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The Data-Driven Marketer's Guide to
Subscription Marketing

The Importance of Subscription Marketing

The subscription business model is nothing new -- think magazines, cable, even cell phones -- but subscription eCommerce is currently taking the Internet by storm. Subscription businesses received more than \$350 million in venture capital funding in 2014, a nearly 100% year-over-year increase in funding growth, according to CB Insights. From organic diapers to curated clothing to healthy snacks, innovative subscription companies have popped up everywhere, and they're thriving.

72%

of subscription eCommerce customers fail to make a second purchase within 6 months of the initial transaction

One reason for such success? Subscription companies have customer retention built into the business model. By definition, subscription businesses rely on subscribers, and therefore must cater to repeat customers; in contrast, most eCommerce companies still focus on acquisition over retention. And since 80% of your future sales come from 20% of your existing customers, it's easy to see why subscription companies have an edge over other eCommerce models.

And yet: 72% of subscription eCommerce customers fail to make a second purchase within 6 months of the initial transaction. Though this is a smaller percentage than retail (91.5%) and flash sale sites (93.8%), it highlights how much is still lacking. Even with the baked-in advantage, subscription companies must address customer retention if they want to last as a brand.

By nature of the business model, subscription companies have a lot to gain through customer retention. You could even say that all the marketing involved for subscription brands, even when it comes to acquiring customers, is geared toward customer retention. After all, it's meaningless to acquire subscribers without planning for them to stay subscribers.

At the same time, they have a lot to lose: As mentioned, these companies depend on regular subscribers to survive. How subscription companies sustain long-term customer engagement is what determines their longevity as a business.

What This Guide is For

By now, it's clear that successful customer retention depends on a whole lot more than competitive pricing. It's a brave new world of personalized, on-demand commerce: not only what customers want, but how and when they want it. From one-day shipping options to company standards that align with their own, consumers are looking for more than just price; they're looking for value.

This is especially true for subscription companies, which must provide long-term value that justifies a monthly charge. To prevent fatigue and the resulting loss of interest, a tailored customer experience with multiple touchpoints throughout the customer's lifecycle is key. These touchpoints determine how businesses keep the conversation going.

This guide will help provide insights, tips, and tricks into maximizing subscriber retention by building that tailored customer experience. We'll cover the best practices in understanding your customers through data and feedback, and then building on that information for smarter retention marketing tactics.



Part 1:

Understand Your Customers

It's old news that building a tailored customer journey depends entirely on your customers. The principles of batch-and-blast, both in messaging and in overall strategy, are outdated and ineffective.

The key to marketing to your customers has always been to understand your customers; this hasn't changed. What has changed is the sheer amount of data available to help you create more targeted campaigns.

In particular, eCommerce subscription brands have two unique advantages. As an eCommerce company, you have access to massive amounts of customer data that can be aggregated and analyzed to provide insights on how your customers browse and shop. As a subscription company, there is a built-in feedback loop that can be used to collect further information through every stage of engagement, from sign-up to product reviews.

First, we recommend starting with the data you already have.



Aggregating and Analyzing Customer Data

Understanding the customers you already have is a great first step to keeping them. eCommerce companies are sitting a treasure trove of data that can provide a wealth of insights on your existing customers; when aggregated and analyzed correctly, the resulting information is crucial for building accurate customer profiles.

Data Points



Behavioral Data

Behavioral Data consists of what customers do on your website, including what pages they view, what items they have in their shopping carts, whether they're using a mobile device, and so forth. It also includes data related to emails, including when they usually read and click your emails.

Examples

- » Length of time on-site
 - » Frequency of site visits
 - » Product views
 - » Cart abandonment
-



Transactional

Transactional data provides insights on what and how often customers have purchased before. This information should be incorporated into personalized email when reminding customers to restock on products, or enticing a customer to try an accompanying product in a category they've purchased from in the past.

Examples

- » Average order value
 - » Items purchased
 - » Category purchases
 - » Discounts used
-



Demographic

Demographic data includes age, gender, location, and income. Information gathered from demographic data might seem limited, but when combined with the right offer can provide impactful results. For example, you might find that higher-income customers are less likely to be motivated by percentage-off coupons and more likely to be motivated by free shipping or exclusive sneak peeks at new products.

Examples

- » Average household income
 - » Gender
 - » Age
 - » Location
-



Social

Social data includes statistics around what products are most likely to be shared on social media and who your most socially active customers are. With this data, you'll be able to identify who in your customer base are influencers on social media and incentivize them accordingly.

Examples

- » Interests
- » Likes
- » Influencers



Part 2:

Capture Customer Information

There are many ways to capture data, but like we mentioned, subscription companies have a secret advantage. By virtue of the business model, subscription brands can get away with asking customers more about themselves, depending on the product. This is especially true for beauty and grooming-related products.

