

QuickFill®

Application Notes

Renewal Rates

New QuickFill users often ask us which reports they should review on a regular basis. Usually, we tell them it depends on the questions about the publication that they are trying to answer, since each report is designed to answer a different question. When you want to set the print run for the next issue, for example, the expire report – which shows you the number of copies you will need for the next issue as well as the number of subscribers that expire with each issue – is the most helpful. If you want to find out how your latest promotional campaign performed, the new-order revenue report provides the answer.

But, we tell users, they should consistently look at one report that contains vital data they won't find in any other way—certainly not by keeping an eye on the incoming mail or checking the bank balance. That is the Renewal rate report. In this *Application Note*, we explain why renewal rates are so critical to a publication's success, then show how you can use QuickFill's family of renewal-rate reports to accurately measure and even improve your rates.

Why renewal rates are so important

The primary reason renewal rates are so significant is that a small change in rates can cause a big change in the circulation of your publication. To see why this is so, we need to look at the factors that determine circulation.

Let's assume that you're doing everything you can to market your publication profitably. You've tried special mailings, telemarketing, trial subscriptions, premiums, and any other methods you can think of to boost circulation. You've found that you can generate just so many new

orders a year before your costs become prohibitively high.

Here's an example: Say your current circulation totals 10,000 and your renewal rate comes to 70 percent. In that case, 10,000 x 70%, or 7,000, will renew, and 10,000 x 30%, or 3,000, will expire or cancel. That means your circulation—excluding new orders—drops to 7,000.

Now, if the new orders you generate each year total more than the number of subscribers who expire or cancel, your circulation will grow. But if the number of new orders is smaller than the number of expiring or cancelled subscriptions, your circulation will shrink. Only if your new orders remain exactly the same as the number of expires or cancels will your circulation stay the same from year to year. Put another way, the circulation will be stable only if your new orders or N equals $C \times (1 - R)$, your circulation times 1 minus the renewal rate.

$$C \times (1 - R) = N$$

Dividing both sides of this equation by $(1 - R)$, then, gives us an expression for C the "steady-state" circula-

tion of the publication—that is, the circulation that will neither grow nor shrink.

$$C = \frac{N}{(1 - R)}$$

Why should you care about the steady-state circulation? Once you know that number, you can figure out how much your circulation would grow over time if one of the two variables determining it—new orders and renewal rates—increased. In other words, you could tell which, over time, would boost circulation more—obtaining additional new orders or improving the renewal rate.

Let's return to our example. Suppose that you are able to generate 4,000 new orders per year and your renewal rate comes to 70 percent. Then, your steady-state circulation would equal:

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	Year 1	Year 2	Year 3	Year 4	Year 5	...	Long Term
Circulation at start	13,333	13,733	14,013	14,209	14,346	...	14,666
Renewals at 70%	9,333	9,613	9,809	9,946	10,042		10,266
New orders	4,400	4,400	4,400	4,400	4,400		4,400
Circulation at end	13,733	14,013	14,209	14,346	14,442		14,666

Table 1
Effect of an increase in new orders from 4,000 to 4,400 over time.

$$C = \frac{4,000}{(1 - 0.7)} = 13,333$$

$$C = \frac{4,000}{(1 - 0.77)} = 17,391$$

(Remember that 70 percent is 70/100, or 0.7, so $1 - 0.7 = 0.3$, and 4,000 divided by 0.3 comes to 13,333.)

Now let's suppose that you come up with a great new promotional gimmick that increases the number of new orders each year from 4,000 to 4,400. In that case your new-steady state circulation would come to:

$$C = \frac{4,400}{(1 - 0.7)} = 14,666$$

That is, your circulation would increase by 10 percent ($14,666 / 13,333 = 1.099$, or 10 percent), if the number of new orders climbs by 10 percent ($4,400 / 4,000 = 1.1$, or a 10 percent increase). Not bad, huh?

Table 1 shows the year-by-year changes when the renewal rates remain the same, but we increase the number of new orders by 10 percent. As you can see, the circulation doesn't suddenly jump to the new level, but climbs gradually over a period of years.

