

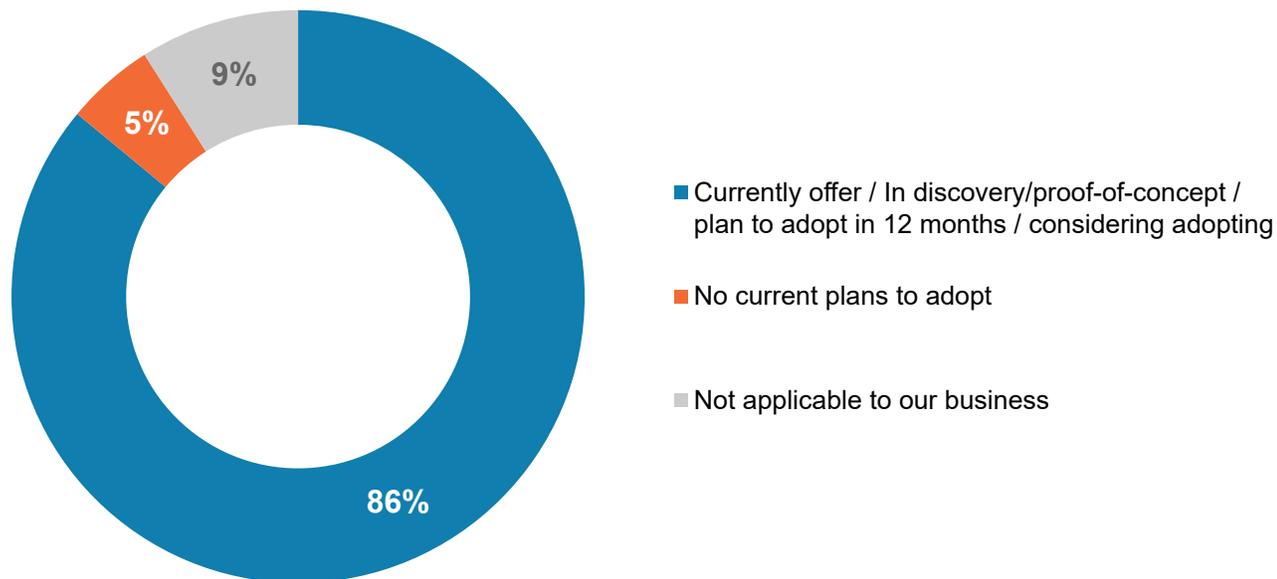
Subscriptions Are on the Rise: Top Considerations When Selecting a Subscription Management Partner

The 451 Take

Subscription products and services are – quite literally – taking off across a variety of industries, ranging from transportation to grocery to food and beverage. Volvo, for instance, launched ‘Care by Volvo,’ which gives consumers access to a vehicle, insurance and maintenance for a monthly fee. Tonal, a fitness company, launched a subscription service offering exercise coaching videos to complement its strength-training machine. Merchants are increasingly shifting from an exclusive focus on one-off sales to incorporating subscription services within their product mix.

Subscriptions are penetrating nontraditional verticals and are demonstrating efficacy across a wide range of consumer segments. We’ve found that COVID-19 has only served to accelerate this trend, further increasing consumer appetite for subscriptions and fueling greater enterprise adoption. According to our 2021 Voice of the Enterprise Merchant Study, 86% of merchants either currently offer, are in the discovery/proof-of-concept/planning phases, or are considering offering subscription services.

Many Merchants Are Planning to Launch a Subscription Offering



Q. What are your organization's plans to provide customers with the following shopping experiences? -Subscribe to various products or services (e.g., subscriptions clothing plan, meal delivery, digital content)

Source: 451 Research's Voice of the Enterprise: Customer Experience & Commerce, Merchant Study 2021 (n=252)

In addition to delivering recurring value for customers, subscriptions can be a strategic tool for enterprises looking to level-up their market position. Prominent value-adds include:

- **A recurring revenue stream.** Subscriptions enable businesses to better predict revenue and demand from an established customer base. This predictability allows businesses to better manage inventory and project earnings. Recurring cash flow from a subscription model may also provide added security to invest in innovation for further growth.
- **Increased customer lifetime value.** Customers spend more with subscriptions over time than they do with intermittent purchases. Subscriptions also provide the opportunity for businesses to upsell consumers on subscription upgrades, further growing customer lifetime value.

- **Improved retention and loyalty.** Subscriptions provide a continuous customer touchpoint, which may strengthen the customer relationship, drive customer loyalty and enhance brand advocacy. Automating the ordering process ensures that customers are consistently delivered goods or services, keeping their attention on the subscription provider and away from the competition. Over time merchants can learn their customers' preferences and personalize product offerings to strengthen customer loyalty. According to our Voice of the Connected User Landscape Q1 2021 survey, brand loyalty was the leading reason consumers prefer to buy directly from a brand vs. a retailer or marketplace.

Business Impact

A strong subscription management partner can accelerate growth by providing insights into the health of the business, enhancing customer relationships and automating operations – while preserving company security and compliance. To find the right partner, we advise prioritizing several key attributes when selecting a subscription management platform:

Flexibility for customers. Flexible pricing and billing schedules enhance the customer experience. Consider that 54% of consumers agree that they are less likely to cancel a subscription if the terms are flexible (e.g., skip a month, cancel at any time, easy upgrade/downgrade). Partners capable of supporting flexible pricing also help enable businesses to personalize plans, test new pricing and quickly adapt to changing market conditions.

Scalability and geographic expansion. Expanding into new markets requires accepting local payment methods, supporting multiple currencies, and navigating compliance and tax requirements. Infrastructure that can readily support increased transaction volume while reducing operational complexity is crucial if businesses want to expand their market reach. A subscription partner that offers such services and integrates with multiple payment gateways will allow businesses to expand globally while minimizing logistical complexity.

Automation and optimization. Billing automation reduces human cost and error. The ability to also support transaction retries, routing logic, and chargeback prevention and management are critical for minimizing payment-related errors, driving growth, and maintaining customer trust and loyalty. A strong partner will approach payments not as a 'cost of doing business' or a commodity, but as a strategic lever for growth. Working with a partner that can help limit false positives and route payments to the most efficient gateway will drive successful sales without jeopardizing the customer experience.

Looking Ahead

We expect that more merchants will adopt subscription services in response to increased consumer demand and the continued acceleration of digital commerce. Our research finds that 64% of consumers currently use a subscription service – and of these, more than half (51%) say they started at least one of their subscriptions due to the COVID-19 outbreak. What's more, it's clear that subscriptions are sticky. Consider that in every subscription category where we surveyed consumers, over half of new users indicated that they were very likely to continue their subscription services even after COVID-19 restrictions are fully lifted.

Consumers continue to value convenience, and subscriptions play a major role in removing friction associated with the shopping, ordering and checkout processes. We advise enterprises that are preparing to launch a subscription offering to double down on transparency and flexibility, which will continue to be key values for consumers and the cornerstones of brand loyalty.

Chargebee

Chargebee's global subscription management platform empowers businesses to maximize revenue and growth by offering the pricing flexibility and self-service options that increase customer loyalty. Our infrastructure is built to adapt and scale as businesses evolve and expand into new markets.

The platform delivers enterprise-class security and compliance with 25+ payment gateway and 30+ core system integrations that enable lifecycle automation and safely reduce risk. Subscription analytics reveal the insights needed to drive optimizations and strategic decisions. To learn more, go to chargebee.com.