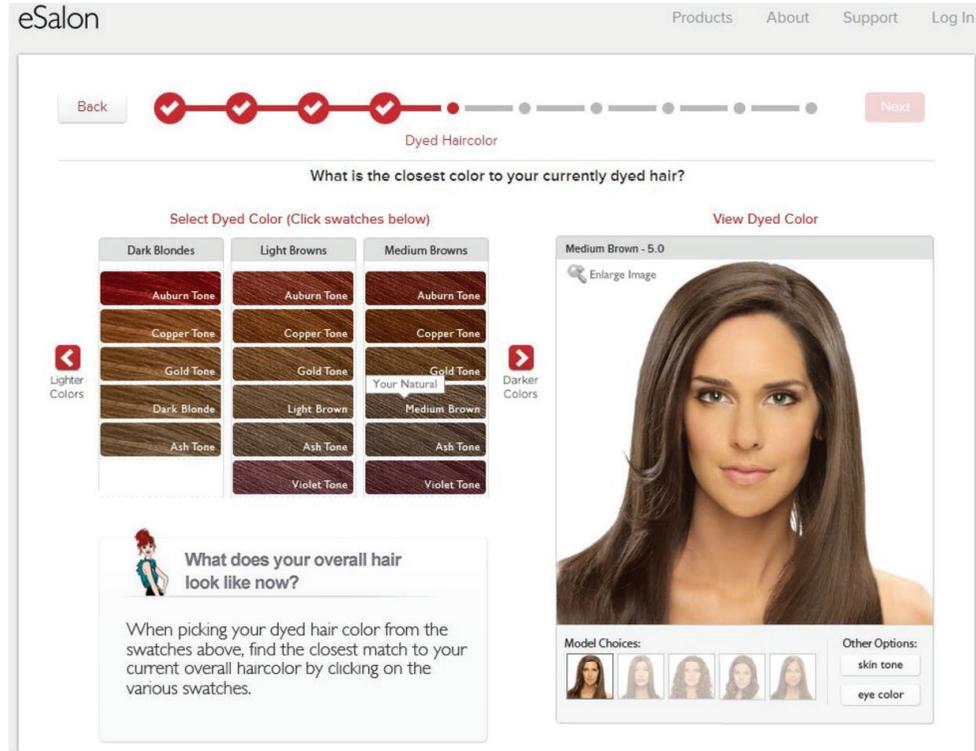
Even if you're sending all your customers the same product, there's a lot of personalization that can be implemented in your retention marketing tactics when customers provide personal feedback during the sign-up process.

Leverage Your Welcome Survey

In order to better serve customers, consider capturing more than just the name, email, and address of the customer. Including an interactive welcome survey can be a great way to learn information about the customer in order to create a more personalized product experience.

Make sure to keep the welcome survey simple and painless for the potential customer. Don't risk losing a willing customer with a long and tedious sign-up form. The survey should accurately capture relevant customer information and give the customer the sense that offering their information is key to a better customer experience. Keep the process transparent by making it clear to customers what kind of information is needed and when and how the information will be used.





As a subscription service that delivers custom hair color products directly to customers' homes, eSalon's sign-up process is interactive and informative.

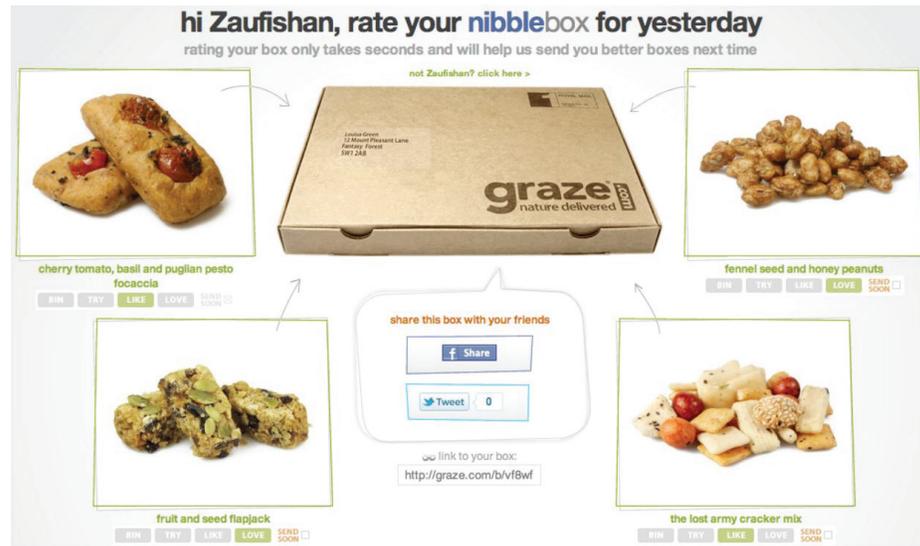
While customers choose their desired hair color, eSalon provides information about various types of dyes and colors that would suit both the customer's hair and skin tone as well as their lifestyle. While aiming to create a unique, personalized hair color for a customer, eSalon still manages to make the process feel like a collaboration between the customer and an eSalon colorist.

At the end of the eSalon sign-up, customers who aren't confident about their recommendation can take a photo of their current hair color and have an eSalon colorist add their professional opinion. This personal touch makes the welcome survey enjoyable and valuable, rather than tedious.

Incorporate Customer Feedback

Treat your customers like partners in the brand-consumer relationship. Ask for their opinion and feedback on your items to provide service that highlights how much you care. Make sure to follow up on this promise in order to foster loyalty.

