The B2C Ultimate Guide to Customer Acquisition and Retention

Learn strategies for customer acquisition, segmentation, messaging, conversion optimization, and building a loyal subscriber community.

Contents

01 The B2C Ultimate Guide to Customer Acquisition and Retention

The shifting landscape

Automated billing software is a comprehensive solution The subscription economy has reached a critical inflection point. After years of explosive growth fueled by digital transformation and changing consumer preferences, B2C subscription businesses face a more complex landscape. Rising customer acquisition costs, subscription fatigue, and economic pressures are forcing companies to fundamentally rethink their approach to growth and retention.

Recent Zuora data reveals a sobering reality: while global subscription businesses continue to grow at 2-3x the rate of traditional companies, customer acquisition costs have increased in the past five years. Meanwhile, consumers are becoming increasingly selective about their subscriptions, with the average household now actively managing and regularly evaluating their recurring expenses.

This new environment demands a more sophisticated approach to building and scaling subscription businesses. Success is no longer just about acquiring customers or preventing churn in isolation – it requires orchestrating every aspect of the subscriber experience to deliver consistent, measurable value.

Beyond traditional metrics

While conventional metrics like Monthly Recurring Revenue (MRR) and churn rate remain important, leading subscription businesses are adopting more nuanced indicators of health and sustainability:

Customer Engagement Score (CES): Measuring not just usage, but meaningful interaction with core value propositions

Net Revenue Retention (NRR): Understanding organic revenue growth from existing customers

Time to First Value (TTFV): Tracking how quickly new subscribers realize tangible benefits

Revenue Efficiency: Evaluating the cost-effectiveness of growth initiatives relative to lifetime value

Modern value delivery

Modern B2C subscription businesses must master three core capabilities:

- Dynamic value creation – Success requires continuously evolving offerings based on real-time customer insights and changing needs. Static value propositions quickly become commoditized in today’s market.
- Friction-free experiences – Every touchpoint in the subscriber journey must be optimized for simplicity and engagement. Technical debt and operational complexity often manifest as points of friction that erode customer satisfaction.
- Proactive relationship management – Leading companies are shifting from reactive retention tactics to proactive value nurturing throughout the customer lifecycle. This includes sophisticated usage monitoring, predictive analytics, and personalized engagement strategies.

Looking ahead

The next phase of subscription business growth will be defined by companies that can effectively combine operational excellence with deep customer understanding. Success requires moving beyond point solutions to create integrated approaches that deliver value at every stage of the subscriber journey.

The following sections of this guide provide detailed strategies and tactical approaches for mastering each critical element of modern subscription business success – from leveraging first-party data and AI to optimizing bundling strategies and managing involuntary churn.

Each component plays a vital role in building a subscription business that can thrive in today's more demanding market environment.

02

The 4-question test: A strategic guide to customer-led growth

Understanding the foundation of successful growth

Retaining customers is a top priority for any subscription-based business. But truly understanding and catering to their needs goes beyond intuition. It requires a strategic framework that delves deeper into the nuances of customer behavior and preferences. We use and promote a four-question test that unlocks these crucial insights, guiding companies towards stronger customer relationships and sustainable (and recurring) growth.

Let’s explore these four questions and how they can revolutionize your customer retention strategy.

The 4-question test

Do you know who your target customer is?

This goes beyond basic demographics. It's about understanding their needs, preferences, and behaviors across various platforms and interactions.

The foundation of any brand's reputation lies in the quality of its products or services. Delivering excellence in this aspect establishes a level of trust and reliability with customers. Brands that consistently produce high-quality subscription products build a reputation for excellence, which leads to customer satisfaction and loyalty.

Do you understand why they choose you?

What unique value proposition does your product or service offer that resonates with your customers? Is it the content, the user experience, the price point, or a combination of factors?

Do you know what they're willing to pay a premium for (and what they're not)?

This question is crucial in today's subscription-saturated market. Customers are increasingly discerning about where their money goes. Understanding their value perception is key to pricing strategies and product development.

Are you actively using these insights to inform the products and services you deliver and the experience you create?

This is where the rubber meets the road. Collecting data is one thing, but using it to create better content, tailor experiences, and ultimately, retain customers is another.

Implementing effective personalized packaging strategies in subscription businesses requires conducting thorough data collection and analysis first. These processes provide the valuable insights needed to facilitate strategic decision-making. Perfect for identifying different user segments and crafting offers to meet their needs.

Why these questions (and answers) matter, and how to use them

The four-question test isn't just a theoretical exercise; it's a critical tool that can transform how businesses approach customer retention and engagement. By delving into these fundamental questions, companies can unearth valuable insights that often remain hidden beneath the surface. This framework challenges assumptions, encourages data-driven decision-making, and places the customer experience front and center. It's about moving beyond guesswork and understanding the true motivations behind customer loyalty. By continuously revisiting these questions, businesses can adapt to the ever-changing landscape of consumer preferences and stay ahead of the curve.

To reap the full benefits of the four-question test, companies must adopt a proactive and holistic approach. This begins with gathering first-party data directly from customers, which forces companies to get really strategic and intentional around interacting with prospects and customers. This data, however, is only as valuable as the insights it yields. Investing in sophisticated analytics tools is essential for turning raw data into actionable intelligence

Moreover, breaking down silos within the organization is crucial. Data and insights shouldn't be confined to a single department; they should be shared across marketing, product development, customer service, and beyond. A unified understanding of the customer is the foundation for a cohesive, customer-centric strategy.

Finally, it's important to remember that the customer landscape is not static. Preferences shift, new competitors emerge, and economic conditions fluctuate. Regularly revisiting the four questions and adjusting strategies accordingly ensures that businesses remain agile and responsive in the face of change. The four-question test is not a one-time assessment; it's an ongoing process of testing, learning, and iterating, delivering an exceptional customer experience that drives long-term loyalty and growth.predictive analytics, and personalized engagement strategies.

Learn more here.

