



Metrics

# A Complete Guide on Launching a Subscription Ecommerce Service

Get a step-by-step checklist while launching your ecommerce subscription service.

# Overview

While the pandemic has accelerated the prevalence of ecommerce subscription businesses, it is not a mere fad. [Ecommerce subscriptions](#) are undoubtedly here to stay.

Today, [more than 50% of online shoppers are subscribed to an ecommerce subscription box service](#). With this [market projected to reach \\$473 billion by 2025](#), it couldn't be a better time for your store to launch its own subscription service.

And you've landed in the perfect place because we're going to tell you the step-by-step process to do just that.

In this article, we're also going to be covering:

- The benefits of a subscription service for your store
- The different types of subscription services you can launch
- The biggest challenges to overcome while getting started
- And the best practices to successfully manage your service

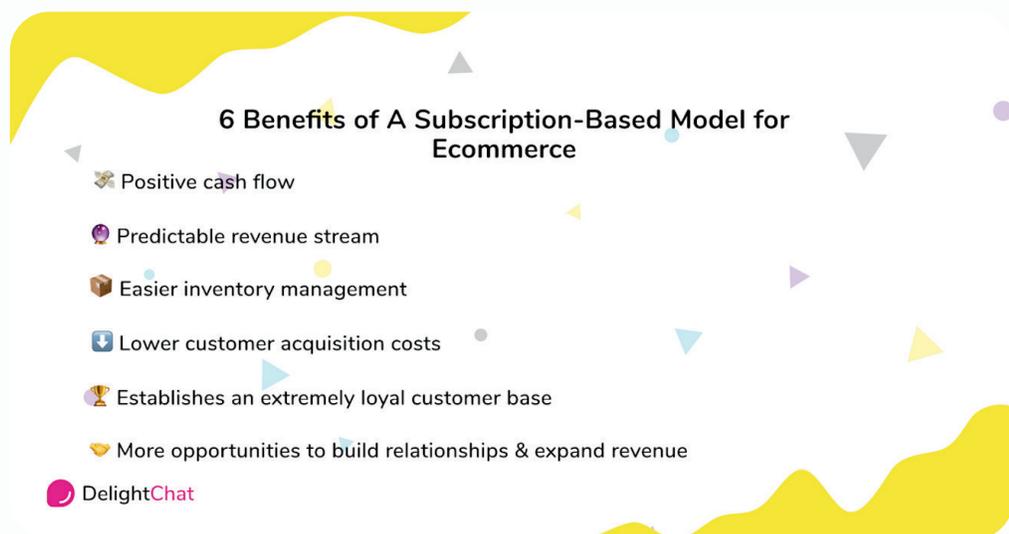
All along with examples of successful ecommerce stores killing it with their subscription services and a downloadable checklist.

Ready? Let's dive right in!

# Benefits of the subscription model for ecommerce

An ecommerce subscription service provides shoppers with a convenient, personalized, and more affordable way to buy what they need regularly.

But the advantages are not just for customers. A subscription service also brings with it several benefits for your ecommerce store.



## 1 A steady and predictable revenue stream

While regular ecommerce retailers face huge monthly fluctuations, a [subscription business model](#) allows you to calculate precisely how much money is coming in every month.

And having a predictable revenue stream helps you better forecast your financial future and make better business decisions.

## 2 Easier inventory management

As you probably already know, inventory management can make or break ecommerce businesses.

But as a subscription retailer, you know exactly how many subscribers you have and how much stock you'll need. This allows you to anticipate demand with a high degree of confidence and plan your inventory well ahead of time.

## 3 Higher probability of positive cash flow

There are a few things as stressful for ecommerce owners as the period between spending money on customer acquisition and the moment these costs have been recovered through sales.

But with a subscription model, you'll most often be receiving the full payment upfront, which makes the probability of a positive cash flow much higher and the chances of cash-flow induced stress lower.

## 4 Lower customer acquisition costs

A pay-per-product pricing model means having to constantly spend money on marketing and sales to attract new customers.

But it's five times cheaper to retain an existing customer than acquire a new one.

And provided you're keeping your customers satisfied, you can drastically reduce your customer churn and new customer acquisition costs while seeing your profit margins continuing to rise.

## 5 Establishes a highly loyal customer base

Repeat customers spend 67% more than new ones. And that's not all.

According to this Temkin Group report, they are also 5x as likely to repurchase, 5x as likely to forgive, 4x as likely to refer, and 7x as likely to try a new offering.

Since they're already buying from you consistently, your marketing budget to retain them will also be relatively low while their lifetime value to your business will be high.

## 6 Brings more opportunities to build relationships & expand revenue

A constant flow of orders allows for a deeper understanding of your customers.

Understanding which you can use to constantly optimize the shopping experience to keep your customers coming back.

Moreover, a subscription model also lends itself to constantly engaging with customers across channels. And this relationship that you develop makes customers much more receptive to up-sells and cross-sells that you promote to them.

