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How 7-Figure Newsletters Make Money: Part Two

FEB 23, 2023 | by Ethan Brooks



Trends

Welcome to chapter five of our guide the newsletter industry.

In this section, we'll be breaking down the business model that powers all media companies, and diving deep into the mechanics on how paid subscriptions are sold.

We've talked to leaders across the industry, including deep dives with our team here at *The Hustle*, as well as solo operators like Kevin VanTrump and James Altucher (both of who generate millions each year on paid newsletters).

We've also talked to decision-makers at companies like Motley Fool, New Yorker, etc., and the teams behind third-party products like Substack, Beehiiv, Pico, and

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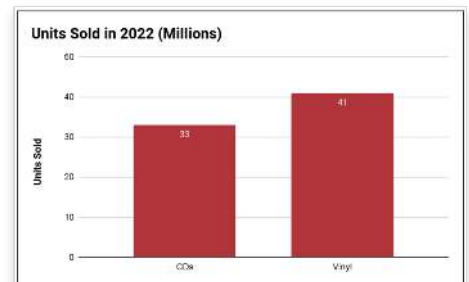
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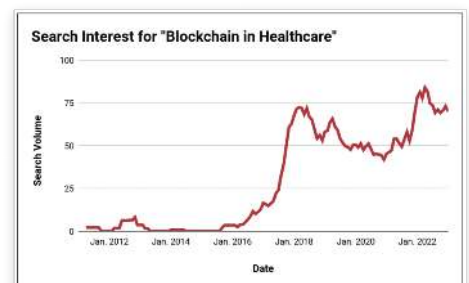
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We’ve distilled their advice into a few simple frameworks to guide your decision-making. We’ll unpack them here, including:

- How paid newsletters grow your bottom line through recurring revenue
- When it makes sense to launch a paid newsletter
- How to price newsletters, and rules for experimenting with prices
- Step-by-step product flows for selling paid newsletters
- And more...

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When you finish here, you will have a better idea of where your newsletter currently fits in your overall business model, how to monetize it, and what you might want to add to increase earning potential.

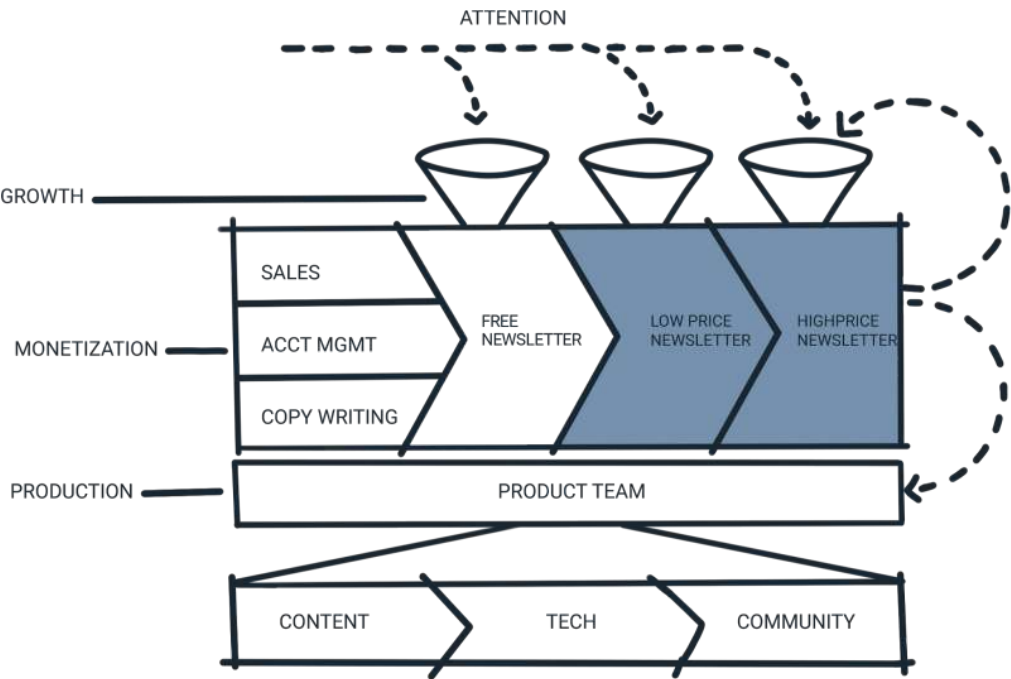


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1. Why Paid Newsletters Are Great

When we talk about paid newsletters, we're talking mostly about paid *subscription-based* newsletters — newsletters people pay for again and again, rather than once.

There are two things that make these significantly different from free newsletters:

- They add recurring revenue to your business
- Their value and costs scale differently

We'll look at each in turn...

Paid Subscriptions Bring Recurring Revenue

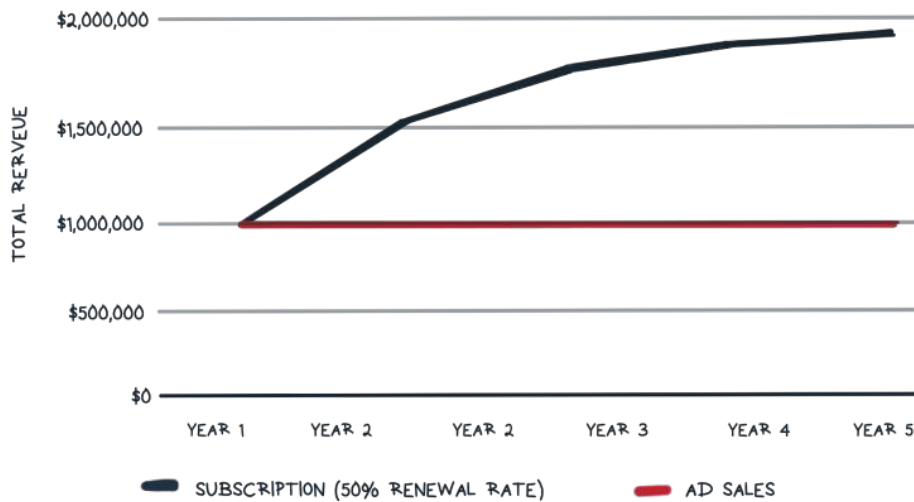
If you run a free newsletter, and sell \$1m worth of ads this year, that's great. But come next year, do you know what you have to do? That's right — sell \$1m worth of ads all over again. In fact, you need to do *more* so that you can grow.

Compare that with the recurring revenue from a paid newsletter.

If you sell \$1m worth of subscriptions this year, and half of those people renew their subscription next year, you start the year with \$500k in the bank.