Leveraging your answers for a competitive advantage

While the four-question test provides a solid foundation for understanding your customers, there's always more to explore. As your insights deepen, you can leverage additional strategies to elevate your customer retention game. One such strategy is to thoroughly analyze your competitive landscape. It's not enough to know your customers; you need to know what they're not getting from you that they might get elsewhere. Dive into your competitors' offerings, pricing models, and marketing strategies to identify potential gaps in your own approach. Are they offering unique features or bundles that resonate with your target audience? Understanding the competitive landscape can help you differentiate yourself and create a more compelling value proposition.

Furthermore, personalization is no longer a luxury; it's an expectation. Today's consumers demand tailored experiences that cater to their individual needs and preferences. Once you've looked at your competitors, you can then use personalization and data-driven insights from your own audiences to stand out by offering unique experiences. A truly personalized experience can make customers feel seen and valued, fostering loyalty that goes beyond simple transactions. every aspect of the subscriber experience to deliver consistent, measurable value.

Key takeaways

The four-question test is more than just a set of questions; it's a mindset shift towards customer-centricity. By consistently applying this framework, gathering data, and embracing innovation, businesses can unlock the secrets to sustainable growth and forge lasting relationships with their customers. Remember, it's not just about retaining subscribers; it's about creating an ecosystem where customers feel valued, understood, and eager to continue their journey with your brand.

The path to success in the subscription economy lies in a deep understanding of your customers and a willingness to adapt and evolve alongside their changing needs. The four-question test is your compass in this journey, guiding you towards a future where customer loyalty is not just a goal, but a reality.

Once you have a customer-led foundation in place, it's time to look deeper at how data — specifically first-party data — can further elevate your acquisition and retention efforts.

03 The importance of first-party data moving forward

If third-party cookies are allowed, then first-party data doesn't matter anymore… right?

The debate around data privacy and the use of third-party cookies remains a hot topic. Recently, Google announced its decision to maintain third-party cookies for the foreseeable future, delaying the phase-out initially planned. While this may seem like a reprieve for businesses reliant on these cookies for targeted advertising, it's imperative to understand the increasing importance of first-party data and pressure towards more robust data privacy practices.

Companies that pivot towards these elements will not only future-proof their operations but also build stronger, trust-based relationships with their customers. In this chapter, we'll outline some of the ways in which businesses are capturing first party data.

The role of first-party data

First-party data is information collected directly from your audience or customers. This includes data from behaviors, actions, or interests demonstrated across your owned digital properties (website, app, social media, etc.). The significant advantage of first-party data is that it is collected with consent, making it more accurate, reliable, and compliant with privacy laws compared to third-party data.

First-party data comes directly from your audience, ensuring its relevance and accuracy. This data is based on actual user interactions and behaviors on your platforms, making it invaluable for creating personalized marketing strategies and improving user experience. Additionally, with the rise of privacy regulations like GDPR and CCPA, leveraging first-party data ensures that your data collection practices are transparent and compliant. This is good news, since users are becoming more aware of their data rights, and companies that prioritize transparent data collection and privacy will build trust and loyalty as a result.

But if accurate personalization and happy customers weren't enough to convince you that first party data is superior, utilizing first-party data also reduces the dependency on third-party data providers, cutting down additional costs. So with all that said, it's clear that even with Google's announcement, first party data is still a top priority for many subscription businesses.

Methods for collecting first-party data

Now we've understood what first party data is, and why it's still relevant today, let's take a look at how businesses can actually collect it. Building a robust first-party data strategy involves leveraging multiple channels and methods to gather valuable customer insights. Here are some effective methods for collecting first-party data:

1. Data capture forms

Data capture forms are one of the most straightforward ways to collect first-party data. These forms can be strategically placed on websites, landing pages, and during checkout processes. By requesting essential information such as email addresses, preferences, and demographics, businesses can start building a comprehensive customer profile. Additionally, with the use of AI, subscription businesses are now getting even smarter about when exactly to show these forms, optimizing to find the point at which users are most likely to pay.

Best practices for data capture forms

- Keep forms short and simple: Avoid overwhelming users with lengthy forms. Focus on collecting essential information initially and ask for more relevant details as the relationship develops.
- Offer incentives: Provide fair value in exchange for information. This could be discounts, exclusive content, or entry into a contest.
- Ensure mobile-friendliness: Forms should be easily accessible and fillable on mobile devices to capture data from all user segments.

2. Newsletter sign-ups

Newsletters remain a powerful tool for engaging with customers and collecting first-party data. By encouraging visitors to sign up for newsletters, businesses can gather email addresses and preferences, which can be used for targeted marketing campaigns. It then becomes possible to track what topics are in demand and warrant more email opens from users. Armed with these preferences, businesses can design new offers, bundles, and packages to satisfy opportunities.

Best practices for newsletter sign-ups

- Highlight value: Clearly communicate the benefits of subscribing, such as receiving special offers, content, and updates.
- Utilize pop-ups and embedded forms: Place sign-up forms in high-traffic areas of your website to capture more subscribers.
- Segment your audience: Use the data collected to segment your newsletter lists and deliver more personalized content.

3. Free trials and demos

Offering free trials or demos is an excellent way to attract potential customers and collect first-party data. During the trial period, businesses can gather usage data, preferences, and feedback, providing valuable insights into real customer-product interactions and their interests.

Best practices for free trials and demos

- Simplify sign-up process: Minimize barriers to entry by keeping the sign-up process straightforward.
- Collect feedback: Use surveys or direct interactions during the trial period to gather feedback and understand user experience.
- Analyze usage patterns: Track how users interact with your product or service during the trial to identify potential upsell or cross-sell opportunities.

4. Surveys and feedback forms

Surveys and feedback forms are direct methods to collect qualitative first-party data. They can mainly provide insights into customer satisfaction and areas for improvement.

Best practices for surveys and feedback forms

- Be specific and concise: Design surveys that are easy to understand and quick to complete.
- Incentivize participation: Offer small rewards or discounts for completing surveys to increase response rates.

Act on feedback: Show customers that their feedback is valued by making visible changes based on their input.

The future of pricing strategy

While Google's decision to retain third-party cookies might offer a temporary reprieve, the industry trend is still unmistakably moving towards privacy-centric data practices.

