



The 2023 State of Subscriptions

Strategies and trends for
subscription growth

Recurly

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Introduction

The economy remains erratic and unpredictable, but subscriptions persevere as a resilient solution, helping businesses stabilize revenue streams and develop long-term relationships with their customers. In fact, the global market value of the subscription economy is expected to top [\\$1.5 trillion by 2025](#).

Within the larger subscription industry, Recurly finds that direct-to-consumer subscription businesses are in the midst of significant transformation, driven by a number of factors:

- ✓ **The subscription industry is maturing**—competition, commoditization, and other factors make subscriptions increasingly complex to manage.
- ✓ **Macroeconomic pressures** such as the looming recession, inflation, and consumer confidence create an environment where consumers make more intentional decisions about their spending.
- ✓ **Subscriber expectations are evolving** to the point where personalization, value, and convenience continue to set the pace for consumer expectations to rise—and some businesses are struggling to keep up.

While a new year will undoubtedly present new trials for recurring revenue businesses, subscriptions remain one of the fastest-growing industries—and for good reason.

Why subscriber insights matter

Subscriber insights are critical to understanding the health of your business. The interpretation of consumer behaviors, customer data, and subscriber experience feedback shed light on what's working in your business and, arguably more importantly, what's not. Insights pave the way for a 360-degree view into your products or services, marketing campaigns, subscriber actions, and more, allowing you to intelligently test and fine-tune your recurring revenue strategy.

Moreover, insights provide a deeper understanding of the most important part of your business: your customers. Dive into what they like, how they think, how they navigate your platform, and why they converted—information that is critical to your business' growth and long-term success. The Recurly benchmarks in this report have led us to a few conclusions (more on that later), but one of the most prevalent findings is that **consumers have a strong appetite for personalized experiences**. Using insights, businesses can tailor their offerings and experiences to meet the demands of their subscribers. According to [Microsoft](#), “organizations that leverage their customer behavior data to generate insights outperform peers by 85% in sales growth.”

Subscriber insights inform strategic decisions that determine the course of your business and long-term success. More specifically:

- ✔ Insights paint a comprehensive picture of which subscribers churn and why, allowing you to optimize areas to reduce churn rates.
- ✔ A more enjoyable subscriber experience encourages loyalty, increases customer lifetime value, and ultimately boosts revenue growth.
- ✔ Insights reveal your most profitable acquisition channels and customers, create ideal customer profiles, and construct subscriber journey maps that speak to the needs and wants of your most high-value subscribers.
- ✔ The ability to hone in on preferred payment methods to create a customized checkout experience is the result of consumer insights.

For 2023, Recurly wants to prepare you with the right insights to embark on a new year. Our story of the current state of subscriptions is told with real data from real subscription businesses facing real challenges—data from over 2,200 leading brands and over 55 million active monthly subscribers using Recurly. In the following chapters, we thoroughly examine the state of acquisition, payments, subscriber growth, and churn in the subscription industry. The insights from each chapter point to the most prominent subscription trends from 2022, their impact on the industry, and how subscription businesses can use this information to flourish in 2023.

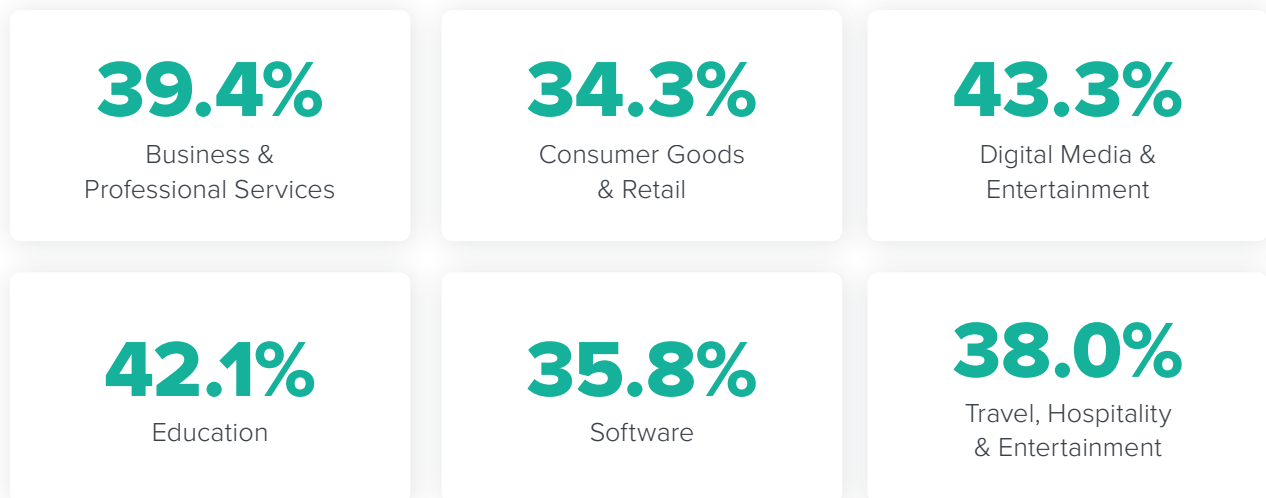
Acquisition

Successful subscriber acquisition is three-fold: Pricing, packaging, and promotions. These components work together to form a well-rounded subscriber acquisition strategy that helps recurring revenue businesses grow, but the efficacy of these three pillars comes down to understanding the current market conditions, what your competitors are doing, and how consumers are responding to your marketing efforts.

