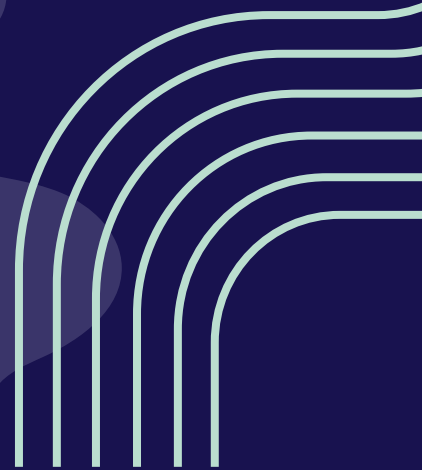
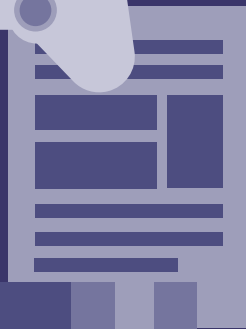
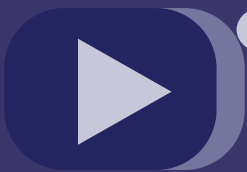


Last Revised on 10/02/2023

2023 ANNUAL REPORT

Subscription Commerce Industry Outlook

under the authority of  **SUBTA** in partnership with  **Attest**



Presented at

 **SUBSUMMIT**

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KEY 2023 TRENDS

Loyalty, Relationships & Retention

Today's consumer relationships with subscription brands outline a clear theme in 2023: Companies aren't in control, customers are – and they are less dependent on subscriptions as they once were during Covid-19.¹

However, shoppers continue to be enamored with the benefits of the recurring revenue business model.

This would explain why, despite global concerns surrounding the economy from both businesses and consumers, the subscription industry, which was initially expected to reach **\$200B by 2023²**, is in fact **worth \$2T today**, according to SUBTA research.



¹ SUBTA Covid-19 Report

² The Business Research Company

The evolution and success of the subscription commerce economy both stem from the most important aspect of any transaction: People. While spreadsheets belittle the role consumers play in the success of modern (and for that matter, past) businesses, the people's voices, needs, and habits need to be heard on a recurring basis if a company wants to thrive in today's ultra-competitive e-commerce landscape — which has surpassed \$1T in sales for the first time in 2022.³



Christopher George
CEO of SubSummit

The biggest difference we've identified in 2023 is that the competition has now gone beyond companies' respective verticals.

Last year, we learned that for every subscription a customer adds, they cancel another, which has never happened before.⁴ Today, brands are competing for consumers' share of wallet. This means that if you're in the beauty industry, you're competing with Netflix, for example."

These profound changes in consumer behavior beg the following question: What does it take to build a lifelong, recurring relationship with a customer? This report will go in depth about what the answer actually is: **A rewarding experience that is tailored to a consumer's unique needs no matter how drastically different they might be from one day to the next.**

As of Q1 2023, most U.S. adults are active subscribers, according to a Subscription Trade Association (SUBTA) survey conducted in partnership with Attest. In fact, 95.8% of consumers have at least one subscription.

**Most U.S. adults
are active
subscribers**



~96%
have at least
one subscription

³ United States Census Bureau

⁴ Encouraging People to Cancel - SubSummit 2022

INDUSTRY OUTLOOK

Key Takeaways



Paul Chambers,
CEO of SUBTA

It's imperative to understand who you're selling products and services to on a deeper level.

The only way you can entice consumers to develop brand loyalty is through constant, personalized communication, and a comprehensive library of data analytics that empower you to anticipate a customer's needs before they even realize what's missing."

The 2023 Subscription Commerce Industry Outlook Annual Report is an accumulation of customer surveys, industry-wide data, and expert advice. It's designed to help consumer subscription – or soon to be – businesses of all sizes and verticals with the following:

- Gain a better understanding of what nurturing lifelong subscribers entails
- Develop meaningful connections with engaged and disengaged customers
- Enrich offerings to show consumers and respective target audiences the numerous benefits of subscribing

"Thank you for downloading the 2023 Annual Report, we can't wait to see how you leverage the insights we've gathered to elevate your brand!"


*Christopher George, CEO of SubSummit
Paul Chambers, CEO of SUBTA
John Haji, Head of Partnerships*





LOOKING AHEAD

Exceeding Customer Expectations Through Communication & Data



Today's customers see every brand they do business with as replaceable, and that includes subscriptions. However, the companies that invest in subscriptions, memberships, and the recurring revenue business model possess an incredible advantage: **Reliable first-party data.**

Every direct-to-consumer business needs a deeper understanding of its customers that goes beyond a one-off transaction. The subscription model allows brands to capture data from the moment someone visits the site to each time their subscription renews — as well as if a cancellation or return occurs. As third-party data is slowly fading away with the rise of Web 3.0,⁵ so is a marketing team's ability to understand and engage with its target audience without the recurring revenue business model.

⁵ Gartner

Best Acquisition Strategies for 2023 & Beyond



In 2023, it's more challenging than ever to capture a customer's attention for longer than a few seconds. In fact, 69.7% of women say that they can't even remember the type of promotion that pushed them to actively subscribe to a brand, according to an Attest survey conducted by SUBTA.⁶

Despite this promotion fatigue consumers seem to be experiencing, data shows that traditional marketing efforts still work and provide a great return on investment, as illustrated below.




