



THE SUBSCRIPTION MOVEMENT

AND HOW TO SUCCEED IN IT!

Including 'How to build a subscription business'. The model that got the movement rolling!

Morten Suhr Hansen
Founder and CEO of Subscribe



About the author

Morten Suhr Hansen is an experienced subscription expert and has held executive positions in the subscription industry for more than 25 years.

In 2011 Morten Suhr Hansen founded Subscribe – a Scandinavian consultancy and innovation company that works exclusively for subscription businesses within both subscription innovation and subscription excellence.

Subscribe's head quarter is in Copenhagen, Denmark and the company serves clients in multiple European countries.

Read more at subscribe.com.

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INTRODUCTION

In 1998 Reed Hastings, a former maths teacher and successful software entrepreneur, launched a new company that would change the dynamics of a multi-billion-dollar industry and topple mighty giants.

The company was called Netflix, and the business idea was simple, yet innovative. Netflix simply moved the DVD rental business online. At that time, if you wanted to rent the latest film to watch in your home cinema, you had to start the car and go down to your local Blockbuster to pick up the film and then return it the next day. But with the emergence of the internet, Reed Hastings and his co-founder, Marc Randolph, saw the opportunity to let people go online, choose a film, and have it sent to their letterbox. A brilliant idea. The only problem was that it was highly unsuccessful!

The DVD rental business that Netflix launched was simply not working. Why not? Because it needed customers who had foresight and were well-organised. Customers that on Tuesday could predict what they would want to watch at the weekend, and customers that always managed to watch the film and return it within 48 hours in order to not get a late fee. Barely any customers behaved this way. So, in the summer of 1999 the people at Netflix realised that they had a flawed business model and an empty bank account. Something had to happen. Netflix needed to reinvent their business model.

And so, they did! Actually, they came up with three different innovations that they launched at the same time:

- 1) The Home Rental Library, which allowed customers to have four DVDs on their shelf at the same time for as long as they wanted.
- 2) Serialised delivery, where customers built their own queue of films that they wanted Netflix to automatically (or 'auto-magically' as Netflix called it) ship once the customer had returned a film.
- 3) A fixed monthly payment of USD 15.99 for the service – in other words, a subscription.

The new subscription-based model was a huge success. It outperformed the old model by a factor of five. In fact, 80 percent of all new customers that were presented the new model chose to sign up! In February 2000, Netflix dropped the old transactional

model completely, and ever since, paying for a subscription has been the only way to be a Netflix customer.

Initially, Netflix used the postal service to distribute physical DVDs to customers, but as the internet spread and the speed of broadband increased, Netflix shifted much of its distribution online.

Netflix now has a presence throughout most of the world with its subscription-based streaming service, but in the United States, where it all began, many customers still pay to receive DVDs through the post.

So, it is important to grasp that streaming itself is not the crucial innovation behind Netflix. It is the innovative business model: the subscription model! Much to the surprise of the founders themselves. As Netflix co-founder Marc Randolph has put it: *“If you had asked me on launch day to describe what Netflix would look like, I never would have said a monthly subscription service. But the subscription service saved Netflix and quickly came to define it”*.

By the end of 2020, Netflix reported that it had over 204 million subscribers worldwide and had a market value of approximately USD 243 billion. The massive success of Netflix has fundamentally shifted the power within the film industry, and currently, Netflix more than any other company is rapidly changing the way we consume television and films.

About the same time that Netflix was founded, a Danish company called Aarstiderne (in English, *Aarstiderne* would translate to *Seasons*) saw the light of day when two pioneers in the production of organic food, Thomas Harttung and Soren Ejlersen, formed a company to supply customers with weekly deliveries of organic fruit and vegetables.

In January 1999, Aarstiderne delivered its first vegetable boxes to households close to the farms which supplied the produce, and from the very beginning the subscription model has been the foundation of Aarstiderne’s business. Why? Because it makes sense from an ecological and environmental point of view. By having your

customers sign up in advance, you know just how much to produce. This has helped Aarstiderne to reduce waste to as little as four per cent. Quite impressive considering it is dealing with perishable goods like fruit and vegetables.

What the founders of Aarstiderne might not have anticipated was that the convenience of ordering online and having your food delivered to your doorstep every week is extremely attractive to consumers. And no one predicted the huge success that Aarstiderne has achieved.

With more than 100,000 customers – close to five percent of all Danish households – Aarstiderne is considered to be one of the most successful Danish e-commerce businesses ever.

Both cases, Netflix and Aarstiderne, are perfect examples of what we might refer to as the *subscription movement*. But these companies are not the only ones! In fact, the last two decades have seen numerous examples of new, exciting subscription businesses emerging across different industries. Spotify in the music industry, Zipcar in the car industry, Salesforce.com in the software industry, and Strava in the training industry, not to mention the many, many different examples of retail products like beer, razors, coffee, shirts, beauty products, and underwear – or services like dentistry, funerals, car washes, and museums – that have been marketed as subscription services within the last couple of years. These are all great examples of the same trend whereby new subscription-based companies challenge – and in some cases even outcompete – more traditional, transaction-based companies.

The subscription movement is not a matter of tiny companies trying to break into the market by selling their products in an oddball way. The subscription revolution is big business. Giant corporations like Google, Amazon and Apple are increasingly relying on the subscription business model as a generator of income, and in recent years, global companies like Adidas, Sony and Porsche, among many others, have launched various subscription services.

I have personally experienced the subscription revolution firsthand, having worked in the media industry for over twenty years. I have witnessed the magic of having large subscription revenues, and I have experienced the stress when one's position is threatened by someone with a more innovative and exciting subscription model. But most of all, I have grown more and more excited about the great possibilities of the subscription-based business model.

That is why in 2011 I decided to start up my own company, Subscribe, an innovation and consulting firm which helps both new and existing subscription companies to build the best possible subscription business.

To this end, we created a framework called *How to Build a Subscription Business*, a step-by-step model which takes clients through seven different stages and 29 specific steps to help them successfully design and implement a subscription business.

In 2014, I published my first book with the same name, *How to Build a Subscription Business*, and in 2018 volume 2 of the book was released. Since 2014 the e-book version of the book has been downloaded more than 300,000 times worldwide, bringing me in contact with subscription executives and entrepreneurs all over the world.

And since 2018, the subscription movement has grown even stronger. It is weekly, if not daily, that I am approached by people and companies that want to learn more about subscriptions and that are thinking about launching their own subscription service. And it is hard now to think about an industry that is not affected by the subscription movement.

This has motivated me to write this new book with an even larger emphasis on the trends that drive the subscription movement and the reasons behind it. At the same time, I have felt a need to update the framework *How to Build a Subscription Business* with all the latest knowledge on how to succeed within the subscription movement.

What you will learn in this book

This book consists of two main parts.

In part one of this book, we will delve into the subscription movement, and I will talk more about which industries are affected by it the most as well as why we are seeing this movement right now. I will share some of the latest insights from research done on the subscription movement and give my perspective on why subscriptions are better for people, planet, and profit.

In part two, I will introduce you to the updated version of *How to Build a Subscription Business*. Here we will dig into more strategic, tactical, and operational aspects of how to build, launch, and run a subscription business by taking you through all the necessary steps of modelling your subscription offering, selling subscriptions, retaining subscribers and selling more to them, winning back lost subscribers, as well as selecting the right systems and building up the right set of analytic metrics for your subscription business.

In the appendices to this book, you will learn more about some of the successful subscription concepts that have been launched using the framework described in this book as well as be able to get inspired by 50 of the most successful subscription businesses in the world.

As a reader of this book, you will probably fall into one of two groups.

Perhaps your business is already subscription-based. In this case, you can use this book to carry out a thorough review of your current business and get inspiration for improving both the processes and the performance of your subscription business.

Otherwise, you may be planning to start up a new subscription business or be planning to convert your existing non-subscription business into a subscription business. In this case, you can use this book as a step-by-step guide to develop your subscription business.

And you had better do that! If you are not running a subscription business already and are not planning to do so in the future, your competitors just might!

Because the subscription movement is gaining even more momentum!

PART ONE

THE SUBSCRIPTION MOVEMENT

The Subscription Movement
and How to Succeed In It!

THE SUBSCRIPTION EVOLUTION

01

When looking at contemporary subscription businesses like Netflix, Spotify, Apple One, and the many other examples of new subscription businesses that we have seen in the past 20 years, you could easily jump to the conclusion that the subscription business model is a rather new way for businesses to interact with their customers. That is not the case!

In fact, the subscription business model dates back to the 17th century. Subscriptions were invented by book and newspaper printers, who sold subscriptions to customers to cover the costs for large printing runs in advance.

Specifically, newspapers and magazines were for many years synonymous with subscriptions. My own career in subscriptions started at the Danish newspaper Berlingske Tidende (now Berlingske). A newspaper that was founded in 1749 and today is the second oldest subscription business still in operation.

Slowly, other industries started to pick up the subscription business model. Telecommunication companies sold their services as subscriptions, and insurance companies have for many years also relied on recurring revenue models (another word for subscription models), where customers prepay insurance premiums and stay as customers until they cancel their insurance themselves.

Until the end of the 20th century, the subscription business model was limited to a few industries. But then something happened. New types of companies discovered subscriptions and a very interesting evolution started.

An evolution that has taken us through three stages so far.

Subscription 1.0

The birth and rise of subscriptions in industries such as the newspaper, magazine, telecommunications, and insurance industries is referred to in this book as Subscription 1.0.

This period ran from the 17th century all the way up to the late 1990s. As mentioned above, in this first phase of subscriptions, the model was limited to few industries, and companies in these

industries worked continuously to improve and optimise their operations.

But it is fair to say that this work of optimisation did not always take place in order to give customers a good experience. The focus of companies using the Subscription 1.0 model was on acquisition. All resources were spent on acquiring new customers, often in an aggressive way. Telemarketing, door-to-door sales reps, and large sign-up discounts were synonymous with these kinds of companies, and little effort was put into keeping customers happy once they had become subscribers.

The idea was that once customers had been locked into a subscription, they would never leave. This was often emphasised by binding periods, meaning that subscribers, often unknowingly, took on a legal obligation to subscribe for a long period of time. Selling subscriptions for up to one year (sometimes even longer) and having customers prepay for the full period was not uncommon for companies in the early days of subscriptions.

As a result, subscriptions were not very popular among consumers. They were often considered to be unattractive, untransparent and difficult to cancel. And many older consumers today still hold this view when it comes to subscriptions. Fortunately, some companies decided to change this perception.

Subscription 2.0

Beginning around the year 2000 and continuing through the noughties, several new subscription companies started to appear. These companies liked the idea of recurring revenue and of having customers subscribe to a service instead of buying products on a one-time basis. But they did not like the way the old subscription companies treated their customers.

Instead, they insisted on making their subscriptions transparent and convenient for subscribers. Often with a low price point and short commitment periods.

Netflix is a perfect example of a company born out of the Subscription 2.0 way of thinking. From the very beginning they insisted on making the subscription offer as attractive and transparent as possible. They were among the first to offer subscribers a 30-day free trial, and for many years the ‘unsubscribe’ button was placed on the front-page of the website.

Other examples of companies that emerged during this period are software companies that started selling their ‘Software as a Service’ instead of using traditional licencing agreements and the many, many new subscription packages (package-of-the-month clubs) where subscribers were able to get a monthly surprise in the form of beauty products, dog treats, healthy snacks, and the like.

Many new subscription companies still use the principles behind Subscription 2.0, and the good news is that these companies have restored consumers’ faith in subscriptions. Younger consumers who have been brought up with these new subscription offerings especially love the convenience of subscriptions.

But at the same time, it is getting harder and harder for subscription companies to distinguish themselves. The number of streaming services and subscription packages has exploded. This has led a number of subscription companies to evolve even more.

Subscription 3.0

The emergence of Subscription 2.0 made subscriptions popular among consumers again. But these companies still had a large focus on making a uniform product or service available to consumers at a low price. Focus was still on the product.

But increased competition has led a number of subscription companies to focus even more on consumers and the relationship between the company and subscribers. For these companies operating what we call Subscription 3.0, the focus is on creating a strong user journey, putting the subscriber at the centre of everything. Often these subscription services offer subscribers a lot of personalisation, making them feel like they have their own personal service. And often these companies are known for

the excellent customer service they provide their subscribers or members with, as they will often call them.

Spotify, the world's leading music streaming service, started as Subscription 2.0 but has definitely evolved into 3.0. The service is highly personal, allowing each subscriber to feel that they have their own personal music service in their pocket. The service also allows families to share subscriptions and even create joint playlists. And friends can easily share playlists and follow each other. Another common feature among Subscription 3.0 services.

Building a successful Subscription 3.0 service will result in customers being more loyal and more likely to recommend the service to other friends.

Companies using the Subscription 3.0 model do not fall into any specific industry. They are companies that have managed to differentiate themselves from competitors, thus creating higher loyalty and customer satisfaction than the industry average.

Conclusion

The conclusion is not that every new subscription company should start out by creating a full-scale Subscription 3.0 experience for their subscribers. This is very dependent on the industry and the competition that they face. There are many examples of great companies that use the Subscription 2.0 model and strive to be loved, and are loved, by consumers.

But if you are running a subscription business or are planning to, then it is worth examining some of the instruments that Subscription 3.0 companies are using. Building a more personalised service and second-to-none customer service is never an erroneous move if you want to create a successful subscription business.

At the same time, it is great to see that many of the companies and industries that started out using the Subscription 1.0 model are also evolving. Many news media organisations now have Netflix-like digital subscription offers, and even telecommunication and insurance companies are building more compelling offers.

This is great news because, as subscription enthusiasts, we just want to see more and more companies and industries succeeding within the subscription movement. Fortunately, we are seeing just that.

Part one:
The subscription movement

THE SPREAD OF SUBSCRIPTIONS

02

As we have just learned in the previous chapter, over the past 20 years we have seen the subscription business model spread from a few selected industries to almost all kinds of companies and industries. It is fair to call this subscription movement a revolution in the way companies and consumers do business.

In this chapter, I will take you through some of the industries that have seen a plethora of new subscription concepts and businesses entering the market. In some industries, the subscription business model has taken over completely (e.g. the music industry), while in other industries, subscription businesses thrive alongside more traditional businesses. But overall, the picture is the same: Subscription businesses are spreading across industries.

I will only be able to cover a few industries and companies here. Hopefully, you will get the picture. And in Appendix B, you will find 50 more examples of successful subscription businesses from different industries, which you can explore.

Media

The media industry as a whole is maybe the most affected industry of them all. This industry covers a large number of subindustries, such as the music industry, the film industry, the news industry, and the book publishing industry. All of them are now heavily driven by subscription business models, and as a modern media consumer, we are now faced with hundreds of different media streaming services to choose from. The competition has gotten fierce.

No industry has been more affected than the music industry. Before Spotify launched their music streaming service in 2008, music was something that we bought. First as LPs, then CDs and since 2001 as digital files on iTunes or the like. Or worse, we ‘stole’ music by downloading it illegally. But Spotify and other music services totally changed that. Now, hardly anyone buys music. It has become a service that we subscribe to. And the music industry is once again an industry in growth.

The same goes for the film industry and the news industry. And even e-books and audio books have now become a subscription service through companies like Audible and Storytel.

A recent study published by The Motion Picture Association in March 2021 showed that the total number of people who subscribe to a film streaming service alone has passed one billion globally.

Retail and e-commerce

The media industry might be more obvious to you when we think about the subscription movement, but the retail and e-commerce industry might be a little less obvious to you. If this is the case, it is because you have not really learned about the huge success of Amazon Prime. Amazon, the world's largest retailer, is increasingly using the subscription model to drive growth.

But of course, it does not stop with Amazon. Thousands of retailers – both e-commerce and brick-and-mortar businesses – are now selling product subscriptions and are thus shipping products to customers on a regular basis. You might have heard about Dollar Shave Club, which revolutionised the market for men's personal care products.

Or maybe you are one of many subscribers who are subscribed to a monthly box of products in a specific category, such as dog toys or cosmetic products.

The retail and e-commerce industry are definitely working towards converting one-time buyers into regular subscribers.

Food and groceries

In the Introduction to this book, I wrote about Aarstiderne, the Danish pioneer of subscriptions for food boxes. A recent study showed that 9 percent of all Danish households now subscribe to food boxes. And that 30 percent would like to in the future. In other words, the market for subscriptions for food boxes will most likely grow rapidly in Denmark and in many other countries in the years to come.

Companies like HelloFresh are trying to build an international company around food boxes, and in many countries, they are being challenged by local companies. And consumers' appetites for food boxes seems insatiable. Why? Because food boxes offer the full package, providing meal plans, recipes, and raw ingredients ready to be prepared. It speaks to modern consumers' appetite for convenience, as we will get back to in a later chapter.

But it is not just food boxes that we subscribe to. We can also subscribe to receive basic groceries to fill our fridge and kitchen cabinets. Or we can subscribe to receive special items, such as craft beer, roasted coffee, wine or champagne.

In the future, we will get more and more of our groceries delivered through subscription services.

Fashion

The fashion industry has never been among the first to adopt new business models. It took quite a while before e-commerce spread into clothes and fashion, and only recently are we beginning to see subscriptions for clothes and wearables. But the first signs are promising.

Take the American start-up, Rent the Runway, as an example. Here women can subscribe to receive designer clothes like dresses, trousers, and blouses. You pick the clothes you want and keep them for one or two months before returning them and getting the next item on your wish list. And you do not pay per item of clothing rented. You pay a monthly subscription fee. In this way, Rent the Runway also supports a circular economy that is more eco-friendly.

The Dutch company Mud Jeans is likewise building a business where customers lease their jeans, and when they return them, they are recycled into new jeans.

Also, clothing for babies and children is increasingly being offered via subscription services in many countries. Next thing you know, you will not even own the clothes you are wearing.

Mobility

Have you ever wondered why when you are moving around in European cities like Amsterdam, Hamburg, or Copenhagen, you see so many bicycles with a blue front tyre? These are bikes provided through a subscription by the Dutch company Swapfiets, which is now planning to fill the world with blue-tyred bikes. Their business model is quite simple. You pay a flat monthly fee for access to your own bike for as long as you need it. And when you do not need the bike anymore, you simply return it, and it is then passed on to new subscribers.

Swapfiets is just one of many companies that are now offering Mobility as a Service. And it is not just start-ups we are seeing in this space. The German car maker Porsche was among the first of the big car manufactures to offer a subscription service. With Porsche Passport you can subscribe to a garage full of Porsches instead of buying just one.

Now almost all car manufactures have subscription projects of their own. So do airline and train companies, not to mention the many tech-oriented companies that are trying to tie together different types of transportation to create new, innovative services. Why? Because most experts in the mobility industry predict that Mobility as a Service will be huge in the future.

I do not think that my children, now ages 18 and 22, will ever own their own car. Nor do I believe that I ever will again.

Furniture, eyewear, and other consumer durables

Bicycles and cars are not the only consumer durables that we can subscribe to instead of buying. In fact, the subscription business model is increasingly coming into play no matter what kind of assets in our daily life you can think of.

Take furniture as an example. You have probably bought the sofa and the dining table in your own house or flat. In the future,

you do not need to. The American start-up Feather has launched a subscription service for furniture. Here you can subscribe to receive furniture for your living room, dining room and bedroom, and once you have grown tired of the furniture you have, you can either cancel your subscription or opt for a redecoration and a change of furniture. Even more interestingly, the world's largest retailer of furniture, IKEA, is currently creating and testing furniture subscriptions in select markets.

Eyewear is another area that is rapidly moving towards the subscription model. This book could not have been written without me using spectacles. But I do not own the spectacles that I am currently using. I get them through a subscription with GrandVision, the world's largest optical retailer.

And the list goes on and on. Throughout the world, it is possible to subscribe to hearing aids, washing machines, lawn mowers, designer handbags, expensive watches, etc.

As consumers, we are increasingly demanding the convenience of subscribing instead of owning, as this comes with the added benefit of being able to swap or cancel our subscriptions and allows consumer durables to be reused by the next subscriber.

Business-to-business

All the above examples have focused on companies selling subscriptions to consumers. And it is true that many of the examples of subscription businesses that we always talk about are business-to-consumer oriented: Netflix, Spotify, Amazon Prime, Dollar Shave Club, etc. Maybe that will change in the future!

Actually, it is my belief that companies in the future will choose subscriptions at least to the same extent as consumers. This will mean that the business-to-business subscription market will be gigantic.

One specific industry has already shown the way for business-to-business subscriptions. That is the software industry. 20 years ago, if you as a company wanted to buy a large software suite, you would

normally buy a licence for maybe five years and prepay for the full period. Then, each year you would have to pay an additional 20 percent on the license fee to get periodical updates and service. And after five years you would start all over again. That made purchase of software extremely time-consuming, expensive, and irreversible.

One company set out to change that. Back in 1999, the San Francisco-based CRM company Salesforce launched its software as a cloud-based service priced as a subscription without high implementation costs, instead relying on a recurring revenue model where customers paid on a monthly or yearly basis depending on the price plan. Salesforce also invented the term for this new business model: Software as a service (SaaS). Salesforce was definitely not the first software company to sell its software as a subscription. But they did start the SaaS movement and became extremely successful, and many software companies followed suit. Today, buying software as a service has become everyday practice for companies.

But it does not stop at software. Today, companies are increasingly turning to subscriptions for everything like cars, computers, printers, furniture, plants, etc.

Equally interesting, we are now also seeing that some of the world's largest manufacturers of machines and equipment are using subscription business models when they install multimillion-dollar equipment or even deliver complete plants or factories. Take the German manufacturer of large printing machines, Heidelberg. They deliver printing machines to the media industry, and they are rapidly changing their business model from selling printing machines to installing their machines at their customers' premises with a rental model attached. The average 'subscription fee' for such a printing machine could easily be USD 1.5 million a year or more. But the benefits for customers are obvious. Lower capital expenditure, of course. But also an extended partnership with Heidelberg, which handles all maintenance, service, and upgrades. Printing as a Service, you could call it, or you could use the words of Heidelberg themselves: 'Heidelberg subscription. Rethink the world of printing. Subscribe to a smart future.'

