit card  
delinquencies**

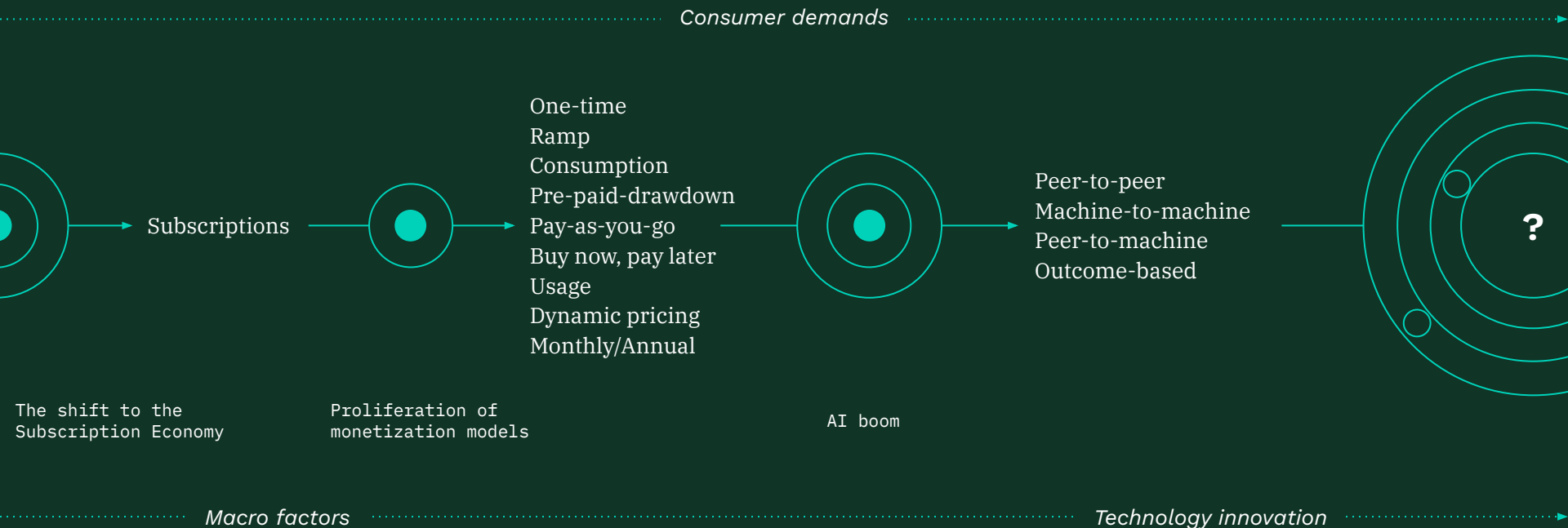
Source: USDA, Atlanta Federal Reserve, NY Federal Reserve



**Something else is going on.**



# The market continues to evolve in response to consumer demands.



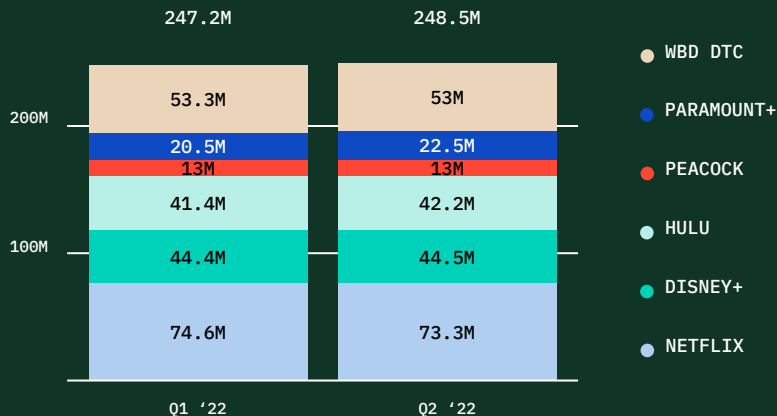


# As the market matures, it's getting more competitive.

We're seeing saturation. It's harder to find new growth. Retention is the name of the game.

