

# How to Improve Subscriber Retention by Building Stronger Relationships

# INTRODUCTION

Subscription businesses have an incredibly powerful advantage over transactional merchants, and this advantage is rooted in the personal nature of their customer relationships.

Subscription customers choose to create an ongoing relationship with merchants, which is special in 3 ways:

1. The high level of trust placed in the business
2. The value customers recognize from the ongoing delivery of the product or service
3. The predictable purchase patterns subscription relationships give businesses

To maintain these valuable customer relationships, subscription businesses must focus on customer retention because it is the key to growth and profitability. While there is high lifetime value (LTV) potential for subscription customers generated by the recurring revenue/billing model, subscription businesses also incur high acquisition costs for new subscription customers, averaging 2.5 times the monthly billing amount or more.

To ensure you are maximizing this revenue potential, it is critical to recognize and reward subscription customers by treating them with respect and trust. By doing so, you can establish a strong customer relationship resulting in less churn and increased LTV and revenue.

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# WHAT DO RESPECT AND TRUST MEAN TO SUBSCRIPTION CUSTOMERS?

To make the customer relationship truly successful, the customer needs to feel the relationship is meaningful to them. They need to see its importance, which means some type of recognition must be provided by the merchant. Simply put, customers need to feel appreciated and valued. This means you need to deliver real convenience every month and the subscription must continue to provide what the customer expected.

Customers are putting a lot of trust in you and expect you to deliver on your promises. Products and services need to arrive when they are expected, because you want customers to feel excitement and anticipation, not frustration.

Ordering must be easy and intuitive, from selecting the item or service online, to navigating choices and making changes as needed. While things won't always go perfectly, the customer service or help offered must be positive and solve the problem to the customer's satisfaction.



To build successful subscriber relationships, companies must look at support as an investment in retention, rather than a cost center that needs to be managed. Customers must be shown respect and recognized for their importance to the health of the business. And this respect must be shown consistently throughout the entire customer lifecycle, and not just at the point of acquisition. A high standard of care must be maintained at all times. When issues arise, such as billing problems, customer respect can be shown by collaborating with them to solve the problem, rather than confronting them with aggressive recovery tactics such as dunning, which assumes the customer is a problem rather than an asset.

Remember, a poor customer experience is a key driver of subscription churn. However, our research validates that when issues are handled respectfully and collaboratively, this can actually enhance and strengthen the relationship with the customer. Meaningful subscription relationships lead to longer customer retention, which accelerates growth and profitability.

# HOW TO BUILD AND SUSTAIN HEALTHY SUBSCRIPTION CUSTOMER RELATIONSHIPS



## Start off strong

The beginning of your relationship with new customers is your opportunity to impress them. This is the time to surprise them with excellence and exceed their expectations, which will plant the seeds for a long-term relationship. Offering low-cost or extra add-ons, special notes of appreciation, and other types of preferential treatment can tell customers that you appreciate and care about them.

## Reward loyalty

Customers want to feel special, so make sure you recognize milestones and relationship anniversaries. There is a reason why so many companies use membership and points programs — they keep their customers engaged and loyal.



## Build a connection

Healthy subscription customer relationships take work to maintain, just like any relationship. To build a connection with a customer you need to understand their wants and needs and ask for feedback to help you improve what you deliver. Keep in regular contact with your customers and don't only reach out at renewal time. Check in regularly to find out how they are enjoying their product or service and offer tips and updates to keep them engaged.



Make sure you understand their preferred method of communication. Whether it's email, text, or social, you want to reach and connect with your subscribers using the method that's most convenient for them.

## Treat customers with respect

Customer satisfaction and loyalty can often be increased when the customer isn't satisfied, even if this seems counter-intuitive. How you react when the customer isn't happy sets the tone of your relationship going forward. Make it a good one by treating the customer with respect and appreciation. How you handle inquiries and complaints can be more important than the product or service you provide because it can prompt a customer to unsubscribe if they don't like how they were treated. Follow up with your subscriber after an inquiry to poll them on their experience. This gives customers the chance to share their experience and move on, and provides valuable information to make positive changes and enhance the customer experience.



## Avoid payment friction

Having a smooth, pain-free payment process is a key part of maintaining customer relationships. If payments stop, either because the customer no longer wants to continue the relationship or because of a problem that prevents a willing customer from paying their bill, the outcome is the same: a lost customer.



FlexPay research found that up to 48% of subscription customer churn is caused not by customers consciously ending their subscriptions, but by payment-related issues. Unfortunately for subscription businesses, data from a Mastercard/Javelin study shows that 7 out of 8 failed payments are caused by false declines, or the credit card authorization systems used by issuing banks incorrectly declining the payment on a legitimate transaction. These are times where the subscriber intended to pay their bill and continue their relationship but was blocked by a failed payment that wasn't their fault.

## Collaboration not confrontation

How subscription companies work to resolve failed payments is crucial. The best option is to solve the failed payment quickly, and without customer involvement. FlexPay's AI-powered Invisible Recovery™ solution works without any customer involvement, building individual resubmission strategies for each failed payment and managing all the countless variables, such as the individual bank that declined the payment, failure reason codes, what time of day the payment failed, and certain geographic variables.

If customer involvement is required to solve a payment problem, collaborating with the customer to solve the issue as partners is crucial, rather than confronting them with accusations. Dunning and collections-based approaches are examples of confrontational strategies that put the customer on the defensive. These approaches can create negative feelings about the company, which leads to churn. As mentioned earlier, failed payments due to false declines are caused by systemic issues in the payments ecosystem and are not caused by a customer's credit worthiness. For additional information on the payments ecosystem and credit card authorization challenges, [read this eBook](#).

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FAILED PAYMENTS  
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## CONCLUSION

To build successful subscriber relationships, companies must respect their customers and recognize how important they are to the profitability of the business. This respect should be shown consistently throughout the entire customer lifecycle, not just at the beginning of the relationship. Rather than confronting customers with aggressive recovery tactics when a payment fails, collaborate with them to come to a positive resolution. A poor customer experience is a key driver of churn, but meaningful subscription relationships lead to longer customer retention, which accelerates growth and profitability.

# THE INVISIBLE RECOVERY™ SOLUTION

## Payment Authorization Management

(PAM) is the category name for FinTech solutions that help improve the accuracy of payment authorization decisions. FlexPay's Invisible Recovery™ platform is the leading failed payment recovery solution in this category.

Invisible Recovery™ is an AI-powered solution that optimizes customer recovery by creating individual strategies for each failed payment, resulting in the best possible customer and revenue retention.

Our failed payment recovery solution works quickly while completely avoiding customer visibility to the failed payment, which eliminates the churn created when subscription customers are made aware of their payment issue.

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FLEXPAY RESEARCH SHOWS INVISIBLE RECOVERY™ DELIVERS THE HIGHEST RATE OF FAILED PAYMENT RECOVERY, AS WELL AS SUSTAINED RETENTION FOR MONTHS TO COME.

- 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

Customers are recovered faster and stay customers longer with Invisible Recovery™.

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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.

[Calculate Annual Growth](#)

[Schedule Consultation](#)



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