Free trials

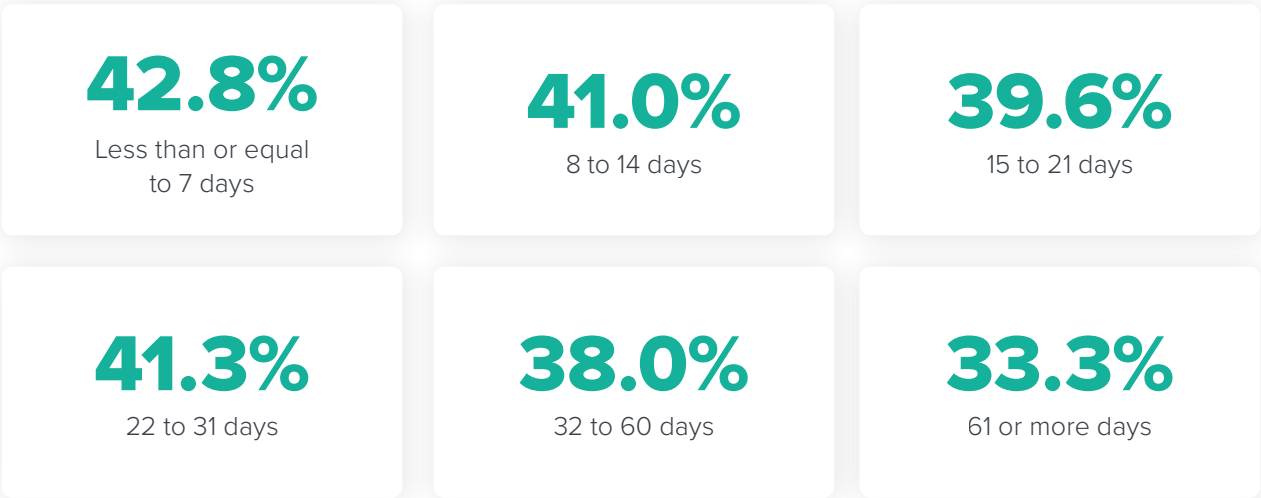
In 2022, consumers took advantage of almost 35 million free trials globally from participating subscription sites managed by Recurly's merchants. Free trial starts were measured at the subscription level, where an account with two free trial subscriptions would be counted twice, for example. Out of the participating sites, 34.5% of them offered free trials with an average trial length of 30 days.

Industry-level conversion rates



Overall, the average site-level conversion rate was 38.1%. At an industry level, the Digital Media and Entertainment sector had the highest conversion rate of 43.3%, while Consumer Goods & Retail had the lowest conversion rate of 34.3%.

Conversion rates by trial length



In general, when conversion rates are broken down by duration, free trial lengths less than or equal to seven days had the highest conversion rates of 42.8%, whereas trial lengths longer than 61 days had the lowest conversion rates of 33.3%.

90.4% of free trials required billing information, and of these trials, the average conversion rate was 40.1%. The average trial length for trials requiring billing details lasted 30 days. Of the trials that did not require billing information, the average conversion rate is 25.5%, with an average trial length of 60 days.

Coupons

In 2022, over 19 million coupons were redeemed by customers of Recurly merchants who offered them. The most popular percentage discount was 20%, and the most popular dollar discount was \$10. At Recurly, a coupon is defined as a one-time discount on a subscription.

Shoppers saved \$30,158,934 thanks to coupons from Recurly merchants.



Gift cards and gift subscriptions

34,944 gift cards were redeemed in Recurly in 2022, with an average gift card amount of \$109. 289,952 gift subscriptions were converted to recurring subscriptions, lasting 345 days on average. Gift subscriptions aren't as widely used as trials and coupons, but their growth is exploding as this is one of the most cost-effective ways for merchants to acquire new subscribers—and they also make great gifts.



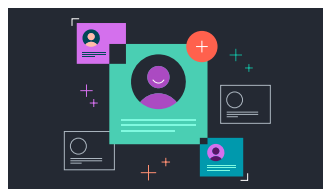
Impact of acquisition on the subscription industry

While there was a slight decline in the number of trials started and the average conversion rate from trial to subscription, the motivation behind each of these acquisition tactics is clear: Consumers are more likely to try new services if they include a new customer discount or trial.

While some niches have conversion rates higher than 50% on trials, consumers want a variety of options when it comes to keeping money in their wallets. If you're opting for free or discounted trials, try these tactics:

- ✔ Offer shorter trials (seven days or less) that still allow consumers to experience the best of your product or service.
- ✔ Even if the trial starts at your most basic plan, upsell potential subscribers at the end of the trial period to increase their perceived value of your subscription, or implement [ramp pricing](#) to entice, hook, and reward subscribers over time.
- ✔ Coupons and promotions can easily be paired with trials to create incentives to convert. At a trial's end, offer a coupon code that discounts their total for the first month or suggest an annual plan to save more in the long run.

At a time as crucial as acquisition, recurring revenue businesses must learn to highlight the value in a way that appeals to price-conscious consumers financially and emotionally.



GUIDE

Maximizing growth with subscription customer acquisition

[Read more](#)

Since 2018, there has been a 47.8% increase in the number of Recurly merchants using coupons, and the number of coupon redemptions has increased by 261.5%—coupons are not going anywhere and consumers don't want them to. However, there is one big opportunity for subscription businesses: gift subscriptions.

Throughout the year and especially during the holiday season, gift subscriptions are not getting the attention they deserve—in fact, a recent Recurly survey found that **nearly 70% of consumers want to give and receive gift subscriptions**. But the truth is, less than 5% of Recurly's merchants offer gift subscriptions. In 2022, 289,813 subscriptions started as gift subscriptions, so don't forget this cost-effective way to acquire more customers and generate more revenue.

The perfect blend of trials, coupons and promotions, and gift options creates a robust acquisition strategy that taps into consumers' ever-changing preferences. It's imperative that you partner with a subscription management and recurring billing platform that offers these options and the flexibility to test and iterate on these offers constantly. Capitalize on these opportunities to attract high-value subscribers from the beginning and keep them around with rewards and incentives throughout the subscriber journey.

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Payments

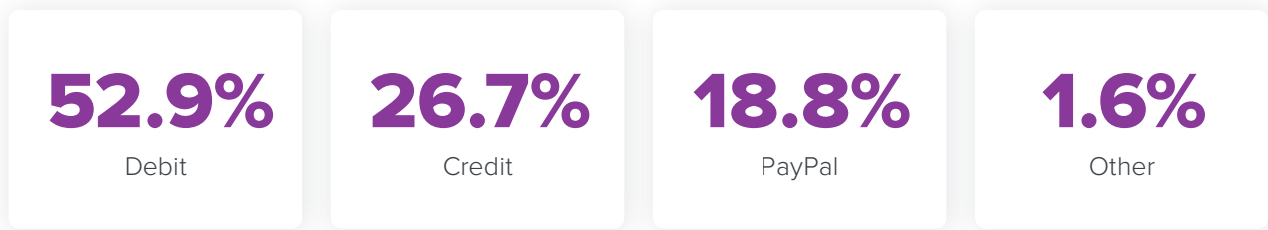
Subscription businesses need to understand the evolving consumer behaviors and payment trends that drive payment experiences. According to Checkout.com, **56% of consumers would be “permanently put off shopping on a site”** if they couldn’t use their preferred payment method. The message is clear for businesses that rely on recurring revenue: payment types matter.