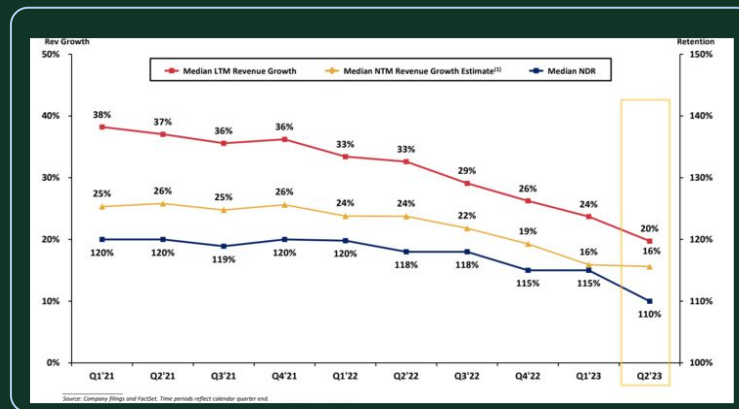
## U.S. SVOD Subscription Growth

Q1 '21-Q2 '22



## SaaS Net Dollar Retention vs. Revenue Growth

Q1 '21-Q2 '23



Source: Company Reports, Wells Fargo (estimates). Peacock reflects paid memberships; WBD DTC includes Discovery+, HBO and HBO Max

Published in: *A New Era Of Slower Streaming Growth Has Already Begun*, Variety, September 22, 2022

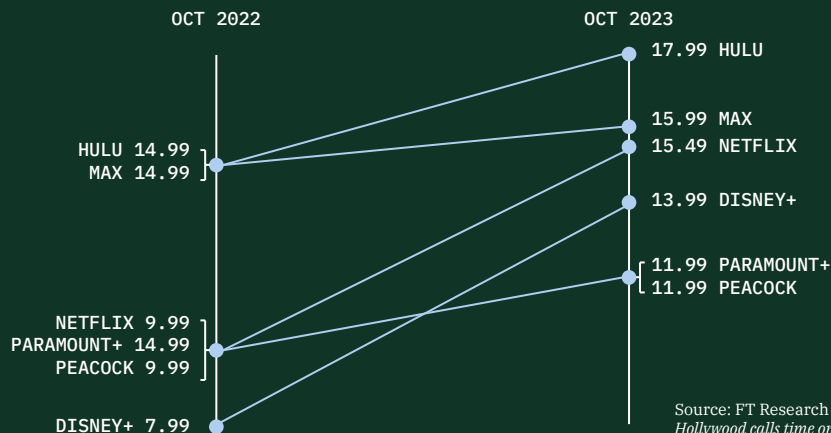
Source: Bank of America Software Market Update, 2023



# Some are reverting to “old-world” methods

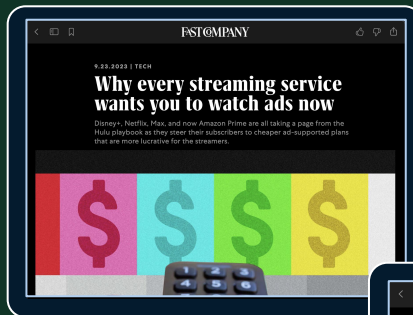
## PRICE INCREASES

Monthly subscription prices, without ads, in October 2022 and October 2023 (\$)

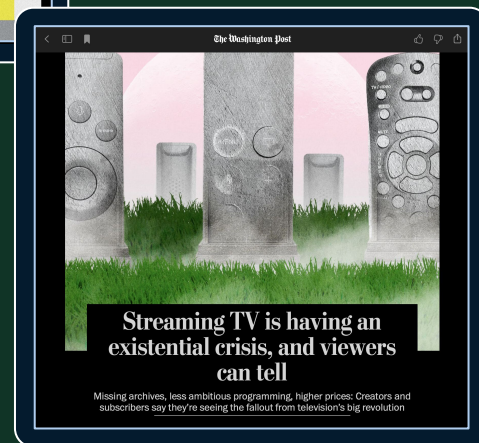


Source: FT Research in: *Hollywood calls time on golden era of cheap streaming*, The Financial Times, August 2023