Most effective sales channel, per gender ⁷

Females




16-20 years old

-  Social media ad
-  Email
-  Organic social media post




21-25 years old

-  Social media ad
-  Organic social media post
-  Direct mail




26-30 years old

-  Email
-  Social media ad
-  Organic social media post




31-35 years old

-  Social media ad
-  Organic social media post
-  Email




36-40 years old

-  Email
-  TV commercial
-  Social media ad




41-45 years old

-  Email
-  Google Ad
-  TV Commercial




46-50 years old

-  Organic social media post
-  Google Ad
-  TV commercial

51-55 years old

-  Organic social media post
-  SMS
-  TV commercial

56-60 years old

-  TV Commercial
-  Email
-  Social media ad

⁶ Attest

⁷ Attest

Males

16-20 years old

- Email
- Social media ad
- Google ad

21-25 years old

- Organic social media post
- Email
- Social media ad

26-30 years old

- Social media ad
- Email
- Google ad

31-35 years old

- Social media ad
- Organic social media post
- Google ad

36-40 years old

- Social media ad
- TV commercial
- Organic social media post

41-45 years old

- Email
- Google Ad
- TV Commercial

46-50 years old

- Social media ad
- TV commercial
- Email

51-55 years old

- Email
- TV commercial
- Social media ad

56-60 years old

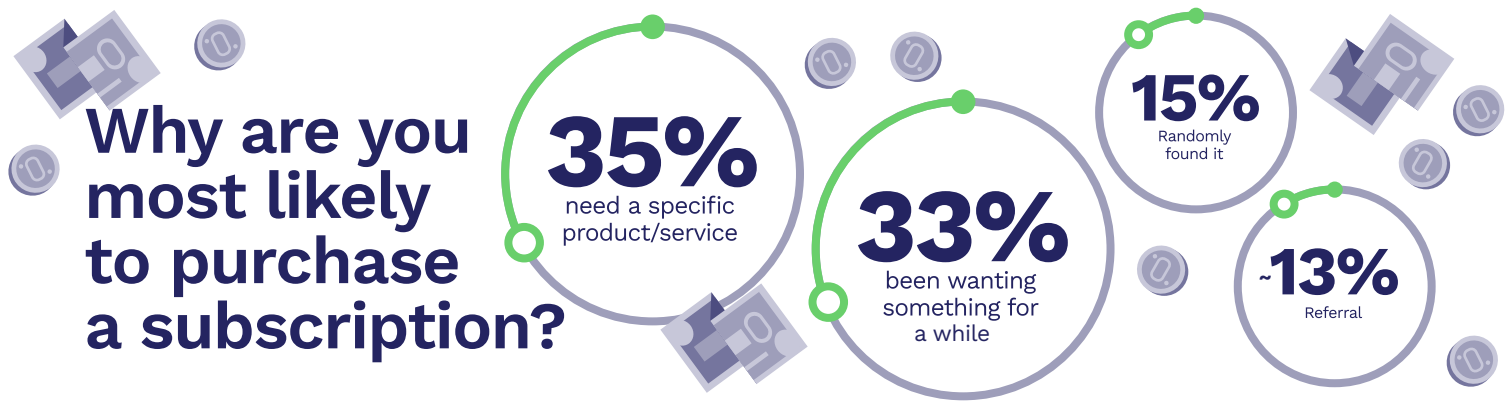
- Email
- Social media ad

Email and social media remain the most effective sales and acquisition channels overall. Additional data shows that more than 50% of consumers reported making a purchase after receiving an email in the last 12 months.⁸

Social media usage has evolved since the start of the coronavirus pandemic. Short-form videos are taking over the most popular platforms in the world like TikTok, Instagram, YouTube, and more. The impact they have on consumers is undeniable; nearly 90% say they purchased something after watching a video.⁹

⁸ Marigold

⁹ Wyzow



A great post, email, or TV commercial will not yield great results if individuals aren't ready to make a purchase. In 2023, timing is everything; 35% of consumers revealed that they are more likely to actively subscribe to a product or service when they need it for a specific purpose.¹⁰ In most other cases, it's because they've been wanting a product or service for a long time (33%).

As stated during SubSummit 2021, consumers are more focused on usage than ownership. "We just want to use what we need when it's needed," said Tien Tzuo, Founder and CEO of Zuora.¹¹

Consumers are no longer comfortable owning products and services. Instead, they crave access to what will fulfill their needs and wishes quickly.

Streaming services are facing this new reality frequently. More than half of consumers say they canceled at least one streaming service since January 2023.¹² However, within that half, **73.4% went on to subscribe to another (or the same) streaming service** during that same timeframe. But why would people go back to a streaming service they canceled just a couple of months ago?

¹⁰ Attest

¹¹ The Future of the Subscription Economy - SubSummit 2021

¹² Attest

They use streaming services to access the shows they want to watch, and as these shows and movies are being passed around from one platform to another, so are consumers.



Streaming services are also starting to conquer a new frontier: Live sports. Paramount+, for example, bought the streaming rights to the UEFA Champions League in 2022, which drastically boosted its viewership and subsequently its subscriber count.



"In August, we extended the rights to air the UEFA Champions League keeping this marquee property on Paramount+ and CBS for the next 8 years. And I'm thrilled that we did. As so far this season, Paramount+ had dramatic growth in average audience in streaming minutes and in total households."¹⁶

Robert Marc Bakish
President & Director Paramount Global

Similarly, Peacock and the National Football League have agreed to a partnership to stream one of the leagues' Wild Card games exclusively on the streaming platform during the 2023-2024 season.¹⁷



¹³ Hulu

¹⁴ Paramount

¹⁵ Paramount

¹⁶ Paramount Global

¹⁷ NFL

However, not all streaming platforms feel comfortable doing so. Netflix Co-CEO Ted Sarandos reportedly said in December of 2022 that the company has “not seen a profit path” from “renting big-league sports.”¹⁸ He did mention that the company had not fully closed the door on shifting this position if and when the right opportunity presents itself.

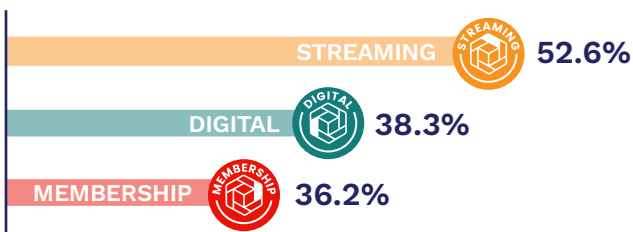
Other subscription segments are adjusting their offerings to not burden customers with too many unnecessary products or services and promote usership. Software services like Microsoft and Adobe no longer require their customers to purchase full suite packages, for example. Instead, users can pick and choose what they need and pay for it on a monthly or yearly basis.



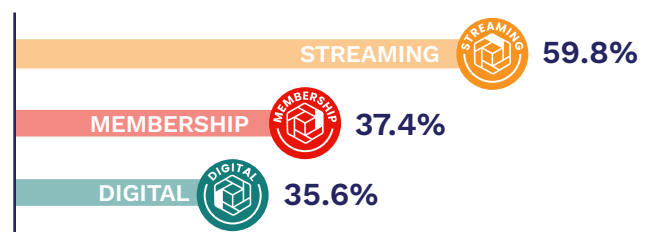
This consumer craving for usership is encouraging businesses to rethink how they analyze their churn rates — the rate at which customers leave a subscription.

“The likelihood to resubscribe goes up when it’s easier to cancel,” explained Haroon Mokhtarzada, CEO and Co-Founder of Rocket Money, at SubSummit 2022. “If you have something you’ve canceled and you’re like, ‘Wow, that was super easy,’ you’re just more likely to subscribe to that again when you need it.”²¹

Most canceled subscriptions in 2023²²



Most added subscriptions in 2023²³



¹⁸ UBS Global Technology, Media & Telecom Conference


¹⁹ Microsoft

²⁰ Microsoft

²¹ Encouraging People to Cancel - SubSummit 2022

²² Attest

²³ Attest



Another effective way to capture your target audience's attention and convert them into active subscribers is to offer strategic bundles that fulfill their needs across multiple verticals. This concept is becoming increasingly popular among the biggest companies in the world like Walmart, Disney, and The New York Times.

Bundling is in high demand in the streaming industry, with nearly 70% of U.S. consumers saying they'd rather commit to a brand that offers the "perfect bundle" than multiple streaming services at once.²⁴

Free trials have also become a crowd favorite in the last 12 months. Research shows that customers have **opted into nearly 35 million free trials globally**. Conversion rates vary across verticals, however, with the entertainment sector encountering more success (43.3% conversion rate) than consumer goods (34.3%).²⁵

Although acquisition efforts are vital to succeed in the e-commerce space, converting customers into active subscribers should not be a growing subscription business' top priority. "2023 is the year of retention," says **Christopher George, CEO of SubSummit**.

