

How to build a subscription business

Guide, Inspiration, and cases

Morten Suhr Hansen



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HOW TO BUILD A SUBSCRIPTION BUSINESS

GUIDE, INSPIRATION,
AND CASES

How to Build a Subscription Business: Guide, Inspiration, and Cases

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CONTENTS

1	Introduction	6
2	Why subscription?	9
2.1	Why consumers love subscription businesses	9
2.2	Why companies benefit from the subscription model	11
2.3	Overview	14
3	How to build a subscription business	16
3.1	The seven stages	17
4	Subscription modelling	21
5	Subscription systems	32
6	Acquisition	39
7	Customer retention	44
8	Customer expansion	55

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9	Customer win-back	59
10	Analytics	65
11	Conclusions	71
	Appendix A. Examples of new subscription concepts build using the model in this book	73
	Appendix B. 50 great subscription services	75
	References	125
	Endnotes	126

1 INTRODUCTION

In 1998 Reed Hastings, a former math teacher and a successful software entrepreneur, launched a new company that would change the dynamics of a multi-billion-dollar industry and topple mighty giants.

Hastings had recently had to pay \$40 in overdue fines after returning the rental movie *Apollo 13* far too late. From that annoyance sprang the idea of a whole new way of distributing rental movies to consumers – and subscription-based Netflix was a reality.

The business model of Netflix is as simple as it is brilliant. Paying a flat subscription fee each month gives you access to as many movies and television shows as you can cope with. Initially, Netflix used the postal service to distribute physical DVDs to customers, but as the internet spread and the speed of broadband increased, Netflix shifted much of its distribution online.

Netflix now has a presence throughout most of the world with its subscription-based streaming service; but in the United States, where it all began, many customers still pay to receive films on DVDs through the post.

So it is important to grasp that internet streaming itself is not the crucial innovation behind Netflix. It is the innovative business model: the subscription model!

By the end of 2017 Netflix reported over 110 million subscribers worldwide. Needless to say, the massive success of Netflix has fundamentally shifted power within the film industry, and currently Netflix more than any other company is rapidly changing the way we consume television and movies.

About the same time that Netflix was founded, a Danish company called Aarstiderne (in English, *Aarstiderne* would translate to *Seasons*) saw the light of day when two pioneers in the production of organic food, Thomas Harttung and Soren Ejlersen, formed a company to supply customers with weekly deliveries of organic fruit and vegetables.

In January 1999 Aarstiderne delivered its first vegetable boxes to households close to the producing farms, and from the very beginning the subscription model has been the foundation of Aarstiderne's business. Why? Because it makes sense from an ecological and environmental point of view. By having your customers sign up in advance, you know just how much to produce. This has helped Aarstiderne to reduce waste to as little as four per cent. Quite impressive, when it is dealing with perishable goods like fruit and vegetables.

What the founders of Aarstiderne might not have anticipated was that the convenience of ordering online and having your food delivered to your doorstep every week is extremely attractive to the consumer. And no one predicted the huge success that Aarstiderne has achieved.

With more than 60,000 customers – close to three per cent of all Danish households – Aarstiderne is considered to be one of the most successful Danish e-commerce businesses ever.

Both cases, Netflix and Aarstiderne, are perfect examples of what we might refer to as the *subscription revolution*. But these companies are not the only ones! In fact, the last decade has seen numerous examples of new, exciting subscription businesses emerging across different business sectors. Spotify in the music industry, Zipcar in car sharing, Salesforce.com in the software industry, and MoviePass in the movie theatre industry, not to mention the many, many different examples of retail products like beer, razors, coffee, shirts, beauty products, and underwear – or services like dentistry, funerals, car washes, and museums – that have been marketed as subscription services within the last couple of years, are all great examples of the same trend whereby new subscription-based companies challenge – and in some cases even out-compete – more traditional, transaction-based companies.

The subscription revolution is not a matter of tiny companies trying to break into the market by selling their products in an oddball way. The subscription revolution is big business. Giant corporations like Google, Amazon and Apple are increasingly relying on the subscription business model as a generator of income, and, in recent years, global companies like Adidas, Sony and Porsche among many other have launched various subscription services.

I personally have experienced the subscription revolution at close hand, having worked in the media industry for over twenty years. I have witnessed the magic of having large subscription revenues, and I have experienced the stress when one's position is threatened by someone with a more innovative and exciting subscription model. But most of all, I have grown more and more excited about the great possibilities of the subscription-based business model.

That is why I decided to start up my own company, Subscrybe, an innovation and consulting firm which helps both new and existing subscription companies to build the best possible subscription business.

To that end, we created *How to build a subscription business*, a step-by-step model which takes clients through seven different stages and 29 specific steps that help companies design and implement the perfect subscription business. It is this model, *How to build a subscription business*, which is the central focus of this book.

The purpose of my book is to offer a simple guide to assembling, launching, and running a subscription business, by taking the reader through all the necessary steps of modelling the subscription offer, selling subscriptions, retaining and adding to the list of subscribers, winning back lost subscribers, as well as selecting the right systems and building up the right data bank.

As a reader of this book you will probably fall into one of two groups.

Perhaps your business is already subscription-based. In that case you can use this book to carry out a thorough review of your current business and get inspiration for improving both the processes and the performance of your company.

Or else, you may be planning to start up a new subscription business, or to convert your existing non-subscription business onto a subscription basis. In that case you can use this book as a step-by-step guide to develop your subscription business.

And you had better do that! If you are not running a subscription business already and not planning to do so in the future, your competitors just might!

Because the subscription revolution has begun!

2 WHY SUBSCRIPTION?

Before we look at the specific blueprint for building a subscription business, it will be worth spending a while exploring some of the reasons for the explosive success achieved by the subscription business model over recent years. This brief exercise will itself, as it turns out, give us valuable insight into factors to consider when we build our new subscription business.

It is my strong belief that a prerequisite for the success of any business model is that it must provide tangible benefits to both the customer and the company providing the product or service. And the subscription business model does just that: it provides tangible benefits for both seller and buyer. Consequently, in this chapter I shall describe the most frequent ways in which consumers and businesses benefit when they engage with the subscription model – benefits that run across all subscription businesses and subscription industries.

I shall start by describing the benefits of the subscription model to the consumer, before moving on to explain how subscriptions can benefit your business.¹

2.1 WHY CONSUMERS LOVE SUBSCRIPTION BUSINESSES

When discussing subscription businesses with colleagues from companies across various business sectors, it is never hard to explain why subscriptions are good for a business. It seems quite intuitive to most business professionals that having subscribers who pay on a regular basis is a good thing. At the same time, I often encounter the assumption that if subscription is attractive for businesses, it must be unattractive for consumers! Nothing could be further from the truth.

As this chapter will show, there are just as many benefits for the consumer as for the business. That is not to say that any kind of subscription system will be attractive to consumers. It should rather be a reminder to us all that when we design our subscription model, we must be sure to make it attractive to our customers in order to make it successful.

Here are some of the most obvious benefits from the consumer's point of view:

Convenience

One of the most obvious key benefits of the subscription business model is convenience for the customer. This convenience can be in terms both of transactions and of product delivery.

Subscribing to a product means that you do not have to go through a fresh purchasing transaction each time you need the product. You sign up once and do not have to do anything to repeat orders. Often this purchasing transaction is combined with a convenient form of delivery. Many subscription businesses use home delivery to their customers as an alternative to shops, thus making the total customer experience super-convenient.

Reduced complexity

In 2004 the American psychologist Barry Schwartz wrote *The Paradox of Choice: why less is more*, a book describing the immense range of choices facing the modern consumer. No longer do you just buy a box of breakfast cereal – you must choose from a huge range of brands and flavours and sizes. Some supermarkets have more than a hundred different breakfast-cereal products, and if you add that to the hundreds of other consumer choices you have to make each week it will be no wonder if you start searching for ways to reduce this “tyranny of choice”, as Schwartz calls it.

Subscribing to a product or service is in fact a way for the consumer to reduce the complexity of choice. When you subscribe for shirts and get new shirts delivered every second month (you can actually do this!) you have no need to worry about choosing between many different brands, styles, and colours as you must on a high street shopping expedition; and when you subscribe to a mobile phone company you do not need to worry about checking rates each time you make a call. As a subscriber you in effect “take yourself off the market” for a while, and this reduction of complexity is very appealing to many consumers.

Inspiration

Great subscription services are not just about making your life easier. They also provide you with a great deal of inspiration and add extra value to the product you subscribe to. Great subscription services will even serve as your personal shopper, leading you to goods and services you would never have found for yourself.

Let us take another look at the case of Aarstiderne, quoted in Chapter 1. Aarstiderne delivers fruit and vegetables to Danish households on a weekly basis and, more than that, Aarstiderne provides you with a wide variety of fruit and vegetables from all over the world, including some you had never heard of! The company also offers full meal packages complete with ingredients and recipes, and by doing this it becomes your personal food shopper and life coach, constantly inspiring you to create tasty and healthy meals without having to consult dozens of cookery books.

Gateway to membership of a community

Becoming a subscriber sometimes means that you become part of a group or a member of a community. By subscribing, rather than buying on an occasional basis, you send a strong signal and tap in to the values or the community associated with the product or service. This creates a very strong relationship between the customer and the product.

At home, I have paid for a premium version of one of the best music streaming services, and I have offered my son unlimited access to this. Yet he prefers the free version of Spotify, with limited access and tons of commercials. Why? Because Spotify gives him an entry to a valuable community where he shares playlists with all his friends. Subscribing to a service is also about subscribing to the company's values and community!

Saving money

When they consider the benefits of subscriptions, the main thing that most people will think of is saving money. But, as the four previous sections indicated, money saved is not everything. Nevertheless, for many subscription services it is true that you will get a discount if you commit to a subscription rather than buying the product or service sporadically.

A subscription business will often have lower production and sales costs, and some at least of these savings will feed through to the consumers as lower prices. You need only compare the unit price of a newspaper or magazine sold on subscription with its cover price to see this, and thus a financial saving is one of a number of potential advantages of subscription businesses to the consumer.

2.2 WHY COMPANIES BENEFIT FROM THE SUBSCRIPTION MODEL

As said at the beginning of this chapter, it is easy to see why the subscription model offers huge benefits to companies which implement it. It is simply good business. On one hand, a subscription business will attract more customers if it provides the kinds of tangible benefit for subscribers that we saw above. On the other hand, there are inherent benefits associated with the subscription business model itself:

Predictability

One of the chief benefits of operating a subscription business is the predictability of demand for your product, which makes production planning both easier and cheaper. If you run a stable subscription business, you will be able to predict your sales up to a year ahead, based on subscriber numbers, and often you will know precisely how much you have sold before you start production.

If you run a newspaper business, you will know just how many subscribers you have when you start printing. That contrasts with single-copy sales, where you never know where customers are going to show up to buy the paper. In consequence, not uncommonly you will have to print twice the number of copies that actually get sold by your retailers. This predictability of production and the associated reduction of waste are huge cost savers, and they are one reason why consumers often get substantial discounts when subscribing to a product or service.

Increased purchasing frequency and customer lifetime

Generally speaking, subscribers will spend more money with your business than non-subscribers. One reason is that they will purchase more frequently, because they do not have to make an active decision each time they need the product. Even a loyal transactional buyer will forget to buy now and then or will sometimes buy from your competitor instead of from you.

Another reason is increased subscriber lifetime. When a customer subscribes to a product he has “taken himself off the market” for a while, making it much less likely that he will cease consuming or switch to one of your competitors.

Fostering loyalty and improving competitive position

An often-quoted survey shows that business executives around the world see increased customer loyalty and improved competitive position as among the key advantages of a subscription business.²

This is no surprise, given the massive focus on loyalty building we have witnessed over the past decade. Nothing is a greater sign of loyalty than when your customers sign up to your product on a continuing basis and having your customers as subscribers makes it much more difficult for your competitors to win them away.

Reduced sales costs

When running a subscription business, you only need to get the customer to sign up once in order to create a lasting relationship. If your subscription business is well run, this will significantly lower your cost of sales, relative to running a transactional business where you have to make the sale every time.

However, the degree to which sales costs will actually decrease depends on a number of different factors, such as your industry sector, and the churn³ you experience. If your subscriber lifetimes are short, you may still need to spend heavily on acquiring new customers.

Robust cash flow

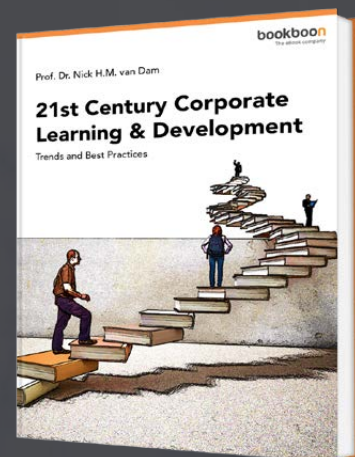
One last key benefit of running a subscription business is the robust cash flow that a subscription business can generate. A subscriber to a product or service will often pay in advance. In the case of services like Netflix or Spotify subscribers pay a month in advance, but for other subscription businesses it is not uncommon for subscribers to pay up to a year in advance, giving the subscription business money in the bank even before it starts producing.

This is very different from most transactional businesses, which have to produce their goods before putting them on sale and collecting money from the customers, so it is just one more reason why companies prefer subscriptions.⁴

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2.3 OVERVIEW

To sum up, this chapter has shown us that most subscription business models are actually a win–win combination for both consumers and companies. So, it is no wonder that we have seen subscription businesses thrive in most business sectors over the last couple of years, and it is why we shall see even more subscription businesses succeed in the years to come.

So, if you are not yet running a subscription business and are not convinced by the arguments above, then this will be a good time to stop reading this book! Evidently nothing will convince you. But if you are already running a subscription business, or if you are thinking of starting one, please read on. In the following chapters, I describe how to build a subscription business.

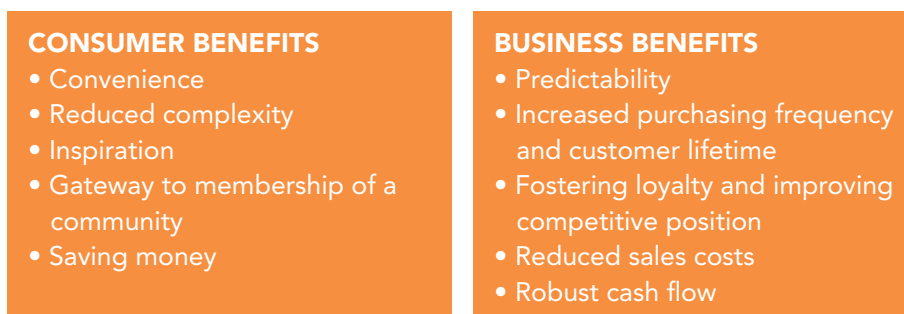


Figure 2.1 Consumer and business benefits of engaging with the subscription model

Inspiration:

The many names of the subscription model

Subscriptions have become popular in recent years. All sectors and companies imaginable are coming up with new ways to conceptualise their business models, and often in a way that allows them to secure fixed, recurring revenues from their customers. So, the subscription model has become something of a common denominator. Yet, different branches and companies all have different ways of referring to subscription models.

This article aims to give you some insight into the different terms used so that you can more easily identify a subscription model when you see one.

In general, the common name for the models I will introduce here is recurring revenue models. A recurring revenue model is a business model in which the customer and the company enter into a fixed agreement whereby the customer makes recurring payments for products or services that the company delivers.

Subscriptions are therefore simply one of many different business models which fall under the category of recurring revenue models.

Companies often choose to refer to their subscriptions as memberships and their subscribers as members. There is no practical difference between the two terms, although it is often the case that companies designate such arrangements as memberships when they want to signal a closer level of affiliation to their members.

The software industry has also made a serious move towards using subscriptions. Instead of purchasing a finished program, it is now possible to buy continuous access to the latest version of the software, which is made available via the cloud. This business model is often referred to as Software-as-a-Service (SaaS). Again, this is merely another term for subscription.

Software-as-a-Service has generally been a source of inspiration for a number of other branches. It is becoming more common to see subscriptions offered on physical goods, such as computers, mobile phones and watches. This phenomenon is known as Hardware-as-a-Service. Cars and other forms of transport can also be provided in the form of a subscription. This is often referred to as Transportation-as-a-Service or Mobility-as-a-Service. Perhaps unsurprisingly, some people refer to the entire subscription revolution with the term Everything-as-a-Service.

It is important to remember that the new subscription economy is largely due to the fact that modern consumers prefer to rent than to own. It is for this reason that we often hear people using terms such as rental models and the sharing economy as another way of explaining the subscription economy.

A favourite child has many names, and the same is true of the subscription model. The above has hopefully given you some insight into a few of the many facets associated with this new and exciting world. So, remember; no matter which of the above models you come across, all of the ideas and theories in this book can be applied to them.

3 HOW TO BUILD A SUBSCRIPTION BUSINESS

This chapter will introduce you to the model to be used throughout the remainder of this book. The model is called *How to build a subscription business*[®], and it should be seen as a practical step-by-step guide to building a new subscription business from scratch or improving an existing one.

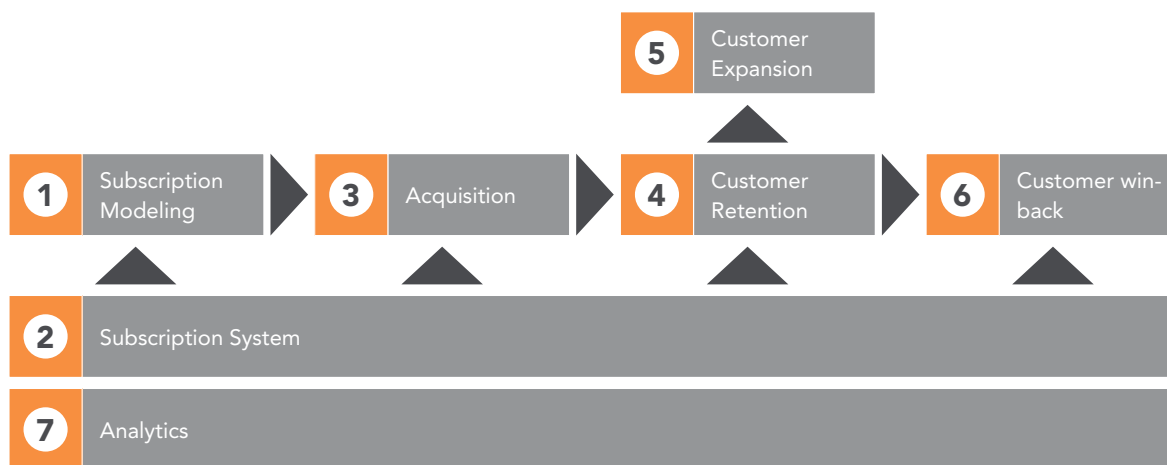


Figure 3.1 How to build a subscription business

The model comprises seven stages, each containing a number of separate steps which will guide you to take the right decisions when building your new subscription business.

This model will probably raise a large question in the mind of most readers: why do we need a special model for building a new subscription business? There are already plenty of different models and approaches for building new businesses. Different kinds of business case frameworks, business model generators, and innovation models are available, and some of them will already be familiar to you or your organization. And they are all very good models, appropriate for most types of business – but not for subscription businesses.

The subscription business model is different from the transactional business models familiar to most people and companies. A different logic drives the business when you establish long-term relationships and receive recurring revenues. You need a whole new set of procedures, financial measures, and billing systems, and you need a new approach to fostering customer relations. Let me give a few examples:

- When running a subscription business, most of your sales effort does not begin until after you have sold the subscriptions! What does that mean? It means that the success of a subscription business is not measured by the number of new subscriptions sold; it is measured by how long you can keep your customers, how large the current subscriber base is, and what level of recurring revenue you can generate. Hence, customer retention is the most crucial aspect of running a subscription business. Therefore, if your subscription business is to be successful, from the very beginning you must develop strategies for engaging your customers, fostering loyalty, and reducing churn.
- When running a subscription business, you are entirely responsible for handling the customer from A to Z. You do not work through wholesalers or retailers, and you do not sell your products via platforms like Apple's App Store or Google Play.⁵ You manage your customers yourself, which means you have to store customer data, run customer communications, and handle billing and collection of revenue on an ongoing basis.
- When running a subscription business, you have to use a whole new set of financial, performance, and analytic measures to evaluate the business. In a transactional business you can easily measure the value of a product sold, but what is the value of a subscription sold? Clearly, it is the sum of future revenues, which is much more difficult to measure and depends on conversion and churn rates. Establishing the right measures is the key to understanding and improving your subscription success.

These are just some reasons why you need a specific subscription-based model when building a new subscription business. But the primary reason why I have developed the model is that I have seen too many new subscription businesses fail and existing subscription businesses not release their full potential, simply because they did not plan from the outset how they were going to operate and manage their business.⁶

If you read what follows about the seven stages of building a subscription business, you should avoid that mistake.

3.1 THE SEVEN STAGES

Building a subscription business comprises seven stages, and each stage consists of a number of steps that you can use as a guide to build a new subscription business or assessing an existing business.

Figure 3.2 gives you an overview of the seven stages and the 29 steps. Let me run you quickly through the seven stages.

