Chargebee
Retention

Retention for eCommerce Subscriptions: The Ultimate Cheat Sheet

Let’s face it – eCommerce generally in the last 2 years has been through several rounds of upheavals. US trade projections clearly show unexpected impacts - eCommerce sales have run almost 20% above projections in 2020 and 2021.

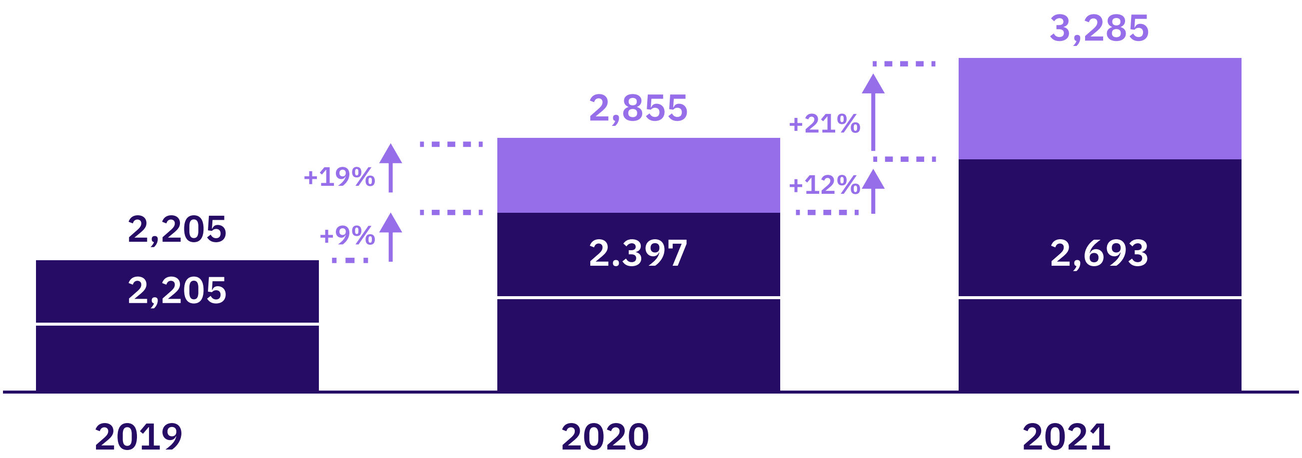
When you add the COVID-hangover and supply chain crises of 2021/2022 to this massive surge in spending, it’s abundantly clear that eCommerce businesses have had to be nimble to continue a growth trajectory.

This document is intended to be your guide to subscription eCommerce cancellation in 2022. It contains up-to date statistics on Churn, Save Rates, and Deflect rates, as well as top strategies for retaining customers from brands such as Freshly, Vital Proteins, and Touchnote.

Our experience at Chargebee Retention, has been similar - we're hearing stories from clients who had large increases of subscribers at the beginning of COVID and were facing massive cliffs in subscriber cancellation, friction created by the return to stores for shopping, and dealing with subscription fatigue.

These business teams have impressed us by creating innovative approaches to dealing with these difficult external developments. Keep reading to hear their stories!

Massive growth in online shopping due to COVID-19 impacts (in billions revenue)



2021: Massive growth in online shopping due to COVID-19 impacts •
Source: trade.gov: https://www.trade.gov/impact-covid-pandemic-ecommerce

How does your subscription program measure up?

In these turbulent times, it is easy for gut reactions or experience-based conclusions to be wrong. To manage the wild ride, it's often important to benchmark your subscription program against others. There are some basic measurements we often use to gauge the health of retention and churn prevention efforts. These are:

What % of cancel attempts can be deflected (Deflection Rate)

This is a measure of the effectiveness of your content and offers at deflecting customers from churning.

