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Churn notice: 3 lessons from raising subscription prices

Article

Consumers are feeling the squeeze of the rising cost of subscriptions. Nearly seven in 10 (67%) US consumers saw at least one of their subscription services increase their cost, per March 2024 survey by CNET. More than half (52%) of US adults have canceled a streaming service subscription because of increased pricing, per October 2023 data by TransUnion and Dynata.

By tailoring subscription choices, highlighting value, and anticipating impact for all stakeholders, services can minimize churn. Here are three lessons we've learned from platforms that have recently upped their costs.

1. Spotify caters to all with more ways to subscribe

In July, Spotify rolled out its second US price hike in less than a year and announced more subscription types meant to suit different households and content preferences. In addition to the Audiobooks Access option launched in March, Spotify released its "Basic" plan, $1 less than the standard "Premium Individual" tier.

"We're seeing less churn in this round of increases than we did in our prior one," CEO Daniel Ek said during its latest earnings call.

Lesson: Adding subscription choices can avoid consumers feeling they are cornered into a new higher cost and alienating budget-conscious ones. Diversifying subscription plans based on content, such as providing an audiobooks-only tier, also offers personalization.

2. Peacock proves timing (with content) is everything

For new Peacock subscribers, prices went up on July 18, prior to the Summer Olympics, while existing subscribers received a month's notice to stream the games at the lower price.

Peacock is banking on extensive sports coverage and exclusive releases such as "Love Island USA" to boost new sign-ups and retention amid price hikes and losing 500,000 subscribers in Q2 2024. After the Olympics, when both new and old subscribers face the increased rates, Peacock hopes its return of football will be enough to reduce churn.

"Our content offering provides such a great value proposition that we should have some real pricing power over time," Mike Cavanagh, president of Comcast, said on a recent earnings call.

Lesson: By aligning price increases with periods of high demand and interest, streaming providers can better prove their value. It's also key for value to be maintained beyond moments of peak engagement, such as the Olympics, to ensure consumers don't cancel their subscription right after.

3. Twitch shows pricing's ripple effect

In June,Twitch announced it would raise the price for US subscriptions for the first time, charging $1 more monthly to access individual creators' channels. The increase has revenue ramifications for the company and its creators, who receive a 50% to 70% share of subscription income.

Subscriber churn could be an acceptable risk after reporting zero profitability since its 2014 acquisition for $1 billion. But Twitch also has to consider creator churn. If creators lose followers because of the price hike, they could turn to other streaming platforms such as TikTok or YouTube to reach bigger audiences.

Lesson: Before adjusting prices, evaluate the broader impact on all stakeholders, including creators who are vital to your platform's success. Investing in platform enhancements (for example, Twitch's newly redesigned mobile app) will help creators feel supported, incentivizing them to stay.

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