The reasons for companies to subscribe are obvious. It increases convenience and flexibility, and it drives down capital expenditure. And it makes the buying process leaner and more efficient. The subscription movement is equally relevant for both consumers and businesses

Part one:
The subscription movement

**SCANDINAVIA IS AT
THE FOREFRONT OF
THE SUBSCRIPTION
MOVEMENT**

03

The Scandinavian countries (Sweden, Denmark, and Norway) have a long tradition of subscriptions, and as Scandinavians, we have many opportunities when it comes to subscribing, meaning we can subscribe to almost anything we like.

As you might recall from chapter one, subscriptions have existed in Scandinavia since the 17th century, and over the past 20 years, the subscription movement has been as strong in Scandinavia as anywhere. No matter where in the world you live, you will have access to the music streaming service Spotify. This service was launched back in 2008 in Stockholm, the capital of Sweden, and Spotify is just one of many subscription start-ups coming out of Scandinavia in the form of software companies, streaming services, or subscription food boxes.

But how large is the subscription movement in Scandinavia right now? At Subscribe, we set out to investigate that by performing a large survey in the Scandinavian countries in November 2020.

The result is The Scandinavian Subscription Survey, and I will present some of the main insights here. Because, whether you are Scandinavian or not, the results will be interesting for understanding why this subscription movement is taking place right now and how comprehensive it is.

We decided to investigate how many subscriptions Scandinavians have. The answer is that the average Scandinavian household has 18 subscriptions! Is that many? Well, remember that 40 percent of all households consist of just one person. If you are a family, the number is even higher. So yes, that is quite an impressive number.

It is of course not a surprise that subscriptions for internet, mobile phones and insurance have a very high penetration. But 75 percent of all Scandinavian households have at least one film streaming subscription, and 64 percent of households subscribe to a music streaming service. Also, subscriptions to digital newspapers (30 percent), fitness clubs (42 percent) and even eyewear such as contact lenses and spectacles (24 percent) are high on the list.

The survey also documented that subscriptions are on the rise.

Just as we postulated before conducting the survey, 61 percent of Scandinavians say that they have more subscriptions now than they had five years ago, and 27 percent predict that they will have even more subscriptions in the future. Only nine percent think that they will have fewer.

If this prediction turns out to be true, then the subscription movement in Scandinavia will grow even stronger in the years to come.

What is it then about subscriptions that make them so attractive to consumers? Well, 42 percent of the respondents agreed with the statement ‘Subscriptions give me more convenience, flexibility and freedom’, and 33 percent of the respondents felt that ‘Subscriptions set them free from planning, ownership, and obligation.

So, this survey clearly confirms that convenience, flexibility, and freedom from ownership are the main drivers for Scandinavians when it comes to choosing subscriptions over other kinds of purchases.

The largest Danish newspaper, Politiken, wrote a large article in December 2020 based on The Scandinavian Subscription Survey. In the article, they spoke with Carina Korterup, a typical Danish consumer that has opened her eyes to the possibility of subscribing. She said: “For me subscriptions are a way of making life easier because there is a limit to how much I can deal with in my life. Having food box subscriptions means that I do not have to worry about what to eat and when to shop. Someone else has done that job for me, and that is a big relief in my everyday life”, and she continued: “For me, money is the only issue. If I did not have to consider my financials, I would also subscribe to beauty products, fresh flowers or wine and champagne. I feel like a gift has been delivered to me every time a subscription company sends me something nice.”

Clearly, many Scandinavians feel just like Carine Korterup.

Even more interesting, The Scandinavian Subscription Survey also showed a difference between the younger and the older generations. The millennial generation, those under the age of

40, is even more into subscriptions and more optimistic about the future of subscriptions.

50 percent of consumers under the age of 40 felt that subscriptions were more convenient and gave them flexibility and freedom, and 39 percent believed that subscriptions set them free from planning, ownership, and obligation. And 49 percent of millennials believed that in the future, we will subscribe to more products and services and own less stuff (only 19 percent disagreed).

As this generation grows into a segment with even more purchasing power this could potentially lead to the ultimate shift towards subscriptions for physical products too.

So, why is The Scandinavian Subscription Survey relevant to you if you do not live or do business in Scandinavia, you might ask. Well, this survey is just a confirmation of what many other surveys in other markets have shown. A recent report from the consultancy company McKinsey shows that the subscription economy in the USA has grown by 100 percent yearly for the past five years. And other surveys in other markets show similar results.

At the same time, the subscription market in Scandinavia is rather mature. We have a long tradition of subscriptions in Scandinavia, and the internet penetration and e-commerce market share are high in all three countries. And many of the new subscription start-ups are based around selling directly to consumers via the internet. So, if your market is not yet as mature in terms of subscriptions as Scandinavia, then there is a good chance that the survey can show you what is coming to you.

At least, I am quite confident that the reasons for subscribing that we have found in the survey are universal. Consumers all over the world are increasingly looking for convenience, flexibility, and the hassle-free world of no ownership.

Part one:
The subscription movement

WHY CONSUMERS LOVE SUBSCRIPTIONS

04

Before we look at the specific blueprint for building a subscription business, it is worth spending a while exploring some of the reasons for the explosive success of the subscription business model over recent years. This brief exercise will itself, as it turns out, give us valuable insight into factors to consider when building a new subscription business. And of course, you will find some of the insights from the previous chapters mentioned here again for the sake of argument.

It is my strong belief that a prerequisite for the success of any business model is that it must provide tangible benefits for both the customer and the company providing the product or service. And the subscription business model does just that: it provides tangible benefits for both seller and buyer. Consequently, in this, and the following, chapter I shall describe the most frequent ways in which consumers and businesses benefit when they engage with the subscription model – benefits that run across all subscription businesses and subscription industries.

In this chapter, I will describe the benefits of the subscription model for the consumer. In the next chapter, I will move on to explain how subscriptions can benefit your business.¹

When discussing subscription businesses with colleagues from companies across various business sectors, it is never hard to explain why subscriptions are good for a business. It seems quite intuitive to most business professionals that having subscribers who make payments on a regular basis is a good thing. At the same time, I often encounter the assumption that if subscriptions are attractive for businesses, they must be unattractive for consumers! Nothing could be further from the truth.

As this chapter will show, there are many benefits for consumers when it comes to subscriptions. That is not to say that any kind of subscription will be attractive to consumers. It should rather be a reminder to us all that when we design our subscription model,

¹ This chapter focuses on individual consumers and on businesses which serve consumers (B2C companies), but most conclusions are valid for B2B companies too.

we must be sure to make it attractive to our customers in order to make it successful. Here are some of the most obvious benefits of subscriptions seen from consumers' point of view:

Convenience

One of the most obvious key benefits of the subscription business model for customers is convenience. This convenience could be in terms of transactions and product delivery. Subscribing to a product means that you do not have to go through a fresh purchasing transaction each time you need the product. You sign up once and do not have to do anything. Often this purchasing transaction is combined with a convenient form of delivery. Many subscription businesses use home delivery to their customers as an alternative to shops, thus making the total customer experience super convenient.

Reduced complexity

In 2004 the American psychologist Barry Schwartz wrote *The Paradox of Choice: Why More is Less*, a book describing the immense range of choices facing modern consumers. No longer do you just buy a box of breakfast cereal – you must choose from a huge range of brands, flavours and sizes. Some supermarkets have more than a hundred different breakfast cereal products, and if you add that to the hundreds of other consumer choices you have to make each week, it would not be surprising if you started to search for ways to reduce this “tyranny of choice”, as Schwartz calls it.

Subscribing to a product or service is in fact a way for consumers to reduce the complexity of choice. When you subscribe for shirts and get new shirts delivered every second month (you can actually do this!), you have no need to worry about choosing between many different brands, styles, and colours, which you must do on a high street shopping expedition, and when you subscribe to a mobile phone company, you do not need to worry about checking rates each time you make a call. As a subscriber, you in effect “take yourself off the market” for a while, and this reduction of complexity is very appealing to many consumers.

Inspiration

Great subscription services are not just about making your life easier. They also provide you with a great deal of inspiration and add extra value to the product you subscribe to. Great subscription services will even serve as your personal shopper, leading you to goods and services you would never have found for yourself.

Let us take another look at the case of Aarstiderne, quoted in Chapter 1. Aarstiderne delivers fruit and vegetables to Danish households on a weekly basis, and more than that, Aarstiderne provides subscribers with a wide variety of fruit and vegetables from all over the world, including some you have probably never heard of! The company also offers full food boxes complete with ingredients and recipes, and by subscribing to this, Aarstiderne becomes your personal food shopper and life coach, constantly inspiring you to create tasty and healthy meals without having to consult dozens of cookery books.

Community membership

Becoming a subscriber sometimes means that you become part of a group or a member of a community. By subscribing, rather than buying on an occasional basis, you send a strong signal and tap into the values of the community associated with the product or service. This creates a very strong relationship between customers and the product.

In addition to this, you sometimes find that you can actually engage with other subscribers – either friends and family or sometimes even complete strangers. When subscribing to the very popular sports and training app, Strava, you will actually become a member of a wide community of runners or cyclists throughout the world. You can follow your friends and their training progress in the app, but you can also compete against complete strangers on specific routes.

Freedom from ownership

Modern consumers are not preoccupied with the idea of owning a lot of stuff. The status inherited from owning a big bookshelf full of books or stacks of CDs is long gone, as most media consumption

is now digital. And modern consumers do not need to own their own car or even clothes. Increasingly, they prefer a hassle-free experience without the obligations and the maintenance that come with owning these assets.

Many subscription businesses offer just that. The chance to subscribe to a service instead of owning a product, whether this is a subscription to digital services or the renting of physical products.

Saving money

When people consider the benefits of subscriptions, the main thing that most people will think of is saving money. But as the five previous sections have indicated, saving money is not everything. Nevertheless, for many subscription services it is true that you will get a discount if you commit to a subscription rather than buying the product or service sporadically.

A subscription business will often have lower production and sales costs, and at least some of these savings will feed through to the consumers as lower prices. You need only compare the unit price of a newspaper or magazine sold via a subscription with its cover price to see this, and thus saving money is one of a number of potential advantages that subscription businesses can offer to consumers.

Part one:
The subscription movement

WHY COMPANIES BENEFIT FROM THE SUBSCRIPTION BUSINESS MODEL

05

As mentioned in the beginning of the previous chapter, it is easy to see why the subscription model offers huge benefits for companies that implement it. It is simply good business. On the one hand, a subscription business will attract more customers if it provides the kinds of tangible benefits for subscribers that we saw above. On the other hand, there are inherent benefits associated with the subscription business model itself:

Predictability

One of the main benefits of operating a subscription business is the predictability of demand for your product, which makes production planning both easier and cheaper. If you run a stable subscription business, you will be able to predict your sales up to a year ahead based on subscriber numbers, and often you will know precisely how much you have sold before you start production.

If you run a newspaper business, you will know just how many subscribers you have when you start printing. That contrasts with single-copy sales, where you never know whether customers are going to show up to buy your paper. As a consequence, often you will have to print twice the number of copies that actually get sold by your retailers. This predictability of production and the associated reduction of waste are huge cost savers, and this is one reason why consumers often get substantial discounts when subscribing to a product or service.

Increased purchasing frequency and customer lifespan

Generally speaking, subscribers will spend more money with your business than non-subscribers. One reason is that they will make purchases more frequently because they do not have to make an active decision each time they need the product. Even a loyal transactional buyer will forget to make a purchase every now and then, or they will sometimes buy from your competitor instead of from you.

Another reason is increased customer lifespan. When customers subscribe to a product, they have “taken themselves off the

market” for a while, making it much less likely that they will cease consuming or switch to one of your competitors.

Fostering loyalty and improving competitive position

An often-quoted survey shows that business executives around the world see increased customer loyalty and improved competitive position as among the key advantages of a subscription business.²

This is no surprise, given the massive focus on building loyalty we have witnessed over the past decade. Nothing is a greater sign of loyalty than when your customers sign up to your product on a continuing basis, and having your customers as subscribers makes it much more difficult for your competitors to take them away from you.

Customer data and knowledge

Running a subscription business means that you will actually get to know your customers much more deeply and intensely than if you were running a traditional transaction-based operation. Customers will sign up to your service and give you whatever type of information you are asking for, often including their credit card details.

And then you will be able to follow your customers throughout their lifetime as subscribers. And you will get to know them even more and be able to constantly provide them with relevant information and prompt them with more great offers. And once they leave you, you will even be able to try to win them back again.

And throughout you will amass a lot of data on your customers, which you can analyse. You will become wiser when it comes to your business and how your customers use your services, and this means you will be able to constantly improve your business.

2 This survey was conducted in July–August 2013 by the Economist Intelligence Unit for Zuora. It asked 293 business executives in Europe, North America, and Australia about their views on the subscription economy. The results of the survey can be found at www.managementthinking.eiu.com

Reduced sales costs

When running a subscription business, you only need to get customers to sign up once in order to create a lasting relationship. If your subscription business is well run, this will significantly lower your cost of sales relative to running a transactional business, where you have to make the sale every time.

However, the degree to which sales costs will actually decrease depends on a number of different factors, such as your industry sector and the churn³ you experience. If your subscriber lifespans are short, you may still need to spend heavily on acquiring new customers.

Robust cash flow

One last key benefit of running a subscription business is the robust cash flow that a subscription business can generate. A subscriber to a product or service will often pay in advance. In the case of services like Netflix or Spotify, subscribers pay a month in advance, but for other subscription businesses, it is not uncommon for subscribers to pay for up to a year in advance, giving the subscription business money in the bank even before it starts producing.

This is very different from most transactional businesses, which have to produce their goods before putting them on sale and collecting money from customers, so this is just one more reason why companies prefer subscriptions.⁴

3 “Churn” is an important term in the subscription world, referring to the number of active subscribers who terminate their subscription in a given period.

4 A further advantage of the subscription model which has not been touched on above but deserves some consideration is the environmental aspect. As already mentioned, most subscription businesses reduce production waste because the entire production run is often sold before it is produced. You may remember from Chapter 1 that the fruit and vegetable producer Aarstiderne was founded on the idea of reducing food waste. Thus, apart from benefiting consumers and companies, the subscription business model also offers advantages for society in general.

In figure 5.1 you can see the full overview of the benefits for consumers when it comes to paying for subscriptions as well as the benefits for businesses when it comes to running a subscription business.

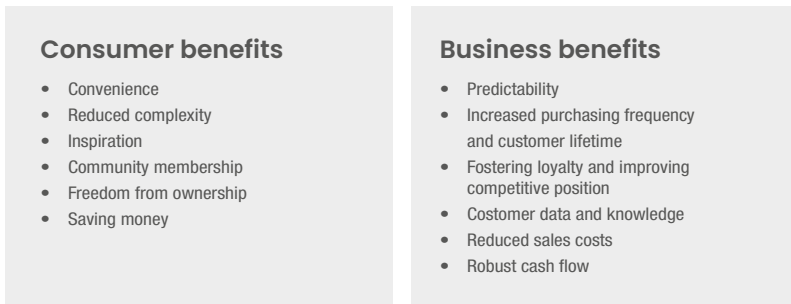


Figure 5.1 Consumer and business benefits of engaging with the subscription model

Part one:
The subscription movement

SUBSCRIPTIONS ARE BETTER FOR THE PLANET

06

In the previous two chapters, I have explained why subscriptions are better for people and profit compared to other business models. But are subscriptions also better for the planet? That is a big question. And, as my answer to the question is 'yes', that is also a big claim. So, let me explain why I think that the subscription business model at least has the potential to be better for the planet.

Let me start by giving a few examples. The Swedish producer and retailer of furniture, IKEA, has declared that it wants to be a circular and eco-friendly company by 2030. To reach that goal, IKEA has published a plan to launch furniture in 30 different markets within the next few years. IKEA wants to move away from a buy-and-throw-away culture. Instead, they want customers to rent their furniture, keep it in their home for as long as they want, and then return it to IKEA so that it can be reused by other customers. In this way, IKEA wants to create a circular model for its furniture instead of just having customers throw their furniture away after use.

Another example is Aarstiderne. The Danish food box company that I wrote about in the introduction. How many food boxes do you think that they produce a week? Well, the answer is: As many as they have sold! Because being a subscription company means that they only have recurring customers. Therefore, they know how many boxes to produce and distribute each week. This contrasts with the regular supermarket. They stock food on the shelves, and each day they must remove and throw away food that has not been sold and that is no longer in date. This is especially true of fruit and vegetables, dairy products and meat, which are discarded in large quantities. A waste percentage of 50 for fruit and vegetables is not unusual for supermarkets. Food waste is one of the largest climate challenges according to the UN. Aarstiderne, with their subscription-based model, are actually able to reduce their waste to less than four percent. In fact, Aarstiderne initially chose the subscription-based model because they wanted to build a sustainable and eco-friendly business.

IKEA and Aarstiderne are just a couple of examples of companies using the subscription business model to create a more sustainable

business. As mentioned earlier, we are now able to subscribe to a large number of consumer durables, such as bicycles, washing machines, and other kinds of assets.

The fashion industry is another industry that is increasingly working to introduce more circular and eco-friendly solutions for the future. And when it comes to fast-moving consumer goods, we are seeing more and more examples of subscriptions that have the exact same benefit that we saw with Aarstiderne: That the companies know exactly how much they have sold before they start producing and distributing products.

For these reasons, I do believe it is fair to say that the subscription business model has the potential to change the world for the better, and therefore – when combining this with the benefits for consumers and businesses – it is possible to claim that subscriptions are better for people, planet, and profit.

Part one:
The subscription movement

SAY GOODBYE TO OWNERSHIP

07

In this first part of the book, I have tried to cover the subscription movement and how it is affecting the lives of consumers and companies in many countries and markets around the world.

As we have learned from The Scandinavian Subscription Survey, and from many other surveys and analyses from other parts of the world, consumers just seem to love subscriptions. And so do companies when it comes to procuring all the products and services they need to run their businesses.

It seems that convenience and flexibility especially are two of the main drivers of the subscription movement across all types of buyers and industries. Convenience meaning that purchases are automated and that someone else has taken on the job of inspiring and servicing you. Flexibility in the sense that you no longer need to own stuff. You can simply subscribe to products and services and avoid the hassle of ownership as well as having the option to switch to another company at your own convenience.

Actually, the combination of convenience and flexibility means more freedom for consumers and companies. Freedom from ownership, freedom from worrying, freedom from tiresome shopping sprees or purchasing processes, freedom from ... (you can extend the list yourself).

So where does this end? Are we really looking into a future where we basically subscribe to anything? A future where all products have become services? A future without ownership? Basically, my prediction is ‘yes’.

“Why”, you might ask yourself! Because we have now taken a path where there is no turning back. Will there be a time in the future where we as consumers will ask for *less* freedom? *Less* convenience? *Less* flexibility? Absolutely not! Instead, we will start demanding the same convenience and flexibility from our car supplier, from supermarkets, and from theatres and museums that we get from services like Netflix and Spotify. The expectations we have of companies in one industry will be transferred to other companies and industries.

And at the same time, there will be plenty of companies ready to supply subscription services. This will either be in the form of start-ups challenging traditional companies or in the form of traditional companies ready to transition their business model. These companies will experience the great advantage of having strong relations with their customers. Not just when they are buying, but throughout the lifetime of using the product or service.

The move towards subscriptions will of course only strengthen as consumers become more conscious about helping to create a better planet, something which is increasingly becoming the case.

I, for one, have started my own journey towards becoming even more free as an individual by trying to convert all my family's everyday purchases to subscriptions. The last count I did, took me north of 60 subscriptions for my own household. We subscribe to groceries, all kinds of mobility services (cars and bicycles), eyewear and other kinds of durable goods, and of course all kinds of streaming services and software. Is it a tiring process having to set up all these subscriptions and managing them? Absolutely not. This has only increased the convenience and flexibility that we so desire in our family.

60 subscriptions in a private household is above average today. But it might not be 10 or 20 years down the line.

So, you should start to imagine a future where subscriptions and other forms of recurring revenue business models are the new normal. A future where consumers and companies subscribe to almost anything.

It is time to say goodbye to ownership. We are now entering the 'era of subscriptions'.

PART TWO

HOW TO BUILD A SUBSCRIPTION BUSINESS

The Subscription Movement
and How to Succeed In It!

INTRODUCING THE MODEL

08

This chapter will introduce you to the model that will be discussed throughout the remainder of this book. The model is called *How to Build a Subscription Business*®, and it should be seen as a practical step-by-step guide to building a new subscription business from scratch or improving an existing one.

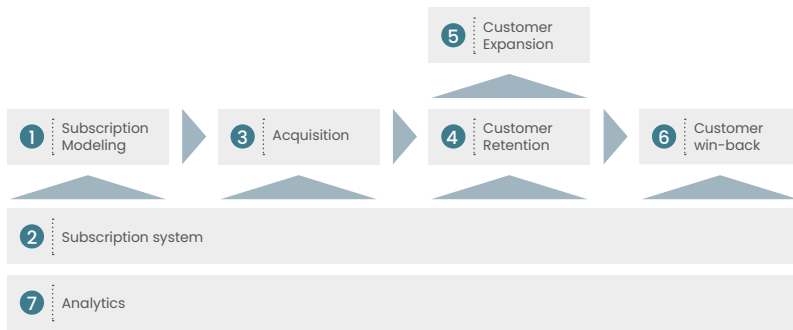


Figure 8.1 How to Build a Subscription Business

The model comprises seven stages, each containing a number of separate steps which will guide you to take the right decisions when building your new subscription business.

This model will probably raise a large question in the mind of most readers: Why do we need a special model for building a new subscription business? There are already plenty of different models and approaches for building new businesses. Different kinds of business case frameworks, business model generators, and innovation models exist, and some of them will already be familiar to you or your organisation. And they are all very good models, appropriate for most types of business – but not for subscription businesses.

The subscription business model is different to the transactional business models familiar to most people and companies. A different logic drives your business when you establish long-term relationships and receive recurring revenues.