## ADVERTISEMENTS



BAD USER EXPERIENCE






# This trend can't continue forever...

VALUE AND  
END-USER  
EXPERIENCE

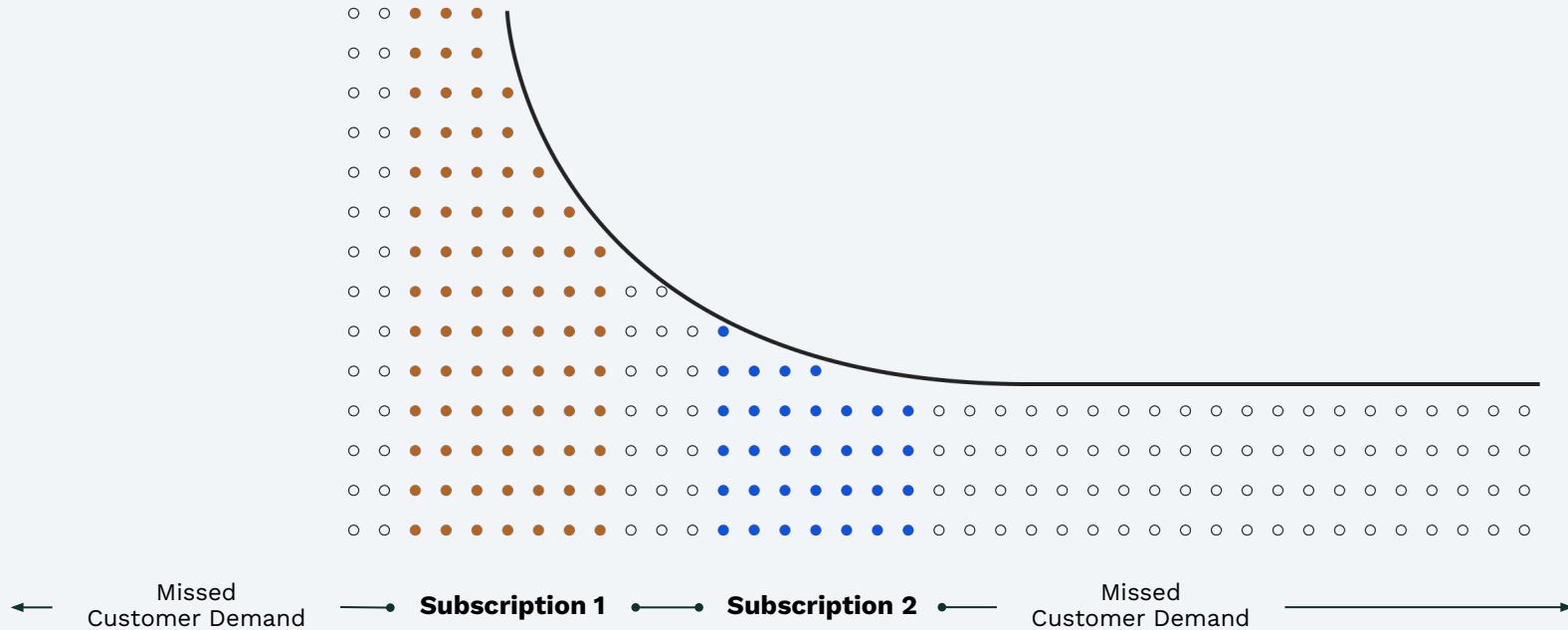
PRICE

SUBSCRIBER  
LIKELY BAILS



It's only a  
matter of time  
until customers  
start to churn.