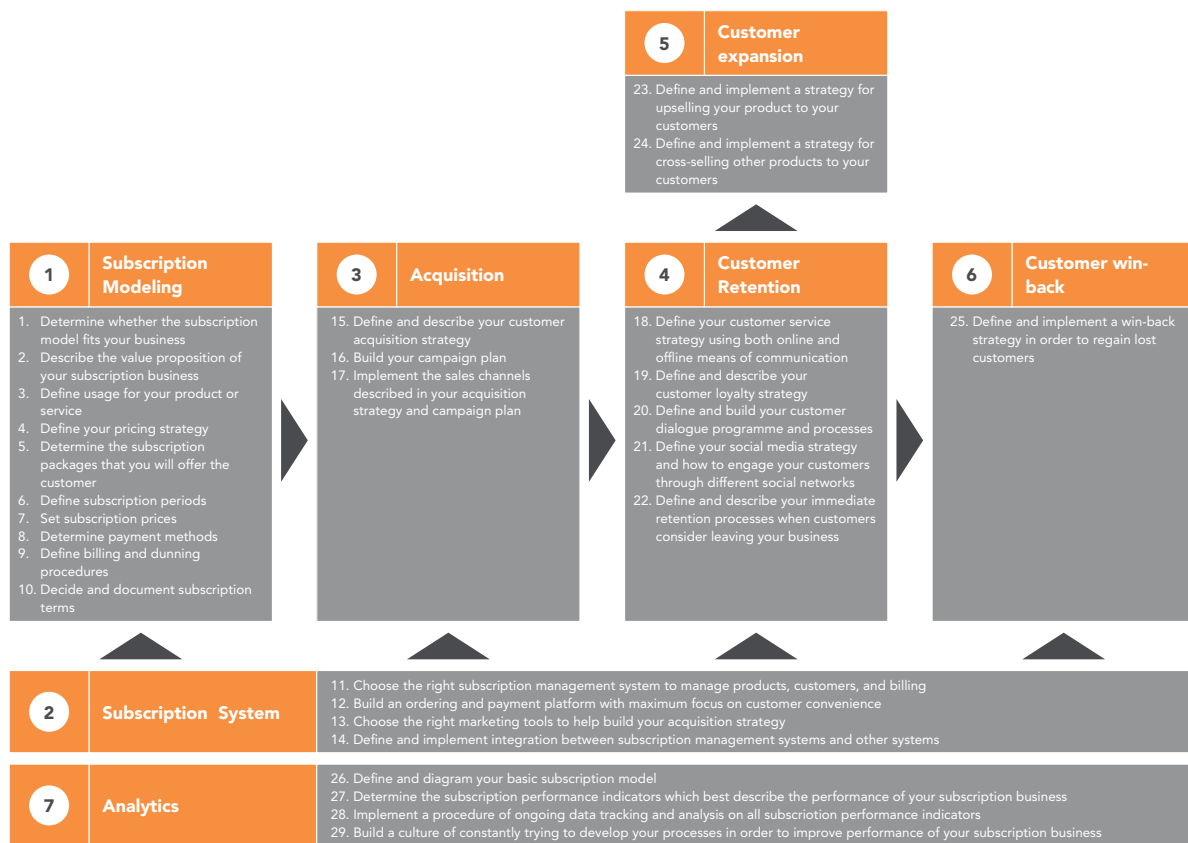


Figure 3.2 How to build a subscription business – the 29 steps

The first thing you need to do is **subscription modelling**. Here you define what your subscription business is going to look like when it meets the customer. You need to define the value proposition of your subscription business, and you need to define your subscription packages in terms of prices and content. You also need to establish how the customer is billed and how payment can be made. Subscription modelling is all about defining the product or service that you will bring to the market.

Then you need to decide which **subscription systems** are going to support the business. First of all, you need to choose the system that will manage your products and your customers – this is often referred to as the “subscription management system” or the “subscription billing system”. Most standard accounting and billing systems are not capable of operating subscriptions, so you will probably have to opt for a dedicated subscription solution for this task. Then you need to build your ordering and payment platform and decide on marketing and communication tools. Finally, you must define and build the interfaces between the different systems.

Next, you need an **acquisition** strategy for how to gain new customers, and you need a campaign plan showing you which channels will give you how many new customers and at what costs. Then you need to implement your sales processes through the different sales channels outlined in your strategy and your campaign plan.

A successful acquisition strategy will win you a lot of new customers, and a successful **customer retention** strategy will ensure that you keep your customers for a long time. Customer retention is all about engaging your customers with your product and building long-term relationships and loyalty. You need constantly to focus on communicating with your customers and giving them good reasons to stay with you; and if they do decide to leave, you need to know what to do in order to persuade them not to!

A successful subscription business will also have a strategy for **customer expansion**, which is essentially about increasing your income from existing customers. Not getting more of their money by constantly raising your prices but increasing income by upselling on your current product line, or by introducing your customers to new products or services.

Customers who leave you need not be lost forever. In fact, however attractive your product or service may be, from time to time your subscribers will need a break. Perhaps they have been persuaded to try one of your competitors, or perhaps they just have no need of your product or service at the moment. But do not give up. Build a great **customer win-back** programme in order to regain lost customers.

Finally, you need to define which **analytics** are going to be used to measure the performance and success of your subscription business through all the different stages mentioned above. You must identify your analytic subscription model and those performance indicators which best define your business. Then you need to implement continuous performance measurement and build a culture in your organization of constantly seeking to improve performance.

Having established the importance of using a subscription-based model for building a subscription business and having offered a brief overview of the model, I shall now cover each of the seven stages in more detail.

The seven chapters that follow will describe in depth each of the seven stages and the further steps associated with each stage. Read them all carefully or go directly to the chapter(s) that interest you most.

Inspiration:

Young consumers love subscriptions

Subscriptions are for all ages. There are lots of studies which have shown this. Even so, there are plenty of differences when it comes to age and subscriptions and the good news is that young consumers are even more positive about subscriptions than the rest of the population. This means that companies which offer subscriptions have the future ahead of them.

A new study by the American company Vantiv, which looks at the purchase of subscription services by consumers in the US, puts these differences into numbers. Among young consumers under the age of 35, around 89 percent have a subscription for one or several digital services, such as streaming, news or music. This is more than for older consumers, but even among the oldest group of consumers studied, more than 65 percent have a subscription for one or several digital services.

The generational gap is even greater when it comes to subscriptions for physical products, such as clothing, make-up or foodstuffs. Around 70 percent of consumers under the age of 35 have a subscription for physical products. The equivalent figure for consumers between 35 and 50 is 44 percent, while only around 15 percent of older consumers have a subscription for physical products.

The study also shows that it is mostly convenience that younger consumers are looking for when they take out subscriptions. The subscription model allows consumers to tailor the service to their needs at any given time and to the budget they have available. Taking a closer look at the sort of products consumers take out subscriptions for, it becomes clear that it often comes down to covering simple needs and ensuring a steady supply of the products we don't want to run out of – like staple goods, for example. At the same time, the subscription model also gives young consumers the chance to experiment and try out new things, from different make-ups to new dog toys. The possibilities are endless, and consumers can freely choose what goods they want to try out, without having to make any huge investments.

In addition, ownership is no longer something that young consumers are overly concerned with. Instead, they prefer having access to services – they would rather listen to music on Spotify than buy it on iTunes, they would rather stream content than pay for a download, and they prefer to add their own personal touch to their purchases rather than shop conventionally – and these are all factors which make subscriptions an attractive consumer choice.

It comes down to comfort and convenience: Consumers want to have control over their purchases and worry less about smaller things like finances and making time. Young people have already discovered this convenience, while older consumers are lagging somewhat behind. But this may slowly change. Older consumers are often quick to adopt the habits of young people. Just think how many older people are now active users of social media. If they begin embracing subscription services to the same degree as young consumers, then the subscription economy will get yet another boost in the coming years.

4 SUBSCRIPTION MODELLING

Modelling your subscription business, in terms of what you will offer the customers, is the first stage in creating a new subscription business. You have to decide on how to package and price your product, and when and how to bill and collect money. These are among the necessary steps of subscription modelling covered in this chapter.

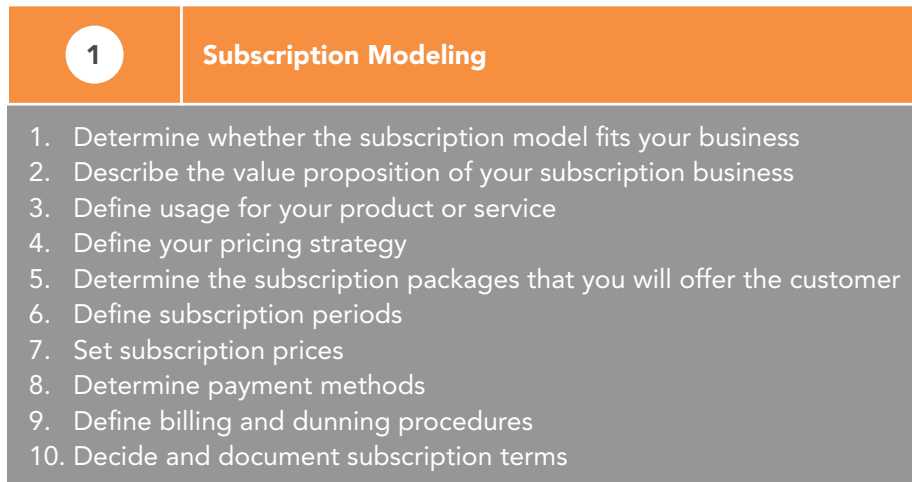


Figure 4.1 Subscription modeling

Step 1: Determine whether the subscription model suits your business

The first obvious requirement is to decide whether your product or service can actually be launched as – or turned into – a subscription business. The good news is that most products and services can – something which has been abundantly confirmed by the many new subscription businesses which have sprung up over the last decade. (For instance, have a look at the Appendix, which lists fifty outstanding and innovative subscription businesses.)

If you are already set on introducing a new subscription product or service, then Step 1 may seem redundant. But perhaps your business is a type which operates in the conventional, transactional world, and you find it hard to see how it could be converted to the subscription model. Many professionals have been in the same position, finding it hard to perceive the opportunities in the subscription model, just to watch more innovative businesses making this leap.

Consider as one example the car industry.⁷ Ten years ago, very few within the industry could have foreseen how the subscription economy would enter their world. Then came Zipcar and others like it and changed everything. All of a sudden car ownership was not so important to a large group of people who were given the opportunity to subscribe to a service that would provide a car whenever they needed one.

Of course, there are exceptions to the rule that almost all products and services can be supplied on the subscription model, but for most products and services we will definitely see a shift towards the subscription economy. You need to establish whether that applies to your product or service too.

Step 2: Describe the value proposition of your subscription business

Once you have decided to build a new subscription business, you need to define and describe the value proposition of your product to the customers. The value proposition is what creates value for your customers, given the needs of the customer group. Which of your customers' problems are you helping to solve? Which customer needs are you satisfying? These are the crucial questions that you need to answer in order to describe the value proposition of your subscription business.⁸

This exercise is very important. The more powerful your value proposition is, the more successful your subscription business will be. To demonstrate, let us look at a couple of successful subscription businesses.

As a subscriber to Zipcar, you get access to car-hire whenever you need it, in a very convenient and hassle-free way. You sign up to the service, pay a membership fee, and then you are able to book a car at your convenience. So, the value proposition of Zipcar to their customers could be described as “Individual mobility without the hassle of car ownership”; a very powerful value proposition for many city-dwellers.

Another example is the British cinema chain, Cineworld, which is offering a subscription with unlimited access to movies for a fixed monthly fee of £18.90. So, the value proposition of Cineworld Unlimited could be described as “Going to the cinema as often as you like – without caring about the costs”. The value proposition could also be described as “The more you go, the cheaper it gets”.

A good way to define and describe the value proposition is to examine the consumer benefits of subscription business models as they are described in Figure 2.1. The five main consumer benefits are convenience, reduction of complexity, inspiration, community membership, and money saved. These five benefits can be very helpful in defining your value proposition.

For subscribers to Zipcar the benefits are convenience, reduced complexity, and money saved – and they might even feel that they belong to a community of people who value freedom and like protecting the environment. Combining a wider range of benefits obviously makes for a far stronger value proposition. So, devote some time to describing your value proposition, and use this description to communicate the benefits to your customers.

Step 3: Define usage for your product or service

Having decided on your product or service and described the value proposition to your customers, you need to decide the usage model of your subscription product. How will your subscription product be used, and how does that affect your price model?

For most physical products this is a no-brainer. You will deliver one or more units of the product to the consumer, and he will pay for the units received. But when we move to thinking about non-physical products or services it gets a little more complicated. There are actually six different usage models that you can consider when constructing your subscription model:

Unit-based means that you pay for the actual units or products that you receive. When you subscribe to Dollar Shave Club, you pay nine dollars to receive a set of blades each month. The unit-based model is very similar to the traditional transaction model, the sole difference being that your purchases are automated.

Usage-based means that you pay for your usage of the product or service. Usage-based subscription businesses are common in the case of digital or telecom services, but a service like Zipcar, too, offers a usage-based service where you literally “pay as you go”.

Tiered models are subscription businesses which define a range of service tiers, and customers choose which tier suits them best. Tiers will often be defined in terms of packages of different services and maximum levels of usage; this model is very common in the software industry, where customers may be offered bronze, silver, or gold subscription packages.

User-based models charge you by the number of individual users on the system, providing full access to the system for a very low fee but increasing that fee as you add more users. The successful cloud computing company Salesforce.com is among a number of software providers using this model.

Unlimited or “fixed recurring” models are subscription models which grant you unlimited access to the product or the service for a fixed recurring amount. This model has been extremely successful for several digital content providers, such as Netflix and Spotify, but has started to emerge in physical businesses as well. As an example, Cineworld offers unlimited moviegoing for subscribers of Cineworld Unlimited.⁹

Hybrid models combine different usage models within one subscription business. Many telecom companies have a hybrid between the tiered model and the usage model: they offer a range of tiers with various usage limits, together with excess charges if you exceed the base limit included in the subscription.

There is no easy way to determine exactly which usage model will best fit your business. It depends very much on the type of business and what kind of product or service you provide. It also depends on your business goals and strategies. But, before you decide, you should at least consider two important aspects. One is your cost structure. What are your variable costs of delivering the product or the service to your customers? This might guide your decision. Another is the competition. Do your competitors have usage models that you will have to match – or might you even gain a competitive advantage by choosing a different model?

Step 4: Define your pricing strategy

The next thing you need to do is define your pricing strategy. How are you going to make yourself attractive in the market, and will you target different customer segments with different price ranges?

If you have a product or a service that is sold both on a one-off basis and as a subscription, you need to decide what the price relationship is going to be. Newspapers are often sold both as single copies and on subscription, and usually you will get a huge discount if you subscribe to the paper.



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Another pricing strategy is to make some limited part of your product or service available for free and then sell a premium version to those who need more. This so-called “freemium” model¹⁰ has been very successful for a number of subscription businesses. The popular music service Spotify uses the freemium model: it gives all users access to free music but with limited functionality and with disturbance of ads, and once they get addicted to the service and want a higher quality of service, it is very easy to get them to upgrade to the paid-for premium service.

You can also try targeting different segments of the market with different prices and packages. One way could be to aim your product at both consumer and business markets and to do so with different offerings. The data-storage service Dropbox has launched two different versions of their Premium service, one targeted at individuals and the other targeted at businesses; each version comes with its own ranges of content and features and its own range of prices.

Finally, you need to give special consideration to your pricing strategy if you are planning to sell your subscription product or service internationally. Of course, you could opt for the same price everywhere, but commonly selling in different countries creates a great opportunity to differentiate your prices by setting subscription prices in local currencies in line with the different levels of buying power and competition in different countries.

Step 5: Determine the subscription packages that you will offer the customer

Having determined your usage model and defined your pricing strategy, you are ready to define the subscription packages that you will offer the customer. How you specify your subscription packages very much depends on the choices you have made in Steps 3 and 4.

Perhaps you have chosen the tiered model, in which case you now have to decide how many tiers to offer and how they will be differentiated. Perhaps you have decided to go for the unlimited model and just want to offer the subscriber one package.

As an example of how to build subscription packages, consider once again the case of SurveyMonkey, one of the world’s leading suppliers of survey software. SurveyMonkey has opted for a tiered model with four tiers, one free and three paid-for packages. SurveyMonkey combines the tiered and freemium models: it offers the first tier for free in order to attract as many customers as possible to its service, hoping to convert many of its free users into paying subscribers.

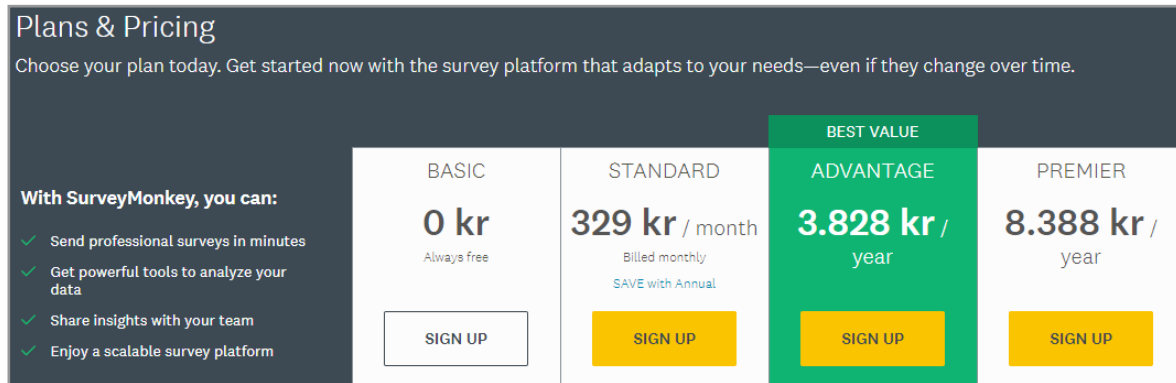


Figure 4.2 The subscription packages of SurveyMonkey

This is just one example of how to determine your subscription packages, but one which deliberately combines usage models with pricing strategies. You need to give serious thought to how your subscription product is best packaged to implement your strategies and your business objectives.

One piece of advice, however: keep it simple – especially in the beginning! You can always add more packages as you learn more about your business and your customers. And the chances are that your customers will like it simple too. Many successful subscription businesses have a very simple package structure.

Step 6: Define subscription periods

One further dimension to consider is the length of the subscription periods you will offer your subscribers. And you should think about whether you will offer just one subscription duration or allow the subscriber to choose among several.

Intuitively you would like to have your subscribers sign up for a long period. That means a more stable business and a better cash flow. But it might not be in the consumer's best interest. Consumers increasingly demand flexibility, and like the idea that they can cancel their subscription whenever they choose. Hence many new and successful subscription businesses are offering great flexibility and short subscription periods.¹¹ Perhaps you should do likewise!

However, there can be good reasons to opt for longer subscription periods. If your business involves high one-time costs associated with starting up a new customer, then long subscription periods can be a way for customers to offset that cost without requiring them to pay a one-off fee when first subscribing.

Another strategy would be to offer the subscriber a choice of different subscription periods, but with a discount for choosing a longer period. This could be a win–win situation for both you and your customer.¹²

So, what is the best strategy for deciding your subscription periods, then? It is not easy to say, because the best mix of subscription periods is whatever will maximize the average lifetimes of your subscribers, which means that it must be determined from experience. Again, the best advice is to keep it simple at the outset and add more choices of subscription period once you get to know your business better.

Step 7: Set subscription prices

Once you have decided your usage model, defined your pricing strategy and determined your subscription packages, it is time to set the price levels that you will take to market.

How much to charge for your product or service is likely to be the subject of one of the most extensive discussions you have with your colleagues when setting up your new subscription business. Hardly any other question leads to so much debate and disagreement.

The discussion will most likely set out from the question “How much do we need to charge in order to make a profit?” That is answered by calculating our costs and adding our profit margin to reach the price (which is known as the *cost-plus pricing* strategy).

However, it is better to ask the question “How much will the customer value the product or service we provide?” and set the price according to the answer to that. This is known as the *target pricing* strategy. Here you set your prices to match what your buyers are willing to pay. You must take into account your competitors’ prices and set your prices either so as to match your competitors, or so that you take a more attractive price offer to market. Once you have set prices you work on your costs to ensure that they correspond to your prices and allow for a profit (this is known as *target costing*).

Step 8: Determine payment methods

Having set your fees, you need to decide how you will collect money from your subscribers. How are they going to pay for the products or services that you will offer them?

In this digital age that question has become much easier to answer! Many subscription businesses now rely on credit card payment as the sole mean of collecting money from the subscribers, and if you are planning to serve consumers and business professionals then you can probably do the same. Your customers can then easily sign up to your subscription service by agreeing to recurring payments on their credit card.¹³ However, there are a few alternatives that you should consider.

Traditional invoices are still used when dealing with large or medium-sized companies. Credit cards may not work in the case of companies, since they are tied to individual cardholders. So, if you plan for your subscription base to include some larger companies, you may need to consider how to invoice your products or services. In some sectors you might even have to comply with specified standards for electronic invoicing when dealing with larger private or public organizations.

In some countries you might consider direct debit as an efficient alternative to credit cards. Direct debit grants you the right to withdraw money from the subscriber's bank account on a recurring basis until he unsubscribes from your service. Your customers will probably not change their bank account as often as their credit cards, so direct debit can be a more reliable means of payment. Unfortunately, these services only operate nationally, so you will need to set up a number of separate processes if you are marketing your product internationally.

One final billing method needs mentioning. If your subscription service is provided via an app through Apple's App Store or Google Play, you could rely solely on Apple or Google to do the collecting of your fees. But, easy though this solution seems, you would need to consider whether losing crucial customer data to Apple or Google is good for your business in the long run.