²⁴ Amdocs

²⁵ Recurly

CASE STUDY ²⁶

Verizon +play

Pros

- Exclusive access and/or savings on: Netflix, Blue Apron, FlixLatino, KOCOWA+, Hallmark Movies Now, Marquee TV, MasterClass, Paramount+, Qello Concerts by Stingray, UP Faith and Family, and Wondrium.
- Is an addition to Verizon's existing bundle with Disney+, Hulu, ESPN, etc.
- Subscribers can manage & pay all in one place

Limitation

- It is not a seamless experience to transition existing subscriptions into the +play bundle. With the exception of Netflix and Max, subscribers must first cancel their existing accounts — potentially losing existing customization and personalization — to benefit from Verizon's offering.

What Experts Are Saying ²⁷

Igor Krasnykh
CEO, Powersync
2 days · 🌐

I think what we are seeing here is just a tip of an iceberg. Bundling allows companies to offer more value to their customers at a lower price point, lowers churn, and grows customer LTV.

It will be interesting to see how this approach will continue to evolve over time.

Subscribing to a service where the consumer can substitute services (subscriptions) easily will be the future.

137

Recommend Comment Share Send

Paul Chambers
CEO, SUBTA
5 days · 🌐

Bundling and central subscription management is an essential part of the future of recurring revenue.

It's important, though, that it is done with the consumer in mind and offers flexibility and functionality with the subscriber relationship at its core.

1.2k

Recommend Comment Share Send

Ken Houseman
VP Product Management, The New York Times
10 days · 🌐

I do think these types of bundles or 'common subscription management platforms' are the future.

But they have to find a way to pass data, engagement experience and financial benefits on to the merchants.

Otherwise, merchants are going to continue to resist via off-boarding friction that encourages consumers to stay connected directly.

245

Recommend Comment Share Send

²⁴ Verizon²⁵ LinkedIn



LET'S RECAP

Best Acquisition Strategies for 2023 and Beyond

1

If you want to capture your target audience's attention, you need to invest in omnichannel marketing.

2

Most U.S. consumers subscribe to brands because they offer products/services that meet the individuals' current needs.

3

Do not give up on your lost customers. The easier you make it for them to cancel your subscription, the more likely they are to come back.

How the Recurring Revenue Model Can Help You Boost Your Acquisition Rate

Don't have a subscription offering yet? Here's how it could help you grow your business!

- **Are some of your products or services replenishable items that customers need to purchase on a regular basis?**

Offer them the chance to subscribe to your brand and save on their recurring transactions! Subscribe & Save brands are projected to have better retention rates than any other subscription-based businesses in the next 12 months.²⁸

- **Do you charge for shipping?**

Implement a loyalty program that gives users free shipping in exchange for their information so you can improve the user experience and make it more personalized. More than 90% of consumers are comfortable sharing their data with brands in return for loyalty rewards.²⁹

- **Do you offer highly priced services/products?**

Offer users to subscribe to them so they are not as hesitant to engage with your brand when seeing the price tag. For example, Homie offers users to subscribe to dryers and washers and even pay per wash.³⁰

²⁸ PYMNTS

²⁹ Marigold

³⁰ Homie

Best Retention Strategies for 2023 & Beyond

Engaging with first-time subscribers is — and should be — different than nurturing the ones who've trusted your business for months, quarters, or years. Data indicates that a majority of subscription businesses spend most of their time and resources on acquiring new customers,³¹ when in fact, they should focus on nurturing the ones they've already won over.



Amy Konary
Senior VP of Zuora's Subscribed
Institute

*One of the things we found, and we looked at the same set of customers at the end of last year, is that for the more mature companies in this index, somewhere around 80% of their revenue was coming from existing subscribers. So it is really important to be thinking beyond acquisition, regardless of whether your growth is at 1%, 2%, 3%, or greater than that."*³²

Introducing a membership to your existing offering has the potential to enrich the lives of your existing customers, making it that much harder for them to find good reasons to stop subscribing to your services.

31 The Subscription Death Curve - SubSummit 2022

32 How to Win with Retention - SubSummit 2022

CASE STUDY



The Walmart+ Membership

“If you go back to Walmart’s history, our mission as a company is to save customers time and money so that they can live better,” said Chris Cracchiolo, Senior Vice President and General Manager of Walmart+. “The idea when Walmart+ launched was to take that mission and double down on it. How do we save customers even more time and money in the areas of [their lives] that are most important to them?”

- Launched in 2020³³
- Estimated 59 million subscribers³⁴
- March 2022: Partnership with Spotify³⁵
- April 2022: Fuel discounts³⁶
- September 2022: Bundle offering with Paramount+³⁷



Chris Cracchiolo

Senior VP and General Manager, Walmart+

“Every time we offer a new benefit, we see a new stream of customers that wouldn’t have signed up prior come into the program,” said Cracchiolo. “We also see an increase in retention as well.”

Other brands that introduced a membership/loyalty program offering:

Panera³⁸
BREAD®

BARNES & NOBLE³⁹

**VICTORIA'S
SECRET**

PINK⁴⁰

The economic challenges consumers were facing in 2022 remain persistent in 2023, which means that they see subscription cancellation as an opportunity to keep their savings accounts intact. It also means you need to give them even more reasons to stay subscribed.

A membership, a bundle, or extra perks are all good strategies to take into account. Ultimately, you must provide your customers with benefits that will make them happiest.

33 Walmart

34 PYMNTS

35 Walmart

36 Walmart

37 Walmart

38 Panera

39 Wall Street Journal

40 GlobeNewswire

Why Subscribers Want to Stay Subscribed in 2023⁴¹



1. Great customer service



2. The brand is more valuable than anticipated



3. The brand gives added perks on top of the subscription



4. Timely shipping



5. The brand provides me with a product/service I can't access anywhere else

Retaining a subscriber requires a multifaceted relationship, as the Attest survey conducted by SUBTA suggests. Enriching their experiences must be your purpose if you want to increase your customer lifetime value (LTV).

Free gifts, add-ons, and samples are great tactics to leverage to increase LTV and average order value (AOV), according to ProfitWell data.⁴²



Add-ons

increase LTV by
18-54%



Samples

increase AOV by
15-25%



Free Gifts

increase AOV by
20%

The more engaged a customer is with your brand, the more successful each upsell strategy listed above will be. **Nearly 60% of consumers say they are likely to spend more money** when ordering from their favorite brands.⁴³

⁴¹ Attest

⁴² How to Win with Retention - SubSummit 2022

⁴³ Marigold

Why Subscribers Don't Stay Loyal⁴⁴



1. Poor quality of the product or service ordered



2. Lack of personalized promotions



3. Product is sold out



4. Lack of options



5. Poor customer service

The reasons for canceling a subscription and the reasons for not feeling loyal to a brand are very similar, mainly because subscriptions have become synonymous with loyalty since the beginning of the pandemic. By subscribing to a brand, consumers show they're willing to trust and stay with a company as long as the value of the products or services offered meets and — in 2023's climate — exceeds their expectations.

Two concepts mentioned in this report seem to be contradictory in nature: Loyalty and the craving for usership. If consumers aren't as concerned with owning something, why should they feel a sense of loyalty toward any brand?

“Loyalty in 2023 is not what it meant in years past. A business cannot turn customers into loyal brand advocates with a great product by itself,” says **Paul Chambers, CEO of SUBTA**. “Loyalty now stems from everything else you offer in addition to this product. Consumers will use products and/or services from the brands they have the best experiences with, which is why your success relies on your ability to engage with customers in a way that complements — rather than disrupts — their lives.”

