

Subscribed to Success

Tapping the power of subscriptions to supercharge customer retention strategies and build lasting loyalty.



chargebee



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Subscriptions and Loyalty: The Dual Engine of Customer Retention Amid Inflation

The relationship between subscription programs and loyalty programs is dynamic. Many loyalty programs include a subscription element, while many subscription services incorporate conventional loyalty principles. Both these approaches provide value to customers, whether members or subscribers, in return for something valuable to a brand or retailer. In the context of loyalty programs, the exchange is data and insights. **For subscription programs, it's the predictability that comes with recurring revenue.**

At a time when consumers are encountering higher prices and adjusting their spending patterns, this value exchange becomes paramount. **Consumers want discounts and other benefits to reduce the overall cost of their purchases.** At the same time, brands – especially retailers – need strategies to retain and attract new customers, especially as inflation-driven brand-switching runs rampant.

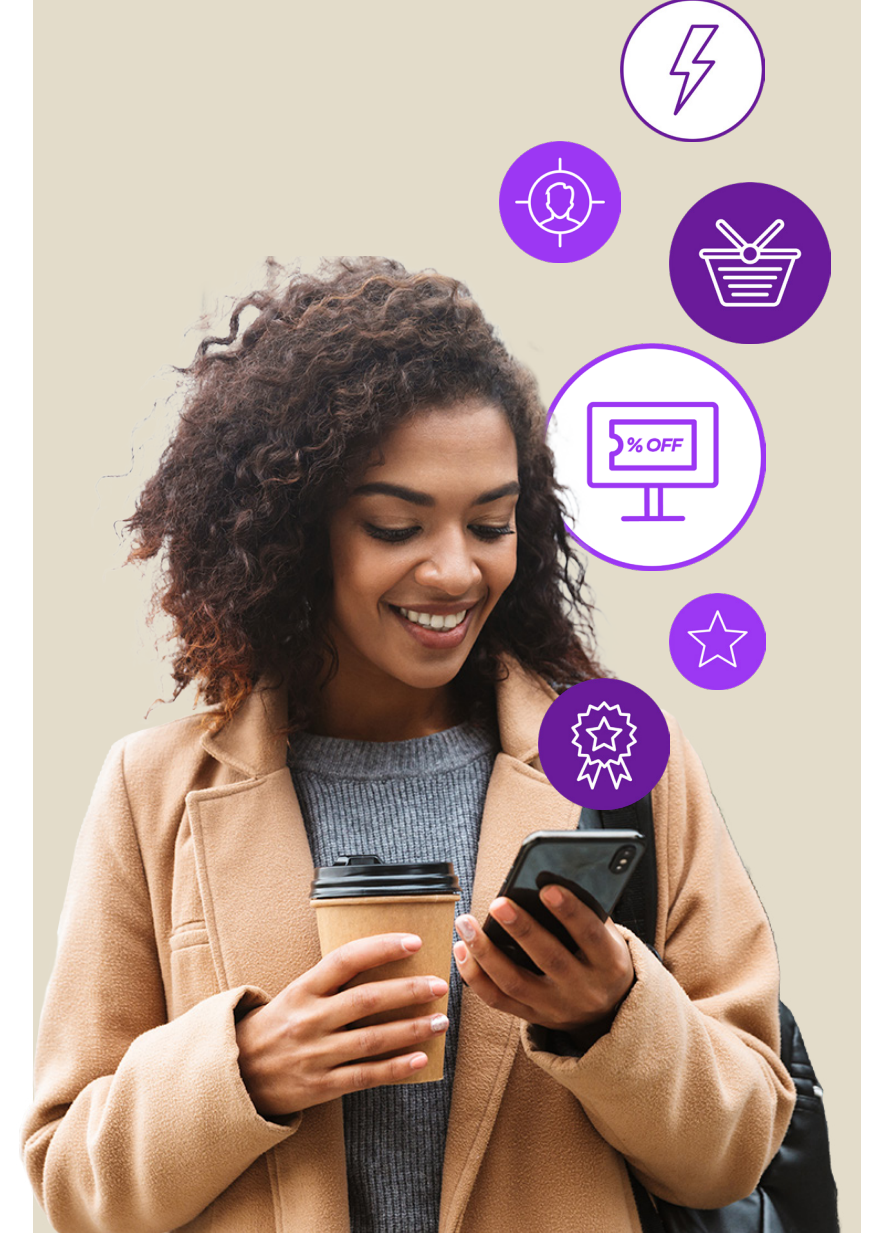
The good news is that both subscription and loyalty programs and hybrid programs that combine elements of both excel at boosting customer retention. **They create dependable, ongoing and expanding revenue streams and significantly greater customer lifetime value when executed well.**

Subscription and loyalty programs achieve this by leveraging the psychology of affiliation and community, offering tangible value and convenience to members and subscribers, creating more opportunities and interaction points for customer engagement and marketing, and enabling more sophisticated personalization and insights into customer behavior.