Step 9: Define billing and dunning procedures

How and when are you going to bill your customers, and how will you go about dunning them if they fail to pay for your products or services? That might sound like one of the more tedious issues involved in building a subscription business. However, it is a matter of great importance, and setting up consistent procedures will certainly make a substantial difference to the performance of your subscription business.

First you need to set up your billing procedure. When are you going to bill the customer, and when does he get access to the service? You need to decide whether your service will be billed in advance or upon delivery of the product or service; and, if billed in advance, how many days before the end of the subscription period do you invite the customer to renew? You also need to decide whether the subscriber is to get access to your product or service when he is billed, or only when he has actually paid.¹⁴

Set out your billing procedure as a timeline covering the cases of both new and existing subscribers and arrange your procedures to allow for all payment methods and other variations.

Then you need to set up your dunning procedure. What is to happen if the subscriber fails to pay? You need to establish when and how often you are going to remind the subscriber of his missing payment, and you need to determine what the consequences will be of a missing payment – how long before you will terminate the subscription. Drawing up a timeline is advisable for this process too.

Your biggest problem will most likely be expired credit cards. Any credit card has an expiry date so that they are continually changed, and even before the expiry date a subscriber might lose his card or change bank or credit card supplier. Consequently, if you are going to deal with credit cards, you need to set up an effective procedure to tackle this issue. Establish routines to warn the subscriber *before* his credit card expires, and routines to remind him *after* expiry to supply his new credit card details.

Step 10: Decide and document subscription terms

The final step in modelling your subscription business is to set the terms and conditions which will apply to your customers when they subscribe to your service.

Terms and conditions vary across different companies and business sectors and will reflect the type of business you run. However, typically they will cover issues like use of the service, privacy, invoicing and payment, cancellation policies, consequences of misuse, guarantees, and liabilities.

One thing you specifically need to consider when running a subscription business is what binding terms you wish to enforce on your subscribers. Are they tied to your service for a certain period? When can they cancel their subscriptions? What are the consequences of cancelling or downgrading before a subscription period ends?

One piece of advice: keep your terms and conditions as flexible for the customers as your business permits. Allow them the possibility of cancelling, upgrading or downgrading, or temporarily suspending their subscriptions whenever they want to. After all, what you are really aiming to do is to make your subscription business as attractive to your customers as possible, so that they stay with you for all the right reasons.

Inspiration:

Hardware-as-a-Service is a new subscription trend for products

Every product is a service waiting to happen. So goes an expression that refers to how we are entering a time in which consumers no longer want to own things, but prefer instead to rent them or take out subscriptions.

This development means that if the business model up until now has been manufacturing and selling products, the time has now come to rethink how this business model should take shape in the future. It is for this reason that many of the world's leading manufacturers are now working flat out to convert their products into services. Apple is one of these companies.

In September 2015, Apple launched its iPhone Upgrade Programme, which simply put, is an iPhone subscription. Instead of buying an iPhone, consumers sign up to a subscription priced from \$34.50 and up in exchange for a new iPhone 8 or iPhone X. The subscription runs for 24 months, but consumers have the option to trade in their iPhone for a new one after just 12 months. At the same time, Apple has packaged the product together with additional services, such as their AppleCare+ insurance service. It's not hard to see what Apple is after: The idea is to lock consumers into Apple's products and ensure a high repurchase rate. At the same time, Apple shortens the real lifetime of an iPhone to 12 months and thereby increases the number of units being churned off its production lines.

Is the iPhone Upgrade Programme as popular with consumers? It sure is! Independent industry sources in the USA estimate that around 50 per cent of new iPhones are bought through a subscription.

The tendency to offer durable goods as subscription products is often referred to as Hardware-as-a-Service – a trend which is currently spreading to multiple companies across a range of product areas, such as cars, computer equipment, washing machines and similar.

The question is: why is Hardware-as-a-Service becoming such a huge trend just now? It is related to the fact that the subscription economy in general is in a period of growth, and this has even seeped into the hardware sector. Consumers are inspired to take out subscriptions for durable goods now that they have become so used to subscribing to almost anything else possible. That is certainly a part of it. But there are likely other factors involved as well.

There appears to be a huge consumer trend that is on the cusp of breaking through: Consumers are increasingly keen to be free of ownership. We much prefer to gain access to products and services that we need and during the time when we need them. This „rent-rather-than-own“ mentality is not least prominent amongst young people, according to a number of studies. But my experience tells me that the winds of change are quick to reach all age groups.

When we rent, or subscribe, rather than buy outright, we give ourselves the flexibility and convenience that we strive for.

It is equally important, however, that this development is also attractive to manufacturers. First and foremost, the new business model allows manufacturers to develop a direct relationship with their end users, outside of the traditional retail sector. This means that companies get to know their customers much better than before. By eliminating the need to visit a store, moreover, manufacturers can reduce the chances that their customers will come into contact with competing products. The fact is, most customers won't consider changing supplier at all once they have entered into a subscription. At the same time, the subscription model naturally makes better financial sense, as the expensive retail sector can be cut out. Savings made from this can of course be shared advantageously with customers.

It is therefore clear that there are many advantages to offering products as a subscription service, but doing so also requires a whole new set of skills in order to establish direct customer relationships outside of the retail sector. But can't the retailers simply set something up? Yeah, they sure can. They can go ahead and set up their own subscription programmes!

One thing's for sure: Going forward, we will see many more products being sold as services, and it is hard to say how many big purchases we will be making in the future once the new subscription economy has become widespread.

PS. Apple's founder and CEO for many years, Steve Jobs, was not a huge fan of the subscription model himself. „Even if the second coming of Jesus was offered as a subscription, it wouldn't sell“ he said famously. There are many reasons to have great respect for Steve Jobs, but it is also good to see that Apple is now itself a part of the subscription economy.

5 SUBSCRIPTION SYSTEMS

Having decided on the subscription model, the next stage in building your subscription business is choosing the right systems to support the business. The systems and software solutions needed might vary from business to business, but probably you will need at least a subscription management system, a sales platform, and a marketing system. This chapter will take you through the various steps to be considered when choosing and implementing these systems.

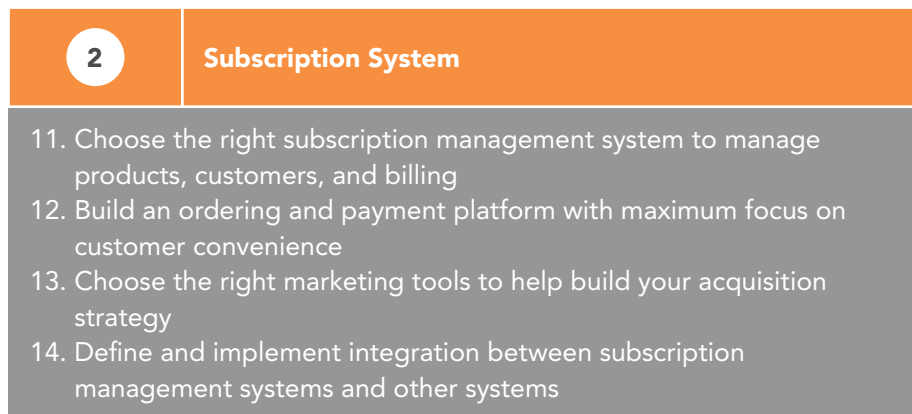


Figure 5.1 Subscription systems

Step 11: Choose the right subscription management system to manage products, customers, and billing

The first thing you need to do is choose the system you will use to manage your subscription products, store your customer data, and carry out your subscription billing. This system is often referred to as the *subscription management system*, the *subscription billing system*, or simply the *subscription system*.

You and your company might already have an ERP system or an accounting system which maintains lists of debtors and bills customers, or perhaps you are thinking that a simple accounting system might do the job. It won't. Most conventional ERP systems and accounting systems cannot handle subscriptions, and unless you plan to execute a mass of processes manually you need a system that can host your subscription products and bill your customers on a recurring basis. In other words, you need a subscription management system.

A subscription management system in essence allows you to do three things: to create and manage your subscription products, to input and manage your customers, and to bill your

customers. Some subscription systems will have features additional to these three and that is fine, but fundamentally you need to evaluate any subscription system you are considering against those three basic functions to check whether it meets the requirements of your subscription business.

So where do you find a subscription management system? There are essentially two ways to go. You can either seek out an industry-specific system developed for your particular business sector, or you can look for a generic system that works across different sectors.

Many business sectors have developed their own subscription systems. This applies particularly to those sectors which have been subscription-based for a long time. Thus, if you are in the newspaper industry there are newspaper subscription systems available to you, and if you are in the magazine industry there are magazine subscription systems. The same goes for a number of other sectors like telecom and fitness clubs. The systems are often developed by software companies which support the business sector in question, and the advantage is that, often, you get a system that exactly matches your type of business. The downside is that you might get a system which is not adapting to new subscription trends fast enough and not implementing best-practice solutions.

If you do not want to look for a sector-specific solution, there are a number of generic subscription management systems available to you. They are often cloud-based systems which are easy to access. All you need is an internet connection. You sign up to the system, set up your subscription products, integrate it as appropriate with your other systems, and you are ready to go.

The advantages of these systems are that they are easy to access and involve low initial investment, both of which features suit most new subscription businesses. But you need to be careful about checking whether they actually meet all your business requirements. Also, you need to reckon with the fact that some of these systems will charge you a percentage of your total subscription income. Cheap as it is to get started, it may become expensive if your business turns out to be a success.

This book will not provide an in-depth analysis of all the different subscription management systems available to you. This is something you will need to investigate for yourself; you might like to examine some of the most popular solutions, which include Zuora,¹⁵ Arira Chargify, Chargebee, and Recurly.

Step 12: Build an ordering and payment platform with maximum focus on customer convenience

The subscription management systems mentioned above will probably not provide the sales platform which you need to enable customers to buy your products and services. You will therefore need to build an ordering and payment platform, where your customers can sign up to buy your subscription products and pay by using their credit cards or whatever means of payment you have decided on.

If you are already running a business and a website, you might be able to build the ordering and payment processes directly on your current website and transform this into your new subscription sales platform. If not, you will have to build a new website where your customers can buy your products. Needless to say, there are several ways to do this, and many different systems and companies specializing in building e-commerce solutions. You can either go for a bespoke solution, building your website/web shop from scratch, or you can opt for one of the many different web shop solutions, such as Shopify, Magento, or Prestashop.¹⁶

Regardless of how you are going to build your sales platform, you need to pay great attention to how to make the ordering and buying experience as convenient and seamless for your customers as possible. This is extremely important! Design your sign-up and payment processes

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carefully and test them extensively, to ensure that when potential customers visit your sales platform you will achieve the highest possible rate of conversion into new subscribers.

Step 13: Choose the right marketing tools to help build your acquisition processes

Most subscription management systems will offer very limited functionality when it comes to executing sales and marketing campaigns directed towards your prospects or your existing customers, so you will probably need to choose and integrate a CRM or marketing automation solution with your subscription management system.

As we shall show later, the ability to run sales and marketing campaigns via multiple sales channels, aimed at both new and existing subscribers, is crucial in order to make a success of your new subscription business.

The range of available marketing tools is spread across a diverse spectrum of solutions, from very simple e-mail marketing systems, through more extended CRM solutions, to hyper-advanced campaign management and marketing automation solutions.

A simple e-mail marketing solution will enable you to run e-mail marketing campaigns aimed at both new and existing customers. It will also enable you to engage with your subscribers through newsletters and welcome programmes, through which you can communicate new or existing features and benefits of your subscription product.

A more extended CRM solution will enable you to set up specific sales campaigns and run them continuously across different target groups. You will also be able to measure effects of the different campaigns and store the results of the campaigns at an individual customer level.

A campaign management and marketing automation solution will enable you to develop and execute sales campaigns through multiple marketing channels using extensive campaign planning tools, and it will give you the ability to set up campaigns that run repeatedly in response to particular triggers in your subscribers' behaviour or lifecycle.

In searching for the right solution, you need to balance the needs and the size of your subscription business with the cost of implementing and running your marketing tool. You need to try to find a solution that will be adequate in the short run and at the same time can be scaled up when your business grows.¹⁷

Step 14: Define and implement integration between subscription management system and other systems

Once you have chosen your subscription management system and other systems and platforms, you need to define and implement integration between the various systems. In the first place, you must integrate your subscription management system with your ordering and payment platform and your marketing tool, but there are at least two other systems you also need to consider.

If you are using credit card payment, you need to integrate a credit card payment gateway.¹⁸ There are a number of different companies providing payment gateways. The choice of gateway will depend on where your business is located, which currencies you need to support, and which payment gateways are supported by the subscription management system you have chosen.

Furthermore, you must consider what kind of integration is needed between your subscription management system and your ERP or accounting system. Will you enter subscription revenues into the system manually, or will you integrate the systems electronically?

Finally, you need to consider whether there are other systems which need to be integrated with your subscription management system – perhaps systems specific to your business or industry, or systems that can improve the performance of your operation, such as call-centre systems or web analytics systems.

Inspiration:

The power of inbound marketing

I have recently added yet another subscription to my collection: A new, smart digital service that uses data on my family's size and preferences to put together fresh meal plans and shopping lists each week. This saves us the time of having to get creative with our food, and its ideal for a busy family like ours.

How did I end up buying this subscription? After all, I had never heard of this service before. It was actually a colleague who recommended the service so strongly that I looked it up on my mobile and clicked „buy“ right away. In just five minutes, I went from being totally unaware of the product to having a paid subscription – entirely based on of a good recommendation from a person I trust. It seems that the well-known motto that you need to create awareness and demand before you can make a sale is starting to gather dust in 2018.

I'm not the only person who asks friends and colleagues for advice on everything from good dentists through to durable rubber boots for the kids. A groundbreaking study undertaken a few years ago by the American analysis institute Nielsen showed that 92% of us trust personal recommendations. Conversely, we are much more sceptical when it comes to traditional campaigns and marketing approaches.

For many years, the common belief within marketing circles has been that in order to sell a product, it's necessary to get the message out to as many people as possible via ads in newspapers and on TV, and through endless amounts of printed materials being sent directly out to recipients' postboxes. This enormous *push* from companies to consumers was often referred to as outbound marketing. The problem is just that outbound marketing has lost its shine in recent years, as consumers now increasingly look for the right products themselves, or, as in my case, they rely on recommendations from friends or colleagues.

Can companies do anything themselves to attract this sort of attention and get customers to recommend their products to others? Or get customers to find the product themselves? Absolutely; this strategy is often referred to as inbound marketing, in contrast to outbound marketing. Here, it's all about getting customers to *pull* the company's products rather than *pushing* them out to consumers.

So how can companies go about executing a strong inbound marketing strategy? There is no simple answer to this question, but it often comes down to creating strong content around the product and making such content available to potential customers via different channels, so that they can come across it themselves and perhaps even share it with their friends and colleagues.

In my world, outbound marketing and inbound marketing do not necessarily need to be thought of as opposites of one another. It is certainly possible to use both approaches at different points in time. It is important to recognise, though, that it is becoming harder and harder to sell products to customers solely in the traditional manner, and that inbound marketing should be introduced as a part of your overall plan.

How can you go about doing that? I would recommend that you encourage your customers to talk about your product in a positive manner and get them to share their good experiences with others. A strong service design around the products themselves is a good way to start here. In reality, it can be just as easy as it can be difficult: Surprise your customers and give them more than they expect. This creates the sort of good stories that we love to share with each other. For example, a picture of your evening meal that you've put together with a little help from the latest app in your collection.

6 ACQUISITION

When you have modelled your new subscription business and built your subscription systems, you are ready to take your subscription product to market. This is when you need an acquisition strategy that tells you how to sell subscriptions to new customers. You need to define your strategies for acquiring new customers, and you need to develop a campaign plan that tells you how to sell subscriptions and at what cost levels. Finally, you need to use various sales channels to achieve your sales goals. This chapter will take you through the successive steps of developing and implementing your acquisition strategy.

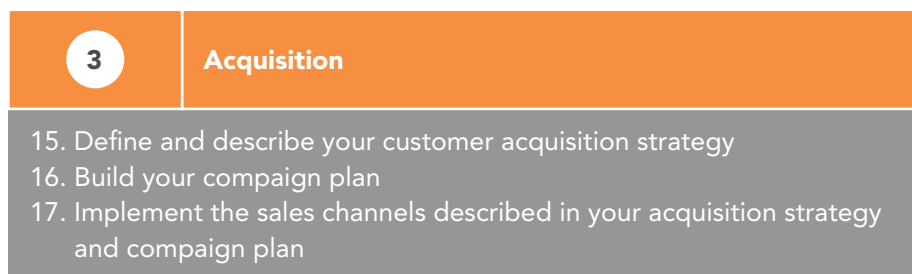


Figure 6.1 Acquisition

Step 15: Define and describe your customer acquisition strategy

Building and refining your customer acquisition strategy and implementing new ways of selling your subscription product are things that you will have to do for as long as you are in business. It is a job that never ends, since you will always need new customers to drive growth and to compensate for the ones that you lose! You will begin with a plan for acquiring new customers. But you must constantly develop and revise this plan as results are evaluated and new ideas emerge.

Consequently, this chapter will not include everything you need to know about how to sell your subscriptions. Nor will it present you with a fully worked-out sales and marketing plan. The goal of the chapter is to offer some general ideas and guidelines about how to get started on developing your initial acquisition plan.

The first step in your acquisition strategy will be to define your customer segments. Can all your customers be reached through the same sales methods, or would your acquisition strategy benefit from defining two or more separate customer groups which can be targeted differently? One common way to segment is to define customers as either consumers or businesses and develop separate business-to-consumer and business-to-business sales strategies.¹⁹ This may make sense for your business, or perhaps some other way of segmenting your customers is more appropriate.

Another important aspect of your acquisition strategy is how to attract new customers. What incentives can you provide to convince potential new customers to try out your product or service? The ideal situation, of course, is when the value proposition of your subscription product is so strong that no incentives are needed to convince new customers to hop on board! Most probably, though, you will need some kind of incentive to acquire new customers.

One of the most popular incentive schemes is the “try the first month free” offer adopted by a number of leading subscription businesses, including Netflix, Spotify, and many others. The catch is that when signing up for one free month, customers also agree that the subscription will automatically be converted into a paid subscription after the free month unless they actively unsubscribe. This makes the free trial subscription a very powerful incentive for acquiring new customers. Whether you go for the free-trial method or some other kind of incentive to win new customers, you must ensure that your trial subscribers are automatically renewed after the trial period in order to gain as many paying customers as possible.

The third thing you need to do, having defined your customer segments and chosen your incentive scheme, is to decide how to sell subscriptions. The next step will explain in greater detail how to develop a customer-acquisition campaign plan.

Step 16: Build your campaign plan

The campaign plan is one of the most important tools you need when running a subscription business. Once your new subscription business is in operation, you will find that much of your time and resources are dedicated to the task of acquiring new customers, and all of these efforts will be constantly planned and evaluated in your campaign plan.

Basically, a campaign plan is a plan that tells you how many new subscriptions you plan to sell in each period, which channels you will use to sell them, and how much each new subscription acquired will cost you.²⁰

Developing a campaign plan serves a number of different purposes and provides a number of important benefits. The main purpose is to plan all your activities according to your sales targets and your budgets. This will give you an overview of all your different sales activities and show you which resources are needed to meet the targets. You will also be able to monitor your sales performance against the targets on an ongoing basis. Furthermore, with a campaign plan you can evaluate each campaign and compare campaigns across different sales channels, thereby using the campaign plan to prioritize among alternative sales channels. Finally, once you have built up sufficient history, the campaign plan will also be a great tool for sales forecasting.

A central element of the campaign plan is to choose the right sales channels to reach your audience. Sales channels can be *direct*, if they involve you selling directly to your customers, or *indirect*, if they involve selling your subscriptions through intermediaries such as retailers or dealers. Even though you might want to consider indirect as well as direct sales channels for your subscription business, it will be obvious that most subscription businesses rely heavily on direct channels, since the subscription model by its very nature is a great way for businesses to sell directly to consumers.

Selling your subscriptions directly to the customers could involve a number of different sales channels: company salesforce, direct mail, internet marketing, print/television advertising, telemarketing, social marketing, face-to-face marketing, etc. The list is long, and you need to consider which channels are most likely to fit your product, your customer segments, and your company's resources and competences, and then test your assumptions to discover which channels are most effective.

However, one very effective sales channel is often overlooked and deserves special mention. That is, using your existing customers as a salesforce to sell subscriptions to their friends and relatives. Consider Dropbox, which is one of the fastest-growing subscription businesses. Dropbox is a cloud-based file hosting service that lets you store and share data, pictures, and videos, and to access them anywhere. Dropbox has launched a very successful referral scheme, which encourages subscribers to promote the services to their friends and rewards them with 500 megabytes of extra storage for each new subscriber referred.

The referral scheme has proved to be a very powerful way of acquiring new customers for Dropbox, and you should seriously consider whether customer referral could be a way for you too to acquire new customers. This is particularly worth consideration because the referral scheme has a further benefit: it will not only win you new customers, it also functions as a way of building loyalty among your existing customers, by rewarding their efforts as ambassadors for your product or service.

