

In a shifting economy, resilience is key. Adopting a **subscription model** offers Direct-to-Consumer (D2C) retailers an opportunity not just to weather the storm, but to chart a course for sustainable growth and long-term profitability.

The term ‘subscription’ was synonymous with magazines, but now they’re just about everywhere you look. From streaming services and curated clothing to fancy coffee and wine clubs, it’s not just about one-off purchases anymore. There’s a growing trend of embracing subscriptions for an ever-expanding array of products and services.

The subscription market is forecast to grow at a Compound Annual Growth Rate (CAGR) of **71%** from 2023 to 2028, with a projected value of **\$1.5 trillion** by 2025. This is no surprise, given that subscriptions, once confined to specific industries, are now constantly breaking new ground.

Take the automotive sector. Programs like Access by BMW and Book by Cadillac offer subscribers their choice of different vehicles for a monthly fee, with the market expected to surpass \$40 billion by 2026. Similarly, the food industry is venturing into new territories, with meal kit companies partnering with chefs and retailers teaming up with recipe sites.

In this blog, we’ll explore several compelling reasons why adopting a subscription model isn’t just a viable option but a vital strategy for D2C retailers looking to thrive.

Predictable Revenue and Customer Lifetime Value

Implementing a subscription model provides companies with a consistent, loyal customer base and predictable purchasing patterns instead of relying on one-time sales from customers who may or may not come back.

Customer Lifetime Value (CLV) is a crucial metric that helps you measure the revenue potential of each customer. In simple terms, CLV is the average revenue a company can expect over the entire lifespan of a customer's account. Imagine a customer spending \$50 monthly for 12 months – that's a CLV of \$600. Extend that relationship to two years; the CLV shoots up to \$1,200.

What's more, CLV gives you a customer-centric viewpoint to inform crucial marketing and sales strategies, such as **customer acquisition**, retention, cross-selling, upselling, and support.

But what's the real magic of subscription models? They don't just provide a steady revenue stream; longer-term customer relationships open the door to exponential growth. Acquiring a new customer is five to 25 times more expensive than retaining an existing one, per **Harvard Business Review**. And a simple 5% increase in customer retention, as per **Bain & Company**, can boost profits by a substantial 25%. What's more, subscribers boast a higher CLV than occasional buyers. They consistently spend more over time, and here's the cost-savings cherry on top: retaining existing subscribers costs far less than acquiring new ones. That's a winning formula for maximizing CLV and propelling your brand to new heights.

Subscribers: The MVPs of Retention

When it comes to **customer retention**, subscribers are your most valuable players. Unlike single-purchase customers who need continual enticements to come back, subscribers are inherently easier to keep.

Subscription customers need to take the proactive step of canceling their subscription, and even when they make the move to cancel, you still have a chance to step in and prevent them from bidding farewell.

Subscriptions are more than just a one-time click and purchase – they create a constant link with customers, strengthening the customer relationship and fostering brand advocacy. The recurring nature of subscriptions guarantees that customers continuously enjoy your goods or services, keeping their focus on your brand and away from the competition.

And with subscriptions, you can track customer activity across various channels and tools through automated workflows. Keeping an eye on customer behavior is key – when their activity is slowing down, they're at a much higher churn risk than the ones who are active and engaged. By delving into customer data, you can gain valuable insights that pave the way to retaining more customers, especially those most valuable to the brand.

Personalization and Customer Experience

Subscription models enable D2C retailers to tailor products and services to individual customer preferences and enhance the overall customer experience.

Understanding customer preferences over time allows brands to personalize offerings and build loyalty further. And as **S&P Global** notes in their Market Intelligence Brief, brand loyalty is the leading reason consumers buy directly from a brand versus a retailer or marketplace.

Subscription programs are also data goldmines, offering insights into buying habits and product preferences. Leveraging purchase data to tailor promotions can reduce new member churn by up to **40%**.

Take, for instance, your local grocery store. When a grocer tailors their special offers, such as providing a discount on pet food to a customer who has previously purchased it, the store sees a notable 16% increase in the average basket size. Turning customer data into personalized promotions isn't just practical; it's a strategy that can multiply the uptake of an offer by as much as eight times.

But consumer preferences do change and develop over time, and that's where having access to transactional and behavioral data becomes even more important. Hitting the mark with personalization requires the right tech capabilities and system. Retailers need quality data and the tools to turn it into customized offers that satisfy customer preferences.

Subscription Innovation in Action

In the world of subscriptions, Pret A Manger and Liberty of London are rewriting the playbook, even in challenging economic times. Chargebee is playing a vital role in helping these brands acquire, grow, retain, and manage customers, with its unique Revenue Growth Management platform.

UK-based sandwich and coffee chain, Pret A Manger, introduced the United Kingdom's first drinks subscription program in September 2020. Priced at £30 per month, Club Pret subscribers get up to five barista-prepared drinks daily, including coffees, teas, hot chocolates, smoothies, and frappe drinks. They also receive a 20% discount on all food, snacks, and any additional beverages. Club Pret subscriptions have helped drive 20.2% revenue growth in 2023.

The chain also launched Pret Perks, a program that enables customers and subscribers to earn stars and redeem them for personalized rewards. The outcomes of both programs have been remarkable: Pret Perks members spend four times more than non-subscribers, and in the UK, Pret now averages over 6.8 million monthly transactions.

Chargebee powers the recurring payments linked to Club Pret, supporting the subscription service and enhancing customer retention.

Similarly, Eagle Eye and Chargebee fueled the Liberty retail subscription, **The Beauty Drop**. Subscribers contribute £20 monthly to a beauty savings account, unlocking four free Beauty Discovery boxes a year with free shipping. Members love the “stored-value” model, seeing it as high-value and a dependable revenue source for Liberty.

This innovation played a key role in The Beauty Drop surpassing its initial sign-up expectations within three weeks of launch.

Subscriptions **for the Win**

For D2C retailers, subscriptions provide predictable revenue streams, enhanced customer lifetime value, improved retention rates, and the powerful tools of personalization and customization to pave the way for customer loyalty.

Chargebee’s end-to-end solution simplifies the complexities of **subscription management**, billing, and customer lifecycle management. It allows businesses to focus on delivering value to their customers while efficiently scaling and optimizing their revenue growth strategies.

Subscription models represent a key revenue stream that D2C retailers can’t afford to miss.

Ready to revolutionize your business with Chargebee?
Discover how to begin today! Scan the QR to get a free demo.



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Marlous is a seasoned professional with expertise in strategic partnerships, event strategy, and budget management. She excels at curating engaging speakers and optimizing ticket sales, consistently delivering impressive event results. Her close alignment with Sales teams drives revenue growth, and her passion for localization enhances integrated marketing campaigns.



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