Customer engagement, similarly to loyalty, is also different from years past. In 2023, the focus must be on personalizing every touchpoint you have with your active subscribers. Coincidentally, these two concepts are closely intertwined.

44 Marigold

There's no loyalty without an effective nurturing campaign. An overwhelming majority of consumers (82%) say they favor companies they feel are addressing them personally.⁴⁵

Generic marketing efforts are not as effective anymore, especially when it comes to email marketing. **Plain-text emails have shown to trigger 50% more engagement** than branded ones,⁴⁶ which explains — in part — why **41% of shoppers say they feel frustrated** when receiving a message that does not address their specific needs.⁴⁷

The best consumer subscriptions, such as Walmart+ or Amazon, focus on delivering a unique and personalized experience to each customer no matter what their lifecycle is.

“It's all based on customer input and feedback,” says **Chris Cracchiolo, Senior Vice President and General Manager of Walmart+**. “We're experimenting a lot. It depends on where the customer is. For example, if they're at our pickup — and we have millions of customers that do pickup — we might suggest to them, either in app or after the fact, that they should try delivery. It saves you some time, saves you a trip to the store. It depends on where the customer is and what they're doing. They might get a different message.”

Most Popular Membership Programs in the U.S.⁴⁸



⁴⁵ Marigold

⁴⁶ How to Win with Retention - SubSummit 2022

⁴⁷ Marigold

⁴⁸ PYMNTS

What the Best Membership/Loyalty Program Looks Like in 2023

According to an Attest survey conducted by SUBTA, memberships and loyalty programs are considered one and the same by most U.S. consumers. The main reason they decide to subscribe/enroll in a program are identical:

- The membership/loyalty program has extra perks users want access to
- The membership/loyalty program helps save money on orders
- The membership/loyalty program is free

Membership Subscribers



Loyalty Program Members



65.4% of consumers who subscribe to a membership say they have between one and three memberships, and a majority of those charge a recurring fee.⁴⁹

On the other hand, 45.7% of people who are enrolled in loyalty programs say they juggle between one and three programs, and they have yet to take advantage of all the perks the programs offer in most cases.⁵⁰ **56.1% say they have redeemed some of the perks offered from their loyalty program.⁵¹**

In both cases, one of the main reasons (outside of price) that would drive users to cancel their membership or leave a loyalty program is the lack of value found in the perks offered by a brand.

⁴⁹ Attest

⁵⁰ Attest

⁵¹ Attest

Top reasons customers would cancel a membership/loyalty program⁵²



1. Price



2. Perks aren't valuable enough



3. Users do not see how the program/ membership benefits them



CASE STUDY

The Battle for Lifelong Subscribers

Tesla

- Winner of 'Overall Loyalty to Make' award for the first time⁵³
- Share of One-and-Done drivers (drivers who purchase from a brand once and do not return): 39%. Industry average: 58%⁵⁴
- Full Self-Driving Software (FSD) subscription expected to be released this year.⁵⁵ Ended 2022 with 285,000+ subscribers in the U.S.⁵⁶
- "While Tesla's high share of first-time owners (83%) isn't too surprising, their ability to keep those new customers is extraordinary."⁵⁷

Ford

- Lost 'Overall Loyalty to Make' award for the first time in 12 years
- First U.S. automaker to be allowed to sell hands-free driving software subscriptions overseas (U.K.)⁵⁸
- Was U.S. top selling car brand in Q1 2023⁵⁹
- Paid subscriptions increased 64% YoY in Q1 2023
- "We want to give customers services and experiences they can't live without – including things we haven't yet imagined" - CEO Jim Farley.⁶⁰

52 Attest

53 S&P Global Mobility

54 S&P Global Mobility

55 Tesla Q1 2023 Earnings Call

56 Tesla

57 S&P Global Mobility

58 Ford

59 Ford

60 Ford



LET'S RECAP

Best Retention Strategies for 2023 and Beyond

1

Great customer service leads to better customer lifetime value.

2

The best consumer subscription brands generate 80% of their revenue from existing customers.

3

Invest in personalizing your subscribers' experiences with your brand, from the moment they log onto your site to the moment they start using your product/service.

How the Recurring Revenue Model Can Help You Convert Loyal Customers Into Lifelong Subscribers

Don't have a subscription offering yet? Here's how it could help you convert your best customers into avid subscribers and brand ambassadors!

- Analyze how many customers go back to your website to make additional purchases throughout the year and offer them the option to earn rewards for being loyal to your business. In exchange for those rewards, collect data they are comfortable sharing to optimize their individual experiences on your site.
- **Can some of your brand's valuable offerings be members-only perks?**
In exchange for a small fee, users could benefit from free shipping, exclusive discounts, more flexible payment options, etc.
- **Are you leveraging your best customers to generate more business?**
Offer the chance to those with a growing social media presence to become brand ambassadors in exchange for an exclusive loyalty program that gives them access to free perks, free products, and anything else that will help them advertise your business online. They will grow your referral rate while feeling more connected to your brand than ever.

Lowering Churn Rates Through Strengthened Customer Relationships

Similarly to 2022, inflation is forcing consumers to rethink their spending habits. As of early 2023, consumers say that the price of a subscription is the biggest reason they choose to leave a consumer brand.⁶¹

Why Customers Cancel Subscriptions⁶²



1. Price



2. Poor customer service



3. Product defect



4. Got bored of the subscription



5. Shipping delays

While reasons #2 through #5 can be resolved with better training, greater partnerships, and richer offerings, brands have to think creatively if they want to help their subscribers overcome the price barrier without lowering their profit margins.

It all starts by rethinking how you budget your time and the resources you have access to while showcasing the extensive benefits your product/service provides subscribers with.



Jennifer Cline
Director of Marketing,
SubSummit

“How can you provide added value to your community without increasing your spending?”

We found that most consumers are unaware of all the perks a subscription offers, which means you could drop your churn rate by simply educating your community on everything you are providing them with.”

More than 60% of consumers do not know the exact amount of money they spend on subscriptions each month, so it's fair to assume they may not be exactly sure how valuable your offering truly is.⁶³



60%
of consumers
are unaware

how much they spend on
subscriptions each month

⁶¹ Attest

⁶² Attest

⁶³ Attest

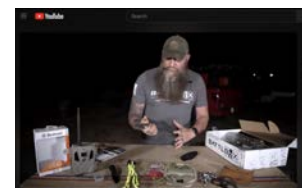
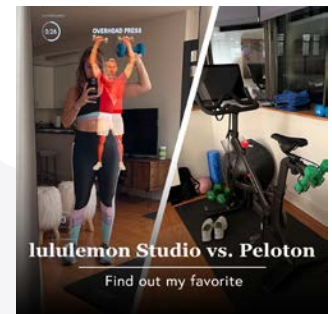
This allows you to launch a few — potentially cost-free — initiatives through your marketing department, such as:

Emails

- Let your subscribers know which perk they have yet to redeem to show how much your brand has to offer.
- Be transparent; tell them about upcoming launches and special offers that only they can have access to for a limited time before it goes out to the public. For example, Walmart+ offered its members early access to its “Black Friday Deals for Days” campaign.⁶⁴

Social Media

- Increase your direct messages (DM) response times, as more than 75% of customers expect to be helped in less than 24 hours.⁶⁵
- Leverage third-party handles to promote your brand through creative content. This strategy — commonly referred to as social whitelisting — helps you leverage another platform through paid ads to lead to a piece of content that ultimately takes the user to your site.
 - **Example:** lululemon Studio (formerly Mirror) ran paid social media ads through My Subscription Addiction for a piece of content discussing the differences between the brand and Peloton.⁶⁶ Ultimately, the content piece led users to the lululemon Studio site.
- Turn your die-hard fans into brand ambassadors.
 - **Example:** BattlBox hired long-time subscriber Brandon Currin to star in its TikTok and YouTube content. The brand has gained hundreds of thousands (and counting) of followers since.⁶⁷



Every single one of the suggested initiatives listed above will foster stronger relationships with customers, making it that much harder for them to cancel when looking at their budget.