Step 17: Implement the sales channels described in your acquisition strategy and campaign plan

Successful implementation of the various sales campaigns and sales channels described in your customer acquisition strategy and your campaign plan is absolutely crucial for the success of your new subscription business. You must implement the right sales tools, you must focus on building sales competences, and you must foster a strong sales culture in your organization in order to drive sales growth.

First, you need to build and implement a campaign management tool that will help you keep track of all your campaign activities and continuously track and measure your sales performance. If you are a small business, the best solution will probably be to build this yourself, using a spreadsheet. If you are planning to build a large-scale operation, you will probably be better off choosing a standard solution from one of the many suppliers of campaign management systems.

You must also consider seriously how to develop the right sales competences within your organization, in order to meet the demands that arise from your campaign plan. If personal selling is involved, either through your own salesforce or a telemarketing operation, you need to plan how to develop and train this sales organization, and how to lead and manage the operation from day to day. You might also consider whether this sales operation ought to be part of your own organization or whether you will be better off outsourcing the operation to specialized companies.

Most likely some of your sales will come from selling online, using search advertising, e-mail marketing, social media, and other digital channels as ways of selling subscriptions. Therefore, you need to build strong competences in digital marketing, covering disciplines like search engine marketing (SEM) and search engine optimization (SEO) as well as other digital sales skills. This area must not be underestimated; the difference between a successful subscription business and a struggling one could very well come down to the ability to attract new subscribers through effective use of search engines and other digital sales channels.

No matter which sales channels you plan to use, one final consideration applies. In every case, you need to foster a strong sales culture in all parts of the organization. Fostering a strong sales culture requires you to set ambitious and visible sales targets, constantly measure and evaluate your sales performance, communicate to everyone in your organization, and constantly seek to improve on all your sales performance indicators. Do not imagine for a moment that you have a product that will sell itself. A strong product will only succeed if you have a competent sales organization and a strong sales culture in your business.

Being able to develop and implement a powerful customer acquisition strategy is one very important aspect of building a successful subscription business. Just as important is your ability to retain the subscribers once you have them, which will be the topic of the next stage.

Inspiration:

Growth Hacking – The powerful weapon of new ventures

How has the American sharing platform Airbnb succeeded to reach a value of more than 50 billion USD without using any money on traditional marketing? Why haven't we seen TV commercials promoting Facebook? And how has the car sharing service, Uber, managed to become one of the world's most valuable (and controversial) companies in just a few years?

If you look at the world's most successful start-ups, they have one thing in common: They have almost never spent money on traditional marketing campaigns. Companies like Twitter, Dropbox, LinkedIn and YouTube were almost unknown just 10 years ago, but now they are among the world's most well-known brands and neither of them have invested in big advertising campaigns or marketing in public spaces.

The traditional saying in marketing usually goes like this: To create a strong brand, you must have a large marketing budget. In the "fire-at-random approach", money must be invested so that millions of customers will be exposed to your message. Consequently, the one with the largest budget wins. At least, this is the story that both advertising agencies and traditional media like to tell.

Many of the most successful start-ups have turned this way of thinking upside-down. The phenomena is called "Growth Hacking", and the philosophy is that it isn't about building a strong brand, but about creating massive growth by "hacking" your way to meet customers by evading the traditional media channels. An important element is to get customers to market your product to other customers, and thus create a viral effect. This is done by having a strong focus on the product and by focusing on cheap alternatives to traditional marketing. The gun is loaded with social media, viral campaigns and targeted campaign activities.

A great example is subscription-based Dropbox, who in few years have grown to become world leader within data storage and file sharing. How did Dropbox manage to do so? By developing an excellent product, which has made data storage and file sharing simple and user-friendly - but also by the virtue of a consistent strategy tying product and distribution closely together. By recommending the product to a friend, both the recommender and the recipient are rewarded with extra storage, and in this way, Dropbox has spread their product through millions of users.

Growth Hacking is of course disturbing in terms of the way we normally consider marketing. Hereby, it's also a serious challenge to the media that have enjoyed earning on advertisers. The traditional marketing will obviously remain many years ahead, but the new start-ups and their secret marketing weapon will challenge companies, who think old-fashioned.

The question is, if every company can take advantage of "Growth Hacking" in the hunt for evolution? Most of them can learn from the core of it: Be hysterical about creating an amazing product, which makes life easier and better for a certain group of customers. Keep going until it is spot on. And finally, make it easy and attractive for your customers to share the product with other customers. Then perhaps the way to growth and new customers is paved.

7 CUSTOMER RETENTION

This chapter introduces you to one of the most important issues for a subscription business: how to retain subscribers once you have sold the initial subscription. While the art of selling, as we explored it in the previous chapter, is crucial to all businesses, the art of customer retention is more specific to subscription businesses. And those subscription businesses which manage to retain their subscribers by engaging them with the product and by building loyalty are by far the most successful.

Let me demonstrate the importance of customer retention with a brief example as shown in figure 7.1. Consider two different subscription businesses which both operate monthly subscriptions. Business *A* manages to retain 90 per cent of subscriptions each month, while the monthly retention rate for business *B* is 80 per cent. Business *A* sells 1,000 new subscriptions each month. After a year, its total number of subscriptions is 7,176.²¹ How many subscriptions does business *B* has after a year if it sells the same number of subscriptions per month? The answer is 4,656. In fact, business *B* needs to sell 1,550 new subscriptions each month to reach the same total of subscribers after a year as business *A*.

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In other words, because of the ten percent difference in retention rates, business *B* must sell 55 percent more new subscriptions each month than business *A* to achieve the same number of subscribers!

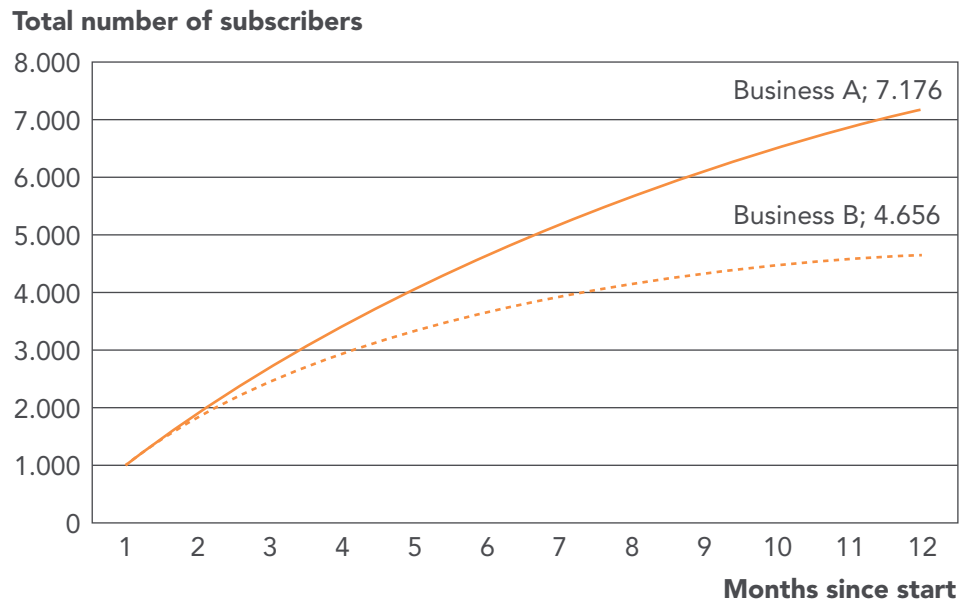


Figure 7.1 Example; the value of retention

What the example shows is that even small variations in the retention rate of your subscription business can impact heavily on your success, so you must dedicate a lot of time and effort to developing robust customer retention processes. The good news is there are plenty of things that one can do to affect retention rates. This chapter will take you through a number of worthwhile steps to be taken in order to maximize customer retention.

4

Customer retention

18. Define your customer service strategy using both online and offline means of communication
19. Define and describe your customer loyalty strategy
20. Define and build your customer dialogue programme and processes
21. Define your social media strategy and how to engage your customers through different social networks
22. Define and describe your immediate retention processes when customers consider leaving your business

Figure 7.2 Customer retention

Step 18: Define your customer service strategy using both online and offline means of communication

The first step in defining your customer service strategy is to decide how to develop an effective customer service that allows your customers to communicate with you about their subscriptions. It might seem too obvious to mention, but it cannot be said too often: high-quality customer service is the cornerstone when it comes to building loyalty and retaining your subscribers. Providing your subscribers with superior customer experiences will increase their satisfaction and improve loyalty, and hence raise the probability of them continuing to stay with your business.

One important aspect of customer service in a subscription business is to give your subscribers the ability to manage their own subscriptions. In its very nature a subscription is an ongoing relationship between customer and company, and from time to time a subscriber will need to make changes to his subscription. Therefore, you should provide subscribers with an easy way to manage these changes themselves on a self-service platform. Depending on your business these changes might be address changes, credit card updates, upgrades and downgrades, or temporarily or permanent cancellations.

Giving your subscribers self-service access will also leave you more time to focus on those customer contacts which require answers and actions from your side. First, you need to give your subscribers diverse access routes to contact you directly when they have problems which need answers. They might want to phone you, e-mail you, or online-chat to you, and the quicker you are able to respond, the better and more trustworthy you will look in your customers' eyes.

Many customer contacts might be relatively simple and straightforward questions and enquires that are easily dealt with. But from time to time you will find yourself in a situation where your customers are disappointed or dissatisfied with your product or your service, and the best customer service organizations are characterized by the way they handle situations involving customer complaints and customer dissatisfaction.

Consider one classic example relating to a leading bank in the United States which studied customer complaints and the organization's ability to handle them.²² The study showed that 55 percent of customers had never complained or felt any reason to complain about the bank, and 89 percent of those would recommend the bank to their friends. Of the remaining 45 percent, two out of three had made a complaint. Out of those that had actually complained, 55 percent received a positive response from the bank, and 91 percent of these would recommend the bank to their friends. (Those who felt they had a reason to complain but did not do so, and those for whom the outcome of their complaint was negative, were obviously much less likely to recommend the bank.)

What this brief example shows us is that handling customer complaints successfully can actually create customers who are even more loyal than those who never had anything to complain about in the first place. It also shows how important it is to make it easy for customers to make a complaint or an enquiry. This is a strong reminder that developing a high-quality customer service organization and providing your customers with a high level of customer service is absolutely imperative if you want to run a successful subscription business.

Step 19: Define and describe your customer loyalty strategy

You could argue that everything you do in your subscription business is about creating loyalty. Providing the right product, choosing the right price, and giving the best possible service should all help to increase your customers' satisfaction and persuade them to remain longer as customers. But perhaps you can do more to encourage your customers' loyalty by providing some kind of extra benefits or incentives. These are often referred to as *customer loyalty programmes*.

A customer loyalty programme is essentially a way of rewarding your customers' loyalty with bonuses, incentives, and benefits, in order to increase customer satisfaction and hence the value and lifetime of your customers. Loyalty programmes are by no means unique to subscription businesses – they are often used by businesses such as airlines and retailers; but from a subscription business viewpoint it makes perfectly good sense to consider implementing some kind of loyalty strategy or loyalty programme to support customer retention.

Loyalty programmes come in many different forms. In this chapter I shall describe two common approaches to building loyalty programmes: *bonus programmes* and *benefit programmes*.

The bonus programme builds on the idea that your customers earn points every time they make a purchase or every time they renew their subscription. These points can later be used to make new purchases or be used as discounts on future subscriptions. The aim of the programme is to reward your customers' loyalty in order to improve customer retention. You can even design the programme so that the more your customers buy, or the longer they stay with you, the more points they earn. The car subscription service *Dribe* has in fact build a detailed and attractive bonus programme where subscribers earn points for each month of subscribing to the service. These points earn subscribers extra benefits and can also be used as currency when renting special rides for special occasions.

The benefit programme is a way of providing your customers with benefits and privileges only available to them because they subscribe to your product or service. The benefits

might be something that your company produces, but it is equally common to go into partnership with outside companies in order to offer your subscribers substantial benefits and privileges. Benefit programmes are very common in the newspaper industry as a means to drive subscription sales. The British newspaper *The Daily Telegraph* has set up one of the most comprehensive benefit programmes called *Telegraph Rewards*. The programme provides subscribers with numerous offers and benefits from various retailers, restaurants, and venues with which *The Daily Telegraph* has partnered.

Whichever way you decide to go in building a loyalty programme for your subscribers, you must reckon with the degree of effort you need to put into such a programme, and the level of competition among loyalty programmes that you will face. If you decide to develop a loyalty programme, you ought to be in a position to offer something both unique and attractive to your customers. If you cannot do that, it simply won't work. Too many loyalty programmes have been set up with inadequate focus on how to influence actual consumer behaviour and how to measure and assess programme performance.²³

A customer loyalty programme can be a very effective way of improving customer retention; but, if you decide to have one, you must feel certain that you can design a programme which really will foster loyalty and improve retention.

Step 20: Define and build your customer dialogue programme and processes

Constantly communicating with your customers about the product or service you provide is a very powerful tool when it comes to building a strong relationship with your customers. Therefore, you should consider how to build a customer dialogue programme which can engage your customers more intensively.

By *dialogue programme* we simply mean a well-defined communication flow targeted at current subscribers and executed through one or more communication channels. Most typically you would use e-mail as the sole or the main channel of communication when setting up your dialogue programme, but other channels might also be relevant.

First, you need to build a dialogue programme aiming at welcoming new subscribers to your product or service. This is often referred to as an *onboarding programme*. This is very important for at least two reasons. One reason is that new subscribers do not know your product or service as well as your existing ones. They might need special information in order to get started and learn how to use their subscription. Another reason is that the first few months are critical for retaining customers. Perhaps you have acquired new subscribers for a short trial period, so it is crucial that they learn about all the benefits before they

have to decide whether to continue at full price. A great onboarding programme can help you convert more trial subscribers into paying customers.

Salesforce.com, one of the leading CRM software suppliers and itself a subscription business, has built a comprehensive programme for welcoming new customers. When you sign up for a free trial, during the trial period you will receive a series of e-mails containing video tutorials that guide you through various features of the system and persuade you to sign up for the paid version after the trial period ends.

The onboarding programme is just the start. Following that, you need to define, design, and implement a dialogue programme which allows you to communicate with all your subscribers about new product features and how to use the service. The simplest version of this would be a newsletter sent to all your subscribers, but probably you will find that a more comprehensive and focused approach is more effective. You may find that you need to communicate differently with customers depending on their characteristics in terms of their customer segment, what product they have bought, or where they are in their customer lifecycle.

Netflix, the world's leading movie-streaming service, has done a tremendous job of building systems and processes which allow the company to communicate with subscribers on an individual basis. Netflix will monitor your watching behaviour and tailor its communications based on that behaviour, providing you with information about newly added seasons of series you enjoy, and other targeted suggestions about what to watch.

You might not be able to match Netflix in terms of the time and effort it has put into developing its recommendation process, but it will still be worth considering how you can design and build a dialogue programme and implement the processes needed to enable you to tailor your communications to individual subscribers and make your messages relevant and engaging.

Step 21: Define your social networking strategy and how to engage your customers through different social networks

A couple of years ago, I paid for access to the premium level of one of the most popular music streaming services, and I offered the rest of my family the same access. But it turned out that my eldest son preferred listening to music via Spotify's free service, which is filled with adverts, in preference to the premium, advert-free service I had paid for. The reason was that all his friends listened to Spotify, and through the Facebook connectivity which

Spotify offers they can all listen to the same music and share playlists. Spotify had certainly worked out how to use social networking to engage the customers with its service.

Engaging your customers via social networks can be a brilliant way of fostering loyalty and improving retention. The reason is quite simple. Buying and consuming is not something we do in complete isolation. We often want to buy and consume the same products as our friends and relations. By actively using social media you enable your customers to act as ambassadors for your product. And at the same time, you can use social media to create user communities surrounding your product, making members of those communities reluctant to cancel their subscription and hence leave the community.

You can also build your own social network within your service, enabling your subscribers to interact with one another. Endomondo is a subscription-based service centred on training activities like running, walking, and cycling. As an Endomondo member you can follow your friends' training activities and you can challenge them and even cheer them on during their training sessions. It is basically about turning individual training sessions into social activities. Needless to say, once you get hooked as a member of the community it is very hard to leave.

These examples are both about inviting individual customers to form communities with their friends. But there are other ways to use social media for developing your subscription business. For one thing, you might consider letting customers use their Facebook login or some other social media login²⁴ to create a customer account with you. That is then an opportunity to let your customers show their new subscription off to friends and contacts. Another option is using social media to enable your customers to promote your product or service, and even to give them the opportunity to advertise special offers to their friends and contacts.

Thinking socially and defining a social networking strategy for your subscription product is unquestionably an effective and important way to foster engagement and loyalty.

Step 22: Define and describe your immediate retention processes when customers consider leaving your business

No matter how hard you try to develop strong relationships with your customers, and no matter how good you are at fostering loyalty, you will always find that some of your customers will consider discontinuing their subscriptions for one reason or another. You have to decide how you are going to persuade those customers not to leave after all.

The first thing you need to work out is how to tell that a customer is about to leave you. In some cases, the subscriber will tell you directly about his intention of cancelling his subscription. He will phone your customer service or send you an e-mail telling about his wish to cancel. In this case it is easy to establish his intention, but in other cases the clues available might be subtler. Perhaps the subscriber abruptly ceases using the service. Perhaps he stops paying his bills. Perhaps the credit card he uses has expired and his credit card information has not been updated. In these situations, you do not know whether he actually wishes to defect from your business or simply needs a nudge to reactivate his subscription.

Your best move is to draw up a list of all the indicators you can think of which lead you to suspect that a subscriber is about to defect, and then set up processes for avoiding cancellations whenever possible.

If the cancellation is made formal you have a unique opportunity to enter into dialogue with the customer and enquire about his reasons for cancelling. If he phones your customer service, you need to have trained staff who are capable of discussing this with the customer and suggesting other solutions in order to retain him. Perhaps the cancellation is just a way of expressing some kind of frustration or problem which a skilled employee can sort out.

If he writes to you, sends you an e-mail, or cancels on your self-service platform, you must enter into some sort of dialogue either electronically or even by phoning him, in order to try to keep him as a customer.²⁵

One thing to consider is whether to offer the customer an incentive of some kind in order to keep him. Should you give him a discount on his next subscription period, or some other incentive, if he decides to stay? That is a difficult question. On one hand it seems a small price to pay to retain a customer, on the other hand you do not want to encourage and reward disloyal behaviour. In many instances having a good discussion with the customer in which you seek to solve his problems will be enough to keep him.

If the customer's intention to cancel is less formalized, it might be more difficult to handle – but equally important nevertheless. If the intention is expressed through non-payment, that might also be one way of expressing dissatisfaction. Depending on your type of business you might find it worthwhile to contact these customers directly, by e-mail or phone, to try to resolve the issues and keep the customer.

If the subscriber for some reason simply ceases using your product or service, that too is a very good indication that he is about to cancel his subscription. Obviously, if you provide a physical product such as a newspaper or magazine, it is very difficult to know whether it is actually being read. But for many subscription businesses, such as telephone companies

or digital media, one can detect lack of use. Building strong reactivation programmes, via your customer dialogue programme or by other means, could prove very helpful by letting your customers know that you care and showing them new ways to use your service.

Building strong retention processes is the key to success for any subscription business, because high customer loyalty and high customer retention will increase the lifetime of your customers and make your business more profitable.

Inspiration:

Turn your customers into members

We all know the stories about the successful companies that takes all headlines and large investments - companies such as Netflix, Uber, Amazon, LinkedIn and Bark Box. But what do these fast-growing companies have in common?

According to the American writer, Robbie Kellman Baxter, who has written the book "The Membership Economy", they are all part of a new trend that involves successful companies turning their customers into members. This trend establishes a framework for what we call *the new membership economy*.

Obviously, we have been aware of memberships in all kinds of organisations for many years. But the new thing is that commercial companies think of their customers as members – and that customers also consider themselves as members of the companies that they choose to deal with.

Baxter's point is based on human nature: We turn towards communities. And as many of the established communities disappear or change, we increasingly seek grounds to find places to "belong to". That is why we, as customers, like to do something extra and why we are often willing to pay for these connections. That is the essence of the membership economy.

In many ways, there is a strong connection between the new membership economy and the strong subscription wave that we have experienced for the past couple of years. For example, many membership companies use the subscription model as their business model. But not everyone – so there are some differences. Subscription is basically about a business model with a series of recurring payments, while membership is the feeling and the belonging that exists between a company and its members.

The value that many membership companies get out of this association to its members is indisputable. Membership is the ultimate way of loyalty and a membership company can convert this loyalty into long-term customer lifecycles and recurring revenue.

In recent years, the sharing economy has experienced a great focus and interest and draws upon the logic behind memberships. The same goes for many of the social, digital services such as LinkedIn, Facebook, Twitter and Instagram. This is quite interesting in a time, where social media has experienced a solid progress, while the traditional media has been struggling. Is this caused by the fact that social media offers its customers a membership, where they become a part of a community with other members, while the traditional media "only" offers its customers a subscription?

It is not that black and white. Some traditional media – especially newspapers – also build communities. Hence, the crisis of the traditional media is more likely about the transition from old to new technology and an increased competition of time and attention. Nevertheless, I think that the traditional media could learn from the new membership companies and their approach to their members. They have a special ability to create engagement and value and get members to interact both with the company and other members.

Is this critical point unique to media companies? No. Every company across industries should ask itself the general question: Do those who pay for our products see themselves as customers or members?

