

SUBSCRIBE TO SUCCESS

Why the numbers add up for subscription models in global ecommerce



IT COSTS ANYWHERE FROM **5 TO 25 TIMES MORE** TO ACQUIRE A NEW CUSTOMER THAN TO RETAIN AN EXISTING ONE

Hubspot¹

WHAT DOES LOYALTY COST?

Here's the thing: Stats like the above usually frame cost in terms of money spent. However, these days it costs plenty in terms of effort as well when it comes to retaining customers. After all, those 'unsubscribe from all emails' and 'cancel my account' buttons are only ever a few clicks or taps away.

CHURN RATES ARE HIGH... AND CONSUMERS QUICKLY CANCEL SERVICES THAT DON'T DELIVER SUPERIOR END-TO-END EXPERIENCES

McKinsey²



CUSTOMER CENTRIC COMPANIES ARE MORE LIKELY TO BE FOCUSING ON **CRITICAL ISSUES** SUCH AS **DECLINING BRAND LOYALTY**

KPMG³

SUBSCRIPTIONS = FUTURE

ENTRANTS AND 80% OF HISTORICAL VENDORS WILL OFFER SUBSCRIPTION-BASED BUSINESS MODELS

GARTNER⁴



UK SUBSCRIPTION MARKET EXPECTED TO GROW 72% BY 2022, AND VALUED AT £1 BILLION COMPARED TO £583 MILLION SPEND IN 2017

ROYAL MAIL⁵

“Brands need to fundamentally understand the subscription model is more than just another pricing option; it's a profound change in the way consumers behave and companies do business.”

DIGITAL RIVER⁶

SUBSCRIPTION SUCCESS STORIES

Company	Subscription	Story
Dollar Shave Club	Razors every month	Sold to Unilever for \$1 billion
Amazon	Prime membership	Almost half of US households now subscribe ⁷
New York Times	Paywall access	\$24 million profit “Subscription revenues accounted for nearly 2/3 of the company's revenues, a trend we expect to continue.” Mark Thompson, CEO

WHY SUBSCRIPTIONS WORK FOR BUSINESS...

<p>Recurring revenues</p> <p>Businesses can run on tighter margins</p>	<p>Simplify offerings</p> <p>One steady price makes it easier for the consumer</p>	<p>Gather D2C insight</p> <p>Sell directly to consumers to better understand their needs</p>
---	---	---

WHY SUBSCRIPTIONS WORK FOR CONSUMERS...

<p>Low-cost entry</p> <p><i>“I want to listen to any type of music at any time”</i></p> <p>Option 1: Pay a monthly subscription for £9.99</p> <p>Option 2: Buy the 35 million+ songs available on a platform</p>	<p>Personalised services</p> <p><i>“I want to watch lots of movies and TV shows I know I'll like”</i></p> <p>Option 1: Pay monthly subscription from £6.99 and get personalised recommendations</p> <p>Option 2: Buy all TV shows and movies on the platform and try to find ones I like</p>	<p>Save time</p> <p><i>“I want to get new clothes that suit me perfectly”</i></p> <p>Option 1: Walk around various department stores and queue up to changing rooms</p> <p>Option 2: Get items delivered every month, which I can return if I don't like</p>
---	---	---

GOING GLOBAL WHILE BEING LOCAL

Of course cultural considerations mean each subscription strategy needs localising for each region. Otherwise, brand loyalty - already at a premium - will evaporate.



“Especially in north-western European countries, such as Belgium, Germany, France and the Netherlands, people say subscriptions are expensive and rigid”

ING⁸

ceo.digital in partnership with Digital River®

Want to succeed with subscriptions, brand loyalty, and localisation?

Digital River is a global leader in providing comprehensive ecommerce solutions and is a trusted partner to top enterprise software, consumer electronics and digital game brands. Agile, always-on cloud-based systems are designed for speed to global markets. Able to transact in 244 countries and territories, Digital River is more than just a global partner, also your local ecommerce guide. Taking care of your local banking relationships and acting as your Merchant and Seller of Record. Digital River absorbs your risk and ensures that your entire customer payment experience is fully localised.

Book an exploratory chat with Digital River

Discuss what you need, discover what's available, decide what to do next

Kalin Hitrov
ceo.digital Business Relationship Manager for Digital River

Email: kalin.hitrov@ceo.digital

Phone: 020 3196 5705

Web: ceo.digital/digitalriver

Sources:

1. <https://research.hubspot.com/customer-acquisition-study>
 2. <https://www.mckinsey.com/industries/high-tech/our-insights/thinking-inside-the-subscription-box-new-research-on-ecommerce-consumers#0>
 3. <https://home.kpmg.com/xx/en/home/insights/2018/06/top-of-mind-2018-customer-centricity.html>
 4. <https://www.gartner.com/smarterwithgartner/moving-to-a-software-subscription-model/>
 5. <https://www.royalmailgroup.com/en/insights-innovation/insight/boom-boxes-uk-subscription-box-market-to-be-worth-1-billion-by-2022/>
 6. <https://www.digitalriver.com/more-than-a-pricing-strategy-the-rise-of-the-access-economy/>
 7. <https://us.kantar.com/business/retail/2018/amazon-prime-membership-nears-50-of-us-households/>
 8. https://www.ing.nl/media/ING_EBZ_opportunities-and-challenges-for-tangible-goods-subscriptions_tcm162-143372.pdf