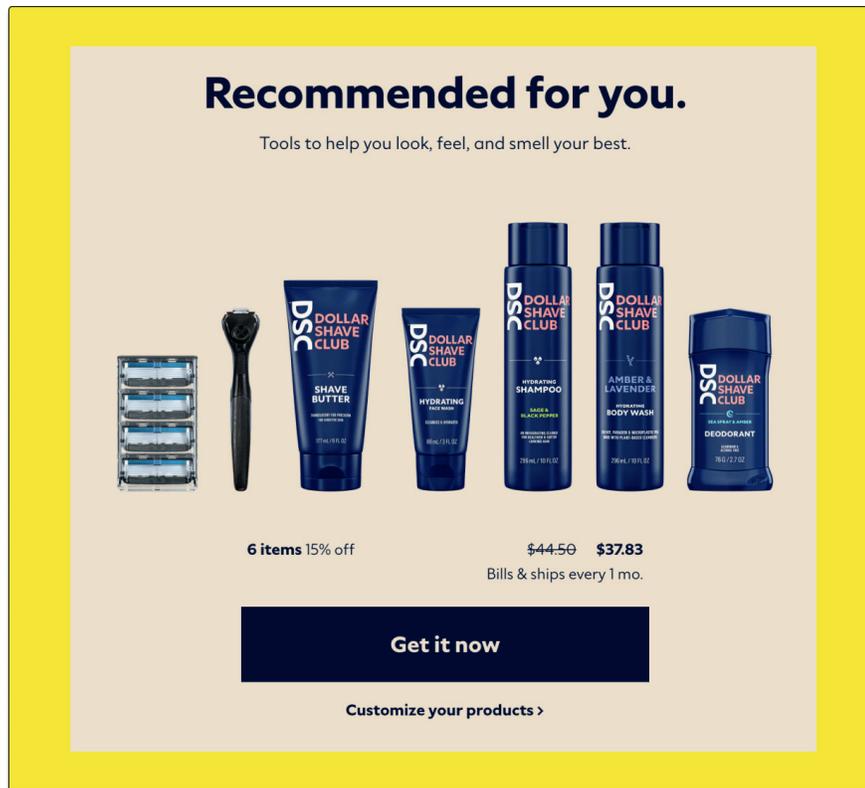
# Types of ecommerce subscription models

Alright, so you now know how an ecommerce subscription service can be advantageous for your store. Now, let's take a look at the different types of subscription options you can consider using.

Types of ecommerce subscription models			
Subscription model	Replenishment	Curation	Access
<b>Biggest attraction</b>	Convenience	Personalization	Members only perks
<b>Common categories</b>	Toiletries, Household goods	Apparel, Beauty	Beauty, Food
<b>Pros</b>	High conversion and retention rates	Huge profit potential	Can offer a wide range of products
<b>Cons</b>	Low profit margins	High marketing costs	Time-intensive
<b>Used by</b>	Dollar Shave Club, Fresh Patch	Birchbox, Stitch Fix	Thrive Market, NatureBox

According to McKinsey, there are three main types of ecommerce subscription models, each with its pros and cons. The one you select will largely depend on the type of products you're selling and your business goals.

## 1 Replenishment business model



A replenishment subscription allows customers to purchase essential consumable products they use recurrently.

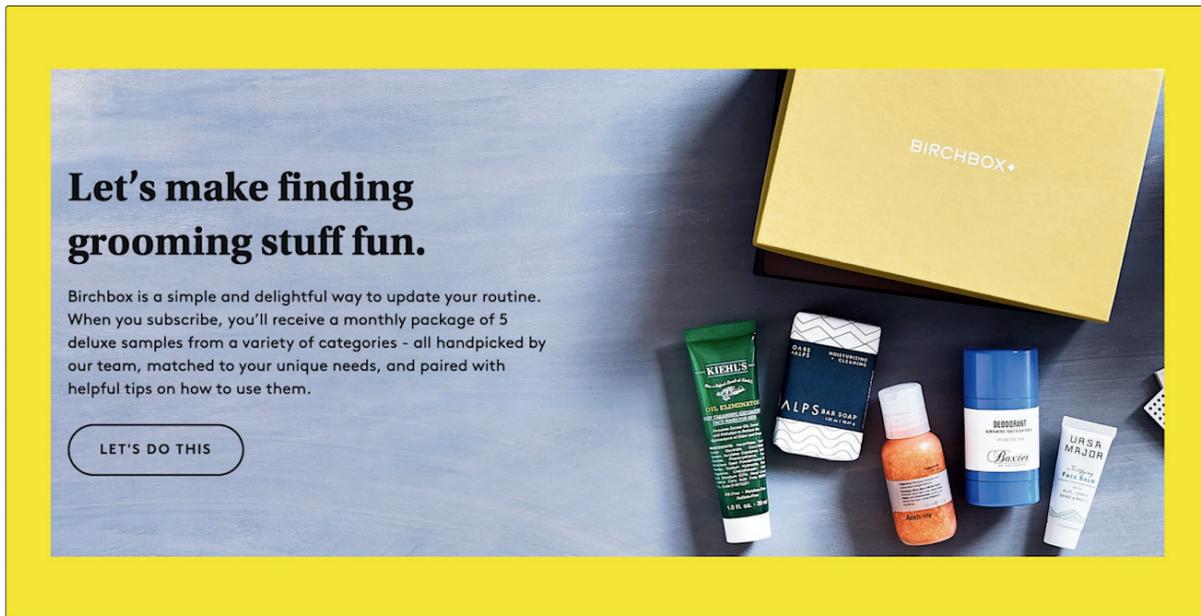
Customers save time by having their essentials delivered to them at regular intervals on autopilot at a discounted price.