Formula: # of Customers who do not cancel in session / # who started cancellation process

24.4%
Average E-Commerce Deflect Rate

What % of cancel attempts are ultimately saved? (Save Rate)

This measures the % of customers who visit the cancellation page but ultimately do not cancel

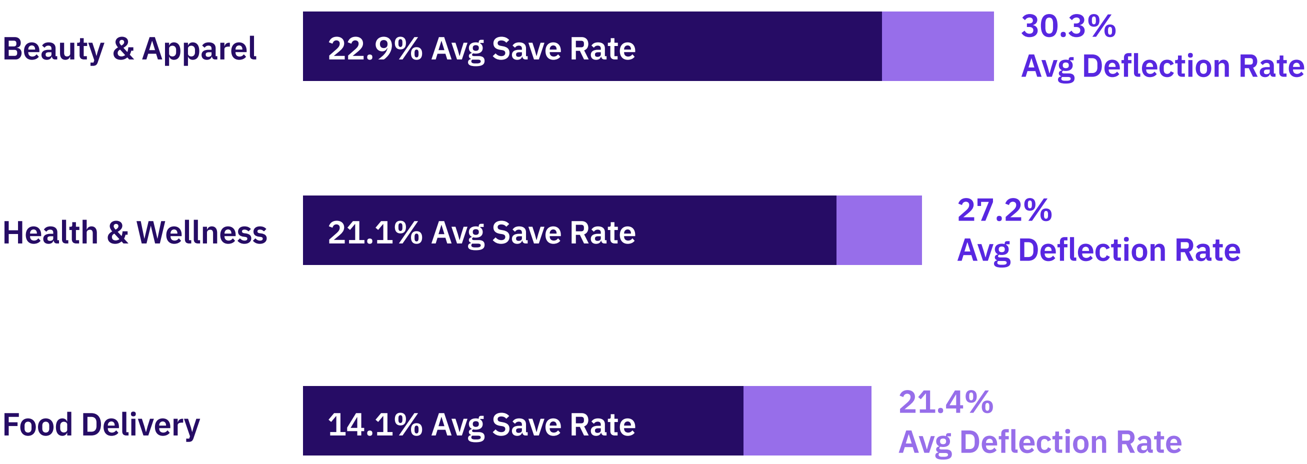
Formula: Customers who have not canceled 30 days after their initial visit to the cancel page / cancel page visitors

17.4%
Average E-Commerce Save Rate

We've found pretty large variations in the churn, deflection, and save rate of customers at cancellation based on industry/service within eCommerce. You'll note the rates vary quite significantly, with apparel/ beauty being much more able to save their customers than food delivery.

Benchmark Deflection and Save Rates

NOTE: The difference between deflect and save rate is customers who are deflected in session but later come back and cancel their subscription.



Testing and Optimization of Offers and Messaging Improve Save Rate by 50%+ in Year 1

With targeted experimentation and testing, we've found Chargebee Retention subscription businesses do vastly improve their churn rates over time. A few key examples of increases in deflection and save rates:

freshly

+50%
increase in save rate over 1 year

VITAL PROTEINS

+50%
increase in save rate over 1 year

TOUCHNOTE

+66%
increase in save rate over 1 year

Each of these companies followed similar strategies to reduce churn. From the 1st acquisition of the customer to the final cancellation, there are multiple touch points for churn reduction.

The top strategies for reducing churn in eCommerce are:

Before Cancellation

- Providing Program Flexibility via pause, cancel, change frequency
- Churn Prediction and Preventative Intervention of Churn before Cancellation

During Cancellation

- Create loss aversion psychology with UX and content
- A/B Testing of Discounts and Offers
- Personalization and Targeting for Offers by Audience
- Leverage Consumer experience to create concierge services for high-value customers
- Differentiated offers to customers in trial (pre-revenue) vs in paying subscribers

After Cancellation

- Personalized Nurture and Winback Strategies based on Cancellation Signal

Top Performing Offers

Across eCommerce, pricing and product problems were standout reasons for cancellation:

PRICING ISSUES
29.8%
of customers canceled due to pricing concerns

PRODUCT PROBLEMS
25.5%
canceled due to issues with the product

LIFESTYLE CHANGES
14.8%
canceled due lifestyle changes

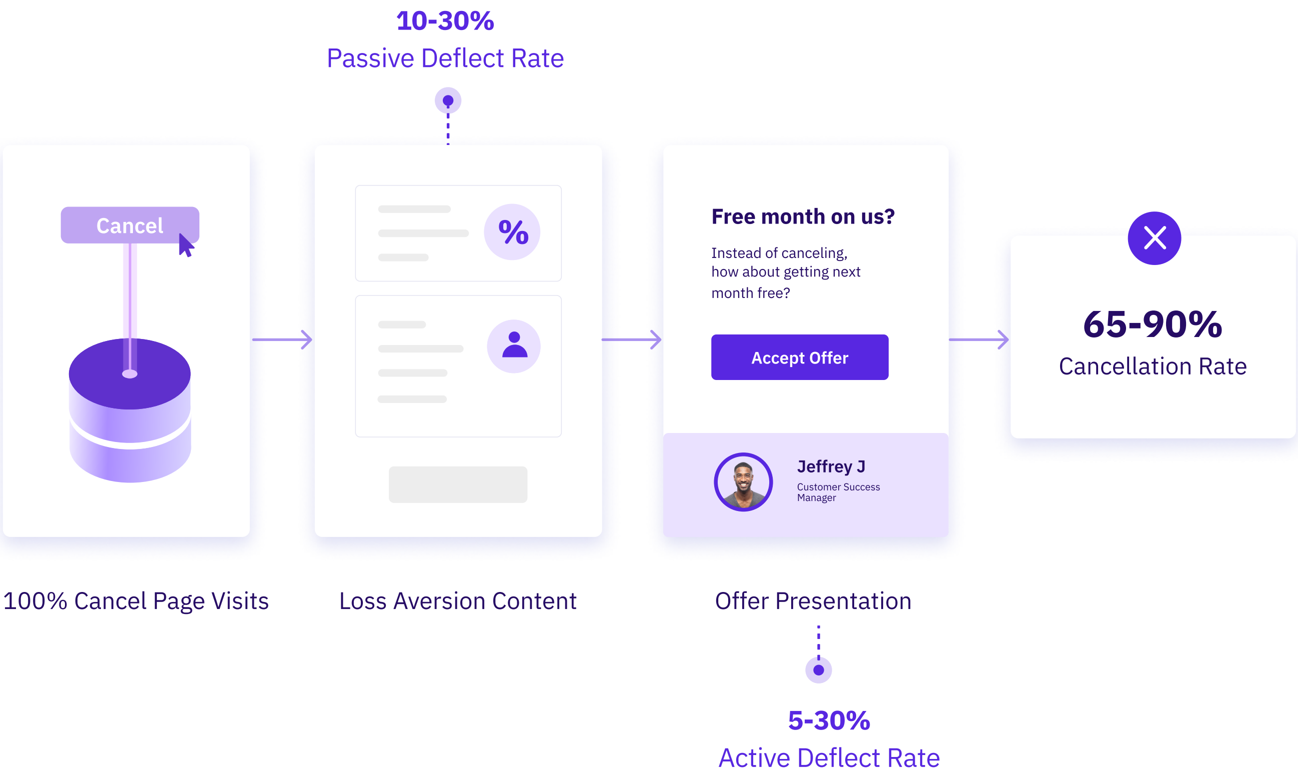
SHIPPING ISSUES
2.8%

CUSTOMER EXPERIENCE ISSUES
9.5%

This suggests that, eCommerce cancellation as a whole is driven with dissatisfaction with the product or pricing concerns.

A Deflection Funnel Model

Visits to the cancellation page do not guarantee cancellation. The deflection rate from cancellation is made up of two types of deflection - **Passive Deflection**, which measures the effectiveness of your content at saving customers, and **Active Deflection**, which measures the effectiveness of your offers at saving customers.