Increasing the number of new orders certainly deserves a big pat on the back. But consider what would happen if your new orders per year remain at 4,000, but you find a way to boost your renewals from 70 percent to 77 percent (that's the same 10 percent increase we just applied to new orders (10 percent of 70 percent equals 7.)).

No, that wasn't a slip of the calculator. A 10-percent increase in renewal rates really does produce, over time, a 30-percent increase in circulation ($17391 / 13.333 = 1.30$, or 30 percent). Why? The reason is that when your renewal rates climb, not only do you have more customers renew the first year, but the next year, those same customers have yet another chance to renew, and so on in subsequent years. It may take a few years to reach your new steady-state circulation, but it will happen faster than you imagine.

	Year 1	Year 2	Year 3	Year 4	Year 5	...	Long Term
Circulation at start	13,333	14,266	14,982	15,536	15,962	...	17,391
Renewals at 77%	10,266	10,982	11,536	11,962	12,290		13,391
New orders	4,000	4,000	4,000	4,000	4,000		4,000
Circulation at end	14,266	14,982	15,536	15,962	16,290		17,391

Table 2
Effect of an increase in the renewal rate from 70 percent to 77 percent over time.

If we carry out the calculations just a few more years, we will eventually reach our new steady-state circulation of 17,391. Table 2 shows how our 10-percent increase in renewals affects circulation over time.

Clearly, given a choice between a 10-percent increase in renewals and a 10-percent increase in new orders,

you'd take the increase in renewals. But how can you improve renewal rates? Let's take a look.

How to improve renewals

Most of the concepts we've discussed so far aren't new or original. It is precisely because renewal rates are so significant that publishers have spent years testing different approaches to improving them. In this section, we will review what they have learned and add a few thoughts of our own. One caveat: Remember that every publication is different. What works—or doesn't work—for one publication may or may not apply to yours. It usually pays to conduct your own tests.

Maintain or improve editorial quality

On one point, most publishers agree: Editorial is key if you want to keep more subscribers on board. If your subscribers like your publication and

find it useful, interesting, and entertaining, they will renew. If not, no amount of gimmickry come renewal time will induce them to re-order. In other words, there are no quick fixes. When a publication's content is mediocre, offering a premium or sending your renewals on pink paper instead of blue, is unlikely to make a difference.

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Zi Sha Shamash Publishing
Renewal Rate Report Detailed by Effort
Sorted by Publication

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Feathered Friends

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SUBSEQUENT RENEWALS

Expire Issue	Total Subs	Renewed and paid	Renewed	Canceled	Expired	No Action
WINTER 08-09--FALL 09	1,476	1,112	98.9%	1,124	76.2%	174 11.8%
WINTER 07-08--FALL 08	1,272	1,000	99.3%	1,007	79.2%	123 9.7%
All issues	2,478	2,112	99.1%	2,131	77.5%	297 10.8%
Last effort mailed						
	0	1	2	3	4	5 6 7 8
WINTER 08-09--FALL 09						
Mailed	1476	1416	769	406	288	243 217
Renewed	60	576	322	97	31	12 26
% of mailed	4.1%	40.7%	41.9%	23.9%	10.8%	4.9% 12.0%
% of total	4.1%	39.0%	21.8%	6.6%	2.1%	0.8% 1.8%
% of renewed paid	95.0%	99.5%	99.1%	97.9%	100.0%	91.7% 100.0%
WINTER 07-08--FALL 08						
Mailed	1272	1264	674	352	259	206 171
Renewed	8	541	295	81	41	19 22
% of mailed	0.6%	42.8%	43.8%	23.0%	15.8%	9.2% 12.9%
% of total	0.6%	42.5%	23.2%	6.4%	3.2%	1.5% 1.7%
% of renewed paid	100.0%	99.4%	99.7%	98.8%	95.1%	100.0% 100.0%

(Continued...)