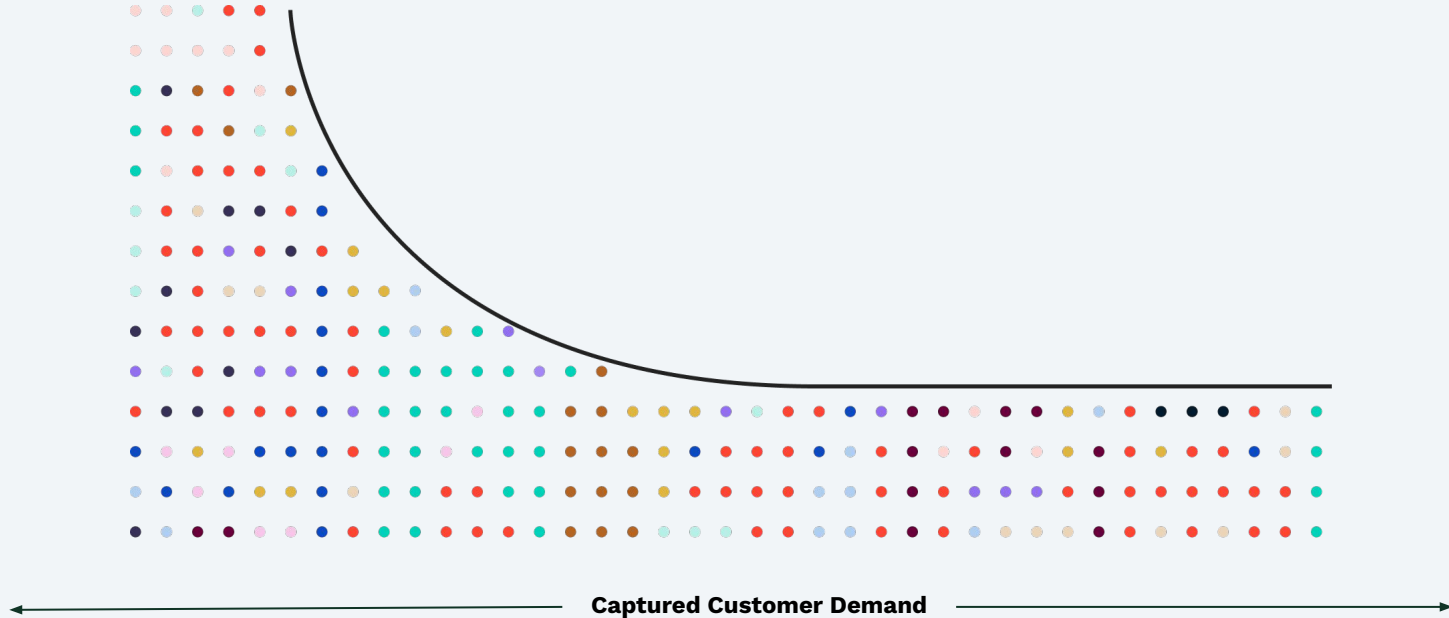
# Businesses organized around *supply*,



**will struggle to grow revenue.**

# Businesses organized around *demand*,

A wide range of packages, prices and models



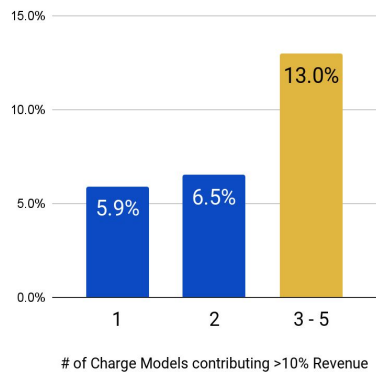
will create recurring growth.



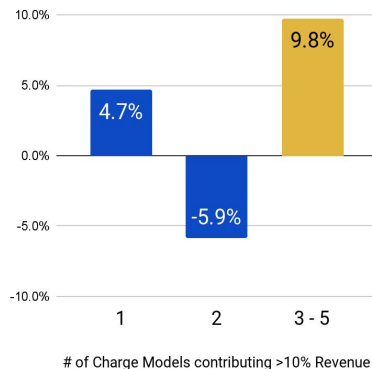
# Supporting multiple models is good for business

Companies that had 3-5 unique charge models with “significant” (i.e. >10%) contribution to their total revenue have the best overall revenue growth, ARPA Growth and churn rates than all other companies.

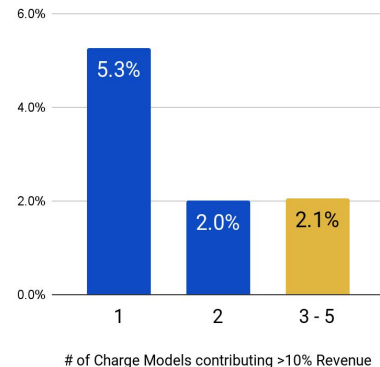
### 85% Faster YoY Revenue Growth



### 50% Faster YoY ARPA Growth



### 50% Lower YoY Avg Monthly Churn



Source: Zuora Subscribed Institute

# Examples of demand focused companies



Sustaining their path to 15M subscribers with a portfolio unbundling strategy

**Unbundling/bundling**



Scaled from 10M to 300M users in under 6 months. Now expanding offerings with chat, AI etc.

