

ultimate guide for starting and scaling a subscription business

Everything direct-to-consumer merchants and retail brands need to know about starting and scaling a subscription model and retaining their hard-earned customers.

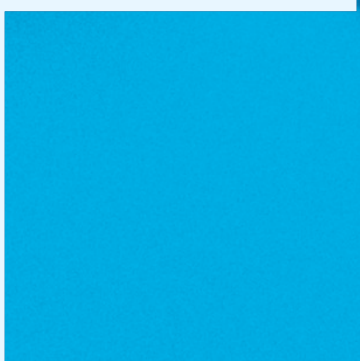


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why build a subscription business?

Tightening ecommerce competition and data collection regulations are causing many brands to try new strategies to retain customers and scale their business. That's leading some companies to **launch subscription programs**.

As the ecommerce industry grows, so do customer expectations. In fact, 80% of customers surveyed by Salesforce say **the customer experience is as important to them as a company's products**. Subscription services are a great option for customers who crave personalization and flexibility.

Subscription models are also convenient for merchants, offering predictable revenue and enhancing brand loyalty. This allows you to focus on growing your business while benefiting from consistent sales through subscriptions.

Creating a high-performing subscription program requires time and dedication, but with the right tools and information, you can successfully launch and grow a subscription business. This guide will walk you through **the essentials of starting and scaling a subscription business**, covering the benefits, potential challenges and best practices for achieving success.

the benefits of subscription commerce

Subscription commerce is growing exponentially and is expected to reach a market size of \$2.23 trillion by 2028. That's more than the GDP of Russia.

And it's no surprise why subscriptions are growing so quickly. They offer mutual benefits for both customers and merchants.



read on to
discover the benefits
for each party →

subscription benefits for merchants

Interval-based dunning methods rely on guesswork for retrying payments, resulting in high rebill fees and frequently putting your merchant account at risk of revocation.

predictable revenue

While some retailers struggle to maintain consistent sales, subscription merchants bring in predictable revenue from their subscribers. This revenue enables merchants to take risks and experiment with new products and offerings without worrying about losing a stable income source. Additionally, subscription revenue typically stays stable through market fluctuations or slow seasons.

a source of customer data

With the restriction and loss of third-party cookies, merchants are looking for other methods of collecting customer data. Subscription programs provide those much-needed insights — tracking the same shopper over time and allowing merchants to learn about changing expectations and buying behaviors. Subscription data helps detect churn indicators, discover buying patterns and offer hyper-specific deals.

builds brand loyalty

Subscription models ensure regular interaction between the customer and the brand. Not only does continuous engagement help keep a company top of mind, but regular, reliable service builds trust. When customers know they can depend on a subscription service to meet their needs consistently, they are more likely to remain loyal to that service.



subscription benefits for consumers

customer convenience

According to our [Subscription Commerce Conversion Index](#), **81% of consumers say convenience is an important reason to use subscriptions**. That desire for convenience is not going anywhere in the post-COVID world.

Subscriptions allow consumers to get their necessary products regularly without leaving the house or repeatedly entering their payment information for each transaction.

customer control

Many consumers enjoy flexible subscription management features that allow them to cancel, skip or change the frequency of each order whenever they please. For instance, some merchants allow consumers to add or remove items from their subscription orders just before they ship, giving their business a competitive advantage and their customers greater control.

exclusive benefits

Many subscription services offer exclusive benefits such as discounts, early access to new products or special content. These perks create a sense of exclusivity and reward, encouraging customers to stay subscribed.

+ benefits for *merchants*

- predictable revenue through market fluctuations
- less dependency on acquiring new customers to grow profits
- ability to experiment with one-time products
- valuable customer data
- insights into customer expectations and buying behaviors
- less dependency on acquiring new customers to grow profits
- detection of churn indicators and buying patterns
- ability to offer hyper-specific deals
- improved brand loyalty
- higher customer lifetime value (CLTV)

+ benefits for *consumers*

- convenience
- control over subscription features
- cost savings through subscribe-and-save deals
- access to premium products
- easy management of orders (cancel, skip, change frequency)
- no need to repeatedly enter payment information
- regular delivery of necessary products

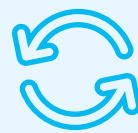
how to start a subscription business

The most successful direct-to-consumer brands and retail merchants consider several important factors before starting their subscription business or adding a subscription model as an additional revenue stream. To get started on a solid foundation, you will need to decide which types of subscription plans best suit your customers, products and long-term growth goals.

choose your subscription type

There are several subscription models to choose from, and each model works in its own way. Learn what each model entails to determine which type works best with your offering.

top 4 types of subscription models:



1. replenishment

Used for day-to-day replenishable items such as razors or dog food where the customer commits to receiving the item at their desired frequency — such as one a month — and pays when the item ships. Consumable and disposable items are ideal for this model because consumers will always need to buy more when they run out.