In this chapter, we studied the most popular payment methods, decline rates, alternative payment methods (APM), currencies, and the impact of payment methods on churn to establish global and industry benchmarks for subscription businesses to leverage in the creation of their payment infrastructure.

This data comes from Recurly merchants primarily based in North America and Europe.

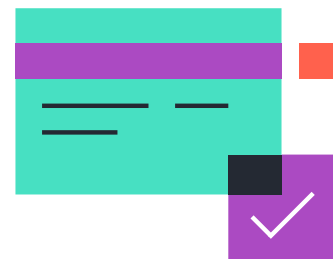
Top subscription payment methods

Top payment methods overall



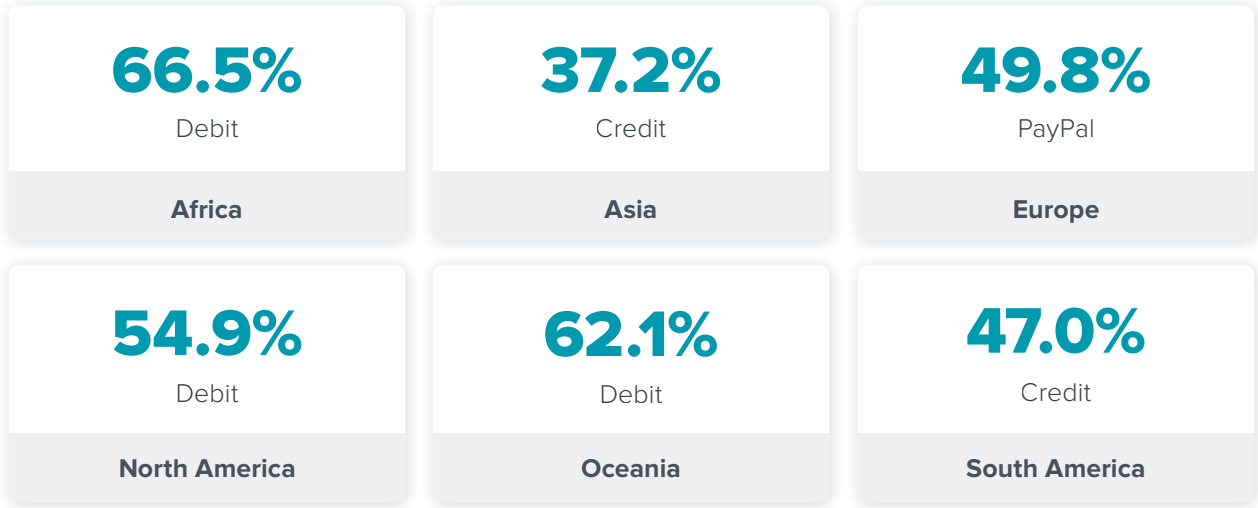
The most popular payment method by far, debit cards account for 52.9% of global transactions in Recurly. Credit cards follow with 26.7% of total transactions, and PayPal is the third most popular payment method overall and the most popular APM worldwide.

Debit cards are the most popular payment method, making up 52.9% of transactions in Recurly.



When broken down by Recurly customers by continent, consumers in Africa, North America, and Oceania make most of their purchases with debit cards. In Europe, PayPal is the most popular payment method, while credit cards are used in the majority of transactions in Asia and South America. Like the most popular payment methods globally, the second and third most used payment methods by continent are also credit cards, debit cards, and PayPal.

Top payment methods by continent



Decline rates

Decline rates remained steady in 2022, hovering around 5.4% for credit cards, 11.1% for debit cards, and 5.8% for APMs. Compared to 2021, Recurly merchants have seen an increase in decline rates for all transactions. Overall, **decline rates are lowest for credit cards** and highest for debit cards.

Overall decline rates

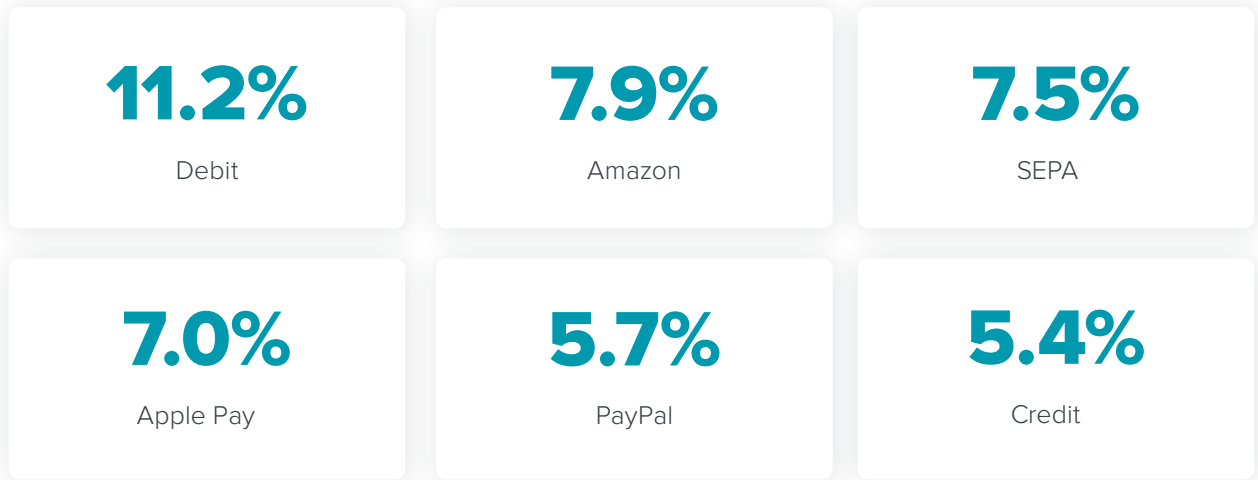
	All transactions	Initial transactions	Recurring transactions
Credit	5.4%	6.3%	6.2%
Debit	11.1%	9.2%	13.0%
Alternative payment methods	5.4%	4.8%	6.9%

Considering all transactions made in Recurly in 2022, debit cards had the highest average decline rate (11.1%) compared to 5.4% for both credit cards and APMs. APMs had the lowest initial transaction decline rate at 5.4%, and credit cards had the lowest recurring transaction decline rate at 6.2%.

For both initial and recurring transactions, debit cards also had the highest average decline rate at 9.2% and 13.0%, respectively. An initial transaction is the first transaction on the first invoice for a subscription, while a recurring transaction is the first transaction on all but the first invoice for a subscription.