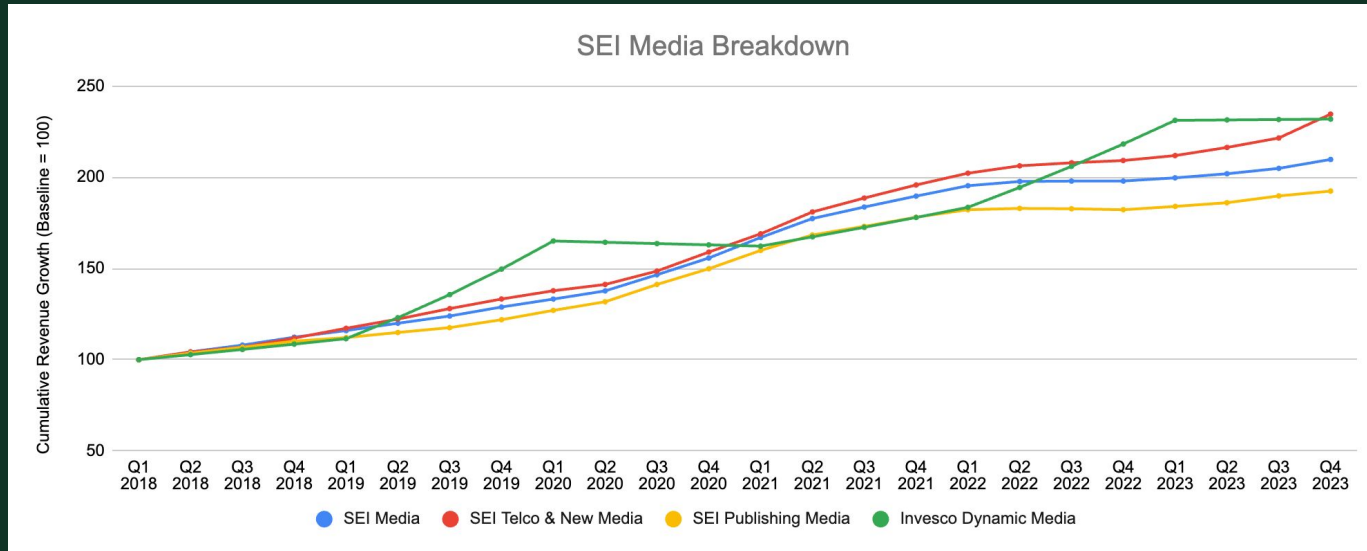
**Land and expand**



Using B2C and B2B models to improve lives of 2.5B while growing \$5-10B in recurring revenue.

**Products as-a-service**

# Telco & New Media vs. Legacy Publishing drove growth in the Media Sector



- **SEI Telco & New Media:** Sports, Fan Engagement, Telco/Operators, Smart Venues/IoT, Advertising, Music, Radio, Live Venues, and Gaming. Ex: DAZN.
- **SEI Publishing Media:** The Publishing Media Industry is creating content (news, entertainment, business, financial) and is distributing this on traditional channels (newspapers, magazines, books) or digital channels (desktop, apps) towards mass or segmented audiences.. Ex: Time.
- **SEI Media:** SEI Telco & New Media + SEI Publishing Media