The products under this model, as the name suggests, need to be replenished periodically. Good fits for this model include convenience items like toiletries, vitamins, groceries, pet food, etc.

For example, with [Dollar Shave Club](#), once you select your shaving preferences (what you shave, how often, shaving problems, hair type, etc.), you'll be recommended a personalized selection of products that will be shipped to you each month.

Due to the nature of the products, such a model has higher conversion and retention rates than the others. On the flip side, since you'll need to offer significant discounts to make such a subscription worthwhile for the customer, you'll need to operate at scale to realize profits.

## 2 Curation business model



This is probably the model that comes to mind when you hear the words 'ecommerce subscription'.

Curation subscription services provide a collection of products based on each customer's needs and tastes. They are also commonly called [subscription box businesses](#).

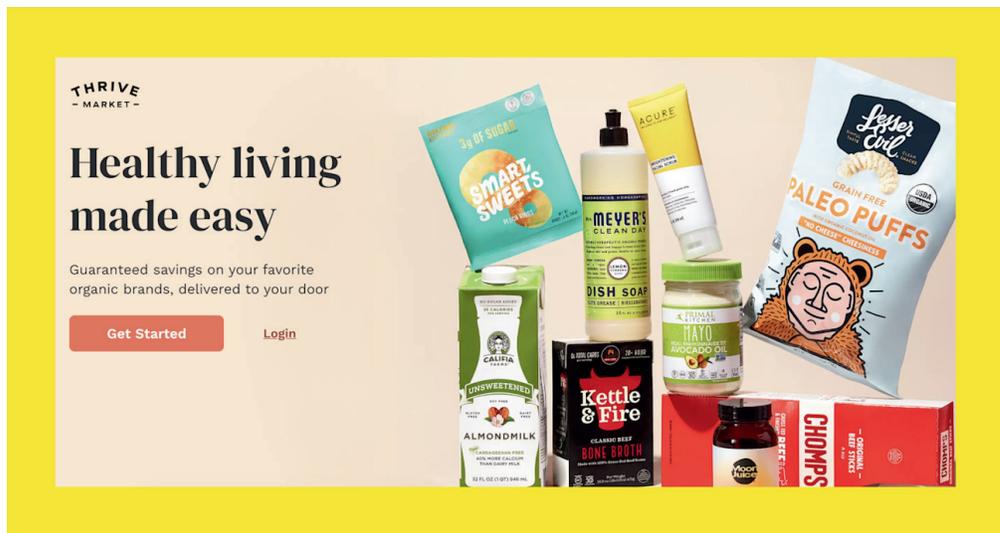
This model is probably most well-known in the apparel and beauty categories.

For example, when you subscribe to [Birchbox](#), you'll receive a monthly package of handpicked samples matched to your needs from various categories. However, a curation model can work well for a range of products across industries. And the pandemic has even resulted in subscription boxes for day-to-day needs taking precedence.

Since most subscribers to these boxes are looking for highly personalized product recommendations, they're prepared to pay a premium for exceptional quality. This means that if executed effectively, there's huge profit potential.

However, it is also more expensive to attract and retain customers with significant spending required on marketing, branding, packaging, etc.

### 3 Access business model



In this model, subscribers pay a membership fee to access a company's products just like with warehouse clubs (think Costco).

The big draw here is the exclusive access to long-term savings customers can enjoy, making their subscription fee worthwhile.

There are ecommerce players in various categories, from beauty to food, using an access business model.

Such a model allows you to offer a range of different products as part of a single membership. However, you'll need to constantly monitor and tweak the terms to ensure that it adds genuine value for your customers.

[Thrive Market](#) and [Nature Box](#), which sell organic food and healthy snacks, are two such players successfully using an access-based model.

As we mentioned right at the start of this section, the model you choose largely depends on your products and business goals.

You could also consider offering subscriptions as add-ons to your existing model. This allows you to explore the subscription ecosystem and find the model that best works for you.

Great, now that we've got that out of the way, let's jump into the step-by-step process to launch your own ecommerce subscription service.

# Process to start your ecommerce subscription service

## 1 Find the right subscription service idea

The first step towards successfully launching your subscription service is finding the right idea. For this, you'll need to answer three main questions:

- Who is your ideal customer?
- Which is your target niche?
- Who are the existing players, and how can you stand out from the competition?