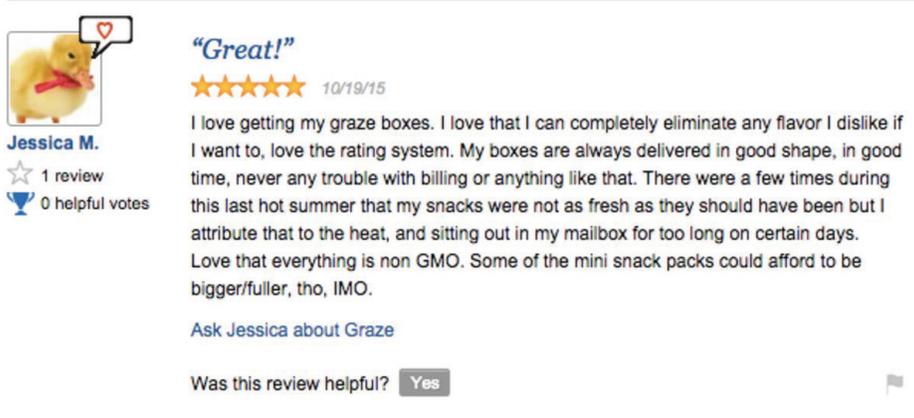
Closer Look: Graze's Review Process



Graze, a subscription box that sends delivers monthly healthy snacks, does a great job in incorporating feedback.

Each box contains a curated set of snacks, but practically speaking, it's impossible for customers to always get what they want. Part of the appeal of the monthly subscription boxes is the surprise factor, but this can work against you if the surprise is not a good one. This is especially challenging for something as subjective as people's taste in food.

To offset this, graze builds customer taste profiles through reviews as well as the initial survey. Their review process is streamlined and simple, but the key is in their execution. If you report to disliking a snack, they remove the offender from your snack rotation, as well as any items that have a similar flavor profile. By doing so, they create a monthly dialogue and feedback loop with their customers that both keeps them engaged and keeps them happy with the service -- as evidenced on the next page, pulled from a 3rd-party review site.



“Great!”
 ★★★★★ 10/19/15

Jessica M.
 ☆ 1 review
 🏆 0 helpful votes

I love getting my graze boxes. I love that I can completely eliminate any flavor I dislike if I want to, love the rating system. My boxes are always delivered in good shape, in good time, never any trouble with billing or anything like that. There were a few times during this last hot summer that my snacks were not as fresh as they should have been but I attribute that to the heat, and sitting out in my mailbox for too long on certain days. Love that everything is non GMO. Some of the mini snack packs could afford to be bigger/fuller, tho, IMO.

[Ask Jessica about Graze](#)

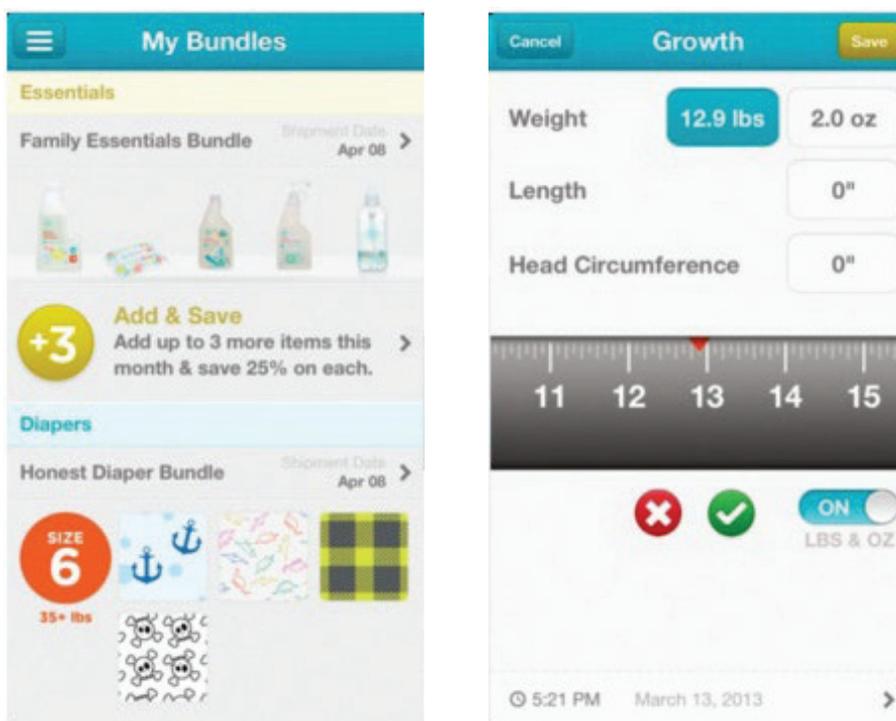
Was this review helpful? 

Think Outside the Survey

For subscription companies, the welcome survey is an invaluable tool to capture additional data, but it shouldn't be the only one. Find a way to get regular feedback from your customers.

Whether it's getting customers to update their account information, respond to customer satisfaction surveys, or leave product reviews, there are many ways to encourage customers to share more information. The key is to provide added value that makes providing information a perk instead of a chore.

Closer Look: The Honest Company's Mobile App





Case Study: **The Honest Co.**

The Honest Company offers several kinds of subscription bundles for babies and toddlers, prenatal health, and household cleaning products. The company's recently released mobile app is a perfect example of thinking outside of the welcome survey box.

The Challenge

One of the biggest challenges for a subscription company like Honest is that the subscription packages must change along with the baby. Bundles for diapers are sent depending on the size specified in each customer's account page. Customers must manually update the account every time the baby needs a bigger size.

The Solution

To aid parents in knowing when to go up a size, The Honest Company offers parents the Honest Baby app, which tracks information like the baby's weight and diaper size, as well as how often they need to be changed. Parents can update their subscriptions, track orders, and earn referral credits through the app.

The app is an interactive tool to make sure customers are active subscribers, but the genius in the app is the other features included. The app also tracks major baby milestones, doctor visits, as well as feeding and sleep habits.