By adopting best practices for data capture, leveraging newsletter sign-ups, utilizing free trials, and implementing loyalty programs, businesses can build a rich repository of customer insights while maintaining trust through robust data privacy measures. Prioritizing first-party data collection and data privacy not only enhances marketing effectiveness but also fosters lasting customer relationships built on trust and transparency.

To stay ahead, businesses must continuously adapt to changing regulations and consumer expectations. But it seems clear that businesses who invest in first-party data collection now will be better positioned to thrive in this evolving landscape.

With a foundation of customer-led growth and first-party data in place, AI can take personalization to the next level, creating highly tailored experiences that keep customers engaged.

04 How AI-driven offers and experiences can transform publishing

The evolving media landscape

News publishers face unprecedented competition, rapidly changing consumer behaviors, and technological disruptions. Leveraging advanced technologies such as artificial intelligence and reinforcement learning has become essential for achieving more predictable outcomes. With reinforcement learning, outcomes are decisive and established upfront. As a result, revenue increases, time to value shortens, and customer effort decreases. These advantages enable companies to navigate the complexities of the market more effectively, ensuring they stay ahead in an increasingly dynamic environment.

With insights from industry experts Andreas Martin and Jonathan Harris, this chapter explores how AI-driven offers and experiences can revolutionize the way media companies align with key trends and market demands.

"We are in the midst of a market shakeout," explains Andreas Martin, Senior Director and Solutions Lead for B2C and Media at Zuora. "There was massive success with the shift to the Subscription Economy, and now we have reached a point where things are a lot more competitive. Everyone is competing for the same thing: people's time, attention, and share of wallet."

The proliferation of subscription services has led to market saturation, where companies must compete for the limited time and attention of consumers.

Traditional publishers now face competition from a myriad of digital content providers, including streaming services and social media platforms. This shift from a supply-driven to a demand-driven market necessitates a new approach to customer engagement and retention.

This includes offering personalized experiences, flexible bundling options, and – critically – adopting the right monetization strategy. Publishers must grapple with crucial decisions regarding paywalls, balancing immediate revenue generation with long-term subscriber retention.

The paywall dilemma: finding the right balance

As publishers navigate this evolving media landscape, a critical decision emerges: to paywall or not to paywall? While a hard paywall may seem like a quick way to generate revenue, it can also lead to customer churn later down the line.

The key is to find a balance between generating revenue and retaining customers. This requires a deep understanding of your customers and their needs, and testing and experimentation to find the right paywall strategy for your business.

One way to strike this balance is to use a dynamic paywall. This type of paywall can be adjusted based on the user's engagement level. For example, you could offer a free trial period or allow users to access a certain number of articles for free before requiring them to subscribe.

Another option is to use a freemium model. This model offers a basic level of service for free, with the option to upgrade to a premium level for a fee. This can be a good way to attract new customers and give them a taste of what you have to offer.

The right paywall strategy will depend on your specific business goals and audience. However, it's important to consider the potential impact on customer churn before making a decision.

Moreover, the effectiveness of any paywall strategy can be significantly enhanced through personalization. By understanding individual user preferences and behaviors, publishers can tailor paywall experiences to maximize engagement and conversion.

Consumers expect tailored experiences, which requires leveraging vast amounts of data to understand their preferences and behaviors. Because of this better understanding of consumers, there's now a push toward bundling and unbundling content to meet their diverse needs.

Why should media companies pay close attention to this? Because customer retention is paramount in the recurring revenue model. A staggering 70-80% of annual recurring revenue for most businesses stems from existing subscribers. This means that to maintain market leadership, companies must prioritize retention strategies just as much as customer acquisition. Each hard-earned subscriber is a valuable asset, and fighting to keep them engaged and satisfied is crucial for sustained growth and success.

To have staying power, media companies must embrace AI to have the agility needed to meet ever-evolving consumer demand.

The role of AI in transforming news publishing

The promise of AI to up-end curation, production, and the customer experience within media will challenge existing orthodoxies, improve efficiencies, and create new products. AI technologies, particularly reinforcement learning, offer powerful tools for media companies to enhance their operations and drive better outcomes. Reinforcement learning, unlike traditional propensity scoring, provides a dynamic and adaptive approach to decision-making.

Publishers need to embrace rapid experimentation to identify the highest converting offers and experiences. AI can automate this process, allowing companies to test and refine their strategies quickly and efficiently.

Reinforcement learning vs. propensity scoring

Propensity scoring involves using historical data to predict future behaviors. While useful, it is inherently static and cannot adapt to real-time changes in the environment, says Jonathan Harris, founder and CEO of Sub(x), a marketing technology company recently acquired by Zuora.

“Reinforcement learning, however, allows the agent to adapt to the environment, making decisions about what it should and should not do to achieve the desired outcomes,” he adds.

This adaptability is crucial for responding to changes in audience behavior and market dynamics.

Jonathan outlines the three key components of reinforcement learning systems: policy, feedback loop, and cumulative reward.

“The policy defines what you want the agent to achieve, such as increasing average revenue per user,” he says. “The feedback loop provides continuous updates on the effectiveness of the actions taken, while the cumulative reward ensures the system is constantly striving to achieve the set goals.”

Why manual testing is being replaced by self-learning AI

Traditional manual testing methods also are becoming obsolete in favor of AI, because they're:

- Too time-consuming – In manual testing, marketers segment customers, run tests, and analyze results. This time-consuming process often lags behind fast-changing markets making results outdated.
- Prone to bias and error – Manual testing for simple choices is adequate, but today's marketing decisions have many variables, this leads to overwhelming combinations and often results in less effective guess work.
- Not truly personalized – A/B tests often overlook minority preferences, and segment-based testing doesn't fully utilize the abundance of available first-party data, leading to decisions that are never really personal. More on first-party data in a moment.

If a business still relies on outdated A/B testing and propensity scoring to drive revenue and acquisition growth, it risks falling behind as these methods struggle with complex challenges and large data sets. It is highly recommended that a best-in-class, latest technology Automated AI alternative be considered, provided by the people with the highest level of expertise and domain experience.

Leveraging AI for better outcomes

Publishers need to embrace rapid experimentation to identify the highest converting offers and experiences. AI can automate this process, allowing companies to test and refine their strategies quickly and efficiently.