Did you know there are over 2,000 reasons a payment can fail?
[See the top payment decline reasons.](#)

Decline rate by payment method



Of all available payment methods in Recurly, credit cards experienced the lowest decline rates, and APMs had a lower decline rate than debit cards overall.

Decline rate by industry



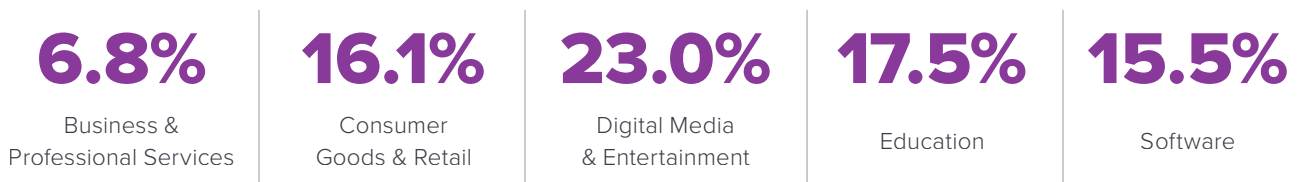
By industry, decline rates are relatively steady across the board. Businesses in direct-to-consumer industries like Digital Media and Entertainment and Education experience the highest decline rates, similar to their patterns for churn rates.

Alternative payment methods

Recurly currently supports Amazon Pay, Apple Pay, PayPal, Single Euro Payments Area (SEPA), and Venmo. When subscribers used APMs, Recurly merchants saw a 1.5% lower rate of fraudulent declined transactions compared to that of credit and debit cards. In 2022, fraudulent transactions from using APMs accounted for 0.1% of all APM transactions in Recurly, whereas fraudulent transactions from using credit and debit cards made up 1.6% of all non-APM transactions.

Recurly merchants saw a 1.5% lower rate of fraudulent declined transactions with APMs compared to that of credit and debit cards.

Percentage of total transactions from APMs by industry



Merchants in the Digital Media and Entertainment industry had the most transactions by APMs, accounting for 23.0% of total transactions. Furthermore, the Digital Media and Entertainment (41.8%) and Education (41.4%) industries had the highest percentage of sites in Recurly using APMs.

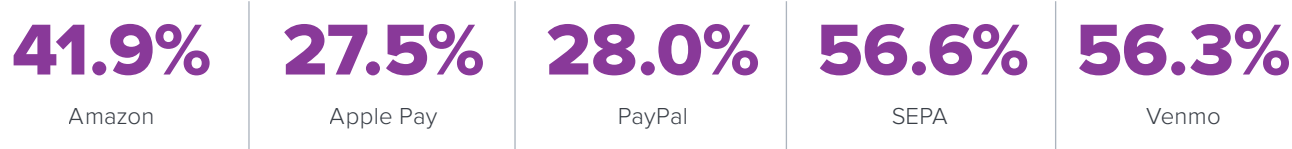
In 2022, PayPal was the most popular APM—it accounts for 18% of all transactions and 92% of APM transactions so far.

As of October 2022, PayPal is the most used APM globally, accounting for 18.4% of total transactions and 91.9% of all transactions made with APMs. Additionally, Apple Pay and SEPA are becoming increasingly popular payment options, experiencing 182.0% and 33.2% year-over-year growth in 2022, respectively.

Currencies

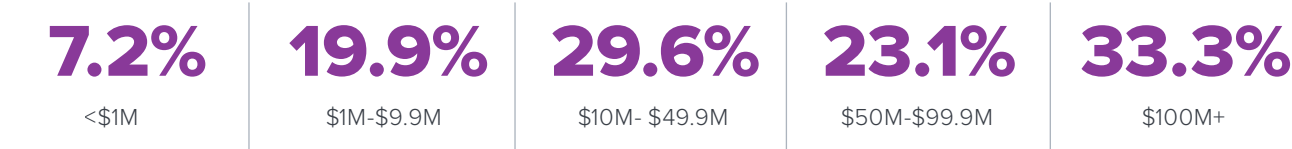
In 2022, PayPal offered a total of 36 currencies—the most currencies of all APMs on Recurly—and has been leading in currencies since 2018. Amazon offered 24 currencies, Apple Pay offered 12 currencies, Venmo offered six currencies, and SEPA offered four currencies.

Percentage of merchants that offer 3+ currencies in the APM



The table above reveals the percentage of merchants that offer three or more currencies in each APM. For example, of the merchants using Venmo as an APM, 56.3% of them offer Venmo in three different currencies.

Percentage of merchants by annual total payment volume that offer 3+ currencies



The table above shows the percentage of merchants that have three or more currencies per APM at specific annual total payment volume thresholds. For example, of the merchants offering three or more currencies, 33.3% have a total payment volume of over \$100 million annually—as businesses grow, offering more currencies allows them to accommodate larger audiences.

Churn based on payment method

Looking at merchants that have at least 100 active monthly subscribers, we analyzed [churn rates](#) based on the last payment method used before a subscriber churned. Similar to decline rates, credit cards are associated with lower churn rates and debit cards are associated with higher churn rates.

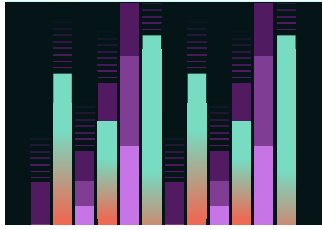
Churn rates by payment method

	Overall churn	Involuntary churn	Voluntary churn
Credit	5.9%	1.9%	4.0%
Debit	9.7%	4.9%	4.9%
Alternative payment methods	7.7%	2.7%	5.0%

[Involuntary churn](#) was highest for debit card transactions and lowest for credit card transactions, and, while voluntary churn was relatively stable across payment methods, credit card payments saw a slightly lower voluntary churn rate.

Overall churn rates by payment methods, by industry

	Business & Professional Services	Consumer Goods & Retail	Digital Media & Entertainment	Education	Software
Credit	6.4%	6.7%	6.5%	7.6%	5.0%
Debit	10.4%	9.6%	10.8%	12.2%	8.4%
APM	10.2%	8.8%	7.7%	9.5%	5.9%



How does your churn rate compare?
[See our 2022 churn rate benchmarks.](#)

In general, B2C businesses experience higher churn rates than B2B businesses as these purchases present fewer cost risks. Compared to B2B businesses, Digital Media and Entertainment, Consumer Goods and Retail, and Education industries have higher churn rates regardless of payment method.