You need a whole new set of procedures, financial measures, and

billing systems, and you need a new approach to fostering customer relations. Let me provide a few examples:

- When running a subscription business, most of your sales effort does not begin until after you have sold the subscriptions! What does that mean?
It means that the success of a subscription business is not measured by the number of new subscriptions sold: it is measured by how long you can keep your customers for, how large the current subscriber base is, and what level of recurring revenue you can generate. Hence, customer retention is the most crucial aspect of running a subscription business. Therefore, if your subscription business is to be successful, from the very beginning you must develop strategies for engaging your customers, fostering loyalty, and reducing churn.
- When running a subscription business, you are entirely responsible for handling customers from A to Z. You do not operate through wholesalers or retailers, and you do not sell your products via platforms like Apple's App Store or Google Play.⁵ You manage your customers yourself, which means that you have to store customer data, run customer communications, and handle billing and collection of revenue on an ongoing basis.
- When running a subscription business, you have to use a whole new set of financial, performance, and analytic measures to evaluate your business. In a transactional business you can easily measure the value of a product sold, but what is the value of each subscription sold? Clearly, it is the sum of future revenues, which is much more difficult to measure and depends on conversion and churn rates. Establishing the right measures is the key to understanding and improving your subscription success.

5 In fact, you could choose to run your subscription business via the App Store or Google Play. But most subscription businesses do not do this because they would lose the most valuable assets of a subscription business – namely, direct access to and ownership of customers.

These are just some reasons why you need a specific subscription-based model when building a new subscription business. But the primary reason why I have developed the model is because I have seen too many new subscription businesses fail and existing subscription businesses not realise their full potential, simply because they did not plan from the outset how they were going to operate and manage their business.⁶

If you read what follows about the seven stages of building a subscription business, you have a better chance of avoiding this mistake.

The seven stages

Building a subscription business comprises seven stages, and each stage consists of a number of steps that you can use as a guide to build a new subscription business or assess an existing business.

Figure 8.2 gives you an overview of the seven stages and the 28 steps. Let me run you quickly through the seven stages.

6 Great planning is the key to success for all businesses: this is not unique to subscription businesses. My point is simply that you have to plan for subscription success by using a subscription-based model. One of the most compelling arguments for the strength of great planning is presented by Jim Collins and Morten T. Hansen in *Great by Choice*, where they illustrate how Roald Amundsen beat Robert Scott to the South Pole simply through better planning. (Details of this and other publications mentioned in the text are given in the References section at the end of the book).

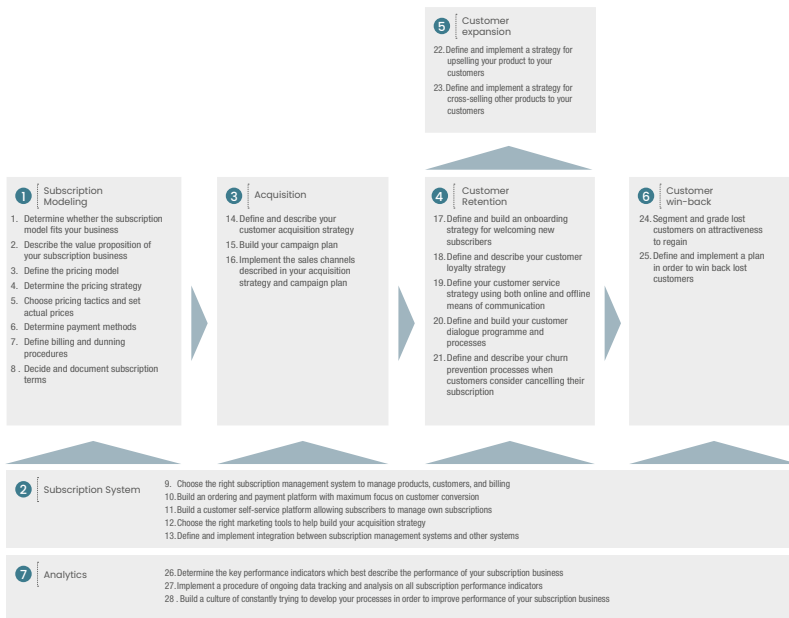


Figure 8.2 How to Build a Subscription Business – the 28 steps

The first thing you need to do is **subscription modelling**. Here you define what your subscription business is going to look like when customers see it for the first time. You need to define the value proposition of your subscription business, and you need to define your subscription packages in terms of prices and content. You also need to establish how customers will be billed and how customers will be able to make payments. Subscription modelling is all about defining the product or service that you are going to bring to the market.

Then you need to decide which **subscription systems** are going to support your business. First of all, you need to choose the system that will manage your products and your customers – this is often referred to as the “subscription management system” or the “subscription billing system”. Most standard accounting and billing systems are not capable of handling subscriptions, so you will probably have to opt for a dedicated subscription solution for this task. Then you need to build your ordering and payment platform

and choose which marketing and communication tools you are going to use. Finally, you must define and build the interfaces between the different systems.

Next, you need an **acquisition** strategy for how to gain new customers, and you need a campaign plan showing you which channels will give you how many new customers and at what cost. Then you need to implement your sales processes through the different sales channels outlined in your strategy and your campaign plan.

A successful acquisition strategy will win you a lot of new customers, and a successful **customer retention** strategy will ensure that you keep your customers for a long time. Customer retention is all about engaging your customers with your product and building long-term relationships and loyalty. You need to constantly focus on communicating with your customers and giving them good reasons to stay with you, and if they do decide to leave, you need to know what to do to persuade them not to!

A successful subscription business will also have a strategy for **customer expansion**, which is essentially about increasing your income from existing customers. This is not about getting more of their money by constantly raising your prices but about increasing income by upselling on your current product line or by introducing your customers to new products or services.

Customers who leave you need not be lost forever. In fact, however attractive your product or service may be, from time to time your subscribers will need a break. Perhaps they have been persuaded to try one of your competitors, or perhaps they just have no need for your product or service at the moment. But do not give up. Build a great **customer win-back** programme to regain lost customers.

Finally, you need to define which **analytics** are going to be used to measure the performance and success of your subscription business through all the different stages mentioned above. You must identify your analytic subscription model and the performance indicators which best define your business.

Then you need to implement continuous performance measurement and build a culture in your organisation of constantly seeking to improve performance.

Having established the importance of using a subscription-based model for building a subscription business, and having offered a brief overview of the model, I shall now cover each of the seven stages in more detail.

The seven chapters that follow will describe in depth each of the seven stages and the further steps associated with each stage. Read them all carefully or go directly to the chapter(s) that interest you most.

Part two:
How to build a subscription business

SUBSCRIPTION MODELLING

09

Modelling your subscription business in terms of what you will offer customers is the first stage in creating a new subscription business. You have to decide on how to package and price your product and when and how to bill and collect money. These are among the necessary steps of subscription modelling covered in this chapter.

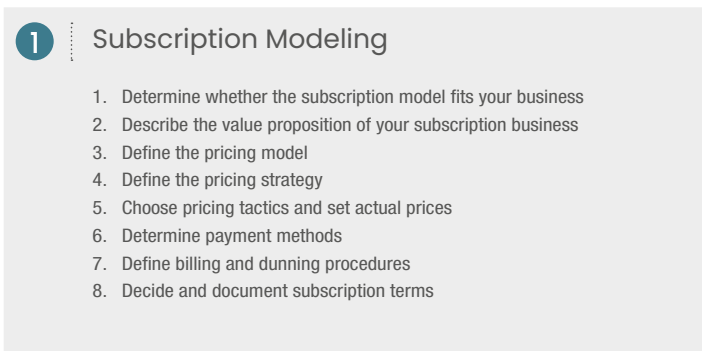


Figure 9.1 Subscription modelling

Step 1: Determine whether the subscription model suits your business

The first obvious requirement is to decide whether your product or service can actually be launched as – or transformed into – a subscription. The good news is that most products and services can – something which has been abundantly confirmed by the many new subscription businesses which have sprung up over the last decade. (For instance, have a look at Appendix B, which lists 50 outstanding and innovative subscription businesses.)

If you are already set on introducing a new subscription product or service, then Step 1 may seem redundant. But perhaps your business is a type which operates in the conventional, transactional world, and you are finding it hard to see how it could be converted to the subscription model. Many professionals have been in the same position, finding it hard to perceive the opportunities that come with the subscription model, just to watch more innovative

businesses making this leap.

Consider as one example the car industry.⁷ Ten years ago, very few within the industry could have foreseen how the subscription economy would enter their world. Then came Zipcar and other similar companies, who changed everything. Suddenly, car ownership was not so important to a large group of people who were given the opportunity to subscribe to a service that would mean they were provided with a car whenever they needed one.

Of course, there are exceptions to the rule that almost all products and services can be supplied via the subscription model, but for most products and services, we will definitely see a shift towards subscriptions. You need to establish whether this applies to your product or service too.

Step 2: Describe the value proposition of your subscription business

Once you have decided to build a new subscription business, you need to define and describe the value proposition of your product to customers. The value proposition is what value you are promising to create for your customers, given the needs of the customer group. Which of your customers' problems are you promising to help solve? Which customer needs are you promising to satisfy? These are the crucial questions that you need to answer in order to describe the value proposition of your subscription business.⁸

This exercise is very important. The more powerful your value

⁷ A number of different industries have seen a rapid shift over the past decade towards the subscription economy. Apart from the car industry, I could have mentioned the music industry, the software industry, the film industry, or the retail sector.

⁸ The concept of value proposition, and the importance of defining it for your business, is perhaps best introduced in Alexander Osterwalder and Yves Pigneur's book *Business Model Generation*. The book also contains a lot of tips and hints about constructing business models, including the "business model canvas", which has helped many business professionals to formulate an overview of a new business idea. The same authors later elaborated on the concept of value proposition in the book *Value Proposition Design*. Both books are highly recommended.

proposition is, the more successful your subscription business will be. To demonstrate, let us look at a couple of successful subscription businesses.

As a subscriber to Zipcar, you get access to car hire whenever you need it and in a very convenient and hassle-free way. You sign up to the service, pay a membership fee, and then you can book a car at your convenience. So, the value proposition of Zipcar to their customers could be described as “individual mobility without the hassle of car ownership”. A very powerful value proposition for many city dwellers.

Another example is the British cinema chain, Cineworld, which is offering a subscription with unlimited access to films for a fixed monthly fee from £9.99. So, the value proposition of Cineworld Unlimited could be described as “going to the cinema as often as you like – without caring about the costs”. The value proposition could also be described as “The more you go, the cheaper it gets”.

A good way to define and describe the value proposition is to examine the consumer benefits of subscription business models as they are described in Figure 5.1. The five main consumer benefits are convenience, reduction of complexity, inspiration, community membership, and saving money. These five benefits can be very helpful in defining your value proposition.

For subscribers to Zipcar the benefits are convenience, reduced complexity, and saving money – and they might even feel that they belong to a community of people who value freedom and like protecting the environment. Combining a wider range of benefits obviously makes for a far stronger value proposition. So, devote some time to describing your value proposition, and use this description to communicate the benefits to your customers.

Step 3: Define the pricing model

Having decided on your product or service and having described the value proposition that you are going to offer your customers, you need to decide how you are going to price and package your subscriptions. On what basis will you charge customers, and how

much are your subscription(s) going to cost?

Pricing and packaging are in fact two of the most important tasks for subscription professionals. Pricing and packaging are key subscription growth levers. And pricing agility that allows businesses to offer customers choice and flexibility when it comes to subscription plans is a key contributor of success. And yet, this area it is often treated lightly. Research shows that a subscription start-up spends on average six hours in total defining, testing and implementing their pricing model. Six hours! Across all founders and employees! And existing subscription companies spend on average 10 hours a year on their pricing model!

And yet, the price of your subscription is one of the most important decisions you have to make when you are building a subscription business. If you undercharge, you risk crippling your business with uncompensated development and high delivery costs, and if you overcharge you are hurting your growth potential by driving away many would-be customers.

Establishing the right price involves going through three important steps as described in this section and the following two. You need to define the pricing model, determine the pricing strategy and then set the right price using intelligent pricing tactics. Let us start with the pricing model.

The pricing model describes on what basis you are going to charge your customers. For most physical products this is a no-brainer. You will deliver one or more units of the product to the consumer, and they will pay for the units received. But when we move to thinking about non-physical products or services, it gets a little more complicated.

There are basically seven different usage models that you can consider when constructing your subscription model:

Unit-based pricing means that consumers pay for the actual units or products that they receive. When you subscribe to surprise box BarkBox, you pay USD 23 every time you receive a box with toys for your dog. The unit-based model is very similar

to the traditional transaction model, the sole difference being that purchases are automated.

Unlimited pricing (flat rate pricing) refers to subscription models which grant customers unlimited access to the product or the service for a fixed recurring amount. This model has been extremely successful for several digital content providers, such as Netflix and Spotify, but has started to emerge among physical businesses as well. As an example, Cineworld offers unlimited filmgoing for people who subscribe to Cineworld Unlimited.⁹ Often this model is also referred to as the ‘all-you-can-eat’ pricing model.

Usage-based pricing means that consumers pay for their usage of the product or service. Usage-based subscription businesses are common in the case of digital or telecom services, but a service like Zipcar, too, offers a usage-based service, where you literally “pay-as-you-go”.

User-based pricing models charge consumers based on the number of individual users using the system, providing full access to the system for a very low fee but increasing that fee as you add more users. The successful cloud computing company Salesforce.com is among a number of software providers using this model.

Tiered pricing models are used by subscription businesses which define a range of service tiers and allow customers to choose which tier suits them best. Tiers are often defined in terms of packages of different services and maximum levels of usage. This model is very common in the software industry, where customers may be offered bronze, silver, or gold subscription packages (or ‘Basic’, ‘Pro’, ‘Enterprise’ or any other naming convention that they think best describes the packages).

Freemium pricing is a pricing model where you offer a free-

⁹ How can unlimited filmgoing for a fixed monthly amount ever be good business? Well, it very much depends on the variable cost of having one guest visiting your cinema and the average number of times subscribers go to your cinema each month. If you only attract heavy-using consumers, it might be costly, but if you manage to attract different user groups, if you manage to win customers away from your competitors, or if you manage to sell more Coke and popcorn to your guests, then it might very well turn out to be good business.

to-use product supplemented by additional paid packages. The freemium pricing model is often used as part of a tiered pricing strategy, where the lowest tier is the free one, but it may also be used as a supplement to an unlimited pricing strategy. The New York Times and Spotify are among the many subscription companies that offer a limited service for free and then hope that customers using the free service will eventually turn into paying users.

Hybrid pricing models combine different usage models within one subscription business. Many telecom companies use a hybrid between the tiered model and the usage model: they offer a range of tiers with various usage limits along with excess charges if you exceed the base limit included in the subscription.

There is no easy way to determine exactly which usage model is best for your business. This depends very much on the type of business and what kind of product or service you provide. It also depends on your business goals and strategies. But before you decide, you should at least consider two important aspects. One is your cost structure. What are your variable costs of delivering the product or the service to your customers? This might guide your decision. Another is the competition. Do your competitors have usage models that you will have to match – or might you even gain a competitive advantage by choosing a different model?

Step 4: Determine the pricing strategy

Your pricing model is about *how* to price your product. But equally important is the question of which pricing strategy to implement in order for you to reach the overall goal of growing your subscription business once it has been launched.

Your pricing strategy should therefore be determined based on your specific goals for your business, whether this is to rapidly attract as many new customers as possible, to attract particularly high-value customers, or a third or a fourth goal.

Here are six different pricing strategies that you could consider when launching a new (or relaunching an existing) subscription business:

Penetration pricing is the strategy of reducing prices to rapidly gain adoption in the market. This is done either to secure a ‘first mover’ advantage if subscriptions are new to the market or to challenge existing competitors already in the market by introducing a lower price. This strategy means that you introduce your subscription product at a level that is unsustainable. You will lose money in the short run, but this strategy is implemented with the idea that over time you will be able to either increase the price or move your entry-level customers to new and more expensive subscription products or tiers. This strategy is therefore often known as the ‘land-and-expand’ strategy and is often used by subscription companies introducing free or very low-priced entry-level products.

Captive pricing is the strategy of launching a ‘core’ product for a lower-than-expected price but charging extra for additional products that are required to get the most out of, or keep using, the product. A classic example is the selling of printers at a low price and then trying to get customers to subscribe to the replenishment of ink, which over time is much more expensive than the printer itself. Another great example is Dollar Shave Club, where you get the handle for free with your first order of blades if you sign up for a subscription.

Skimming pricing is when you start by setting a high initial price for your product to attract the earliest adopters and the least price-sensitive customers first before, over time, slowly lowering the price in order to attract more and more customers. This strategy is most often found in the world of physical products, where supply can be scarce and development costs need to be leveraged early on. Big tech companies like Apple often use this strategy when launching brand new products.

Prestige pricing or premium pricing is the strategy of maintaining a high price in order to give potential customers a feeling of high quality, exclusivity, or luxury. By doing so, you should be able to maintain a relatively small base of high-value customers. Customers who might even not be interested if prices were to decrease. Consider the American streaming and e-learning platform Masterclass. They basically provide streaming content

produced by some of the world's most well-known experts, such as Gordon Ramsay, Annie Leibovitz, and Serena Williams. Though, the volume of content is only a fraction of what Netflix has, they charge 50 percent more for their service.

Free trial pricing is the strategy of allowing your potential customers to try the product for free for a limited period of time before they have to decide to pay for the product. This provides a quick foot in the door, where customers can start using the product or service without any financial expense, and if they actually like the product or service, there should be a strong motivation for them to stay on as subscribers. This is a strategy that is often used by subscription companies that offer a digital service with low distribution costs. Netflix was among the first to offer a 30-day free trial. Now many other subscription companies do the same.

Value-based pricing is a strategy where you use the perceived value of the product as the benchmark for setting the price instead of looking at the actual costs associated with delivering the service. So, when using this strategy, you have to predict or calculate the value that you actually deliver to your customers. And throughout the lifetime of your subscription product or service you constantly have to improve on the value perception to keep your customers and attract new ones. So, how do you determine the price when looking at it from a value perspective. That is a tough question, but in his book 'The Automatic Customer', John Warrillow suggested that a long-term winning strategy is to deliver 10 times as much value to your customers as you charge them (also known as the '10X Rule'). Well, is that even possible? When I subscribe to Spotify and they provide 70 million different music tracks on my iPhone for the price of just USD 9.99 a month, I think that Spotify have come quite close

Step 5: Choose pricing tactics and set actual prices

Having defined your pricing model and having determined your pricing strategy, you need to set actual subscription prices. And this is where using psychological pricing tactics comes in. You are probably already familiar with such psychological pricing 'tricks' because we see them everywhere. Prices always seem to end with

.99, and you often end up choosing the package in the middle when confronted with three different software packages. This is because subscription companies (like all other companies) use these psychological pricing tactics all the time.

Here are a number of different tactics for you to consider when you are setting actual prices:

Charm pricing. Have you ever wondered why prices always seem to end with the number nine? This is what charm pricing refers to. And the reason for using the number nine at the end is that it works. We tend to read numbers from the left, making a snap judgement about prices just by looking at the first number on the left. So, a price of USD 399 seems much cheaper than a price of USD 400. Actually, a study conducted by William Poundstone showed that a charm price of USD 399 outperforms a price of USD 400 by 24 percent.

Odd-even pricing works much in the same way as charm pricing. With odd-even pricing you reduce the price to just a little under the rounded price, always using odd numbers. So, you might set a price at USD 497 or USD 493 instead of USD 500 (or USD 499). Or the price could be USD 18.67 instead of USD 18.99. The effect is much the same as when you use charm pricing, but while many consumers may now ‘see through’ charm prices ending with the number nine, odd-even pricing such as USD 493 is perhaps still novel.

Product bundling pricing is the practice of bundling different products or services into one package, often with a price for the product bundle that is lower than the cost of buying all of the different products and services separately. This strategy works well when you have very popular products that you can bundle with products that are not so easy to sell. This pricing tactic can give customers a feeling of receiving much value for little money, and at the same time, it can increase the overall revenue and profit for the company.

Apple One is one great example of product bundling pricing. For just USD 14.95 (an odd-even pricing example in itself), you get access to Apple Music, Apple TV, Apple Arcade and iCloud in one combined bundle, saving you a little more than USD 6 per month.

Price anchoring. Price is relative, and when we assess the price of something, we need to compare it to something else in order to know whether the price is good or not. This is where you can help your customers to make that comparison. This is often done by creating a product that is ‘unrealistically’ expensive with the intention of making the alternatives look more attractive.

Consider this fictional example of a subscription service that comes in four different tiers:

FANTASTIC ENTERPRISE INC.			
LITE	Basic	PRO	ENTERPRISE
Feature a Feature b	Feature a Feature b Feature c Feature d	Feature a Feature b Feature c Feature d Feature e Feature f	Feature a Feature b Feature c Feature d Feature e Feature f Feature g Feature h
USD 199/mo	USD 399/mo	USD 599/mo	USD 1.999/mo

Figure 9.2 Example of price anchoring

Here, the purpose of the Enterprise tier is obviously not for anyone to choose it, rather it serves to make the first three tiers look attractive in terms of price.

Trial pricing is the tactic of offering your product or service for a reduced price for a limited time as an introductory offer. This contrasts with the free trial where you get, for example, 30 days free when signing up. With trial pricing you still get paid. One typical example is giving subscribers the first month for USD 1, but it could also be “the rest of the year for just USD 99” if USD 99 is in fact the regular price for one month.

The idea behind using trial pricing instead of free pricing is that you create some kind of filter, ensuring that those who pay, e.g. for the first month, at least have some kind of willingness to pay for your service after the trial period, making the conversion to paid customers higher.

Decoy pricing is the use of an obviously redundant pricing option where you introduce an offer that is seemingly less desirable than the other products or services in order to influence how customers choose between the remaining products or services.

One way of using decoy pricing is to introduce a single purchase product that is more expensive than buying the product as a subscription. Imagine that your local gym introduces a price of USD 19.99 if you want to use the gym just once, but for the price of USD 17.99 you could subscribe for a full month. The stand-alone visit simply does not make sense and drives customers towards choosing the subscription, making it seem even cheaper than if they did not have a single purchase option¹⁰.