How can brands and retailers achieve these benefits? **Following the approach of leading brands like Pret A Manger, Woolworths Australia and Liberty is a good start.** Each retailer has leveraged partnerships with technology solutions providers specializing in subscription and loyalty enablement to create high-adoption subscription programs that appeal to customers and drive revenue.

As the success of these subscription-loyalty initiatives shows, these programs can significantly impact retention, revenue and customer lifetime value (CLV).

Let's examine why this is important for brands and retailers and how they can leverage these strategies to meet their goals.



Loyalty and Customer Retention are Priorities for Companies Today

Companies today recognize that a loyal customer base is one of their most valuable assets, one they need to protect from competitors using every strategy at their disposal.

The current economic climate presents unique challenges for customer retention. Though it has declined recently, inflation is near its highest level in decades, prompting consumers to change many of their purchasing habits. In this environment, shoppers use multiple tactics to save money, such as shifting from well-known brands to more affordable private-label and store brands. Similarly, they're more open to trying new retailers for better deals.

Merchants can employ more durable customer retention strategies to combat brand-switching in a volatile marketplace. These strategies may involve optimizing loyalty programs or subscription services, which provide numerous touchpoints for continuous customer engagement and repeated opportunities to cultivate and maintain customer loyalty.

The best loyalty programs focus on being customer-centric. By offering customers attractive incentives to join, engaging them with high-value benefits

and personalized offers and communications, these programs give customers compelling reasons to remain loyal to a brand rather than switching to a competitor, even if that competitor offers a better price on a product or service.

For example, 59% of retail loyalty program professionals surveyed by Eagle Eye for the **Grocery's Great Loyalty Opportunity** study said they are offering more promotions to provide customers with better value when shopping and 60% said the ability to create personalized offers and communications was the most critical technological capability for a loyalty program to have. The same report found that consumers agree; 84% believe receiving more personalized recommendations would help them save money.

By attracting loyalty members and delivering a program that provides what customers want most – value and meaningful offers and rewards that are truly relevant and personalized to their needs - a program can help a retailer retain its customers and keep them engaged.

Catering to Customer Needs



59%

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Subscription Nation

Loyalty programs aren't the only tools available to drive customer retention. One of the other major customer strategies that companies are pursuing is subscriptions. Subscriptions have long been associated with print publications and have entered all corners of commercial activity. Consumers routinely subscribe to various online and entertainment services, coffee, meals, games, and other products and services once defined solely by intermittent purchases.

According to the **Harvard Business Review**, the **subscription economy grew by more than 300% between 2012 and 2019**, with three-quarters of the companies selling directly to consumers planning to offer subscriptions to consumers the following year. Other **sources indicate a projected growth of \$1.5 trillion by 2025**.

Subscriptions provide a continuous customer touchpoint, which may strengthen the customer relationship and enhance brand advocacy. The recurrence of subscriptions ensures that customers consistently receive goods or services, keeping their attention on the subscription provider and away from the competition. Over time, brands can learn more about their customers' preferences and personalize product offerings to strengthen customer loyalty.

As noted by **S&P Global** in a Market Intelligence Brief, **"brand loyalty was the leading reason consumers prefer to buy directly from a brand versus a retailer or marketplace."**

While subscriptions have been commonplace in some industries for decades or longer, subscriptions are increasingly entering new businesses. For example, subscriptions in the automotive sector enable consumers to access various vehicles in return for a monthly fee. Among these programs are Access by BMW, Mercedes-Benz Collection, Book by Cadillac, and Porsche Passport. **Global Market Insights** forecasts the market for automotive subscriptions will exceed \$40 billion by 2026.

Similarly, the food and consumables sectors are tapping into this trend. Retailers are partnering with recipe sites; meal kit companies are joining forces with chefs and brands with diet-specific or gourmet attributes. The meal kit companies enable subscribers to customize and easily vary their orders regularly.

Nearly a third of Americans signed up for a subscription box service in 2021, spending an average of \$67 per month, according to Emarsys research. European consumers spend an average of EUR 39 per month on subscriptions, and 31% have more subscriptions than before 2020.

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The Psychology of Subscriptions

Subscription programs are proven to create an emotional, exclusive draw for consumers to join loyalty programs. Combining the convenience and savings of subscriptions strengthens customer savings while helping customers feel valued. Loyalty programs will typically recognize a customer's long-standing status as a member (e.g., member since 2010); they may even recognize certain milestones, creating an environment where customers feel appreciated - an essential factor in customer retention.