### Who is your ideal customer?

Building a buyer persona is standard practice while starting any business. It involves using your ideal buyer's demographics and psychographics to understand the problems they're facing, how they're looking for solutions and how your offerings can help them.

### What is your niche?

Next, you'll need to find out the need for a subscription-based service like yours and the likelihood of gaining sufficient long-term subscribers to your business. For this, you'll want to look at:

- The services your target audience is currently subscribing to
- How much they spend each month
- The percentage of their budget that goes towards subscription services

Finding your ideal audience and niche can be tricky. But it's well worth spending the time and effort on this step. Once you have a clear understanding of who you're selling to and the problem you're trying to solve, the other steps become a whole lot easier.

## Who are the existing players?

An important step in identifying your niche is understanding the players already operating in the market.

If you've cracked product-market fit while carving out an entirely new niche, then you have a more straightforward road in front of you.

However, chances are there are existing businesses already doing what you want to do (or something very similar). And you'll need to figure out what areas they lack in to capitalize on. This could be anything from the products themselves, the delivery process, prices, customer service, etc.

Having a clear idea of what makes you different and marketing it effectively is what will allow you to stand out from the crowd and build a successful subscription-based business.

## 2 Develop a business plan

You have an idea in mind. It's now time to [create a plan and set up processes](#) so that your business can run like clockwork. Here are the different areas you'll need to take care of:

### Budgeting and pricing

You'll need to make your idea work within the resources you have available to you. Every following step here will depend significantly on your overall budget. Break down your budget into individual elements to see how much you can afford to spend on the different areas needed to run your subscription company successfully.

While determining the pricing you're going to charge, you'll first need to calculate how much you will be spending. Here are some of the costs you'll need to consider:

- Product costs
- Branding and packaging costs
- Shipping costs
- Fulfillment costs
- Transactional and [subscription management](#) costs
- Fixed costs (like office rent, software used, etc.)
- Customer acquisition costs

Once you've tabulated the costs, you can determine how your subscription will be priced.

Most ecommerce experts suggest looking for around a 40% profit margin. Talk to prospective customers and nail down pricing that works best for both you and them.

## Suppliers

One of the most important components of starting a subscription-based business is the products themselves. There are two important factors to consider when choosing your supplier:

### Reliability

You'll need a supplier who can source your products on an ongoing basis to ship hundreds of boxes each month. You simply can't afford to have boxes turning up late or missing a few products. It's best to go with suppliers with a proven track record, even if you're paying a premium. For example, [Chargebee integrates with BigCommerce](#), which helps you manage your subscriptions, order fulfillment, and [recurring billing](#) with ease. Choosing a partner with extensive subscription [eCommerce APIs](#) and plugins can help you grow your business to new heights.

### Cost

You can probably expect to pay something between wholesale and retail prices for your products while starting off.

Contact a bunch of different suppliers you're interested in to find out their rates. You can use this information as leverage while negotiating with other suppliers and finding the best deal for yourself.

## Distribution

Next, you need to figure out how your customers will find and buy from you.

The most common starting point would be building a website. If you're an emerging startup, you could go for the simple template site functionality offered by most ecommerce platforms. The drag and drop interface means it's easy to create and relatively inexpensive.

If you want your website to be tailored exactly how you want, you'll need to build a custom ecommerce site. This will allow you to customize every single aspect of your site to drive more conversions. However, this will be more expensive and require more technical expertise and, therefore, more time-consuming.

Besides your website itself, identify the different channels your target audience is on and create a presence there to drive traffic to your online store. This could be anything from creating a page on Instagram/Facebook or creating a group from your [WhatsApp Business Account](#).

## Branding and Packaging

Effective branding and packaging is an important aspect of how people will recognize you.

When it comes to branding, there are three main aspects to take care of:

- Name
- Logo
- Slogan

A good brand name will allow people to know exactly what you sell without any additional context. For example, when we think of stores like Dollar Shave Club or Bark Box, most people will immediately know they're selling razors and dog products, respectively.

Similarly, you also want a logo that people can immediately associate with you and a slogan that shows what you stand for and the value in doing business with you.

One of the major attractions of ecommerce subscriptions for customers is the experience of unboxing their package.

And you'll want your packaging to make customers look forward to this experience every month (or however often you plan to ship).

This will need to be balanced with the size, weight, and design of your packaging since your choices here have a huge impact on the amount you spend on the packaging.

## Shipping and Fulfillment

If you're just starting out, you may be looking at handling fulfillment yourself. Alternatively, you'll need to look at partners to handle this for you. As mentioned earlier, talk to as many different players as possible to find out their terms to work out the best deal for yourself.

And remember, don't risk damaging the customer experience by going for the cheapest option. If you're not handling it yourself, work with a partner who has a well-established track record.

## Ecommerce Billing and Subscription management

Unlike one-time purchases, you need to be [bill subscribers](#) every time a box ships. And for this, you'll need a system to process these [recurring payments](#) and deal with issues like expired cards and denied transactions.