2. curation

Also referred to as a subscription box, this is a curated package of personalized goods intended to surprise or excite the customer. Each shipment contains items of the same consumer category, but the specific products typically change each time. For example, a health and wellness merchant may include a variety of products, from vitamins and supplements to lotions and exfoliators. Although it's exciting for customers to receive a mystery package, it puts more pressure on the merchant to deliver quality, hyper-targeted products that the consumer will love.



3. membership

This subscription is less tangible and more focused on saving money. Subscribers pay a recurring fee in exchange for special deals and members-only perks like exclusive products, discounts and community-focused activities.



4. service

In this model, a subscriber pays a recurring fee for a continuing service, such as streaming services, software, and other services that require recurring payment.



determine your goals

When starting a subscription business, it's important to identify and define your primary objectives. Here is a list of 10 key goals you might want to consider:

generate stable revenue:

Subscriptions create a predictable income stream and mitigate financial stress during slow periods or market fluctuations.

enhance customer retention:

Subscriptions increase CLTV by keeping customers engaged with regular, high-quality offerings.

improve customer experience:

A seamless and personalized purchasing process through subscriptions creates a memorable customer experience that can set your brand apart.

increase annual recurring revenue (ARR):

Establishing a steady flow of recurring income with subscriptions boosts revenue through additional products and services.

leverage customer data:

Subscriptions collect valuable insights, allowing companies to refine their marketing and product strategies and tailor their offerings based on customer behavior and preferences.

build brand loyalty:

Subscriptions help create a strong, loyal customer base, differentiating your brand with unique subscription experiences.

expand market reach:

Subscriptions attract new customer segments with appealing models, broadening your customer base and market presence.

optimize operational efficiency:

Predictable demand and inventory management through subscriptions streamline processes, improving supply chain and fulfillment operations.

facilitate product development:

Subscription data informs new product ideas and improvements, allowing you to test and refine products based on subscriber feedback.

enhance marketing effectiveness:

Subscription data can be used to inform marketing campaigns, improving customer acquisition and retention strategies.



pick your platform

Every subscription commerce business is unique, which means there's no one-size-fits-all solution when it comes to choosing a platform. Before making your decision, consider the critical features you'll need to run your subscription business smoothly and maintain a positive buying experience. Below are essential features to look for when choosing your platform.

must-have tools and features for your subscription platform:

customer subscription portal:

Consumers want control over their orders and they're looking for businesses that allow them the flexibility to choose a custom subscription frequency that fits their schedule.

Subscription self-management allows subscribers to adjust their frequency whenever they please, along with pausing, skipping or canceling an order before it ships out without getting charged.

65%

share of surveyed merchants that allow customers to pause subscriptions rather than cancel.

Source: June 2023 Subscription Commerce Readiness Report

81%

of subscribers say the ability to pay using their preferred payment method is a top priority.

Source: June 2023 Subscription Commerce Readiness Report

advanced payment processing:

Payment processing is an important procedure that includes establishing your payment gateways and merchant IDs as well as deciding which payment methods to offer. It may seem like a small step in the process, but ensuring customers can use their preferred payment methods is essential for future success.

customer subscription portal:

Decline management solutions are crucial for retaining subscribers and maintaining revenue. Effective decline management ensures that subscription businesses can recover potentially lost revenue and keep customers satisfied and engaged.

Tools like sticky.io's [Smart Dunning](#) reduce involuntary churn by proactively addressing payment failures, improving customer experience and helping merchants maintain a steady cash flow.

fraud prevention solutions:

Data security, [ecommerce fraud prevention](#) and chargeback reduction are essential to [combat ecommerce fraud](#). Additionally, data and legal security will keep your customers' information secure, give them peace of mind and maintain their trust.

Keep in mind that subscriptions are prone to higher chargeback rates than straight-sale businesses due to customers forgetting to cancel automated shipments. Many subscription platforms offer tools to keep chargeback rates low, so your business doesn't get flagged by payment processors.

flexible merchandising options:

The customer experience is becoming increasingly personalized to target each customer's needs and expectations. Subscription platforms can help by allowing you to create bundles, dynamic coupons and upselling or cross-selling options. This hyper-targeting not only increases brand loyalty but can [raise your average order value](#), giving you the best of both worlds — revenue growth and a loyal customer base.

see how much you could recover with our calculator

Average Order Value

Monthly Declined Transactions

Current Recovery Rate

calculate

robust reporting and analytics:

A solid subscription platform will allow you to adapt easily to customer data and evolving market trends. Choose billing technology that provides in-depth dashboards and analytics that give insights into subscriber behavior and the overall health of your business. Your subscription commerce platform should provide sales reporting, subscription dashboards, churn dashboards, information on customer buying habits, order analysis, and more.