Even if you only sell another \$1m in subscriptions (same as the previous year),

Total Revenue with \$1m in Annual Sales



A good first-year renewal rate is 50%...

... and often reaches 60%–80% from year two onward.

This varies depending on the price of the product. Higher-price newsletters will typically see lower renewal rates because people are forced to make a harder decision when choosing whether to stay.

The first renewal period is the hardest because it's the first time readers are forced to decide whether the newsletter has been worth the money to them.

Readers who renew after that first year often remain customers for years.

The key to unlocking this recurring revenue is retention — keeping your readers renewing. We'll talk more about the ins and outs of retention toward the end of this section.

Value & Costs of Paid Subscriptions Scale Differently

As we discussed in the previous section, there are several ways to grow the revenue of an ad-supported newsletter, such as:

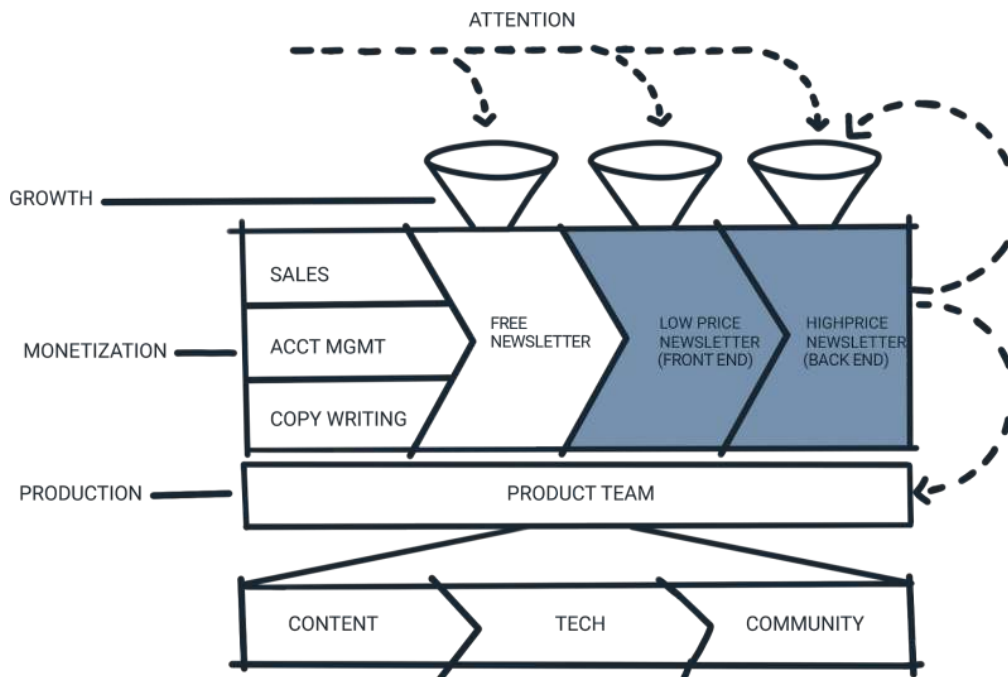
- More ad inventory

Morning Brew, for example, has grown their revenue to \$20m+ by launching a total of six free ad-supported newsletters.

However, each newsletter needs content writers, copywriters, and salespeople. So your costs often grow as you try to grow revenue.

A paid newsletter, on the other hand, scales easily. Whether you have 10 subscribers or 10k, the cost of creating the newsletter is the same.

Paid newsletters fall into one of two categories: front-end or back-end.



The main difference is their price:

- Front-end newsletters typically cost between \$5-\$10/mo. (~\$60-\$120/yr.)
- Back-end newsletters start much higher (~\$500/yr.) and go up from there

The idea is to sell your front-end newsletter to members of your free list. Then, when the time is right, develop specialized back-end products and market them to the people who bought your front-end subscription.



like private discussion groups, regular webinars, or limited memberships.

2. When to Start Selling Paid Subscriptions

Technically, you can start any time. But given the way the newsletter engine works, it’s a lot easier to grow a paid subscription if you have a successful free newsletter in place beforehand.

How big should your free list be?

Big enough to make launching the paid newsletter worth it. Check out the chart below, which assumes a 2% conversion from your free to your paid list.

Conversion = 2%									
List Size	Annual Subscription Cost								
	\$50	\$100	\$150	\$200	\$250	\$300	\$500	\$1,000	\$2,000
1,000	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	\$10,000	\$20,000	\$40,000
10,000	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000	\$60,000	\$100,000	\$200,000	\$400,000
50,000	\$50,000	\$100,000	\$150,000	\$200,000	\$250,000	\$300,000	\$500,000	\$1,000,000	\$2,000,000
100,000	\$100,000	\$200,000	\$300,000	\$400,000	\$500,000	\$600,000	\$1,000,000	\$2,000,000	\$4,000,000
250,000	\$250,000	\$500,000	\$750,000	\$1,000,000	\$1,250,000	\$1,500,000	\$2,500,000	\$5,000,000	\$10,000,000
500,000	\$500,000	\$1,000,000	\$1,500,000	\$2,000,000	\$2,500,000	\$3,000,000	\$5,000,000	\$10,000,000	\$20,000,000
1,000,000	\$1,000,000	\$2,000,000	\$3,000,000	\$4,000,000	\$5,000,000	\$6,000,000	\$10,000,000	\$20,000,000	\$40,000,000
1,500,000	\$1,500,000	\$3,000,000	\$4,500,000	\$6,000,000	\$7,500,000	\$9,000,000	\$15,000,000	\$30,000,000	\$60,000,000

As you can see, at a typical front-end price of \$50-\$100/yr., you need ~50k-100k free subscribers at a 2% conversion rate in order to make \$100k — and more than that if you’d like to pay writers to produce those newsletters.

Expected revenue drops even lower when you factor in your open rate. The following chart shows how a \$10/mo. (\$120/yr.) product would be expected to sell among your free audience given different open rates.

Conversion = 2% Annual Subscription Price = \$120									
List Size	Open Rate								
	10%	20%	30%	40%	50%	60%	70%	80%	90%
1,000	\$240	\$480	\$720	\$960	\$1,200	\$1,440	\$1,680	\$1,920	\$2,160
10,000	\$2,400	\$4,800	\$7,200	\$9,600	\$12,000	\$14,400	\$16,800	\$19,200	\$21,600
50,000	\$12,000	\$24,000	\$36,000	\$48,000	\$60,000	\$72,000	\$84,000	\$96,000	\$108,000
100,000	\$24,000	\$48,000	\$72,000	\$96,000	\$120,000	\$144,000	\$168,000	\$192,000	\$216,000
250,000	\$60,000	\$120,000	\$180,000	\$240,000	\$300,000	\$360,000	\$420,000	\$480,000	\$540,000
500,000	\$120,000	\$240,000	\$360,000	\$480,000	\$600,000	\$720,000	\$840,000	\$960,000	\$1,080,000
1,000,000	\$240,000	\$480,000	\$720,000	\$960,000	\$1,200,000	\$1,440,000	\$1,680,000	\$1,920,000	\$2,160,000
1,500,000	\$360,000	\$720,000	\$1,080,000	\$1,440,000	\$1,800,000	\$2,160,000	\$2,520,000	\$2,880,000	\$3,240,000

Even with extremely high open rates of 40%-50%, a typical \$10/mo. subscription won’t really pay the bills until your free list reaches ~50k+ subscribers.