Centre stage pricing. Most people prefer to choose the middle option if presented with three different options. This is often referred to as the ‘centre stage effect’, and this effect is often used in subscription pricing. The key here is to ensure that your middle tier in your portfolio of products is also the one that you would like to sell to most customers.

This effect is enforced by highlighting the middle option with a ‘most popular’ tag.

All the above psychological pricing tactics could be considered when you are setting your actual prices for your subscriptions. One word of warning, though. The use of psychological pricing tactics is often viewed with some scepticism. And maybe rightly so, as many companies have used these tactics to mislead customers. This is

¹⁰ One famous example of decoy pricing comes from the magazine publisher The Economist. They had a digital subscription that cost USD 59 and a print+digital subscription that cost USD 125. Then they introduced a third option: A print-only subscription, which was also USD 125. This product did not make sense, as you could get digital for free. Even so, by introducing this seemingly unattractive offer, they managed to increase the number of subscribers who picked print+digital. Why? Because the print-only option suddenly made the print+digital offer look more attractive.

not within the scope of this book, and you should make sure that the way you use these tactics is in line with your ambitions to be transparent and fair to your customers. However, there is nothing wrong with knowing how the brain works and using this insight to produce the most frictionless and effective purchasing process for your customers.

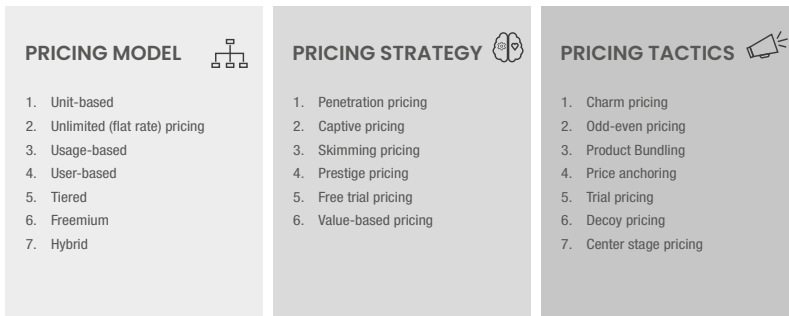


Figure 9.3 The three steps of pricing

Step 6: Determine payment methods

Having set your fees, you need to decide how you will collect money from your subscribers. How are they going to pay for the products or services that you are going to offer them?

In this digital age, this question has become much easier to answer! Many subscription businesses now rely on card payments as the sole means of collecting money from subscribers, and if you are planning to serve consumers and business professionals, then you can probably do the same. This way, your customers can easily sign up to your subscription service by agreeing to recurring card payments.¹¹ However, there are a few alternatives that you should consider.

¹¹ Not all countries have the same level of card penetration. In some countries you may find that not many consumers have cards. You always need to check whether cards are widely used in the markets that are important to you or whether alternatives exist.

Traditional invoices are still used when dealing with large or medium-sized companies. Cards may not work in the case of companies, since they are tied to individual cardholders. So, if you plan for your subscription base to include some larger companies, you may need to consider how to invoice for your products or services. In some sectors you might even have to comply with specified standards for electronic invoicing when dealing with larger private or public organisations.

In some countries you might consider direct debits as an efficient alternative to cards. A direct debit grants you the right to withdraw money from a subscriber's bank account on a recurring basis until they unsubscribe from your service. Your customers will probably not change their bank account as often as their card, so direct debits can be a more reliable means of payment. Unfortunately, these services only operate nationally, so you will need to set up a number of separate processes if you are marketing your product internationally.

One final billing method needs mentioning. If your subscription service is provided via an app through Apple's App Store or Google Play, you could rely solely on Apple or Google to collect your fees. But, however easy this solution seems, you would need to consider whether losing crucial customer data to Apple or Google is good for your business in the long run.

Step 7: Define billing and dunning procedures

How and when are you going to bill your customers, and how will you go about dunning them if they fail to pay for your products or services? That might sound like one of the more tedious issues involved in building a subscription business. However, it is a matter of great importance, and setting up consistent procedures will certainly make a substantial difference to the performance of your subscription business.

First you need to set up your billing procedure. When are you going to bill customers, and when will they get access to the service? You need to decide whether you will bill customers for your service in advance or upon delivery of the product or service, and, if you

are going to bill in advance, how many days before the end of the subscription period will you invite customers to renew their subscription? You also need to decide whether subscribers will get access to your product or service when they are billed or only when they have actually paid.¹²

Set out your billing procedure as a timeline covering the cases of both new and existing subscribers and arrange your procedures to allow for all payment methods and other variations.

Then you need to set up your dunning procedure. What happens if a subscriber fails to pay? You need to establish when and how often you are going to remind subscribers about missing payments, and you need to determine what the consequences will be if a payment is missed – how long will you give subscribers to pay before you terminate their subscription. Drawing up a timeline is advisable for this process too.

Your biggest problem will most likely be expired cards. Every card has an expiry date, so they are continually changed, and even before the expiry date, a subscriber might lose their card or change bank or card supplier. Consequently, if you are going to deal with cards, you need to set up an effective procedure to tackle this issue. Establish routines to warn subscribers *before* their card expires as well as routines to remind them *after* their card expires to supply their new card details.

¹² Billing and collecting are thought of as two different things. When subscribers sign up using a card, though, this will often be a single step. They sign up, and the payment is processed immediately. But, for other payment methods, there is typically a lag between billing and collecting.

Step 8: Decide and document subscription terms

The final step in modelling your subscription business is to set the terms and conditions which will apply to your customers when they subscribe to your service.

Terms and conditions vary across different companies and business sectors and will reflect the type of business you run. However, typically they cover issues like use of the service, privacy, invoicing and payment, cancellation policies, consequences of misuse, guarantees, and liabilities.

One thing you specifically need to consider when running a subscription business is what binding terms you wish to impose on your subscribers. Will they be tied to your service for a certain period? When can they cancel their subscription(s)? What will the consequences of cancelling or downgrading before a subscription period ends be?

One piece of advice: keep your terms and conditions as flexible for customers as your business permits. Allow them the possibility to cancel, upgrade, downgrade, or temporarily suspend their subscriptions whenever they want to. After all, what you are really aiming to do is to make your subscription business as attractive to your customers as possible so that they stay with you for all the right reasons.

Part two:
How to build a subscription business

SUBSCRIPTION SYSTEMS

10

Having decided on your subscription model, the next stage in building your subscription business is to choose the right systems to support your business. The systems and software solutions you need might vary from business to business, but you will probably need at least a subscription management system, a sales platform, and a marketing system. This chapter will take you through the various steps to be considered when choosing and implementing these systems.

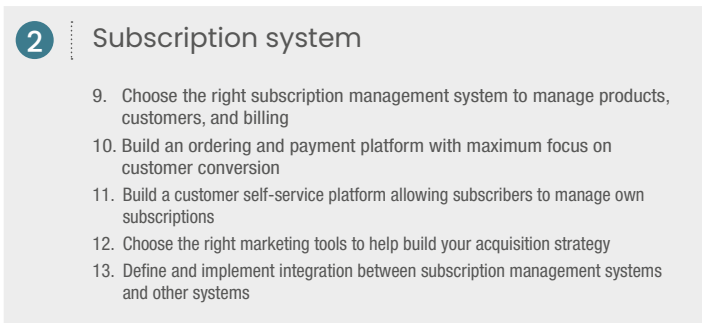


Figure 10.1 Subscription systems

Step 9: Choose the right subscription management system to manage products, customers, and billing

The first thing you need to do is choose the system you will use to manage your subscription products, store customer data, and carry out billing for subscriptions. This system is often referred to as the *subscription management system*, the *subscription billing system*, or simply the *subscription system*.

Your company might already have an ERP system or an accounting system which maintains lists of debtors and bills customers, or perhaps you are thinking that a simple accounting system might do the job. It won't. Most conventional ERP systems and accounting systems cannot handle subscriptions, and unless you plan to execute a mass of processes manually, you need a system

that can host your subscription products and bill your customers on a recurring basis. In other words, you need a subscription management system.

A subscription management system in essence allows you to do three things: To create and manage your subscription products, to input and manage your customers, and to bill your customers. Some subscription systems will have additional features to these three, and that is fine, but fundamentally you need to evaluate any subscription system you are considering against those three basic functions to check whether it meets the requirements of your subscription business.

So where do you find a subscription management system? There are essentially two ways to go. You can either seek out an industry-specific system developed for your particular business industry, or you can look for a generic system that works across different industries.

Many business industries have developed their own subscription systems. This applies particularly to those industries which have been subscription-based for a long time. Thus, if you are in the newspaper industry there are newspaper subscription systems available to you, and if you are in the magazine industry there are magazine subscription systems. The same goes for a number of other industries like telecommunications and fitness and health. The systems are often developed by software companies which support the business industry in question, and the advantage is that, often, you get a system that exactly matches your type of business. The downside is that you might get a system which does not adapt to new subscription trends fast enough and does not implement best-practice solutions.

If you do not want to look for a sector-specific solution, there are a number of generic subscription management systems available to you. They are often cloud-based systems which are easy to access. You sign up to the system, set up your subscription products, integrate it with your other systems, and you are ready to go. However, do not underestimate the integration part. Getting your subscription management system to interact with other systems is

often where you end up spending the most resources.

The advantages of these systems are that they are easy to access and involve low initial investment, both of which suit most new subscription businesses. But you need to be careful about checking whether they meet all your business requirements. Also, you need to reckon with the fact that some of these systems will charge you a percentage of your total subscription income. Cheap as it is to get started, it may become expensive if your business turns out to be a success.

This book will not provide an in-depth analysis of all the different subscription management systems available to you. This is something you will need to investigate for yourself. You might like to examine some of the most popular solutions, which include solutions like Zuora,¹³ Aria, Billwerk, Stripe, Chargebee, Vindicia, Cerilion, and Recurly.

Step 10: Build an ordering and payment platform with maximum focus on customer conversion

The subscription management systems mentioned above will probably not provide the sales platform which you need to enable customers to buy your products and services. You will therefore need to build an ordering and payment platform where your customers can sign up to buy your subscription products and pay using their card or whatever means of payment you have chosen to accept.

If you are already running a business and a website, you might be able to build the ordering and payment processes directly on your current website and transform this into your new subscription sales platform. If not, you will have to build a new website where your customers can buy your products. Needless to say, there are several ways to do this, and there are many different systems and companies specialising in building e-commerce solutions.

¹³ Zuora is rapidly becoming one of the most powerful advocates of the subscription economy and the subscription movement. Besides supplying one of the most advanced subscription management systems and being the preferred choice for larger enterprises, Zuora also hosts subscription conferences and seeks to spread the word of the subscription economy and subscription movement through newsletters and magazines.

You can either go for a bespoke solution, building your website/webshop from scratch, or you can opt for one of the many different webshop solutions, such as Shopify, Magento, WooCommerce, or Prestashop.¹⁴

Regardless of how you are going to build your sales platform, you need to pay great attention to how to make the ordering and buying experience as convenient and as seamless for your customers as possible. This is extremely important! Design your sign-up and payment processes carefully and test them extensively to ensure that when potential customers visit your sales platform you will achieve the highest possible rate of conversion from potential customers to new subscribers.

Step 11: Build a customer self-service portal that allows subscribers to manage their own subscriptions

Once subscribers have signed up for a new subscription, everything is about ensuring they are happy and keeping them for as long as possible. One important aspect of customer satisfaction when you are running a subscription business is customer service. Of course, you should allow customers to reach out directly to you if they have issues, but most customers actually prefer having the ability to service themselves when it comes to relatively simple matters. Therefore, you should build a customer self-service portal that subscribers can easily access.

What kind of jobs should you allow customers to do themselves? Of course, that depends on the type of subscriptions you have and the product or service that you are offering. But the answer is, as many as possible. Of course, you should allow customers to change all relevant personal details like their name, e-mail address, passwords, etc. But you should also allow customers to manage their own subscription. Upgrading or downgrading, pausing or postponing a delivery. And yes, even cancelling their subscription.

¹⁴ Some webshop platforms even have subscription/recurring payment options as part of their solution, which means you do not have to have a subscription management system but can manage your products, customers, and billing within the webshop platform itself. However, functionality might be quite limited, so unless you are running a very simple operation, this is generally not advisable.

Hiding the ‘cancel button’ is something that old-fashioned Subscription 1.0 companies would do. You do not want to make that mistake.

One important task is to ensure that customers have the ability to change their card or other means of payment. Maybe a subscriber’s card has expired, or maybe the customer wants to use another payment method. This should be easy for the subscriber to do.

Many of the subscription management solutions that we introduced earlier in this chapter will actually have some kind of out-of-the-box solution when it comes to self-service portals. This might suffice, at least in the beginning. Later, you might need to integrate other systems into the self-service portal, or you might want to build a more bespoke customer experience. This is when you could choose to build the self-service portal on your own.

Step 12: Choose the right marketing tools to help build your acquisition processes

Most subscription management systems will offer very limited functionality when it comes to executing sales and marketing campaigns directed towards your prospective or your existing customers, so you will probably need to choose and integrate a CRM or marketing automation solution with your subscription management system.

As we shall show later, the ability to run sales and marketing campaigns via multiple sales channels, aimed at both prospective and existing subscribers, is crucial in order to make a success of your new subscription business.

The range of available marketing tools is spread across a diverse spectrum of solutions, from very simple e-mail marketing systems and more extensive CRM solutions to hyper-advanced campaign management and marketing automation solutions.

A simple e-mail marketing solution will enable you to run e-mail marketing campaigns aimed at both prospective and existing customers. It will also enable you to engage with your subscribers

through newsletters and onboarding programmes, through which you can communicate new or existing features and benefits of your subscription product.

A more extensive CRM solution will enable you to set up specific sales campaigns and run them continuously across different target groups. You will also be able to measure the effects of the different campaigns and store the results of the campaigns at an individual customer level.

A campaign management and marketing automation solution will enable you to develop and execute sales campaigns through multiple marketing channels using extensive campaign planning tools, and it will give you the ability to set up campaigns that run repeatedly in response to particular triggers relating to your subscribers' behaviour or lifecycle.

In searching for the right solution, you need to balance the needs and the size of your subscription business with the cost of implementing and running your marketing tool. You need to try to find a solution that will be adequate in the short term and at the same time can be scaled up when your business grows.¹⁵

Step 13: Define and implement integration between your subscription management system and other systems

Once you have chosen your subscription management system and other systems and platforms, you need to define and implement integration between the various systems. First, you must integrate your subscription management system with your ordering and payment platform and your marketing tool, but there are at least two other systems you also need to consider.

¹⁵ Although no one CRM or marketing solution is specifically recommended here, you might want to consider Salesforce, the world's leading online sales and marketing solution. Salesforce is itself part of the subscription revolution, being one of the first to implement "Software as a Service", where software is sold on a subscription rather than licence basis. That is one reason why Salesforce is a "darling" of the subscription community, and several subscription management systems recommend Salesforce as a CRM solution that offers ready-made integrations.

If you are accepting card payments, you need to integrate a card payment gateway.¹⁶ There are a number of different companies that provide payment gateways. The choice of gateway will depend on where your business is located, which currencies you need to support, and which payment gateways are supported by the subscription management system you have chosen.

Furthermore, you must consider what kind of integration is needed between your subscription management system and your ERP or accounting system. Will you enter subscription revenues into the system manually, or will you integrate the systems electronically?

Finally, you need to consider whether there are other systems which need to be integrated with your subscription management system – perhaps systems specific to your business or industry or systems that can improve the performance of your operation, such as call-centre systems or web analytics systems.

¹⁶ Payment gateways act as an interface between your system and the worldwide system of cards issued by companies like Visa, Mastercard, and American Express. They allow you to process charges and issue refunds to your customers.

Part two:
How to build a subscription business

ACQUISITION



When you have modelled your new subscription business and built your subscription systems, you are ready to take your subscription product to market. This is when you need an acquisition strategy that tells you how to sell subscriptions to prospective customers. You need to define your strategies for acquiring new customers, and you need to develop a campaign plan that tells you how to sell subscriptions and at what cost. Finally, you need to use various sales channels to achieve your sales goals. This chapter will take you through the successive steps of developing and implementing your acquisition strategy.

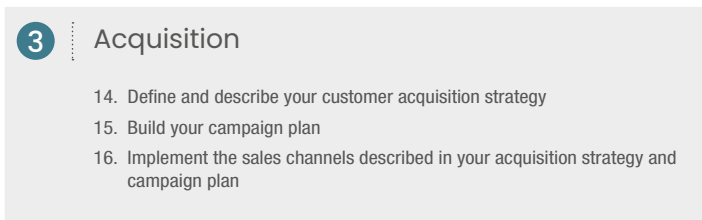


Figure 11.1 Acquisition

Step 14: Define and describe your customer acquisition strategy

Building and refining your customer acquisition strategy and implementing new ways of selling your subscription product are things that you will have to do for as long as you are in business. It is a job that never ends, since you will always need new customers to drive growth and to compensate for the ones that you lose! You will begin with a plan for acquiring new customers. But you must constantly develop and revise this plan as results are evaluated and new ideas emerge.

Consequently, this chapter will not include everything you need to know about how to sell your subscriptions. Nor will it present you with a fully worked-out sales and marketing plan. The goal of this chapter is to offer some general ideas and guidelines about how to get started on developing your initial acquisition plan.

The first step in your acquisition strategy is to define your customer segments. Can all your customers be reached through the same sales methods, or would your acquisition strategy benefit from defining two or more separate customer groups which can be targeted differently? One common way to segment is to define customers as either consumers or businesses and develop separate business-to-consumer and business-to-business sales strategies.¹⁷ This may make sense for your business, or perhaps some other way of segmenting your customers may be more appropriate.

Another important aspect of your acquisition strategy is how to attract new customers. What incentives can you provide to convince potential new customers to try out your product or service? The ideal situation, of course, is for the value proposition of your subscription product to be so strong that no incentives are needed to convince new customers to hop on board! Most probably, though, you will need some kind of incentive to acquire new customers.

One of the most popular incentive schemes is the “try the first month free” offer adopted by a number of leading subscription businesses, including Netflix, Spotify, and many others. The catch is that when signing up for one free month, customers also agree that the subscription will automatically transition into a paid subscription after the free month unless they actively unsubscribe. This makes the free trial subscription a very effective way of acquiring new customers. Whether you go for the free-trial method or choose to use some other kind of incentive to win new customers, you must ensure that subscribers on a trial are automatically rolled over to a regular subscription after the trial period in order to gain as many paying customers as possible.

The third thing you need to do, having defined your customer segments and chosen your incentive scheme, is to decide how to sell subscriptions.

¹⁷ For some businesses the distinction between business-to-consumer and business-to-business has no relevance because both consumers and businesses are reached through the same sales channels. This has led to the creation of the term “business-to-all”, which describes cases where a business uses the same acquisition strategy for all customers.

The next step will explain in greater detail how to develop a customer acquisition campaign plan.

Step 15: Build your campaign plan

A campaign plan is one of the most important tools you need when running a subscription business. Once your new subscription business is in operation, you will find that much of your time and resources are dedicated to the task of acquiring new customers, and all of these efforts will be constantly planned and evaluated in your campaign plan.

Basically, a campaign plan is a plan that tells you how many new subscriptions you plan to sell in each period, which channels you will use to sell them, and how much it will cost you to acquire each new subscription.¹⁸

Developing a campaign plan serves a number of different purposes and provides a number of important benefits. The main purpose is to plan all your activities according to your sales targets and your budgets. This will give you an overview of all your different sales activities and show you which resources are needed to meet the targets. You will also be able to monitor your sales performance against the targets on an ongoing basis. Furthermore, with a campaign plan you can evaluate each campaign and compare campaigns across different sales channels, thereby using the campaign plan to prioritise different sales channels. Finally, once you have built up sufficient history, the campaign plan will also be a great tool for sales forecasting.

A central element of campaign plans is to choose the right sales channels to reach your audience. Sales channels are *direct* if they involve you selling directly to your customers, and they are *indirect* if they involve you selling your subscriptions through intermediaries such as retailers or dealers. Even though you might want to consider indirect as well as direct sales channels when it comes to your subscription business, it is obvious that most

¹⁸ We use the term “campaign plan”, but terms like marketing plan, sales plan, or go-to-market plan are often used synonymously.

subscription businesses rely heavily on direct channels, since the subscription model by its very nature is a great way for businesses to sell directly to consumers.

Selling your subscriptions directly to customers could involve a number of different sales channels: company salesforce, direct mail, internet marketing, print/television advertising, telemarketing, social marketing, face-to-face marketing, etc. The list is long, and you need to consider which channels are most likely to fit your product, your customer segments, and your company's resources and competences, and then you need to test your assumptions to discover which channels are most effective.

However, one very effective sales channel is often overlooked and deserves a special mention. That is, using your existing customers as a salesforce to sell subscriptions to their friends and relatives. Consider Dropbox, which is one of the fastest-growing subscription businesses. Dropbox is a cloud-based file hosting service that lets you store and share data, pictures, and videos, and to access them anywhere. Dropbox has launched a very successful referral scheme, which encourages subscribers to promote the service to their friends and rewards them with 500 megabytes of extra storage for each new subscriber referred.

The referral scheme has proved to be a very powerful way of acquiring new customers for Dropbox, and you should seriously consider whether customer referral could be a good way for you to acquire new customers too. This is particularly worth considering because the referral scheme has a further benefit: It will not only win you new customers. It also functions as a way of building loyalty among your existing customers by rewarding their efforts as ambassadors for your product or service.

Step 16: Implement the sales channels described in your acquisition strategy and campaign plan

Successful implementation of the various sales campaigns and sales channels described in your customer acquisition strategy and your campaign plan is absolutely crucial to the success of your new subscription business. You must implement the right sales tools, you

must focus on building sales competences, and you must foster a strong sales culture in your organisation in order to drive sales growth.