Subscriptions represent enduring partnerships between customers and brands underpinned by a financial commitment. Though they require nurturing, this relationship is mutually beneficial, providing consumers consistency, reliability, and convenience while businesses reduce their acquisition costs. According to **Invesp**, acquiring a new customer costs five times more than retaining an existing one.

Subscriptions often employ triggers to prompt customers to use a product or service, generating habitual behavior. In return for the continued benefit the customer receives from those products or services, such as the convenience of a home-delivered meal kit or access to a library of media content, the customer gives the brand a modest recurring fee and (usually) access to their behavioral and preference data. This exchange is one that consumers are increasingly eager to make.

Rather than discrete transactions, subscriptions feature recurring incremental payments, reliable and regular

shipments of (or access to) products or services, and an "always on" experience - often more affordable than making a series of one-time payments.

Once a consumer becomes a subscriber, many typical barriers and friction points associated with purchasing are eliminated or mitigated. It's a contributing reason why **8% of the U.S.** adult population uses Amazon Subscribe & Save to order consumer packaged goods that they regularly replenish, such as cleaning and household products, toothpaste, etc.

Beyond the purely behavioral and transactional aspects of subscription psychology, subscriptions offer a sense of community. The continuous relationship between a brand and its subscribers creates a feeling of belonging to that brand and other subscribers. Brands can encourage this communal aspect through rewards programs, subscriber interactions, events and contests, and other relevant content.

The average number of retail subscriptions per consumer is **five, a 100% increase** year over the previous year.

Many subscriptions also offer customers choice and customizability. Subscribers can pay for additional value by choosing an upgrade or a higher plan. This flexibility also helps develop customer loyalty; consumers see the opportunity to have different personalized subscriptions as meeting their needs rather than something sold to the masses.

SUBSCRIPTIONS OFTEN EMPLOY TRIGGERS



customers prompted to use a product or service generating habitual behavior

SUBSCRIPTIONS OFFER A SENSE OF COMMUNITY



rewards programs



subscriber interactions



events and contests

SUBSCRIPTIONS OFFER CHOICE & CUSTOMIZATION



flexibility helps develop customer loyalty

The Relationship Between Value and Loyalty

The combination of economic value, convenience and a sense of community provided by subscription and loyalty programs is important in building strong relationships between businesses and their customers.

Customers understand the value of their patronage and expect companies to acknowledge and reward that, too. They also want personalized recognition, with brands extending discounts and tailored offers that align with their unique shopping preferences. These preferences are determined by analyzing past purchasing behaviors and should inform how to reward each customer.

Loyalty programs operate on a value-for-participation model, offering customers a quid pro quo. This value exchange can encompass both transactional elements, such as earning loyalty points for every dollar spent, and emotional components, like perks including birthday gifts, rewards/ membership tiers and charitable contributions.

Subscriptions follow a similar value exchange, especially those that employ a “freemium” model, essentially a tiered subscription model with the entry subscription being free (basically a loyalty program) and a paid-for premium tier with enhanced benefits. It creates a low-barrier entry point for consumers to experience a brand’s value proposition and increase that value through an upgraded and paid service.

Conversely, loyalty programs and subscriptions provide companies rich data on customers’ buying habits and insights into their products, services and offer tendencies. **Leveraging purchase data to personalize new member offers within the initial journey can provide up to a 40% decrease in the churn rate among new members.**

For instance, in the case of grocers, tailoring offers, such as providing a discount on pet food to a customer who has previously purchased it, results in a notable 16% increase in the average basket size. **Utilizing customer data to craft more relevant promotions can amplify offer usage by as much as eightfold.**

Of course, consumer preferences can change and develop over time, underscoring the critical importance of having access to transactional and behavioral data. Executing a viable offer and promotional strategy based on changing data sets also demands expert technological capability and strong infrastructure.

If a personalization strategy is to be effective, retailers need both access to quality customer data and the ability to leverage it through offer delivery.

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**40%
Decrease
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Ex: grocers using personalized offers see a **16% increase in average basket size**



using customer data to create more relevant promotions **increases offer usage by as much as eightfold**

Source: Loyalty Value Data - Eagle Eye

How Subscriptions Drive Customer Retention

The relationship between value and loyalty can go a long way toward boosting retention rates. But subscribers are inherently easier to retain than customers who require constant reacquisition efforts. The rationale for this is straightforward: a subscriber has to proactively cancel the subscription, and until they take that step, the company has opportunities to prevent or dissuade cancellation.

How substantial is the potential impact for retail brands to increase their retention rates through subscriptions?