If you have a small but highly engaged audience — like Jacob Donnelly of *A Media Operator* — you'll likely see a higher conversion rate than 2%, meaning you could launch a viable paid subscription much earlier.

Donnelly's early conversion rate has been ~8%–9%

- Free list: 2.4k
- Paid subscribers: 200
- Cost: \$200/yr.



3. How to Price Paid Newsletters

With advertising, you set prices based on the value that your readers represent to advertisers.

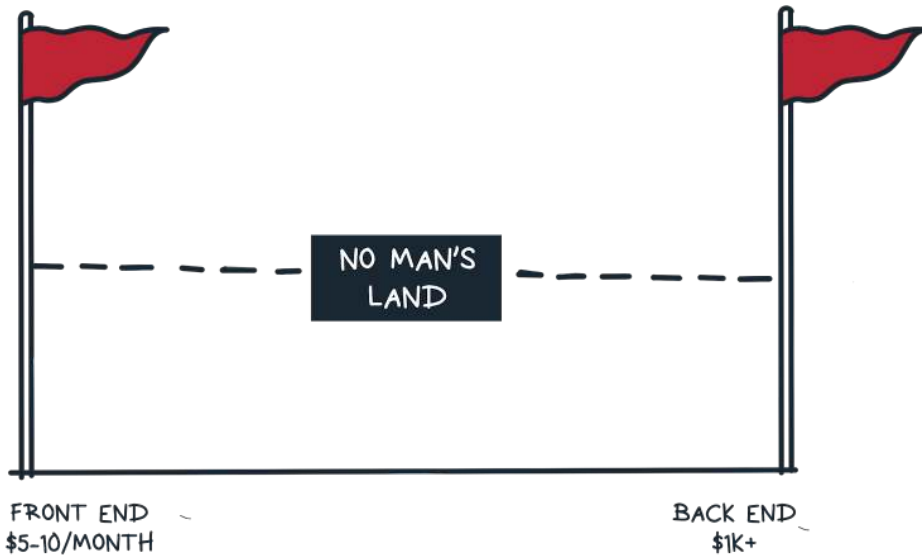
Subscription products are different because you're selling information — and when it comes to information, a single idea could be worth thousands, even millions, of dollars.

Price and conversion rate are often inversely correlated. The more you charge, the fewer people buy. So at the end of the day, you're just trying to find the sweet spot that generates the most revenue.

Front-end newsletters typically start around \$5–\$10/mo. Back-end newsletters are more niche and designed to sell fewer subscriptions, so they often start at \$500 and go up.

The space between these two points is thought of as a kind of no man's land...

... where it's not clear whether you'd earn more by raising or lowering your price.



Here's how Jacob Donnelly, founder of *A Media Operator*, thought about pricing when he first started charging.



Price Experiments: “Easy Up, Ditch Down”

When you test two different prices for the same product, it's called A/B testing.

There are entire courses taught on A/B testing, so we won't go into too much detail here. At a high level, the idea is to set up two product pages that are exactly the same, aside from their price.





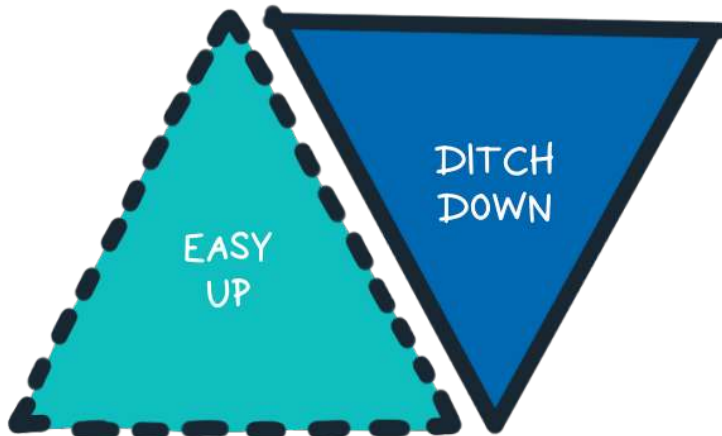
You funnel half of your traffic to one, and half to the other, to see which performs better.

There are plenty of tools that help make A/B testing easy, like:

- [ClickFunnels](#)
- [Google Optimize](#)
- [Thrive Optimize \(for WordPress\)](#)

But when you're experimenting with newsletter pricing, keep this little catch phrase in mind:

Easy Up, Ditch Down.



Easy Up: When you're testing a higher price, simply raise it — quickly, with little or no explanation. Don't add new features, or make any announcements.

You never really know if you're undercharging. People may be willing to pay more

Ditch Down: On the other hand, if you're going to test a lower price, choose a few features you can ditch, essentially creating a new, lower-cost product tier.

This is important because it keeps your existing customers happy — no one wants to feel like they overpaid. It also avoids devaluing your existing product if you find that the lower price doesn't generate more overall revenue.

4. How to Sell Paid Subscriptions

Ad sales rely mostly on real people having real conversations — identifying needs, building value, following up, and ultimately closing the sale.

Subscriptions, on the other hand, usually don't have a sales team behind them, so you need to rely on great sales copy, automations, and systems — like email campaigns and auto-responders — that can take the place of a salesperson.

In this section, we'll look at the real-life product flow for selling paid newsletters, both front-end and back-end, calling out the most important principles at work throughout.

The Conversion Funnel

Below is an example of the conversion funnel on a paid subscription. We'll dig into the details in a moment, but first, here's a high-level look at what's going on here.