Top Performing Offers

In terms of offers that are accepted at checkout, one thing stands clear - customers like discounts. They are more likely to accept a discount offer than any other "save" offer. However, the effectiveness of discounts are not as high in the long run - offer conversion rate, which measures the long-term effectiveness of the offers at saving customers, is lower for discounts than other offer types.

Giving the customer flexibility - pauses, extensions, plan changes are not accepted as often, but are far more effective at keeping customers, with **pauses and plan changes having an average 70%+ effectiveness.**

Most Effective Offers (Ordered by saved customer %)

Offer Type	Acceptance Rate (Low>High)	Save Rate after 30 days (Low>High)
Pauses	5-50%	4-43%
Discounts	5-30%	4-24%
Plan Changes	2-20%	2-15%
Extensions	5-15%	5-14%
Customer Feedback	2-25%	1-8%
Support & Training	2-15%	1-9%

This suggests that a prudent strategy is to **"present" the offer of flexibility to the customer BEFORE they hit the cancel button** as a loss aversion tactic, with discounts and other monetary incentives occurring after the cancel is complete.

Top Churn-Busting Growth Hacks from Chargebee Retention eCommerce Customers:

Freshly: Using customer attributes to present personalized offers

Using cancel reason, customer tenure, customer LTV, plan size and a variety of other data attributes, Freshly serves targeted offers to specific customers instead of relying on a generic promotion.

This targeted approach became especially important at the onset of the global Covid-19 pandemic. Some customers needed to increase their shipments due to stay-at-home orders, while others had to pause due to relocation or financial hardship.

"We had to shift our initial strategy to accommodate customers going through a variety of changes in their lives," shared Adrienne, (former) Product Retention lead

Average Save Rate:

10% → 15%

% Improvement Over One Year: **50%**

"This involved a lot of data collection and analysis using Chargebee Retention, Segment, Amplitude and Looker, but through this process, we were able to learn what our customers really want from us, and what we can expect to gain from tailoring offers to meet our customers needs." Freshly learned that higher LTV customers were pausing more frequently, and coming back at a higher rate. This insight led to targeting longer tenured customers with offers to pause and flexibly manage their accounts. Customers experiencing financial hardship saw different offers. While other customer groups— like students—saw offers tailored to their specific needs, e.g. pausing their account for summer break.

Vital Proteins: Don’t trust the cancel flow survey

The prevailing wisdom for saving subscription customers is to utilize cancellation survey results to target offers (ie: a customer who says that they have too much product is given an offer to skip or swap). Underlying this advice is a big assumption - that the reason selected for cancellation is an accurate signal of the optimal offer to save the customer.

Vital Proteins wanted to test that assumption. The test setup was designed to determine whether presenting offers to customers independent of reason click increased the likelihood of a user to deflect.

Average Deflect Rate:
17% → 23%

% Improvement Over One Year:
35%

Multiple pages in Chargebee Retention"were created for multivariate testing:

1. A control page which assigned offers based on reason code

2. Specific Pages for each offer ($5 off, $10 off, 10% discount, 25% discount)

The outcome presented a clear statistical winner - fully optimized, discount offers resulted in a doubling of save rate vs a control flow with offers targeted at cancellation reasons. The lesson was readily apparent - targeting offers based on customer profile was a stair-step improvement over survey targeting.

TouchNote: Save Customers before they reach cancellation

Early in 2021, TouchNote was facing a cliff in cancellations based on a massive increase in 1-year subscriptions a year prior. Upon Analyzing their data in Chargebee Retention, they realized that Subscribers who were likely to churn had not used all of the “cards” in their subscription.

The TouchNote team proactively engaged customers who were at-risk of canceling their plan because they hadn’t used all their cards. A specific **nurture journey** was put in place to encourage customers to use the cards in their subscription.

This served to further decrease cancellation starts, not just cancellation completes!

Average Deflect Rate:

15% → 25%

% Improvement Over One Year:

66%

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Ready to reduce your subscriber churn?

Contact Chargebee Retention today and let us show you how.

Schedule a demo