⁶⁴ Walmart

⁶⁵ Sprout Social

⁶⁶ Grapevine AI

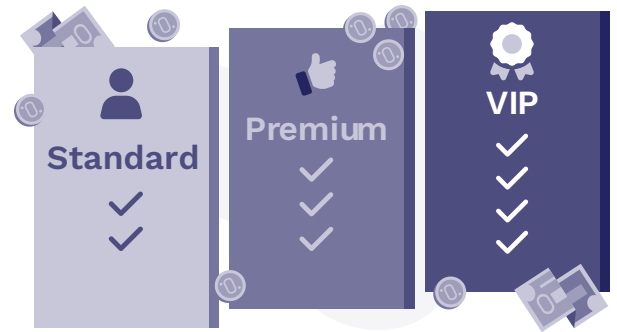
⁶⁷ TikTok

Prevent Cancellations with More Options

The concept of added value can be interpreted widely differently by each individual who is an active subscriber. Sometimes, it doesn't even have to correlate with extra perks or exclusive access; it can be as simple as offering a budget-friendly option that allows them to continue being a part of your community. Here are a few tried-and-true strategies that can be easily implemented to grow your customer lifetime value:

Budget-friendly tiers

- These help retain subscribers who are looking to save money while staying with your brand. For example, Netflix recently launched an ad-supported tier called 'Basic with Ads.'⁶⁸ Since the launch of the offering, the company added 5 million subscribers.⁶⁹



Flexible payment options

- Close to 40% of online shoppers are expected to leverage the buy-now-pay-later option by 2026.⁷⁰
- Amazon generated more than \$9 billion in subscription revenue in 2022, in part thanks to its 'Subscribe & Save' feature.⁷¹

Flexible usage options

- Pause feature
- Pay per usage example: Homie, a washer and dryer subscription brand that allows users to subscribe to their appliances and only pay when they use them.⁷²
- Skip feature: Allows users to stay subscribed while bypassing their monthly orders because they already have enough of the product/service, they cannot afford the subscription during a particular timeframe, or they simply do not want to access the product/service for some time.



⁶⁸ Netflix

⁶⁹ Netflix

⁷⁰ Insider Intelligence

⁷¹ Amazon

⁷² Homie

Personalization features

- Send monthly emails to survey customers about their experience with your brand
- Invest in your email marketing outreach
 - Five email programs to implement⁷⁴
 - Transactional (order confirmations)
 - Calendared (newsletters, promos, alerts, etc.)
 - Triggered
 - Drip series
 - One-to-one emails

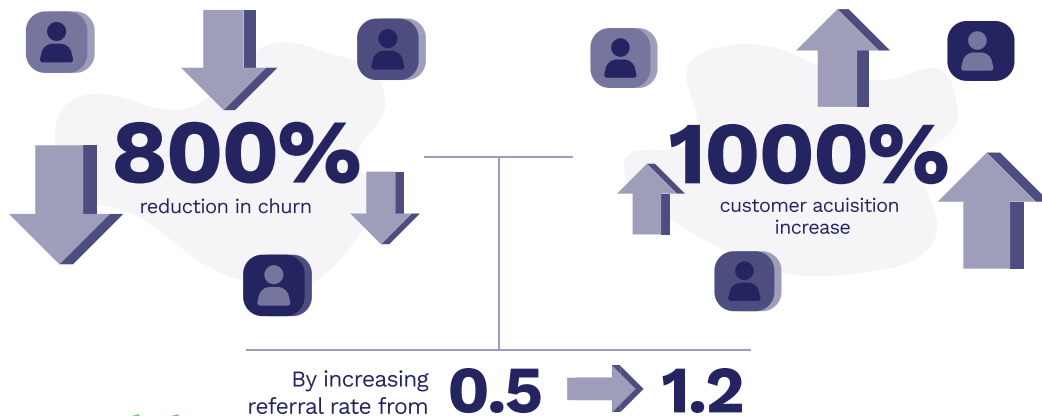


Kim Lewis
CEO, CurlMix

“Personalization and segmentation are huge for your business. Consider investing in a quiz on your website to personalize your customer experience.”⁷³

More importantly, these initiatives can also improve your acquisition rates through one of the most underutilized strategies in the e-commerce space: Referrals.

Most companies invest 3% percent or less of their time and resources toward referrals, according to Bold Commerce. However, a 1-or-higher referral rate can drastically increase your acquisition rate.⁷⁵ **Jay Myers, Co-Founder of Bold Commerce**, revealed in his SubSummit 2022 session that increasing a referral rate from 0.5 to 1.2 could decrease churn by 800% and increase customer acquisition by 1,000%.⁷⁶



Jay Myers
Co-Founder, Bold Commerce

“A subscription signup is not a subscriber, it’s only a lead. You need to educate them on your business and mission so they feel empowered to get you more customers,” explained Myers.⁷⁷

⁷³ From Shark Tank to Crowdfunding - SubSummit 2022

⁷⁴ Email Marketing Workshop - SubSummit 2022

⁷⁵ The Subscription Death Curve - SubSummit 2022

⁷⁶ The Subscription Death Curve - SubSummit 2022

⁷⁷ The Subscription Death Curve - SubSummit 2022



LET'S RECAP

Lowering Churn Rates Through Strengthened Customer Relationships

1

Do not let your price tag be what's holding your customers back. Educate them on the value of your brand's offering and all the perks available to turn your pricing into a no-brainer.

2

Provide more flexible payment options that lower the friction for your users.

3

Investing in referrals could help you decrease your churn rate by up to 800%.

How the Recurring Revenue Model Can Help You Attract Returning Customers

Don't have a subscription offering yet? Here's how it could help you convert your best customers into avid subscribers and brand ambassadors!