**a headless commerce environment:**

Headless commerce separates an ecommerce store's frontend and backend, allowing creatives and UX designers to tweak the website without needing technical assistance. Using a set of application programming interfaces (APIs) that manage the backend, merchants can easily execute changes on the frontend. This approach enables merchants to be more responsive and offer a streamlined online shopping experience across all devices.

With headless commerce, merchants can:

- Freely use third-party frontend tools
- Create hyper-focused offers more easily
- Quickly adapt the website to feedback
- Design different brand experiences for each channel

Headless commerce platforms — like sticky.io — give merchants the power to offer a dynamic and unrivaled shopping experience to attract new customers and retain existing ones.

essential ecommerce integrations:

Subscriptions typically require a reliable shipping and fulfillment process, including manufacturing, packaging and everything in between. While shipping and fulfillment are critical steps in the user experience, they aren't the entire process. Several other key integrations are needed to ensure your business runs smoothly. Consider integrations for:

- Tax compliance
- Call centers
- Membership programs

Setting up these integrations might seem overwhelming, but fortunately, there are subscription platforms or applications that handle these connections for you.



reliable support:

Although you should be able to independently navigate a subscription commerce platform, it’s always beneficial to have assistance during onboarding or if you need it later. Look for a platform with customer success teams that are available through live chat, email or phone in case you need expert guidance.

Many platforms also have [help center documentation](#) and onboarding to help you get started and answer common questions.

sticky.io

English

Search Help Center

Search for articles...

Welcome to the sticky.io Help Center!

An introductory collection to help new merchants navigate the sticky.io help center

By Support

 • 1 article

Choosing the right subscription commerce platform is crucial for the success of your subscription business. By carefully considering the features and tools that align with your business needs, you can create a seamless and satisfying experience for your customers.



tips to scale your subscription business

You may have all the technological tools for success, but a subscription program is nothing without valuable subscribers. Building a solid subscription community relies on strategic marketing and customer retention strategies.

There are multiple strategies to acquire customers and market your subscription business, but data-backed methods include:



free trials and free shipping:

You can attract customers — and ultimately extend your CLTV — by offering free trials and free shipping. In fact, 80% of retail subscribers first obtained their subscriptions via a free trial. Reports have also found that 42% of customers are willing to join a loyalty or membership program to get free shipping.



rewards and discounts:

Rewards and discounts can set merchants apart. Offering a gift or coupon code with the subscription signup can attract new subscribers. This can entice the first purchase but also make customers feel appreciated, encouraging them to stay subscribed.

Additionally, many merchants discount each shipment when the consumer subscribes instead of buying one-time products. This entices subscribers while also being a profitable way to extend buying relationships. Merchants can also use the buy-more-save-more model, offering higher discounts for more frequent subscription cycles.



omnichannel marketing:

Many merchants underutilize their existing tools. While most use email marketing, social media and SMS, they often fail to connect these channels effectively. Consumers today interact with brands across multiple channels and devices, making it essential to provide a seamless experience.

For example, a consumer might add a product to their cart on a mobile app and later add another product on their laptop before checking out. Streamlining these interactions creates personalization, a better user experience and a cohesive brand identity that can lead to increased sales.

building your customer retention strategy

A subscription model will only be successful if it retains its subscribers. Some of the most effective ways to reduce customer churn include:

improving user experience:

Merchants shouldn't underestimate the power of a well-designed site. It takes just 0.5 seconds for a user to form an opinion about your website. To make a good first impression, **your site must be aesthetically pleasing and easy to navigate**.

Design impacts 94% of a user's first impression of your site and 59% of global website users prefer beautiful design over something simple. **Attractive design increases user engagement**, so pay close attention to your:

- Layout
- Colors
- Typography
- Overall visual appeal

Beyond design, poor user experience will cost you: **60% of consumers abandon ecommerce purchases due to poor website UX**. To combat this, make sure your site doesn't have:

- A missing call to action (CTA) or poorly optimized CTAs
- Broken links
- Unresponsive design
- Usability issues

Look for ways to improve your site's speed. 47% of consumers won't wait more than two seconds for a site to load and an additional 40% will leave if it takes more than three seconds to load, costing retailers **\$2.6 billion in lost sales annually**.