Impact of payments on the subscription industry

From our research, one thing is clear: consumers expect and demand choices when it comes to paying for their subscription services. While some variations in decline rates across payment methods are due to differences in consumer preferences and not the payment method, subscription businesses must prioritize a strong payment strategy to optimize the factors they can control.

Ultimately, more is better—a balanced mix of several payment methods coupled with a thoughtful payment experience makes consumers more likely to convert.

While decline rates and involuntary churn rates have increased as a result of macroeconomic conditions, recurring revenue businesses can diversify their payment methods to minimize the impact of these problem areas. Debit cards, while they account for 52.9% of global transactions, have the highest decline rate of all payment methods at 11.1%. There are a number of ways to combat payment declines with automated technologies and processes, yet one of the best personalization options to remedy high decline rates and generate more revenue opportunities is to add APMs.

APMs have become increasingly popular among modern-day consumers—in fact, Recurly merchants saw a 1.5% lower rate of fraudulent declined transactions with APMs compared to that of credit and debit cards. A diverse selection of payment methods means more opportunities for consumers to pay how they want, and the ability to customize their experiences is a critical factor in consumers' purchase decisions.

Alternative payment methods are one of the most effective ways to generate more revenue and better manage fraud.

In addition to APMs, offering numerous currencies improves inclusivity and allows subscription businesses to cater to a more diverse audience. As we've found in our research, of merchants offering three or more currencies, a third of them have a total payment volume of over \$100 million annually—if you want to go global and scale your business successfully, offering more currencies will allow you to attract more consumers from around the world. Typically, businesses bringing in less than \$1 million in annual total payment volume are smaller and don't need to accommodate a sizable audience.

Much like decline rates, payments via credit cards and APMs experience lower churn rates and payments via debit cards see higher churn rates. Voluntary churn rates are dependent on consumers' preferences and their response to a subscription service, and as a result, our voluntary churn benchmarks are steady regardless of payment method.

Recurring revenue businesses can have greater control over their involuntary churn rates by diversifying their payment options in favor of low-churn methods and implementing **decline management techniques**. With higher credit limits and lower decline rates, recurring transactions with credit cards are more reliable than with debit cards, so involuntary churn rates stay low. In fact, involuntary churn rates of credit cards (1.9%) and APMs (2.7%) are significantly lower than that of debit cards (4.9%).

To mitigate decline rates and churn rates, subscription businesses must create a payments experience that considers every touchpoint of the subscriber journey—and have the right subscription management and recurring billing to help execute that.

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Subscriber growth

Subscriber growth trends are anything but constant. It's up to you to uncover the strategies that resonate with your highest-value subscribers and create iterable, scalable experiences that mirror their revenue-generating behaviors. It all comes down to understanding—and delivering—what your subscribers want.

Since 2018, Recurly merchants have seen a 21% increase in subscriptions from 2021 to 2022.

By location, Europe has seen the most significant increase in active subscribers and subscriptions since 2018, followed by the United States and Oceania. Recurly has seen the most substantial growth with our merchants who are based in the United Kingdom, Canada, and Australia.

Percentage increase in the number of active subscribers from 2021 to 2022

United States	7.9%
Europe	20.1%
Asia	1.6%

Percentage increase in the number of active subscriptions from 2021 to 2022

United States	16.7%
Europe	24.6%
Asia	24.6%

Subscription plan adjustments

Recurly merchants offer a total of 36,508 plans. In our analysis, a plan change includes adjustments to price, billing frequency, setup fees, and trials. We found that approximately 40% of Recurly merchants make plan changes each year, many making multiple adjustments.

40%
of Recurly merchants make
plan changes each year

Of the Recurly merchant sites that underwent plan changes, merchants in the Digital Media and Entertainment and Consumer Goods and Retail industries made the most plan changes in 2022. The industry with the least plan changes this year is Travel, Hospitality, and Entertainment.

Subscriber lifecycle communications

Recurly merchants sent out 300.7 million emails in 2022. 95% of merchants use Recurly's subscriber lifecycle communications features. When broken down by industry, the Digital Media and Entertainment industry sends the most emails by far, accounting for 76.6% of total emails sent in 2022. Software (9.4%) and Consumer Goods and Retail (7.9%) industries follow with the second and third most emails sent, emphasizing the importance of consumer-facing businesses staying in regular contact with their subscribers.

Recurly merchants sent over 300 million emails in 2022.

Dunning emails

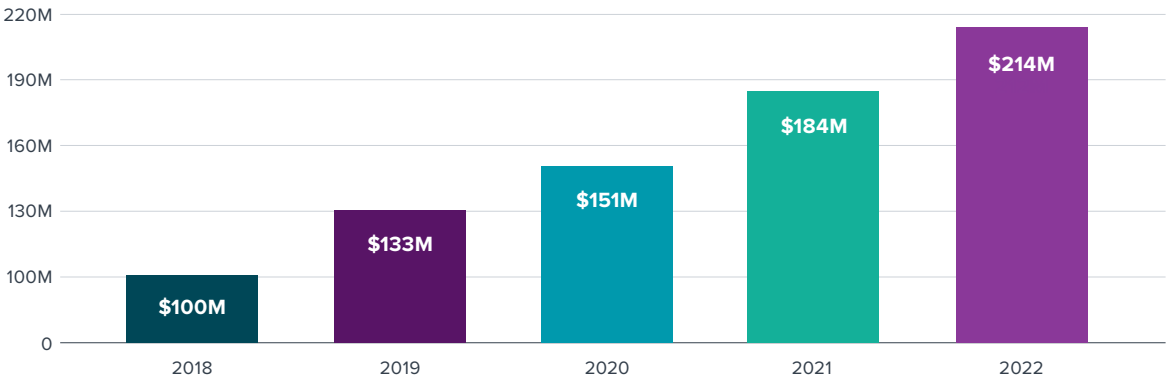
Dunning communications are sent when an invoice fails its initial payment attempt for automatic invoices or when net terms pass for manual invoices. If any invoices go past due, Recurly will use the applicable [dunning campaign](#) for that invoice to attempt to recover the subscriber.

In 2022, Recurly merchants sent over 70 million [dunning emails](#). Our merchants have the option to choose from over 15,000 dunning campaign templates. Businesses in the B2C sector like Digital Media and Entertainment (60.2%) and Consumer Goods and Retail (16.9%) use dunning emails the most as [churn levels](#) are highest when the monetary investment is lowest, such as with consumer purchases versus business transactions.