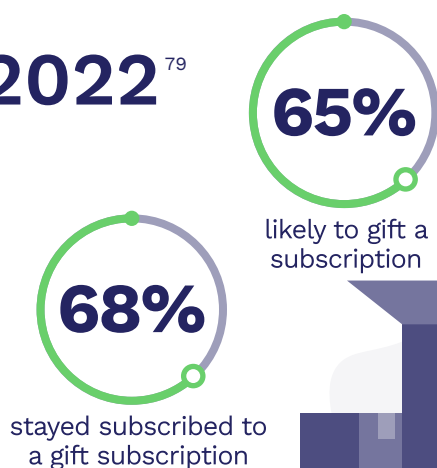
- The first-party data subscription businesses collect from customers will help you tailor specific promotions and upsells that will encourage your customer base to keep coming back to your stores/website.
 - Offering a subscription means giving customers options. With a tiered offering, you'd be able to help customers who are more budget conscious to stay engaged with your brand by subscribing to a lower-tiered program. It could be a program that displays ads, provides less perks, but still gives users the chance to interact with you at will.
 - Make it as easy as possible for users to cancel their membership or subscription with you so that when the time comes and they need your product or services, they feel welcomed back. You'll still have access to their data, and you can make each of their experiences coming back to your brand more meaningful than the last.
-

2022 HOLIDAY SEASON

Biggest Takeaways to Prepare for 2023

In the span of two months (November - December), consumers spent more than \$200 billion online during last year's holidays, a 3.5% year-over-year increase.⁷⁸ Here's what SUBTA learned from this record-breaking 2022 holiday season thanks to surveys conducted in partnership with Attest between December of 2022 and January of 2023.

In 2022⁷⁹



50%

likely to gift a subscription

In 2023⁸⁰

12%

stayed subscribed to a gift subscription

63%

cancelled some of their gifted subscriptions

Most popular holiday shopping platform

amazon

Google facebook

Popular time to holiday shop 2022

Black Friday
Cyber Monday



Popular time to holiday shop 2023

September–November
Black Friday
December

⁷⁸ Adobe

⁷⁹ Attest

⁸⁰ Attest

How are you enjoying the report so far?

Let us know!



Key Subscription Commerce Benchmarks

While consumer data is instrumental in building a scalable consumer subscription brand, it's important to be aware of where your metrics rank compared to other e-commerce businesses. Overall, e-commerce sales reportedly reached more than \$1 trillion for the first time ever,⁸¹ and the companies that offer subscription services to consumers grew at a much faster rate than traditional retailers.⁸²

“The subscription commerce industry is as competitive as ever, though there are still tremendous opportunities for existing brands to add a subscription component to their offerings,” says **Paul Chambers, CEO of SUBTA**. “The data we analyzed clearly shows that traditional e-commerce brands cannot sustain the same growth and profitability as consumer subscriptions.”

Industry Key Performance Indicators

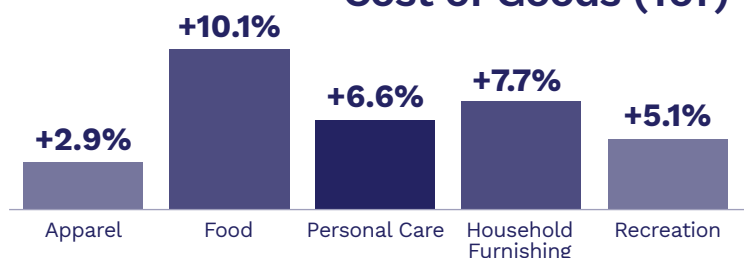
Churn Rate ⁸³

6.7%

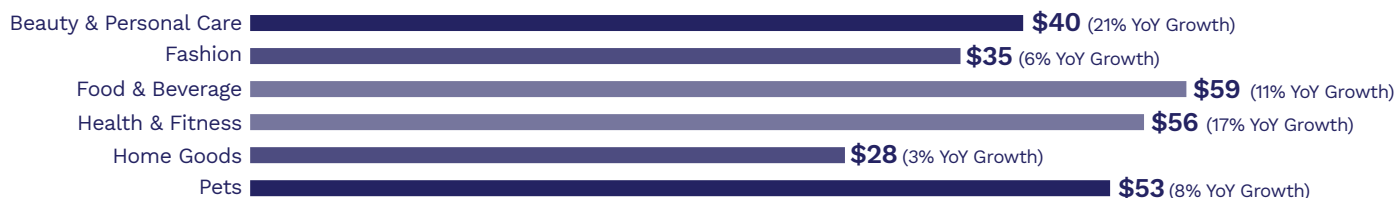
4.6% Voluntary

2.2% Involuntary

Cost of Goods (YoY) ⁸⁴



Average Order Value (AOV) ⁸⁵



⁸¹ United States Census Bureau

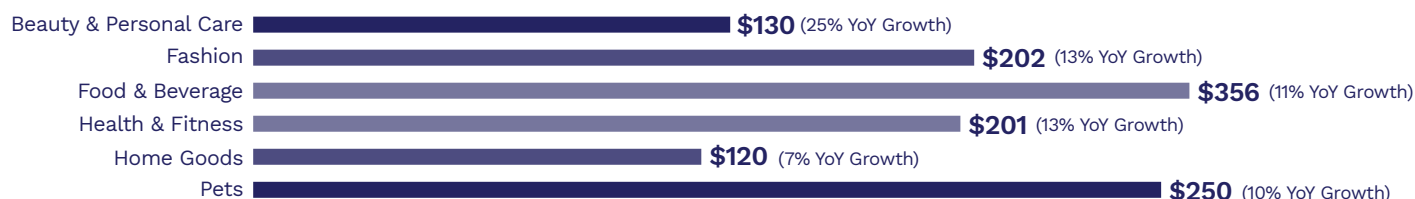
⁸² Zuora

⁸³ Recurly

⁸⁴ U.S. Bureau of Labor Statistics

⁸⁵ Recharge

Customer Lifetime Value⁸⁶



Top 3 Marketing Channels⁸⁷



Paid Advertising

facebook⁸⁸

	Average Click-Through Rate	Average Cost per Click	Average Conversion Rate	Average Cost Per Lead
Beauty & Fitness	1.02%	\$1.85	11.65%	-
Food & Beverage	1.20%	\$0.42	3.98%	-
Hobbies & Leisure	0.93%	\$0.68	2.91%	-
Home & Garden	0.71%	\$2.78	7.02%	-
News	1.05%	\$1.11	2.15%	-
Pets	1.68%	\$0.61	3.27%	-

Google⁸⁹

Arts & Entertainment	16.29%	\$0.85	3.34%	\$25.46
Fashion & Jewelry	2.24%	\$1.04	1.2%	\$86.41
Beauty & Personal Care	6.16%	\$3.42	7.88%	\$43.39
Health & Fitness	6.39%	\$3.21	8.49%	\$37.79
Food & Beverage	8.37%	\$1.49	5.50%	\$27.18
Travel	10.29%	\$1.39	3.77%	\$36.78



Instagram⁹⁰

\$0.40-\$0.70

Cost per click

\$0.01-\$0.05

Cost per engagement

\$2.50-\$3.50

Cost per 1,000 impressions

⁸⁶ Recharge

⁸⁷ Litmus

⁸⁸ Wordstream

⁸⁹ Wordstream

⁹⁰ Wordstream

Email Marketing

	Open Rate	Click-Through Rate	Conversion Rate
Overall Benchmarks	58.61%	1.51%	0.10%
Food & Beverage ⁹¹	32.27%	1.53%	0.2%
Fashion	41.05%	1.7%	0.09%
Health & Beauty	37.92%	1.08%	0.14%
Home & Garden	41.38%	1.62%	0.07%
Toys & Hobbies	40.42%	1.91%	0.12%