Figure 3
Extract from a Detailed QuickFill Renewal Rate Report

The good news is that improved editorial can make a dramatic difference. We know of one instance where a newsletter publisher hired a new editor for a publication that, after years of benign neglect, had become dull and predictable. He came up with new, more relevant story ideas, solicited talented freelancers to execute them, and made the format more inviting and accessible. The improvements had a double-barreled effect: First, response rates to mailings of sample issues jumped markedly, and, second, the renewal rate climbed from about 70 percent to over 80 percent. The combined effect was enough to raise the circulation

from 1,300 to more than 4,000 in just a few years—an increase that made the letter very profitable indeed.

Avoid common mistakes

While gimmicks won't do much, if anything, to increase renewal rates, we've found no lack of things that, if not executed properly, can depress rates. Perhaps the worst offense is to confuse your subscriber. A renewal notice that is unclear about the terms you're offering or the expiration date of the current subscription will likely end up in the circular file.

Another common mistake is to send

too few notices. *Figure 3* shows an extract from a QuickFill report that analyzes renewal responses by renewal notice. (QuickFill has many renewal-rate reports. The one we show here contains a great deal of detail, which is useful for analyzing responses to each individual notice that you mail. Other reports show the same information in a summarized form that is more helpful on a month-to-month basis. Don't worry if you don't immediately understand the tables; a full explanation follows.)

What can we learn from *Figure 3*? First, we should notice that Feathered Friends is a quarterly publication and

QF 1.00-L Batch: 4947		Zi Sha Shamash Publishing Renewal Rate Report Summary Sorted by List										Page: 1 09/09/09, 14:16:59	
Toucan World													
List	Type	Total Subs	Renewed and paid		Renewed		Canceled		Expired		No Action		
BRP-SM Bird Pub 25% or more small birds	1st	700	391	99.7%	392	56.0%	71	10.1%	236	33.7%	1	0.1%	
BRPCLIN VMP-small bird clinics	1st	275	167	100.0%	167	60.7%	31	11.3%	77	28.0%	0	0.0%	
CANBIRD Canadian Bird Magazine	1st	132	90	100.0%	90	68.2%	13	9.8%	29	22.0%	0	0.0%	
	2nd	74	57	100.0%	57	77.0%	2	2.7%	8	10.8%	7	9.5%	
	Subs	34	28	100.0%	28	82.4%	2	5.9%	4	11.8%	0	0.0%	
	Total	240	175	100.0%	175	72.9%	17	7.1%	41	17.1%	7	2.9%	
COMPLARGE Large Bird Compendium	1st	102	49	100.0%	49	48.0%	9	8.8%	44	43.1%	0	0.0%	
	2nd	49	40	100.0%	40	81.6%	1	2.0%	8	16.3%	0	0.0%	
	Subs	40	29	100.0%	29	72.5%	2	5.0%	9	22.5%	0	0.0%	
	Total	191	118	100.0%	118	61.8%	12	6.3%	61	31.9%	0	0.0%	
COMPSMALL Small Bird Compendium	1st	280	177	99.4%	178	63.6%	25	8.9%	76	27.1%	1	0.4%	
	2nd	127	102	99.0%	103	81.1%	5	3.9%	17	13.4%	2	1.6%	
	Subs	99	82	100.0%	82	82.8%	2	2.0%	13	13.1%	2	2.0%	
	Total	506	361	99.4%	363	71.7%	32	6.3%	106	20.9%	5	1.0%	
ENGBIRD English Bird Lovers	1st	31	11	100.0%	11	35.5%	6	19.4%	14	45.2%	0	0.0%	
GRAD STU Graduating Students	1st	143	40	97.6%	41	28.7%	18	12.6%	84	58.7%	0	0.0%	
	2nd	23	13	100.0%	13	56.5%	2	8.7%	5	21.7%	3	13.0%	
	Subs	1	1	100.0%	1	100.0%	0	0.0%	0	0.0%	0	0.0%	
	Total	167	54	98.2%	55	32.9%	20	12.0%	89	53.3%	3	1.8%	
TOTAL	1st	1,663	925	99.7%	928	55.8%	173	10.4%	560	33.7%	2	0.1%	
	2nd	791	577	99.5%	580	73.3%	48	6.1%	150	19.0%	13	1.6%	
	Subs	485	387	100.0%	387	79.8%	18	3.7%	73	15.1%	7	1.4%	
	Total	2,939	1,889	99.7%	1,895	64.5%	239	8.1%	783	26.6%	22	0.7%	

(Continued...)