Recurly recovered \$214 million in revenue from dunning emails alone in 2022.

Dunning emails have helped Recurly merchants recover \$214 million in revenue alone in 2022. On average, Recurly merchants generated \$3.01 in revenue per dunning email in 2022—this is a tremendous return with minimal incremental cost that Recurly has automated.

Total recovered revenue from dunning emails



Subscription plan add-ons

In 2022, Recurly merchants powered more than 13 million subscriptions with add-ons. The Digital Media and Entertainment industry had the most subscriptions with **add-ons**, which are optional products or services that can be added to a recurring subscription's invoices. From these subscriptions, Recurly merchants saw incremental revenue of \$480 million from total add-ons in 2022.

Recurly merchants saw \$480 million in incremental revenue from add-ons in 2022

Impact of subscriber growth on the subscription industry

Creating an effective subscriber growth strategy means delivering value to the subscriber, which requires a strategic formulation of your ideal customer profiles, optimal acquisition channels, and tried-and-true retention tactics. The trends and data in this chapter—plan changes, subscriber lifecycle communications, dunning emails, and subscription plan options—are a clear declaration of one of consumers' biggest preferences: personalization.

Personalization manifests itself in many ways, and in subscriptions, that means providing consumers with options.

- ✔ About 40% of Recurly merchants—mostly in the Digital Media and Entertainment and Consumer Goods and Retail industries—make plan adjustments each year because consumer-oriented industries need to be able to dynamically adjust to both macro and micro conditions, everything from changing economic conditions and consumer preferences to new products and services.
- ✔ Expanding these choices with the ability to have multiple subscriptions and add-ons gives subscribers even more flexibility in creating the ideal product or service for them.
- ✔ The variety of subscriber lifecycle email categories used by Recurly merchants shows that they can curate and improve the subscriber experience throughout the lifecycle, and our data shows that subscription businesses have an opportunity to dive into more emails, such as gift cards and subscription renewal reminders.
- ✔ Moreover, dunning emails are one of the most effective ways to use your marketing dollars post-subscriber acquisition. In fact, **for every dollar spent on email marketing, there is a \$36 return, on average**—that's a higher return than you can expect from any other form of marketing.

Subscription businesses that understand the need to give consumers the option to choose exactly what they want are the ones who can scale their subscriber base limitlessly. As competition escalates and consumers are awarded more suitable alternatives, the option to create the optimal subscription product or service should become the driving force behind any subscription business' growth strategy.

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Churn

For all businesses—especially subscription businesses—minimizing churn is a top priority and worth the time and resources. Year after year, marketing and growth leaders across every industry want to know the latest churn rate benchmarks and how these numbers impact the trajectory of the subscription industry.

Overall churn rates

Churn rate

6.7%

Average overall churn rate

2.2%

Average involuntary churn rate

4.6%

Average voluntary churn rate

This year, the average overall churn rate is 6.7%, while voluntary churn sits at 4.6% and involuntary churn sits at 2.2%. These churn percentages were measured at the subscriber level where a subscriber is counted as churned once they no longer have any active subscriptions. Since 2018, the trend of the overall average churn rate has remained relatively steady, changing by less than 1% from 2018 to 2022.

Percentage of Recurly merchants with decreased churn

55.4%

Percentage decrease in overall churn

45.5%

Percentage decrease in involuntary churn

61.8%

Percentage decrease in voluntary churn

55.4% of Recurly customers saw a decrease in churn rate from 2021 to 2022. More specifically, 45.5% saw a reduction in involuntary churn and 61.8% saw a decline in voluntary churn. Generally, churn rates decrease over time as companies build up a larger customer base—more than half of Recurly merchants consistently saw a decrease in churn year over year.

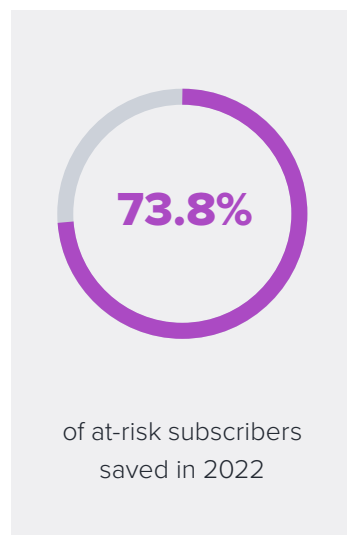
At-risk subscribers saved

Recurly monitors and actively reduces churn—especially before it happens. We track every event where Recurly’s technology actively prevents churn from recurring. We call this a “recovery event” and measure how long a customer stays after a recovery event.

Average additional length subscribers stay after recovery event



Overall, subscribers who were saved after a recovery event stayed active for an average of 329 following the event. In B2B environments, this number changed to 444 days, while B2C companies experienced an additional length of 317 days. The subscription industry with the longest extension is Software with 400 days, and the industry with the shortest extension is Healthcare with 261 days. Moreover, approximately 50.6% of subscribers’ total customer lifetime happened after a recovery event. This confirms that recovery events are instrumental to the long-term success of a subscriber’s journey.



Our analysis found that the percentage of at-risk subscribers has remained steady over the years. In 2022, Recurly saved 73.8% of at-risk subscribers from involuntary churn.

So far in 2022, we’ve uncovered that the number of subscribers saved from churn continues to increase. With the number of subscribers steadily increasing, the opportunity to recover lost revenue grows incrementally as well. This results in more revenue being returned to the pockets of Recurly customers.

The bottom line: Churn is not going anywhere, but our decline management techniques are becoming more data-driven—faster and smarter—in tackling churn before it happens.