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8 CUSTOMER EXPANSION

So far, most of this book has been about how to win and retain subscribers to your subscription business. While this is obviously vital, another important aspect is how much revenue you derive from each customer. In fact, for many subscription businesses one of the quickest ways to increase revenue is to increase the amount of money your current subscribers spend on your product or service. Therefore, a permanent element of your subscription strategy should be about expanding your customers' engagement with you. Or to put it more bluntly: getting them to buy more of your products!

Clearly, if your subscription offering comprises just one product at one price, then there is not much you can do. But most subscription businesses have several products and price packages and consequently have a possibility of influencing how much subscribers spend.

This chapter will explore two different strategies for increasing the value of your customers. One is *upselling*, which is basically about getting your customers to buy more of the same product. The other is *cross-selling*, which is about using existing customer relationships to sell your customers new products. This chapter will take you through the steps of implementing strategies for both upselling and cross-selling.

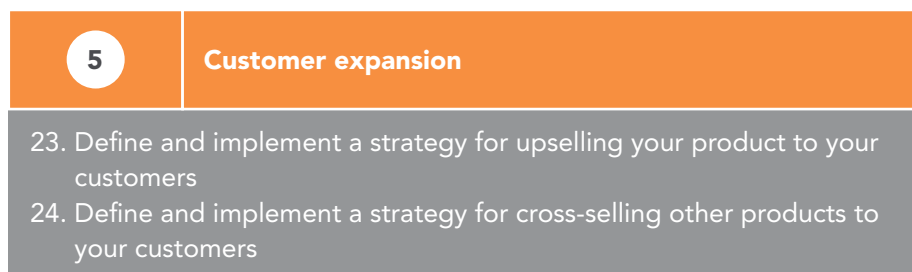


Figure 8.1 Customer expansion

Step 23: Define and implement a strategy for upselling your product to your customers

You are probably very familiar with the situation where you enter a McDonald's or another burger restaurant to order a burger. "Do you want fries with that?" will be the question the waiter will typically ask you, while at the same time trying to sell you a full menu or an even larger one if you go for regular menu. Upselling is something that we experience almost every day at restaurants, retailers, petrol stations, and when shopping online.²⁶

Upselling is a very powerful way of raising revenue and profits in your subscription business, and you therefore need to define and implement a strategy for how to upsell to your existing customers.²⁷

If your subscription business has diverse subscription products and different price levels, the typical approach to upselling would be to try to upgrade your customers from lower-priced to higher-priced subscriptions. This strategy of upgrading customers once they have signed up is widespread in many subscription industries, including online services such as dating. Take one of the largest dating sites, Match.com. This company will typically try to sell you a standard subscription, but you soon learn that if you want all Match.com users to be able to contact you, you need to upgrade to a premium subscription, and if you want even more features you need to upgrade further. This upselling strategy is often referred to as *Land-and-expand*.

Another upselling technique is to add extra products or services to a subscription once it is sold. This is what is done by *Aarstiderne*, the subscription service for organic fruit and vegetables discussed in Chapters 1 and 2. Once you have signed up for a weekly box of vegetables, almost every week *Aarstiderne* will offer you great products that could be included with your next delivery. That is just another way of increasing average revenue from existing customers.

You need to work out how upselling can be part of your strategy for increasing revenue and profits. What kind of upgrading opportunities exist in your subscription model, and what kinds of additional products or services could be sold alongside your standard subscription offer? Then you need to implement a plan for how and when to upsell to your customers. A good piece of advice would be to integrate this into your campaign plan (see step 16), covering upselling in a special section using the same methods and tactics as when you sell new subscriptions.

Step 24: Define and implement a strategy for cross-selling other products to your customers

Cross-selling is about using your existing customer base to sell customers products or services other than the ones they originally signed up for. Cross-selling is a very strong concept for subscription businesses, since one of the defining features of these is a continuing relationship with a large customer base which often involves both billing and delivery of products and services as a regular routine. This creates a relationship of trust between you and your customers – a relationship of trust which can easily be expanded into new product areas.

Consider Dollar Shave Club, a subscription-based e-commerce business (cf. Chapter 2), which launched a service several years ago offering subscriptions for razor blades at very low prices. No more running out of blades or using dull blades, and no more buying overpriced razor blades from high-end megabrands. This was the powerful value proposition which earned Dollar Shave Club a large and loyal customer base.²⁸

After having launched their company and become successful with razor blades, Dollar Shave Club decided to move into new product areas, offering other products to the company's large customer base. Their first additional product was "shave butter" which of course fits very naturally alongside razor blades. Since, Dollar Shave Club has launched many other new products among them butt wipes, which are supposedly a more hygienic way than using conventional toilet paper to complete your toileting.

If you decide to enter into new product areas and want to develop a strategy for cross-selling, the same rules apply as in the case of upselling. You need to integrate your cross-selling strategy into your campaign planning, being equally specific about how and when you will carry out cross-selling approaches to your customers.

One important prerequisite is of course that you have products or services to cross-sell, and when you set up a new subscription business that might not be your first priority. However, for any new subscription business it is attractive to contemplate the prospect that if you succeed in building up a large customer base and in making the business profitable, that will be an excellent springboard from which to grow your business into new areas.

Inspiration:

Learn from Amazon: How to expand your business by getting your customers to buy more

You are almost certainly familiar with Amazon's membership programme, Amazon Prime, but you may not know how it all started. Amazon Prime actually goes all the way back to 2005, when a clever employee suggested to Amazon's CEO, Jeff Bezos, that Amazon should offer a subscription service whereby customers pay a monthly fee in exchange for free delivery on millions of products sold via Amazon.com.

Jeff Bezos immediately saw the potential benefits of such a subscription service, and shortly after Amazon Prime was born. For just \$79 per year, subscribers could get free two-day delivery on many Amazon products. Since then, Amazon Prime has been expanded to include many other services, but free delivery remains a crucial pillar in the Amazon Prime subscription business, which now has around 100 million subscribers across the world.

What makes Amazon Prime so brilliant from Amazon's perspective? Well for one thing, there's the annual subscription payment itself. That is nice to have. But even more important is that customers who take out a Prime membership then considerably change their consumption behaviour. Once customers have paid the \$99 membership fee, human nature sets in. Consumers want to get the most out of their money, and so they immediately start buying more products from Amazon. In fact, Amazon Prime members buy up to three times more products on Amazon than the average customer. So Prime membership creates increased loyalty and an increased share-of-wallet for Amazon.

This sort of subscription model, where consumers pay a fixed amount for access to discounts and free shipping, is known as the Green Fee model. It's a model that is becoming more and more common among retailers the world over – including both traditional retailers with bricks-and-mortar stores and e-commerce companies that sell their products online.

Two other examples are Thrive Market and Nature Box. Thrive Market is a membership-based shopping community where members can buy healthy and natural products at wholesale prices, thereby saving between 25 and 50 per cent on all purchases. Membership costs \$59.95 per year with the option to try out the first month for free. Thrive Market currently has more than 400,000 members. Nature Box offers healthy snacks at membership prices. Members pay \$5 a month and can then buy snacks at wholesale prices.

Both of these companies have thus opted for a Green Fee model and both are designed to get members on board so that they have a huge incentive to buy their products directly from source.

Thrive Market and Nature Box are both based in the USA, but there are examples of retailers offering Green Fee models in almost all countries, and many of them have been very successful. The Green Fee model offers exactly what many retailers are out after: Increased loyalty and increased share-of-wallet. Is your business in retail? Try thinking about how a Green Fee model might work for you!

9 CUSTOMER WIN-BACK

Being a subscription business means that you are constantly gaining new customers and losing old ones. Even though you ought to put a lot of effort into retaining existing customers, as discussed in the previous chapters, customer churn is an unavoidable aspect of any subscription business. Depending on product and industry, your annual churn rates could be as low as ten per cent, or as high as sixty per cent – or even more. Consequently, your customer base will eventually include a large number of ex-customers. And these ex-customers might very well be one of your greatest assets.

Approaching former customers and trying to win them back is often contemplated with some hesitation. Why go back to someone who disappointed you, or whom you disappointed? Isn't trying to win new customers a much better idea? Those are very natural reactions on the part of sales and marketing people. But experience shows that selling to former customers is often a very successful tactic.

You will often find that hit rates when you approach former customers are higher than with new customer leads, so that acquisition costs are lower. Often you will also find that the lifetime value of a returned customer is higher than for a new customer, because the returned customer is more familiar with your product or service and hence more likely to continue beyond his initial period.

So there are plenty of good reasons why you should define and implement a win-back strategy in order to develop processes for reacquiring lost customers. This chapter will focus on how to define and implement such a strategy.

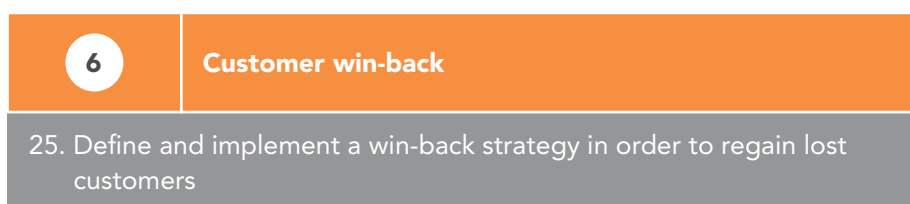


Figure 9.1 Customer win-back

Step 25: Define and implement a win-back strategy in order to regain lost customers

To develop a win-back strategy for regaining lost customers requires you to go through a series of steps to maximize your results. First, you need to analyse your lost customers to discover why they defected from your business and how valuable they were as customers.

Then you can grade them for win-back attractiveness. Secondly, you need to define and implement your win-back plan, specifying what kind of measures and time schedule you will use. Finally, you need to ensure that you continually measure, evaluate, and refine your win-back plan.

Segment and grade lost customers

Are all lost customers equally desirable to win back? Do you actually want to win back all ex-customers? Intuitively the answer to these questions is no! But how do you determine the desirability of your ex-customers, and how do you decide whether a particular ex-customer is really a win-back candidate? To answer that, you must segment your lost customers in terms of both their reasons for defecting and their customer attractiveness.

You need to learn why your customers have defected from your business, and you need to store that information at an individual customer level. This will help you decide whether trying to win back a given customer is worthwhile and how that customer should be approached. In essence there are five kinds of defectors:²⁹

- Intentionally pushed away
- Unintentionally pushed away
- Pulled away
- Bought away
- Moved away

We intentionally push customers away for different reasons – perhaps they don't fit our customer profile, perhaps we lose money on them. Or perhaps customers defect because they no longer need the product or service (moved away). These customers might not be as easy or desirable to win back as customers that have left either because we didn't meet their expectations (unintentionally pushed away), or because they were pulled or bought away by our competitors. Knowing the reason for defection is likely to prove valuable in grading lost customers and determining their win-back attractiveness for the future.

Consequently, you need to record the reason for defection whenever a customer leaves your business. One good way is to conduct an exit interview. Phoning the customer, or sending him a questionnaire by e-mail, shows him that you care about the relationship and are keen to understand why he left. Not only will this provide valuable insight, it will also make the defector more enthusiastic next time you contact him.

Another important measure is the value of your lost customers. How much revenue did the customer generate, and for how long did he remain a customer? These are some of the measures that can help you calculate the expected future value of the customer if you win him back.

Using both customers' reasons for defection and their expected future value, you should be able to segment and grade your ex-customers and decide which of them are worth trying to win back, and what priority to assign to different groups.³⁰

Define and implement a plan to win customers back

Once you have decided which customers to win back, you move on to defining and implementing your win-back plan. Your win-back plan should take into account a number of factors. You need to decide when and how often you will contact former customers, what message to send, and which sales channels to use.

When and how often you should contact your ex-customers will vary a great deal from business to business and sector to sector. Some companies and business sectors contact lost customers many times a year, while others take a more modest line. However, you should take into account your customers' buying habits and circumstances. For instance, if you sell mobile telephone subscriptions, you will often find that customers who defect from you immediately shift to one of your competitors, since customers commonly need one, and just one, mobile subscription. In designing your win-back frequency plan you should take into the account the contract length that is normal for mobile subscriptions in your market. If the normal contract length is one year, you might design your win-back plan so that you contact defected customers eleven months after they leave you.

Whichever market you are in, you must aim to design a win-back frequency plan that best fits your customers' needs and the market you are in.

Then you need to plan the message you will use when contacting your lost customers. Your win-back message might contain some of or all the following points:

- Acknowledgement of the customer's past affiliation with your business
- Discussion of improvements and changes made since the customer's defection
- Emphasis on the ease with which the customer can re-engage
- Perhaps provision of a financial or other incentive for re-engaging

The key consideration is that the defected customer should be recognized by your business as a former customer, one that you miss and will do all you possibly can to win back. Perhaps you will be able to personalize your win-back message using the data you have about his history as a customer and his reason for defecting. If so, your win-back message will be so much more powerful; but, even if your win-back message is standardized across all lost customers, it could probably still be an efficient means of winning customers back.

Lastly, you must decide which sales channels to use when contacting lost customers in order to win them back. In carrying out your win-back activities you will probably use some of the same sales channels as you do when acquiring new customers. If you use e-mail marketing as a sales channel for new customers, very likely you will also find it profitable to use e-mail marketing for win-back activities. However, you need to consider that for customer win-back it is important for your sales approach, and hence your use of sales channels, to be as personal as possible. Be careful not to spam your former customers with repetitive win-back messages via e-mail on a weekly or monthly basis just because it is cheap and easy to do.

Measure, evaluate, and refine your plan

Once you have implemented your win-back plan, you will find that some of your win-back initiatives are working better than others. Some messages perform better, some customer segments have higher hit rates, and some sales channels outperform others. You therefore need to constantly measure, evaluate, and refine your win-back plan in order to improve win-back results.

One question is how to measure the effect of your win-back initiatives. The most straightforward measure is hit rate: how many defected customers do you win back through a given activity. However, a more precise measure is the value of the win-back sale. An even more sophisticated measure is the lifetime value of the re-engaged customer. By calculating the value of the sale or the lifetime value of the customer, you can compare these to the acquisition costs associated with your win-back activities and to assess whether you are prioritizing the right segments, the right messages, and the right sales channels.

Constantly refining your win-back plan will help ensure that you get the most out of one of your most valuable assets – the customers you once had.

Inspiration:

Subscription is the fast track directly to consumers

Summer 2016 brought along some big news for the subscription economy when one of the world's biggest manufacturers of foodstuffs and household goods, Unilever, announced its purchase of the four-year-old subscription company Dollar Shave Club for a staggering figure of one billion dollars. Indeed, Dollar Shave Club had experienced enormous success in just a few years and was reporting more than three million subscriptions in its customer database, but at the same time, the company was straddled with a huge deficit. How could Dollar Shave Club have such enormous value for Unilever?

Analysts and other stakeholders were quick to understand that the most important asset for Unilever wasn't the purchase of razor blades in their millions, but Dollar Shave Club's ability to create a direct sale channel with millions of consumers, and its ability to generate loyalty and long-lasting customer relationships. An ability that Unilever lacks as a classic manufacturer, and which it is keen to master.

Unilever is far from being the only manufacturer working to bypass the retail sector and sell directly to its customers. This trend is being seen on a global scale and across multiple sectors, and manufacturers often use the subscription model to establish a direct relationship with their customers.

Another example is Apple and its iPhone Upgrade Programme, which allows consumers to take out subscriptions on an iPhone, with the option to trade in for the newest model every 12 months. This phenomenon is also well-known within the software industry, where manufacturers such as Microsoft and Adobe sell their products directly to consumers via subscriptions.

There is very little doubt that we will see more and more manufacturers launching initiatives in the future which will enable direct sale to consumers through various forms of subscriptions.

But what are the factors that drive this development forward? According to the American consultancy firm Knexus Group, there are five factors of crucial significance:

- 1) Internet juggernaut Amazon systematically dominates online retail across all of the markets it operates in. This dominance then allows them to exert huge price pressure on manufacturers. The CEO of Adidas, Kasper Rorsted, doesn't mince his words when he says that Amazon's dominance is the primary reason for Adidas' strategy to sell directly to its customers.
- 2) At the same time, the emergence of digital sales channels has made it easier for manufacturers to establish independent sales channels outside of the traditional retail sector.

- 3) The ultimate customer experience is on its way towards becoming an important competitive advantage for many brands, and in a traditional world this is something that manufacturers outsource to the retail sector. Through direct sales, brands can win back control over the customer experience.
- 4) In a business world that is increasingly driven by data, knowledge on customer preferences and behaviour, as well as other important customer data, are being considered to an even greater extent as crucial to a manufacturer's ability to constantly develop its products – and with direct sales models, you also get access to huge amounts of customer data.
- 5) Finally, direct sales models make better business sense for manufacturers. If you sell something through a third party, then it's only natural that the intermediary will want a slice of the pie. By using the direct sales model, manufacturers can keep this share for themselves.

So, there is no doubt that the direct sales model is becoming an attractive opportunity for an ever-growing number of manufacturers. But at the same time, it is also a huge challenge, as these companies often lack the right competencies and insights into how to run a subscription business and establish direct sales channels with customers. Companies with big pockets do things the Unilever way and buy up these skills. Other companies should carefully consider what competencies they need to bring on board in order to win over their customers.

10 ANALYTICS

The final stage in building a subscription business involves implementing analytical tools and metrics that can help you track its performance. These tools and metrics are not only valuable for the information they generate; they can help with fostering a performance-based culture, in which all members of your organization try constantly to improve the performance of your business.

We have touched upon the issue of measuring and improving performance several times throughout this book. In Chapter 7 we saw an example of how even small improvements in customer retention can have a dramatic influence on the overall future total of subscribers. The same is true for a number of the other areas we have covered.

You need to have a structured process of identifying which key performance indicators are most important for measuring and evaluating your subscription business. For this, you first need to define and describe your basic subscription model and then identify those *subscription performance indicators* (SPIs) which will be best suited to assessing the state of your business. Then you should set up procedures for regularly measuring and assessing your SPIs. Finally, you need to build a culture of constantly seeking to develop and improve your processes in order to raise the performance of your business.

This chapter will take you through the various steps of measuring your subscription business and building a performance-oriented culture in your organization.

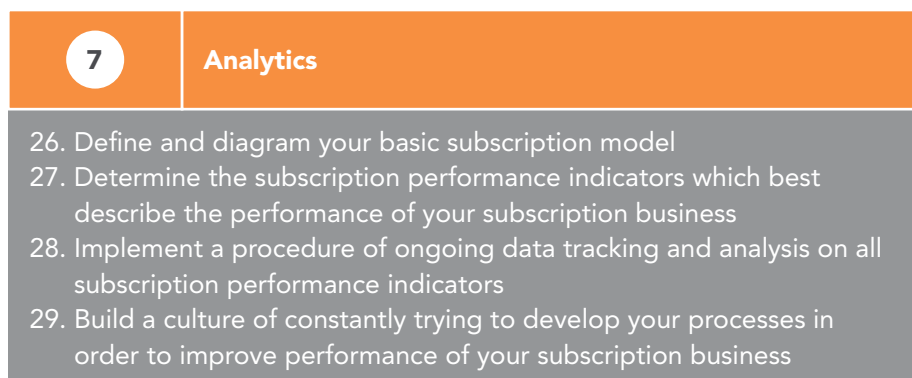


Figure 10.1 Customer expansion

Step 26: Define and diagram your basic subscription model

The first step is to convert your subscription business into a graphic representation of your subscription model. This will help you in defining the performance indicators for your

subscription business and in developing your analytical reporting. A graphic representation of your subscription model is also a great help whenever you need to present your targets and results to a wider audience.

Consider as one example Figure 10.2, which diagrams the subscription model of the music streaming service Spotify.

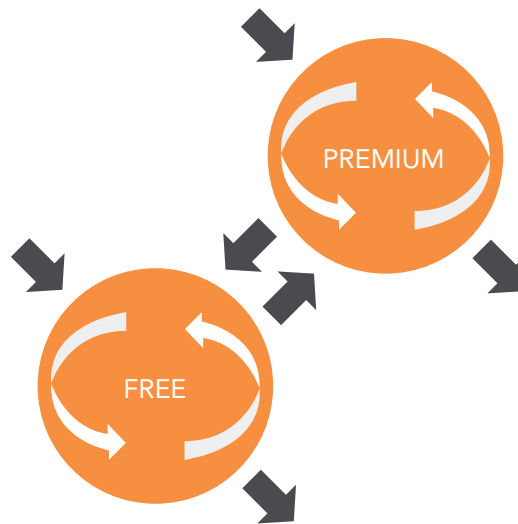


Figure 10.2 The Spotify subscription model

Spotify basically has two alternative subscription packages: a Free service, and a Premium service priced at \$9.99 (or the equivalent in other currencies). Each month they will have a number of new subscribers signing up as a result of various marketing campaigns. That is represented by the arrows leading to the two different packages. In the same period a number of existing subscribers will renew their subscriptions – represented by the arrows within each subscription package – while others are cancelling their subscriptions, represented by the arrows leading away from each package. Finally, a number of Free subscribers might decide to upgrade their subscription to Premium, while some Premium subscribers might decide to downgrade to Free.

It may already be apparent to you that by representing the Spotify subscription model graphically as we have done, we begin to get a picture of the various factors that affect the overall performance of the subscription business. It should be clear that if you want to grow the number of subscribers you need to focus on increasing acquisition, converting more Free subscribers to Premium, and minimizing churn. And this is just the point! By defining and diagramming your basic subscription model you get an excellent opportunity to understand the various performance drivers behind your business.

