Revenue Acceleration for Subscription Businesses

The Most Effective Way for Companies with Recurring Revenue to Increase Growth

FlexPay

SOLVING THE LARGEST SOURCE OF CUSTOMER CHURN IS THE FASTEST, MOST EFFECTIVE WAY FOR SUBSCRIPTION COMPANIES TO ACCELERATE GROWTH

The cost of fraudulent credit card activity on the financial industry is huge, but what is often not recognized is the indirect pain this problem causes subscription businesses who rely on the card payment system to clear customer payments. The root of this problem is the $30B in fraud losses industry wide that are born by banks who issue credit cards to consumers, or the issuing banks.

As a result of these large fraud losses, issuing banks will often decline legitimate transactions in their attempts to avoid approving fraudulent ones. Since they are the ones making the decisions on payment requests, these banks feel it is better to be safe than sorry. Unfortunately, these false declines on legitimate transactions cost merchants more than $455B in global lost revenue each year.

However, the cost to any business with a recurring billing model is actually much higher than it initially appears when just measuring the dollar value of declined payments. This is because **failed payments cause customer churn, both directly and indirectly.**

Direct churn occurs when a subscription immediately comes to a hard stop due to an uncovered failed payment, while indirect churn occurs when customers are made aware of the failed payment and then choose to end their subscription. According to FlexPay analysis, up to 48% of subscriber customer churn is directly caused

SUBSCRIPTION BUSINESSES ARE **LOSING CUSTOMERS** WHEN A PAYMENT FAILS, NOT JUST TRANSACTIONS

by failed payments. Many businesses believe a failed payment is simply the loss of one month's payment. They think of it as missing one transaction. In reality, the actual cost of churn is the full calculated loss of all future billing cycles. What this means is that subscription businesses are losing customers when a credit card payment fails; they are not just losing transactions.

VALUE OF RECOVERY

Subscription businesses need to recover failed payments while avoiding recovery methods that either interrupt or shorten the natural duration of the customer lifecycle. When a failed payment is successfully recovered, this creates a recovered customer who would have otherwise been lost.

Thinking of payment recovery as a way to recover customers instead of simply recovering transactions is a profoundly different mindset for subscription businesses. This way of thinking leads to the conclusion that the value of recovered failed payments should be measured by calculating the full value of the recovered customer, which is the value of all future payments the customer will make on their subscription.

SUBSCRIPTION BUSINESSES MUST THINK OF RECOVERED PAYMENTS AS RECOVERED CUSTOMERS

Here is the equation that subscription businesses should use to measure the full value of a recovered customer following a failed payment.

Full Recovered Customer Value =

(Monthly Billing Amount) X (Number of Recovered Billing Cycles) − (Cost of Recovery)

Recovered customers deliver ongoing revenue for your subscription business because they bring in additional periods of successful billing which accelerates overall growth in active customer counts and total company revenue.

These benefits can be realized without spending any additional money on customer acquisition, which is typically the largest expense for subscription businesses. In fact, almost **no other investment will accelerate subscription revenue growth more than a high-performing failed payment recovery solution**.

Real-World Example

Let's use an example of a subscription business with the following metrics:

- 50,000 active customer accounts
- $50 average customer monthly billing
- 15% monthly growth rate
- 13% failed payment rate
- An in-house customer service program recovers 20% of the failed payments
- The average customer lifecycle is 8 months

We can calculate the acceleration of overall company growth rate when a best-in-class failed payment recovery solution, such as **FlexPay's AI-Powered Invisible Recovery**™, is deployed.

Here is the estimated impact on active customer counts and company revenue growth in the first year after deploying Invisible Recovery™, compared to a typical in-house recovery solution using either a dunning approach or rules-based solution.

	In-House Customer Service Recovery	FlexPay's Invisible Recovery™
12-month cumulative Revenue Forecast	$39.9M	**$47.5M**
Active Customer counts after 12 months	80,631	**108,405**

This example shows that Invisible Recovery™ will **increase this company's annual revenue by 19%** and **increase their active customer count in 12 months by 34%**. As you can see, revenue growth quickly accelerates when the number of active customers increases through failed payment recovery.

Conclusion:

Calculating the total economic value of customers recovered from failed payments transforms failed payment recovery from a one-time transaction to the recovery of a customer who generates months of additional billing for the duration of their natural lifecycle. When you recognize this impact, it is clear that subscription businesses must make failed payment recovery a priority using a solution that optimizes failed payment recovery rates with methods that maximize the length of the customer lifecycle after recovery.

Introducing

INVISIBLE RECOVERY™

The FlexPay Invisible Recovery™ platform is an AI-powered solution that optimizes customer recovery from failed payments and delivers proven long-term customer retention following recovery. Invisible Recovery™ produces the highest rate of customer recovery by creating an individual strategy for each failed payment, resulting in optimal customer and revenue recovery.

Invisible Recovery™ works quickly while completely avoiding customer visibility to the failed payment, which eliminates the customer churn created when subscription customers are made aware of the payment issue.

FLEXPAY RESEARCH SHOWS INVISIBLE RECOVERY™ DELIVERS THE HIGHEST RECOVERY, AND SUSTAINED RETENTION:

- Up to **70%** improvement in failed payment recovery rates compared to other recovery solutions

- Up to **45%** longer customer retention following recovery compared to other failed payment recovery solutions

You can use FlexPay's calculator tool to estimate the additional revenue and the number of active customers Invisible Recovery™ can deliver for your subscription business. Measure the results for your company now and contact us to schedule a consultation with one of our declined payment experts.

Revenue Recovery Calculator   **Schedule a Consultation**

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