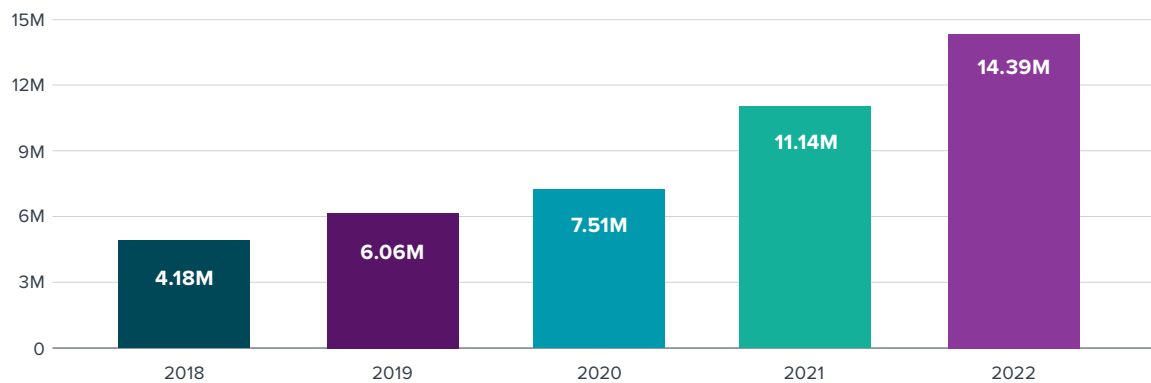
Impact of churn on the subscription industry

Undoubtedly, churn rates are a reflection of ever-changing consumer behaviors and preferences, impacting the subscription industry in different ways. The increase in the average overall churn rate from 6.6% in 2021 to 6.8% in 2022 can likely be attributed to economic factors, such as the endemic and inflation. In fact, the largest jump in involuntary churn rates happened from 2019 (4.7%) to 2020 (5.0%) at the height of the pandemic and, as a result, economic uncertainty.

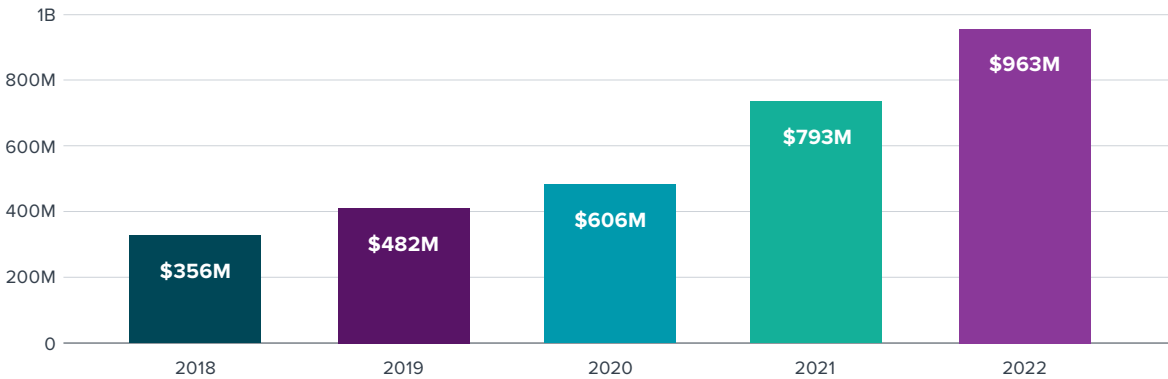
While today's consumers are more reactive to price increases and critically evaluate the need for subscription services they deem non-essential, the slight change in the overall average churn rate from 6.5% in 2018 to 6.8% in 2022 indicates that subscriptions remain a consistent part of consumers' lives and even major economic changes only impact churn rates slightly. Moving forward, subscription businesses need to pivot their focus to retention.

And what encourages subscribers to stay? **Exclusive content, brand preference, and access to discounts are the primary drivers of subscription signups**, while price increases and decreasing value to the subscriber have the opposite effect. To maintain these level churn rates, subscription businesses must hone in on their product or service's relevance and be conscious of pricing decisions.

Number of subscribers saved annually



Total recovered revenue annually from 2018 to 2022



Recurly recovered nearly \$1 billion in revenue in 2022.

Subscription businesses without churn mitigation technology are navigating tumultuous times and trying to grow their business while losing subscribers to involuntary churn and other preventable reasons. These habits are counter-productive and push you further away from your business goals.

However, those businesses that invest in churn mitigation technologies and strategies will continue to expand and evolve offerings based on consumer insights, creating the momentum for growth and continued success.

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2023 subscription industry predictions

The subscription industry has changed, and it will continue to evolve in response to the changing climate of the economy and subscriber preferences:

- ✔ **Complexity in maturity:** As the industry matures, competition, commoditization, and more factors arise that complicate the existing subscription infrastructure. Simple subscription plans have transformed into variable plans that require more technical integrations on both the front and back-end systems, as well as a subscription management and recurring billing platform that supports every adjustment.
- ✔ **Single to omnichannel engagement:** Subscription management itself has been redefined—what was once hosted in a single location has progressed to an omnichannel subscription experience that forces businesses to expand their attention. Today, an omnichannel strategy not only includes channel management but global expansion as well, expanding subscription business footprints to new channels and new geographies.
- ✔ **Scale through automation:** Automations are at the epicenter of a successful, scalable subscription business. Maximizing operational efficiencies through the automation of time-consuming but important processes like revenue recognition and more allows businesses to be proactive and focus on optimizing their products or services.

Additionally, economic pressures such as the recession and inflation eat away at consumer confidence—especially their spending habits. More intentional decision-making impacts personal budgets, which leads to high acquisition costs and lower retention rates for businesses. Consumers are forced to reconsider the number of subscriptions they have, while also demanding ever-increasing value from the subscriptions they hold.

In fact, Recurly discovered that acquisition rates have dropped year over year while churn rates have remained steady, indicating that while consumers are still interested in subscriptions, they're putting more weight on decisions to subscribe to new products and services. As acquisition rates slow, it's more important than ever for businesses to prioritize long-term relationships with their subscribers.

Subscriber expectations, as a result, continue to set the stage for strategic decision-making—but some businesses are struggling to keep up. While personalization, value, and convenience are in high demand, subscription companies lack insights due to disconnected systems and the limited flexibility of manual processes and operational bloat. Companies are slow to test products and services and find it difficult to correct this due to limited resources and expertise.

While there is not one solution to these overarching problems, there is increasingly substantial value in partnering with a subscription management and recurring billing expert that guides you through the highs and lows of building a successful subscription business.

With a year's worth of fresh data and more than a decade of partnerships with global subscription brands, here's what Recurly believes your business should focus on in 2023.

Focus on cultivating subscriber relationships

The ultimate value of reduced churn is not only an increase in revenue but also the development of long-term subscriber relationships. As a result of changing consumer habits and the evolving landscape, subscription businesses have had to learn to adapt swiftly, shifting short-term, top-line growth to sustained, long-term relationships.