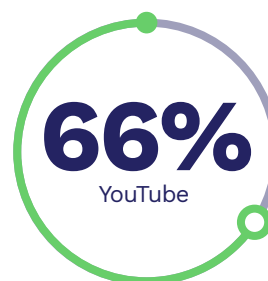
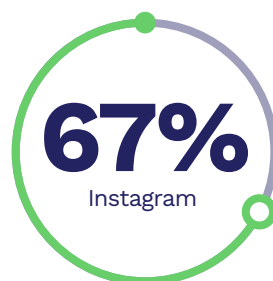
Highest return on investment than any other sales channel at \$36 gained each time a company spends a dollar. ⁹²

Dunning emails helped recover, on average, \$3.01 million in revenue in 2022. ⁹³

SMS Marketing

Overall Benchmarks	-	8.50%	0.14%
Food & Beverage ⁹⁴	-	8.22%	0.23%
Fashion	-	8.71%	0.14%
Health & Beauty	-	7.24%	0.19%
Home & Garden	-	8.72%	0.07%
Toys & Hobbies	-	11.41%	0.21%

Top 3 Social Platforms ⁹⁵



Best Social Media Content ⁹⁶



Short-form videos



Live videos/streaming



Live audio chat rooms

⁹¹ Klaviyo

⁹² Litmus

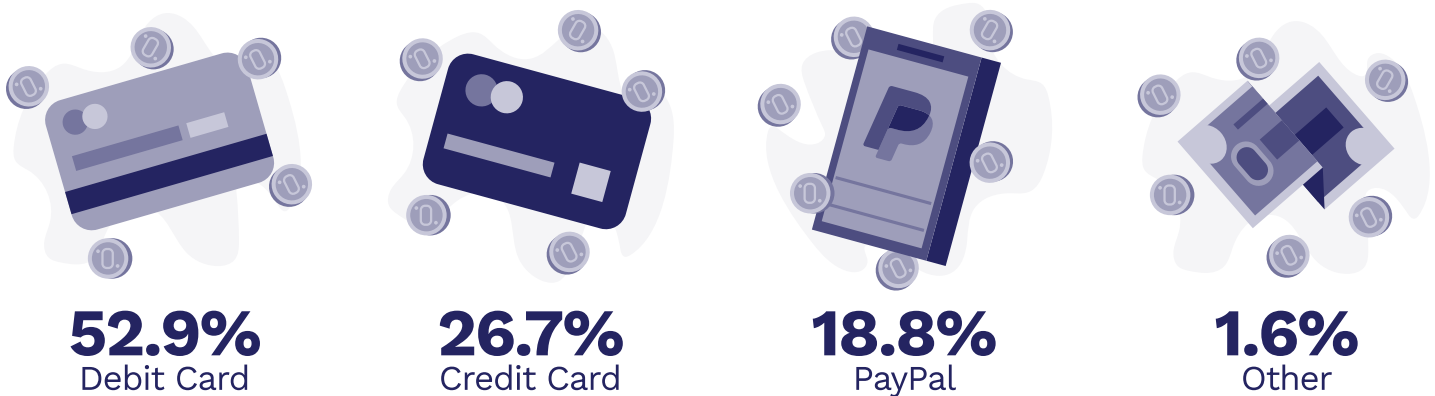
⁹³ Recurly

⁹⁴ Klaviyo

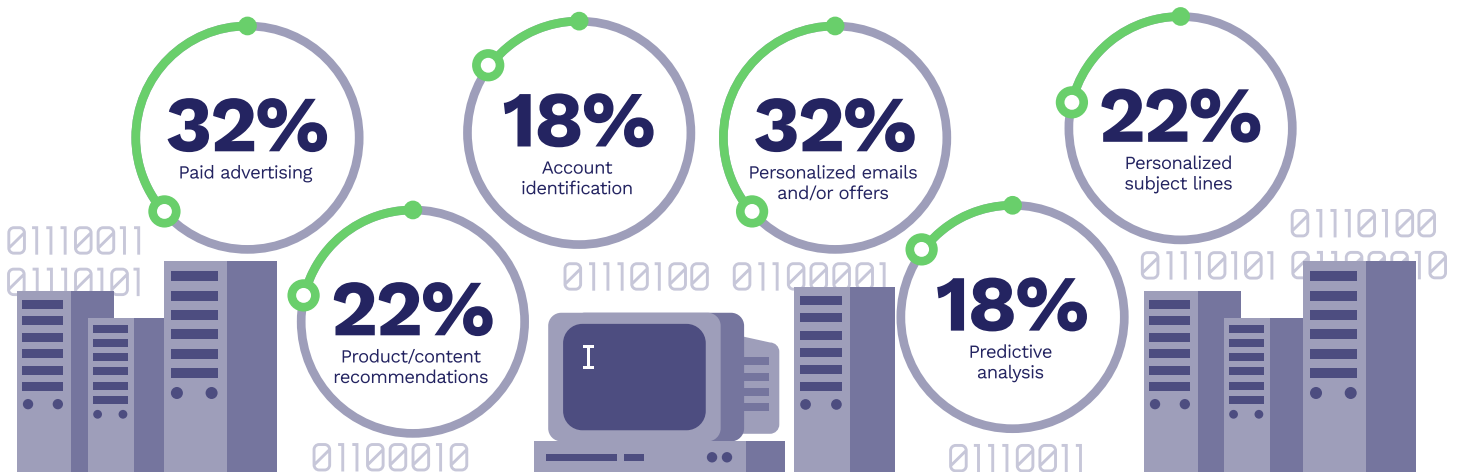
⁹⁵ Litmus

⁹⁶ Litmus

Top Payment Methods⁹⁷



What Marketers Use AI for⁹⁸



Fostering Consumer Loyalty Through Total Transparency

Unlike customers who favor one-off purchases, subscribers want — and expect — a two-way relationship with the brands they choose to pay on a recurring basis. They want to feel in charge of their subscription, not controlled by it, and certainly not trapped in it either.

Some subscription-based businesses like Netflix, Chewy, or LinkedIn (and its Premium membership) are known to help customers cancel easily anytime they choose to. However,

⁹⁷ Recurly

⁹⁸ Insider Intelligence

thousands of customers complain about being trapped in subscriptions every year, according to the Federal Trade Commission (FTC),⁹⁹ which is giving brands that leverage the recurring revenue business model a bad reputation.

On March 23, 2023, the FTC proposed a new regulation called “Click to Cancel,” which would force subscription and membership businesses to make their cancellation process as easy as it is for consumers to subscribe.¹⁰⁰

“Some businesses too often trick consumers into paying for subscriptions they no longer want or didn’t sign up for in the first place,” stated **FTC Chair Lina M. Khan**.

This new rule would require brands to implement three big changes:

- Change the cancellation process so that it is as easy as subscribing to a brand
- Brands would need customers’ explicit approval to see additional offers when they are attempting to cancel. Without it, companies would be required to make the cancellation process as straightforward as possible
- Companies that do not offer physical goods would be required to send renewal reminders to customers before they are automatically renewed

The rule has yet to be approved, though consumers can share their thoughts on the proposed resolution by submitting comments online or by mail.