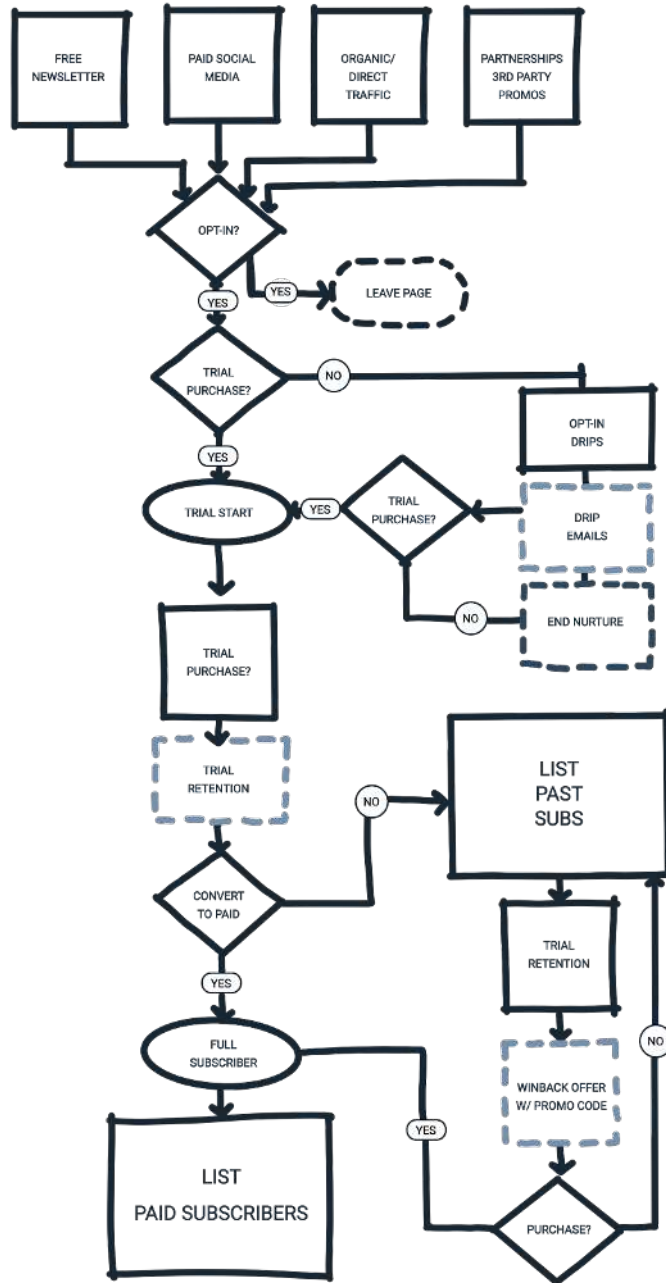
The diagram below represents the path that readers take from the moment they find your newsletter, to the moment they become a paid subscriber.

Each piece of the diagram represents some piece of your marketing or sales process and shows every step readers go through, and all the decisions they make along the way, including:

- Whether they want to give you their email address for free
- Whether they want to open and read your emails

At each stage, moving forward brings them one step closer to the bottom of the conversion funnel — which means they're a paid subscriber!

If at any stage they opt *not* to move forward (e.g., they start a trial, but don't convert to full paid membership), they're either lost or put onto a drip campaign designed to nudge them along.



There's a lot to digest, but let's look at three crucial elements:

- **The email capture** — This is where you get people to give you their email address,

- **Drip campaigns** — Automated emails used to either convert trials to paid subscriptions, onboard new readers, or win back old readers who are inactive.
- **The conversion** — Where people decide whether they want to sign up (either for a free or paid trial, or a full-price subscription).

Together, these approximate the job of a salesperson, collecting leads, showing them value, and ultimately, convincing them to buy.

Let's break down each in more detail...

1. The Email Capture:

Once someone lands on your page, your goal is to quickly convince them to give you their email address — even if they don't buy now, you'll have a shot at convincing them later.

Do this via a squeeze page: a page that offers something valuable, and forces someone to input their email to go further.

Below is a look at how *The Information* does it. Notice how their homepage only lets you do two things:

- Input your email address
- Sign in if you're already a member

The rest of the info is designed to convince you of the value of their newsletter and get you to input your email address.



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Cameo to Seek Funding as CEO Eyes Expansion

By Michael J. Lee | Jan. 1, 2020, 10:12 AM PST



It took a while for the CEO of Cameo to get a good idea of what he was doing. The company, which is a video-on-demand platform for celebrities, has been in the news for its controversial marketing tactics, including its use of AI to create fake videos of celebrities. The company is now looking for funding to expand its operations.

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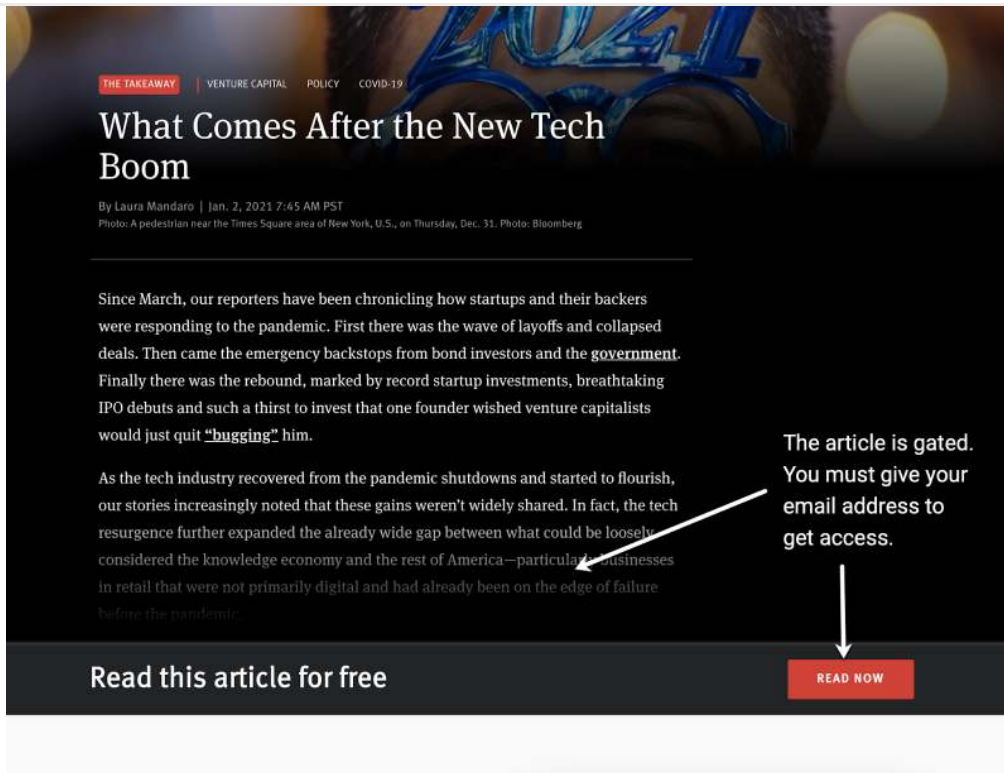
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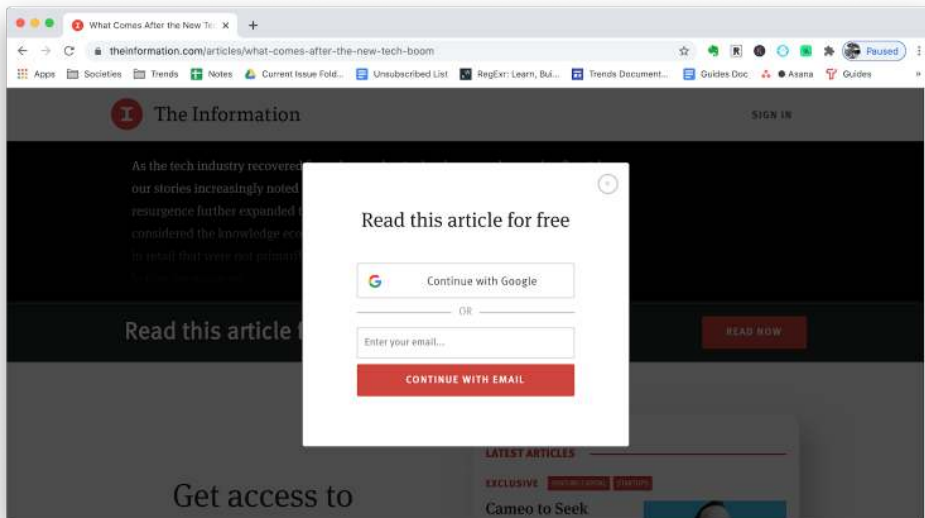
Join live video Q&A's