Finally, prioritize mobile-friendly layouts and fast loading times for phones. According to Similarweb, over 68% of all web traffic comes from mobile. The vast majority of users prefer mobile browsing, so chances are, a poor mobile experience will hurt your bottom line.

focusing on transparency:

Consumers value honesty and reliability when choosing a subscription brand. They want accurate pricing, product descriptions and shipping estimates. To inspire trust, consider including satisfaction guarantees, refund policies and product reviews.

offering flexibility:

One thing to keep in mind is consumers will only choose a subscription plan if it fits into their schedule — that's why plan flexibility should be top of mind for subscription merchants.



measuring success

There are various ecommerce metrics for merchants to measure, but the best KPIs to watch include:

CLTV: This number indicates the projected revenue that a consumer will generate during their entire relationship with the merchant. [Calculating CLTV](#) helps merchants understand the long-term value of their customer relationships and informs decisions regarding marketing, customer service and product development.

order-conversion ratio: Although you may get plenty of website traffic, this number is the percentage of visitors who actually subscribe or buy your products. This metric often indicates how well your website design and functionalities perform with consumers.

shopping cart abandonment rate: Similarly to the order-conversion ratio, this tracks the number of customers who didn't complete an order they started. Oftentimes, an incomplete checkout indicates a complicated buying journey that may need simplification.

rebill rate: This KPI is the percentage of recurring billing transactions that are successfully processed after the initial payment. A high rebill rate indicates strong customer loyalty while the inverse... (you get it). Merchants can analyze their rebill rate to find the cause of consumers not turning into subscribers.

chargeback rate: This is the percentage of orders that are charged back due to a customer disputing the purchase. Chargebacks are typically a bit higher for subscription merchants, but an unusually high rate could signify a larger issue.

churn rate: This is the percentage of customers who unsubscribe or stop purchasing your products. This helps merchants identify key characteristics of at-risk customers so you can nurture them with specialized offers before they churn.

the advantages of subscription data

Subscription data is unique and more powerful than regular data because it is tailored to your business. By [leveraging the advantages of subscription data](#), businesses can create personalized marketing strategies, improve customer retention and make informed decisions about future products and services.

The chart below outlines the advantages of subscription data vs. regular data:

subscription data vs. regular data

feature	subscription data	regular data
ease of marketing	Easier to market to current subscribers due to historical data.	More challenging as new customers lack historical data.
developing offers	Allows for hyper-specific offers to increase interest and buying intent.	Offers are more generalized due to a lack of detailed customer data.
trend analysis	Enables analysis of customer buying and behavior trends.	Limited trend analysis due to sporadic purchase data.
customer engagement	Helps keep customers engaged by catering to their buying habits and preferences.	Engagement strategies are less targeted and effective.
churn identification	Identifies at-risk customers before they churn.	Limited ability to identify at-risk customers early.
product anticipation	Anticipates which products to market in the future based on subscription patterns.	Difficult to predict future product interest accurately.

“Subscription programs provide those much-needed insights that are becoming more difficult to obtain. Subscription data tracks the same shopper over time, merchants can learn so much more about their business’ buying behaviors and trends.”

– **Thomas Marks**, SVP of Marketing

subscription business mistakes to avoid

Like any ecommerce business, there are certain obstacles you'll need to avoid on your path toward building a successful subscription business.

These include:



chargebacks and fraud:

Although chargebacks can be warranted, some consumers will attempt a chargeback to get free products. This issue is multifaceted because the merchant loses products and incurs fees associated with the chargeback complaint.

To combat this, invest in an ecommerce fraud prevention strategy that monitors transactions and shifts chargeback liability off your business.



shipping and supply chain issues:

The volatile nature of our global supply chain is pushing many ecommerce merchants to focus more closely on where they're sourcing from and the timing of their shipments.

When shipping out products or manufacturing orders, make sure to account for potential added time so your customers don't receive their orders after the projected delivery date. If you fail to meet the shipping expectations you've set, consumers will likely lose trust in your brand.



involuntary churn

Involuntary churn happens when a subscriber's payment method declines due to an address change, a new credit card, their bank incorrectly flagging the charge as suspicious activity and more. When a customer's payment fails, this leads to a subscription cancellation — whether the customer knows it or not.

To avoid preventable involuntary churn, select a subscription platform that uses technology to automatically update subscribers' credit card information and reprocess incorrectly declined orders at the best day and time possible.

subscription commerce made simple

Although it may seem complex, a subscription business is easy to maintain once you have your program up and running with the right technology and support to scale. In a changing ecommerce and global environment, subscriptions offer merchants an opportunity to generate predictable revenue and create lasting bonds with hard-earned customers.

[Talk to one of our ecommerce experts today](#) to learn how sticky.io helps direct-to-consumer brands and merchants grow their subscription businesses. sticky.io can serve as your headless payments engine and CRM, helping you boost and scale your revenue, connect with multiple payment providers, and keep your chargebacks low.

talk to an expert