

# Mastering Recurring Revenue:

10 Tips for Reducing Churn



Your speaker today

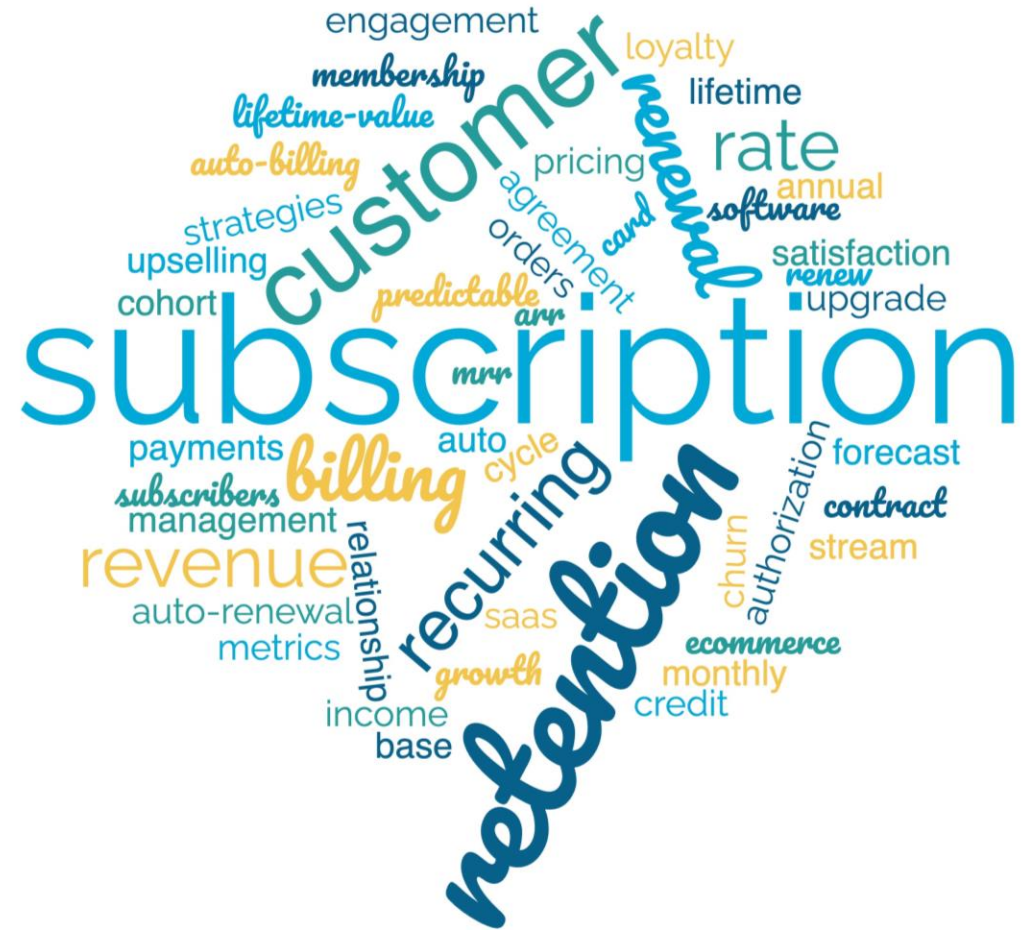
# Shannon MacLeod

Director, Strategic Growth  
Verifone



# What we'll cover today

- Common terms and definitions
- Key performance metrics
- Ten tips to increase recurring revenue
- Examples and case studies
- Time for Q&A





# Definitions & metrics



# What is Retention Rate?

## Definition

A retention rate measures the percentage of customers who continue to maintain their subscription over a specific period of time.

Chargebacks, refunds, cancellations and renewals all affect the retention rate.

## Formula

Number of Subscribers  
at specific time

————— \* 100

Number of Subscribers  
that originally  
purchased the product

# Retention Rate

This measures your ability to retain customers, and includes issues such as product quality and customer loyalty as well as your subscription billing system, payment provider and failure recovery tools.

Start of month  
1200 subscribers



End of month  
800 subscribers



**Retention Rate for this month = 66%**  
 $(800 / 1200) * 100 = 66\%$



# What is a Renewal Rate?

## Definition

The percentage of subscriptions that renewed at the end of the billing term based on the total number of subscriptions that are *eligible for renewal* at the start of the billing term

## Formula

$$\frac{\text{Number of } \textit{Active} \text{ Subscribers at the End of the Period}}{\text{Number of } \textit{Active} \text{ Subscribers at the Start of the Period}} * 100$$

# Renewal Rate

This measures the performance of your subscription billing system, payment provider and failure recovery tools.

**Start of month**  
1200 subscribers



**Eligible for renewal**  
1000 active subscribers



**End of month**  
800 subscribers



**Renewal Rate for this month = 80%**  
 $800 / (1200 - 200) * 100 = 80\%$

**During month**  
200 cancellations





# Renewal Rates versus Retention Rates

	Renewal Rate	Retention Rate
DEFINITION	The percentage of subscriptions that renewed based on the <i>total number of active subscriptions that are eligible for renewal</i>	The percentage of customers who continue to maintain their subscription over a specific period of time.
FORMULA	Number of <i>Active Subscribers</i> at the End of the Period / Number of <i>Active Subscribers</i> at the Start of the Period * 100	Number of Renewed Subscriptions / Number of Initial Subscribers *100
RESULT	This means that x% of your eligible subscribers renewed their subscriptions at the end of the period.	This means that you have retained x% of your initial subscribers at the end of the period.
WHAT DOES THIS MEASURE?	This measures the performance of your subscription billing system, payment provider and failure recovery tools	This measures your ability to retain customers, and includes issues such as product quality and customer loyalty as well as your subscription billing system, payment provider and failure recovery tools

# Auto-renewal versus manual renewal

## AUTO-RENEWAL or AUTO BILLING

The subscriber's payment method is stored and is automatically charged at the end of the billing term in order to automatically renew the subscription.

The end result is that the subscriber does not need to take action to renew their subscription (as long as their payment method is valid).

Auto-renewal rates:

- 90% for monthly term
- 80% for annual term

It is a best practice to allow shoppers to opt-out of auto-renew when they are purchasing the initial subscription.

## MANUAL RENEWAL

The subscriber must manually renew their subscription by going through a shopping cart and completing the renewal order.

The end result is that if the customer does not take action, their subscription expires.

Manual renewal rates:  
30-60%

It is best practice for companies to notify their subscribers before the subscription expires and remind them to renew.

A subscriber must be able to disable auto-renew or cancel their subscription at any time.

# What is Churn?

## Definition

Churn is the opposite of retention. It is the percentage of subscribers that are not retained at the end of a period.

## Formula

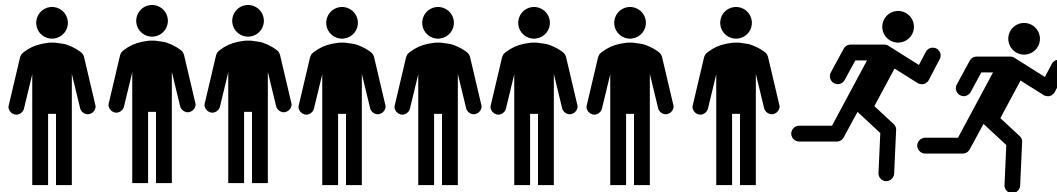
$$1 - x\% \text{ Retention Rate}$$

## Example

$$100\% - 80\% = 20\% \text{ churn rate}$$

## Result

This means that you did not retain 20% of the initial subscribers you originally acquired.



# Types of churn

## INVOLUNTARY CHURN

Associated with auto-billing

The subscriber intended to renew, but there was an issue and the payment was not processed, so their subscription expired.

Common reasons for involuntary churn:

- Payment account was closed (hard decline)
- Payment failures (Expired credit card, insufficient funds)
- Payment provider has low authorization rate
- Payment provider does not have failure recovery tools

## VOLUNTARY CHURN

Associated with manual renewals

The subscriber did not take action to renew their subscription, or cancelled their subscription.