"There is no set-and-forget anymore," Andreas says. "Continuous learning and optimization are essential for success."

The shift toward first-party data is driven by increasing regulatory scrutiny and changing consumer preferences. AI can enhance the value and impact of this data by providing deeper insights into customer behaviors and preferences.

"Reinforcement learning can coordinate first-party data in a way that propensity scores cannot, using data at a very granular level to extract more value," Jonathan says.

Also, creating frictionless subscriber experiences is essential in today's market.

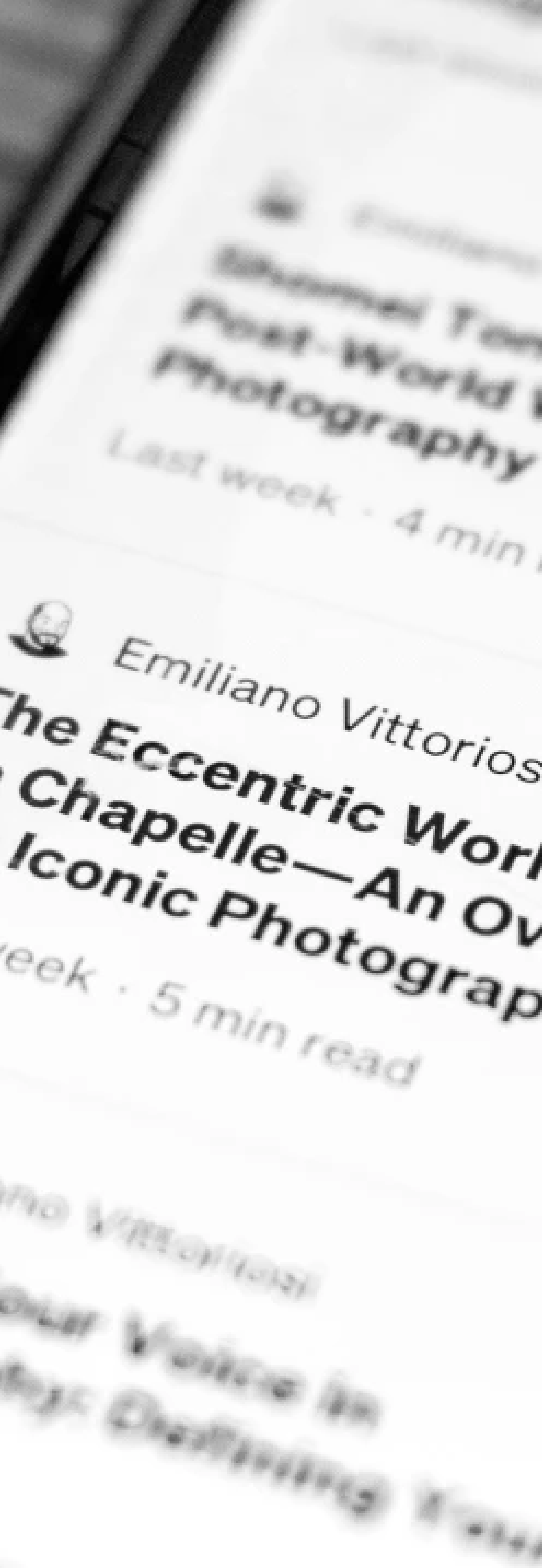
"Consumers only have one benchmark," Andreas says, "Everyone has their favorite streaming service, and that sets the standard for their expectations." AI can help streamline these experiences by automating various aspects of customer journey management, from personalized recommendations to dynamic pricing and content delivery.

The strategic imperative of AI in media & entertainment

The integration of AI into the media and entertainment industry is not just a technological shift but a strategic necessity. As Andreas Martin emphasizes, "The only way to be successful is to constantly iterate," highlighting the need for continuous improvement and adaptation in a dynamic market.

AI systems, particularly reinforcement learning, offer significant advantages by adapting and optimizing operations. These systems are exceptionally well-suited for the ever-changing media landscape. By enhancing personalization, streamlining operations, and driving continuous improvement, AI enables media companies to position themselves for long-term success, staying ahead of the competition and delivering greater value to their customers.

However, AI is just one piece of the puzzle. To truly thrive, publishers must also strategically manage and harmonize multiple revenue streams.predictive analytics, and personalized engagement strategies.



The strategic imperative of AI in media & entertainment

In this complex media landscape, businesses often have multiple revenue streams to manage. These streams can include advertising, subscriptions, e-commerce, and affiliate marketing.

The challenge is to find a way to align these revenue streams so that they work together to support your business goals. This requires a holistic approach that considers the needs of all stakeholders.

Data is essential for understanding how your revenue streams are performing and identifying areas for improvement. By tracking key metrics, you can see which streams are generating the most revenue and which ones need attention.

Testing and experimentation are also important for finding the right balance between your revenue streams. This may involve adjusting your pricing, offering different subscription tiers, or changing your advertising strategy.

This strategic management of revenue streams, combined with the power of AI and a customer-centric approach, will enable media companies to navigate the complexities of the subscription economy and achieve sustainable growth.

For media and entertainment companies, the adoption of AI-driven offers and experiences is crucial to thrive in a demand-driven market. Reinforcement learning provides a dynamic approach to decision-making, allowing companies to refine strategies and achieve better outcomes. By focusing on rapid experimentation, leveraging first-party data, and enhancing subscriber experiences, these companies can remain competitive and innovative.

While AI can enhance individual experiences, bundling services is another powerful tactic to increase the value perceived by customers and keep them engaged for the long term.