So now you need to diagram your own subscription model. What will this look like? There are as many different ways to diagram a subscription model as there are different subscription

models. So, you should draw up different versions and see which will suit you best. One desirable thing to keep in mind, though, is that your model should be relatively simple. You can always extend it, and you can always add more performance indicators or do more in-depth analysis of performance. Bear in mind that the graphical representation is a great help to you and your organization in understanding the essential nature of the subscription business and in learning to focus on what is important. Consequently, simplicity is a virtue in this domain.

Step 27: Determine the subscription performance indicators which best describe the performance of your subscription business

After graphing your basic subscription model, you need to define the performance indicators of your subscription business. As already said, we call these measures subscription performance indicators (SPIs), since they are the indicators which you use to measure the performance of your subscription business. You should measure and track these indicators on a continuous basis in order to monitor business performance and to make decisions about what actions you need to take.

Basically, the SPIs will help us to know when the actions we take are succeeding, and they will help us prioritize our actions and ensure that we are working on the right projects. Here are a number of different metrics that you might find useful when deciding which SPIs to measure in your business:

- **Number of subscribers**

You can debate whether the number of subscribers should be regarded as a performance indicator or rather as the end result of your performance. However, the number of subscribers is definitely a crucial metric.

- **Average revenue per subscriber**

Sometimes referred to as ARPU (average revenue per user). An important measure, as it drives the profitability of your subscription business. It can be affected through upselling and cross-selling, and it can be measured as an overall total or separately for different customer segments or subscription packages.

- **Number of new acquisitions**

Measures the number of new subscribers gained in a given period. It is measured as part of a campaign plan, and consequently it is often measured separately for different campaigns and/or sales channels.

- **Customer Acquisition Cost(CAC)**
Sometimes referred to as CPO (cost per order) or CPA (cost per acquisition). This is an important performance indicator for predicting and measuring the overall profitability of a subscription business.
- **Conversion**
Measures the conversion of subscribers from one billing period to the next. This is an extremely important measure for all subscription businesses. Conversion can be measured from trial to paid subscription or from one paid period to the next.
- **Upgrading/downgrading**
A variation on conversion which measures upgrading from one subscription tier to a higher one or downgrading from a higher to a lower one.
- **Customer churn**
Measures how many customers defect from your business in a given period. It is perhaps the most important and often the most “feared” indicator for a subscription business.
- **Customer lifetime value (LTV)**
Combines average revenue per user with customer churn to give you a figure for the total revenue that you can expect to generate from a new customer. It is often compared with cost per acquisition, as LTV must be (considerably) higher than the cost of acquiring a new customer if the business is to be profitable.

Are all these SPIs relevant for your own subscription business? Yes, it is likely that they will be, because they are the SPIs relevant to almost all subscription businesses. However, the list is not exhaustive: many subscription businesses have further performance indicators that are more specific to their business type, or they opt to supplement the SPIs listed with other indicators.

For instance, you might choose to use some kind of loyalty measure, such as Net Promoter Score (NPS),³¹ or you could decide to treat some measure of engagement or activity as an important performance indicator for your business.

Thus, you need to define just which SPIs best measure the performance of your subscription business. You do this by using the generic SPIs which apply all subscription businesses and combining these with performance measures specific to your business. Once again, keep things simple to start with. You can always bring in new performance indicators as you go along, to get an even better understanding of what drives the success of your business.

Step 28: Implement a procedure of ongoing data tracking and analysis on all subscription performance indicators

The next step is to define your reporting procedure, based on the SPIs defined in the previous step. You should set up a procedure to ensure that you and your organization receive reports on all your SPIs on an ongoing basis in order continuously to track the performance of your business.

Does this seem too obvious to mention? Well, to most organizations it is not! I have seen far too many new (and existing) subscription businesses operating without any proper reporting system, leaving them in the dark about why their overall performance is going up or down. Don't underestimate either the importance or the complexity of setting up your performance reporting!

There are a couple of steps worth following when you set up your performance reporting system. First, you need to decide the frequency of reporting. No doubt there will be some metrics that you want to follow on a daily or weekly basis. These might include sales performance and new subscriber numbers. But probably you should opt for monthly reporting on the complete set of SPIs. You need to receive enough observations to make the reporting valid, and at the same time you need to get the reports early enough to be able to respond to adverse developments. Monthly reporting is often suitable in both respects.

Then, you need to specify precise definitions for your SPIs. Does a new subscription count from the day it is sold, or from the day the subscription starts? Has a subscriber churned if his subscription is cancelled due to lack of payment but reactivated two days after cancellation? What if it is activated thirty days later? All kinds of definitional questions must be asked in order to develop your reporting standards.

Finally, you need to define which analytical tools and systems are needed for generating the reports. If you run a small business you might go for a spreadsheet, but if your subscription business is larger and more complex your reporting might require more advanced analytical tools. Some subscription billing systems will provide standard metrics that could get you started, but you need to establish whether you need skills and systems beyond those.

However, you decide to do it, implementing continuous reporting of your subscription performance indicators is an important prerequisite for fostering a culture of performance in your organization.

Step 29: Build a culture of constantly trying to develop your processes in order to improve performance of your subscription business

So far, the main focus of this book has been on how to build your subscription business and how to manage customers by creating a high value proposition, selling subscriptions, and building loyalty among customers. Little space has been devoted to how you are to manage your subscription organization and on how to build a “subscription culture” internally. That does not mean that this is unimportant. It definitely is important! Consequently, the last step in this book is about building a performance culture which constantly seeks to develop business processes in order to improve the performance of your subscription business.

It should be apparent when going through the first 28 steps that building a successful subscription business is very much about mastering a range of different disciplines and maintaining a focus on the customers throughout the total customer lifecycle. Keeping the right balance and focus among a large number of different activities is very important.

Therefore, you need to make sure that you have people in the organization who are focusing on each of the different SPIs that you have defined. This is best done by delegating authority and responsibility for your various SPIs to specific individuals, ensuring that they have full ownership of the indicators assigned to them.

Then you should set targets for each SPI. Set targets for average revenue per user, number of acquisitions, conversions, customer churn, and so on. Make sure that targets are ambitious, but realistic, and make sure that specific individuals and/or departments are given responsibility for meeting these targets. Ownership not only of tasks and processes but also of specific targets is a very powerful leadership tool and will help to build the desired performance culture.

Finally, you need to develop a culture of constant improvement. There are always things you can do to bring down acquisition costs, improve retention, and increase revenue. The organization, and the members in it, must be constantly preoccupied with thinking about how to improve processes, constantly testing new operations, and constantly implementing new initiatives.

The field of management literature is filled with books on how to build a performance culture, and if you look for inspiration you can certainly find it there. But, in my opinion, following these simple steps of delegating targets and encouraging and enabling people in the organization to attain targets through a constant focus on improving performance will actually do most of what is needed.

I am confident that if you and your team follow the steps that we have gone through in this book, or most of them, you have a good chance of building one of the most successful subscription businesses in your industry.

11 CONCLUSIONS

When I wrote the first edition of this book back in 2014, I based it on the assumption that the subscription business model was on the rise and that many business sectors would see a subscription revolution in the years to come. Having watched the progression of the subscription economy since then, my confidence in this postulate has grown even stronger. And I am quite confident that we shall see even more companies adopting the subscription business model in the near future.

My confidence is also strengthened by the success of the first edition of this book. Since its release on bookboon.com in April 2014 more than 200.000 people from all over the world have downloaded the book. This is another sign of the growing subscription economy. Obviously, it is also the reason why I decided to update the book and publish a second edition.

So, with more and more businesses entering the subscription world, a good question is: who is going to win? Which businesses will be more successful? Surely, having a subscription business model in the future is no guarantee of success in itself.

In my opinion, subscription mastery will be the key factor. The subscription winners will be those companies which understand the dynamics of the subscription model and are able to develop strong processes in all parts of their subscription business. The winners will be the companies that understand how to build strong value propositions into their subscription offerings and know how to foster loyalty among subscribers.

This is basically what this book is all about: subscription mastery. I hope that I have been able to make the arrival of the subscription revolution plausible, and I hope I have shown that building a subscription business is not a matter to take lightly. Well executed, the subscription business model can often be superior to any other business model, but when building your new subscription business, you need to plan for success carefully by considering each of the 29 steps documented in this book.

I hope you are now ready to start building your new subscription business, or, if you already have a subscription business, ready to start improving it. Perhaps you still need inspiration from someone who has already done it? In Appendix A, I have listed some of the subscription concepts that have been launched since 2014 using the model *How to build a subscription business* when innovating and implementing their new subscriptions. In

Appendix B, I have gathered fifty inspiring subscription businesses from all over the world, which I am sure we all can learn from.

Let me know how you are progressing, and do not hesitate to contact me with comments or questions about this book. I can be reached at mha@subscribe.dk or at [linkedin.com/in/mortensuhrhansen](https://www.linkedin.com/in/mortensuhrhansen).

I wish you all the best in building your new subscription business or improving your existing one!

APPENDIX A. EXAMPLES OF NEW SUBSCRIPTION CONCEPTS BUILD USING THE MODEL IN THIS BOOK

Since the publication of the first edition of this book in 2014, my colleagues and I have worked together with a number of companies within innovation and implementation of new subscription concepts using the model that is outlined in this book.

Here are four examples of new innovative subscription concepts implemented using the principles behind *How to build a subscription business*:

GN Resound – Don't buy hearing aids, subscribe to better hearing!

GN Resound is one of the world's leading manufacturers of hearing aids. In 2018 the Danish subsidiary of GN Resound, Dansk HøreCenter, launched a brand-new subscription model allowing hearing impaired people to subscribe to hearing aids instead of buying them. When subscribing to hearing aids, you pay a flat monthly fee that covers both the hardware and a number of valuable services. If you still wish to pay for your hearing aids in cash, you can subscribe to the service package itself.

Flipp from Egmont Publishing – The Netflix of magazines

Egmont Publishing is the largest magazine publisher in Scandinavia and one of the largest media companies in Europe. In 2015 Egmont Publishing launched the magazine app *Flipp* that allow subscribers to read all the publisher's magazines digitally for a fixed monthly price. This "all-you-can-read" service has been very popular among readers, and Egmont Publishing has since opened the platform for external magazine publishers.

Interflora – My anniversaries

Interflora is the world's largest flower chain with more than 58.000 flower shops in 140 countries. In 2017 Interflora launched a very innovative subscription concept called *My Anniversaries*. By subscribing to *My Anniversaries*, the subscriber tailors his own private

subscription package by including the birthday of his wife, his wedding day anniversary, his mother's birthday, Mother's day, etc. Then the recipients automatically receive a flower gift on the anniversaries included in the subscription. A truly tailored subscription model. And yes, your guess is right: This subscription is specifically targeted at men.

Dansk Supermarked – The organic membership club

Dansk Supermarked is the largest supermarket group in Denmark, and in 2016 one of their three formats *Føtex* launched an organic membership club called *ØKO Plus*. Subscribers pay DKK 80 a month (approx. USD 12) and then get a 20 percent discount on all organic products bought in the supermarket. Hence, if you spend more than DKK 400 a month (approx. USD 60) on organic products, you will benefit from this subscription. The benefits for *Føtex* are also obvious: Higher loyalty and higher basket size due to the fact that organic products are more expensive. A true win-win concept for both the company and its customers.

Maybe you have already build a subscription business of your own using the model in this book? In that case, I would very much like to hear from you to learn about the process. If you or your company are still considering building your own subscription business, and you want to know more about our consultancy services at *Subscribe*, you are also more than welcome to contact me. I can be reached at mha@subscribe.dk or at [linkedin.com/in/mortensuhrhansen](https://www.linkedin.com/in/mortensuhrhansen).

APPENDIX B. 50 GREAT SUBSCRIPTION SERVICES

Perhaps this book has inspired you to delve deeply into the subscription world. Here are 50 great ways to start!

Aarstiderne

The Danish subscription business, Aarstiderne who delivers fresh organic fruit and vegetables right to their customers' doorstep, was founded in 1999 and is, hence, one of the pioneers both within the subscription economy and the organic food revolution that is taking place in most countries in the Western world.

Within the last couple of years Aarstiderne has also extended its product range and is now delivering more and more ready-to-cook meal boxes, so that families are avoiding the hassle of both figuring out what to eat and when to shop.

Convenience and flexibility are among the strongest value drivers for the costumers at Aarstiderne, but Aarstiderne also benefits from an increasing attention to the minimizing of food waste and the growing demand for healthy and nutritious food.

The Danish market has seen a number of competitors entering the market for ready-to-cook meal boxes, but through constant attention on innovation and customer service Aarstiderne has managed to keep their number one position in the market

Read more at www.aarstiderne.com.



Adobe

Adobe is the world's leading software company within multimedia and creative software products. It is probably best known for software programs like Photoshop, Acrobat Reader and Adobe Creative Suite, but Adobe is also behind the Portable Document Format, best known as PDF.

The software from Adobe was originally sold on a perpetual licensing model where customers bought a license for a single program that was installed on the computer. When new versions of the software were released, the customer had to buy an upgrade or keep using the old version. But in 2013 Adobe changed that model into a subscription model, where users pay a monthly fee to get access to the software. This means that subscribers always have access to the latest versions and therefore get all the new features and upgrades as soon as they become available.

This change towards a subscription model, also known as Software-as-a-Service (SaaS) has been good for Adobe's customers. But it has also been good for Adobe, which is reflected in the company's stock price that has quadrupled since 2013.

Read more at www.adobe.com



Amazon Prime

Amazon is the world's leading e-commerce business with an annual turnover of more than 100 billion USD and its growth is still exponential. At the same time, Amazon is one of the world's leading subscription businesses with Amazon Prime. The service is believed to have above 80 million members worldwide.

Amazon Prime members pay an annual sum of 99 USD or a monthly sum of 12.99 USD and get free delivery on more than 15 million different items. Furthermore, Amazon provides its Prime members with different content including data storage, free e-books, and streaming of movies and music.

The primary purpose for Amazon Prime is to create loyalty between Amazon and its customers. When the customer has paid 99 or 12.99 USD for free delivery he or she will automatically wish to get most out of the already paid subscription fee. As a result, Prime members end up spending three times more money than non-members on Amazon.com in addition to the subscription fee.

Amazon Prime is currently operational in The United States and in eight other countries including Canada, United Kingdom, Germany and Japan. But many more countries will probably see the introduction of Amazon Prime, as Amazon reaches for an even larger international dominance within e-commerce.

Read more at www.amazon.com/prime



Apple

Apple Inc. was founded by Steve Jobs, Steve Wozniak and Ronald Wayne in April 1976. Shortly after, the company launched its first personal computer, Apple 1. Nowadays, Apple is most famous for its iPhone that has transformed the whole mobile- and computer industry – and even the company itself.

In recent years, the smartphone development has accelerated, and many carriers has begun to sell their own subscription plans to various smartphones, including the iPhone. All following the recent trend of selling hardware in subscription bundles, a trend also known as *Hardware-as-a-Service*.

Apple launched their own Hardware-as-a-Service *iPhone Upgrade Program* in 2015, offering a subscription to the newest iPhone. With a subscription, you get a new iPhone every year plus the service plan AppleCare+. The subscription lasts for 24 months, but already after 12 months, you have the opportunity to switch your iPhone to a brand new one.

Unfortunately, the iPhone Upgrade Program is only available in the United States, United Kingdom and China.

Read more at www.apple.com/shop/iphone/iphone-upgrade-program



BarkBox

BarkBox is the must-have subscription for man's best friend: His dog. BarkBox is basically a monthly surprise box full of goodies and toys for the dog. But it also so much more: A community for "dog parents", events for dogs and owners, and even a physical store in New York City, where BarkBox was founded in 2011.

BarkBox is now estimated to have more than 600.000 subscribers of their monthly surprise box for dogs. And if you ever wondered whether the dogs themselves care about getting a BarkBox then go to YouTube and search for "BarkBox unboxing" and see for yourself.

BarkBox also runs a dog-themed content site called BarkPost, a photo-sharing app called BarkCam, and BarkBuddy, a "Tinder for Dogs". BarkBox is also active on social medias and have more than 1.4 million followers on Instagram.

Read more at www.barkbox.com

The logo for BarkBox, featuring the word "BARK" in a bold, blue, sans-serif font, followed by a stylized blue dog head icon, and then the word "BOX" in the same bold, blue, sans-serif font. A registered trademark symbol (®) is located at the bottom right of the "X".

BirchBox

In 2010, Katia Beauchamp and Hayley Barna established the first beauty box subscription service, Birchbox. They wanted to change the way you buy beauty products, because they both found it hard to find the best beauty products on the market. Hayley's best friend from college would always give her beauty products to try out. This inspired the two to start their own business, making the subscription box feeling like your own beauty editor friend.

Birchbox is helping women around the world finding the right beauty products without blowing their budgets. Before you start, you create a personalized profile in order for Birchbox to know your preferences, your hair type and skin type to match the right products for you. You can choose between a woman's box or a man's box.

Even though subscription services weren't new, the launch of Birchbox paved the way for other subscription boxes. Consumers love the anticipation and surprise that the subscription box offers, and it might be one of the reason why Birchbox was the first beauty subscription box with over a million subscribers.

Read more at www.birchbox.com

BIRCHBOX◆

Blacksocks

A subscription for socks, or as they call it: “a sockscription”! Blacksocks started their subscription in 1999.

The idea of Blacksocks originates back to 1994, when founder Samy Liechti was asked by his boss at that time to attend a last-minute meeting with Japanese customers. After the meeting, the Japanese invited him to a tea ceremony. It is Japanese tradition that you take your shoes off for such occasions. And then it happened: a mistake so obvious it could not be ignored. Samy’s socks were odd looking. One was deep black and smooth while the other was ribbed and distressed with a hole in the big toe. The embarrassing situation made Samy Liechti think about how he could manage his sock problem and avoid such situations in the future.

Now you never have to run out of new, black socks without holes. You just buy a “sockscription” at Blacksocks and get three pairs of socks every four months. In 2017 the company launched the ‘More’ button, which is a simple “dash button” that you can install in your drawer or closet and order socks or other items directly with a simple push on a button – you can never run out of black socks again.

Read more at www.blacksocks.com



Blue Apron

Blue Apron is a meal kit company operating in the United States. Each week subscribers receive a box with all ingredients together with recipes for the meals bought. Hence, home cooking is made so much easier when there is no need for planning for the week or shopping at grocery stores.

When subscribing to Blue Apron, customers can choose from a number of different recipes each week and at the same time enter any allergies or intolerances into the system and thereby making the weeks food plan personalized.

It is clear that convenience is the big value driver behind Blue Apron and other ready-to-cook services. But at the same time reducing food waste and creating a better food system is an important part of the vision behind Blue Apron. By cooperating directly with farmers and food producers, middle parties like wholesalers and grocery stores are bypassed. Blue Apron's claim is that this brings fresh, healthy and sustainable food directly on your dinner table.

Blue Apron has more than 700,000 subscribers and where introduced on the New York Stock Exchange in 2017.

Read more at www.blueapron.com



Bluum

Bluum was founded in early summer 2011. The idea was to make it easier for parents to purchase baby- and toddlers product, which can be overwhelming for many new families. It takes a lot of time to research and select the right products as there are so many products to choose from and too much information.

The solution to parents around the world is Bluum, a subscription service where parents receive a monthly box with four sample-size versions of baby products, but also some products for the mom to try. Bluum eventually learned from customers that they wanted full-size products, and they now work with more than 350 brands and have introduced more than 1,000 products that are carefully selected to fit each child's age, gender and developmental stage.

The subscription box trend is growing rapidly and especially baby boxes are popular choices among consumers. It's convenient and personalized, and it helps mom and dad focusing on taking care of the baby rather than spending time researching on the internet. Often it is also a lower-cost way to buy products they want and need.

Read more at www.bluum.com



Bookboon

Bookboon is currently the world's largest online publishing company for e-books with more than 70 million e-books downloaded each year. Bookboon is focusing on two specific categories: Textbooks for students and business books for business professionals.

Textbooks for students are free and financed through advertising primarily within employer branding. Business books, however, is offered through a subscription service called Bookboon Premium. Subscribers to Bookboon Premium pay a small monthly fee and then have unlimited access to more than 600 business books within topics such as accounting, marketing, strategy and entrepreneurship.

As you have probably already realized, this book “How to build a subscription business” is published on bookboon.com, and since the publication of the first edition in 2014 this book has been downloaded more than 200,000 times. A clear evidence of the large success of Bookboon.

Read more at www.premium.bookboon.com

bookboon.com

Download free books

BOOK by Cadillac

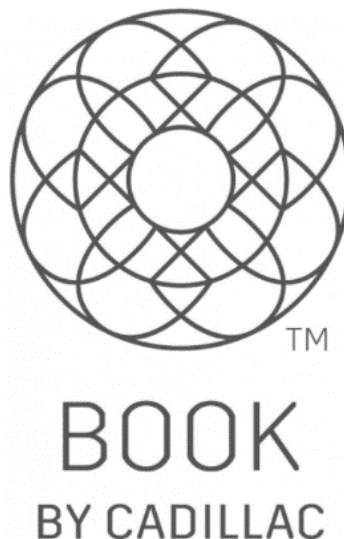
Since November 2017, drivers in the greater Los Angeles and Dallas metro areas could enroll in BOOK by Cadillac, a first-of-its-kind luxury vehicle subscription service that gives members access to a variety of Cadillac vehicles on a month-to-month basis with no long-term commitments. In other words; you subscribe to your new Cadillac instead of buying or leasing it.