First, you need to build and implement a campaign management tool that will help you keep track of all your campaign activities and continuously track and measure your sales performance.

If you are a small business, the best solution is probably to build this yourself using a spreadsheet. If you are planning to build a large-scale operation, you will probably be better off choosing a standard solution from one of the many suppliers of campaign management systems.

You must also consider seriously how to develop the right sales competences within your organisation in order to meet the demands that arise from your campaign plan. If personal selling is involved, either through your own salesforce or a telemarketing operation, you need to plan how to develop and train this sales organisation and how to lead and manage the operation from day to day. You might also consider whether this sales operation ought to be part of your own organisation or whether you would be better off outsourcing the operation to specialised companies.

Most likely some of your sales will come from selling online and using search advertising, e-mail marketing, social media, and other digital channels. Therefore, you need to build strong competences in digital marketing, covering disciplines like search engine marketing (SEM) and search engine optimization (SEO) as well as other digital sales skills. This area must not be underestimated. The difference between a successful subscription business and a struggling one could very well come down to the ability of the business to attract new subscribers through effective use of search engines and other digital sales channels.

No matter which sales channels you plan to use, one final consideration applies. In every case, you need to foster a strong sales culture in all parts of your organisation. Fostering a strong sales culture requires you to set ambitious and visible sales targets, constantly measure and evaluate your sales performance, communicate to everyone in your organisation, and constantly seek to improve on all your sales performance indicators.

Do not imagine for a moment that you have a product that will sell itself. A strong product will only succeed if you have a competent sales organisation and a strong sales culture in your business.

Being able to develop and implement a powerful customer acquisition strategy is one very important aspect of building a successful subscription business. Just as important is your ability to retain subscribers once you have them, which is the topic of the next stage.

Part two:
How to build a subscription business

CUSTOMER RETENTION

12

This chapter introduces you to one of the most important issues for a subscription business: How to retain subscribers once you have sold the initial subscription. While the art of selling, as we explored it in the previous chapter, is crucial to all businesses, the art of customer retention is more specific to subscription businesses. And those subscription businesses which manage to retain their subscribers by engaging them with their product and by building loyalty are by far the most successful.

Let me demonstrate the importance of customer retention with a brief example as shown in figure 7.1. Consider two different subscription businesses which both operate monthly subscriptions. Business *A* manages to retain 90 percent of subscriptions each month¹⁹, while the monthly retention rate for business *B* is 80 percent. Business *A* sells 1,000 new subscriptions each month. After a year, its total number of subscriptions is 7,176.²⁰ How many subscriptions does business *B* have after a year if it sells the same number of subscriptions per month? The answer is 4,656. In fact, business *B* needs to sell 1,550 new subscriptions each month to reach the same total of subscribers after a year as business *A*. In other words, because of the ten percent difference in retention rates, business *B* must sell 55 percent more new subscriptions each month than business *A* to achieve the same number of subscribers!

19 You will often hear the word ‘churn’ when talking about subscription businesses. Churn is the exact opposite of retention and refers to how many people are cancelling their subscription at the end of each period. In this case, churn is 10 percent.

20 The calculation is straightforward. The number of subscriptions in any given month is equal to 90 percent of the subscribers for the previous month plus the + number of new subscriptions sold in the given month.

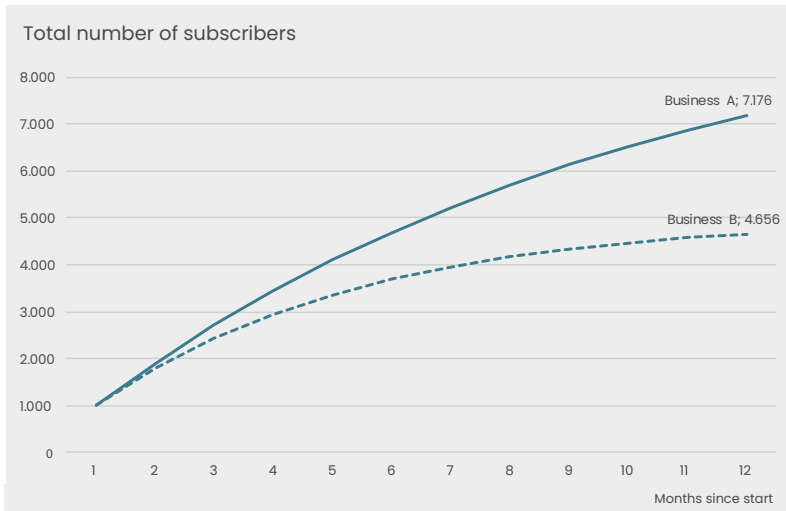


Figure 12.1 Example – the value of retention

What the example shows is that even small variations in the retention rate of your subscription business can impact heavily on your success, so you must dedicate a lot of time and effort to developing robust customer retention processes. The good news is that there are plenty of things that one can do to affect retention rates. This chapter will take you through a number of worthwhile steps that can be taken in order to maximise customer retention.

4

Customer retention

17. Define and build an onboarding strategy for welcoming new subscribers
18. Define and describe your customer loyalty strategy
19. Define your customer service strategy using both online and offline means of communication
20. Define and build your customer dialogue programme and processes
21. Define and describe your churn prevention processes when customers consider cancelling their subscription

Figure 12.2 Customer retention

Step 17: Define and build an onboarding strategy for

The Subscription Movement and How to Succeed in It!

welcoming new subscribers

When selling subscriptions, when should you start the process of building loyalty and ensuring long-time retention of your subscribers? The answer is the minute they have signed up for their initial subscription. And the first step in building long-term loyalty and retention is welcoming your new subscribers to your business. Just as you do when you invite new guests to your home or when you welcome new employees to your company.

This process is called *onboarding*. Onboarding is basically about getting new subscribers on board. Make them feel welcome and ensure they get to know your company and the product they have bought.

Consider the European surprise box company Goodiebox. They sell surprise boxes containing beauty products for women. As a member of Goodiebox, you will get a monthly delivery of 8–12 different beauty products that differ from month to month. But Goodiebox is actually not a company that sells products. It is a company that provides ‘happiness’. At least, that is what they claim, and as a member, that is the feeling that they are trying to convey to you. So, when you sign up as a new member, they will immediately start communicating their values and their mission to you. They will tell you what to expect and explain the high value of their boxes, and they will let you share the experience with other friends, even before you have received the first box. And all this happens within the first seven days, where you will receive e-mails on a daily basis. This is a great way to welcome new members.

So, how do you build a great onboarding programme yourself? Robbie Kellman Baxter, the author of *The Membership Economy*, suggested that you at least consider including three important elements in your onboarding programme and processes:

1. Reduce friction.

Make sure that it is as easy as possible to sign up and get started as a customer, and make sure that customers know exactly what they have signed up for so that they do not get confused or have any remorse after signing up.

2. Instant gratification.

If possible, have customers use the product straight away and deliver value to them immediately. And ask for their feedback and give them feedback and recognition as new members and customers.

3. Reward desired behaviour.

Already in the onboarding phase start to reward customers for their behaviour. Reward them when they recommend the product or service to friends and family, and start using available data to tailor experiences and your communication even more.

So how long does the onboarding phase actually last? This will of course vary from company to company depending on the type of product or service. But maybe try to think of the first month, at least, as a period where you have a special obligation to welcome your new subscribers.

Step 18: Define and describe your customer loyalty strategy

You could argue that everything you do in your subscription business is about creating loyalty. Providing the right product, choosing the right price, and giving the best possible service should all help to increase your customers' satisfaction and persuade them to remain as customers for longer. But perhaps you could do more to encourage customer loyalty by integrating some kind of loyalty drivers into your subscription model.

When talking about loyalty drivers, we often distinguish between primary loyalty drivers and secondary loyalty drivers. Both sets of loyalty drivers are of course designed to increase loyalty and hence the amount of time subscribers stay subscribed to your product or service for.

Primary loyalty drivers are characterised by loyalty elements that are built into the core product itself. They become part of the service offering for the subscribers. One example of a primary loyalty driver is *gamification*. Gamification is simply about applying game mechanics and experience design to your service.

This could be in the form of points, levels, and badges. Many e-learning subscription services and health and training services are using gamification in order to engage their subscribers and get them to use the service as much as possible.

Another primary loyalty driver is using networking to engage customers. This works by allowing subscribers to interact with each other. Often this means that you allow family and friends to connect with each other, but this can also be extended to total strangers. Strava, the number one subscription service for runners and cyclists, are heavily promoting networking within their service. You can easily connect with your friends and follow their training sessions (and encourage them while they are underway), but you can also compete against other Strava members on specific segments of road – either running or cycling.

Other primary loyalty drivers are building history for subscribers within the service, making multi-user subscriptions or by simply increasing the switching costs for subscribers that wish to change to another service.

Secondary loyalty drivers are about building bonus or benefit programmes to go with your subscription service. Programmes that will reward customers' loyalty with bonuses, incentives, and benefits in order to increase customer satisfaction and hence the value and lifetime of your customers. Such loyalty programmes are by no means unique to subscription businesses – they are often used by businesses such as airlines and retailers, but from a subscription business viewpoint, it makes perfectly good sense to consider implementing some kind of loyalty strategy or loyalty programme to support customer retention.

Loyalty programmes are built around the idea that your customers earn points every time they make a purchase or every time they renew their subscription. These points can later be used to make new purchases or be used as discounts on future subscriptions. The aim of these programmes is to reward your customers' loyalty in order to improve customer retention. You can even design programmes so that the more your customers buy, or the longer they stay with you, the more points they earn.

The car subscription service *Dribe* has in fact built a detailed and attractive bonus programme where subscribers earn points for each month they are subscribed to the service. These points earn subscribers extra benefits and can also be used as currency when renting special vehicles for special occasions.

Loyalty programmes can also be designed to give your customers benefits and privileges only available to them because they subscribe to your product or service. The benefits might be something that your company produces, but it is equally common to go into partnership with other companies in order to offer your subscribers substantial benefits and privileges. Benefit programmes are very common in the newspaper industry as a means to drive sales of subscriptions. The British newspaper *The Daily Telegraph* has set up one of the most comprehensive benefit programmes called *Telegraph Rewards*. The programme provides subscribers with numerous offers and benefits from various retailers, restaurants, and venues with which *The Daily Telegraph* has partnered.

It is not simple to say whether you should opt for primary or secondary loyalty drivers, or both. Of course, if you have the chance to build strong primary loyalty drivers into your product, these could easily be worthwhile, as they will help to increase engagement and use of the actual service.

If you decide to create secondary loyalty drivers in the form of a loyalty programme for your subscribers, you must reckon with the degree of effort you need to put into such a programme and the level of competition among loyalty programmes that you will face. If you decide to develop a loyalty programme, you ought to be in a position where you can offer something both unique and attractive to your customers. If you cannot do this, it simply won't work.

Too many loyalty programmes have been set up with inadequate focus on how to influence actual consumer behaviour and how to measure and assess programme performance.²¹

A customer loyalty programme can be a very effective way of improving customer retention. But if you decide to have one, you must feel certain that you can design a programme which really will foster loyalty and improve retention.

Step 19: Define your customer service strategy using both online and offline means of communication

The first step in defining your customer service strategy is to decide how to develop effective customer service that allows your customers to communicate with you about their subscriptions. It might seem too obvious to mention, but it cannot be said too often: High-quality customer service is a cornerstone when it comes to building loyalty and retaining your subscribers. Providing your subscribers with superior customer experiences will increase their satisfaction and improve loyalty and hence raise the probability of them continuing to stay with your business.

One important aspect of customer service in a subscription business is to give your subscribers the ability to manage their own subscriptions. In its very nature a subscription is an ongoing relationship between customer and company, and from time to time a subscriber will need to make changes to their subscription. Therefore, you should provide subscribers with an easy way to manage these changes themselves on a self-service platform. Depending on your business, these changes might be changes of address, updating card details, upgrades or downgrades, or temporarily or permanent cancellations.

21 How do you actually measure loyalty and the effect of your loyalty programme? This question has puzzled many marketing executives over the years. One measure of loyalty is the Net Promoter Score (NPS), which counts the number of people who would recommend your product minus the ones who would not. But when it comes to subscription businesses the most valid score must be churn rate, the number of subscribers you lose in each period. In order to evaluate a loyalty programme you should simply compare churn rates between those customers who take advantage of the loyalty programme benefits and those who do not.

Giving your subscribers self-service access will also give you more time to focus on those customer contacts which require answers and actions from your side. First, you need to give your subscribers diverse access routes to contact you directly when they have problems which need answers. They might want to phone you, e-mail you, or use online chat to reach you, and the quicker you are able to respond, the better and more trustworthy you will look in your customers' eyes.

A lot of the contact with customers might involve relatively simple and straightforward questions and enquires that can easily be dealt with. But from time to time, you will find yourself in a situation where your customers are disappointed or dissatisfied with your product or your service, and the best customer service organisations are characterised by the way they handle situations involving customer complaints and customer dissatisfaction.

Consider one classic example relating to a leading bank in the United States which studied customer complaints and the organisation's ability to handle them.²² The study showed that 55 percent of customers had never complained or felt any reason to complain about the bank, and 89 percent of those would recommend the bank to their friends. Of the remaining 45 percent, two out of three had made a complaint. Out of those that had actually complained, 55 percent received a positive response from the bank, and 91 percent of these said they would recommend the bank to their friends. (Those who felt they had a reason to complain but did not do so, and those for whom the outcome of their complaint was negative, were obviously much less likely to recommend the bank.)

What this brief example shows us is that handling customer complaints successfully can actually create customers who are even more loyal than those who never had anything to complain about in the first place. It also shows how important it is to make it easy for customers to make a complaint or an enquiry.

22 This example comes from Jill Griffin and Michael W. Lowenstein's book *Customer Winback*, an excellent reference to techniques for customer retention and customer win-back.

This is a strong reminder that developing a high-quality customer service organisation and providing your customers with a high level of customer service is imperative if you want to run a successful subscription business.

Step 20: Define and build your customer dialogue programme and processes

Constantly communicating with your customers about the product or service you provide is crucial when it comes to building a strong relationship with your customers. Therefore, you should consider how to build a customer dialogue programme which can engage your customers more intensively.

By *dialogue programme*, we simply mean a well-defined communication flow targeted at current subscribers and executed through one or more communication channels. Most typically you would use e-mail as the sole or the main channel of communication when setting up your dialogue programme, but other channels might also be relevant.

First, you need to build a dialogue programme that aims at welcoming new subscribers to your product or service. This programme should of course build on the guidelines and principles outlined in step 19.

The onboarding programme is just the start. Following that, you need to define, design, and implement a dialogue programme which allows you to communicate with all your subscribers about new product features and how to use the service. The simplest version of this would be a newsletter sent to all your subscribers, but you will probably find that a more comprehensive and focused approach is more effective. You may find that you need to communicate differently with customers depending on different factors, such as the customer segment, what product customers have bought, or where customers are in the customer lifecycle.

Netflix, the world's leading film-streaming service, has done a tremendous job of building systems and processes which allow the company to communicate with subscribers on an individual

basis. Netflix monitors your watching behaviour and tailors its communications based on that behaviour, providing you with information about newly added series that you enjoy and other targeted suggestions about what to watch.

You might not be able to match Netflix in terms of the time and effort it has put into developing its recommendation process, but it is still worth considering how you can design and build a dialogue programme and implement the processes needed to enable you to tailor your communications to individual subscribers and make your messages relevant and engaging.

Step 21: Define and describe your churn prevention processes when customers consider cancelling their subscription

No matter how hard you try to develop strong relationships with your customers, and no matter how good you are at fostering loyalty, you will always find that some of your customers will consider discontinuing their subscriptions for one reason or another. You have to decide how you are going to persuade those customers not to leave after all.

The first thing you need to work out is how to tell when a customer is about to leave you. In some cases, subscribers will tell you directly about their intention to cancel their subscription. They will phone your customer service or send you an e-mail regarding their desire to cancel their subscription. In this case, it is easy to establish their intention, but in other cases the clues available might not be as obvious. Perhaps one of your subscribers abruptly ceases using your service. Perhaps they stop paying for their subscription. Perhaps the card they use has expired and their card information has not been updated. In these situations, you do not know whether they actually wish to leave your business or simply need a nudge to reactivate their subscription.

Your best move is to draw up a list of all the indicators you can think of which lead you to suspect that a subscriber is about to churn, and then set up processes for preventing cancellations wherever possible.

If a subscriber formally requests to cancel their membership, you have a unique opportunity to enter into dialogue with the customer and enquire about their reasons for cancelling. If they phone your customer service, you need to have trained staff who are capable of discussing this with the customer and who are capable of suggesting other solutions in order to retain them. Perhaps the cancellation is just a way of expressing some kind of frustration or problem which a skilled employee could sort out.

If they write to you, send you an e-mail, or cancel via your self-service platform, you must enter into some sort of dialogue electronically, or even by phoning them, in order to try to keep them as a customer.²³

One thing to consider is whether to offer customers an incentive of some kind in order to keep them. Should you give them a discount on their next subscription period or some other incentive if they decide to stay? This is a difficult question. On the one hand it seems a small price to pay to retain a customer, but on the other hand you do not want to encourage and reward disloyal behaviour. In many instances having a good discussion with the customer in which you seek to solve their problems will be enough to keep them.

If the customer's intention to cancel is less formalised, it might be more difficult to handle – but equally important nevertheless. If the intention is expressed through non-payment, this might also be one way of expressing dissatisfaction. Depending on your type of business, you might find it worthwhile to contact these customers directly by e-mail or phone to try to resolve the issues and keep the customers.

If a subscriber for some reason simply ceases using your product or service, that too is a very good indication that they are about to cancel their subscription. Obviously, if you provide a physical product such as a newspaper or magazine, it is very difficult to know whether it is actually being read. But for many subscription businesses, such as telephone companies or digital media, one can

23 How many of those customers who formally request to cancel their subscription will you be able to retain? This varies across business sectors, but if you develop strong retention processes you might find that you can retain as many as 20 to 40 percent.

detect lack of use. Building strong reactivation programmes via your customer dialogue programme or by other means could prove very helpful, as it will let your customers know that you care and show them new ways to use your service.

Building strong churn prevention processes is the key to success for any subscription business because high customer loyalty and high customer retention will increase the lifetime of your customers and make your business more profitable.

Part two:
How to build a subscription business

CUSTOMER EXPANSION

13

So far, most of this book has been about how your subscription company can gain and retain subscribers. While this is obviously vital, another important aspect is how much revenue you derive from each customer. In fact, for many subscription businesses one of the quickest ways to increase revenue is to increase the amount of money your current subscribers spend on your product or service. Therefore, a permanent element of your subscription strategy should be about increasing your customers' engagement with you. Or to put it more bluntly, getting them to buy more of your products!

Clearly, if your subscription offering comprises just one product at one price, then there is not much you can do. But most subscription businesses have several products and price packages and consequently have the opportunity to influence how much subscribers spend.

This chapter will explore two different strategies for increasing the value of your customers. One is *upselling*, which is basically about getting your customers to buy more of the same product. The other is *cross-selling*, which is about using existing customer relationships to sell your customers new products. This chapter will take you through the steps involved in implementing strategies for both upselling and cross-selling.

5

Customer expansion

22. Define and implement a strategy for upselling your product to your customers
23. Define and implement a strategy for cross-selling other products to your customers

Figure 13.1 Customer expansion

Step 22: Define and implement a strategy for upselling your product to your customers

You are probably very familiar with the situation where you enter a McDonald's or another burger restaurant to order a burger.

“Do you want fries with that?” is the question that the server will typically ask you, while at the same time trying to sell you a full meal or an even larger meal if you go for the regular size.

Upselling is something that we experience almost every day at restaurants, retailers, petrol stations, and when shopping online.²⁴

Upselling is a very powerful way of raising revenue and profits for your subscription business, and you therefore need to define and implement a strategy for how to upsell to your existing customers.²⁵

If your subscription business has diverse subscription products and different price levels, the typical approach to upselling is to try to upgrade your customers from lower-priced to higher-priced subscriptions. This strategy of upgrading customers once they have signed up is widespread among many subscription businesses.

Take the world’s leading dating service, Tinder. They have a very clear strategy to upgrade customers once they have signed up for the service. You can actually use Tinder for free. The lowest tier is the free version of the service. At this stage you will see lots of adverts when you open your Tinder app, and the functionality will be quite limited. But you can upgrade to Tinder+ (USD 19.99 a month), which means you no longer see ads and you get some more features. But if you really want to increase your chances of meeting the right person, you will probably need to upgrade to Tinder Gold (USD 29.99) or even Tinder Platinum (USD 17.99 on top of your Tinder Gold). With more than 340 million app downloads currently, it is a fair bet that Tinder is quite successful with this strategy of upselling.

The upselling strategy of trying to land customers and then get them upgrade their subscription that Tinder is using is often referred to as *Land-and-expand*.

24 The giant internet retailer, Amazon, is the most notable example of online upselling, with its constant prompts along the lines of “Customers who bought this item also bought ...” when you set out to purchase a book or any other product.

25 The key measure of how much revenue you derive from your customers is often referred to as “ARPU” (average revenue per user). So, this chapter is basically about how to maximise your ARPU.

Another upselling technique is to add extra products or services to a subscription once it has been purchased.

This is what is done by *Aarstiderne*, the subscription service for organic fruit and vegetables discussed in Chapters 1 and 2. Once you have signed up for a weekly delivery of a food box, *Aarstiderne* will offer you great products that could be included with your next delivery. This is just another way of increasing average revenue from existing customers.

You need to work out how upselling can be part of your strategy to increase revenue and profits. What kind of upgrading opportunities exist in your subscription model, and what kinds of additional products or services could be sold alongside your standard subscription offer? Then you need to implement a plan on how and when to upsell to your customers. A good piece of advice would be to integrate this into your campaign plan (see step 15), covering upselling in a special section using the same methods and tactics as when you sell new subscriptions.