Multiple revenue streams: finding synergy

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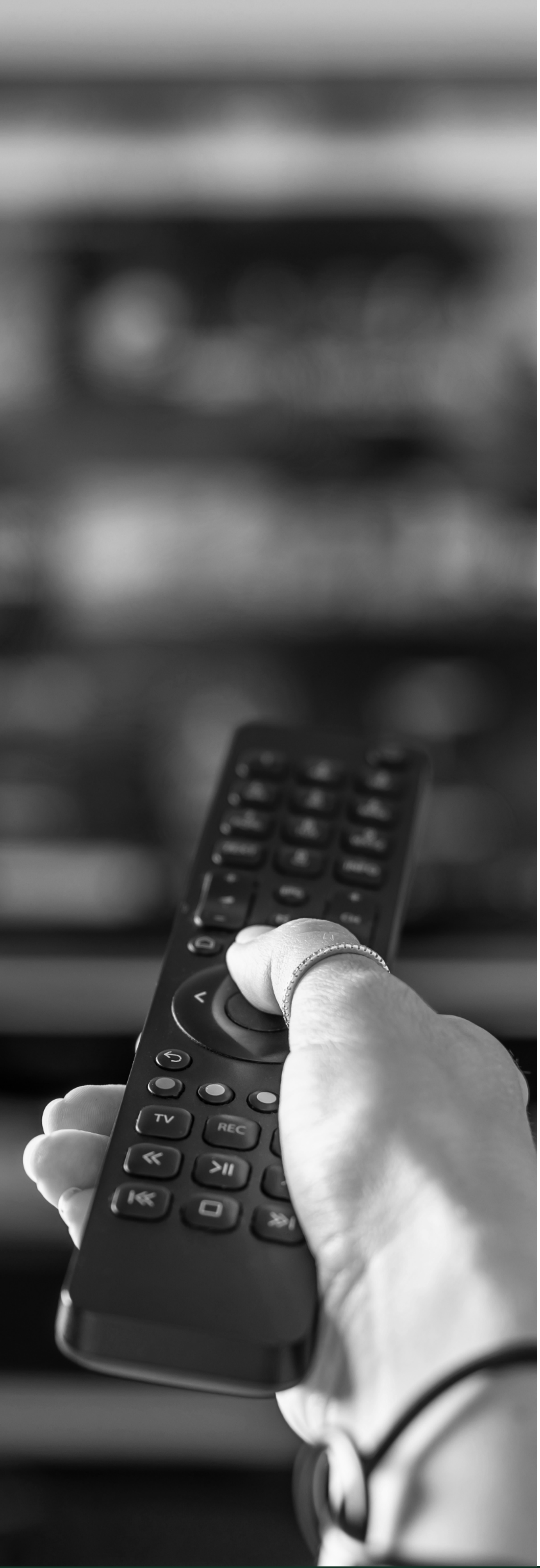

05

When bundling makes sense for your business

Value meals. Home & auto insurance. Streaming services. The list goes on ...

We see bundling everywhere, but is it the right move for your subscription business?

Bundles address challenges companies face in selling individual products or features. By grouping offerings together, they can appeal to specific groups of customers. While some businesses see bundles as a strategic growth driver, others turn to them as an attempt to address declining conversion rates. Bundling can also be a way to introduce new features and gauge market interest.

The New York Times is a great example of how to offer a variety of products or services under one roof, with its news, sports, games, and other products — all offered as a bundle and individually. And it works for them: In the first quarter of 2024, The New York Times gained more than 200,000 digital subscribers, growing to a total of 10.5 million print and digital subscribers.

This approach can be a win-win for both brand and consumer, but is bundling the magic bullet for every subscription business, or are there hidden dangers lurking beneath the surface? While bundling offers convenience, cost savings, and the potential for customers to discover new offerings, it also raises concerns about overwhelming choice, hidden costs, and the potential for diminishing returns over time. In this chapter, we'll help you decide whether bundling is the right strategy for your business.

The New York Times sells an All Access bundle as well as individual subscriptions for its news, sports, game, cooking, audio, and product review offerings.

The right way to bundle

The most common reasons businesses bundle are to increase cross-sell and value perception, protect against competitors, provide expertise and simplified choice, and offer a range of pricing options, according to global consulting firm Simon-Kutcher.

But successful bundling isn't just about throwing a bunch of products together and hoping for the best.

"The first step is understanding your customers' needs," says David Warren, Principal Director at the Subscribed Institute. "You need to know each ideal customer profile, whether it's defined by industry, segment, demographics, or psychographics. Find out what needs are common within each profile and then bundle accordingly."

Next: pricing. You need to strike a delicate balance, ensuring that the bundled price doesn't devalue the individual components.

Think of it like a carefully curated playlist or album: each song should complement the others, creating a cohesive and enjoyable experience. To achieve this with your bundles, you need to track the performance of each component. Are certain products driving conversions? Are others simply adding clutter? By analyzing this data, you can refine your bundles over time, ensuring that each element contributes to both your bottom line and your customers' perceived value.

Flexibility is another key ingredient in the bundling recipe. Not everyone wants the same thing, and that's okay. By being able to dynamically price bundles and standalone options based on the preference of the customer, you empower them to tailor their experience to their specific needs. It's like a choose-your-own-adventure book, where the customer gets to decide which path to take. And just like a good author, you should be paying close attention to your readers' choices. By monitoring customer usage data, you can gain valuable insights into how your bundled products are actually being used, revealing hidden opportunities for improvement.

Not sure how a new product will play? Another way to use a bundle is to introduce something new from your innovation roadmap.

"You may have a new innovation you haven't tested enough," Warren says. "You're not sure about the pricing. You may not be sure people will understand what it is. So you bundle it just to get it in customers' hands so you can learn. Maybe just give it to your most valuable customers as a reward for their loyalty and then go from there."

Risks and challenges

Traditional manual testing methods also are becoming While subscription bundling can be a powerful tool for growth, it's important to be aware of potential risks. The first being bundling for the wrong reason.

"Sometimes bundles can become a form of desperation: 'We need to grow, grow, grow. We'll figure out profitability later, just convert as many customers as possible.'" Warren says. "We saw this in SaaS up until the last couple of years. Let's just give away the house. Let's give them everything at a really great price, and they'll feel like 'I'm getting an amazing deal,' and we'll figure out how to make money off of them later."

Bundles don't work if they're just a money grab. They need to be informed by consumer demand and adjusted based on usage.

In that same vein, another risk is making a bundle the only option for customers, according to Vineet Kumar, associate professor of marketing at the Yale School of Management.

"If consumers really want a product and they only have the option of buying the bundle, you would think the company could potentially take in more revenue since the consumer has no choice but to get the bundle," he explains to Forbes. "But it turns out that's not the case."