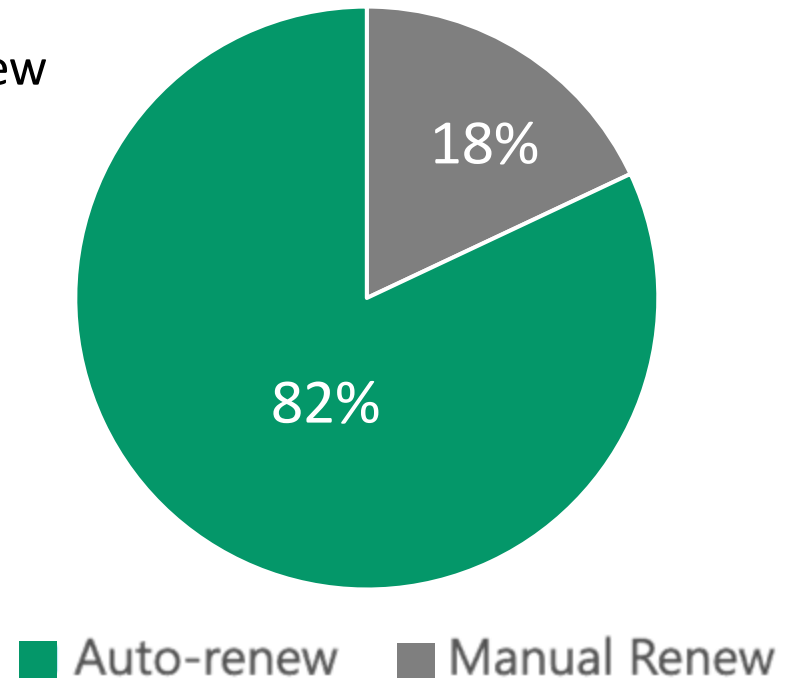
Common reasons for voluntary churn:

- Customer cancelled their subscription
- Customer does not want to renew their subscription
- Customer requested a refund or chargeback
- Customer did not complete the renewal process

**It is critical to follow up with subscribers who are churning and attempt to renew their subscription before/after it expires.**

# Key metrics to track performance

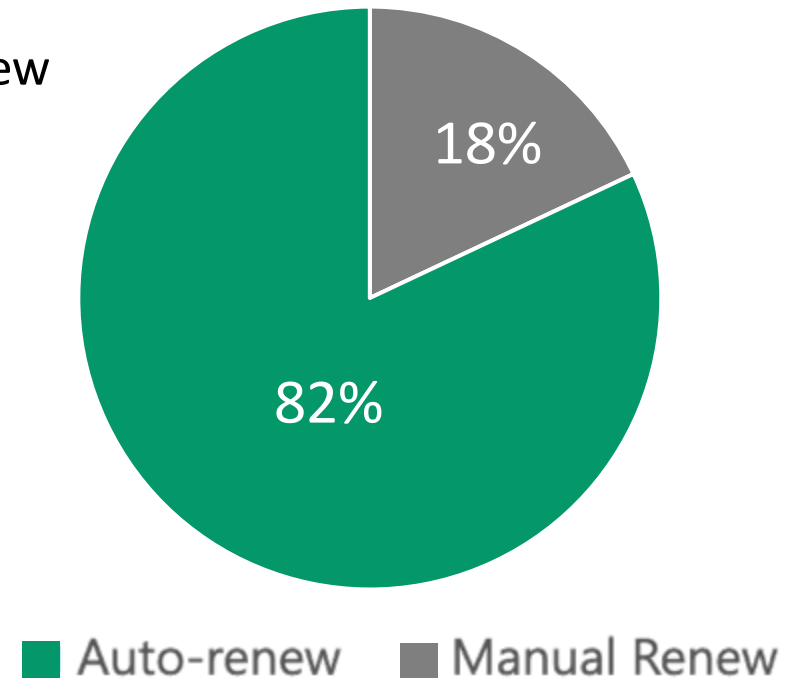
- Total Renewal rate
  - Auto-renew rate
  - Manual renew rate
- Percentage of subscribers on auto-renew versus manual renew
- Geo-distribution of customers
- Cancellation rate
- Refund rate
- Upgrade rate
- Authorization rates
- Customer lifetime and lifetime value





# Key metrics to track performance

- Total Renewal rate
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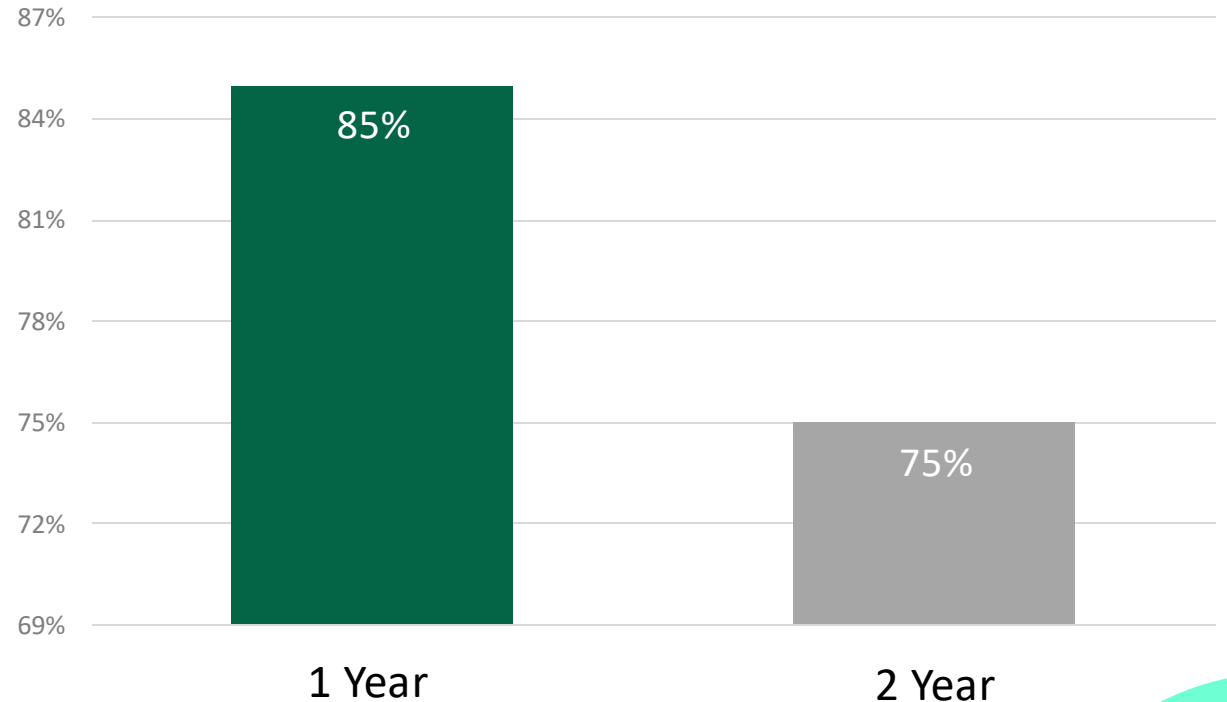


# Analyzing renewal rates

- Cohort analysis

- By product / price point
- By billing cycle
- By payment method
- By country
- By purchase date

Renewal Rate by Billing Cycle

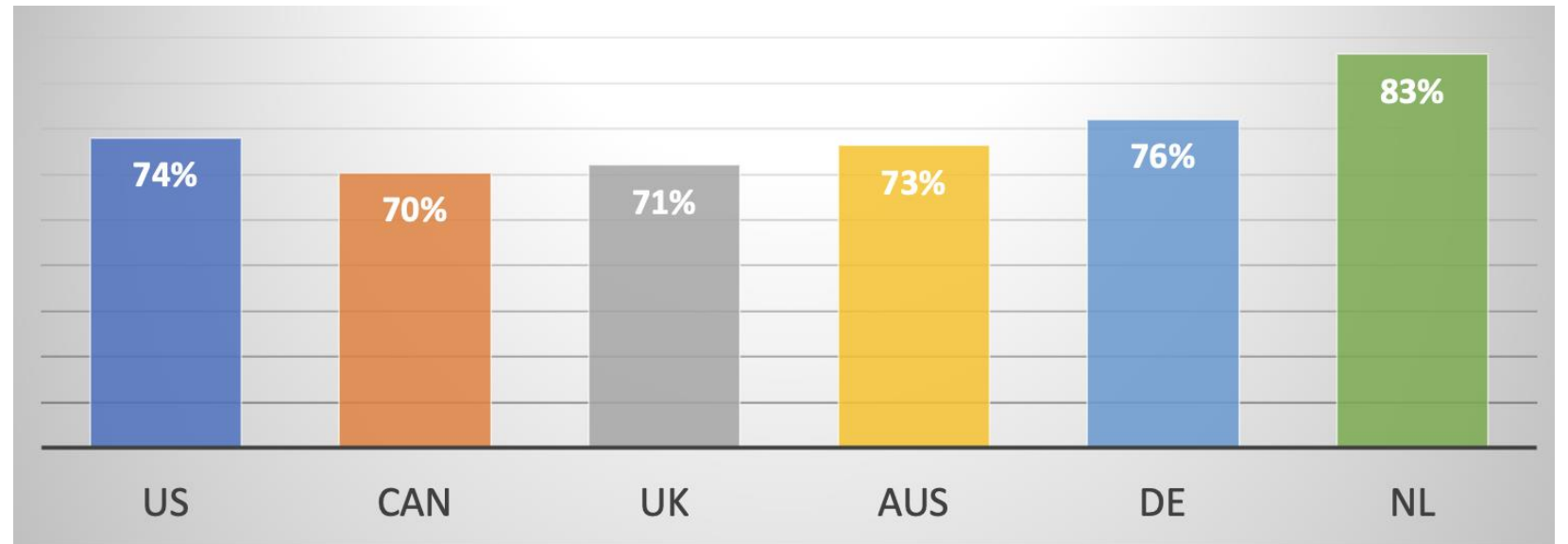


# Analyzing renewal rates

- Cohort analysis

- By product / price point
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Renewal Rate by Country