Source: Zuora Subscribed Institute

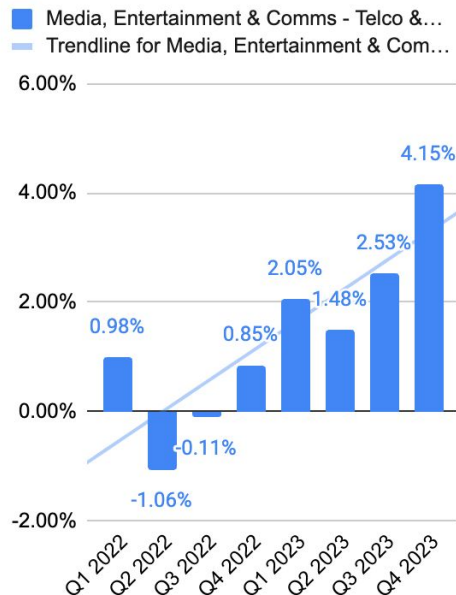


# Media Account Growth

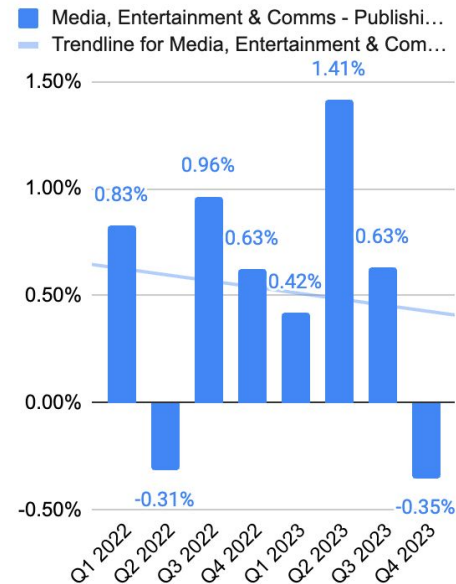
## All Media



## Telco, Entertainment, Gaming



## Publishing



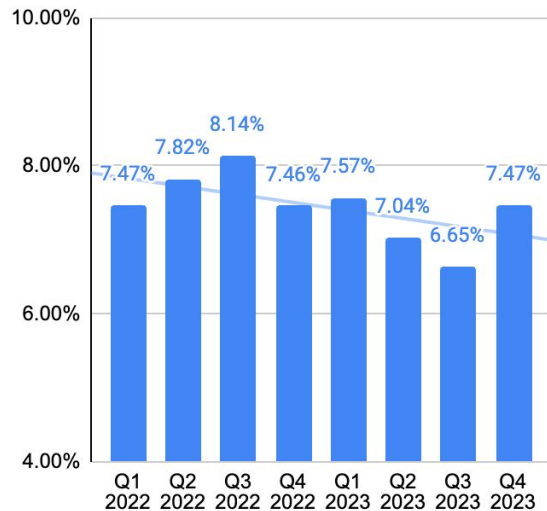
Source: Zuora Subscribed Institute



# Media churn

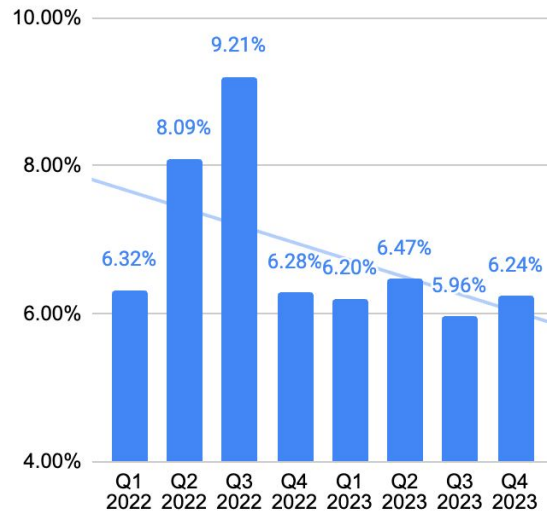
## All Media

Media, Entertainment & Comms  
R<sup>2</sup> = 0.342



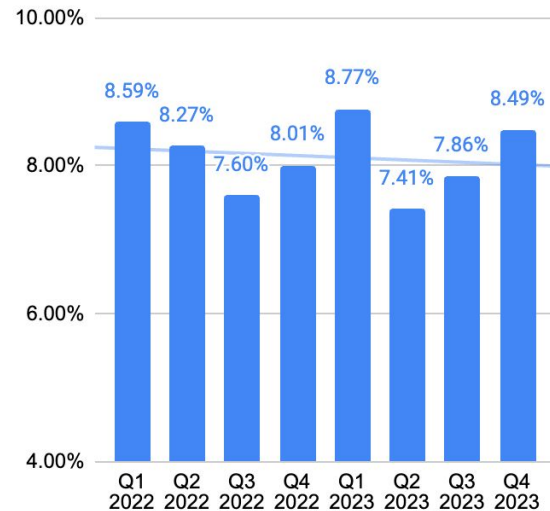
## Telco, Entertainment, Gaming

Media, Entertainment & Comms - Telco & New Media  
R<sup>2</sup> = 0.24



## Publishing

Media, Entertainment & Comms - Publishing Media (...)  