According to **Bain & Company**, a **mere 5% increase in customer retention rates can lead to as much as 25% profit growth**. A similar study by McKinsey found that subscription-based businesses grow at a rate five times faster than traditional businesses, on average, and also demonstrate higher profitability, with an average EBITDA margin of 25%. Clearly, subscriptions present a substantial opportunity that retailers can leverage.

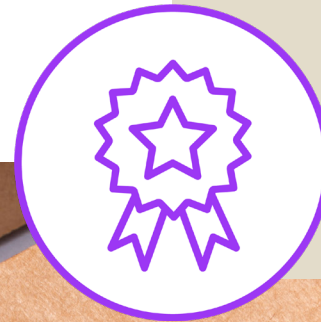
Businesses can track activity across various channels and tools through automated workflows to optimize retention rates.

Customers who slow their activity are at a higher risk of churning than those who progressively increase their activity over time.

By collecting, tracking and analyzing customer data, companies can gain insights that inform the actions needed to retain more customers, including those identified as the most valuable to the brand.

5x faster

BUSINESS GROWTH WITH SUBSCRIPTIONS



Personalized Upselling, Cross-Selling, and Marketing to Subscribers

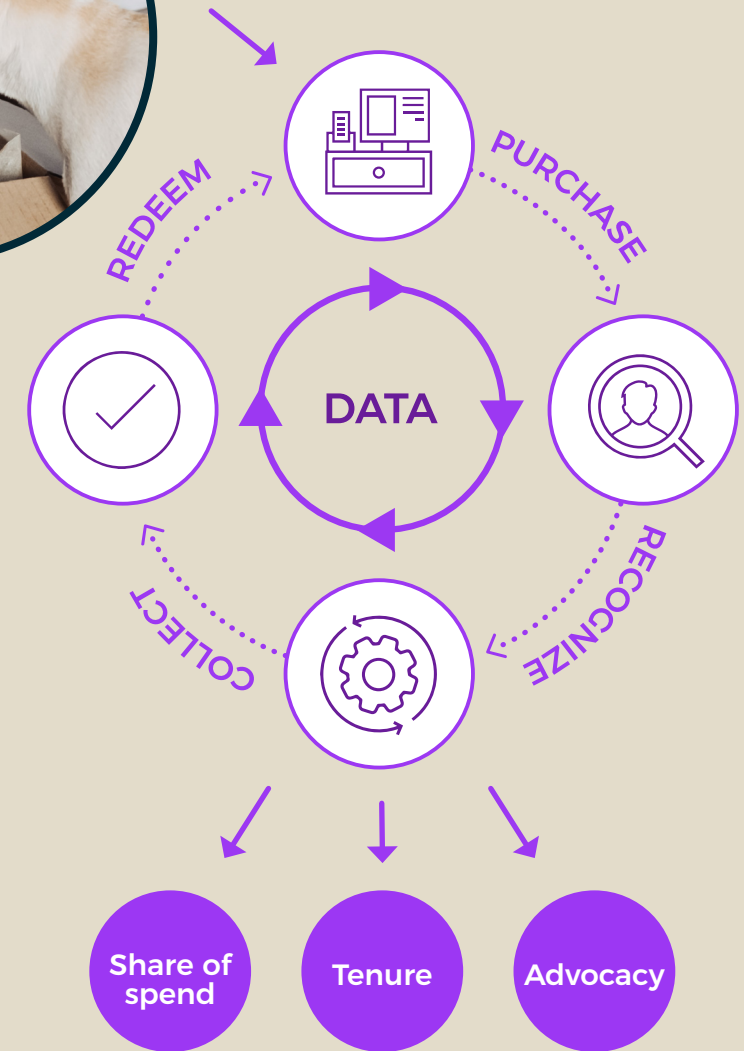
Retention isn't the only advantage that subscriptions and loyalty programs provide. They also provide companies with built-in marketing channels to engage and connect with customers. Consumers willingly share relevant personal information in exchange for the value they receive from their subscriptions and loyalty memberships, and this kind of first-party data is becoming more critical with the sunsetting of third-party cookies.

Companies obtain valuable data from each customer transaction through subscriptions and loyalty programs. When able to execute marketing and promotions against these insights, retailers and direct-to-consumer brands can reap significant rewards.

Transactional data provides valuable insights into a customer's purchase habits, including what they buy, how often they make purchases (monthly, weekly, etc.), and their preferred payment method. This intelligence can inform how discounts and offers are customized to increase the likelihood of redemption, as opposed to generic promotions that are less targeted and offered to all customer segments.

Grocery retailers are uniquely well-positioned to gather data that reveals customer shopping habits and preferences. For example, if a grocer can infer that a customer is a pet owner based on past purchasing patterns, offering a discounted deal on pet food will create a more positive impression on that shopper – and increase the likelihood that the offer is redeemed – much more than a blanket discount on breakfast cereal or milk ever could.