You'll want your [subscription management tool](#) to:

- Deliver a smooth experience across checkout, multiple payment gateways, and other touchpoints
- Maximize loyalty through experimentation, personalization and by offering multiple purchase options
- Be flexible to seamlessly integrate with your existing tech stack
- Provide you with a high degree of automation

## 3 Create your prototype

You've now figured out the logistics for your business operations. Great!

It's time to build your subscription box and validate your idea with real customers. Here are the steps you need to take to do just that:

### 1. Select the products

The products you select don't need to be exactly the same as those you plan to ship in the first month. But this will give you the most accurate feedback on what customers think of your offering.

Alternatively, you can select similar items to the ones you intend to send as part of your subscription. However, it's extremely important that they roughly match the quality and quantity of products that'll make up your 'official boxes.'

### 2. Packaging

As we mentioned earlier, the packaging in which your products arrive has a huge impact on the overall customer experience.

However, at this stage, you don't want to be breaking the bank. A simple package with a minimalistic design and your logo should do fine for now. Also, remember that it's not just about being appealing but also making sure that the packaging is sturdy enough to get your products to your customers in mint condition.

Once you see signs of success, you could get more creative, try higher quality material, custom designs, and incorporate things like social media icons, [ecommerce customer service](#) details, etc.

### 3. Get as much feedback as possible

The process of prototyping and shipping your boxes is essentially a test run that serves two primary purposes:

- Validate your business idea
- See how well the systems you've put in place are working

If you lack in either department, this is the perfect time to know.

And the only way you'll find out is by proactively reaching out and talking to customers. Set up calls with customers you already have a strong (enough) relationship with for detailed feedback to understand every aspect of their purchase journey.

Find patterns in the feedback to make necessary tweaks and changes that enhance the shopping experience.

If constantly adding value and improving the customer experience is your north star, your subscription business is bound to find success.

## 4 Prepare for your launch

Alright, you're almost there!

All systems are in place and you're confident that if the right audience finds you, your idea will be successful.

So, it's time to take steps to try and make the right audience find you and build a buzz around your upcoming launch.

Here are the steps you need to take:

### 1. Decide the length and goal of your pre-launch

Set a launch date and how many email signups you're aiming for by then.

Between 4-6 weeks is the ideal preparation time for your launch. Remember, even when launch day arrives, everything will not be perfect, they never will be. So once you've set a date, just work towards that and don't look back!

### 2. Create a specific pre-launch page

A pre-launch page is a way to collect email addresses and nurture your audience in preparation for your launch. This should be the primary place you're trying to drive traffic to until your launch. Your page needs to:

- Have well-written copy and visuals that resonate with your audience
- Be connected to your email provider (to collect email addresses)
- Be quick to load and responsive on mobile devices

### 3. Set up your welcome email series

Your welcome email series is a collection of automated emails that will be sent to new subscribers at defined times after they sign up.

You want to set clear expectations and show the benefits of your offerings. It's a great way to let customers know more about you and how you can add value to their lives.

And if executed right, this could be the beginning of long-lasting customer relationships.

### 4. Promote your pre-launch page

The final step to prepare for your launch is to drive as much attention and traffic as possible to your pre-launch page.

It doesn't matter how awesome your product is if nobody knows about it, right? You'll want to set up and build your social media presence on the channels that your target audience is hanging out on.

Each social media channel comes with its own specific best practices that you'll need to follow. However, here are some tips that are applicable irrespective of the channel you're going to be using:

- Use high-quality imagery of your products
- Make sure you respond promptly to all comments and direct messages
- Interact and build relationships with other brands and influencers in your space
- Focus on providing value and solving problems as opposed to blatant self-promotion

## **5. Launch your subscription service**

If you've followed everything to a tee so far, there's not a whole lot of new things to do at this stage.

You do, however, need to ensure that everything from packaging, shipping, and delivery runs smoothly. And you'll need to make sure any issues are rectified as soon as they happen.

You'll want to check in with customers to find out how satisfied they are and if there are elements of the process that can be further improved.

Well, that's it! You've just launched your subscription service. And now, all you need to do is rinse and repeat every month.

I wish I could say things got easier from here. But finding the right products to send and everything that comes along with it month after month can get challenging.

But if you constantly seek feedback and make improvements to the customer experience, you'll be rewarded with an ever-growing recurring income flow for your store.

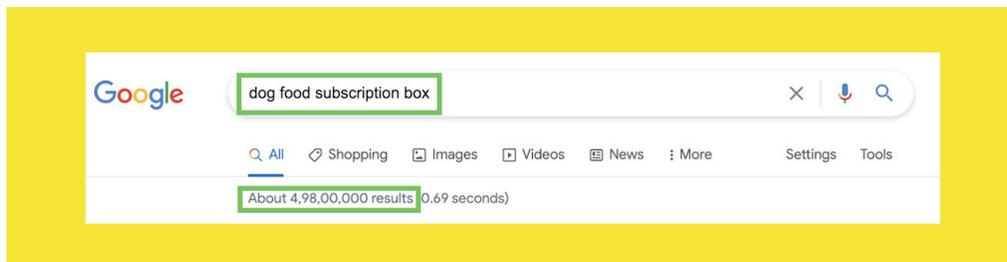
# Best practices for starting an ecommerce subscription service

Alright, you now know the step-by-step process to launch your own ecommerce subscription service. However, before you get started, let's also take a look at the biggest challenges you'll face while launching your subscription service and the best practices to overcome them.