Why? According to Kumar, they might wait for a better deal to come along. Sometimes, the price of the bundle or the bundle itself can alienate customers. They either wait for the price to drop, or go to a competitor offering a better deal.

Remember when we said pricing is critical? When done the wrong way, your business could lose money. What do we mean by that? Well, many companies introduce bundles at a discounted rate. Eventually, that promotion ends, and consumers will have to pay more. A sizable share will not go for it especially if they didn't use all aspects of the bundle during that initial period.

"When it comes time for renewal, the customer realizes, 'You know, I'm not using 70% of what I got.' They forgot about the great deal. 'I want to take these seven things off, and I want a discount,'" Warren says. "Well, you've already discounted that bundle. And now the customer wants to downsell themselves even more to the point where you might actually be losing money on that customer, so you shouldn't have bundled in the first place, because you gave them a bunch of stuff that they weren't all that interested in in the first place. And now you're actually not growing. Your ARPA [annual revenue per account] is going down."

This happens because companies inadvertently devalue individual components when incorporating them into bundles, making it difficult to unbundle them later if consumption or market conditions change. This can also lead to pricing challenges, as adjustments to the bundled price may be necessary to reflect the removal or addition of components, potentially alienating existing customers.

"The biggest challenge with bundling is keeping track of the relative value each component contributes over time," Warren says. "Do you understand how much of it is driving conversion? The risk is moving too quickly to unbundle and either underpricing or overpricing, based on a misunderstanding of its true worth."

While bundling offers undeniable benefits, it's crucial for businesses to carefully consider these potential drawbacks. A successful bundling strategy should focus on delivering genuine value to customers by combining products or services that complement each other and address specific needs, rather than simply adding more options for the sake of it.

Bundles: A powerful tool, but not a one-size-fits-all solution

Subscription bundles are a powerful tool for growth, but they should not be viewed as a standalone solution. Instead, they should be integrated into a broader monetization strategy that prioritizes the needs and preferences of customers. Businesses should offer a variety of pricing models — bundles, individual subscriptions, and add-ons — to cater to diverse customer segments. Analyzing customer data and usage patterns provides valuable insights into which products or services naturally complement each other, enabling the creation of bundles that deliver genuine value.

The key to successful bundling lies in striking the right balance. Bundles can attract new customers and increase revenue, but they must also meet the evolving needs and expectations of existing subscribers. This requires a deep understanding of how customers use a product, what features they value most, and how much they are willing to pay for different combinations of offerings. By leveraging data-driven insights, companies can continuously refine their bundling strategies and ensure that they are providing the most relevant and appealing options to their customers.

Bundles have firmly established their place in the subscription landscape. Their long-term success hinges on the ability of businesses to adapt and innovate, offering a mix of bundled and unbundled options that reflect the diverse needs and preferences of their customers. Companies that continuously experiment and refine their offerings to deliver the best possible customer experience will thrive in this environment.

Even with bundling, churn is inevitable. However, managing churn effectively through win-back strategies can make a significant difference to your retention efforts.

06

Reigniting the spark after customers churn

Understanding the why behind goodbye

Customer churn is an inevitable part of any business, but it doesn't have to mark the end of the relationship. B2C companies have a unique opportunity to re-engage with customers who have gone dormant, turning lost revenue into renewed loyalty.

First, it's important to understand why customers leave. Then comes designing, sending, and measuring the impact of strategies to get them back. So let's dive in and sort it all out.

Before crafting a win-back campaign, it's crucial to diagnose the reasons behind customer churn. Analyzing data, conducting surveys, and soliciting feedback can unveil valuable insights into what went wrong.

Common reasons for churn include:

- Poor customer experience: Negative interactions, friction, poor product/content recommendations, or lackluster customer service can drive customers away.
- Lack of engagement: Customers who feel neglected or forgotten are more likely to seek alternatives.
- Competitor attraction: Enticing offers, better features, or a more compelling brand narrative can lure customers away.
- Pricing concerns: Customers may find your product or service too expensive compared to competitors or their perceived value.

These can be costly mistakes. Churn rates can reach up to 30% in some markets, according to Deloitte. And finding new customers to replace the old ones is an expensive effort.

So how exactly do you bring churned customers back into the fold?

Crafting a winning win-back strategy

Segmentation is key

Not all churned customers are created equal. Segment them based on factors like purchase history, demographics, and reason for leaving. This allows you to tailor your messaging and offers accordingly. For example, a customer who left due to pricing concerns might respond well to a discount, while someone who had a poor customer service experience might appreciate a more personalized touch.

Personalization wins hearts

Craft personalized messages that acknowledge their past relationship with your brand and demonstrate that you understand their needs. Use their name, reference past purchases, or recommend products based on their preferences.

Personalization can significantly increase the likelihood of re-engagement: 71% of customers expect personalized interactions with businesses, according to consumer research from McKinsey & Company.

“Personalization is important for brands in B2C marketing because it gives the customer multiple connection points to your company that otherwise might not have existed,” marketing automation company Bloomreach explains. “These personal connections can lead to increased brand loyalty and potentially more sales revenue.

Offer irresistible incentives

Sometimes bringing someone back onboard is as simple as promising something for them to return. Sweeten the deal with discounts, free trials, exclusive access, or loyalty rewards. Make it worth their while to come back and give your brand another chance.

Leverage FOMO (Fear of Missing Out)

Where incentives on a platter fail, hard deadlines may succeed. Create a sense of urgency by offering limited-time deals or highlighting exclusive opportunities that they’ll miss out on if they don’t act soon. This tactic can drive quick action from customers who might otherwise hesitate.

Feedback is gold

Invite feedback from churned customers. This shows you value their opinions and are committed to improving. You can also use feedback to address issues, predict future churn, and refine your winback strategies and overall services.

For example, if you know that users who churn from lack of personalization tend to have a drop in logins for a particular product or feature after 3 months, it becomes easier to spot potential churn in future. If you spot the same drop in engagement from other users, you can then be more proactive and put in place more effective mitigations.