Personalized offers can be distributed through many relevant touchpoints on special occasions, for example, on birthdays and subscription/loyalty membership anniversaries or for seasonal promotions tailored to individual customer preferences, and throughout a customer's buying journey starting from the initial expression of interest through the purchase process and up to delivery or pickup. Each of these touchpoints provides a brand or retailer with opportunities to gather more customer preference data, which, in turn, can be used to enhance and fine-tune personalized marketing strategies.



Empowering Brands with Subscription Success: The Role of Technology Partners

Brands often require technology partners to help them gather, manage and execute these engagement strategies utilizing the customer data available through their own systems, such as point of sale, CRM and loyalty program databases.

Eagle Eye, for example, enables companies to leverage this digital opportunity by providing real-time omnichannel customer connectivity, seamlessly integrating with all points of purchase and the merchant's data analytics capabilities. Through this connection, Eagle Eye enables the implementation of all a retailer's data-driven decisions to reach the end customer using a comprehensive digital marketing toolkit. This toolkit encompasses real-time digital loyalty programs, personalized promotions, subscription services, gifting and cashback initiatives, charitable donations, third-party partnerships and coalitions.

Many brands and retailers can face challenges with the technical and payment infrastructure required to accelerate the implementation of full-featured subscription programs.

Partnering with platforms like Chargebee enables companies to rapidly launch and iterate subscription-based plans and products through freemium, trial and paid offerings.

Helping companies provide tailor-made offers for long-time subscribers and those most likely to churn, Chargebee also mitigates cancellations. Companies receive actionable insights and analytics on those customers who do churn to sharpen and refine future customer retention strategies. They also benefit from the automation of collections and revenue recovery.

With partners like Eagle Eye and Chargebee, these tools provide brands and retailers a powerful way to merge loyalty and subscription programs, ultimately reducing churn, upselling to existing customers and increasing customer lifetime value.



The Revenue Impact of Improved Customer Lifetime Value

Customer lifetime value, or CLV, indicates the average revenue a company can generate from a customer over the entire lifetime of their account. In simpler terms, it's the revenue a company will earn before the customer terminates the relationship. For example, if customers spend \$100 on products or services every month for nine months, their CLV is \$900; if they remain with the company for two years, their CLV increases to \$2,400.

CLV is an important metric because it gives businesses a customer-centric viewpoint to inform crucial marketing and sales strategies, such as customer acquisition, retention, cross-selling, upselling and support.

A subscription program's ability to provide businesses with a predictable revenue stream with ongoing growth potential makes the revenue model powerful. Unlike static revenue figures that remain constant monthly, subscription revenue compounds with each new

subscriber. As long as businesses can acquire new subscribers at a pace that surpasses customer churn, revenue grows exponentially.

Subscriptions offer companies a more loyal customer base with predictable purchasing patterns, unlike relying on one-time sales to customers who may or may not return.

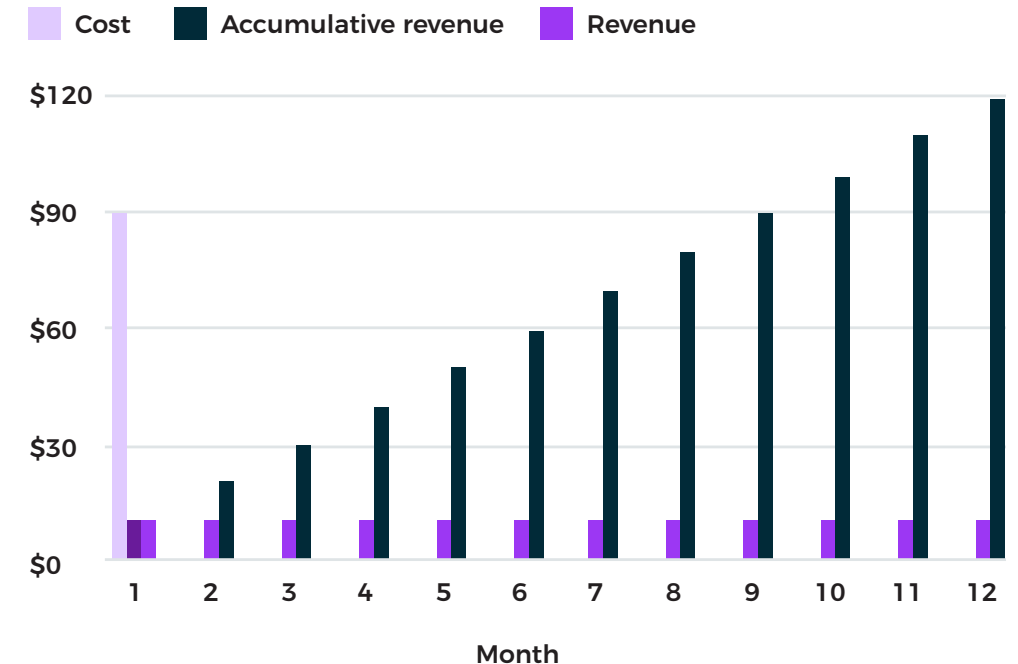
Subscribers typically have a higher CLV than regular customers; they spend more over time than customers who make occasional, one-off purchases.