## Target a super-specific niche

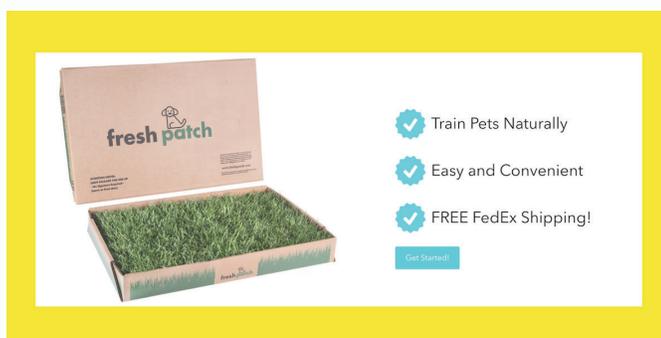
One of the biggest challenges with launching your ecommerce subscription service is finding your niche.

You might begin thinking that the market is too saturated and that there isn't a niche out there that isn't already catered to.



And while there's no denying that the competition is fierce, there are two things that you can do to stand out:

- Select a very specific niche that you know a fair bit about
- Highlight how you're different from the competition



For example, [Fresh Patch](#) has selected the niche of grass patches for dogs (can't get more specific than that, right?) and has clearly shown how they can add value to the lives of their customers.

# Select the right tools & partners

Another challenge you will face is selecting the right partners and tools to manage your subscription business.

And when you do not yet see revenue flow in, it can be tempting to go for the cheapest option available.

But remember, any issues stemming from your partners or software means possibly hampering the customer experience. This means, even though you saved a few bucks, you won't achieve your end goal of generating revenue.

This is why it's always preferable to go with established names. If things work out and your business succeeds, these tools and partners will end up paying for themselves.

Billing and Payments for Subscription Ecommerce

**The future of ecommerce is *subscribed.***  
**Are you ready?**

Build brand loyalty and generate recurring revenue with subscriptions. Focus on delighting your customers, and scale your subscription strategy with Chargebee.

[Schedule a demo >](#) [Sign up for free >](#)

**Your Cart**

Robusta Beans	01	\$14/m	Subscribe or Save Robusta Beans \$14/month
Beauty Essentials	01	\$40/m	Get the Box Beauty Essentials \$40/month
Sneakers	01	\$38	
Skate Alimax		\$38.20	One-Time Purchase Skate Alimax \$38.20
Subtotal		\$92.20	
Shipping Cost		\$3.80	
<b>Total Cost</b>		<b>\$96.00</b>	

[Buy Now](#)

VISA

Chargebee logo

Go through their reviews, speak to their customers and only make your decision after doing your due diligence about the partner or software you're planning to use.