The introduction of this subscription-based program in a number of new cities in the United States comes on the heels of a similar pilot program that was introduced in New York City earlier in 2017. According to Cadillac, this pilot program had overwhelming success and induced Cadillac to further enroll the BOOK By Cadillac service.

The service is tailored to each specific customer. After being granted membership, customers simply download the BOOK app, select the vehicle he or she wish to drive, and have it delivered directly to the doorstep. All insurance, taxes and maintenance are automatically paid for when subscribing to the car.

No doubt that more and more car manufactures will follow in the footsteps and offer their own mobility service.

Read more at www.bookbycadillac.com



Craft Coffee

If you want to try new and delicious coffee, but don't know where to start, Craft Coffee is a great place to go. The company launched in 2011 and has a mission to use the internet to bring coffee closer to people for less money. Fortune Magazine named Craft Coffee "the internet coffee company".

Craft Coffee is a subscription service for coffee enthusiasts. Subscribers each month receive a box of quality coffee from different places around the world. Each box contains three different types of coffee, a guide describing them, and professional advice on the best way to brew coffee.

Along the years, many start-ups have tried to enter the subscription coffee market but failed to success. Craft Coffee has managed to stay competitive by having e.g. a price match guarantee, which matches the prices of the beans in the grocery stores. The company has also started to sell their own Flagship Blends.

Craft Coffee is customised to your taste and an easy way to broaden your coffee horizon.

Dive into a world of coffee at www.craftcoffee.com



Cineworld

Cineworld is the second largest cinema group in Europe with 226 cinemas in nine countries including United Kingdom, Hungary and Israel. In the United Kingdom, Cineworld has launched a subscription service called Cineworld Unlimited.

Cineworld Unlimited is an *all-you-can-eat* subscription model, or perhaps more correctly; *all-you-can-see*. Subscribers pay GBP 17.00 a month and then have unlimited access to all movies and all cinemas within the group. Subscribers also get a 10 percent discount on food and drinks as well as exclusive access to sneak previews and other events.

After one year of membership subscribers are automatically upgraded to Unlimited Premium that gives access also to 3D movies and 25 percent discount on food and drinks.

The Unlimited Programme has been a huge success for Cineworld and in 2015 the service was also launched in Cineworld in Poland.

Read more at www.cineworld.co.uk/unlimited



Dollar Shave Club

In the summer of 2016, Dollar Shave Club shocked the subscription community when it was announced that the five-year old start-up have been acquired by the international giant Unilever for a price of more than one billion USD. How could such a young company that was even a long way from being profitable be so valuable to a multinational giant cooperation?

Well, in just five years Dollar Shave Club has grown from zero to more than 3 million subscribers by offering low-cost razor blades as a subscription service. Dollar Shave Club has since extended their line of products and now offers a wide range of products for male grooming. Dollar Shave Club sell oral hygiene products, shave and shower products, hair style and skin care.

Maybe more importantly, Dollar Shave Club has managed to build a direct-to-consumer business without the help of retailers. Many speculate that this business model is the real reason behind the acquisition from Unilever.

And if you haven't seen the hilarious introduction video from Dollar Shave Club that have been a major viral hit, then go to YouTube and have a laugh.

Read more at www.dollarshaveclub.com



DOLLAR SHAVE CLUB

Dropbox

Dropbox is a file hosting service that allow users to automatically store files simultaneously on their computer and on Dropbox's servers while at the same time making the files available on all the user's different devices. This ensure that the user always has access to up-to-date files and to a back-up in case the computer crashes or disappears.

Basically, Dropbox offers a hassle-free and convenient file hosting service that gives the user peace-at-mind.

Dropbox is operated as a freemium subscription service. The service is free for all users up to 2 gigabytes of free storage space. If more storage space is required, users can update to a premium paid-for service. Dropbox also operates a business-to-business model allowing companies to buy a corporate service with multiple user profiles and almost infinite storage space.

Dropbox has seen been a huge success since its launch in 2007 and now has more than 500 million users world-wide. One of the reasons for the dramatic growth has been a popular member-get-member programme where users have earned extra storage space by inviting friends to the service.

Read more at www.dropbox.com



Eleven James

Do brand names like IWC, Audemars Piguet, and Patek Phillipe ring a bell? Then you might want to consider Eleven James. Why own your own luxury watch? Why not subscribe and get a new watch every three month?

Eleven James is a New York-based start-up founded in 2014 that allows their members to subscribe to a large collection of luxury watches for a fixed monthly fee. By subscribing to the service, members can choose a watch from the collection for a period of three month and after the end of that period change to a next watch.

Members can choose between two lines; *Curated* where the people at Eleven James chooses the next watch or *Bespoke*, where members build their own list of desired watches. Members can also choose between different styles and set their own monthly subscription fee.

Eleven James is another great example of how more and more luxury goods are turned into successful subscription services.

Read more at www.elevenjames.com

ELEVEN JAMES™

Endomondo

With a mission to motivate people by making exercise fun and social, the Danish company launched its application back in 2008. A stream of users quickly followed and after almost ten years, the company has reached 25 million users globally and was sold to Under Armour in 2017.

Endomondo is offering a free and a premium version. The freemium version is limited with advertisements, but still contains all the necessary features for a basic fitness app. The paid Premium version is free of advertisements and includes additional features such as the possibility to create your own training plan. You can also add your friends, so you can motivate each other.

The app keeps a track of your records, including pulse and calorie burning, whether it is running, cycling, walking or other sports. Endomondo simply transforms your phone into your own personal trainer right in your pocket. Endomondo also allows competing with others or setting and reaching personal goals. The winners of the challenges receive prizes.

Release your endorphins and download the app at www.endomondo.com



FabKids

Become a Very Impressive Parent (V.I.P.) with a FabKids subscription. This subscription service is made for moms who are dragging their kids through clothing aisles trying to keep up with the latest fashion. Fabkids launched in 2012 and has now over 200.000 members.

With FabKids you get online offers on children clothes. You sign up by entering information like age and size about your child, and you simply pick your favourite styles. As a V.I.P. you get 40% off regular prices and early access to exclusive sales and collections.

The fashion market is tough, but yet a few clothing companies has managed to transform their businesses to subscription. Fabkids has success with selling comfortable and fashionable children's clothes through a membership programme, making buying kids clothes very convenient and affordable. Something that fits the life of busy moms.

Read more at www.fabkids.com

The logo for FabKids features the word "fabkids" in a lowercase, black, serif font. The letter "i" in "kids" is replaced by a small, pink, five-pointed star.

Fender Play

“Telecaster” and “Stratocaster” are some of the most iconic names in the world of music. Both are guitars, and both are produced by the world-famous guitar maker Fender. Rock stars like Bruce Springsteen, Jimi Hendrix, George Harrison and Eric Clapton are among the many famous Fender guitarists.

But sales of electric guitars have fallen by about a third in the last decade. Almost half of Fender’s sales are to brand-new guitarists, but 90 percent of them quit the instrument within a year. It is simply too hard for them to learn to play, and thus Fender lose the opportunity to sell them another guitar in the future.

So, cutting abandonment rate became the key priority of Fender and led to the implementation of Fender Play, a subscription-based online video training platform that will teach new Fender guitarists how to play their instrument. Fender Play will get you to play your first riff or song within half an hour, and after a free trial period of 30 days, the service will cost you USD 19.99 a month.

And you don’t even have to own a Fender to subscribe to Fender Play. Any guitar brand will do. However, having watched the many videos with instructors playing nice Fender guitars, you sure want one for your own.

Read more at www.fender.com/play

The logo for Fender Play features the word "Fender" in a black, cursive script font. To its right is a black play button icon (a triangle pointing right inside a circle). To the right of the play button is the word "PLAY" in a bold, black, uppercase sans-serif font. A small trademark symbol (TM) is located at the end of the word "PLAY".

GLOSSYBOX

This beauty box is the perfect beauty surprise. The company was founded in 2011 and is headquartered in Berlin. Today, GLOSSYBOX is the number one provider of beauty box subscription services in Europe.

Subscribers receive a box with five samples of beauty products each month for 1, 3, 6, or 12 months.

Each box is shipped for free. Once you have successfully subscribed to GLOSSYBOX, you can access and edit your Beauty Profile at any time, which is a brief questionnaire. The Beauty Profile contains questions about your preferences and the condition of your skin and hair. This helps GLOSSYBOX selecting the right products to your beauty box.

Recently, GLOSSYBOX announced its partnership with the one of the biggest beauty platforms in the world with more than 14.000 beauty products, Lookfantastic. Customers can now use their GLOSSYCredits to buy all their favourite beauty buys or stack up credits by referring friends, reviewing products, completing a beauty profile and answering surveys.

The company is headed for the global market and is now selling in the USA, UK, Sweden, Germany, Austria, Canada, France, Ireland and Norway, while they still look for other possible locations globally.

Discover more at www.glossybox.co.uk



GLOSSYBOX

Graze

Graze was founded in 2008 in the UK by seven friends including Graham Boshier, the founder of LoveFilm. They wanted to create delicious snack boxes that people could get excited about. The first boxes were brought to customers by posting them one by one. Now, Graze is selling more than 400 different snack boxes and has expanded to the US.

The boxes contain four snacks, which are free from artificial colours, flavours and preservatives. Every snack is also having a health mark that shows, that it is either low on calories, rich on fibre, high on protein or essentials vitamins and minerals. You can get the box delivered to you every month, weekly or biweekly.

The snack boxes are customised to the subscriber's preferences, which they enter on the site. The algorithm is called DARWIN (Decision Algorithm Rating What Ingredient's Next). Graze is constantly analysing the 15,000 customer ratings, they receive every hour.

Now, there is no more excuses for not eating healthy snacks.

Have a taste www.graze.com

The logo for Graze, featuring the word "graze" in a bold, lowercase, brown sans-serif font.

Hall & Madden

In McGregor Madden's previous company, he noticed that men bought dress shirts, which didn't fit them well under their expensive suit. This led to a new business idea – to start a subscription service, where men can buy shirts that are customised to fit based on height, weight, and other measurements.

The service is made for men who want to be well-dressed. On the website you select your style and size and then you get three new dress shirts delivered every quarter, every four months or every six months for \$200. The shirts are high quality, just like the expensive brands, but for about one third of the price.

Hall & Madden is not just a digital service. To get the right fit, customers can book a tailoring appointment. But if there is anything wrong with the sizes, customers can easily return their shirts. The first box is an “essentials” box and then the company will bring seasonal options to you without the hassle of trying to find them on your own.

Read more at www.hallmadden.com

HALL&MADDEN

HBO

Will Jon Snow finally defeat all of his rivals and take the Iron Throne in King's Landing? Will his relationship with Daenerys Targaryen last? Or will the White Walkers take over the entire Westeros in the end? Do these questions ring a bell? Then you are probably among the millions of viewers that follow HBO's most popular television show, Game of Thrones.

Unfortunately, you will have to wait until 2019 before you get the answers. The good news is that the cable TV and streaming giant HBO can offer you plenty of other great television shows if you subscribe to their service. Shows like The Sopranos, Sex and the City, The Wire, Six Feet Under and Boardwalk Empire are among the most-loved favorites among HBO's subscribers.

In the United States, HBO operates as a traditional television broadcaster distributed via cable or satellite to American homes, but in 2012 HBO launched an international streaming service that gives viewers all over the world access to their content via the internet. The streaming service was also launched in the United States in 2015 under the name HBO Now.

Read more at www.hbo.com



HelloFlo

Also known as ‘the period start-up’, Naama Bloom started HelloFlo with the purpose of helping women to better manage their periods by delivering timely reminders, essential products, and personalized help whenever they need it. She quickly forged an alliance with Procter & Gamble, who owns Always and Tampax, two brands to help women through the monthly cycle.

The care packages are made for pre-teen girls, and they are designed to support a first period experience with information and small treats. But that’s not all. HelloFlo has also made survival kits for new moms. HelloFlo is also a place for a healthy dialogue about periods and other health issues that women experience, and it’s aiming to ease that first-period conversation between girls and their parents.

The service quickly became popular and it’s now acquired by SheKnows Media. With the help of funny commercials and social media, HelloFlo has reached almost 50 million views on their “First moon party” commercial.

Read more at www.helloflo.com

The logo for HelloFlo features the word "HELLOFLO" in a bold, sans-serif font. The letters are filled with a vibrant, multi-colored gradient that transitions from orange and yellow on the left to pink and purple on the right. The 'O's are particularly large and prominent.

Husqvarna Battery Box

Maybe you are the owner of a chain saw or a hedge trimmer that takes up space in your outhouse. Quite convenient when it is time to trim your hedge or cut down a tree. But honestly, how often do you actually use it? Wouldn't it be nice to subscribe to a service that would provide you with tools just when you need it?

This Tools-as-a-Service has been launched by Husqvarna, a large Swedish manufacturer of outdoor power tools. The service called Husqvarna Battery Box is currently running as a pilot programme in the Stockholm area of Sweden.

The service allows homeowners in Stockholm to access pay-per-use power tools for the garden once they have signed up for the service. The Husqvarna Battery Box is located in a shopping center in an unattended storage unit. The box can hold 30 cabinets, each one containing professional battery-operated garden tools such as lawn movers, trimmers, chain saws and blowers. Subscribers use a mobile app to book, pay and open the locker to retrieve the tools.

Husqvarna Battery Box is another great example of Hardware-as-a-Service and also an example of how the subscription and sharing economy might work together in the future.

Read more at www.husqvarna.com/se/hbb



Kiwi Crate

Kiwi Crate has the mission of making STEAM – Science, Technology, Engineering, Art and Math – fun, engaging and accessible for everyone. Kiwi Crate has raised several million dollars from venture capital firms to fund its growth, and annual sales is now above \$10 million.

As a parent, you have the chance to be creative with your kid. Every month you receive a box full of science and art projects for your kid to get hands-on fun and learning. There are multiple lines at Kiwi Crate. You can choose a box from when your child is 24-36 months old, 3-4 years, 5-8 years, 14+ or 9-16 years old. The boxes can be delivered monthly, every three months, every six months or every twelve months.

STEAM has become increasingly popular in education, as it is designed to teach kids to think critically and have an engineering or design approach when it comes to solving real-world problems while improving their skills in the mathematics and science field.

Read more at www.kiwico.com



Loot Crate

In 2012, Chris Evans and Matthew Arevalo got the idea of creating a subscription box for all types of pop culture fans. They wanted to create a 'comic-con' in a box and only after two years, the company had managed to gain 650.000 subscribers, 30% of whom are women.

There are a lot of boxes to choose from at Loot Crate and every month they have a different theme like 'anti-hero' or 'role-models'. You can get a box of Marvel Gear, Halo Legendary Crate or a J.K. Rowling Wizarding World Box, just to give you some examples. The original Loot Crate box has a price tag at \$20 a month, but sometimes you can also buy limited edition Crates.

Loot Crate is a community of shared celebration of fandom and it's shared in 35 countries. The company has experienced huge success, and an average new subscriber sticks around for a least a year. But even though subscribers sometime churn out the subscription, they stick around in the Loot Crate universe, where new content is constantly produced. Loot Crate publish interactive games each month and around half a million fans watch Loot Crate's Facebook live videos every month to give the fans a great experience.

Release your inner geek at www.lootcrate.com



MailChimp

The revolution of cloud computing has initiated the rise of a large number of companies selling their software as a service. These software companies are often targeting their services to other business and has thus made it much easier and cheaper for small and medium-sized companies to get access to services that used to be for large companies exclusively. One great example of such a company is the Georgia-based software provider, MailChimp.

MailChimp is the world's largest marketing automation platform for small to medium-sized business. MailChimp is used to send marketing emails and automated messages, create targeted campaigns, facilitate reporting and analytics, and sell online. Over 15 million businesses and individuals trust MailChimp to connect the right people with the right message at the right time.

MailChimp is sold as a subscription using the freemium pricing model as foundation. As a small business, you can sign up and use the service for free up to 2.000 newsletter subscribers. When you grow out of the free service you can either sign up as a growing business from USD 10 per month or as a pro marketer from USD 199 per month.

Read more at www.mailchimp.com



MoviePass

Imagine that you could go to any cinema and watch movies as much as you like for just USD 9.95 a month. This is now a reality in the United States if you sign up to the new service, MoviePass.

MoviePass was launched in 2011, but it was not until a relaunch in August 2017 that the service started to grow significantly. That happened after the price was lowered to USD 9.95 a month and at the same time allowing subscribers to watch one movie every day and in every movie theater across the USA. This led the subscriber base to increase from a little less than 20,000 to more than 600,000 in just two months. And the service is still growing in popularity.

When signing up to MoviePass you get a Mastercard, and every time you claim a ticket via the MoviePass app, the amount is credited to the Mastercard thus making it possible for the subscriber to buy the ticket at the movie theater. That way, MoviePass can offer their service in all theaters even without having made formal arrangements with the theater beforehand.

Read more at www.moviepass.com

The logo for MoviePass, featuring the word "moviepass" in a bold, lowercase, red sans-serif font. A small "TM" trademark symbol is located at the end of the word "pass".

MUD Jeans

Dreaming about a world with less waste, Mud Jeans is a sustainable and fair trade certified subscription service with head office in Almere, The Netherlands. The story of the company started when CEO Bert van Son moved to China to work in the textile industry. He has over 30 years of experience in the fashion industry, and he saw the huge impact the fashion industry has on the environment and its factory workers. That made him believe that there is an alternative way and Mud Jeans was born.

The concept is based on the circular economy. A customer can rent a pair of jeans for one year for €7,50 per month or choose a one-time-membership at €20, and then he or she can decide to switch the jeans for another pair, return them for recycling or upcycling purposes, or keep them. The renting deals includes unlimited repair services. If the customer does not want to rent the jeans, it is also possible to purchase them on the website.

Today's consumers are very aware of the environmental impact that fast fashion has, and Mud Jeans has implemented a lot of marketing initiatives to ensure that the customers not only engage with the brand's philosophy but become advocates of the circle economy concept. As a result, customer engagement is high at Mud Jeans, and 80 per cent of the customers feel happy about sending the jeans back, knowing that they'll be made into something else.

Get your jeans at www.mudjeans.eu



MUD JEANS

Netflix

Netflix is now one of the world's most powerful companies within the media and film industry. Hard to believe that the company started just a little more than 20 years ago as a DVD mail-order service.

Now Netflix is a film streaming service with more than 120 million subscribers worldwide even though the company still maintains the mail-order service in the United States as a supplement to streaming. From the very beginning Netflix has relied solely on the subscription business model.

In 2012 Netflix entered the content-producing industry, when they debuted with their first series, *Lilyhammer* (an absolute must-see starring Steven van Zandt as a mafioso on the run fleeing to the Norwegian small-town, Lillehammer). Now Netflix spends nearly USD 10 billion a year on original content and produces more film and series than any other content producer.

But it is not all about content. Netflix has also led the streaming revolution by setting new standards within usability and accessibility of their service.

Read more at www.netflix.com

NETFLIX

New York Times

New York Times is one of the most respected quality newspapers in the world. But as a print newspaper it is also part of an industry that is struggling in a world that is becoming more and more digital. At the same time, New York Times is one of the pioneers in the newspaper industry when it comes to digital transformation.

In 2011 New York Times launched a digital paywall allowing users to read up to 20 articles for free before having to buy a digital subscription. This so-called metered model has since been copied by many news organizations around the world, but none has been as successful as New York Times.

By the end of 2017, New York Times has reached more than 2.2 million digital subscribers, and they reported a growth in 2017 in digital subscription revenue of 46 percent compared to the previous year.

Obvious to say that the digital reader base of New York Times is now spread across the world. So, go ahead and try one of the world's best newspapers for yourself.

Read more at www.nytimes.com

The New York Times

PillPack

PillPack is an American online pharmacy that aims to make life easier for medicine users by providing prescription medicine as a subscription service by sorting the medicine and delivering it directly at door in dose packages.

When signing up to PillPack, they will make sure that your old prescriptions are automatically transferred to PillPack and then added to your subscriptions. With PillPack, you can also choose to auto-renew your prescriptions and thus make sure that you never forget to renew them yourself and run out of your medicine.

It is also possible to buy non-prescription products and add them to your subscription delivery. Finally, PillPack offers personal guidance and counseling if needed by the customer.

PillPack is simply less hassle and more peace-at-mind for medicine users and their relatives.

Read more at www.pillpack.com



Playstation Plus

The successful game console Playstation was introduced in 1994 by Sony Computer Entertainment. This was the first version of many Playstations to come. Along with its gaming consoles, Playstation also launched entertaining games e.g. Fifa and Crash Bandicoot that later experienced huge success.

In 2010 Sony launched Playstation Plus as a premium online service to allow users to get access to premium features. The membership is one of the world's biggest with over 34 million members worldwide. One reason that it has become popular among gamers is that subscribers can play online multiplayer with their friends. In this way, Playstation Plus has experienced the value of the network effect.

Besides multiplayer function, the premium features include early access to soon-to-be-released games, beta trials, discounts in the Playstation Network store, get the newest software updates and game patches downloaded automatically to the console. The subscriber also gets six games every month and 10 GB of internet storage space for up to 1,000 saved game files. As subscriber, you can choose to pay for a monthly, quarterly or annual subscription

Game on at www.playstation.com



Rapha

Rapha Performance Roadwear is a [sportswear](#) and lifestyle brand focused on [road bicycle racing](#), clothing and accessories, but Rapha is also a membership club for bicycle enthusiasts all over the world. Rapha now has 21 locations, called clubhouses, throughout the United States, Europe, Asia and Australia.