Not all of this information is used to tailor marketing messaging, but that's the whole point. The app provides parents valuable perks as they grow with their baby, while reducing friction in customer-company communication. It's a way to sustain the conversation that comes across as organic, not salesy.





Part 3:

Keep Customers Engaged

Whether someone becomes a customer by subscribing to your service, opening an account, or simply signing up for your newsletter, the key to keeping them around is engagement. However, marketers often jump the gun and start blasting away with heavy-handed sales messaging and discounts.

This is a mistake. Instead, brands should be focusing on fostering a customer journey that is engaging and rewarding. To do this without overwhelming the customer, brands should focus on tailored touches throughout the customer lifecycle.

The Subscriber Lifecycle

Unlike the basic eCommerce business model, where pinpointing the exact lifecycle stage of a customer can be challenging, subscription eCommerce has three well-defined stages:

Prospect

Consumer who has engaged with your brand but not subscribed. They might have signed up for an email newsletter, created an account, or partially completed a welcome survey.

Subscriber

Consumer who has subscribed to your service.

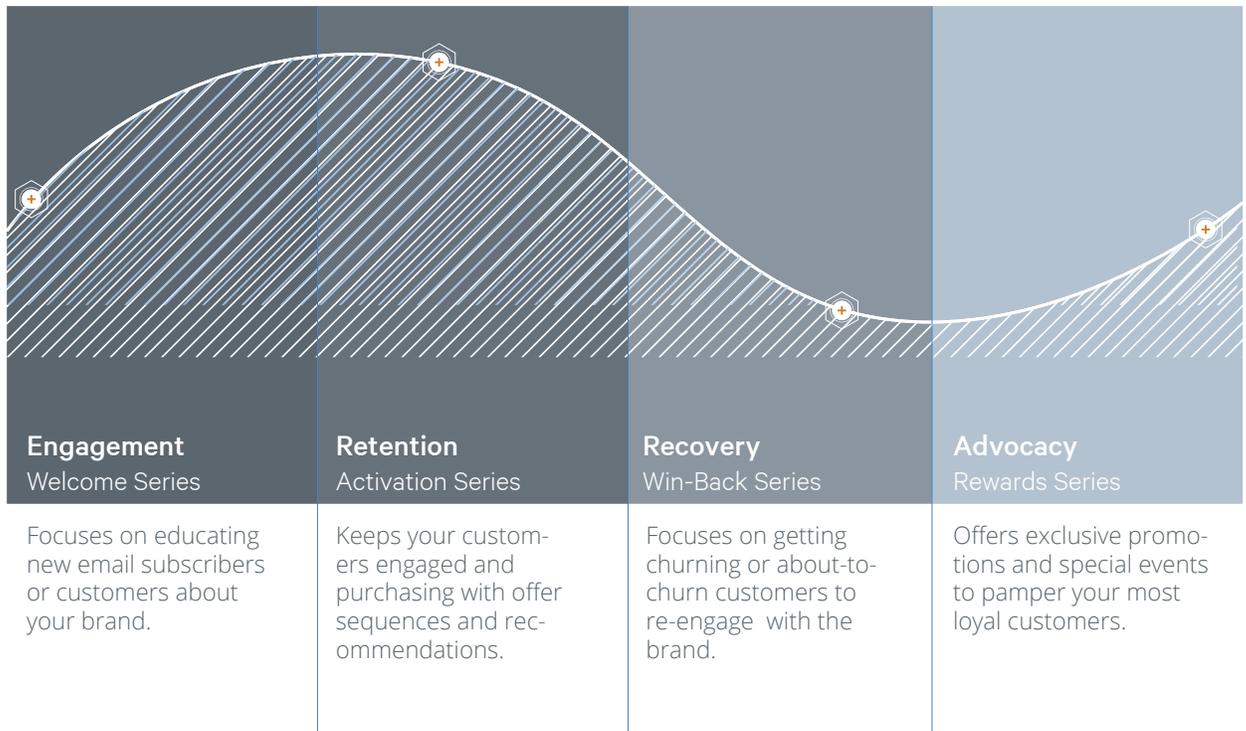
Churned

Consumer who was previously subscribed but has unsubscribed, or a subscriber who is showing signs of churn (i.e. pausing service and no longer opening emails).

Still, each of the lifecycle stages of the traditional eCommerce business model apply here:

- **Prospects** are in the initial **Engagement** stage, where they have shown interest in the brand.
- **Subscribers** fall into the **Retention** stage, as they're recurring customers each month they subscribe.
- **Churned** customers, or those about to churn, are placed in the *Recovery* stage, where they're at risk of or have already unsubscribed.
- The **Advocacy** stage is the ideal stage for all **Subscribers**, when your customers are brand-loyal and tell their friends and family about your company.

Lifecycle Marketing Breakdown



The Engagement Stage: Welcome

The Engagement stage, as mentioned previously, is when potential subscribers have signaled that they are interested in your brand. How that interest manifests depends on your individual business setup; it might be just a simple email capture, or a half-completed profile or welcome survey, or by signing up for a free trial offer.

At this point, the prospect is curious and open to learning more, so your first communications matter in both setting the tone for the relationship and encouraging them to further engage.

Focus on educating prospects about your brand, including your products or mission statement. A good Welcome Series covers the following four bases:

1. Introducing Brand Values

Include a message from the CEO or founders that summarizes your brand value, promises, and clearly highlight what the subscriber should expect from your ongoing emails.