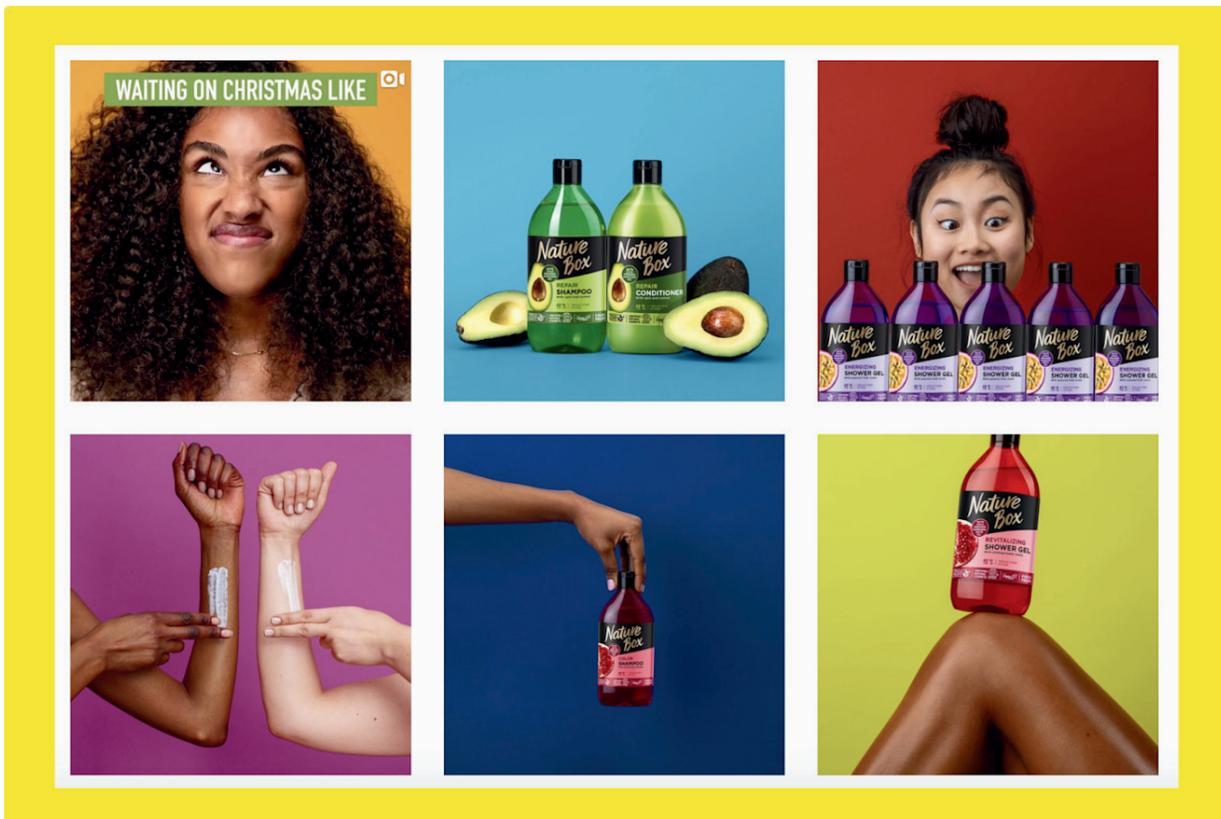
# Stand out with stunning presentation

While this is a challenge common across ecommerce, it's certainly worth mentioning.

Online shoppers can't feel, touch, and see your products in person like they can in a store. This means you'll need your product photos and presentation to dazzle them.

This will allow them to see your products with greater detail and instill confidence and improve their perception of your goods, making them more likely to convert.

You want everything from the angles, lighting, and staging to be on point to show off your products in all their glory, like how [NatureBox](#) has done in their beautifully crafted Instagram feed.



## Allow users to get a taste of your offerings

Customers will be hesitant to commit to a subscription without trying your products.

And while it may not be possible to hand out free samples when starting out, you should allow users to get a taste for your products without making it feel like a major commitment.



### You're always in control.

- Flexible delivery dates
- No hidden fees
- 30-Day Money Back Guarantee
- Club Pros to answer your questions
- Cancel online anytime

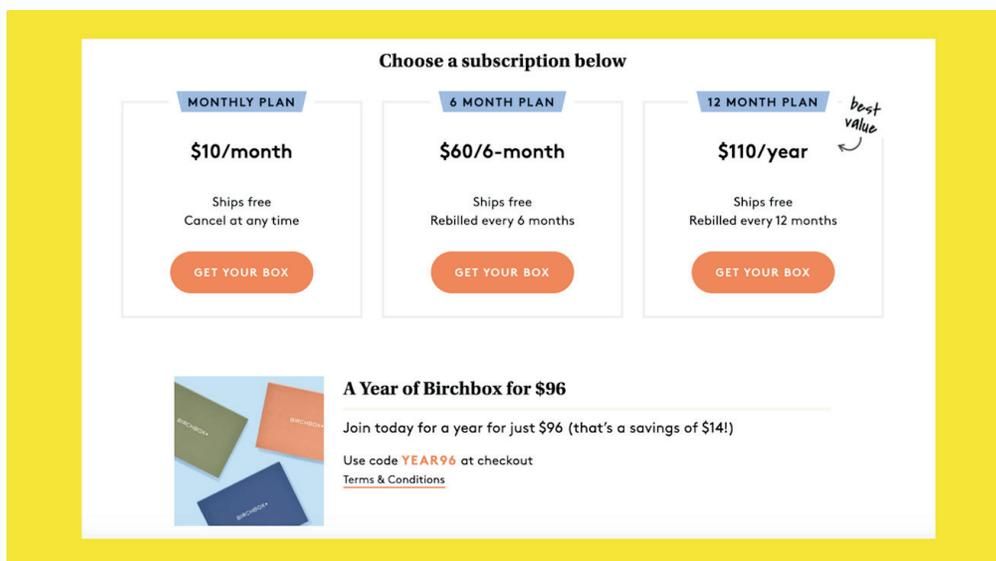
You can do this with a flexible return policy, a money-back guarantee, or simply letting them try a small sample of your products at a reasonable price.

# Incentivize long-term commitments

One of the major advantages of a subscription-based business model is that you don't need to actively hunt for new customers to grow revenue.

While this may not be possible right from the beginning, you should definitely prioritize customer retention over acquisition. And one of the simplest ways to do this by incentivizing long-term subscriptions to your existing customers.

For example, Birchbox offers a year of their subscriptions at \$96. With their monthly plans costing \$10, their customers can save \$24 annually.