Figure 4
Extract from a Summary QuickFill Renewal Rate Report sorted by list.

that the responses to a full year’s renewals have been combined into a single reporting group. Thus, QuickFill is reporting data about four issues—Winter 08-09, Spring 09, Summer 09, and Fall 09—on one line, the first. (Responses for the previous year appear on the second

line.) QuickFill’s ability to combine renewal data for many issues is particularly useful for daily or weekly publications. Without it, you would be overwhelmed by detail.

The section at the top of the report shows the overall response to the

renewal efforts the publisher mailed. For example, 1,476 subscriptions came up for renewal in the Winter 08-09 through Fall 09 period. Of these, 1,124 or 76.2 percent renewed; 174 or 11.8 percent asked to be cancelled; and 177 or 12.0 percent expired without either renewing or asking

to be cancelled. One lone subscriber has not yet expired or been cancelled.

We can see here that the circulation of the publication has been growing, since more subscriptions came up for renewal in 08-09 than in 07-08. But, we can also see that the renewal rate was weaker in the latter year—76.2 percent versus 79.2 percent—perhaps this decline was due to the onset of the recession.

In the detailed section below, we can see which renewal efforts produced this response. This section has nine columns—one for each of the eight renewal efforts that QuickFill can produce, plus one for advance renewals (people who renew before receiving any notice).

The rows show how many subscribers were mailed each effort, how many responded to that effort, and what this response was as a percentage of the number mailed and as a percentage of the entire renewal group. For example, out of the 1,476 subscriptions in the 08-09 group, 60 had already renewed before QuickFill mailed the first renewal notice. We show these subscribers under the '0' column. Another 576 subscribers responded to the first renewal effort, 322 to the second, and so on.

These responses correspond fairly well to the rule-of-thumb that you will get half of your total response from the first notice and that each succeeding notice will bring in about half as many renewals as the one that precedes it. The exception is the last effort, which has a little extra kick, since it carries a message warning the subscriber that this is his or her last chance to renew.

Now that we can read the report, what can we say about this publisher's renewal program? The first thing that stands out is that it would pay for the publisher to add a couple more renewal efforts. The response

to the 5th effort came to about 5 percent to 10 percent of the number of notices mailed. If we assume that the cost of mailing a straightforward renewal notice comes to 50 cents or so, this fifth effort is producing new orders at a cost of about \$5 to \$10 each. Unless the publication carries an extremely low price, that's a good deal. It's probably much less expensive than finding subscribers any other way—through a new mailing, for example.

What would happen if the publisher added two more efforts, each of which produced an extra 0.8 percent of the original group mailed? That would increase the original 77.5 percent renewal rate to 79.1 percent. Not much, you say? Over time, that would translate into an 8-percent increase in circulation at a very minor cost. Surely it's worth a try.

What factors limit how many notices you should mail? If you send enough notices, the response would eventually fall off to the point where it doesn't pay to mail any longer. Usually, though, you run into a practical problem long before you reach this point. Most publishers want to mail renewals on a monthly schedule. If you try to mail more frequently, you run into the problem of responses and renewals crossing in the mail. That, in turn, leads to telephone calls and correspondence from confused customers, which cost money to handle and can bring about ill-will on your customers' part. On the other hand, if you are selling one-year subscriptions and mail your notices monthly, eight notices will cover a span of eight months—six before expiration and two after, say. This number is just about the upper limit on what you can do efficiently.

Of course, as we previously mentioned, any general rule is subject to exceptions. You should look at your own renewal statistics and the

price of your publication, before you finalize a renewal program.

Premiums and other gimmicks

How effective are special offers and premiums? Many publishers spend a lot of time, effort, and money creating unusual messages and premiums to accompany their renewal notices. Our own experience—which has been limited to business publications—is that these "extras" make little or no difference in the number of renewals you'll receive. We have tested special enclosures, premiums, binders, information about upcoming issues, postage-paid reply envelopes, and just about anything else you can think of. None of them had any consistent effect on renewals. We finally concluded that the best approach was to keep things simple. By the time renewal time rolls around, your subscriber will know whether he or she wants to continue receiving your publication. Our advice: Make it easy for them to renew and make sure you don't confuse them. Doing anything beyond that is likely to be wasted effort.