2. Testimonials & Reviews

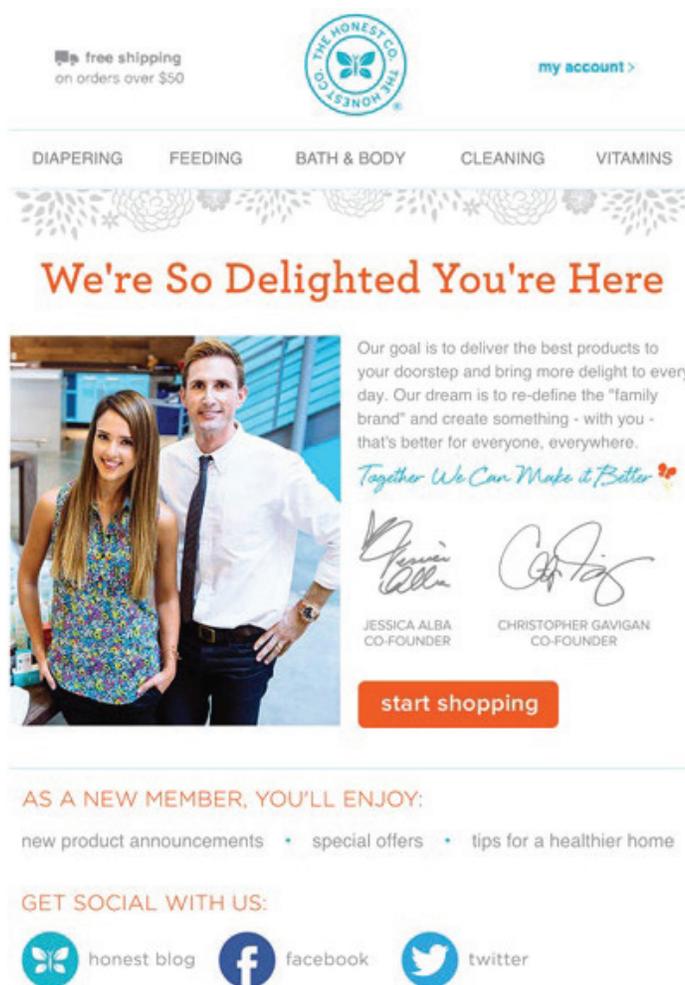
Testimonials and reviews help build brand credibility and trust. Make sure they are relevant and credible by providing the name, hometown, age, or other important information about the customer. Lay out reviews so they are short, quick, and easy to read.

3. Social Media Engagement

Dedicate one email in your Welcome Series to encourage subscribers to engage with your brand through multiple channels. This allows them to interact with you through their preferred platform, which builds longer-term relationships. Use images and screenshots of each social network rather than generic icons to increase click-through rates.

4. Product Categories

Oftentimes subscription companies have multiple product lines or eCommerce components. This is an opportunity to educate your new subscriber about your brand's product offerings.



The screenshot shows the top navigation bar of The Honest Co. website. It includes a free shipping icon with the text "free shipping on orders over \$50", the company logo "THE HONEST CO.", and a "my account" link. Below the navigation bar are product categories: "DIAPERING", "FEEDING", "BATH & BODY", "CLEANING", and "VITAMINS". A decorative floral border separates the categories from the main content area. The main content area features a large orange heading "We're So Delighted You're Here". Below the heading is a photograph of the co-founders, Jessica Alba and Christopher Gavigan. To the right of the photo is a text block: "Our goal is to deliver the best products to your doorstep and bring more delight to every day. Our dream is to re-define the 'family brand' and create something - with you - that's better for everyone, everywhere. Together We Can Make it Better". Below the text are the signatures of Jessica Alba and Christopher Gavigan, with their names and "CO-FOUNDER" titles underneath. A prominent orange "start shopping" button is located at the bottom right of the photo area. Below the main content area, there is a section titled "AS A NEW MEMBER, YOU'LL ENJOY:" followed by a list of benefits: "new product announcements", "special offers", and "tips for a healthier home". At the bottom, there is a section titled "GET SOCIAL WITH US:" with icons for "honest blog", "facebook", and "twitter".

The Retention Stage: Activation

For subscription companies, the Retention stage is a little different. In traditional eCommerce, Retention stage campaigns are for activation, or encouraging a repeat purchase; you're trying to tempt them into spending again. In contrast, a subscriber is already a repeat purchaser -- this is what we meant when we said retention is built into the business model -- so the main goal for the Retention stage campaigns must take on a different meaning and purpose.

The Retention stage for the subscriber lifecycle is more literal: you're trying to make sure you retain your existing subscribers. How you do this comes down to providing value, and reiterating with each corresponding campaign email why remaining a subscriber is a good choice.

Instead of purchase incentives or offers, subscription activation series campaigns should focus on further engaging with the product(s) they are subscribing to.

Suggested core tactics for Activation campaigns are noted below. Keep in mind that because subscription businesses span multiple verticals, how you utilize these tips vary from company to company.

New or Updated Product Information

Send periodic updates on the product your customers are subscribing to, whether you've made tweaks to the central product or widened the range of options available to subscribers. For snack- or beauty-box subscriptions, for example, this is pretty straightforward: feature new products or flavors as they come up. But the tactic applies to a wide range of verticals, too. Send alerts for updates or improvements that relate to the product, or send a periodic email with news from your brand.