Each clubhouse consists of a retail space that sells Rapha apparel and accessories, as well as a café that serves coffee and food while screening live cycle racing. The Clubhouses are for everyone but paying members of Rapha Cycle Club enjoys a large number of benefits. These benefits include club rides and excursions, high-end road bikes for hire at each clubhouse for a low price, Rapha Travel trips at discounted prices and exclusive Rapha Club kit, only available for members.

Members at Rapha Cycle Club pay a yearly membership fee of 135 GBP (or the equivalent in local currency) for access to the club and all the benefits. A great way for a clothing producer and retailer to create loyalty and additional revenue from its large group of fans and followers.

Read more at www.rapha.cc

The image shows the Rapha logo, which is the word "Rapha" written in a bold, black, cursive script. A registered trademark symbol (®) is located at the end of the word.

Readly

Readly is like Spotify or Netflix but for magazines. Sign up for a subscription at Readly and you get access to more than 2,000 different digital magazines from all over the world.

Readly was first launched in Sweden in 2012 and has since expanded to a number of countries by including more and more local magazines. The magazines are typically consumed on an iPad or another device making it possible to carry your full magazine library in your pocket or your bag.

The subscription is an all-you-can-eat model and in Europe the price of a subscription is just 9.99 euro a month for access to all the magazines.

So, if you like to read great magazines like GQ, Wallpaper, TopGear, Forbes or Wired, then Readly might just be your next favorite subscription service.

Read more at www.readly.com



Rent the Runway

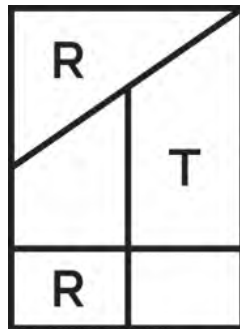
Rent the Runway is a service that lets you rent your designer dresses and other clothes and accessories, so that you can constantly rotate your wardrobe to make sure that you always have new and appealing clothes to wear.

The clothes you rent is either new or slightly used, so Rent the Runway is one of the many companies operating in the Sharing Economy.

So how does that work? You can either rent the dresses or other items for a 4- or 8-days period and pay for each rental, or you can subscribe to one of two subscription packages that gives you access to more clothes for a longer period. If you go for the RTR Update membership, you pay 89 USD a month and then get access to four pieces of clothes that you can keep for a full month. If you go for the RTR Unlimited membership at 159 USD a month, you get four pieces of clothes that you can rotate as often as you like or keep for as long time as you wish.

Rent the Runway was launched in the United States in 2009 as a pure e-commerce company but has since opened physical stores in [New York City](#), [Washington, D.C.](#), [Chicago](#), [San Francisco](#) and [Los Angeles](#).

Read more at www.renttherunway.com



Scribd

Why own your books when you can rent access to them? The subscription economy has also hit the book publishing industry, and the American company Scribd is one of the leading subscription services for e-books.

Scribd was launched in 2007 as a PDF-hosting service but has since changed its business model several times before reaching the current model, where they offer almost unlimited access to e-books and audio books for as little as 9 USD a month. The term “almost” is used, because Scribd is enforcing a “fair use” policy in order to prevent frequent users to undermine the business.

By the beginning of 2018 Scribd has more than 1 million titles for subscribers to choose from, and this vast library has now attracted more than 700,000 subscribers. This still makes Scribd number two in The United States following mighty Amazon that allegedly has more than 2 million subscribers to their Kinde Unlimited service.

But there is no harm in a little competition to keep both companies on the toes.

Read more at www.scribd.com



SmileDirectClub

Annoyed by their braces at 13, Alex Fenkell and Jordan Katzmann met at summer camp and thought to themselves that there must be a better and easier way to get straighter and whiter teeth. In 2012 the two decided to create SmileDirectClub, a subscription service that offers invisible braces to wear at home to straighten and brighten teeth gently.

SmileDirectClub removes the hassle of on-going visits to the dental office, but also removes a pain point of paying thousands of dollars for braces. Every month customers receive a different pair of aligners, which gradually shift the teeth into the correct place. This is also the main reason why it is possible for subscribers to avoid all the exhausting check-ups at the orthodontist's office.

The average treatment length is six to ten months and you can choose to pay \$1850 right away or \$250 and a subscription plan for \$80 a month for 24 months. SmileDirectClub works with over 200 orthodontist and has opened several SmileShops around the United States.

The SmileDirectClub has a clear mission: Making it affordable and convenient to transform your smile.

Smile bright with a subscription at www.smiledirectclub.com



Spotify

Few enterprises have led the subscription revolution like Sweden-based Spotify that is now by far the leading music platform worldwide.

Spotify was launched in 2008 by Swedish entrepreneur Daniel Ek and the idea was to provide customers with unlimited access to the music library via a streaming service instead of having to buy music album by album.

Spotify chose to launch a freemium service where users can listen to the music for free by accepting ads in the feed, or they can pay a monthly subscription to get access to the ad-free service. Now more than 150 million people use Spotify and more than 70 million of these are paying for the premium service.

Spotify is doing a lot to improve the music experience for their users. You can listen to one of many playlists within different genres and you can create your own playlists and share them with your friends.

Read more at www.spotify.com



Stitch Fix

Former J. Crew buyer Erin Morrison Flynn and Katrina Lake founded Stich Fix in 2012. Stich Fix is an online subscription service, which offer a personal shopping experience. The company started with a subscription only available to female customers, but has expanded to men's clothing, maternity wear and plus sizes.

The personal style service lets you get five pieces of clothing delivered, carefully selected by a personally stylist based on your style preferences, size, shape, budget and lifestyle, which you have filled out in the Style Profile. The clothes are delivered whenever you like to try everything on in the comfort of your home. If there's anything you don't like, you can choose to buy it and return the rest. If you buy all five items, Stich Fix will give you 25% off the entire purchase.

Stich Fix relies on reviews to improve subscriber's experiences by being able to select something that fits both style and size. If that is not enough, customers can also post photos of fashion looks that they like on Pinterest boards integrated with Stich Fix's service, which will be viewed by a Stich Fix stylist.

Try it on at www.stitchfix.com

STITCH FIX

Storytel

More and more people like to listen to books instead of reading them, and that has caused the market for audiobooks to dramatically increase over the past 10 years. People typically use a smart phone or another portable device to listen to the books while they are commuting by busses or trains or when driving their own cars.

Like most digital media consumption, the audiobook customers prefer to subscribe to a service that provide them with a large library of audiobooks instead of buying the audiobooks one by one. One of the first to realize this was Swedish entrepreneur Jonas Tellander who launched Storytel as early as 2005. Storytel is a subscription service for audiobooks allowing subscribers to listen to as many books as they like for as little as 168 Swedish Krona a month (approx. 20 USD).

Since 2005 Storytel has opened their service in many European countries, and in 2014 they added e-books to their library thus giving subscribers the choice between reading or listening to their books. Storytel has also moved deeper into the publishing industry by publishing their own books as well as acquiring traditional book publishers and integrating them into their service.

Read more at www.storytel.com



Strava

Strava is one of the world's leading "social networks for athletes" designed to make training more fun and engaging by allowing you to compete with other athletes and share the results with your friends.

Strava is a mobile app that tracks your training activities using satellite navigation and allows you to upload and share your results once the training session has ended. Strava also allows you to compete with your friends and other Strava users, who either cycled or ran the same route or "segment", as it is called in Strava. Strava also features a number of challenges that athletes can take on, i.e. running the distance of a marathon in a specific number of days. Those who meet the challenge will receive a digital badge for everyone to see.

Strava is one of many successful subscription start-ups that are using gamification as an important element of building an audience and building engagement and loyalty.

Strava is free to use, but if you desire the full package of features, you can sign on to a Premium membership that will cost you 7.99 USD a month.

Read more at www.strava.com

The Strava logo is displayed in a bold, orange, sans-serif font. The letters are thick and blocky, with a slight shadow effect. The 'S' is the largest and most prominent, followed by 'T', 'R', 'A', 'V', and 'A' in descending order of size.

Target

Target is the second largest discount store retailer behind Walmart. Target has more than 1,800 stores throughout the United States and has more than 70 billion USD in yearly revenue. Since 2000 Target has also sold their products online on target.com, and in 2013 they launched Target Subscriptions that gives customers the opportunity to subscribe to all the products that they use on a regular basis.

As a subscriber you get a five percent discount on all the products that you subscribe to, and as a subscriber you can tailor-make your subscription to suit your exact needs. Maybe you want your dairy products delivered on a weekly basis and your pet-food delivered monthly! With Target Subscription it is easy to determine the frequency of each product, and you can always change your preferences and products as you go along.

Target Subscriptions was originally offered only on baby-products, but soon the range of products got extended, and now you can subscribe to more than 8,000 different products.

Read more at www.target.com



The Honest Company

Founded by actress Jessica Alba in 2011, The Honest Company is a subscription bundle, that make sure you get the right natural products for your child. She was inspired by her first child Honor and her own story of childhood illness.

The Honest Company first introduced 17 products, but now they sell everything from infant formula, cribs to makeup. The products are sold through its website and at more than 4,000 stores, including Target. The subscription bundles give you the best deal and here you can buy a Diapers & Wipes bundle, in which you can mix and match sizes and prints, an Honest Essential bundle that lets you pick five items out of 100+ products, an Organic Infant Formula bundle and a Health & Wellness bundle, where you can mix and match two premium quality vitamins and supplements.

The Honest Company knows their consumer. They want sustainable products, free from chemicals and toxics, but they also seek new ways to make shopping easier and convenient. The Honest Company delivers. The service is so popular that the company recently were valued at \$2 billion.

Read more at www.honest.com



The Period Store

The Period Store is based in New York founded by the two friends, Ashley and Rubi. They first thought of the idea for a menstrual care package service in 2010 but launched their service to the public in 2013.

If you would like to receive a box, you just create a profile on The Period Store's website. You can create and define your own packages and set your cycle, so the company knows when to deliver your package. There are different pre-defined package formats: Treats, Lite, Medium, and Heavy—your choice depends on how many feminine products you want. Starting from \$15 a month you get a box with meds, tea, gourmet sweets and art - everything you need to get through your periods.

The boxes are send the day before the cycle begins so customers can relax and enjoy their periods without worrying running out of pads and tampons – and delicious chocolate!

Read more at www.theperiodstore.com



Te-salonen

Gourmet food products are increasingly being offered as a subscription service. Often these food products come in the shape of a monthly surprise box with a nice selection of products from different producers and with great variety each month.

Te-salonen is a surprise box for tea-lovers. Each month members at Te-salonen receives a nice box with a curated sample of exclusive tea from all over the world. Each box contains 4-5 different tea products with a mix of both loose leaves and tea bags, and within categories such as black, green, red and white tea. The tea is bought from the world's leading tea houses and tea brands in countries like France, England and Australia and delivered directly to the predominantly Scandinavian members.

The monthly price of the box is DKK 129 (approx. USD 20) and many subscriptions are bought as presents as it is often the case with surprise boxes.

Te-salonen was launched in Denmark in 2016 and has since 2017 also been available in Norway under the almost identical name, Te-salongen.

Read more at www.te-salonen.dk or www.te-salongen.no.



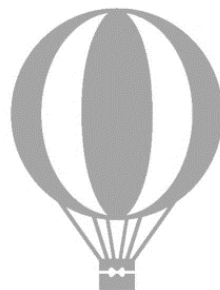
Try the World

Try the World is a food subscription service that lets you discover gourmet food from around the world. The company was started by Kat Vorotova and David Foult, who both were passionate about food and traveling and wanted to bring the culinary experiences from abroad to the home of people.

Every month, subscribers receive a city box with gourmet food including ingredients to cook with, drinks, and snacks from different cities around the world, but it's also possible to select a snacks-only subscription. Try the World does not let customers choose which country they'd like to receive a box from but keep it as a surprise. Every two months the featured box changes, so if customer's does not like that box, they can always come back for another. Every box contains a Culture Guide to tell the stories of the artisans and how customer can use the products.

Time and money can often stand in the way of travelling, but Try the World gives customers the cultural experience. Not only do they bring customers closer to the world, they also help smaller international businesses enter the U.S. market. The company has already introduced more than 5 million products from over 30 countries!

Taste the world at www.trytheworld.com.



TRY THE WORLD

YouTube RED

YouTube is an American video-sharing platform founded in 2005. The platform allows users to upload, share and comment on user-generated videos and live streams and is one of the world's most popular and fastest growing media platforms. YouTube was acquired by Google in 2006 and everyday more than 100 million movies are viewed on the platform and around 65.000 videos are uploaded daily.

The company decided to launch a streaming subscription service called YouTube RED in 2015. If you hate ads and commercials on YouTube, YouTube Music, YouTube Kids or YouTube Gaming, this subscription is for you. Not only does it give you an ad-free experience, it also gives you free access to Google Music Catalogue, including all features. You can also find original content made exclusively by YouTube's largest creators.

Streaming is a rising trend among young consumers, and that is what YouTube Red is aiming for. In 2021 the market is said to be worth \$70.5 billion. And here in 2018, 80% of customers would prefer watching live videos rather than other social content e.g. photos. Therefore the streaming industry is also something that businesses' use in their social media marketing campaigns.

Watch more at www.youtube.com/RED



Zipcar

Fewer and fewer people, especially in larger cities, are buying their own cars, as it is much more convenient to subscribe to a service where you have access to a car whenever you need it. This trend is often known as mobility-as-a-service and American Zipcar is one of the companies leading this trend.

When you subscribe to Zipcar you get access to rent one of Zipcars more than 10,000 cars available in more than 500 cities in The United States, Austria, Belgium, Canada, France, Germany, Spain, Turkey, and the United Kingdom. With more than 1 million members in these nine countries, Zipcar is now the largest car-sharing company in the world.

Members pay a monthly subscription fee of typically 7 USD and then have access to the cars on a minutely, hourly or daily rate. For example, if you are member in New York City you can rent a Jeep Renegade for 14 USD an hour or 96 USD a day. And the renting experience itself is totally convenient and hassle-free. Cars are booked and unlocked via your smart phone and pick-up and return takes place at numerous locations throughout the city.

Read more at www.zipcar.com



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ENDNOTES

- 1 This chapter focuses on individual consumers and on businesses which serve consumers (B2C companies), but most conclusions are valid for B2B companies also.
- 2 This survey was conducted in July–August 2013 by the Economist Intelligence Unit for Zuora. It asked 293 business executives in Europe, North America, and Australia about their views on the subscription economy. The survey results can be found at www.managementthinking.eiu.com
- 3 “Churn” is an important term in the subscription world, referring to the number of active subscribers who terminate their subscription in a given period.
- 4 A further advantage of the subscription model, not touched on above, which deserves some consideration is the environmental aspect. As already mentioned, most subscription businesses reduce production waste, because the entire production run is often sold before it is produced. You may remember from Chapter 1 that the fruit and vegetable producer Aarstiderne was founded on the idea of reducing food waste. Thus, apart from benefiting consumers and companies, the subscription business model also offers advantages for society in general.
- 5 In fact, you could choose to run your subscription business via App Store or Google Play. But most subscription businesses do not do that, because they would lose the most valuable asset of a subscription business – namely, direct access to and ownership of the customers.
- 6 Great planning is the key to success for all businesses; this is not unique to subscription businesses. My point simply is that you have to plan for subscription success by using a subscription-based model. One of the most compelling arguments for the strength of great planning is presented by Jim Collins and Morten T. Hansen in *Great by Choice*, where they illustrate how Roald Amundsen beat Robert Scott to the South Pole simply by better planning. (Details of this and other publications mentioned in the text are given in the References section at the end of the book).
- 7 A number of different industries have seen a rapid shift over the past decade towards the subscription economy. Apart from the car industry I could have mentioned the music industry, the software industry, the film industry, or the retail sector.
- 8 The concept of *value proposition*, and the importance of defining it for your business, is perhaps best introduced in Alexander Osterwalder and Yves Pigneur’s book *Business Model Generation*. The book also contains a lot of tips and hints about constructing business models, including the “business model canvas” which has helped many businesses professionals to formulate an overview of a new business idea. The same authors have later elaborated on the concept of *value proposition* in the book *Value Proposition Design*. Both books are highly recommended.
- 9 How can unlimited moviegoing for a fixed monthly amount ever be good business? Well, it very much depends on the variable cost of having one guest visiting your cinema and the average number of visits a subscriber makes each month. If you only attract heavy using consumers it might be costly; but if you manage to attract different user groups, if you manage to win customers away from your competitors, or if you manage to sell more Coke and pop-corns to your guests, then it might very well turn out to be good business.
- 10 The freemium model was examined and popularized by Chris Andersen in his 2009 book *Free*, which studies a number of ways to make “free” a sustainable business model. Providing a freemium model is obviously one of these.

- 11 In fact, monthly subscription plans seem to be the clear favorite choice for many successful subscription businesses, including Dollar Shave Club, Netflix, Spotify, Cineworld, Spotify, and many, many more.
- 12 When subscribing to the premium service at LinkedIn, the social network for business professionals, you choose among different subscription periods up to twelve months and receive substantial discounts when choosing longer periods over shorter.
- 13 Not all countries have the same level of credit card penetration. In some countries you may find that not many consumers have credit cards. You always need to check whether credit cards are widely used in the markets that are important to you, or whether alternatives exist.
- 14 Billing and collecting are thought of as two different things. When the subscriber signs up using a credit card, though, they will often be a single step. He signs up, and the payment is processed immediately. But, for other payment methods, there is typically a time lag between billing and collecting.
- 15 Zuora is rapidly becoming one of the most powerful advocates of the subscription economy and the subscription revolution. Besides supplying one of the most advanced subscription management systems and being the preferred choice for larger enterprises Zuora also hosts subscription conferences and seeks to spread the word through newsletters and magazines.
- 16 Some webshop platforms even have subscription/recurring payment options as part of their solution, which means you do not have to have a subscription management system but can manage your products, customers, and billing within the webshop platform itself. However, functionality might be quite limited, so unless you are running a very simple operation this is generally not advisable.
- 17 Although no one CRM or marketing solution is specifically recommended here, you might want to consider Salesforce.com, the world's leading online sales and marketing solution. Salesforce.com is itself part of the subscription revolution, being one of the first to implement "Software-as-a-Service", where software is sold on a subscription rather than license basis. That is one reason why Salesforce.com is a "darling" of the subscription community, and several subscription management systems recommend Salesforce.com as a CRM solution offering ready-made integration.
- 18 The payment gateways act as interface between your system and the worldwide system of credit cards issued by companies like Visa, Mastercard, and American Express. It allows you to process charges and refunds to your customers.
- 19 For some businesses the distinction between business-to-consumer and business-to-business has no relevance, because both consumers and businesses are reached through the same sales channels. This has led to the term "business-to-all" to describe cases where a business uses the same acquisition strategy for all customers.
- 20 We use the term "campaign plan", but terms like *marketing plan*, *sales plan*, or *go-to-market plan* are often used synonymously.
- 21 The calculation is straightforward. The number of subscriptions in any given month is 90 per cent of the subscribers in the previous month plus the number of new subscriptions sold in this month.
- 22 The example is given by Jill Griffin and Michael W. Lowenstein in their book *Customer WinBack*, an excellent reference on techniques for customer retention and customer win-back.
- 23 How do you actually measure loyalty, and the effect of your loyalty programme? This question has puzzled many marketing executives down the years. One measure of loyalty is the Net Promoter Score (NPS), which counts the number of people who would recommend your product less the ones who would not. But when it comes to subscription businesses the most valid score must be churn rate, the

- number of subscribers leaving in each period. In order to evaluate a loyalty programme you should simply compare churn rates between those customers who take advantage of the loyalty programme benefits and those who do not.
- 24 Which social media to use for your subscription business depends on the type of product or service you offer, your customer segmentation, and the markets you are in. You can easily give your customers a choice. The e-book subscription service Bookboon.com gives the customers a choice of using their Facebook account or their LinkedIn account when signing up for a subscription.
 - 25 How many of those customers who have formally cancelled will you be able to retain? This varies across business sectors, but if you develop strong retention processes you might find that you can retain as many as twenty to forty percent.
 - 26 The giant internet retailer, Amazon.com, is the most notable example of online upselling, with its constant prompts along the lines “Customers who bought this item also bought ...” when you set out to purchase a book.
 - 27 The key measure of how much revenue you derive from your customers is often referred to as “ARPU” (average revenue per user). So, this chapter is basically about how to maximize your ARPU.
 - 28 One of the reasons behind Dollar Shave Club’s successful launch is undoubtedly the very humorous video explaining their razor blade subscription system. The video became a huge viral hit and has been called the best launch video ever made. Find it on YouTube or at www.dollarshaveclub.com where you can also find a video for their newer product, butt wipes.
 - 29 These categories follow Stauss and Friege, “Regaining Service Customers”, *Journal of Service Research*, May 1999.
 - 30 Even if you decide to leave some ex-customers alone, you should still treat these “non-win-back-candidates” as potential future customers. Perhaps they will need your product or service once again, or perhaps they can act as good ambassadors even though they no longer need your product. Leaving a positive message with these former customers is crucial for a possible future relationship.
 - 31 As mentioned earlier, Net Promoter Score (NPS) is a measure of your customers’ willingness to promote your business; it is often used for measuring loyalty. See also footnote 23.