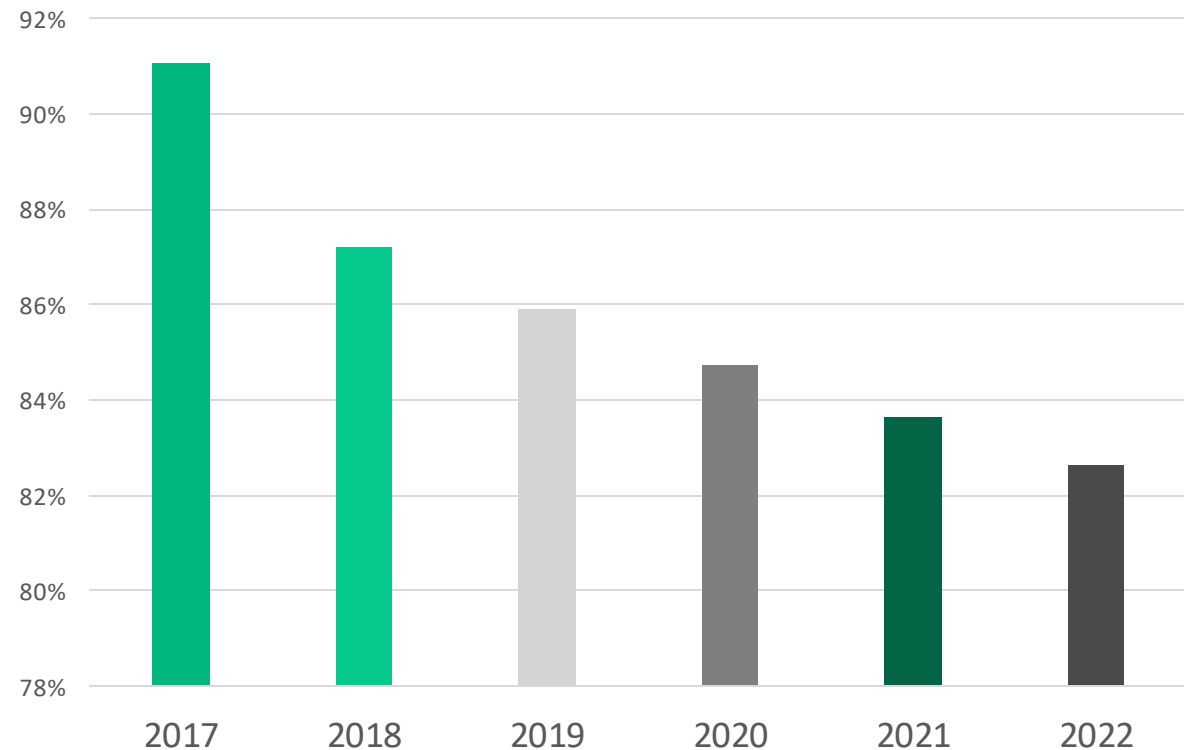


# Analyzing renewal rates

## ● Cohort analysis

- By product / price point
- By billing cycle
- By payment method
- By country
- By purchase date

Renewal Rate by Date of Purchase



# Strategies to increase recurring revenue



# Tips to increase the number of auto-renew subscribers





- Show the benefits of auto-renewal service.
- Test different styles of auto-renew opt-in options.
- Migration campaigns: Move subscribers from manual renew to auto-renew.
- Offer a discount for auto-renew.
- Churn prevention campaigns when customers disable auto-renew:
  - Offer a discount on future billing cycles
  - Pause subscriptions
  - Upgrades and downgrades.

# Show the benefits of auto-renew

## Auto renewal ✕

The Malwarebytes Auto Renewal Service is designed to save you time and effort. It also minimizes risk and ensures your device is protected by automatically renewing your subscription before your protection expires.

Benefits of automatically renewing your license include:

-  **Uninterrupted protection**  
Your device will be continuously protected, even if you forget to renew your Malwarebytes subscription.
-  **Flexibility**  
You can turn off auto renewal at any time without cancelling your subscription.
-  **No surprises**  
We email you 30 days before your upcoming renewal, and also send a confirmation email after your subscription has been renewed.
-  **Peace of mind**  
We catch 95 million malicious threats each day. With auto renewal service, you can be assured that your device will always be protected.

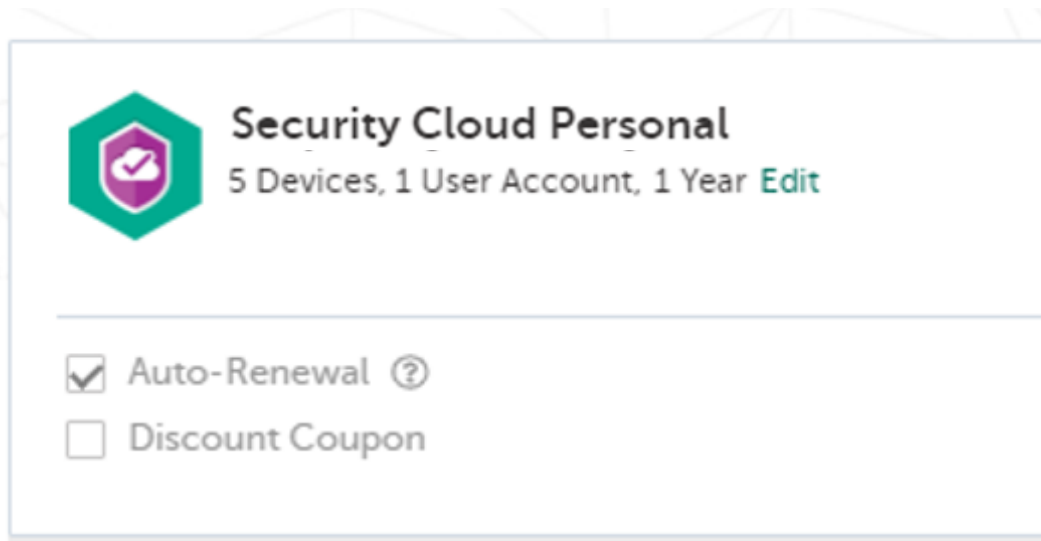
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You can disable the auto renewal setting by logging into your account at [MyAccount](#) or by contacting Customer Support at [support@malwarebytes.com](mailto:support@malwarebytes.com) or call +1 (650) 963-5701. You will receive at least one email notification before you are billed to inform you about your renewal price and subscription term. Discounts on initial purchase may not be applied to subscription renewals.