Step 23: Define and implement a strategy for cross-selling other products to your customers

Cross-selling is about using your existing customer base to sell customers products or services other than the ones they originally signed up for. Cross-selling is a very strong concept for subscription businesses, since one of the defining features of this is a continuing relationship with a large customer base which often involves both billing and delivery of products and services as a regular routine. This creates a relationship of trust between you and your customers – a relationship of trust which can easily be expanded into new product areas.

Consider Dollar Shave Club, a subscription-based e-commerce business which launched a service several years ago offering subscriptions for razor blades at very low prices. No more running out of blades or using dull blades, and no more buying overpriced razor blades from high-end megabrands.

This was the powerful value proposition which earned Dollar Shave Club a large and loyal customer base.²⁶

After having launched their company and become successful with razor blades, Dollar Shave Club decided to move into new product areas, offering other products to the company's large customer base. Their first additional product was "shave butter", which of course fits very naturally alongside razor blades. Dollar Shave Club has since launched many other new products, among them butt wipes, which are supposedly a more hygienic way of wiping your bottom than using conventional toilet paper.

If you decide to enter into new product areas and want to develop a strategy for cross-selling, the same rules apply as in the case of upselling. You need to integrate your cross-selling strategy into your campaign planning, being equally specific about how and when you will conduct cross-selling activities.

One important prerequisite is of course that you have products or services to cross-sell, and when you set up a new subscription business that might not be your first priority. However, for any new subscription business it is attractive to contemplate the prospect that if you succeed in building up a large customer base and in making the business profitable, that will be an excellent springboard from which to grow your business into new areas.

26 One of the reasons behind Dollar Shave Club's successful launch is undoubtedly the very humorous video explaining their razor blade subscription system. The video became a huge viral hit and has been called the best launch video ever made. Find it on YouTube.

Being a subscription business means that you are constantly gaining new customers and losing old ones. Even though you ought to put a lot of effort into retaining existing customers, as discussed in the previous chapters, customer churn is an unavoidable aspect of any subscription business. Depending on the product and industry, your annual churn rates could be as low as ten per cent or as high as sixty per cent – or even more. Consequently, your customer base will eventually include a large number of ex-customers. And these ex-customers might very well be one of your greatest assets.

Approaching former customers and trying to win them back is often contemplated with some hesitation. Why go back to someone who disappointed you or whom you disappointed? Isn't trying to win new customers a much better idea? Those are very natural reactions on the part of sales and marketing people. But experience shows that selling to former customers is often a very successful tactic.

You will often find that when you approach former customers hit rates are higher than with new customer leads, meaning acquisition costs are lower. Often you will also find that the lifetime value of a customer who has returned is higher than for a new customer because the customer who has returned is more familiar with your product or service and hence more likely to continue beyond their initial period.

So there are plenty of good reasons why you should define and implement a win-back strategy in order to develop processes for reacquiring lost customers. To develop a win-back strategy for regaining lost customers requires you to go through a series of steps to maximise your results. First, you need to analyse why the customers you have lost left your business and how valuable they were as customers. Then you can grade them in terms of win-back attractiveness. Secondly, you need to define and implement your win-back plan, specifying what kind of measures and time schedule you will use. And you need to ensure that you continually measure, evaluate, and refine your win-back plan.

Part two:
How to build a subscription business

CUSTOMER WINBACK

14

6 Customer win-back

24. Segment and grade lost customers on attractiveness to regain
25. Define and implement a plan in order to win back lost customers

Figure 14.1 Customer winback

Step 24: Segment and grade lost customers in terms of win-back attractiveness

Are all lost customers equally desirable to win back? Do you actually want to win back all ex-customers? Intuitively the answer to these questions is no! But how do you determine the desirability of your ex-customers, and how do you decide whether a particular ex-customer is really a win-back candidate? To answer this, you must segment your lost customers in terms of both their reasons for churning and their attractiveness as a customer.

You need to learn why your customers have churned from your business, and you need to store that information at an individual customer level. This will help you decide whether trying to win back a given customer is worthwhile and how that customer should be approached. In essence, customers who leave can be divided into five groups:²⁷

- Those who are intentionally pushed away
- Those who are unintentionally pushed away
- Those who are pulled away
- Those who are bought away
- Those who move away

27 These categories follow Stauss and Friege, 'Regaining Service Customers', Journal of Service Research, May 1999.

We intentionally push customers away for different reasons – perhaps they don't fit our customer profile, perhaps we lose money on them. Or perhaps customers churn because they no longer need the product or service (moved away). These customers might not be as easy or desirable to win back as customers that have left either because we didn't meet their expectations (unintentionally pushed away) or because they were pulled or bought away by our competitors. Knowing the reason for churn is likely to prove valuable in grading lost customers and determining their win-back attractiveness for the future.

Consequently, you need to record the reason for leaving whenever a customer leaves your business. One good way is to conduct an exit interview. Phoning customers, sending them a questionnaire by e-mail, or having the reason for leaving built into the online cancellation flow shows them that you care about the relationship and are keen to understand why they left. Not only will this provide valuable insight, it will also make the churning customer more enthusiastic next time you contact them.

Another important measure is the value of your lost customers. How much revenue did the customer generate, and for how long did they remain a customer for? These are some of the measures that can help you calculate the expected future value of a customer if you win them back.

Using both customers' reasons for leaving and their expected future value, you should be able to segment and grade your ex-customers and decide which of them are worth trying to win back and what priority to assign to different groups.²⁸

28 Even if you decide to leave some ex-customers alone, you should still treat these "non-win-back candidates" as potential future customers. Perhaps they will need your product or service once again, or perhaps they can act as good ambassadors even though they no longer need your product. Leaving a positive impression with these former customers is crucial for a possible future relationship.

Step 25: Define and implement a plan in order to win back lost customers

Once you have decided which customers to win back, you should move on to defining and implementing your win-back plan. Your win-back plan should take into account a number of factors. You need to decide when and how often you will contact former customers, what message to send, and which sales channels to use.

When and how often you should contact your ex-customers will vary a great deal from business to business and industry to industry. Some companies and industries contact lost customers many times a year, while others take a more modest line. However, you should take into account your customers' buying habits and circumstances. For instance, if you sell mobile telephone subscriptions, you will often find that customers who have churned immediately shift to one of your competitors, since customers commonly need one, and just one, mobile subscription. In designing your win-back frequency plan you should take into the account the contract length that is normal for mobile subscriptions in your market. If the normal contract length is one year, you might design your win-back plan so that you contact former customers eleven months after they have left you.

Whichever market you are in, you must aim to design a win-back frequency plan that best fits your customers' needs and the market you are in.

Then you need to plan what message you will use when contacting your lost customers. Your win-back message might contain some or all of the following points:

- Acknowledgement of the customer's past affiliation with your business
- Discussion of improvements and changes made since the customer left
- Emphasis on the ease with which the customer can re-engage
- Perhaps provision of a financial or other incentive for re-engaging

The key thing here is that the churned customer should be recognised by your business as a former customer, one that you miss and will do all you possibly can to win back. Perhaps you will even be able to personalise your win-back message using the data you have about their history as a customer and their reason for leaving. If so, your win-back message will be so much more powerful. But even if your win-back message is standardised for all ex-customers, it is probably still an efficient means of winning back customers.

Lastly, you must decide which sales channels to use when contacting lost customers in order to win them back. In carrying out your win-back activities you will probably use some of the same sales channels you use when acquiring new customers. If you use e-mail marketing as a sales channel for prospective customers, it is very likely you will also find it profitable to use e-mail marketing for win-back activities. However, you need to consider that when it comes to customer win-back it is important for your sales approach, and hence your use of sales channels, to be as personal as possible. Be careful not to spam your former customers with repetitive win-back messages via e-mail on a weekly or monthly basis just because it is cheap and easy to do.

Once you have implemented your win-back plan, you will find that some of your win-back initiatives are working better than others. Some messages will perform better, some customer segments will have higher hit rates, and some sales channels will outperform others. You therefore need to constantly measure, evaluate, and refine your win-back plan to improve win-back results.

One question is how to measure the effect of your win-back initiatives. The most straightforward measure is hit rate: This is how many former customers you win back through a given activity. However, a more precise measure is the value of the win-back sale. An even more sophisticated measure is the lifetime value of the re-engaged customer. By calculating the value of the sale or the lifetime value of customers, you can compare these to the acquisition costs associated with your win-back activities and assess whether you are prioritising the right segments, the right messages, and the right sales channels.

Constantly refining your win-back plan will help ensure that you get the most out of one of your most valuable assets – the customers you once had.

Part Two:
How to build a subscription business

ANALYTICS

15

The final stage in building a subscription business involves implementing analytical tools and metrics that can help you track your performance. These tools and metrics are not only valuable because of the information they generate: they can help to foster a performance-based culture where all members of your organisation try constantly to improve the performance of your business.

We have touched upon the issue of measuring and improving performance several times throughout this book. In Chapter 7, we saw an example of how even small improvements in customer retention can have a dramatic influence on the overall total number of subscribers over time. The same is true for a number of the other areas we have covered.

You need to have a structured process for identifying which key performance indicators are most important for measuring and evaluating your subscription business. For this, you first need to define and describe your basic subscription model, and then you need to identify the *key performance indicators* (KPIs) which will be best suited to assessing the state of your business. Then you should set up procedures for regularly measuring and assessing your KPIs. Finally, you need to build a culture of constantly seeking to develop and improve your processes in order to improve the performance of your business.

This chapter will take you through the various steps involved in measuring and evaluating your subscription business and building a performance-oriented culture in your organisation.

7

Analytics

26. Determine the key performance indicators which best describe the performance of your subscription business
27. Implement a procedure of ongoing data tracking and analysis on all subscription performance indicators
28. Build a culture of constantly trying to develop your processes in order to improve performance of your subscription business

Figure 15.1 Customer expansion

Step 26: Determine which subscription performance indicators give the best picture of the performance of your subscription business

The first step is to determine which key performance indicators you are going to use in order to measure and assess the performance of your subscription business.

As you will learn here, there are a number of metrics that are used by almost all subscription businesses that you simply need to know about, and then there are most likely a number of key performance indicators that are more specific to your business that you need to figure out how to define and measure.

And to make things even more complicated, there is probably some kind of correlation between your standard KPIs and the KPIs that you define for your business. A correlation that is worth investigating at some point.

No matter, the important thing is that you measure and track these indicators on a continuous basis in order to monitor business performance and to make decisions about what actions you need to take.

Basically, the KPIs help us to know when the actions we take are succeeding, and they also help us prioritise our actions and ensure that we are working on the right projects.

Here are a number of different metrics that are common to almost all subscription businesses and that you might find useful when deciding which KPIs to use to measure and evaluate your business:

- **Number of subscribers**
You can debate whether the number of subscribers should be regarded as a performance indicator or rather as the end result of your performance. However, number of subscribers is definitely a crucial metric.
- **Average revenue per subscriber**
Sometimes referred to as ARPU (average revenue per user),

this metric simply measures the average revenue that you create on a monthly basis from your subscribers. It is an important measure, as it drives the profitability of your subscription business. It can be affected through upselling and cross-selling, and it can be measured as an overall total or separately for different customer segments or subscription packages.

- **Number of new acquisitions**

Measures the number of new subscribers gained in each period. It is measured as part of a campaign plan, and consequently it is often measured separately for different campaigns and/or sales channels.

- **Customer acquisition cost (CAC)**

Measures how much it will cost you to acquire a new customer. Sometimes referred to as CPO (cost per order) or CPA (cost per acquisition). This is an important performance indicator for predicting and measuring the overall profitability of a subscription business.

- **Customer churn**

Measures how many customers leave your business in each period. It is perhaps the most important and often the most “feared” indicator for a subscription business, as a low churn will make your business prosper and make new acquisitions profitable, and a high churn will result in a subscription business that has difficulty growing or ever becoming profitable.

- **Customer lifetime value (CLV)**

This metric is a combination of some of the KPIs listed above, as CLV measures how much revenue you will generate from a subscriber throughout the lifetime of the subscription. So, you need to calculate the expected lifetime of a subscriber using the churn profile of your customers and then multiply the expected lifetime with average revenue per user to give you the lifetime value. However, if you have direct costs associated with delivering the product or service (sometimes referred to as ‘average cost per user’ then you need to deduct these.

Because customer lifetime value combines churn with revenue, we often refer to CLV as ‘the king of metrics’ when it comes to subscription businesses. The higher the CLV, the more profitable your business is.

Often you will compare your CLV with your customer acquisition cost (CAC) because obviously you need to make more money on each customer than it costs you to acquire them. So, your CLV/CAC ratio is also an important metric for your subscription business²⁹.

Are all the above KPIs relevant to your own subscription business? Yes, it is likely that they will be because they are the KPIs that are relevant to almost all subscription businesses. However, the list is not exhaustive: many subscription businesses have further performance indicators that are more specific to their type of business, or they opt to supplement the KPIs listed with other indicators.

Consider you ran a streaming service for e-books and audiobooks. Then you would probably measure how your subscribers actually use your service. Maybe you’d measure how many books they read or listen to during a month. Maybe you’d measure how many hours they spend reading using your service.

These engagement metrics could also be important KPIs for your business. Why? Because they actually impact the performance of your business. Maybe you’d learn that the more books or the more hours they read, the lower their churn is. Then, these engagement metrics would become KPIs for your business. And you would find that by nudging your customers towards reading more, you could lower your churn.

Try to imagine whether there are similarly engagement metrics or other kinds of metrics that you need to consider as KPIs for your specific business.

29 The American statistician David Skok has in fact done a large study on the CLV/CAC ratio, and he found that if the ratio is above 3, meaning that you have a CLV that is at least three times higher than your CAC, then you have a sustainable business for the long run.

Because you need to define just which KPIs best measure the performance of your subscription business. You do this by using the generic KPIs which apply all subscription businesses and combining these with performance measures specific to your business. Once again, keep things simple to start with. You can always bring in new performance indicators as you go along to get an even better understanding of what drives the success of your business.

Step 27: Implement a procedure of ongoing data tracking and analysis for all subscription performance indicators

The next step is to define your reporting procedure based on the KPIs defined in the previous step. You should set up a procedure to ensure that you and your organisation receive reports on all your KPIs on an ongoing basis so that you can continuously track the performance of your business.

Does this seem too obvious to mention? Well, to most organisations it is not! I have seen far too many new (and existing) subscription businesses operating without any proper reporting system, leaving them in the dark about why their overall performance is improving or declining. Do not underestimate either the importance or the complexity of setting up your performance reporting!

There are a couple of steps worth following when you set up your performance reporting system. First, you need to decide on the frequency of reporting. No doubt there will be some metrics that you want to follow on a daily or weekly basis. These might include sales performance and new subscriber numbers. But you should probably opt for monthly reporting of the complete set of KPIs. You need enough information to make the reporting valid, and at the same time, you need to get the reports early enough to be able to respond to adverse developments. Monthly reporting is often suitable in both respects.

Then, you need to specify precise definitions for your KPIs. Does a new subscription count from the day it is sold or from the day the subscription starts? Has a subscriber churned if their subscription is cancelled due to lack of payment but reactivated two days after

cancellation? What if it is reactivated thirty days later? All kinds of definitional questions must be asked in order to develop your reporting standards.

Finally, you need to define which analytical tools and systems are needed to generate the reports. If you run a small business, you might go for a spreadsheet, but if your subscription business is larger and more complex, your reporting might require more advanced analytical tools. Some subscription billing systems will provide standard metrics that might be able to get you started, but you need to establish whether you need skills and systems beyond those.

However you decide to do it, continuous reporting of your key performance indicators is an important prerequisite for fostering a culture of performance in your organisation.

Step 28: Build a culture of constantly trying to develop your processes in order to improve the performance of your subscription business

So far, the main focus of this book has been on how to build your subscription business and how to manage customers by creating a high value proposition, selling subscriptions, and building loyalty among customers. Little space has been devoted to how you should manage your subscription organisation and how to build a “subscription culture” internally. That does not mean that this is unimportant. It is definitely important! Consequently, the last step in this book is about building a performance culture which constantly seeks to develop business processes in order to improve the performance of your subscription business.

It should be apparent when going through the first 27 steps that building a successful subscription business is very much about mastering a range of different disciplines and maintaining a focus on customers throughout the entire customer lifecycle. Keeping the right balance and focus among a large number of different activities is very important.

Therefore, you need to make sure that you have people in the organisation who are focusing on each of the different KPIs that

you have defined. This is best done by delegating authority and responsibility for your various KPIs to specific individuals, ensuring that they have full ownership of the indicators assigned to them.

Then you should set targets for each KPI. Set targets for average revenue per user, number of acquisitions, customer acquisition costs, customer churn, and so on. Make sure that targets are ambitious but realistic, and make sure that specific individuals and/or departments are given responsibility for meeting these targets. Giving individuals or departments ownership not only of tasks and processes but also of specific targets is a very powerful leadership tool and will help to build the desired performance culture.

Finally, you need to develop a culture of constant improvement. There are always things you can do to bring down acquisition costs, improve retention, and increase revenue. The organisation, and the members of it, must be constantly preoccupied with thinking about how to improve processes, constantly testing new operations, and constantly implementing new initiatives.

The field of management literature is filled with books on how to build a performance culture, and if you look for inspiration you can certainly find it there. But in my opinion, following these simple steps of delegating targets and encouraging and enabling people in the organisation to attain targets through a constant focus on improving performance will actually do most of what is needed.

I am confident that if you and your team follow the steps that we have gone through in this book, or most of them, you have a good chance of building one of the most successful subscription businesses in your industry.

Part two:
How to build a subscription business

CONCLUSIONS

16

When I wrote my first book ‘How to Build a Subscription Business’ back in 2015, I based it on the assumption that the subscription business model was on the rise and that many business sectors would be part of the subscription movement in the years to come. Having watched the progression of the subscription economy since then, my confidence in this postulate has grown even stronger. And I am quite confident that we shall see even more companies adopting the subscription business model in the future.

My confidence has also been strengthened by the success of the two first editions of the book. Since the release of the first edition on bookboon.com in 2014 and the release of the second edition in 2018, more than 300,000 people from all over the world have downloaded the book. This is another sign of the growing subscription movement. Obviously, this is also the reason why I decided to write this new book but including the model from the first book in it.

So, with more and more businesses entering the subscription world, a good question is, who is going to win? Which businesses will be more successful? Surely, having a subscription business model in the future is no guarantee of success in itself.

In my opinion, subscription innovation and subscription excellence will be the key factors. The subscription winners will be those companies which understand the dynamics of the subscription model and are able to develop strong processes in all parts of their subscription business. The winners will be the companies that understand how to build strong value propositions into their subscription offerings and know how to foster loyalty among subscribers.

This is basically what this book is all about: subscription innovation and subscription excellence. I hope that I have been able to make the arrival of the subscription revolution plausible, and I hope I have shown that building a subscription business is not a matter to take lightly. Well executed, the subscription business model can often be superior to any other business model, but when building your new subscription business, you need to plan for success carefully by considering each of the 28 steps outlined in this book.

I hope you are now ready to start building your new subscription business or, if you already have a subscription business, ready to start improving it. Perhaps you still need inspiration from someone who has already done this? In Appendix A, I have listed some of the subscription concepts that have been launched since 2014 using the model *How to Build a Subscription Business* when innovating and implementing these new subscriptions. In Appendix B, I have gathered 50 inspiring subscription businesses from all over the world, which I am sure we all can learn from.

Let me know how you are progressing and don't hesitate to contact me with comments or questions about this book. I can be reached at mha@subscribe.com or at [linkedin.com/in/mortensuhrhansen](https://www.linkedin.com/in/mortensuhrhansen).

I wish you all the best in building your new subscription business or with improving your existing one!

The Subscription Movement
and How to Succeed In It!

APPENDIX A

**Examples of new subscription concepts
build using the model in this book**

Since the publication of the first edition of this book in 2014, my colleagues and I have worked together with a number of companies within innovation and implementation of new subscription concepts using the model that is outlined in this book.

Here are five examples of new innovative subscription concepts implemented using the principles behind *How to Build a Subscription Business*:

GN Resound – Don’t buy hearing aids, subscribe to better hearing!

GN Resound is one of the world’s leading manufacturers of hearing aids. In 2018, the Danish subsidiary of GN Resound, Dansk HøreCenter, launched a brand new subscription model allowing hearing-impaired people to subscribe to hearing aids instead of buying them. When subscribing to hearing aids, you pay a flat monthly fee that covers both the hardware and a number of valuable services. If you still wish to pay for your hearing aids outright, you can subscribe to just the service package.

Flipp from Egmont Publishing – The Netflix of magazines

Egmont Publishing is the largest magazine publisher in Scandinavia and one of the largest media companies in Europe. In 2015 Egmont Publishing launched the magazine app *Flipp*, which allows subscribers to read all the publisher’s magazines digitally for a fixed monthly price. This “all-you-can-read” service has been very popular among readers, and Egmont Publishing has since opened the platform up to external magazine publishers.

Interflora – Tailor-made flower subscription

Interflora is the world’s largest flower shop chain, with more than 58,000 flower shops in 140 countries. In 2017, the Danish subsidiary of Interflora launched a very innovative subscription concept called *My Anniversaries*. By subscribing to *My Anniversaries*, subscribers can tailor their own private subscription package by including the birthday of their wife, their wedding anniversary, their mother’s birthday, Mother’s Day, etc.

Then the recipients automatically receive a flower-related gift on the anniversaries included in the subscription. A truly tailor-made subscription model. And yes, your guess is right: This subscription is specifically targeted at men.

NightPay – Nightlife membership club

REKOM is Scandinavia's largest nightlife group with more than 175 clubs and bars in the Scandinavian countries. In 2019, REKOM launched NightPay – a true mobile-first membership solution that allows young people to get even more out of their hard-earned money when going on a night out. Members pay DKK 39.00 a month and are then given the opportunity to deposit money into their account. Money that is multiplied when they use the app to pay at REMOM's bars. A true win-win for both the young people and the clubs.

Designsquare by Rosendahl

Holmegaard, Kähler, Arne Jacobsen, and Kay Bojesen are among a few of the many well-known designer brands that are all part of Rosendahl Design Group. So, in 2020 Rosendahl launched their very own surprise box of designer goods called Designsquare. Here, subscribers get a surprise delivery of great products six times a year. And each box is filled with products that have a total value that is much higher than what subscribers actually pay.