Help drive the topics, the strategy and the success of your startup with our top business and tech executives.





Click the button and a pop-up appears, ready to take your email address...



... A few minutes later, boom...

<input checked="" type="checkbox"/>	The Information	What to Expect From The Information - I'm Jessica Lessin, the founder and editor in chief of The Information, and I wanted to say hello and share a little bit about what we have been up to ...	4:26 PM
<input checked="" type="checkbox"/>	Altucher Confidential	You Don't Get What You Deserve - You get what you negotiate. - January 05, 2021 UNSUBSCRIBE WEBSITE "You get what you negotiate." - Steve Cohen Podcast Banner >>>Hiccoming mess...	3:30 PM
<input checked="" type="checkbox"/>	Google Search Conso...	New Mobile Usability issues detected for site trends.co - Message type: [WNC-10030322] Search Console Mobile Usability issues detected on trends.co To the owner of trends.co: Search ...	3:35 PM
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<input checked="" type="checkbox"/>	Altucher Confidential	Er. Don't Panic, But Get Ready... - This time, hunker down... - January 05, 2021 UNSUBSCRIBE WEBSITE Er. Don't Panic, But Get Ready... Dear Altucher Confidential Reader, I'm not here to str...	9:30 AM
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paying subscriber.

2. Drip Campaigns:

Drip campaigns are automatic email series designed to build trust and value with readers. Companies use them to nurture new leads, or to win back old subscribers. Most good ESPs and ecommerce platforms will let you set these up.

The trick to writing great drip campaigns is to remember two things:

- Every email should have a purpose
- That purpose is ultimately to move people closer to buying


People are busy — don't waste their time with a drip campaign that isn't moving them somewhere.

Let's look at a few examples to illustrate the point, starting with the emails from *The Information* above.

Within two hours of handing over my email address, *The Information* sent two emails. Both tried to convert me from free to paid lead but accomplished it in slightly different ways.

	The Information	Hinge Health Valued at \$3 Billion by Tiger Global, Coatue - Hinge Health, which sells virtual physical therapy sessions for customers with back and joint pain, has raised a financing round le...	5:08 PM
	TechCrunch	Snagit is so much more than screen capture - did you know... Experience the full power of Snagit View Online Facebook Twitter YouTube TechCrunch snagit image Experience the full pow...	5:01 PM
	The Information	What to Expect From The Information - I'm Jessica Lessin, the founder and editor-in-chief of The Information, and I wanted to say hello and share a little bit about what we have been up to...	4:26 PM
	Altogether Confidential	You Don't Get What You Deserve - You get what you negotiate... January 05, 2021 UNSUBSCRIBE WEBSITE "You get what you negotiate..." Steve Cohen Podcast Banner >>>Incoming mess...	3:30 PM

The first email is a long letter from Jessica Lessin, founder and editor-in-chief of *The Information*.

 The Information

Dear Reader,

I'm Jessica Lessin, the founder and editor-in-chief of The Information, and I wanted to say hello and share a little bit about what we have been up to.

mobile phone and digital media companies that covering tech was really about covering the future of business. And I dove in.

But the next few years were not good for the news industry or business coverage. Obsessed with traffic and clickbait, publications hinged on

It starts the reader's relationship off right, introducing them to the newsletter's genesis story, and telling them what they can expect from their subscription.

But it's not *just* telling a story. It's moving the relationship forward.

At several points in the copy, Lessin has linked through to some of *The Information's* more popular or important stories.

Can you guess where these lead?

Links to gated content

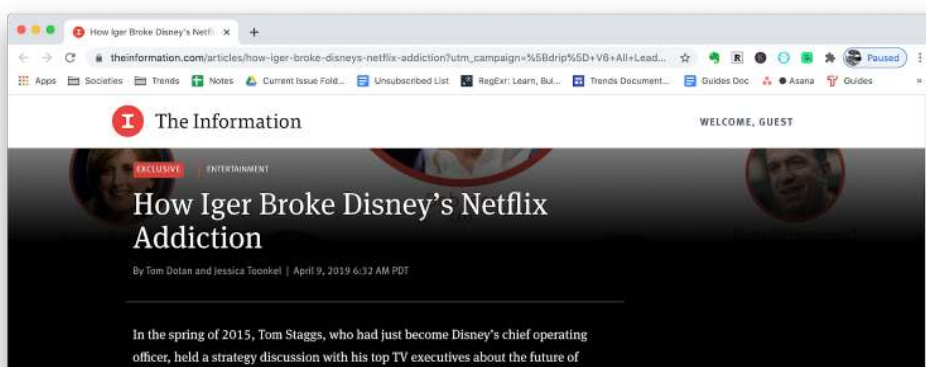
While the media was waiting to cover the launch of Disney's new streaming service Disney+, we got ahead of the news with an in-depth look at how [Disney CEO Bob Iger changed his mind and decided to go head-to-head with Netflix](#). While other reporters were obsessed with Tesla's swinging stock price, [we investigated Elon Musk's claims about autopilot safety](#) and found they didn't hold up. With big tech companies racing to build AR headsets, our reporters worked countless sources to get [inside the roadmap of industry-leader Apple](#).