# Test different styles of auto-renew opt-in options

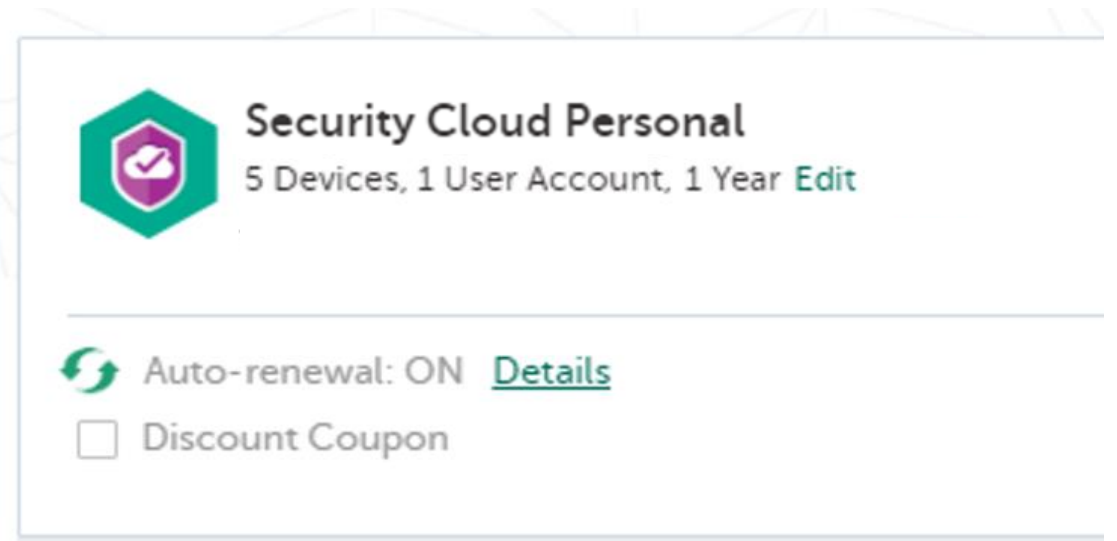
## Control

Auto-renew style is a check-box



## Variation

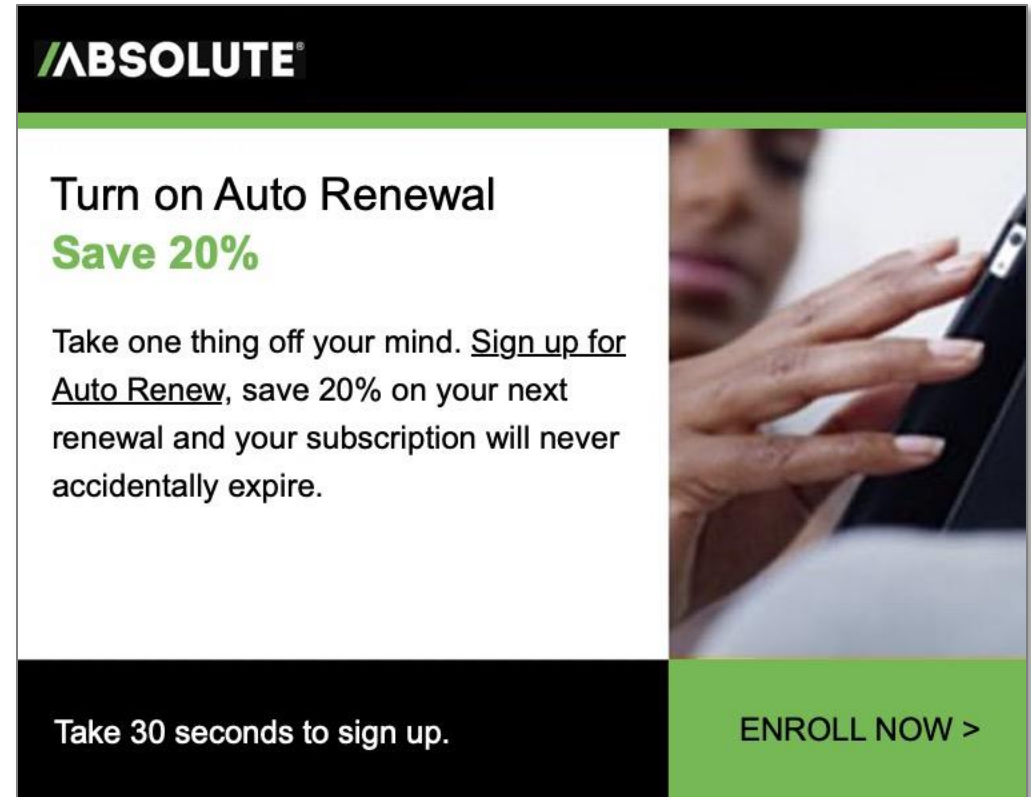
Auto-renewal style with circular arrows



The Variation generated a **19.48% decrease** in the auto-renewal opt-out rate.

# Migration campaigns

- Proactively encourage subscribers to enable auto-renew
- Offer a discount on the next billing cycle
- Communicate through email, in-product messaging, and My Account



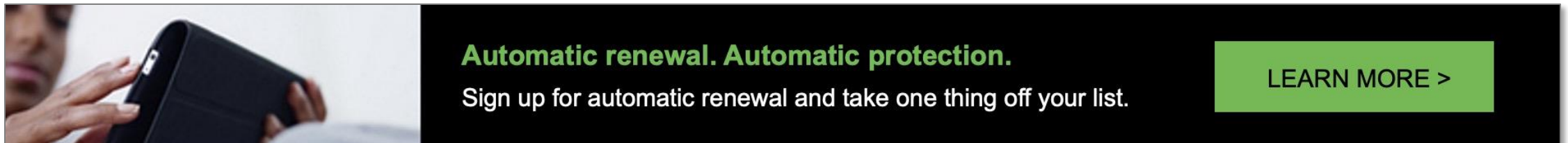
**ABSOLUTE**

Turn on Auto Renewal  
**Save 20%**

Take one thing off your mind. [Sign up for Auto Renew](#), save 20% on your next renewal and your subscription will never accidentally expire.

Take 30 seconds to sign up.

ENROLL NOW >



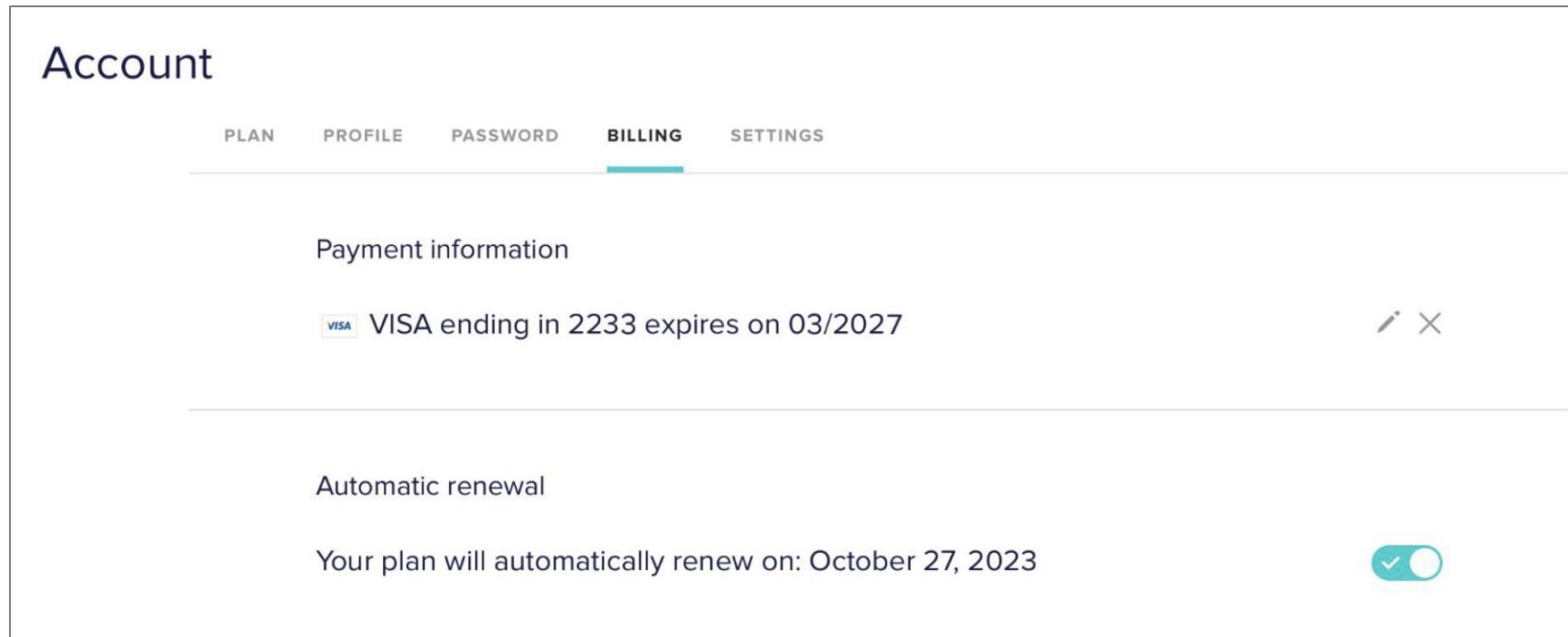
**Automatic renewal. Automatic protection.**

Sign up for automatic renewal and take one thing off your list.

LEARN MORE >

# Churn Prevention

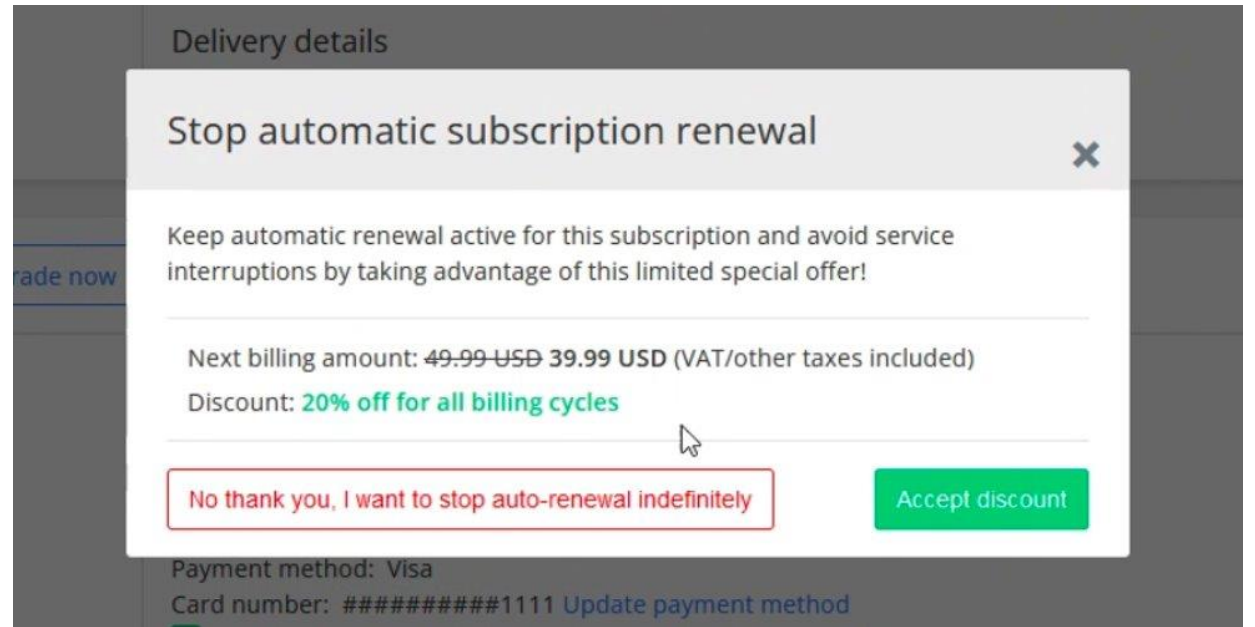
When customers are turning off auto-renew in their account, display messaging and offers to make them reconsider and keep auto-renew enabled