Additionally, the costs associated with retaining existing customers are significantly lower than the costs incurred acquiring new ones, which further helps brands maximize CLV.

AVERAGE SUBSCRIPTION SERVICE REVENUES OVER TIME

The Power of Recurring Revenue

When companies choose recurring revenue models, they can continue to see value from customers for their entire customer lifetime, leading to higher revenues and a stronger relationship.



Source: <https://www.paddle.com/resources/subscription-revenue-model>

Increasing Customer Lifetime Value: Subscriptions Can Work Across Multiple Industries

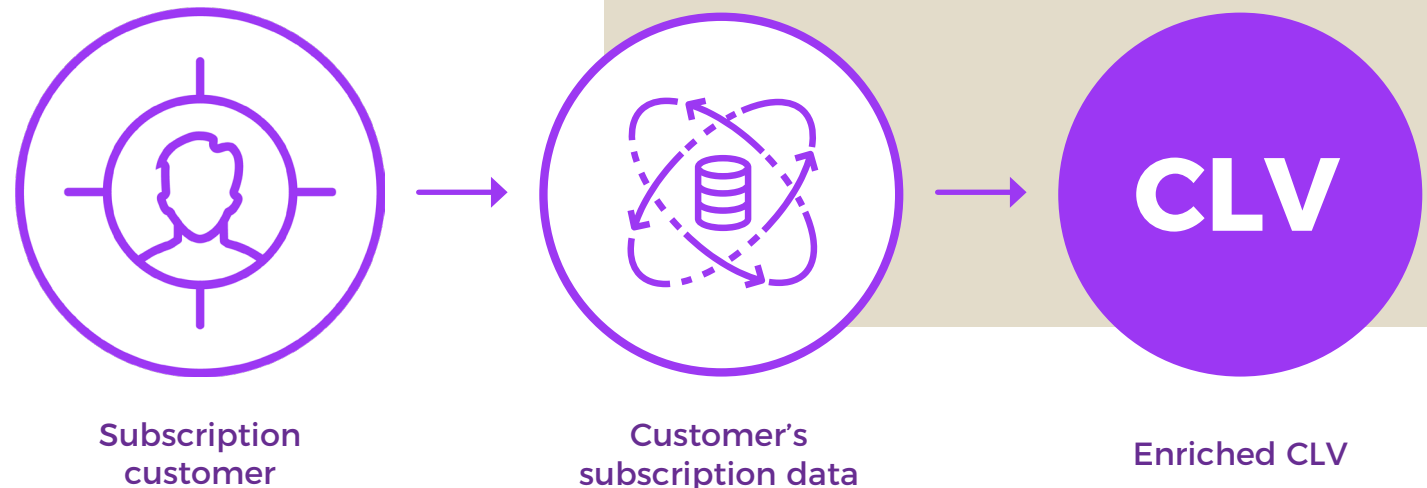
How do subscriptions increase CLV in practice? And can retailers or food service companies experience the same results that SaaS or entertainment brands generate with their subscription strategies? **In practice, subscriptions increase CLV by fostering ongoing customer engagement and loyalty.**

They create a consistent revenue stream over an extended period, encouraging customers to make recurring purchases and develop a deeper connection with the brand.

Additionally, the data collected from subscription customers can be used to personalize offers and improve the overall customer experience, further enhancing CLV.

Retailers and food service companies can achieve similar results to SaaS or entertainment brands with subscription strategies. The success of subscription loyalty programs, including those powered by Eagle Eye and Chargebee,

demonstrates that this approach can be effective across various industries. By tailoring subscription offerings to suit the needs and preferences of their specific customer base, companies can enhance customer retention, increase CLV, and enjoy the benefits of a more predictable and sustainable revenue model.



“ **THE GLOBAL SHIFT** towards subscriptions is being driven by **changing customer preferences and expectations...**

- World Economic Forum, Oct. 2020

Subscription-Fueled Loyalty in Action

Success
Stats

Club
★ PRET ★

Pret A Manager, Woolworths Australia, Panera Bread and Liberty of London all demonstrate the power of subscriptions, even in a challenging economic environment.