The image shows a screenshot of the Birchbox website's subscription selection page. It features three main options under the heading "Choose a subscription below":

- MONTHLY PLAN:** \$10/month. Ships free. Cancel at any time. Button: GET YOUR BOX.
- 6 MONTH PLAN:** \$60/6-month. Ships free. Rebilled every 6 months. Button: GET YOUR BOX.
- 12 MONTH PLAN:** \$110/year. Ships free. Rebilled every 12 months. Button: GET YOUR BOX. A handwritten note "best value" with an arrow points to this option.

Below these options is a promotional banner for "A Year of Birchbox for \$96". It includes the text: "Join today for a year for just \$96 (that's a savings of \$14!)", "Use code **YEAR96** at checkout", and a link for "Terms & Conditions". To the left of the text is an image of three Birchbox boxes in different colors (green, orange, blue).

# Be proactive in getting sign-ups

Launching your store and hoping for the best is not a great strategy for growing your subscriber base.

You'll need to actively engage with your audience and be proactive in getting them to sign up.

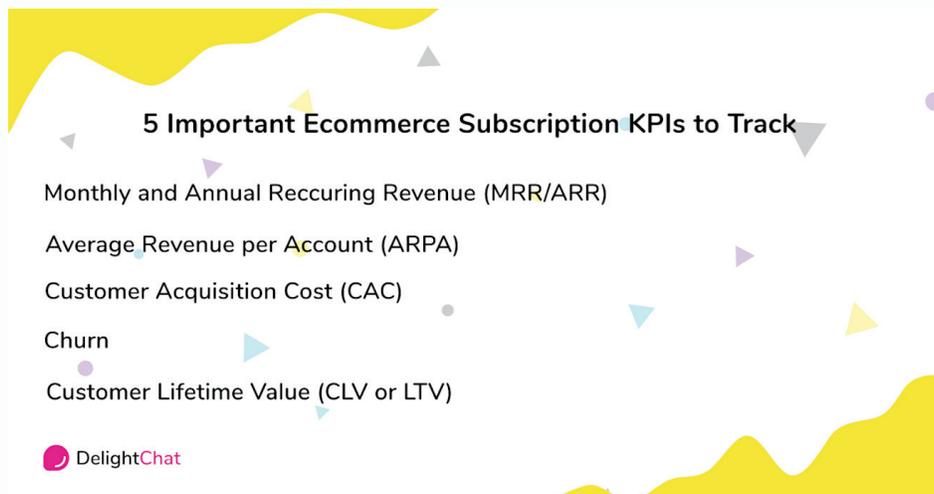
The latest coffee news, featuring the world's best coffees, coffee gear, and brew tips.

 <p><b>Ground Coffee - Where We Stand</b> For a great cup, a great grind in the Beanery will beat a poor grind in the kitchen, every time.</p>	 <p><b>Brewing Truly Strong Coffee</b> Strong coffee: it's all in the brewing</p>	 <p><b>Espresso Basics, and a Few New Drink Types to Try</b> (None of which are called 'espresso')</p>
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And the best way to do this is by talking to your customers often and finding out about their interests, needs, and problems. You should then address this and show how your product can help in your blog, on social media channels where your customers are active, and even during 1:1 conversations.

**Bean Box**, for example, creates long-form written content covering coffee news, gear, and tips on their website. They then promote this content using social media channels like Twitter and Instagram.

# Identify the KPIs you'll use to measure success



There is an endless number of metrics to measure the success of your subscription business. But it's important not to track too many, or you'll end up overwhelmed. Identify a few KPIs that are important to your business, can be easily measured, and reflect your reality.

Here are some of the most common ecommerce subscription KPIs that you can consider tracking:

- **ARR/MRR:** [Annual/Monthly Recurring Revenue](#) is the value of your subscriptions' contracted recurring revenue components during a month/year.
- **ARPU:** [Average revenue per user](#) is the average dollar amount you're collecting from customers. To determine it, you'll need to divide total revenue by the number of active subscribers.
- **CAC:** [Customer acquisition cost](#) is the \$ amount you spend to acquire a new customer. You can calculate this by dividing your total marketing, and advertising spend by the number of new customers. Ideally, you want your CAC to be at least less than 50% of your LTV. But if your LTV is high, it might be okay if your CAC doesn't net you any profit until a few months down the road.
- **Churn:** [Churn](#) is the rate at which you lose customers each month. A high churn rate is a cause for concern as it indicates a lack of customer satisfaction.
- **CLV:** [Customer lifetime value](#) is the total dollar amount attributed to the average customer throughout the lifespan of their membership.

## Conclusion

And we're done!

Launching a subscription service for your ecommerce store might seem daunting.

Hopefully, the tips and guidelines mentioned in this article should give you the perfect jumpstart your ecommerce subscription business needs.

But remember, this is far from a one-and-done process. Talk to your customers regularly, focus on constantly adding value and improving the shopping experience. If you can do this, you're setting up your subscription business for long-term success.

Good luck!

*This guide is guest authored by the team at [DelightChat](#), an ecommerce customer support software company.*



**chargebee**