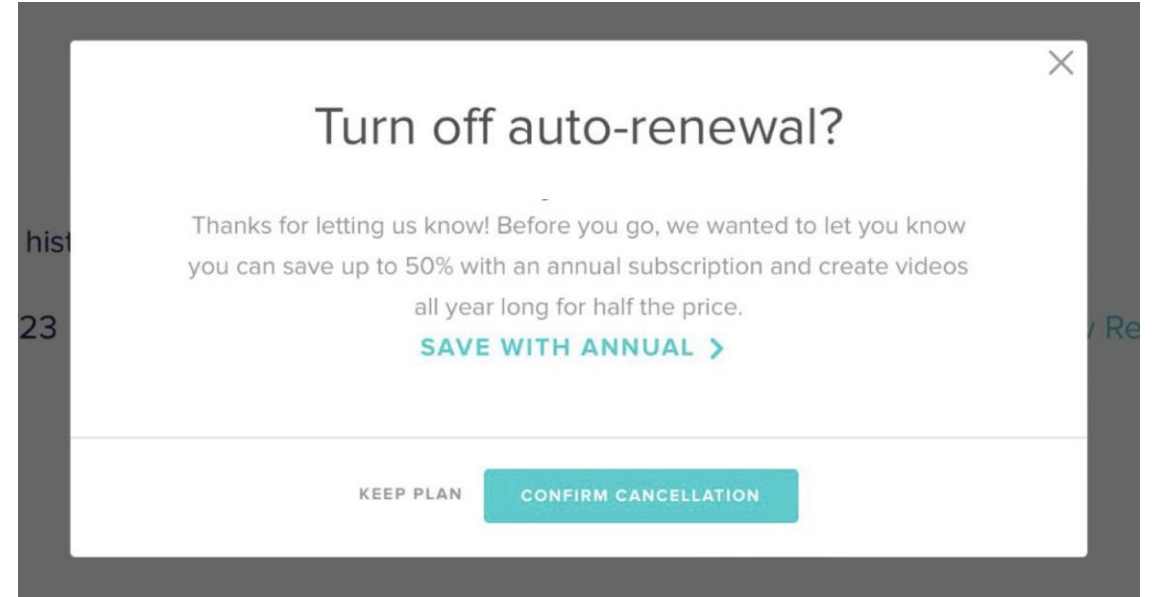
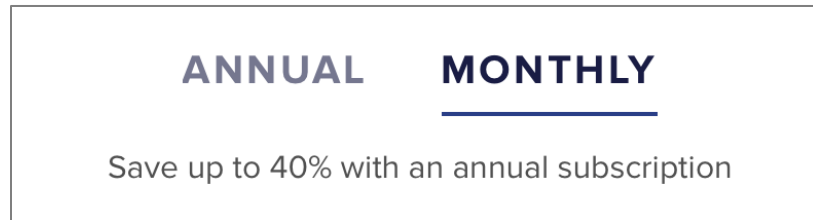
# Churn Prevention: Discounts

- Offer a discount:
  - on the next billing cycle
  - on all future billing cycles
  - extend the subscription (get 3 months free)



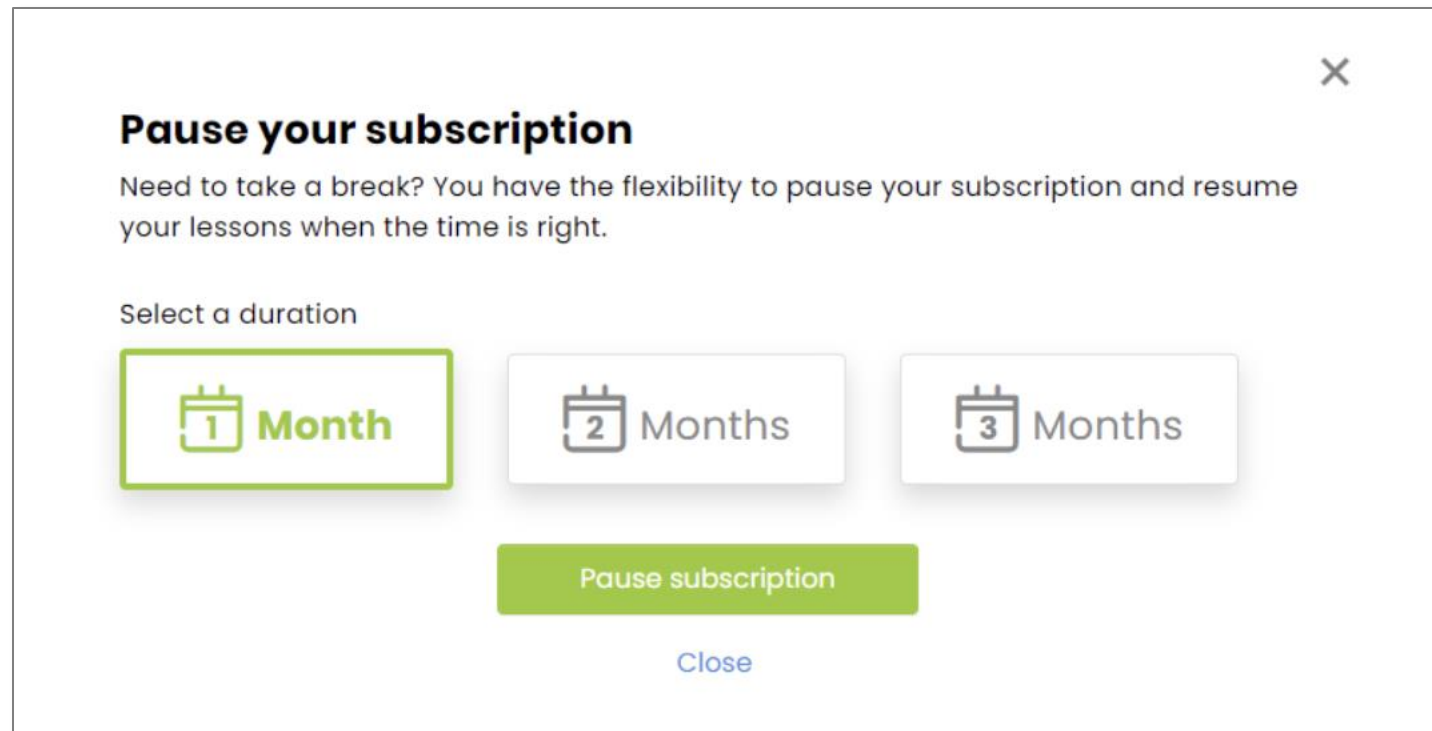
# Churn Prevention: Change the billing cycle

- Offer to change the billing cycle
  - move from monthly to annual and save 50%
  - this savings is often built into the pricing strategy, so it is reminding the subscriber rather than stacking another discount



# Churn Prevention: Pause subscriptions

- Offer to pause the subscription
  - Resume the billing cycle at a pre-determined date
  - Subscription management tools handle this for you



**Pause your subscription**

Need to take a break? You have the flexibility to pause your subscription and resume your lessons when the time is right.

Select a duration

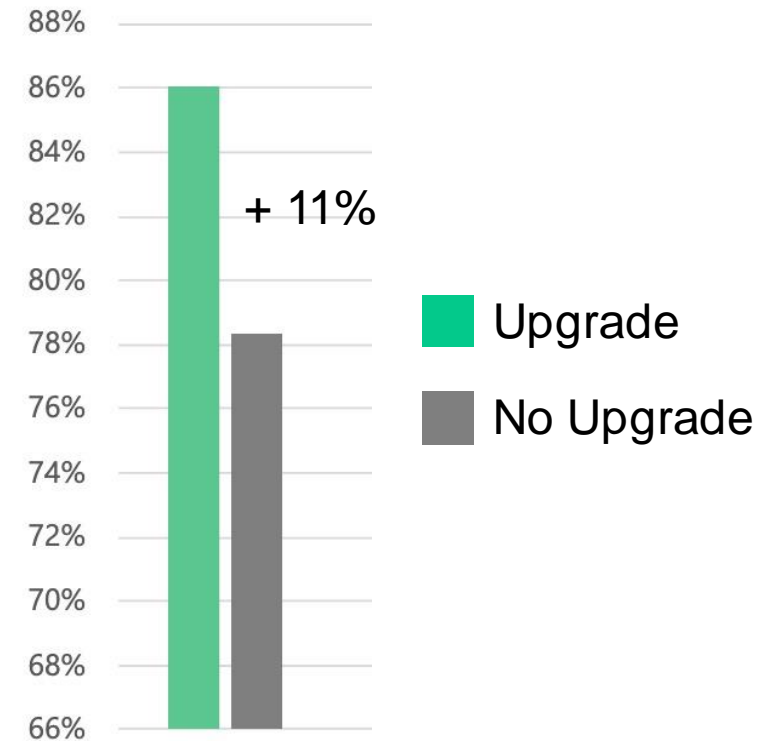
**1 Month**   2 Months   3 Months

Pause subscription

Close

# Churn Prevention: Upgrades

- Upgrades can be used as an alternative to discounting
- Customers that upgrade have a higher retention rate
- They renew at a higher price in next billing cycle
- Subscribers with upgrades have highest LTV



A promotional banner with a black background. On the left, it features a '\$1,000 GUARANTEE' in white and green text, with 'OUR PROMISE TO YOU' below it. In the center, it says 'Get a Free Upgrade to Premium. Includes \$1000 Recovery Guarantee. \$20 Value.' in green and white. On the right, there is a green button with the text 'UPGRADE NOW' in white. A small 'x' icon is in the top right corner of the banner.