“Attempting to trick customers into becoming subscribers goes against the mission of the subscription business model,” says **Christopher George, CEO of SubSummit**. “Every brand’s purpose should be to improve the lives of its customers, which means giving them a chance to come and go as they please.”

Trapping customers into a subscription prevents brands from building a lifelong relationship with subscribers, fostering a community of like-minded customers, and earning credibility through referrals and reviews.

“Ultimately, every subscription-based business is challenged with overcoming the subscriber death curve, which is when the churn rate and acquisition rate are exactly the same,” says **Paul Chambers, CEO of SUBTA**. “The brands that attempt to trick their customers will be the ones that can’t get past this obstacle.”

⁹⁹ Federal Trade Commission

¹⁰⁰ Federal Trade Commission

LEADING THE CHARGE

24 in 2024

The race to innovation marches on in 2024, and SUBTA has identified 24 consumer subscription brands that are set to lead the charge in expanding consumer relationships through creative strategies and data-driven insights.



17% Subscription services revenue growth in Q4 2022¹⁰¹



Voted Best Monthly Subscription Box for Women¹⁰²



14% Subscription revenue growth from 2021 to 2022¹⁰³



Launched ChatGPT Plus giving subscribers usage priority, extra perks, and more¹⁰⁴



9.9M Subscribers between Q3 and Q4 2022¹⁰⁵



52M+ Members via its loyalty program¹⁰⁶

¹⁰¹ Amazon

¹⁰² My Subscription Addiction

¹⁰³ New York Times Co.

¹⁰⁴ OpenAI

¹⁰⁵ Paramount

¹⁰⁶ Panera

 BESPOKE POST

Subscription Box

crumbl

Subscribe & Save

curlmix

Subscription Box

 DELTA

Membership

duolingo

Digital/Software



Digital/Software

 JAZZERCISE

Membership

 MasterClass

Digital/Software

 Meta

Membership + Digital/Software

NETFLIX

Streaming

PATREON

Membership

 PELOTON

Membership + Digital/Software

 PlayStation.Network | 

Membership

TESLA

Digital/Software

The Washington Post

Media & Publication



Membership + Digital/Software

Calm

Digital/Software

Walmart+

Membership

2023 & BEYOND

What Awaits Subscription, Membership & Recurring Revenue

Fostering mutually beneficial relationships with customers is the key to success for consumer subscription brands.

The endless benefits the recurring revenue business model offers can accelerate any brand's growth in record times, as illustrated by Zuora's latest findings from the Subscription Economy Index.

"The technology readily available to e-commerce brands empowers them to forge a bond with customers. Through subscription, this relationship can become even more beneficial for the customers and a business," explains **Paul Chambers, CEO of SUBTA**.

"Successful businesses make educated decisions based on the data they have at hand," says **Christopher George, CEO of SubSummit**. "However, data stemming from one-off transactions does not help you nurture lifelong subscribers; it's understanding what makes a customer excited to continuously engage with you that will unlock your exponential growth."

As the subscription, membership, and recurring revenue sector is exponentially growing, consumers will undoubtedly seek and expect more from the brands they decide to engage with regularly:

- More perks
- More reliability
- More access
- More convenience
- More touchpoints

However, the arrival of Web 3.0 could drastically alter the way direct-to-consumer marketers operate to nurture lifelong relationships with consumers.¹⁰⁷ Third-party data will not be around for much longer, and consumer privacy will be at an all-time high, meaning gathering leads and understanding your target audience will become increasingly more difficult if you do not leverage the recurring revenue business model.

The brands that will deliver the best overall customer experiences will ultimately be the ones leading the industry into a world where subscription and consumer lifestyles are ubiquitous, with every aspect of life enriched by the convenience, access, and value only a subscription can offer.

While the industry is constantly growing, it is far from saturated as consumers' needs, hobbies, and lifestyles are constantly changing. Businesses must welcome the competition and embrace learning from one another, regardless of verticals since everyone is competing for the customers' share of wallet.

Use the findings and examples listed above to discover new and innovative ways to engage with customers and enrich their lives. If you're not striving to do both, then are you truly leveraging the potential of the subscription-based model?



LET'S RECAP

What Awaits in 2023 & Beyond

1

The subscription commerce economy is expected to reach an estimated \$1.5 trillion valuation by 2027.

2

Consumer subscription brands have unparalleled access to consumer data thanks to the relationships they build with customers and the recurring revenue business model.

3

The best direct-to-consumer companies are the ones that invest in building the ultimate customer experience for each individual they target.

¹⁰⁷ Gartner

Did we miss anything?

Tell us!



About SUBTA

The mission of the Subscription Trade Association (SUBTA) is to provide a network and resources to help nurture the largest community in DTC subscriptions. We do this by providing world-class experiences, unparalleled connections, and a comprehensive and reputable library of news, knowledge, and resources.



Subscription Box

From replenishment to discovery and delight, subscription boxes are a medium for consumers to be introduced to and engaged with a recurring delivery of niche products as part of a marketing strategy and a method of product distribution. Subscription boxes are used by subscription-based e-commerce businesses, which follow a subscription business model.



Subscribe & Save

Subscribe & Save businesses give customers both a one-time purchase option and the option to subscribe to a specific product, receiving it weekly, monthly, quarterly or even semi-annually, in a specified quantity. Usually, the subscription feature comes with a discount per product, so consumers are incentivized to subscribe.



Membership

The Membership business model invites individuals to pay a recurring fee to access the value an organization creates. It provides the design for different Membership levels, revenue sources, marketing activities, events and conferences, and finances.



Digital/Software

Digital subscription businesses provide access to products and technology from a computer or device. Software as a Service (SaaS) also falls into this category. Digital businesses use technology to create new value in business models, customer experiences, and the internal capabilities that support its core operations. The term includes both digital-only brands and traditional players that are transforming their businesses with digital technologies.



Media & Publication

The original subscription service is the main means of mass communication (broadcasting, publishing and the Internet) regarded collectively. This includes digital media subscriptions as well as print subscriptions.



Streaming (Video/Music)

Video and music streaming, one of the largest consumers of downstream internet traffic, is a mainstay of most American households today. Streaming subscriptions allow providers to offer on-demand and live viewing/listening capabilities across a multitude of devices and platforms.



Subscriptions,
Memberships,
& Recurring Revenue

SubSummit is the first and world's largest conference devoted to consumer subscription brands and those who strive to help them launch, grow, and scale. Discover the industry's best practices, network with thousands of like-minded individuals, and be empowered to capitalize on every opportunity in this ever-changing market.



Sources

A special thanks to  **Attest**

Adobe
Amazon
Amdocs
Deadline
Federal Trade Commission
Ford
Gartner
GlobeNewswire
Grapevine AI
Homie
Hulu
Insider Intelligence
Klaviyo
LinkedIn
Litmus
Marigold
Microsoft
My Subscription Addiction
Netflix
New York Times Co.
NFL

OpenAI
Panera
Paramount
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PYMNTS
Recharge
Recurly
Sprout Social
SubSummit
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Subscriptions,
Memberships,
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SEE YOU IN 2024

Join the Waitlist

VISIT SUBSUMMIT.COM/2024

2023 Annual Report
Subscription Commerce Industry Outlook

under the authority of  **SUBTA** in partnership with  **Attest**