Personalized Recommendations

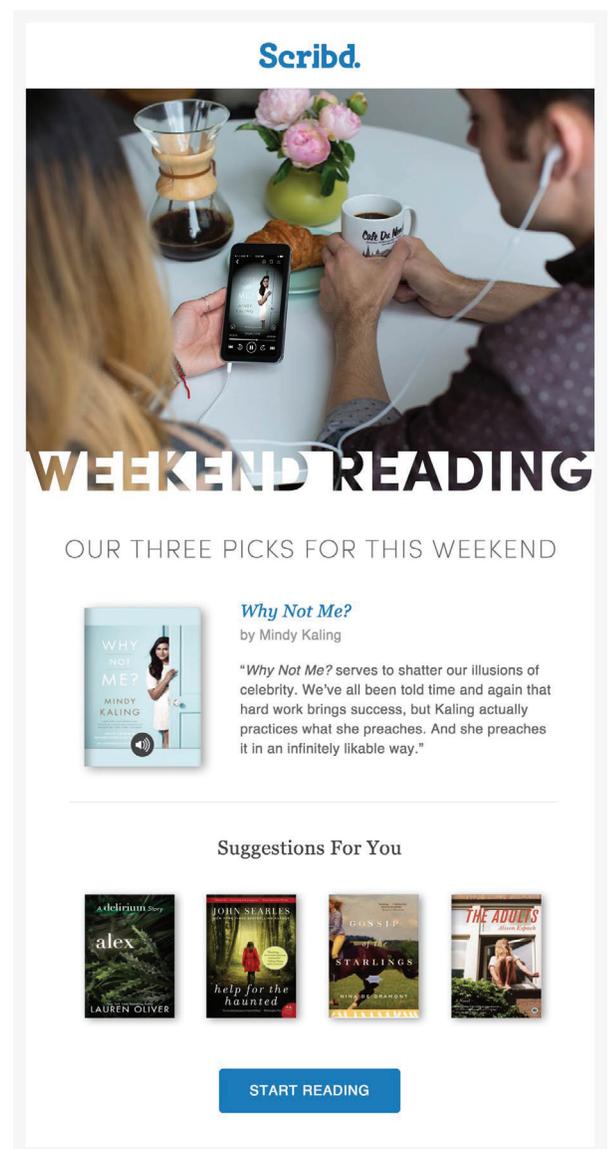
This self-explanatory tactic is not applicable to all subscription verticals, especially subscription boxes; but if you can, you should. This tactic is imperative for any and all media-based subscriptions, where there are specific titles for media formats involved. That touch of personalization keeps the subscriber clicking on more titles, which makes their subscription valuable and worth keeping.

Helpful Content: Tips, Tricks, Tutorials

A great way to sustain interest and engagement is by providing valuable (read: not salesy) content. Many subscription companies use the monthly surprise-in-a-box tactic, sending samples and products to customers based on profiles or preferences. Sending tips and tutorials on how to use those products will go a long way in keeping customers satisfied.

Up- or Cross-Sell Offers

If your subscription offers priced tiers, use these engagement emails to encourage up- and cross-selling. Information on why and how the upgrade will benefit your customers is key, and this tactic is one of the few reasons to send offer-based messaging. Remember, though, that the goal is to keep customers happy with their subscription, so don't be too aggressive when it comes to sending these offers.



The image shows a promotional email from Scribd. At the top, the Scribd logo is displayed in blue. Below it is a photograph of a couple sitting at a table with coffee and a smartphone. The phone screen shows a book cover. Below the photo, the text 'WEEKEND READING' is written in large, bold, black letters. Underneath that, it says 'OUR THREE PICKS FOR THIS WEEKEND'. The first pick is 'Why Not Me?' by Mindy Kaling, with a small book cover image and a quote: "Why Not Me? serves to shatter our illusions of celebrity. We've all been told time and again that hard work brings success, but Kaling actually practices what she preaches. And she preaches it in an infinitely likable way." Below this, there is a section titled 'Suggestions For You' which features four book covers: 'alex' by Lauren Oliver, 'help for the haunted' by John Seables, 'STARLINGS' by Nina Gold, and 'THE ADULTS' by Alison Franks. At the bottom of the email is a blue button with the text 'START READING'.

↗ Part 4: ↙

Preventing Customer Churn

Customer churn is typically defined as when a customer stops engaging, purchasing, or unsubscribes from your brand. For eCommerce companies, it can be difficult to determine when churn actually occurs, because it depends on so many factors and because the time between each purchase is a gray area on whether that customer will purchase again.

For subscription companies, on the other hand, it's a lot more black and white: The subscriber has churned when they cancel the subscription. Still, there are a myriad of instances leading up to this definitive action that provide hints to whether a customer is close to churning. If your company provides the option



to pause services, multiple pauses signal waning engagement. Customers who stop clicking on emails or browsing the site also hint at churn risk.

When it happens, churn often occurs because of one of two reasons:

1. Not enough value.
2. Too much focus on acquisition.



1. Not enough value

Customers today have more choices than ever before, which is why it's so important to prove your value. Value is especially important for subscription companies, as customers need to see continued value, both monetary and perceived, to stay with your brand.

With product-based boxes, monetary value is often a big factor, because people want to feel as though they're "getting their money's worth" -- and they'll check to make sure they are. For snack and beauty boxes, individual items are often researched, priced out, and added up to see if the combined value is equal to or more than the monthly subscription price. Bonus points are rewarded for full-size items (instead of samples), the quality or brand name of items included, and other similar factors. Cult-level fanaticism is awarded to boxes that hit this standard on a regular basis.

It's unrealistic to your profit margins to provide this kind of value every month, so it's important to supplement monetary value with perceived value. This is best achieved through the full package: relevant, high-quality content, smooth customer experiences, and a well-defined customer journey.