You should be particularly wary of offering payment by credit card. We have seen through our own tests and heard consistent reports from others, that doing so can depress renewals. (Interestingly, no one seems to know why.) If you want to offer credit cards on your renewal notices, we strongly suggest that you conduct a test to see what the effect is with your publication(s). (See *Application Note #1, "Testing Credit Cards"*).

The importance of customer service

Poor customer service is another factor that affects renewals adversely. Tests we've run over an extended period of time show that quick, accurate responses to your customers questions and concerns can make

a measurable difference in renewal rates. In particular, if you mail the first issue of a new subscription within 24 hours of receiving the order, your payment rates will be better, and, remarkable—a full year later—your renewal rates will be stronger as well. We have demonstrated a difference of as much as 2 percent on both payment and renewal rates from providing this kind of good service.

Other factors that affect renewals

So far, we've discussed factors such as editorial, the renewal notices themselves, and customer service that affect renewal rates for all your subscribers simultaneously. But other variables affect only a subset of your customers. An important one is the mailing list(s) that originally generated your orders.

Figure 4 shows an extract from a summary renewal-rate report broken out by mailing list. In other words, it shows the renewal rates for orders that originally came from mailings to different rented lists.

Notice that the renewal rates vary considerably depending on which list generated the original order. In this example, the rate ranged from a low of 28 percent to a high of 68 percent—or 40 percentage points.

The two lowest rates were special cases. The publisher offered graduating students a special low rate. When the former students came up for renewal, however, they were asked to renew at the full rate—twice as much as they had paid the first time

around. Under the circumstances, the 28-percent response wasn't bad.

Subscribers to English Bird Lovers was the other special case. They could renew only by using a credit card or by paying in U.S. dollars. Again, a low rate isn't particularly surprising.

But even setting aside the special cases, the rates range from 48 percent to 68 percent—a 20-percent difference. Consider the significance of this data. Using our formula—

$$C = \frac{N}{(1 - R)}$$

—100 new orders per year from the *Large Bird Compendium* would increase the steady-state circulation by:

$$\frac{100}{(1 - 0.48)} = 192$$

But the same 100 new orders per year from the *Canadian Bird Magazine* would increase the steady-state circulation by:

$$\frac{100}{(1 - 0.68)} = 312$$

Clearly, this kind of dramatic swing should affect your promotion decisions. (We discuss how to incorporate renewal rates into your promotion programs in *Application Note #3*, "How to Calculate if a Promotional Mailing Pays Off").

Finally, the offer that you make on your mailings to solicit new orders can affect renewals. In particular, loose offers—"Order now and receive your first issue at absolutely no cost or obligation. If you are dissatisfied, just mark your invoice 'cancel' and you will owe nothing"—have pronounced negative effect on renewal

rates. Not only that, they exacerbate the variation by list. If you use loose offers, you will likely see an even bigger range of renewal rates by list than if you used only firm offers. The moral: If you want to use loose offers, be very careful to keep an eye on your renewal rates, both by type of offer and by list. (For more information on loose offers see *Application Note #6*, "Loose Offers").

Adding it all up

In short, renewal rates are one of the key ingredients in the success of any publication. That's why it pays to keep an eye on those rates—both as an indicator of how well you are doing editorially and as a way of ensuring that your renewal program is as effective as you can make it. QuickFill offers you a wide variety of renewal-rate reports to help you in this endeavor. You can use QuickFill reports to examine responses right down to the level of the individual effort, or you can use them to look at broad differences between lists or publications over long periods of time.

What is QuickFill?

QuickFill is an advanced subscription fulfillment system that runs on personal computers. It is designed to give you power and flexibility without sacrificing ease of use. If you would like more information about QuickFill or would like to see our preview package, call us at (800) 762-7702, email info@cwsoftware.com, or visit our Web site at www.cwsoftware.com.