



Acquire new users with subscription bundling



payments

by **docomo** digital

An NTT DOCOMO Enterprise



Some say building your products based on the subscription model is less about selling products and more about creating customer relationships. It's definitely about bringing value on a regular basis.

And that value is crucial, especially with the current competition on the market. Online service providers keep introducing new formats and more flexible subscription models to chase new subscribers. One example is Spotify who's now testing out Spotify Plus, a less restrictive ad-supported service combining elements of its existing free and premium tiers.

Netflix, too, has offered a low-cost mobile-only plan in India and Malaysia, followed by Nigeria, Kenya, South Africa and other sub-Saharan African countries. This means the company has had success in attracting more subscribers onto lower-cost subscriptions in emergent economies.

While these plans will result in healthy growth in new subscriptions, it may not be easy to continue funding the production engine that caters to local sensibilities and keeps these new users engaged.

And not every company will be able to lower its pricing to get more subscribers. However, it gets much easier if you partner up with a mobile carrier that already caters to a selected audience.

With that much competition in the market, one way to maximize the value you can offer and build a stickier relationship with your customer is bundling your online service or app with a mobile carrier.

Let's look at how your customers will benefit, and ultimately, how your business can steadily grow and maximize customer lifetime value.



Subscription bundles and their benefits for merchants

Telco subscription bundling is a way to pair your services with a monthly mobile carrier subscription. There are several types of service bundling, including:

more users, retain existing customers and subscribers consuming much more data as a result.

A big driver for service bundling is direct carrier billing that's also observing considerable growth as a payment option in the last few years. With DCB overtaking SMS and mobile data revenue, telcos can easily move beyond connectivity and accelerate their growth.

- **Hard bundling.** Telco subscribers are offered a free trial to a digital service for a period of time, as long as they remain subscribed to a telco plan. After the trial period, they are converted into paid subscribers of the digital service. Customers pay the monthly (or annual) subscription fees through their monthly mobile bill.

- **Soft bundling.** With the soft bundle model, digital services are offered as an add-on that users can pay for with direct carrier billing separately from their phone bill. Subscribers might also be offered promotions, including an extended free trial or discount on the digital service.
- **Custom bundling.** Depending on the payment provider through which you're partnering up with the telco, you might have access to pre-configured turnkey bundle packages you can roll out to your pre-and postpaid subscriber base.

At DOCOMO Digital, for example, we offer pre-configured bundles with the likes of Amazon in music and video streaming and beyond to let you grow digital consumption and reduce churn with targeted bundling offers for multiple segments.

Globally, bundled subscriptions are increasing, expecting to reach 753 million this year (2021) – and that’s only according to pre-COVID forecasts. With the significant rise in digital media consumption since the start of the pandemic (H1 2020), these estimates will almost certainly be exceeded.

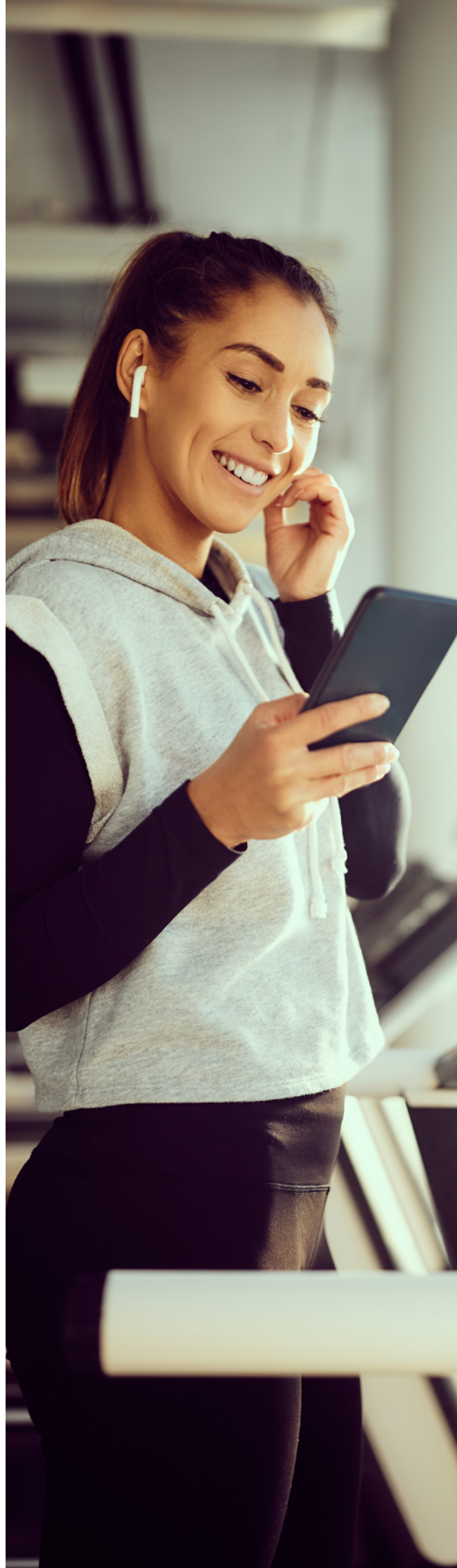
This is also because bundling benefits all sides of the equation – the merchant, the telco, and the consumer. For merchants, it means:

- Reaching new audience segments by tapping into telcos’ brand and reach
- Launching co-marketing campaigns
- Driving new sign-ups and increasing loyalty in the long term

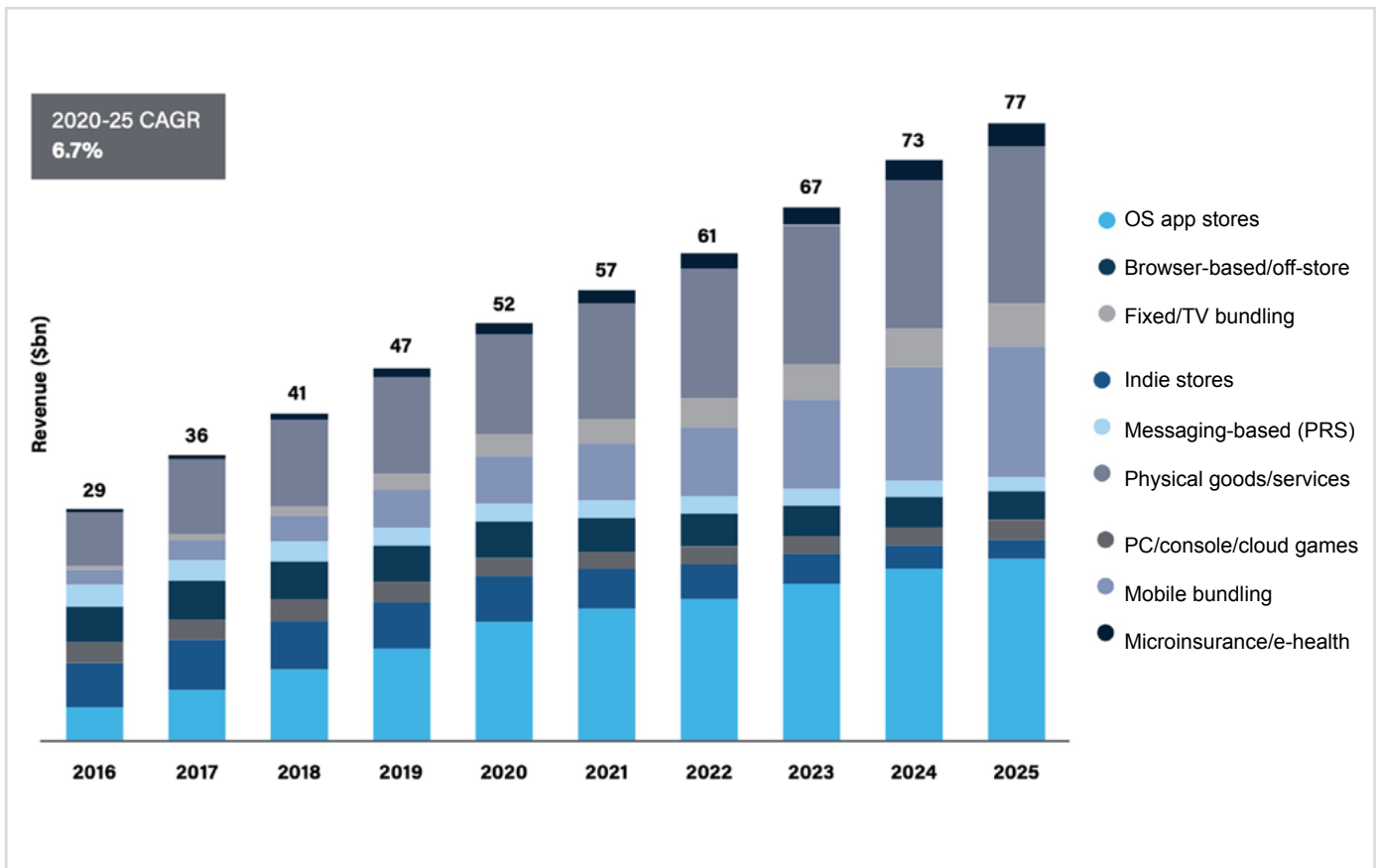
Getting paid via direct carrier billing (DCB)

