

# Retention cheat sheet

16 tactics to drive customer LTV

Retaining subscribers is no simple task, yet the common advice out there is usually vague and unhelpful: “be customer-centric” or “build trust through relationships.” Rather than repeating these glib tips, we’ve culled the following recommendations from conversations we’ve had with top subscription company executives.

## How to mitigate voluntary churn

### 1 Start thinking about how you’ll retain your customers from the moment they sign up

As soon as the first renewal date comes up, your subscribers are a flight risk. Mitigate this risk from the get-go by learning as much as you can about your customers during the onboarding process so you can personalize their experience. For example, PupBox asks its subscribers about their dogs’ names, birthdays, sizes, coat types, and allergies, so they can send highly relevant boxes from day one and deliver personalized treats when they think a customer might be at risk of churning.

### 2 Create a consistent engagement journey to increase stickiness

The first 30-60 days of your subscriber’s experience with your brand and service are critical. Ensure you’ve mapped out what those multi-channel communications will look like, taking into consideration the different segments of your customers based on product preferences, behavior, and demographics. If you have an annual renewal cycle, consider flipping that same attention you put into an onboarding journey into a “renewal journey.” You can remind your subscriber of the value they’ve received from their subscription 30-60 days prior to renewal.

### 3 Incentivize subscribers to sign up as a group

The more people on a single account that use your product or service, the stickier your subscription and the higher your revenue per account. By introducing a quantity-based billing model and offering discounts, you can make it easier for customers to rationalize adding more than one user to their account. Phone carriers,

for instance, have long promoted family plans, while streaming services have also recently unveiled family pricing so multiple people can be on a single account.

## **4 Partner with complementary brands on subscription bundles**

Lots of subscription offerings complement, rather than compete, with one another, especially in the B2C space. Consider teaming up with other companies to offer bundles that not only give subscribers more bang for their buck, but also increase subscriber stickiness. Disney, for instance, created The Disney Bundle, a single subscription offering that gives customers access to Disney+, Hulu, and ESPN+, making it more difficult for customers to leave. Bundling isn't just for streaming companies, though; physical subscription box companies can also come together to offer custom bundles aimed at a single audience.

## **5 Combine physical and digital goods to create a comprehensive experience**

Create a truly immersive experience around your brand by offering both physical and digital goods and services that work in concert. Peloton, Apple Fitness+, and Mirror are excellent examples of fitness brands that combine hardware (a fitness machine, smart watch, or smart mirror) with custom programming to engage customers in a way (and at a price point) that traditional gyms find hard to match. Outside of fitness, a meal kit company could not only send ingredients and recipe cards, but also organize virtual dinner parties for single people who want to meet others like them over video chat.

## **6 Use data to your advantage**

You're likely sitting on a wealth of data about your subscribers, from demographic information to transaction-level data, that you can use to boost customer retention and engagement. Look at subscribers who have already churned and try to find patterns that might explain why they left you. For instance, if you provide physical goods and people in a certain geographic area tend to churn at a higher rate, maybe you should examine if delivery delays are playing a role. Data can also help you create a subscriber engagement journey that's customized based on what previous customers in a particular subscriber's cohort(s) were receptive to.

## **7 Use events as a way to connect with current and potential subscribers**

Many companies successfully leverage virtual and physical events to both attract new subscribers as well as keep existing ones happy. This is especially popular in the digital publishing space, since media companies are naturally experts at brokering conversations through events like book club discussions, seminars, panel discussions, and more. Keeping at least a portion of these events exclusive to your subscriber base can help you increase the stickiness of your subscription offerings.

## **8 Build your pricing and promotion strategy wisely**

As you pay closer attention to your retention numbers, make sure your acquisition tactics lend themselves well to long-term retention instead of attracting a raft of flaky subscribers. Get your subscribers to think about the long-term value of your subscription offering. For example, movie theater chains that offer a subscription

offering should consider offering half off for two months, instead of one free movie, to get subscribers in the habit of going to the movies regularly. Find out what the time-to-value is for your product or service and align your promotional strategy with this timeline.