That's what you can expect from us and how we're different from others who cover the industry.

In my own weekly Saturday newsletter, I like to focus on areas where the conventional wisdom about tech is wrong as well as topics where I have a behind-the-scenes perspective as a founder.

Recently, I wrote about the [frustrating experience of dealing with Apple](#) to release our iPhone app, [the Tech Top 10](#). On the eve of Uber's IPO, [I predicted that the late-stage private tech markets](#) were going to turn. Almost a year later, it's a very different landscape.

That's right — gated content, prompting you to subscribe.

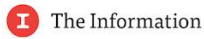




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What's included?	SELECT PLAN	✓ SELECTED	SELECT PLAN	SELECT PLAN
Networking Pass	✗	✗	✓	✗
Org Charts	✗	✓	✓	✓
Exclusive Coverage	✓	✓	✓	✓
Live video Q&A's	✓	✓	✓	✓
Daily Briefing	✓	✓	✓	✓
The Information Mobile App	✓	✓	✓	✓
Clutter-free Experience	✓	✓	✓	✓
Weekly Podcasts	✓	✓	✓	✓
Book Club	✓	✓	✓	✓
	SELECT PLAN Cancel at any time	✓ SELECTED Cancel at any time	SELECT PLAN Cancel at any time	SELECT PLAN Cancel at any time

ACCOUNT INFORMATION

Full name

ethanbrooks@hustlecon.com

Not ethanbrooks@hustlecon.com? [Click here to change your settings.](#)

Set password

PAYMENT INFORMATION

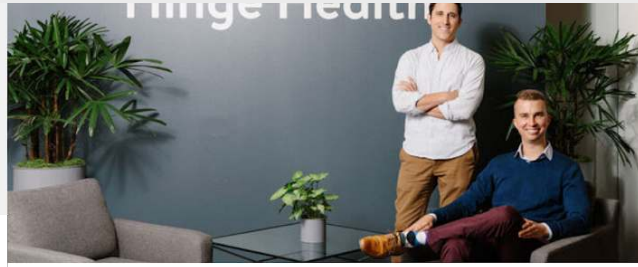
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In the second example, around two hours after signing up, *The Information* sends a copy of that day's email.



EXCLUSIVE COVID-19 STARTUPS VENTURE CAPITAL

Hinge Health Valued at \$3 Billion by Tiger Global, Coatue

By Kate Clark

Hinge Health, which sells virtual physical therapy sessions for customers with back and joint pain, has raised a financing round led jointly by Coatue Management and Tiger Global Management at a valuation of \$3 billion, or seven times its last financing in April, according to two people familiar with the matter.

The San Francisco-based company has seen an influx of new customers during the pandemic as Americans develop musculoskeletal problems while working in makeshift home offices or seek to treat chronic conditions without in-person visits. The financing round illustrates how startups benefiting from the pandemic have been able to secure funding at steep valuations, in part due to record levels of dry powder at investment firms. The Series D round also reflects deepening interest in health-tech startups by hedge funds and growth equity funds, which typically invest in public or older private companies.

[READ THE FULL STORY](#)

Link to that day's content, gated.

Offer for a discounted trial.

Similar to the first message, the story link leads to a gated content page, once again trying to move new readers closer to a paid membership.

They also insert something that's worth considering all on its own: a trial offer.

3. The Trial Offer (AKA Conversion):

The conversion is the point at which a reader decides whether to do the thing you want them to do, whether that's signing up for a full-priced subscription or even a free/discounted trial.

Not all newsletters offer one, but those that do typically offer an inexpensive trial that gives access to the product for 1–4 weeks.

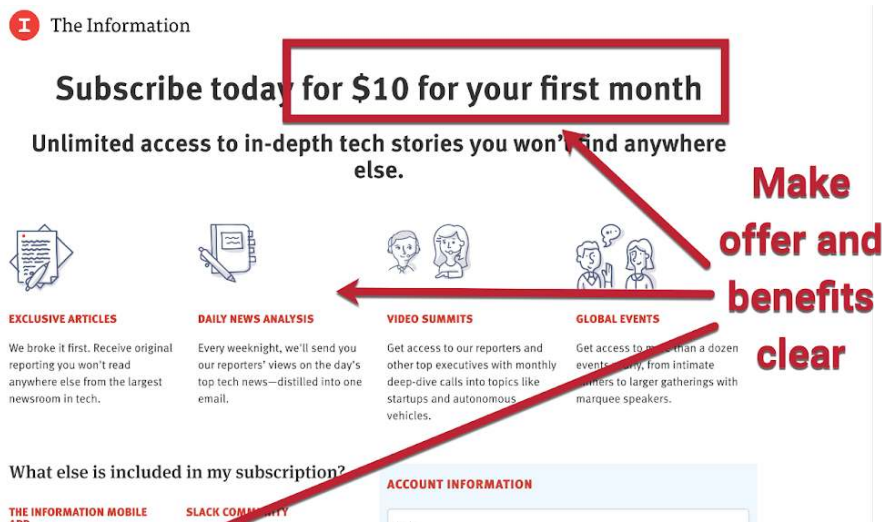
Let's look at two different schools of thought here, starting with *The Information*.