Direct carrier billing is an integral part of the bundling ecosystem. It lets telco subscribers pay for your services together with their monthly phone bill but can also be used for one-off in-app payments. This makes it a versatile, user-friendly, and high-converting payment method.

No wonder it’s gaining popularity, which is reflected in research. During the pandemic, DCB revenues spiked in both transaction volumes and first-time users. And forecasts seem to agree on even bigger growth in the future, as seen on the chart below.



Global Carrier Billing revenue, by segment, 2016-25



Source: Omdia's Global Carrier-Billing Forecast: 2020-25

And Juniper Research estimates that the percentage of all digital content spend flowing through DCB will rise to 22% by 2024 compared to 12% in 2018. In a competitive business world, the benefits that DCB provides are simply too great to ignore.

Besides going hand in hand with the subscription bundling model, it offers multiple benefits for merchants as well as their customers:

- It offers a seamless user experience for your customers, integrated with your app's UI. All it takes for the customer to pay is a couple of clicks and entering a 4-digit PIN code, without ever leaving the app.
- It's much quicker and more straightforward than, e.g., entering your credit card details, which also results in fewer dropouts at checkout.
- Allowing people to pay for your service using DCB when bundling means you can also reach people who don't have credit cards or even bank accounts. This opens your service to emerging economies, where mobile phone penetration is high but so is the size of the unbanked and underbanked population.
- Bundling your services and using DCB as the payment option also helps you capitalize on the sticky relationship the telco already has with its subscribers. And it minimizes competition, as subscribers will buy services promoted to them by the telco if the bundle brings them enough benefits (which it usually does.)



The problem with credit cards and subscriptions

With all the benefits of DCB we mentioned, there's also one major inconvenience related to using credit cards that is virtually non-existent when talking about DCB. And that's credit cards expiring or the card number changing, which interferes with subscriptions.

When your card expires, you obviously need to remember about updating your credit card details in a timely manner. If you don't do it – because you forget, for example, which is not that uncommon – you risk freezing the subscription, or even losing it in the worst-case scenario. Of course, the same thing might happen if the card is lost or stolen.

With direct carrier billing your subscriber doesn't need to update any details, remember about expiration dates, and also doesn't risk their card being stolen or lost. This ensures a smooth service flow for the user and fewer dropouts that simply result from a failure to update credit card details.

Partner up with a telco through an experienced payment service provider

If you're wondering how to find the right telco partner and make the most of this relationship, get a trusted digital payments partner who can help you create bundles and promo packages while offering established telco relationships.

With DOCOMO Digital, you get access to:

- A pool of the world's leading mobile carriers and their audiences – and extensive customer data that comes along with those relationships
- Leading direct carrier billing services globally, paired with other traditional and alternative payment methods used in 80+ countries
- Payment reconciliation, so neither you nor the mobile carrier has to worry about unsynchronized billing cycles or multiple currencies
- Expert knowledge in local and global payment regulations, making sure you're always on track
- And much more.

So as new developments like the 5G rollout and increased demand for digital content fuel its consumption, bundling your service with a mobile carrier and leveraging the power telcos yield globally is a smart move to consider.



ABOUT US

DOCOMO Digital is the international payments business of NTT DOCOMO. We partner with carriers, merchants, OTT services, app stores and payment providers in both developed and emerging markets around the world.

We solve the challenges of customer acquisition and retention, regulation, and complexity for our partners with alternative payment methods such as direct carrier billing and digital wallets. Our robust managed services platform and coverage across carriers and the most locally relevant payment methods enable faster time-to-market, especially for streaming, gaming, eCommerce, and productivity application providers.

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