1 Pret A Manger, a UK-based sandwich and coffee chain, introduced the United Kingdom's first drinks subscription program in September 2020, subsequently expanding it to France and the United States. Priced at £30 per month, subscribers get up to five barista-prepared drinks, including coffees, teas, hot chocolates, smoothies, and frappe drinks daily. Additionally, they receive a 20% discount on all food, snacks and any additional beverages they purchase. The chain also launched Pret Perks, a program that enables customers and subscribers to earn stars and redeem them for personalized rewards.

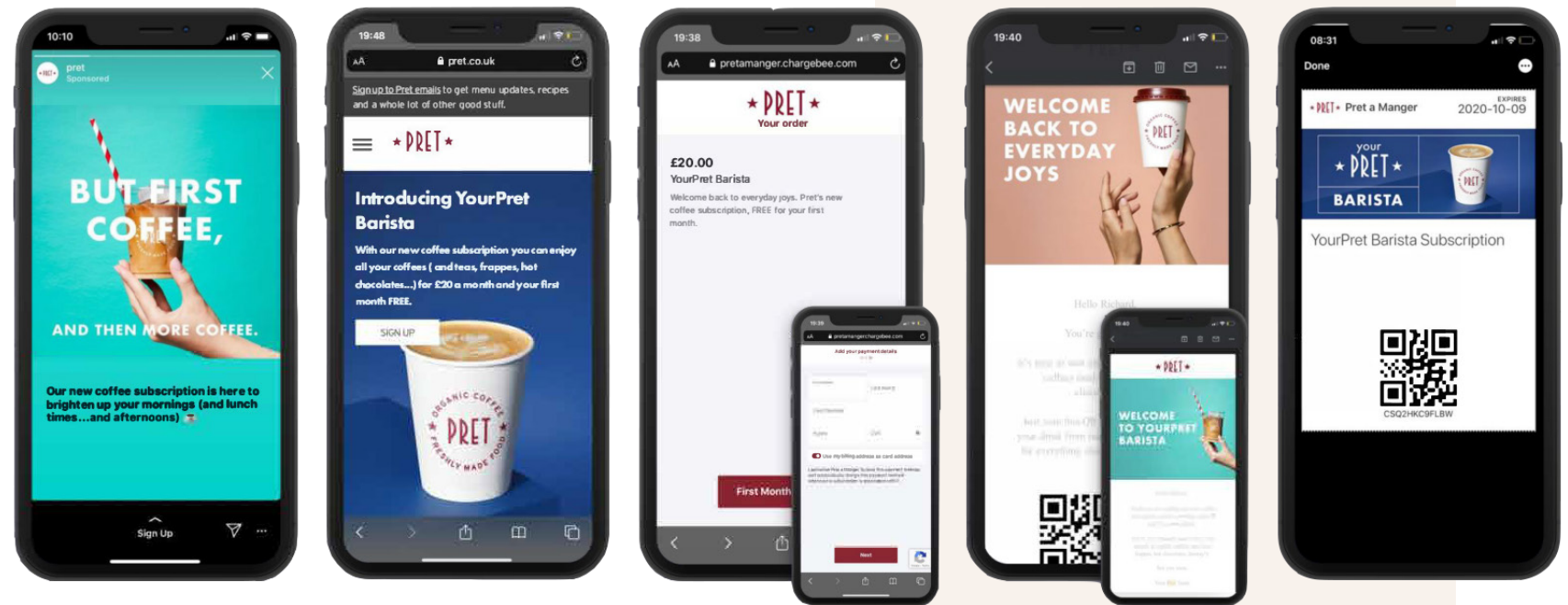
The outcomes of both programs have been remarkable: Pret Perks members spend four times more than non-subscribers, and in the UK, Pret now averages over 6.8 million monthly transactions.

The omnichannel Pret Perks loyalty program integrates with Pret's broader digital infrastructure, including its point of sale (POS) and CRM system, through Eagle Eye.

Eagle Eye AIR, a cloud-based platform, powers scalable loyalty and promotions capabilities by connecting customer data with actionable offers and promotions, while Chargebee powers the recurring payments linked to Pret Perks, supporting the subscription service and enhancing customer retention.

6.8 million
average monthly transactions

4x more spend
Pret Perks members spend four times more with Pret than non-subscribers



Success Stats

2

Eagle Eye and Chargebee collaborated similarly to power the Liberty retail subscription service called **The Beauty Drop**. This distinctive program invites subscribers to deposit £20 a month into a beauty savings account and, in return, receive four free Beauty Discovery boxes a year, along with free shipping. The program, as a relatively unique “stored-value” subscription model, is perceived by members as offering exceptionally high value while simultaneously providing a reliable revenue stream to the esteemed UK retailer. This innovative approach contributed to The Beauty Drop surpassing its initial sign-up expectations in just three weeks following its launch.