Maybe you have already built a subscription business of your own using the model in this book. In this case, I would very much like to hear from you to learn about the process. If you or your company are still considering building your own subscription business and would like to know more about our consultancy services at Subscribely, you are also more than welcome to contact me.

I can be reached at mha@subscribely.dk or at www.linkedin.com/in/mortensuhrhansen/

The Subscription Movement
and How to Succeed In It!

APPENDIX B

50 great subscription services

Perhaps this book has inspired you to delve deeply into the subscription world. Here are 50 great ways to start!

Aarstiderne

The Danish subscription business Aarstiderne, which delivers fresh organic fruit and vegetables right to their customers' doorstep, was founded in 1999 and is, hence, one of the pioneers both within the subscription economy and the organic food revolution that is taking place in most countries in the Western world.

Within the last couple of years Aarstiderne has also extended its product range and is now delivering more and more ready-to-cook food boxes so that families can avoid the hassle of both figuring out what to eat and when to shop.

Convenience and flexibility are among the strongest value drivers for Aarstiderne's customers, but Aarstiderne is also benefitting from its increasing attention on minimising food waste and the growing demand for healthy and nutritious food.

The Danish market has seen a number of competitors entering the market for ready-to-cook food boxes, but through constant attention on innovation and customer service Aarstiderne have managed to keep their number one position in the market.

Read more at www.aarstiderne.com



AARSTIDERNE

Adobe

Adobe is the world's leading software company within multimedia and creative software products. It is probably best known for software programs like Photoshop, Acrobat Reader and Adobe Creative Suite, but Adobe is also behind the Portable Document Format, best known as PDF.

Software from Adobe was originally sold via a perpetual licencing model where customers bought a licence for a single program that was installed on their computer. When new versions of the software were released, the customer had to buy the upgrade or keep using the old version. But in 2013 Adobe changed that model into a subscription model, where users pay a monthly fee to get access to the software. This means that subscribers always have access to the latest versions and therefore get all the new features and upgrades as soon as they become available.

This change towards a subscription model, also known as Software as a Service (SaaS), has been good for Adobe's customers. But it has also been good for Adobe, which is reflected in the company's stock price, which has increased eightfold since 2013.

Read more at www.adobe.com



Amazon Prime

Amazon is the world's leading e-commerce business with an annual turnover of more than 100 billion USD, and its growth is still exponential. At the same time, Amazon is one of the world's leading subscription businesses with Amazon Prime. It is believed that over 150 million people subscribe to the service worldwide.

Amazon Prime members pay an annual sum of 99 USD or a monthly sum of 12.99 USD and get free delivery on more than 15 million different items. Furthermore, Amazon provides its Prime members with different features and content, including data storage, free e-books, and streaming of films and music.

The primary purpose of Amazon Prime is to create loyalty between Amazon and its customers. If a customer has paid USD 119 for the year or pays USD 12.99 a month for free delivery, they will automatically want to get the most out of the service they have paid, or are paying, for. As a result, Prime members end up spending three times more money than non-members on Amazon.com in addition to the subscription fee.

Amazon Prime is currently available in the United States and in 17 other countries, including Canada, the United Kingdom, Germany and Japan. But many more countries will probably see the introduction of Amazon Prime as Amazon reaches for an even larger international dominance within e-commerce.

Read more at www.amazon.com/prime



Apple One

Apple Inc. was founded by Steve Jobs, Steve Wozniak and Ronald Wayne in April 1976. Shortly after, the company launched its first personal computer, Apple 1. Nowadays, Apple is most famous for its iPhone, which has transformed the whole mobile- and computer industry – and even the company itself.

In recent years, however, Apple has moved more in the direction of services, launching a number of new subscription services such as the film-streaming service, Apple TV+; the music streaming service, Apple Music; the game service, Apple Arcade; and the file-sharing service, iCloud.

All these services can of course be bought separately, but in 2020 Apple launched a new subscription bundle service, Apple One, that combines all four services into one bundle at a price lower than buying the subscription services separately.

Apple has also launched Apple One Premier, which includes a news service and a fitness service in addition to the four services mentioned above. Apple is serious when it comes to subscriptions.

Read more at www.apple.com/apple-one/



BarkBox

BarkBox is the must-have subscription for man’s best friend: His dog. BarkBox is basically a monthly surprise box full of goodies and toys for dogs. But it is also so much more: BarkBox is a community for “dog parents”, they host events for dogs and owners, and they even have a physical store in New York City, where BarkBox was founded in 2011.

It is now estimated that more than 1 million people subscribe to BarkBox’s monthly surprise box for dogs. And if you have ever wondered whether the dogs themselves care about getting a BarkBox then go to YouTube and search for “BarkBox unboxing” and see for yourself.

BarkBox also runs a dog-themed content site called BarkPost, a photo-sharing app called BarkCam, and BarkBuddy, a “Tinder for Dogs”. BarkBox is also active on social media and has more than 1.4 million followers on Instagram.

Read more at www.barkbox.com

The logo for BarkBox features the word "BARK" in a bold, sans-serif font, followed by a stylized dog head silhouette that forms the letter "B", and then the word "BOX" in the same bold, sans-serif font. A registered trademark symbol (®) is located at the end of the word "BOX".

BirchBox

In 2010, Katia Beauchamp and Hayley Barna established the first beauty box subscription service, Birchbox. They wanted to change the way people buy beauty products because they both found it hard to find the best beauty products on the market. Hayley's best friend from college would always give her beauty products to try out. This inspired the two to start their own business, making the subscription box feel like your own personal beauty adviser.

Birchbox is helping women around the world to find the right beauty products without blowing their budgets. Before you start, you create a personalised profile so that Birchbox knows your preferences, your hair type and your skin type and can therefore match you with the right products for you. You can choose between a woman's box or a man's box.

Even though subscription services were not new, the launch of Birchbox paved the way for other subscription boxes. Consumers love the anticipation and surprise that the subscription box offers, and this is perhaps why Birchbox was the first beauty subscription box to gain over a million subscribers.

Read more at www.birchbox.com

BIRCHBOX◆

Bookboon

With more than 70 million e-books downloaded each year, Bookboon is currently the world's largest online publishing company for e-books. Bookboon is focusing on two specific categories: Textbooks for students and business books for business professionals.

Textbooks for students are free and financed through advertising primarily within employer branding. Business books, however, are offered through a subscription service called Bookboon Premium. Bookboon Premium subscribers pay a small monthly fee to get unlimited access to more than 600 business books within areas such as accounting, marketing, strategy and entrepreneurship.

As you have probably already realised, my first book 'How to Build a Subscription Business' was published on bookboon.com, and since the publication of the first edition in 2014, the book has been downloaded more than 300,000 times. Clear evidence of the large success of Bookboon.

Read more at www.bookboon.com

bookboon.com

Cineworld

Cineworld is the second largest cinema group in the world with 790 cinemas in 10 countries, including the United Kingdom, the United States, Hungary and Israel. In the United Kingdom, Cineworld has launched a subscription service called Cineworld Unlimited.

Cineworld Unlimited is an *all-you-can-eat* subscription model, or perhaps more correctly, *all-you-can-see*. Subscriptions start from GBP 9.99 a month, and this gives subscribers unlimited access to all films and all cinemas owned by the group. Subscribers also get a 10 percent discount on food and drink as well as exclusive access to sneak previews and other events.

After one year of membership subscribers are automatically upgraded to Unlimited Premium, which also gives them access to 3D films and a 25 percent discount on food and drink.

The Unlimited Programme has been a huge success for Cineworld, and in 2015, the service was also launched by Cineworld in Poland.

Read more at www.cineworld.co.uk/unlimited



Craft Coffee

If you want to try new and delicious coffee but do not know where to start, Craft Coffee is a great place to look. The company launched in 2011 and has a mission to use the internet to bring coffee closer to people for less money. Fortune Magazine named Craft Coffee “the internet coffee company”.

Craft Coffee is a subscription service for coffee enthusiasts. Each month, subscribers receive a box of quality coffee from different places around the world. Each box contains three different types of coffee, a guide describing each coffee, and professional advice on the best way to brew the coffee.

Over the years, many start-ups have tried to enter the subscription coffee market but failed to succeed. Craft Coffee has managed to stay competitive thanks to its price match guarantee, which means that they match the prices of the beans with the prices in grocery stores. The company has also started to sell its own flagship blends.

With Craft Coffee is customised to your taste and an easy way to broaden your coffee horizon.

Dive into a world of coffee at www.craftcoffee.com.



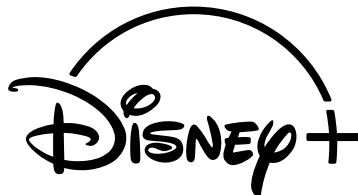
Disney+

The fastest-growing subscription-based streaming service ever? That prize must go to Disney+. Of course, you know Disney for its original content for children based on the popular characters and cartoons of Walt Disney, but Disney is much more than that. The company is among the largest media corporations in the world with brands like National Geographic, Pixar, and ESPN.

In November 2019 they launched their brand new streaming service, Disney+, in the United States, and as of April 2021, they had reached more than 103 million subscribers worldwide.

Subscribers pay a price of USD 8 a month or USD 80 a year (or the equivalent in local currency in other markets), and in the United States you can also subscribe to a bundle which includes Disney+ and two other Disney-owned services, Hulu and ESPN+.

Read more at www.disneyplus.com.



Dollar Shave Club

In the summer of 2016, Dollar Shave Club shocked the subscription community when it was announced that the five-year-old start-up had been acquired by the international giant Unilever for a price of more than one billion USD. How could such a young company that was a long way from being profitable be so valuable to a giant multinational corporation?

Well, in just five years Dollar Shave Club has grown from having zero subscribers to having more than 3 million by offering low-cost razor blades as a subscription service. Dollar Shave Club has since extended its line of products and now offers a wide range of products for male grooming. Dollar Shave Club sell oral hygiene products, shaving and shower products, and hair styling and skincare products.

Maybe more importantly, Dollar Shave Club has managed to build a direct-to-consumer business without the help of retailers. Many speculate that this business model is the real reason behind the acquisition by Unilever.

And if you haven't seen the hilarious introduction video from Dollar Shave Club that was a major viral hit, then go to YouTube and have a laugh.

Read more at www.dollarshaveclub.com



Dropbox

Dropbox is a file hosting service that allows users to automatically store files simultaneously on their computer and on Dropbox's servers while, at the same time, making the files available on all the user's different devices. This ensures that users always have access to up-to-date files and to a back-up in case their computer crashes or their files disappear.

Basically, Dropbox offers a hassle-free and convenient file hosting service that gives users peace of mind.

Dropbox is operated as a freemium subscription service. Users can get up to 2 gigabytes of storage space for free. If more storage space is required, users can update to a premium paid-for service. Dropbox also operates a business-to-business model, allowing companies to purchase a corporate service with multiple user profiles and almost infinite storage space.

Dropbox has seen huge success since its launch in 2007 and now has more than 500 million users worldwide. One of the reasons for the dramatic growth has been a popular member-get-member programme where users have been able to earn extra storage space by inviting friends to the service.

Read more at www.dropbox.com



FabKids

Become a very impressive parent (V.I.P.) with a FabKids subscription. This subscription service is made for mums who are dragging their children through clothing aisles trying to keep up with the latest fashion. Fabkids launched in 2012 and now has over 200,000 members.

With FabKids, you get online offers on children's clothes. You sign up by entering information such as the age and size of your child, and you simply pick your favourite styles. As a V.I.P. you get 40% off regular prices and early access to exclusive sales and collections.

The fashion market is tough, but a few clothing companies have managed to transition to a subscription model. Fabkids is having success selling comfortable and fashionable children's clothes through a membership programme, making buying children's clothes very convenient and affordable. Something that fits the life of busy mums.

Read more at www.fabkids.com

The logo for FabKids features the word "fabkids" in a lowercase, sans-serif font. The letter "i" in "fab" has a small grey star above it. The "k" is a simple, blocky letter, and the "s" is also blocky and lowercase.

Feather

Why would you want to buy your own furniture when you could subscribe to it instead? That is the idea behind the American subscription start-up Feather, which offers thousands of different pieces of furniture as a subscription service.

To help you decide which furniture to rent, Feather offers a style quiz that ends in Feather making suggestions for your living room, dining room or bedroom.

Feather offers two kinds of subscription plans: A short-term plan with a commitment period of 3 months or an annual membership plan that increases the commitment period but also provides many benefits and discounts. No matter which plan you go for, you are able to change your furniture as often as you want by paying a USD 99 fee per trip.

Feather is currently available in six larger cities in the United States, including New York, Los Angeles and Dallas, and is constantly looking to expand. Soon, many others will follow and, in a few years, renting your furniture will be quite normal.

Take the style quiz and read more at www.livefeather.com

feather

Fender Play

“Telecaster” and “Stratocaster” are some of the most iconic names in the world of music. Both are guitars and both are produced by the world-famous guitar maker Fender. Rock stars like Bruce Springsteen, Jimi Hendrix, George Harrison and Eric Clapton are among the many famous Fender guitarists.

But sales of electric guitars have fallen by about a third in the last decade. Almost half of Fender’s sales are to brand new guitarists, but 90 percent of them stop playing the instrument within a year. It is simply too hard for them to learn to play, and thus Fender lose the opportunity to sell them another guitar in the future.

So, cutting the abandonment rate became the key priority of Fender and led to the implementation of Fender Play, a subscription-based online video training platform that teaches new Fender guitarists how to play their instrument. Fender Play will get you to play your first riff or song within half an hour, and after a free trial period of 30 days, the service will cost you USD 9.99 a month.

And you do not even have to own a Fender to subscribe to Fender Play. Any guitar brand will do. However, having watched the many videos with instructors playing nice Fender guitars, you will certainly want one of your own.

Read more at www.fender.com/play

The logo for Fender Play features the word "Fender" in its signature script font, followed by a solid black triangle pointing to the right, and the word "PLAY" in a bold, uppercase, sans-serif font. A small trademark symbol (TM) is located to the upper right of the word "PLAY".

GLOSSYBOX

This beauty box is the perfect beauty surprise. The company was founded in 2011 and is headquartered in Berlin. Today, GLOSSYBOX is one of the leading providers of beauty box subscription services in Europe.

Subscribers receive a box with five samples of beauty products each month for 1, 3, 6, or 12 months.

Each box is shipped for free. Once you have successfully subscribed to GLOSSYBOX, you can access and edit your Beauty Profile at any time, which is a brief questionnaire. The Beauty Profile contains questions about your preferences and the condition of your skin and hair. This helps GLOSSYBOX to select the right products for your beauty box.

Recently, GLOSSYBOX announced its partnership with one of the biggest beauty platforms in the world with more than 14,000 beauty products, Lookfantastic. Customers can now use their GLOSSYCredits to buy all their favourite beauty buys or stack up credits by referring friends, reviewing products, completing a beauty profile and answering surveys.

The company is headed for the global market and is now operating in the USA, the UK, Sweden, Germany, Austria, Canada, France, Ireland and Norway, and it is still looking for other possible locations globally.

Discover more at www.glossybox.co.uk



GLOSSYBOX

Goodiebox

In 2012 in Copenhagen a couple of experienced entrepreneurs decided to change the way women buy beauty products and launched the subscription box concept, Goodiebox.

As a member of Goodiebox, you get a monthly delivery of beauty products that differ from month to month and which have a total value that much exceeds the actual cost of the box. But the most important thing about Goodiebox is not the products themselves. It is much more about 'happiness', according to the founders. They describe Goodiebox as a 'happiness company', and every employee is trained to provide happiness to customers. This includes customer service, where the staff are referred to as 'happiness heroes'.

And this formula of delivering happiness in the form of outstanding products combined with excellent customer service has been a huge success. The close to 300,000 members across nine European countries are proof of that.

Try a little happiness for yourself by visiting:
www.bygoodiebox.com

GOODIEBOX™

GrandVision

GrandVision is a global leader in optical retail, operating in 40 different countries and with more than 7,000 stores and a large online presence. Its primary products are spectacles and contact lenses, helping millions of customers to achieve better sight.

In Denmark and Sweden, Synoptik is the brand name of GrandVision, and in these two countries many customers are in fact subscribing to eyewear. Contact lenses have, in fact, been a subscription product for many years, but since 2019, Synoptik has also been highly successful in selling spectacles as subscriptions.

Subscribers choose three pairs (including sunglasses) of glasses and then pay a monthly fee instead of buying them. After 12 months, subscribers can change to new glasses if they would like to have new frames or their sight has changed. And insurance, if glasses are broken or lost, is also included in the subscription plans.

Another great example of a consumer durable that is being changed from a product to a service.

Learn more about Synoptik and the subscriptions here:
www.synoptik.dk



Graze

Graze was founded in 2008 in the UK by seven friends, including Graham Boshier: the founder of LoveFilm. They wanted to create delicious snack boxes that people could get excited about. The first boxes were sent to customers by posting them one by one. Now, Graze sells more than 400 different snack boxes and has expanded its operations to Ireland and the Netherlands.

The boxes contain four snacks, which are free from artificial colours, flavours, and preservatives. Every snack also has a health rating that indicates whether it is low in calories, rich in fibre, or high in protein or essential vitamins and minerals. You can get the box delivered to you every month, weekly or biweekly.

The snack boxes are customised to meet subscribers' preferences, which they enter on the site. The algorithm is called DARWIN (Decision Algorithm Rating What Ingredient's Next). Graze is constantly analysing the 15,000 customer ratings that they receive every hour.

Now there are no more excuses for not eating healthy snacks.

Have a taste www.graze.com



Heidelberg

Heidelberger Druckmaschinen AG is the proper name for the German manufacturer of offset printing machines that often goes by the name Heidelberg. This company was founded in 1850 in the city bearing the same name, and with 18,000 employees, yearly revenues of around EUR 3 billion and a global market share of 47 percent, the company is a true giant.

Chances are that the latest newspaper you read was printed by one of Heidelberg's machines, since they sell printing machines to printing plants and newspapers all over the world. Or they used to sell the machines. Now, Heidelberg have gone all-in for subscriptions. Now, instead of buying a printing machine you simply subscribe to it and pay a fixed monthly fee for an agreed print volume without the need to invest in machines.

The monthly fee covers everything including service and maintenance as well as automatic replenishment of all consumables needed for printing. Yet another great example of the subscription movement taking place in the business-to-business world.

Read more at www.heidelberg.com.

HEIDELBERG

HBO

Will Jon Snow finally defeat all his rivals and take the Iron Throne in King's Landing? Will his relationship with Daenerys Targaryen last? Or will the White Walkers take over all of Westeros in the end? Do these questions ring a bell? Then you are probably among the millions of viewers who followed HBO's most popular television show, Game of Thrones.

Unfortunately, Game of Thrones has now come to an end, and all questions have been answered. The good news is that the cable TV and streaming giant HBO can offer you plenty of other great television shows if you subscribe to their service. Shows like The Sopranos, Sex and the City, The Wire, Six Feet Under and Boardwalk Empire are among the most-loved favourites of HBO's subscribers.

In the United States, HBO operates as a traditional television broadcaster, providing programmes via cable or satellite to American homes, but in 2012, HBO launched an international streaming service that gives viewers all over the world access to their content via the internet. The streaming service was also launched in the United States in 2015 under the name HBO Now.

Read more at www.hbo.com



Headspace

Headspace is meditation made simple. Andy Puddicome, who in his early twenties went from a degree in Sports Science to becoming a Buddhist monk, came up with the concept. For more than 10 years, his meditation training took him around the world before he settled in London and started teaching meditation and mindfulness.

Headspace was launched by Puddicome in 2010 as an event company, but attendees wanted to take what they had learned home with them. That is when the team behind Headspace decided to make Headspace available online.

Today, Headspace is one of the most popular apps in the App Store and on Google Play. You can get a little content for free, but many users sign up for the subscription, paying USD 12.99 a month to get mentally healthier. More than 65 million people have now downloaded the app, and more than 2 million people are now paying for a Headspace subscription.

Read more at www.headspace.com



HelloFresh

Preparing a healthy and delicious meal for your family each night is a great hassle for many mums and dads around the globe. First, you need to make the plan for the week, then you need to shop, and finally, you need to prepare the meal.

Would it not be easier if someone just made the plan and delivered all the ingredients to your doorstep each week. That is what subscription meal kits are all about. And the largest player in this field is the German-based company HelloFresh, which delivers meal kits on a regular basis to more than 2 million subscribers across Germany, the United States, Australia, Canada, Denmark, and many other European countries.

Subscribers choose among different categories (vegetarian, family-friendly) and then set the number of people they want to feed and the number of days they want to cover with meals from HelloFresh. Then the company delivers all the ingredients along with recipe cards for the meals.

Are you hungry for more?

Read about HelloFresh at www.hellofresh.com



KiwiCo

KiwiCo's mission is to make STEAM – science, technology, engineering, art and maths – fun, engaging and accessible for everyone. KiwiCo has raised several million dollars from venture capital firms to fund its growth, and annual sales are now above \$10 million.

As a parent, you have the chance to be creative with your child. Every month you receive a box full of science and art projects which provide your child with hands-on fun and learning. There are multiple lines at Kiwi Crate. You can choose a box for children aged 24–36 months, 3–4 years, 5–8 years, 14+ or 9–16 years. The boxes can be delivered monthly, every three months, every six months or every twelve months.

STEAM has become increasingly popular in education, as it is designed to teach children to think critically and have an engineering or design approach when it comes to solving real-world problems while, at the same time, improving their skills in the fields of mathematics and science.

Read more at www.kiwico.com



Loot Crate

In 2012, Chris Evans and Matthew Arevalo came up with the idea to create a subscription box for all types of pop culture fans. They wanted to create a ‘comic-con’ in a box, and after just two years, the company had managed to gain 650,000 subscribers, 30% of whom were women.

There are a lot of boxes to choose from at Loot Crate, and every month, they have a different theme like ‘anti-hero’ or ‘role-models’. You can get a box of Marvel Gear, a Halo Legendary Crate or a J.K. Rowling Wizarding World Box, just to give you some examples.