Multiple touchpoints

> **“A win-back strategy should include multiple touchpoints to make an impression and remind customers why they loved your brand.”**
>
> **– Hawke Media**

Don’t rely on just one email or message, or one of these strategies. Implement a multi-channel approach with emails, social media, SMS, or even direct mail. This increases the chances of your message being seen and acted upon.

Measuring and optimizing your efforts

Track the success of your win-back campaigns by monitoring metrics like open rates, click-through rates, conversion rates, and revenue generated. Use this data to identify what works and what doesn't, allowing you to refine your strategies over time.

Acquiring new customers can cost 5 to 25 times more than keeping the ones you have. Therefore it's clear to see that winning back lost customers is incredibly valuable for B2C businesses. By understanding the reasons behind churn, crafting personalized campaigns, and offering enticing incentives, you can rekindle the spark with lapsed customers, reignite their loyalty, and become a more all-around better business.

We just laid out strategies for responding to and avoiding churn. But oftentimes subscribers churn without realizing it. Involuntary churn via payment decline is one of the most common reasons businesses lose customers.

07

3 ways to reduce payment declines and minimize revenue loss

Why churn is a critical metric for subscription businesses

Whether you're measuring your customer numbers or your revenue, churn is a critical metric for subscription businesses. The main reason? Churn is expensive: acquiring new customers costs five to 25 times more than keeping the ones you have. And churn doesn't just cost you now—you lose out on future profits, too.

Voluntary vs. involuntary churn

There are two major kinds of churn: voluntary and involuntary. Voluntary churn is when a customer chooses to cancel their subscription. You likely have, or are working on, systems to keep that from happening already. Involuntary churn on the other hand, is when customers are unintentionally kicked out of their subscription due to operational glitches and payment failure issues—such as expired or stolen credit cards. It's estimated that a whopping 20-40% of total churn can be attributed to involuntary churn. This means you're potentially missing out on significant revenue by not addressing it. With that said, let's take a look at how you can cut down involuntary churn.

How to reduce involuntary churn and payment declines

Involuntary churn can be completely avoidable if you take a systematic approach.

Here are four ways to get started:

1. Build strong payment retention systems up front

It's essential to address potential payment issues early on. Invest in a robust payment retention system by ensuring your subscriber payment portal is user-friendly and offers flexible payment options. This includes accepting various payment methods and currencies to accommodate diverse customer preferences. Additionally, maximize authorizations by implementing tools that validate payment information in real-time, reducing the chances of declines due to incorrect or outdated data.

2. Implement a smart retry strategy for "soft decline" failures

Payments can fail for various reasons, often resulting in "soft declines" where the issue is temporary and solvable. To mitigate this, implement a smart payment retry strategy. Use automated systems that employ AI to determine the optimal times and frequencies for retrying failed payments. These systems can adapt to different scenarios, improving the chances of successful transactions. Furthermore, a robust dunning communications program is vital. Send timely reminders to customers to update their payment information before issues arise, ensuring their subscriptions remain uninterrupted.

3. Reactivate accounts when necessary

Despite best efforts, some customers may still experience involuntary churn. However, these customers often value your service and can be persuaded to return. Develop a reactivation plan that includes targeted email nurture campaigns. These campaigns should remind customers of the benefits they enjoyed, offer incentives for reactivation, and provide a seamless path to renew their subscriptions. Personalized messages and special offers can effectively re-engage these customers and bring them back on board.

Putting it into practice

The success of your efforts to reduce involuntary churn boils down to understanding the impact, and knowing where to put mitigations in place. Regularly monitoring and analyzing payment data helps identify patterns and potential issues before they lead to churn. Tracking payment success rates, common failure reasons, and the effectiveness of your retry strategies can all help build a more robust payment structure.

Implementing all the above tactics can have a significant impact on both retention and revenue. The Seattle Times newspaper is a great example of a company that has worked hard to reduce involuntary churn. When they learned that 62% of their churn was due to payment processing issues, they focused their efforts on creating a more seamless payment experience. The result? They improved retention by 25%.

By reducing payment declines, businesses can strengthen subscriber relationships and reduce involuntary churn. Building on this, the final section explores how to create a seamless and engaging subscriber journey, ensuring every touchpoint reinforces retention and customer satisfaction.

08

Making your subscriber journey airtight

Understanding the importance of the subscriber journey

The subscriber journey encompasses every touchpoint a customer has with your brand, from the moment they consider subscribing to the point of loyalty and renewal — or cancellation (see the 5 stages of the journey here). A well-designed journey anticipates customer needs, removes friction, and consistently delivers value. In the Subscription Economy, where the relationship with the customer is ongoing, a poorly executed subscriber journey can lead to dissatisfaction, high churn rates, and ultimately, a loss of revenue. However, a seamless and engaging journey can transform casual users into loyal advocates for your brand.

Step 1: Design a customer-centric offering

The cornerstone of an airtight subscriber journey is a compelling, customer-centric offering. Your subscription service must provide clear, tangible benefits that resonate with your target audience. This involves not only what you offer but how you package and price it.

For example, GoPro successfully transitioned from being seen solely as a camera company to a service provider by introducing a subscription that offers cloud storage, premium editing tools, and camera replacement services. This evolution was not just about adding value but about anticipating and meeting customer needs in a more integrated way. We call this strategy Total Monetization.

Strategies to design a customer-centric offering

- Continuous market research: Regularly gather insights into what your customers value most. This could involve surveys, focus groups, or analyzing usage data to understand their behavior and preferences.
- Flexible pricing models: Implement pricing models that align with customer usage patterns, such as tiered pricing or pay-per-use. This not only attracts a broader audience but also allows you to cater to different customer segments.
- Regularly reevaluate your offering: As your market evolves, so should your offering. Regularly refresh your services to stay relevant and ensure that your pricing reflects the perceived value.

Step 2: Optimize the subscriber experience

A key element of the subscriber journey is the overall experience from onboarding to renewal. A frictionless and intuitive experience is crucial for reducing churn and improving customer satisfaction. The Seattle Times, for example, improved its subscriber experience by using a cloud-based solution to launch a seamless, digital sign-up process, process payments, and manage readers throughout their entire subscriber lifecycle. This drove new digital conversions 30% and retention by 25% within a six-month period.