# Churn Prevention: Downgrades

- Downgrades can be used as an alternative to cancelling the subscription altogether
- Offering the customer a less expensive option can convince them to stay

**You can change your current plan**

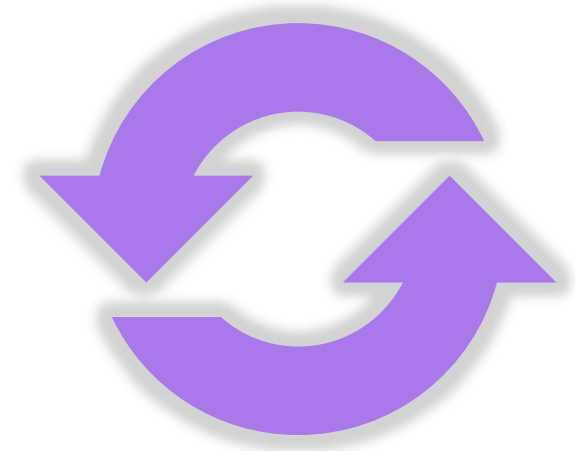
<input type="radio"/>	<b>Standard</b> 3 team accounts	<b>\$99</b> <del>\$149</del> per project, per month	<b>Downgrade</b>
<input checked="" type="radio"/>	<b>Professional</b> 5 team accounts	<b>\$299</b> per project, per month	<b>Your plan</b>



# Tips to increase the auto-renewal rate

## Reduce involuntary churn

- Contact subscribers with expired cards
- Advanced Retry logic
- Intelligent Payment Routing
- Monitor authorization rates & gateway messages
- Follow-up emails for failed payments



# Contact subscribers with expired payment methods

- Expired payment methods are the largest driver of involuntary churn
- Contact the customer if their payment method has expired, or will expire before their subscription renewal date
- Use email, in-product messaging, and My Account to prompt subscribers to update their payment info
- Verifone sends automated emails, and also has an API that provides the subscriber expiry date



Dear Jane,

As a reminder, your subscription will renew in 30 days. Your annual subscription cost is USD \$29.99 and your renewal date is 11/12/2023.

However, the payment method saved in your account is about to expire soon. Don't let your subscription lapse!

## YOUR CARD IS ABOUT TO EXPIRE SOON

Card Number \*\*\*\* \* 2388

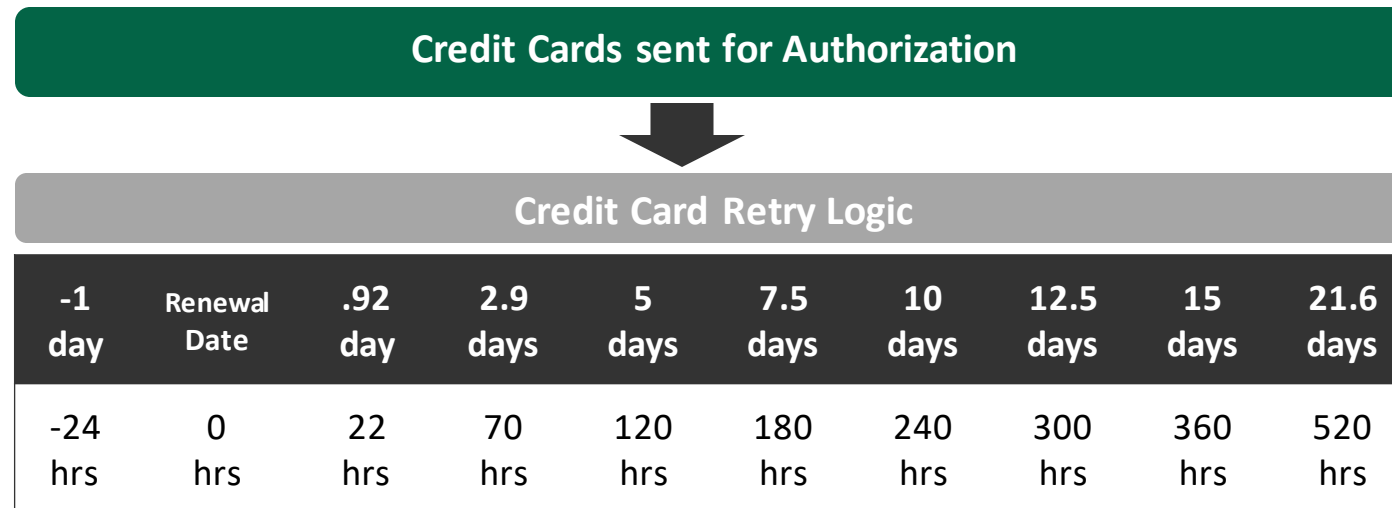
Card Type Visa

Expiration Date 11/2023

[Update my payment method](#)

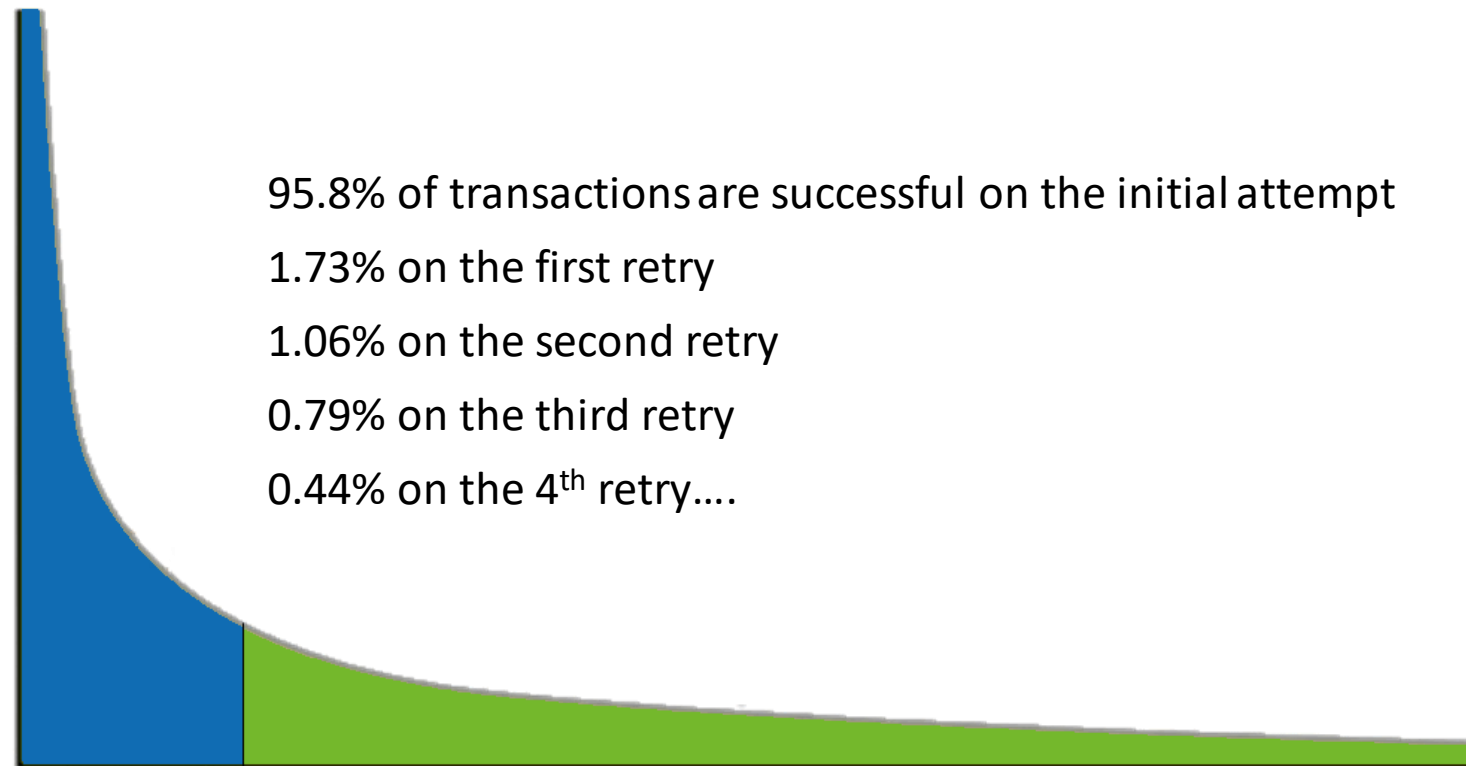
# Advanced Retry Logic

- Sophisticated retry logic involves multiple attempts to authorize a credit card at specific intervals and frequencies
- Too many attempts can look like fraud