## 9 Let your subscribers cancel—but not without putting up a defense

The cancellation screen, usually considered an afterthought, can actually be a powerful retention tool if designed well. To discourage cancellation, offer alternate options, such as the ability to temporarily pause, a different way to pay, an alternative plan, or a new billing date. Consider offering a promotion to subscribers who agree to stay with you, such as 30 days free. You can also provide a gift option; just because one subscriber doesn't need your product or service any longer doesn't mean they don't know a friend or family member who would benefit from it. All the while, emphasize the value of your offerings: remind customers of all the benefits and advantages they'll lose out on if they cancel their plan.

## 10 Even if your customers say goodbye, preserve the goodwill

No matter what, you're always going to face some amount of voluntary churn every billing cycle. Nevertheless, it's possible to create a positive experience that'll make your subscribers more likely to recommend you to their friends and family. For example, a customer of Chewy, a pet food delivery service, recently wrote a [post](#) about Chewy's excellent post-cancellation customer experience. When the customer's pet passed away, she alerted Chewy, which sent the customer flowers and a handwritten note acknowledging her loss. In the customer's own words, "I have since told every pet owner I know of this extraordinary experience...three of my closest friends have cancelled the recurring orders with other distributors and switched over to [Chewy]."

# How to mitigate involuntary churn

## 11 Create a more seamless "resubscribe" experience

Win-back campaigns are a tried and true tactic, but they're expensive to run. You should only target those subscribers who have churned but whose billing info is current. For example, if a subscriber churned three months ago but you know the credit card you have on file is still valid, you can get them to resubscribe with just a few clicks, without forcing them to enter new billing info. To do this, partner with a subscription management and billing platform, like Recurly, that securely vaults your subscribers' credit card information (instead of relying on a third party for vaulting) and can verify the validity of this billing info.

## 12 Leverage automation to update outdated or expired card information

Credit cards are ubiquitous, but one common problem is that their information frequently changes, from card numbers to expiration dates. When you have thousands of subscribers, you have to deal with many of these changes every single billing cycle. It's no wonder 13% of all recurring transactions are at risk of failing.

Manually updating card details is a waste of time, but more importantly, it's simply infeasible. Fortunately, most gateways and some subscription management platforms offer an Account Updater to automatically update card numbers as they change, a set number of days before a new billing cycle commences. But you should go further and partner with a subscription platform like Recurly that can automatically push expiration dates out as well if necessary.

## 13 Retry failed transactions at the right time

Even with Account Updater functionality and expired card management in place, transactions can still get declined, and trying the transaction again is the best course of action. But retrying randomly is like throwing darts blindly—you don't know which attempts will succeed. A subscription management platform like Recurly can help you retry transactions intelligently by leveraging a vast number of data points and machine learning algorithms. Because Recurly has billions of transactions under its belt for companies in a wide variety of industries, we can put this information to work and implement the retry schedule most likely to succeed.

## 14 Make your dunning emails impactful

Your dunning emails should drive urgency and project your brand without driving subscribers away. First, make sure your subscribers know what you need them to do—update their payment information—but don't threaten to cut off their service. Second, instead of sending your dunning emails from a generic no-reply@ or hello@ email address, consider making the “from” or “reply to” address someone recognizable on your team to give them a more personal touch. Finally, ensure your dunning emails reflect your brand voice: give your emails some degree of levity and creative design—a boring, plain text email may not get read at all.

## 15 Make sure your alternative payment methods (APMs) are optimized for recurring payments

APMs have proven hugely popular: **according to** a 2019 survey by American Express, 71% of consumers report using APMs like PayPal, Venmo, or Zelle. But not all of them are alike. Before enabling every APM under the sun, make sure they're right for your business. Venmo, for instance, just introduced consumer-to-business payments, and enabling Pay with Venmo could be a powerful way to attract younger buyers. PayPal is more popular among more mature consumers, but churn may be higher because PayPal makes it simple for consumers to cancel their subscriptions from within PayPal itself.

## 16 Consider how high price points might cause higher charge declines

Some subscription offerings, such as box-of-the-month clubs or B2B offerings, can be pretty pricey. It's not uncommon for recurring revenue businesses to offer a discount if consumers are willing to pay annually instead of monthly, but if your subscription comes in at a high annual price point, you might experience higher involuntary churn rates than if you charged on a monthly basis. For example, a single annual charge of \$900 may be less likely to succeed than monthly payments of \$75.