Strategies to optimize the subscriber experience

- Streamlined onboarding: Simplify the sign-up process by minimizing the steps required to create an account and subscribe. Provide clear instructions and a user-friendly interface to reduce friction.
- Personalized communication: Use data-driven insights to tailor your communication with subscribers. Personalized messages, whether through email or in-app notifications, can significantly enhance engagement by highlighting the value they are receiving.
- Self-service options: Empower customers with tools to manage their subscriptions independently. This includes features like pausing a subscription (which is very popular with consumers), upgrading or downgrading plans, and easy access to billing information. A robust self-service portal not only improves the customer experience but also reduces the burden on customer support teams.

Personalized and smooth user experiences

Personalized experiences that cater to individual preferences have become a critical component of customer retention. Customers expect tailored interactions that reflect their unique interests, making personalization a key driver of loyalty.

Moreover, uniform cross-device experiences are essential for ensuring a positive customer experience. Whether users access your services on mobile, desktop, or tablet, they expect a seamless experience across all platforms. A smooth, cohesive user experience ranks as one of the top factors influencing consumer perceptions of a brand.

Key strategies for improving user experiences:

- Cross-device accounts: Ensure users can access their preferences across all devices, making their experience seamless wherever they are.
- Accurate segmentation: Use data insights to tailor content and offers to different segments of your audience.
- Progressive profiling: Gradually collect more customer data over time, creating a personalized journey without overwhelming the user upfront.

Personalized content and messaging: Extend personalization to all aspects of the customer's interaction with your brand, from content recommendations to product offers.

Step 3: Build a resilient financial model

A strong financial model is the backbone of a successful subscription business. It enables you to manage recurring revenue effectively, forecast growth, and scale your operations. A resilient financial model also allows you to adapt to changes in the market without compromising on service quality. For instance, NCR's pivot to a subscription-based model for its point-of-sale system, NCR Silver, required a complete overhaul of its financial processes, which ultimately led to a significant increase in recurring revenue.

NCR "uncovered previously unavailable metrics like MRR (Monthly Recurring Revenue) and ARPC (Average Revenue Per Consumer) and saved at least five full-time equivalents' worth of work." Read more about NCR's experience here.

Strategies to build a resilient financial model

- Automate financial processes: Automate revenue recognition and other key financial processes to reduce errors, save time, and ensure compliance with financial regulations.
- Track key metrics: Regularly monitor essential subscription metrics like Annual Recurring Revenue (ARR), Customer Lifetime Value (CLTV), and churn rate. These metrics provide valuable insights into the health of your subscription business and inform strategic decisions.
- Manage cash flow effectively: Subscription businesses often face cash flow challenges, especially during periods of rapid growth. Ensure that your financial model accounts for these fluctuations by maintaining a healthy balance between acquiring new subscribers and managing costs.

Step 4: Streamline business operations

Efficient operations are critical to supporting a growing subscriber base. The order-to-cash process, in particular, is more complex in subscription businesses compared to traditional models. Companies like Zoom, which experienced exponential growth during the pandemic, illustrate the importance of having streamlined operations to handle sudden increases in demand.

Strategies to streamline business operations

- Optimize billing systems: Implement billing systems that can handle the complexities of subscription services, such as prorated charges, upgrades, downgrades, and recurring payments. Automated billing reduces manual errors and improves customer satisfaction.
- Enhance payment collection: Utilize tools like automated dunning processes and credit card updaters to improve collection rates and reduce revenue leakage. Offering multiple payment options also enhances the convenience for customers and reduces barriers to payment.
- Scalable infrastructure: As your business grows, ensure that your operational infrastructure can scale accordingly. This includes everything from customer support systems to fulfillment and delivery processes.

Step 5: Architect a scalable technology framework

Your technology infrastructure plays a crucial role in supporting the subscriber journey. As your business scales, your technology needs to be robust enough to handle increased traffic and complex transactions, yet flexible enough to integrate new services or pivot as needed. Siemens Healthineers, for example, successfully launched a digital subscription service by integrating a subscriber-centric system into its existing architecture, allowing it to scale rapidly without compromising on service quality. The results: A more than 60% reduction in the number of manual process steps and processing time shortened by about 75%.

Strategies to architect a scalable technology framework

- Ensure system reliability: Invest in systems that can handle unexpected spikes in demand, such as during promotional periods or product launches. This prevents system downtime and ensures a consistent customer experience.
- Integrate key systems: Seamless integration between your CRM, ERP, and other business systems is essential for maintaining a unified view of the customer and improving operational efficiency. This also facilitates better decision-making and enhances the overall subscriber experience.
- Future-proof your architecture: As you grow, your technology needs will evolve. Ensure that your architecture is designed with scalability in mind, allowing you to add new features, services, or even entire business units without requiring a complete overhaul.

The path to subscription success

In the Subscription Economy, the customer journey doesn't end at the point of sale — it's just the beginning. An airtight subscriber journey requires careful planning, continuous optimization, and a deep understanding of customer needs. By focusing on designing a customer-centric offering, optimizing the subscriber experience, building a resilient financial model, streamlining operations, and architecting a scalable technology framework, B2C businesses can create a subscriber journey that not only meets but exceeds customer expectations.

The rewards of getting it right are significant: lower churn rates, higher customer lifetime value, and a loyal customer base that advocates for your brand. As consumer preferences continue to shift towards access and away from ownership, the businesses that master the subscriber journey will be the ones that thrive in this new economy.

By following the strategies outlined in this guide, your B2C business can craft an airtight subscriber journey that ensures long-term success and sustainable growth in an increasingly competitive market.

From customer acquisition and retention to recurring growth

Here's the big takeaway: The customer journey is an ongoing relationship that requires continuous attention. By adopting a customer-led approach, leveraging first-party data, personalizing experiences with AI, and strategically bundling services, businesses can minimize churn and maximize retention. The key to long-term success lies in creating a subscriber journey that is both seamless and value-driven, from acquisition to retention.

By following the strategies outlined in this guide, your business can master the art of acquiring new customers and keeping them engaged, ensuring sustainable growth in a competitive market.

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