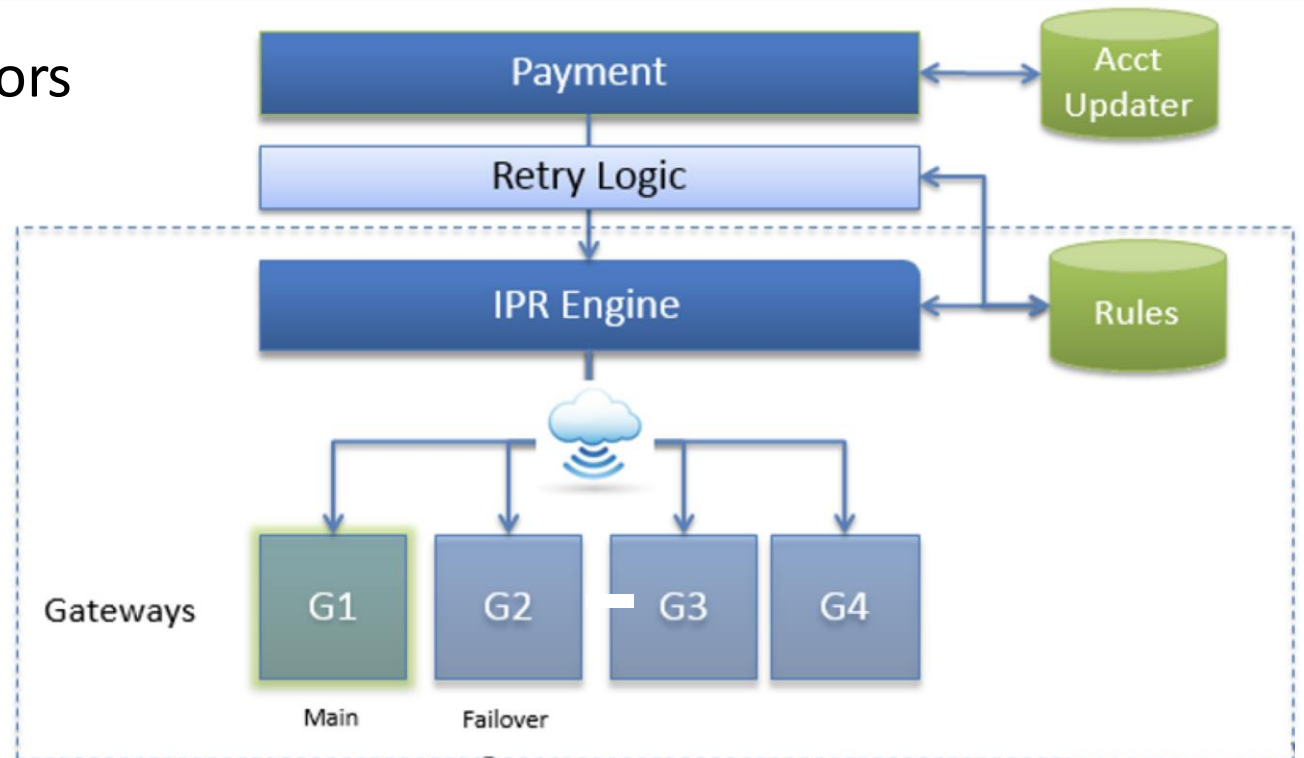
# Advanced Retry Logic

- There is a long tail effect with multiple attempts to maximize the authorization rate
- Be mindful of fees from your payment provider



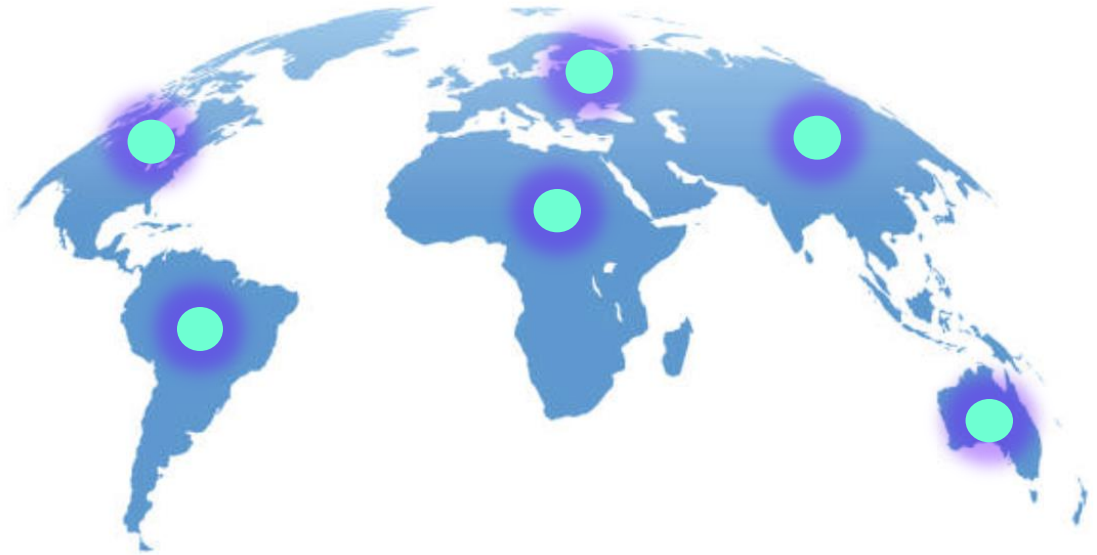
# Intelligent Payment Routing

- Account Updater tools for expired cards
- Failover payment processors
- Geo-distribution of payment processors



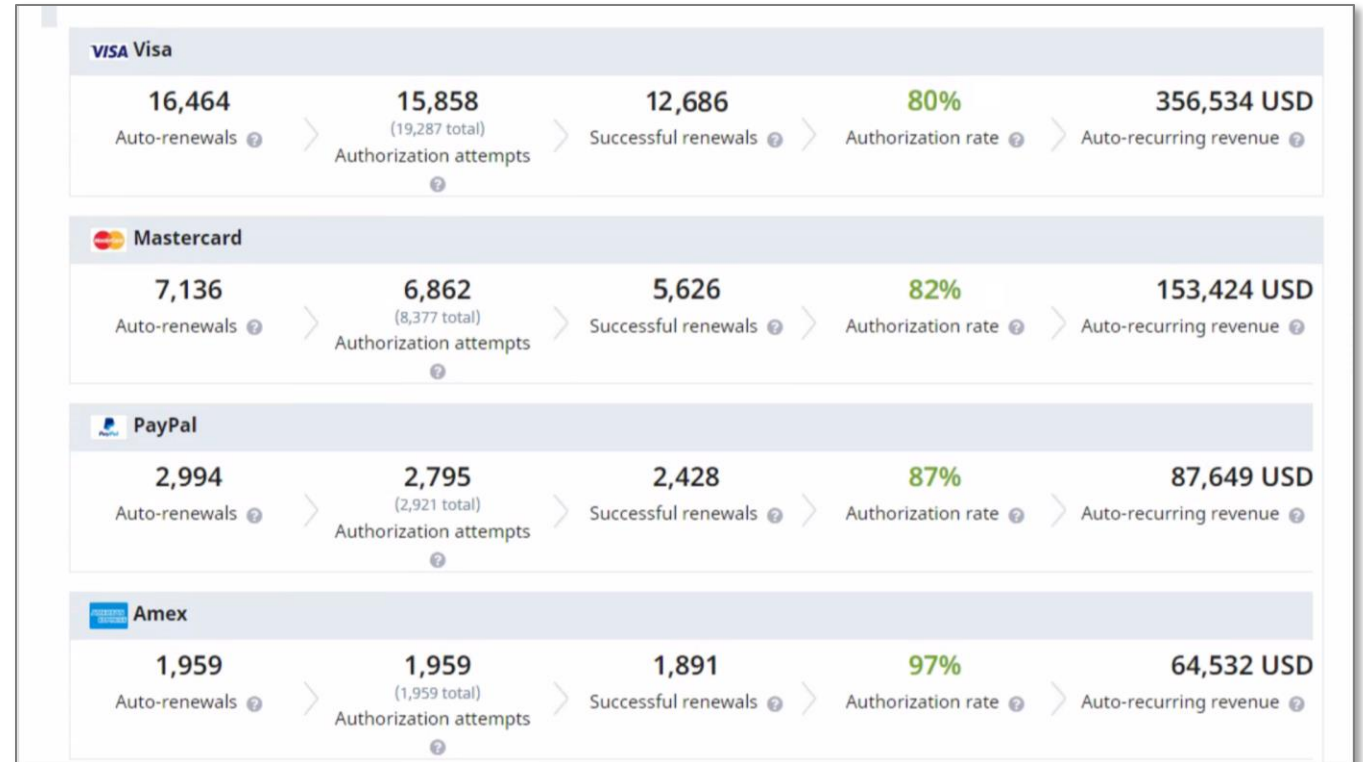
# Intelligent Payment Routing

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# Monitor Authorization Rates & Gateway Messages

- Track trends in authorization rates
- Segment by order type, payment method, country, product





# Monitor Authorization Rates & Gateway Messages

- Track trends in authorization rates
- Segment by order type, payment method, country, product
- Analyze gateway messages and work with your payment provider to investigate reason codes and optimize retry logic

Declined	91.12%
Declined: Not sufficient funds	5.18%
Processor not available	2.53%
Invalid expiration date	0.56%
General error: Please try again.	0.31%
Invalid account number	0.11%

# Follow-up emails for failed payments

- Failed auto-billing payments need different messaging than manual renewals
- Dunning emails should be sent immediately for hard declines
- Follow-up emails can be sent for other payment failures:
  - Send a series of 4-6 emails within 30-day grace period
  - Personalize the email with specific information



## YOUR AUTOMATIC RENEWAL IS INCOMPLETE

Dear John,

We tried to automatically renew your Malwarebytes subscription on September 15th, but there was a problem with processing your order.