2. Too much focus on acquisition.

While acquiring new customers is essential to business growth, many subscription companies focus primarily on acquisition, with the hope that customers will "set and forget" once signed up. They depend heavily on the fact that retention, in form of a recurring fee, is built into the model. This, as you can probably guess, is all wrong.

It goes back again to providing perceived value, and companies must demonstrate that they value their existing customers. This often becomes a hot topic when acquisition-targeted promotions provide too good a deal.

When subscription companies only offer deep discounts or incentives to new customers, they leave their current customers feeling neglected, leading to customer churn. For example, music-streaming service Spotify offers a standard one-month trial to entice customers, which is widely accepted. In contrast, when Spotify heavily promotes bigger deals -- like 3 months for 99 cents -- for new customers only, it becomes a frequent topic of contention on forums and review sites for existing customers.

Remember that your current subscribers want to feel appreciated for being loyal customers and potential customers will like to see that you'll treat them well if they become a subscriber.

How to Prevent Customer Churn

Customer churn is an unavoidable part of doing business, but there is a lot you can do to slow that process down. Churn prevention is dependent on the last two stages of the customer lifecycle: the Recovery stage and the Advocacy stage.

The Recovery Stage: Win-Back

For subscription companies, the Recovery stage often occurs after the customer has already unsubscribed. This is often the point of little-to-no return for traditional eCommerce companies, because whether the customer has churned often takes months to truly confirm. This is due to the buying patterns of traditional retail, where it's not guaranteed that people will purchase on a fixed, regular basis.

Understandably, this makes reaching out to a churned customer difficult, because by then it might be far too late to re-engage. This is why so many win-back tactics for traditional eCommerce should focus on customers at risk of churning, not already churned.

For subscription brands, however, there is hope. Because the act of churn is so well-defined -- i.e. the actual cancellation -- it's easy to act quickly to address the reasons of churn and try to bring those customers back. This is the key differentiator for subscription commerce.

That said, while time is on your side, it's not enough to tip the scales alone. Some tips and tactics for effective Win-Back campaigns include:



Utilize the Exit Survey

The best way to re-engage churned customers is to understand why they left and address those specific issues. Create an exit survey as part of the cancellation process that lists the common reasons or pain points that cause churn. Ask customers to identify their reasons for leaving, and then follow up with campaigns tailored to each reason listed on that survey. Be prepared to back up what you say, however, because not doing so will make the situation worse.

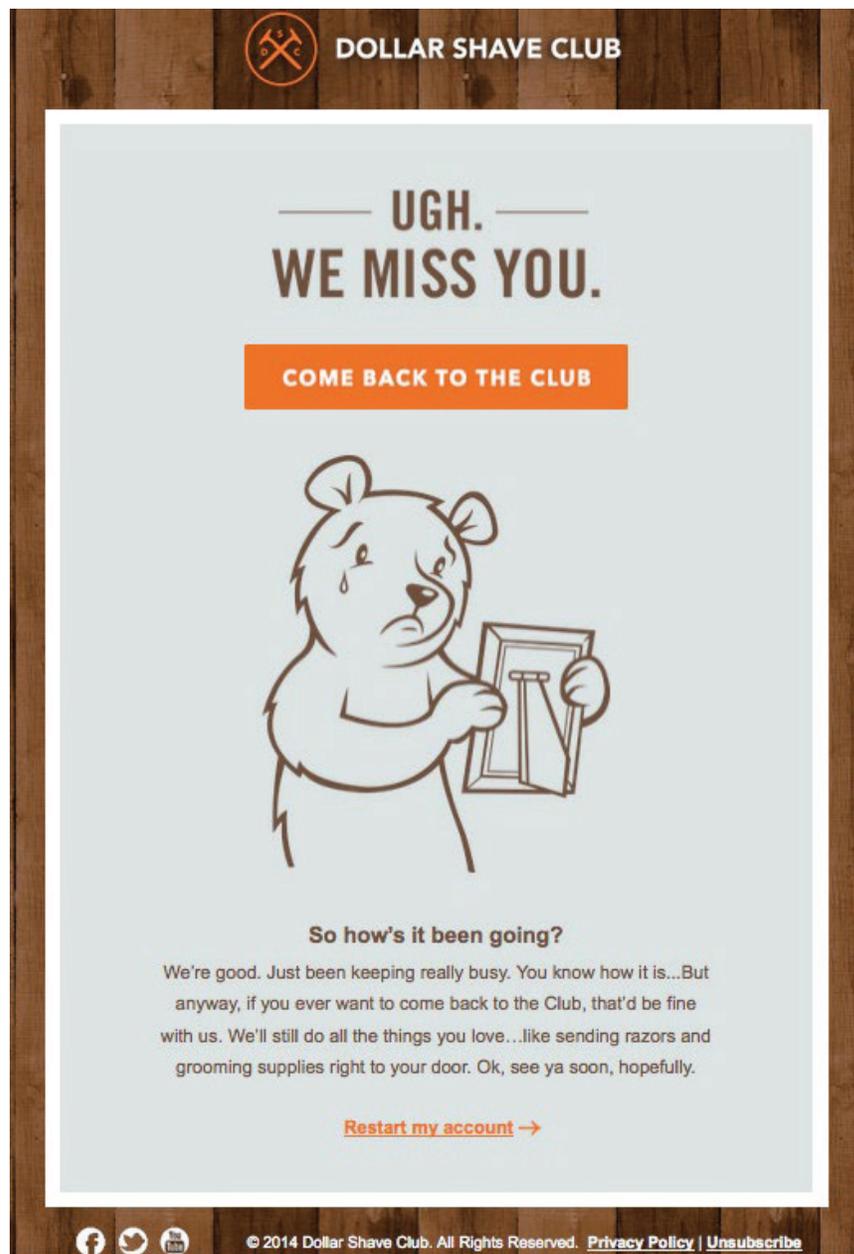


Ask For Feedback

Engaging your customers doesn't always have to be about an offer; send an email saying you're sorry to see them go and asking for feedback on ways to improve. This is at least another touchpoint with the customer, and might provide insight on how to win them back.