THE BEAUTY DROP SURPASSED initial sign-up estimate in just 3 weeks following launch

3

Another retail subscription loyalty program that achieved rapid growth post-launch is **Everyday Extra**, introduced by Woolworths Australia in 2022 as an extension of its Everyday Rewards loyalty program. For \$7 per month or \$70 per year, Everyday Extra members receive a bonus on points for both online and in-store spending, a 10% discount on one in-store shopping trip per month at both the BIG W and Woolworths brands, and exclusive subscriber-only offers and perks. By the first quarter of 2023, the program had enrolled over 250,000 active subscribers.



EVERYDAY EXTRA gained 250,000 active subscribers by the first quarter of 2023.

4

One of the most well-recognized subscription loyalty programs in the food service sector is Panera Bread's Coffee Club, launched in February 2020, eventually attracting 600,000 members with an enticing offer of unlimited coffee for just \$9 per month. In 2022, Panera expanded the program into the Unlimited Sip Club, extending the offer to non-coffee drinks and increasing the monthly rate to \$12. Despite some overuse, the program draws in subscribers eight times more often than non-subscribers; 30% add food items to their orders, significantly boosting per-visit profitability.



PANERA'S COFFEE CLUB attracted 600,000 members within first year of launch.

Subscriptions + Loyalty = Higher Retention and Engagement

In today's uncertain economic landscape, companies need every advantage possible to attract, engage, and retain customers. Subscription and loyalty programs offer a potent combination for retailers to achieve these critical objectives.

Loyalty program members significantly outspend non-loyalty members by a wide margin, providing a source of long-term recurring revenue. Subscribers also tend to bring a substantially higher lifetime value to brands than sporadic customers, delivering stability and long-term potential for brands offering subscription programs. However, the impact of these strategies goes beyond revenue.

Subscriptions and loyalty programs create a strong bond between the customer and the brand, driven by affinity, convenience and value. They increase the number of touchpoints a customer has with a brand and yield valuable first-party data related to purchase history and preferences. In this way, these programs can supercharge personalization and engagement strategies and make a retail brand more prominent in a consumer's daily life.

These advantages are evident in retail and food service brands that have successfully harnessed subscription loyalty to boost in-store and digital revenues, increase

frequency, and create added value for their members. By partnering with technology companies like Eagle Eye and Chargebee, which specialize in the development and execution of loyalty and subscription strategies, many brands have experienced the revenue and growth results that hybrid subscription-loyalty initiatives can deliver.

Companies like Pret, Liberty and Woolworth Australia that have already embraced subscriptions and loyalty programs have the added advantage of attracting customers, building and refining loyalty strategies, and strengthening and deepening customer relationships, reducing the likelihood of customer churn.

As the subscription model continues to gain popularity, the true competitive edge will come from brands that efficiently and effectively execute it in partnership with specialized and experienced solutions providers who excel at optimizing these programs.

To discover how your company can benefit from a subscription program that improves customer retention and loyalty, [contact us here](#).

attract. engage. retain.





Eagle Eye is a leading SaaS technology company enabling real-time, personalized consumer marketing for retail, travel, and hospitality brands worldwide to earn the loyalty of their end customers. Our cloud-based platform, Eagle Eye AIR, delivers the most flexible and scalable loyalty and promotions capabilities globally, executing over 750 million personalized offers weekly.

We serve 200 million loyalty members for businesses worldwide and secure services at hundreds of thousands of physical point-of-sale locations, enabling real-time issuance and redemption of promotions, loyalty offers, gift cards, subscription benefits and more.

We partner with major brands and enterprise businesses, including Asda, Tesco, Morrisons, Waitrose, John Lewis & Partners, JD Sports, Pret a Manger, Loblaws, Southeastern Grocers, Giant Eagle, and Woolworths Group. Our recent acquisition of Untie Nots adds leading European brands like Carrefour, E. Leclerc, and Auchan to our portfolio.

Visit www.eagleeye.com to learn more.



Chargebee is the leading Revenue Growth Management (RGM) platform for subscription businesses. Chargebee's mission is to help businesses of all sizes to grow their revenue by providing a comprehensive suite of solutions, including subscription management and recurring billing, pricing and payment optimization, revenue recognition, collections, and customer retention.

Chargebee is trusted by businesses of all sizes, including Freshworks, Brevo and Study.com, and is proud to have been consistently recognized by our customers as a Leader in Subscription Management on G2. To learn more about how Chargebee can help unlock and maximize revenue growth.

Visit www.chargebee.com to learn more.