Moving forward, retaining existing subscribers remains paramount. Subscriptions remain consistent in consumers' lives and even major economic changes only impact churn rates slightly—as long as subscription businesses can continue to deliver relevance and value at reasonable prices to price-conscious consumers. Businesses would be wise to pivot their focus to retention and lifetime revenue growth—learn what motivates subscribers to stay and what repels them.

While the subscriber experience is key to creating long-lasting relationships, brands need to ensure their involuntary churn tactics are activated and optimized. Losing subscribers to preventable churn is a huge loss to any organization. Our research found that about 50% of subscribers' total customer lifetime happens after an involuntary churn recovery event—that's a lot of revenue (and relationships) to squander. Make sure your subscription billing partner knows what they're doing.

Create the optimal acquisition environment

The ultimate value of increased acquisition is not only subscriber growth but also gaining operational efficiencies around acquisition strategies, reducing acquisition costs, and creating the foundation for long-term subscriber relationships.

Consumers are most affected by price—**71% of subscription cancellations are caused by price increases**—and they are more likely to try new services if businesses offer coupons, promotions, discounts, free trials, and the like to mitigate the cost impact. The perfect blend of savings and gift options creates a robust acquisition strategy that taps into consumers' ever-changing demands. Partner with the right subscription management and recurring billing platform so you can integrate these acquisition tactics seamlessly into your service and easily make changes as you go.

Offer customization to increase customer LTV

Subscriber growth is directly correlated to customization and personalization strategies that will cultivate long-term subscriber relationships. The idea of subscriber growth stems from maximizing consumer lifetime value—how much value does a subscriber need to see from your service to stay? And with macroeconomic pressures, consumers are more likely than not to seriously evaluate their subscription budget.

To create incomparable value is to allow your subscribers to customize a subscription that caters to their exact wants and needs, whether that be billing frequency, the ability to pause a subscription, or choosing their preferred payment method at checkout. Having an ideal subscription plan gives consumers more incentive to stay—and keep buying from your brand. In fact, our research revealed that subscribers **feel more loyal (51%) and tend to spend more money (42%)** with brands and businesses they subscribe to, so you've already achieved the first step by acquiring a new subscriber. Next, you'll need a subscription management and recurring billing solution that helps you identify your ideal customer profiles and optimal acquisition channels, along with capturing and connecting the unique data that helps you understand the retention tactics that resonate well with your most high-value subscribers.

Prioritize payments as a growth strategy

Unfortunately for many businesses, payments are an afterthought. Payments are a strategic decision to meet consumer demands and business goals, from personalization to churn reduction to improving operational efficiencies. If international expansion is on your roadmap, payments are essential to a thoughtful strategy to grow and gain market share. and recurring billing solution that helps you identify your ideal customer profiles and optimal acquisition channels, along with capturing and connecting the unique data that helps you understand the retention tactics that resonate well with your most high-value subscribers.

Our research found that combined with expert decline management techniques, alternative payment methods (APM) are one of the most effective ways to generate more revenue and minimize fraud. With some of the lowest decline and involuntary churn rates, the case for APMs is high, yet innumerable subscription businesses still haven't adopted more payment options.

As times change, more and more consumers expect and demand a variety of digital payment options to pay how they want. Expand beyond traditional payment methods to attract and retain more customers, have greater control over decline and involuntary churn rates, and position your business for global readiness. As always, having a subscription management and recurring billing partner that understands the complexities of payment gateways, alternative APMs, fraud management, and more will allow you to focus on perfecting your core product or service.

Ensure operational efficiencies

Dedicate focus to the core of your business—running a well-oiled subscription machine—by gaining operational efficiencies. There are numerous automations you can activate to streamline necessary business processes for a faster, smarter, and stronger system, including:

- **Revenue recognition:** Streamline and automate compulsory compliance with global revenue reporting standards. Ensure that your subscription management and recurring billing partner is always up-to-date and ready for regulatory standards, like Recurly. As your business expands globally, this becomes even more imperative to reduce audit risks and minimize costs.
- **Global expansion:** Growth-minded subscription companies know automated processes are key to scaling around the world. From global payment gateways to fraud management, being able to accommodate growing groups of subscribers worldwide means abandoning manual lifts and streamlining as much as possible.
- **Churn management:** From automated cancellation processes and win-back emails to intelligent retries and dunning management, there is a myriad of reasons subscribers churn. For voluntary churn that you can control, it's smart to create and automate communications that solidify a pleasant subscriber experience. For involuntary churn, automated account updater, dunning campaigns, and backup payment methods are just some of the tactics of decline management techniques that save subscribers and recover revenue.
- **Plans & subscriber management:** Subscribers want options, and the more they can customize, the better. But as your subscriber count grows, it becomes more difficult to manage every request and every change. Streamline your plans, pricing, and promotions with a fluid system that sets you and your subscribers up for success.



Conclusion

While economic factors largely dictate consumer purchase decisions and subscription business strategies, the unwavering popularity of recurring products and services proves subscriptions are here to stay. Even though our approach to subscriptions has changed, the [value, convenience, and content of subscriptions](#) are the biggest drivers of new signups and subscriber retention.

Subscription businesses should not be intimidated by the uncertainty. Instead, they should be seizing the opportunity to create a subscription that can't be denied. While a fluctuating economy and a spectrum of subscriber preferences are out of our control, choosing the right subscription management and recurring billing partner for your business is one integral and intelligent decision you can govern.

Recurly is leading the subscription transformation in the direct-to-consumer industry by delivering an adaptive subscription management, recurring billing, and revenue management system to meet today's and future needs on one platform. Growth-oriented subscription businesses trust Recurly to anticipate and solve every unique challenge and more, buoyed by the insights and analytics that define global benchmarks and industry best practices. As you navigate the state of subscriptions in 2023 and beyond, partner with Recurly to help you keep a good thing growing faster, smarter, and stronger.



Methodology

Over a 12-month period, we analyzed over 2,200 Recurly merchants' data based on industry, geography, merchant size, and more. This totaled over 65 million unique active subscribers.

The report compares data from January 1 to December 31, 2021 and January 1 to December 31, 2022 unless stated otherwise.

Each merchant analyzed in this report uses Recurly to offer subscription services for products or services delivered to an end customer. The data in this report is compiled from global brands using Recurly unless noted otherwise.

To simplify and clarify data visualizations, data calculations have been rounded to the nearest tenth of a percent, full dollar, or notable interval.

Recurly

Keep a good thing growing™

The subscription and billing platform trusted by leading brands
to grow their recurring revenue faster, smarter, and stronger.

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