Your renewal was not completed, and your payment of USD \$29.99 was unsuccessful. Your action is required to continue your subscription. Log in to your [My Account](#) to update your payment information and maintain continuous protection against cyberthreats.

Thank you,  
The Malwarebytes Team

### YOUR AUTOMATIC RENEWAL IS INCOMPLETE

Card Number	**** * 2388
Card Type	VISA
Expiration Date	Aug 2023

[Renew and update payment information >](#)



**29**<sup>99\*</sup>  
Yearly

Your subscription  
**Malwarebytes**

\*This amount is subject to sales tax at prevailing local rates.

**Expired on Sept 15.** Log in to your [My Account](#) to update your payment information.

# Tips to increase the manual renewal rate

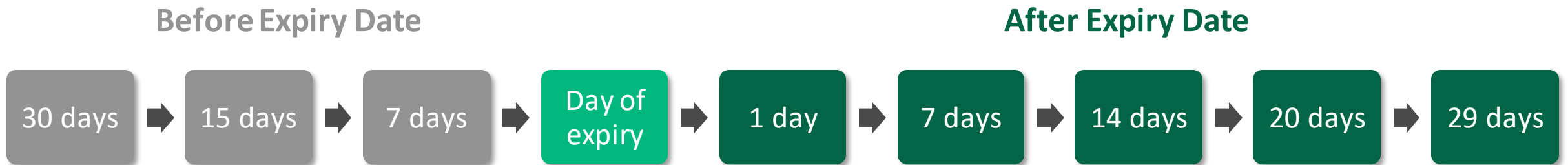
Reduce voluntary churn

- Best practices for renewal reminders
- Discount strategy
- Optimize the renewal cart
- Early renewals
- Extensions

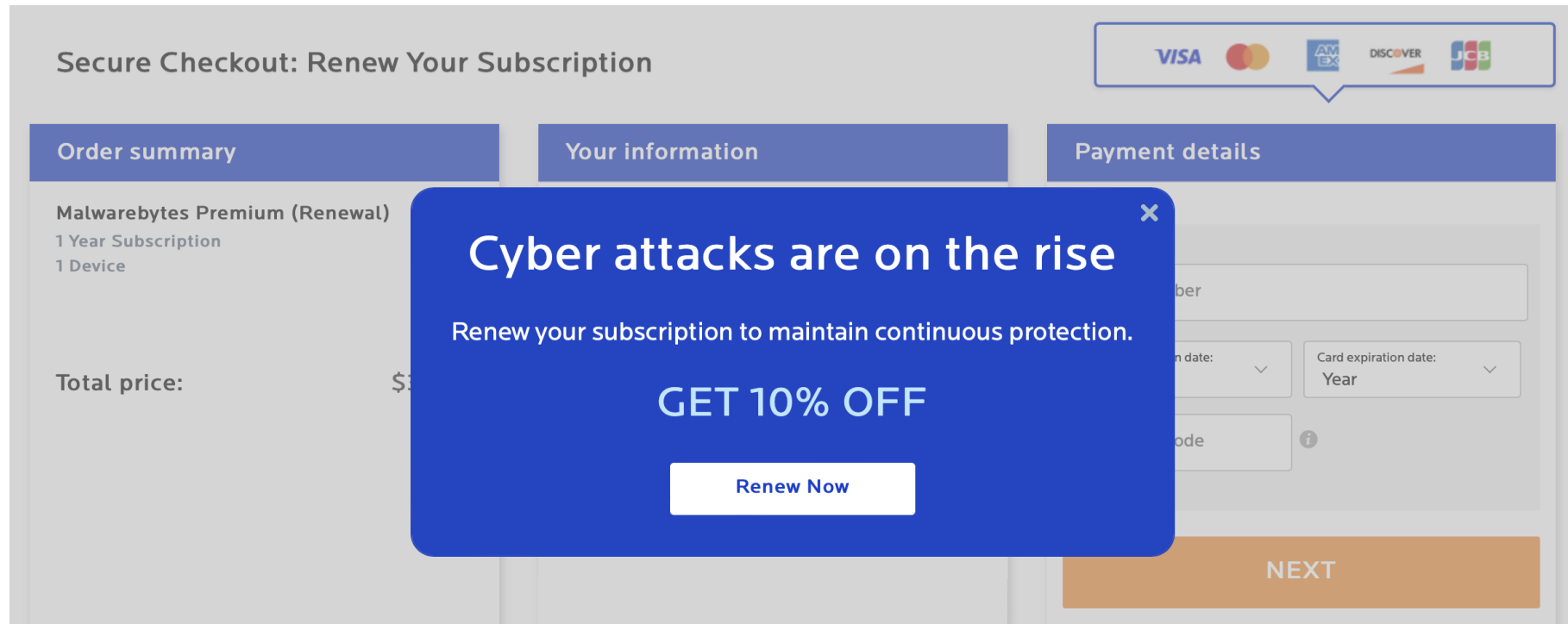


# Best practices for renewal reminders

- Start communicating before the expiry date
- Increase frequency of communication after the expiry date
- Test different discount strategies; "final offer" with steep discount at end of grace period performs well
- Use multiple communication channels; email, in-product, MyAccount
- Use different creative, headlines, and subject lines for each message




# Optimize the renewal cart



- Use a shopping cart with specific messaging for renewal orders
- A/B test different cart layouts and messaging to maximize conversion rate
- Use exit modals when shoppers leave the cart without completing their renewal

# Early renewals


- Encourage customers to renew early (even if they are on auto-renew)
- Use email, in-product, and My Account messaging to prompt customers to renew early
- 12% of auto-renew customers renew manually




**Beat the clock!**  
**Renew early and save 25%**

Renew your subscription early to get another year of protection at a 25% discount.

**Expiration date:** Dec 29th



**RENEW NOW >**



**Beat the clock. Renew early.**  
Renew your subscription early and save 25%

**RENEW NOW >**

# Extensions

- Allow customers to extend their subscription while renewing
- “Add a year and save 50%”
- This renews the subscriber into a 2-year term instead of a 1-year term
- Extensions improve retention rates and customer loyalty



ABSOLUTE HOME & OFFICE [Unsubscribe](#) | [View in Browser](#)

## Stop 'em in their tracks

LOCATE your lost device using GPS, Wi-Fi or IP geolocation giving you the tools to see the last location in the event that it goes missing.

### IT'S ALL IN THE DETAILS.

Did you know the LOCATE feature is not the primary tool used to find stolen devices? Our Investigations Team uses a multitude of forensic tools to identify the thief, and works with local law enforcement. They do this to, not only return your device but, ensure the thief pays his dues.

**ADD A YEAR, SAVE A LOT.**  
Extend your license now to take advantage of big savings!

**+ 1**  
ADD A YEAR

**Extend license for 50% OFF**  
Hurry! Offer ends in 7 days.

**EXTEND**



# Bonus tip



# Winback campaigns

- Contact all expired subscribers 60 to 90 days after their subscription expiration date
- Offer a new subscription at a discount
- Include social proof and benefits
- Scrub the list against your active subscribers to avoid sending the email to customers that have already purchased a new subscription



The image shows a screenshot of an email template for Copernic. At the top right is the Copernic logo. The main heading reads "Come back and SAVE 40% (plus hours of your time)". The body of the email is addressed to "Dear Jane," and includes a personal message: "We hope this message finds you well. We noticed that your Copernic Desktop Search subscription expired as of July 16th, and we wanted to invite you back into the Copernic family with an offer crafted just for you." It then asks "Why Come Back?" and reminds the recipient of the time saved by using Copernic. An "Exclusive 40% Discount!" is offered for a limited time, with a "Save 40%" button. A section titled "What Our Customers Say..." features a quote from a customer and a social proof icon. Another "Why Choose Copernic?" section lists benefits like lightning-fast search, user-friendly interface, cutting-edge features, cloud indexing, and reliable support, followed by another "Save 40%" button. The email concludes with a thank you message, "Warm regards," and "Copernic Customer Service". The footer contains the Copernic logo, copyright information, social media icons for LinkedIn, Facebook, Twitter, and YouTube, and contact details for support@copernic.com and the company's address in Ottawa, Canada.

# Summary







# Questions?