Tailored Messaging & Offers

This one may seem like a no-brainer, but it's important at this stage to personalize the messaging as much as possible. Sending a batch-and-blast or generic win-back email will probably estrange the customer further. Instead, focus on incorporating the two tactics above for tailored messaging that encourages them to reconnect. Offers are a good tactic here: Provide a deal for signing back up to sweeten the pot.



The image shows a win-back email template for Dollar Shave Club. At the top left is the Dollar Shave Club logo, which consists of a circle containing two crossed razors. To the right of the logo is the text "DOLLAR SHAVE CLUB". Below the logo and text is a large, light blue rectangular area with a white border. Inside this area, the text "UGH. WE MISS YOU." is centered in a bold, dark brown font. Below this text is an orange rectangular button with the white text "COME BACK TO THE CLUB". Underneath the button is a line drawing of a bear looking sad with a tear on its face, holding a rectangular box that contains a razor. Below the bear is the text "So how's it been going?" followed by a paragraph: "We're good. Just been keeping really busy. You know how it is...But anyway, if you ever want to come back to the Club, that'd be fine with us. We'll still do all the things you love...like sending razors and grooming supplies right to your door. Ok, see ya soon, hopefully." Below the paragraph is an orange link that says "Restart my account →". At the bottom of the email template, there are three social media icons (Facebook, Twitter, YouTube) on the left, and the text "© 2014 Dollar Shave Club. All Rights Reserved. [Privacy Policy](#) | [Unsubscribe](#)" on the right.

The Advocacy Stage: Rewards

In an ideal world, the best tactic to prevent churn would be to banish the very concept from your customers' minds; the closest way to achieving that in real life is through brand loyalty and advocacy. The Advocacy stage, as mentioned previously, is when your customer is so satisfied with your products and services that they become world-of-mouth spokespersons for your brand in addition to being faithful customers.

Offering rewards and special perks for your advocates is a great way to show them you appreciate them and to keep them engaged. For subscription companies, this should go beyond just email campaigns to focusing on web interaction, as well. Whereas eCommerce customers routinely browse the website while shopping, subscription customers have fewer reasons to click around your site. Creating those reasons for interacting will provide a more engaging experience, which adds to the total value of staying a subscriber.

Here are some tactics for Rewards programs, both as email and onsite:

Remember Their Birthdays

It seems like a simple gesture, but it's important to celebrate milestones as they come up. Send special emails and a treat or offer for their birthdays. Keep track of anniversaries to send them a thank-you message for being a loyal customer.



Implement a Points/Reward System

Drive engagement by offering discounts and offers earned through points. You can offer points for every item shipped, for providing product reviews, or for every referral made. Make sure these points add up to something substantial enough to intrigue your customers, and offer special or double points for extra-loyal or longtime subscribers.

Incentivize Reviews and Feedback

Reviews on your page build credibility for other prospects, and insights from feedback will help you make sure your customers stay engaged and happy. Make sure you get both from your most valuable customers by incentivizing them to speak with your brand. This tactic goes well with the points system mentioned above.



Ipsy, which sends subscribers monthly beauty boxes, has a 12-step review process for all items included in their “glam bags.” Subscribers earn points which can be redeemed for rewards; sweetening the deal is that these rewards include exclusive products or items as part of a sneak peek.

The graphic features a pink background with a white central area. In the top left corner is a circular seal with the text "EXCLUSIVE ipsy POINTS REWARD". To the right, the text "NEW REWARD" is in bold, followed by "Too Faced" in a script font and "1,500 Points each" in a smaller script font, with a hand-drawn arrow pointing to the right. Below this text are five identical bottles of "BORN THIS WAY" foundation. At the bottom right, the text "IPSY EARLY ACCESS" is in bold, with "GET IT HERE FIRST BEFORE IT HITS TOOFACED.COM JUNE 15!" below it.

Conclusion

There's no doubt that subscription commerce is an up-and-coming industry, and it seems the trend is still going strong. It presents an opportunity for marketers to capitalize on the moment and keep that momentum going, even as the space evolves and more players enter the market.

The secret to long-term success for any eCommerce business is customer retention, in form of happy repeat customers. That retention is already built into the subscription model provides a home field advantage, but marketers must be diligent in building that advantage to its full potential. The value proposition of the subscription concept or product might be enough to draw in prospective customers, but it falls on the marketer to effectively kickstart and then sustain that conversation.

The best way for subscription marketers to do this is by understanding their customers and building out ways to communicate with them based on the information gathered. Focus on the customer journey, which is just as important with subscription companies as with traditional eCommerce. **Think of your customers first, understand the importance of providing value, and take it from there.**

We hope this guide has been helpful in drilling down on some of the basic ways to spark and encourage engagement. The rest, we'll leave in your capable hands.