R<sup>2</sup> = 0.023

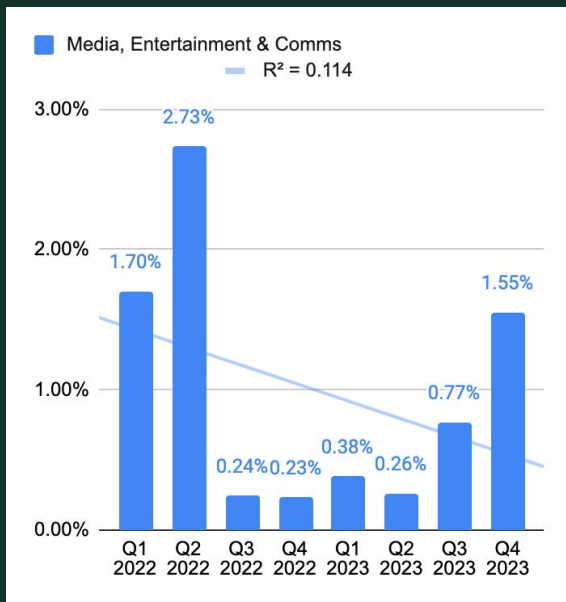


Source: Zuora Subscribed Institute

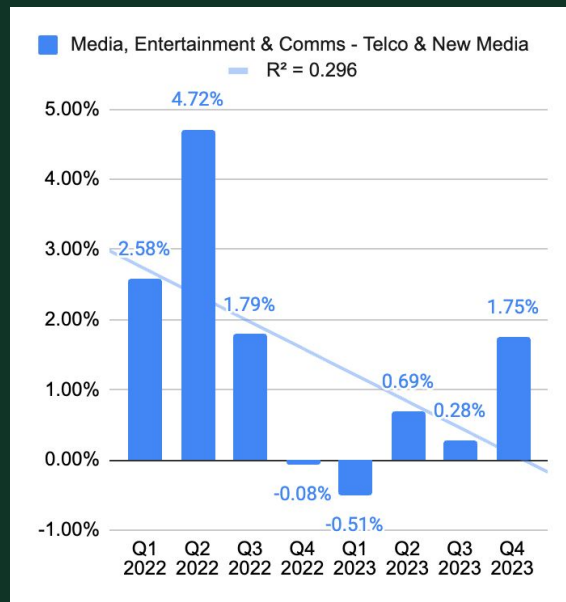


# Media Avg Revenue Per Account (ARPA)

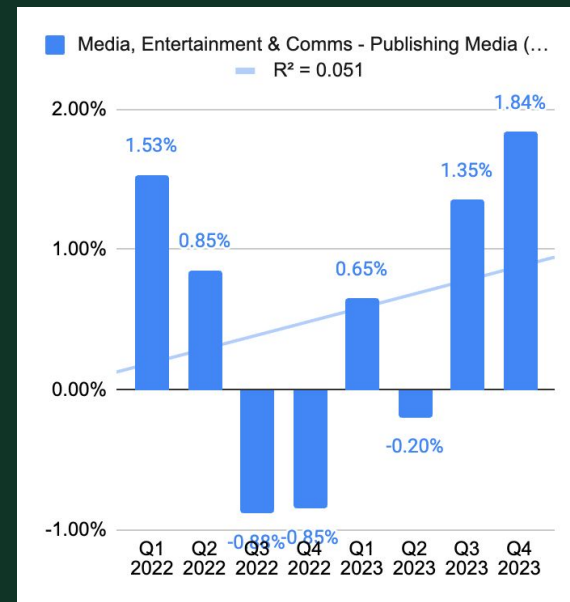
## All Media



## Telco, Entertainment, Gaming



## Publishing



Source: Zuora Subscribed Institute



# “Super Retainer” benchmarks

Top 10% of media companies

10%

YoY Rate Plan  
Growth

.5

Changes per  
Subscription

83%

90 Day Invoice  
Payment Rate

Source: Zuora Subscribed Institute



# THANK YOU

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