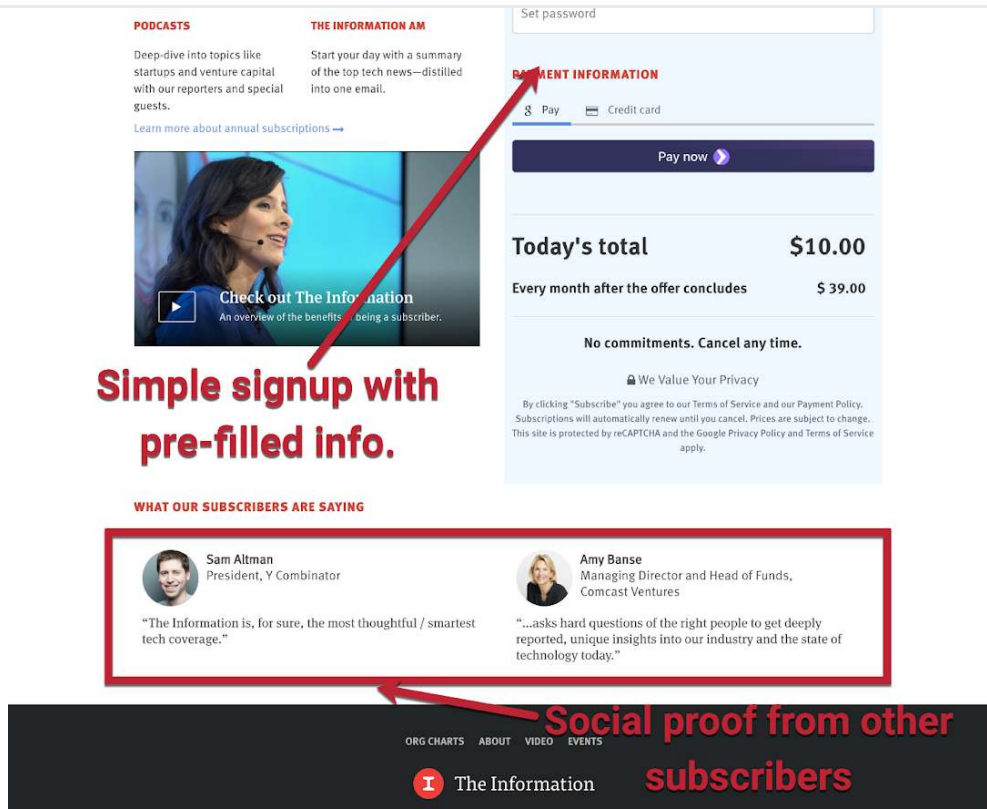
Inside their drip emails, they offer a \$10 trial for one month, which is 75% off their normal price.

Take advantage this special offer—**subscribe today for only \$10** for your first month to try out all of our offerings above.



Readers who click that link are taken through to a special sign-up page.

A screenshot of the 'The Information' newsletter sign-up page. At the top left is the 'The Information' logo. Below it, the headline 'Subscribe today for \$10 for your first month' is enclosed in a red rectangular box. Underneath the headline is the text 'Unlimited access to in-depth tech stories you won't find anywhere else.' Below this is a row of four icons with corresponding text: 'EXCLUSIVE ARTICLES' (document icon), 'DAILY NEWS ANALYSIS' (notepad icon), 'VIDEO SUMMITS' (two people talking icon), and 'GLOBAL EVENTS' (group of people icon). A red arrow points from the 'Make offer and benefits clear' text to the 'Subscribe today for \$10' headline. Another red arrow points from the 'GLOBAL EVENTS' icon to the 'Make offer and benefits clear' text. At the bottom, there is a section titled 'What else is included in my subscription?' with sub-sections for 'THE INFORMATION MOBILE' and 'SLACK COMMUNITY'. To the right of this is a section titled 'ACCOUNT INFORMATION' with a form for entering details.



The screenshot shows the 'The Information AM' subscription page. On the left, there are sections for 'PODCASTS' and 'THE INFORMATION AM'. A red arrow points from the 'Check out The Information' video player to the 'PAYMENT INFORMATION' section. Below this, a red box highlights testimonials from Sam Altman and Amy Banse, with another red arrow pointing from the box to the text 'Social proof from other subscribers'. The 'PAYMENT INFORMATION' section includes a 'Set password' field, a 'Pay' button, and a 'Credit card' option. It also displays 'Today's total' as \$10.00 and 'Every month after the offer concludes' as \$39.00. A 'Pay now' button is visible. At the bottom, there is a navigation bar with links for 'ORG CHARTS', 'ABOUT', 'VIDEO', and 'EVENTS', and a logo for 'The Information'.

Simple signup with pre-filled info.

Social proof from other subscribers

Let's zoom in on one important piece of this page: the account and payment info.

The Information is doing a couple things really well here:

- **Pre-filled data** — They make sign-up a little easier by pre-filling someone's email address.
- **Clarify offer** — They clarify that next month's bill will be full price. You will be surprised by how many customers miss this. Clarify it as well as you can upfront.

ACCOUNT INFORMATION

Full name

ethanbrooks@hustlecon.com

Not ethanbrooks@hustlecon.com? Click here to change your settings.

Set password

PAYMENT INFORMATION

Pay Credit card

Pay now

Today's total **\$10.00**

Every month after the offer concludes **\$ 39.00**

No commitments. Cancel any time.

We Value Your Privacy

By clicking "Subscribe" you agree to our Terms of Service and our Payment Policy. Subscriptions will automatically renew until you cancel. Prices are subject to change. This site is protected by reCAPTCHA and the Google Privacy Policy and Terms of Service apply.

Some people prefer to offer a free trial and don't ask for payment info during this step.

For example, Kevin Van Trump, founder of agricultural newsletter *The Van Trump Report*, opted to offer a free 30-day trial:



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FARMCON

AgSwag

FARM TANK

VAN TRUMP
AG SOLUTIONS



Get The Van Trump Report FREE for 30 Days



better execute by making more informed decisions.



I have been in the trading and investment industry for over 30 years. I started at the Chicago Mercantile Exchange, worked at the Chicago Board of Trade and the Kansas City Board of Trade. Along my journey, I became friends with some of the largest and most successful traders and investors in the industry. This network has unlocked doors to proprietary research, tools, and strategies that in the past were only available to top insiders. I now pass this information and knowledge along to subscribers in an easy to read format.

I have also developed friendships with owners of top Artificial Intelligence and Algorithmic trading firms, which has given our team a better understanding of the dynamics and technological changes taking place in the markets. We believe, by gaining a better understanding of how the High Frequency and computer-based trading models operate, we can stay a step ahead, better maneuver and reduce risk.

I am also an angel investor in several Ag-Tech startups and provide a valuable perspective and insight about the future of agriculture. I believe there's massive execution risk for those in the agri-business space who are slow to adopt. Remember, as Rick Warren says, "Irrelevance happens when the speed of change outside an organization is greater than the speed of change inside and organization."

As technology advances, so does access to headlines, news and information. More than ever, you need someone on your team who can best separate the music from all of the noise. I believe my years of experience in the markets and access to valuable research and information can help guide you.

It is the rate and speed in which "change" is occurring that is making it so difficult to forecast. You can not rely on old-school thoughts or ideologies to navigate the waters ahead.

Thank you in advance for your time and consideration. I hope you find value in my daily report.

— Kevin Van Trump

Sign Up For Your Free Trial

First Name *

Last Name *

Email *

Phone * (US / Canada):

Country

--None--

I Most Consider Myself

--None--

Where did you hear about us?

--None--

Submit

Collects important demographic and marketing info on audience



Have questions? Give us a call at:
(816) 322-5300

Personal touch

Van Trump is going for a much more personal touch here, using his headshot and a letter from him, and listing a direct phone number to get in touch.

