

This sheet is a handout material from Udemy course:

[Essentials of Software-as-a-Service \(SaaS\) Business.](#)

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4.4 Specifics of Free Trial Models - Part 3

Opt-in vs. Opt-out Free Trial

When designing free trials, SaaS companies often debate whether or not to require credit card information upon sign-up. Both approaches have their advantages and disadvantages, influencing customer behavior. In this and upcoming lecture we will learn about two models that are used in the context of whether or not a credit card is required at the time of signing up for a free trial. They are called Opt-out and Opt-in models.

Opt-out Model

Opt-out Model: users provide card details and must actively opt out if they decide not to continue with the paid service

PROS	CONS
<ul style="list-style-type: none">• users are generally more committed and, therefore, more likely to become paying customers	<ul style="list-style-type: none">• discourages potential users from signing up in the first place
<ul style="list-style-type: none">• helps mitigate scenarios where individuals might attempt to exploit the trial by signing up multiple times with different email addresses	<ul style="list-style-type: none">• automatic charges at the end of the free trial can lead to customer dissatisfaction



Send reminder emails before the trial ends.

Adopt a non-automatic billing approach.

Firstly, we have an Opt-out free trial model that requires users to provide their credit card details upon sign-up. Under this setup, users are automatically enrolled in a paid subscription at the end of the free trial, and must actively opt out if they decide not to continue with the paid service. This approach can lead to a higher level of commitment. Potential customers who enter their credit card details are more likely to convert to paying customers at the end of the trial. Additionally, this model helps prevent scenarios where a potential customer might repeatedly sign up for multiple trials using different email addresses, as each account must be linked to a unique credit card.

On the other hand, requiring credit card information right from the start may act as a barrier, deterring potential users from signing up. People may be skeptical about committing their

financial details before they've decided the value of the service. Additionally, there is a risk of customer dissatisfaction if they are automatically charged at the end of the trial without clear communication. To prevent dissatisfaction from surprise charges, it's crucial to establish a clear communication plan. This would include sending reminder emails to users ahead of the trial's end, clearly outlining any impending charges. Such transparent communication helps in building trust. Furthermore, implementing an opt-in billing model where users explicitly agree to continue with a paid subscription can enhance customer satisfaction by giving them control over their subscription decisions.

Opt-in Model

Opt-in Model: users can use a service or a product without submitting credit card details at sign-up

PROS	CONS
<ul style="list-style-type: none">lowers the psychological barriers and potentially leads to a larger initial user base	<ul style="list-style-type: none">the conversion from free trial to paid subscription can be lower
<ul style="list-style-type: none">fosters greater trust and a more positive user experience	<ul style="list-style-type: none">a higher risk of users exploiting the service by signing up multiple times using different accounts

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Implement alternative strategies, such as email or phone verification.

Next, we have the Opt-in free trial model that allows potential customers to use a service or a product without submitting credit card details at sign-up. Utilizing this model can significantly lower the psychological barrier for potential users and attract a broader audience by eliminating the fear of unwanted charges. This approach is particularly appealing to customers who are cautious about committing financially or have had negative experiences with free trials in the past.

However, this approach is not without its challenges. One significant drawback is the typically lower conversion rates from free trial to paid subscription. Since users haven't committed their payment details, they may feel less attached and could be more likely to discontinue the service once the trial period ends.

Also some users may just be testing the waters thus they might not be high-quality leads. This can lead to potential abuse, with users creating and signing up with multiple accounts. In case we don't want to ask customers for financial information upfront, we can implement alternative strategies, such as email or phone verification. This can limit the ability of users to create multiple accounts by linking each account to a unique phone number and verifying it via SMS.