Loot Crate is a community of shared celebration of fandom and it’s shared in 35 countries. The company has experienced huge success, and the average new subscriber sticks around for at least a year. But even though subscribers sometimes churn, they stick around in the Loot Crate universe, where new content is constantly produced. Loot Crate publish interactive games each month, and around half a million fans watch Loot Crate’s Facebook live videos every month, which are designed to give fans a great experience.

Release your inner geek at www.lootcrate.com



Masterclass

If you are going to learn something new, why not learn from the best? Why not learn to cook from Gordon Ramsay or learn photography from Annie Leibovitz? Or maybe, you would like to learn to play chess from Garry Kasparov?

Masterclass is a subscription service that has more than 100 online classes where you will be taught by people who are masters of their discipline. The classes range from food to music and from business to arts and entertainment. Each course consists of a number of educational videos and additional textbooks to download.

A subscription to Masterclass will set you back USD 180 for a full year. Then you will be able to follow as many classes as you would like, including any new classes that are added over the course of the year. Masterclass do not disclose how many subscribers they have, but in April 2021 the company had a valuation of close to USD 3 million following a new funding round.

Read more at www.masterclass.com



MASTERCLASS

MUD JEANS

Dreaming about a world with less waste, Mud Jeans is a sustainable and Fairtrade-certified subscription service with its head office in Almere, the Netherlands. The story of the company started when CEO Bert van Son moved to China to work in the textile industry. He has over 30 years of experience in the fashion industry, and he saw the huge impact the fashion industry has on the environment and factory workers. This made him believe that there was an alternative way, and Mud Jeans was born.

The concept is based on the circular economy. A customer can rent a pair of jeans for one year for EUR 9.95 per month or choose a one-time membership for EUR 20, and then he or she can decide to switch the jeans for another pair, return them for recycling or upcycling purposes, or keep them. The renting deals include unlimited repair services. If the customer does not want to rent the jeans, it is also possible to purchase them on the website.

Today's consumers are very aware of the environmental impact that fast fashion has, and Mud Jeans has implemented a lot of marketing initiatives to ensure that customers not only engage with the brand's philosophy but become advocates of the circular economy concept. As a result, customer engagement is high at Mud Jeans, and 80 per cent of customers feel happy about sending their jeans back, knowing that they'll be made into something else.

Get your jeans at www.mudjeans.eu



MUD JEANS

Netflix

Netflix is now one of the world's most powerful companies within the media and film industry. It is hard to believe that the company started just a little more than 20 years ago as a DVD mail order service.

Now Netflix is a film streaming service with more than 200 million subscribers worldwide even though the company has maintained the mail order service in the United States as a supplement to streaming. From the very beginning, Netflix relied solely on the subscription business model.

In 2012 Netflix entered the content-producing industry when they debuted with their first series, *Lilyhammer* (an absolute must-see starring Steven van Zandt as a mafioso fleeing to the small Norwegian town Lillehammer). Now Netflix spends nearly USD 17 billion a year on original content and produces more films and TV series than any other content producer.

But it is not all about content. Netflix has also led the streaming revolution by setting new standards within usability and accessibility of their service.

Read more at www.netflix.com

NETFLIX

The New York Times

The New York Times is one of the most respected quality newspapers in the world. But as a print newspaper, it is also part of an industry that is struggling in a world that is becoming more and more digital. At the same time, The New York Times is one of the pioneers of the newspaper industry when it comes to digital transformation.

In 2011, The New York Times launched a digital paywall, allowing users to read up to 20 articles for free before having to buy a digital subscription. This so-called metered model has since been copied by many news organisations around the world, but none has been as successful as The New York Times.

At the beginning of 2021, The New York Times had reached more than 7.8 million digital subscribers. It is obvious to say that the digital reader base of The New York Times is now spread across the world. So, go ahead and try one of the world's best newspapers for yourself.

Read more at www.nytimes.com

The New York Times

PillPack

PillPack is an American online chemist that aims to make life easier for medicine users by providing prescription medicine as a subscription service, which involves sorting the medicine and delivering it directly to customers' doors.

When signing up to PillPack, they will make sure that your old prescriptions are automatically transferred to PillPack and then added to your subscriptions. With PillPack, you can also choose to auto-renew your prescriptions, meaning that you never need to worry about forgetting to renew them yourself and running out of your medicine.

It is also possible to buy non-prescription products and add them to your subscription for delivery. Finally, PillPack offers personal guidance and counselling if customers need this.

PillPack is simply less hassle and provides peace of mind for medicine users and their relatives. In 2019, PillPack was acquired by Amazon, the world's leading company within the subscription e-commerce market.

Read more at www.pillpack.com



Playstation Plus

The successful game console Playstation was introduced in 1994 by Sony Computer Entertainment. This was the first version of many Playstations to come. Along with its gaming consoles, Playstation also launched entertaining games, e.g. Fifa and Crash Bandicoot, which later experienced huge success.

In 2010, Sony launched Playstation Plus as a premium online service that allows users to get access to premium features. It is one of the world's most popular subscriptions with over 47 million subscribers worldwide. One reason that it has become popular among gamers is that subscribers can play online multiplayer with their friends. In this way, Playstation Plus has experienced the value of the network effect.

Besides the multiplayer function, the premium features include early access to soon-to-be-released games, beta trials, and discounts in the Playstation Network store, and members also get the newest software updates and patches downloaded automatically to their console. Subscribers also gets six games every month and 10 GB of internet storage space for up to 1,000 saved game files. As a subscriber, you can choose to pay for a monthly, quarterly, or annual subscription.

Game on at www.playstation.com



PlayStation®Plus

Porsche Drive

Maybe you are one of many who have always dreamt of owning a Porsche? Maybe the iconic Porsche 911 or maybe the practical, yet sporty, Porsche Cayenne?

I know that I have! But I also know that I will probably never buy one. Now that I can subscribe to a Porsche instead. Because Porsche is one of the many car manufacturers around the world that is playing with the idea of having more and more customers subscribing instead of buying. The concept is called Porsche Drive. In the United States you can now subscribe to a 911 from USD 2,950 a month, or you can choose a multi-vehicle subscription where you can switch between 911s, Cayennes, and Macans just as you like.

Of course, all costs like insurance and maintenance are included in the price. And the ordering of a new car is done via an app. It is almost as easy as subscribing to Netflix.

Hopefully, Porsche will soon make Porsche Drive available worldwide.

Read more at www.porsche.com/usa



PORSCHE

Rapha

Rapha Performance Roadwear is a sportswear and lifestyle brand focused on road bicycle racing, clothing and accessories, but Rapha is also a membership club for bicycle enthusiasts all over the world. Rapha now has 20 locations, called clubhouses, throughout the United States, Europe, Asia and Australia.

Each clubhouse consists of a retail space that sells Rapha apparel and accessories as well as a café that serves coffee and food while screening live cycle racing. The clubhouses are for everyone, but paying members of Rapha Cycle Club enjoy a large number of benefits. These benefits include club rides and excursions, the opportunity to hire high-end road bikes at each clubhouse for a low price, Rapha Travel trips at discounted prices and exclusive Rapha Club kit which is only available for members.

Members at Rapha Cycle Club pay a yearly membership fee of GBP 70 (or the equivalent in local currency) for access to the club and all the benefits. A great way for a clothing producer and retailer to create loyalty and additional revenue from its large group of fans and followers.

Read more at www.rapha.cc

The logo for Rapha, featuring the brand name in a stylized, black, cursive script font. A registered trademark symbol (®) is located at the end of the word.

Readly

Readly is like Spotify or Netflix but for magazines and newspapers. If you sign up for a subscription at Readly, you get access to more than 5,000 different digital magazines and newspapers from all over the world.

Readly was first launched in Sweden in 2012 and has since expanded to more than 50 countries, covering 17 different languages by including more and more local magazines. The magazines are typically read via an iPad or another device, making it possible to carry your full magazine library in your pocket or your bag.

The subscription service is based on the all-you-can-eat model, and in Europe, the price of a subscription is just EUR 9.99 a month, which gives you access to all the magazines.

So, if you like to read great magazines like GQ, Wallpaper, TopGear, Forbes or Wired, then Readly might just be your next favourite subscription service.

Read more at www.readly.com



Rent the Runway

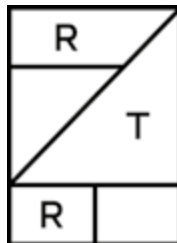
Rent the Runway is a service that lets you rent designer dresses and other clothes and accessories so that you can constantly rotate your wardrobe, ensuring that you always have new and appealing clothes to wear.

The clothes you rent are either new or slightly used, so Rent the Runway is one of the many companies operating in the sharing economy.

So how does it work? You can either rent 8, 12 or 16 dresses or other items a month by subscribing to one of three subscription plans. In each case you can have 4 items at a time, and you then get either 2, 3 or 4 shipments per month, paying between USD 99 and USD 149 a month.

Rent the Runway was launched in the United States in 2009 as a pure e-commerce company but has since opened physical stores in New York City, Washington, D.C., Chicago, San Francisco and Los Angeles.

Read more at www.renttherunway.com



Scribd

Why own your books when you can rent access to them? The subscription economy has also hit the book publishing industry, and the American company Scribd offers one of the leading subscription services for e-books.

Scribd was launched in 2007 as a PDF-hosting service but has since changed its business model several times before reaching the current model, where they offer almost unlimited access to e-books and audio books for as little as USD 9.99 a month. The term “almost” is used because Scribd is enforcing a “fair use” policy in order to prevent frequent users undermining the business.

By the beginning of 2020 Scribd had more than 1 million titles for subscribers to choose from, and this vast library has now attracted more than 1 million subscribers. This still makes Scribd number two in the United States following mighty Amazon, which allegedly has more than 3 million subscribers to its Kindle Unlimited service.

But there is no harm in a little competition to keep both companies on their toes.

Read more at www.scribd.com



Spotify

Few enterprises have led the subscription revolution like the Sweden-based company Spotify, which is now by far the leading music platform worldwide.

Spotify was launched in 2008 by Swedish entrepreneur Daniel Ek, and the idea was to provide customers with unlimited access to the music library via a streaming service instead of having to buy music album by album.

Spotify chose to launch a freemium service where users can listen to music for free by accepting ads (which are played between songs), or they can pay for a monthly subscription to get access to the ad-free service. Now more than 345 million people use Spotify, and more than 150 million of these are paying for the premium service.

Spotify are doing a lot to improve the music experience for their users. You can listen to one of many playlists within different genres, and you can create your own playlists and share them with your friends.

Read more at www.spotify.com



Storytel

More and more people are enjoying listening to books rather than reading them, and this has caused the market for audiobooks to dramatically increase over the past 10 years. People typically use a smartphone or another portable device to listen to books while they are commuting by bus or train, or when driving.

Like most digital media consumption, audiobook customers prefer to subscribe to a service that provides them with a large library of audiobooks instead of buying the audiobooks individually. One of the first people to realise this was Swedish entrepreneur Jonas Tellander, who launched Storytel as early as 2005. Storytel is a subscription service for audiobooks that allows subscribers to listen to as many books as they like for as little as 169 Swedish Krona a month (approx. 20 USD).

Since 2005, Storytel have introduced their service in many countries around the world, and in 2014, they added e-books to their library, thus giving subscribers the choice between reading or listening to their books. Storytel have also moved deeper into the publishing industry by publishing their own books as well as acquiring traditional book publishers and integrating them into their service.

Read more at www.storytel.com



Strava

Strava is one of the world's leading “social networks for athletes”, designed to make training more fun and engaging by allowing users to compete with other athletes and share the results with their friends.

Strava is a mobile app that tracks users' training activities using satellite navigation and allows users to upload and share their results once the training session has ended. Strava also allows users to compete with their friends or other Strava users who have either cycled or run the same route or “segment”, as it is called in Strava. Strava also features a number of challenges that athletes can take on, e.g. running the distance of a marathon in a specific number of days. Those who meet the challenge receive a digital badge for everyone to see.

Strava is one of many successful subscription start-ups that is using gamification as an important element to gain subscribers and build engagement and loyalty.

Strava is free to use, but if you would like access to all the features, you can sign up to a Strava Summit membership for USD 5.00 a month or USD 59.99 a year.

Read more at www.strava.com

The Strava logo is rendered in a bold, black, sans-serif font. The letters are thick and closely spaced, with a distinctive slanted cutout in the 'V'.

Swapfiets

If you drive around European cities such as Amsterdam, Hamburg, or Copenhagen, you will see an unusually large number of bicycles with a blue front tire. This is testament to the fact that the subscription movement has also hit mobility, at least when it comes to bikes.

The blue front tires are the trademark of the Dutch company Swapfiets, which has revolutionised the world of cycling in many European cities. With Swapfiets you do not buy a bicycle, you simply subscribe to it. You pay a flat monthly fee of EUR 16.90 a month for a standard bike, and this includes service and maintenance. There is also a very short commitment period. You can also choose a more advanced bike or even an e-bike if you need more power.

Swapfiets now operate in close to 100 cities in countries like the Netherlands, Belgium, Germany, and Denmark, and Swapfiets is planning to expand to more countries and even continents in the years to come.

Read more at www.swapfiets.com

The logo for Swapfiets is written in a black, elegant script font. The letters are fluid and connected, with a prominent 'S' at the beginning and a 't' at the end. The word is centered on the page.

The Honest Company

Founded by actress Jessica Alba in 2011, The Honest Company is a subscription bundle that ensures you get the right natural products for your child. She was inspired by her first child Honor and her own story of childhood illness.

The Honest Company first introduced 17 products, but now they sell everything from infant formula and cribs to makeup. The products are sold through its website and at more than 4,000 stores, including Target. The subscription bundles give you the best deal, and here you can buy a Diapers & Wipes bundle where you can mix and match sizes and prints; an Honest Essential bundle that lets you pick five items out of 100+ products; an Organic Infant Formula bundle; and a Health & Wellness bundle, where you can mix and match two premium-quality vitamins and supplements.

The Honest Company know their consumers. They want sustainable products that are free from chemicals and toxic substances, but they also seek new ways to make shopping easier and convenient. The Honest Company delivers. The service is so popular that the company was recently valued at \$2 billion.

Read more at www.honest.com



The Period Store

The Period Store is based in New York and was founded by the two friends Ashley and Rubi. They first thought of the idea for a menstrual care package service in 2010 but launched their service to the public in 2013.

If you would like to receive a box, you just create a profile on The Period Store's website. You can create and define your own packages and set your cycle so that the company knows when to deliver your package. There are different pre-defined package formats: Treats, Lite, Medium, and Heavy – your choice depends on how many feminine products you want. Starting from \$15 a month, you get a box with medicine, tea, gourmet sweets and art – everything you need to get through your periods.

The boxes are sent the day before customers' cycles begin, so customers can relax and enjoy their periods without worrying about running out of pads and tampons – and delicious chocolate!

Read more at www.theperiodstore.com



Tinder

Tinder is an online dating application that allows users to anonymously swipe to like or dislike other users' profiles, which generally comprise their photo, a short biography, and maybe a list of personal interests. Once two users have matched, they can exchange messages and potentially start dating.

The basic functions of Tinder are free to use for all users, but if you want to gain additional features and enhance your chances of matching with someone, you can sign up for the paid packages Tinder Plus, Tinder Gold, or Tinder Platinum. As a Gold or Platinum member, you can change your location, see who has already liked you, and even 'boost' your profile to get more views and potentially more matches.

Since its launch in 2012, the popularity of Tinder has grown rapidly. It is now being used in 196 countries around the world and reportedly has more than 57 million users, with 6.6 million of these paying for one of the subscription packages. Tinder is definitely one of the more popular freemium models within the subscription movement.

Download the Tinder app in the App Store or via Google Play to start your new online dating experience.



VG+

The digital transformation has hit the newspaper and media industry in recent years. Consumers have been increasingly consuming news and media in digital formats, and this has been a great threat to traditional newspaper companies.

The Norwegian newspaper VG (short for Verdens Gang), which is part of Schibsted, the largest media company in Scandinavia, is one of the newspapers which has managed to successfully transition from the print age to the digital age. Once, VG was the largest newspaper in Norway, selling hundreds of thousands of printed newspapers daily through retailers. Now vg.no is the largest online news brand in Norway, and since 2010, the company has managed to build a substantial digital subscriber base.

The paid-for digital product is called VG+ (VG Plus) and is operated via a paywall on the website. As a user, you can access a lot of content for free, but the more popular or enriched content is behind a paywall and exclusive to paying subscribers. VG+ now has more than 230,000 of these. An impressive number in a country with only a little more than 5 million inhabitants.

Learn more at www.vg.no



Whim

Whim is a new way of thinking about Mobility as a Service. If you live in Helsinki, the capital of Finland, Whim will provide you one-point access to public transportation, city bikes, taxis and rental cars, all in the same app and at your fingertips.

The company behind the Whim app is called MaaS Global (founded in 2015 in Finland). Whim was first launched in 2016. The service combines options from different service providers into a single service: the hassle of planning and paying for each trip is removed, as you pay collectively instead of separately.

As a user of Whim, you can even combine the hassle-free experience when it comes to transportation with a subscription plan that gives you the convenience of always knowing your monthly transportation costs. Subscriptions are offered via two all-inclusive plans (Whim Urban for EUR 49 or Whim Unlimited for EUR 499 per month), but you can also choose to ‘pay-as-you-go’.

All trips are paid for in the app, and here you get a comprehensive overview.

Read more about this very innovative mobility concept at www.whimapp.com

The logo for Whim, featuring the word "whim" in a bold, lowercase, sans-serif font. The letters are dark grey or black. The 'w' has a small circle above it, and the 'i' has a small circle above it. The 'h' has a small circle above it. The 'm' has a small circle above it. The 'i' has a small circle above it. The 'm' has a small circle above it.

World of Warcraft

World of Warcraft is a ‘massively multiplayer online role-playing game’ (MMORPG) that was released in 2004 and is set in the Warcraft fantasy universe. In other words, it is an online game where millions of players around the world can play together at the same time.

And how do you get to play? Simply by signing up and paying for a subscription. The price in the United States right now is USD 14.99 a month. Expensive? Not if you consider the many, many hours that most players spend playing once they commit to the game.

The number of World of Warcraft subscribers has varied over the years depending on the release of new expansions, but the latest figure released shows that there are 11.5 million paying subscribers worldwide. This makes World of Warcraft the highest grossing online computer game of all time.

Get addicted at www.worldofwarcraft.com

The logo for World of Warcraft. The word "WORLD" is in a serif font, with "OF" in a smaller font inside a circle between the "O" and "R". Below "WORLD" is the word "WARCRAFT" in a large, bold, black, stylized font with a gothic or fantasy aesthetic.

Yousician

Yousician is an interactive digital subscription service that teaches (future) musicians through personal coaching, tracking and the use of gamification to engage its students. So, if you are eager to learn how to play piano, guitar, bass, or ukulele, or even how to sing, Yousician is definitely worth checking out.

All you need to get started is the actual instrument that you want to learn to play. Then Yousician will take you through all the exercises and sessions you need, using technology to 'listen' to you play and challenging you with fun games along the way.

Yousician was founded in Finland but is now available to musicians worldwide. A subscription to Yousician will cost you USD 29.99 for a month or USD 14.99 a month if you sign up for a full year. With now more than 20 million subscribers, Yousician is the largest music educator in the world.

Learn more at www.yousician.com



YouTube Premium

YouTube is an American video-sharing platform that was founded in 2005. The platform allows users to upload, share and comment on user-generated videos and live streams and is one of the world's most popular and fastest-growing media platforms. YouTube was acquired by Google in 2006, and every day, more than 5 billion videos are viewed on the platform.

The company decided to launch a streaming subscription service called YouTube RED in 2015. It has now been renamed YouTube Premium. If you hate adverts on YouTube, YouTube Music, YouTube Kids or YouTube Gaming, this subscription is for you. Not only does it give you an ad-free experience, but it also gives you free access to Google Music Catalogue, including all features. You can also find exclusive original content made by YouTube's largest creators.

Streaming is a rising trend among young consumers and is expected to keep rising in the years to come. Now, more than 30 million users are paying to use YouTube Premium.

Watch more at www.youtube.com/premium



Zipcar

Fewer and fewer people, especially in larger cities, are buying their own cars, as it is much more convenient to subscribe to a service where you have access to a car whenever you need it. This trend is often known as Mobility as a Service, and American company Zipcar is one of the companies leading this trend.

When you subscribe to Zipcar, you can rent one of Zipcars more than 10,000 cars available in more than 500 cities in the United States, Austria, Belgium, Canada, France, Germany, Spain, Turkey, and the United Kingdom. With more than 1 million members in these nine countries, Zipcar is now the largest car-sharing company in the world.

Members pay a monthly subscription fee of typically USD 6 and

then have access to the cars on a minutely, hourly or daily rate. For example, if you are member in New York City, you can rent a Jeep Renegade for USD 14 an hour or USD 96 a day. And the renting experience itself is totally convenient and hassle-free. Cars can be booked and unlocked via your smartphone, and pick-up and return takes place at numerous locations throughout the city.

Read more at www.zipcar.com



Zwift

Zwift is a massively multiplayer online cycling training program. Zwift allows players to ride their bicycles on stationary trainers while navigating through virtual worlds. As a player/cyclist you can join organised group rides, races, or workouts with other users. Hence, Zwift is basically a large network for people who enjoy bike racing and like to do it from their home.

As a Zwift subscriber, you pay USD 14.99 a month (or the equivalent in local currency) to get access to all functionalities. But it is also possible to use a limited version of Zwift for free. On top of this, you typically buy the hardware needed for you to use your racing bike in your living room. More than 3 million people are using Zwift, and on average, 45,000 people are racing simultaneously. So, you will always be able to find people to compete with.

Zwift is a great example of the many training communities within all kinds of sport disciplines that are emerging and growing as time goes on. Not least, the Covid-19 crisis has led to an increase in home training subscription services.

Start your training at www.zwift.com



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