He also collects information on subscribers, like what they do for work and how they found his newsletter, both of which could help him with writing or even be used to create targeted drip campaigns that will ultimately convert people to paid readers.

5. Creating New Paid Subscriptions



one free newsletter, two front-end, and three back-end. Combined, they generated ~\$20m+ in 2019. (He also created an investment algorithm, so don't salivate too hard, investment writers.)

For front-end subscriptions, the goal is to grow each one to tens of thousands of subscribers. As long as the topic is narrow (and interesting) enough to attract a paying audience, that's generally possible.

Back-end newsletters often need a bit more consideration.

Here's the framework Altucher uses when he thinks about developing new high-priced info products:

1. Does it work?
2. Will it keep working?
3. Can it pass the copywriting test?

1. Does it work?

Duh. If you're selling information, you gotta be sure the information is good.

2. Will it keep working?

You also need to be sure the information will keep working even if a bunch of people sign up and begin using it.

If your audience is competing too heavily among themselves to apply your information, the list will eventually self-cannibalize and people will walk away.

For example, a newsletter about "thinly traded" stocks — those that trade in low volumes and aren't easy to liquidate — may be self-defeating. If demand goes up too much, the value of the stock will change and most of your readers won't be able to benefit from your insight.

The travel guide company *Lonely Planet* writes about secluded beach towns and romantic getaways off the beaten path. Tourists read the guides and flock to these towns, ending the quiet, authentic charm that drew them there in the first place.

If you're going to sell a paid subscription, make sure that whatever you write about will continue to work, even as the number of subscribers grows. Otherwise, cap the number of readers and keep increasing the price to control demand.

3. Can it pass the copywriting test?

A great copywriter can sell almost anything you can imagine, but you must be able to imagine it clearly. One of the first things Altucher does when dreaming up new products is put them through the “copywriting test.”

“You have to answer all the questions that a copywriter would ask,” he told us.

“You know, *Is this unique? Is this urgent? Is this ultra specific? Is this, you know, useful?*”

Answer these questions for yourself upfront.

6. Retention

As we pointed out earlier, one reason paid newsletters are so great is because they introduce recurring revenue into your business. Of course, in order to get that, people need to renew their subscriptions.

The art of getting people to renew is called “retention,” and understanding your retention rates allows you to...

- **Predict revenue more accurately**, which in turn allows you to plan for things like marketing and hiring.
- **Define the lifetime value (LTV)** of each reader, which helps you understand how

In this section, we'll look at two keys to retention, then go through the formulas you'll need to calculate your retention rate.

Two Keys to Retention

While there are lots of ways to try to get people to stick with your paid newsletter, they can be boiled down to two main categories:

- **Transactional tactics:** Anything having to do with the actual process of renewing.
- **Product usage tactics:** If you can get someone to use (and love) your newsletter after they sign up, they're more likely to stick around.

Let's take a quick look at each.

Transactional Tactics

Transactional tactics are those that have anything to do with modifying the actual process people go through in order to renew, such as:

- Billing monthly vs. yearly
- Sending renewal notifications
- Dealing with credit card transactions

Anything that makes the renewal transaction happen more smoothly falls into this category.

Should you bill monthly or yearly?

Unfortunately, there's no clearcut answer to this — the best option will be different for each audience.

But we can give you some concrete things to think about:

- **Psychology** — For high-priced back-end newsletters, people often like to “rip the Band-Aid off” by paying all at once rather than see their statement get charged



- **Chargebacks** — A chargeback is a payment reversal, either because a customer disputes a charge, asks for a refund, or their card fails. Chargebacks suck because you, as the merchant, typically incur a fee when they happen (and worse, you often lose the customer).

If you're running a low-cost front-end newsletter charging \$5-\$10/mo., people can typically afford that without their credit card bouncing. Higher monthly charges can be a different story, so if you're selling a more expensive subscription, consider billing all at once.

- **"Warm" cards** — The longer you go without billing someone's card, the more likely the billing information will be out of date when you do charge them.

Email Billing Notifications

Since most subscriptions run on auto-renew, your goal is to try to keep people from shutting that off.

By law, you need to notify someone if you've billed their credit card, but you don't always need to tell them in advance (this varies from place to place, so be sure to double check for your location). Many subscribers are slow to cancel a subscription or request a refund after a payment has already gone through.

Of course, you don't want to rely solely on people's laziness — you want them to renew their subscription because they love your newsletter, which brings us to the second crucial point on retention.

Getting People to Use (and Love) Your Newsletter

If you can get people to use your newsletter — not just read it, but apply it somewhere in their life — they're much more likely to see its value and renew their subscription when the time comes.

Jordan DiPietro, the head of HubSpot's content team, says that the ideal time to

Prior to HubSpot, DiPietro was a senior leader at *The Motley Fool*, where he honed many of these insights over the years. The *Fool* calls this their “Welcome Experience” and dedicates lots of attention to it. They have experimented with direct mail welcome packets, surprising people with something physical:



And even gift boxes...



They could experiment with these things because they knew the LTV of a renewing client, and how much they could spend to get that person excited about their product. A more engaged reader is more likely to renew, and thus, has a much higher LTV.

We'll talk more about LTV in the growth section, but first, let's take a quick look at the formulas used to calculate retention rate.

Retention Formula

There are three important formulas used in tracking and analyzing retention rate, and people often mix them up. They are:

- **Net Refund Rate:** The percentage of readers who ask for a refund within 30 days of purchasing
- **Net Renewal Rate:** The percentage of renewals still active one month after their first year's renewal
- **Net Retention Rate:** $(1 - \text{refund rate}) * (\text{renewal rate})$

Most companies offer some sort of refund period, whether it's three days or 30, and people will definitely use it from time to time. So it's important that when you're calculating your retention rate, you take refunds into account.

Let's take a look at each below. For the sake of this example, we'll assume you have a 30-day refund window:

If 100 people purchase on Day One, and by the end of your 30-day refund period five people have refunded, you have a **5% net refund rate**, and you now have 95 customers.

Then let's say that one month after your renewal period, 70 of those 95 people renew. **Your net renewal rate is $70 / 95 = 73.6\%$.**



In this case, your net retention rate is $\rightarrow (1 - 0.05) * (0.736) = 70\%$.

A good year-one retention rate is 50%–60%. But, as the years go on, that figure can climb as high as 80% from the people renewing for their second, third, or fourth time.

Retention rate is one of the many things you'll continually try to improve as you move deeper and deeper into the life of your newsletter.

There's no magic bullet.

It'll take patience, curiosity, and a lot of testing with your audience. But at this point you've got everything you need to get that ball rolling, and we wish you the best of luck with it.

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Ethan Brooks

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