vindicia®

An Amdocs Company

The subscription lifecycle

Subscription business success requires intelligence at all phases of the subscription lifecycle

Monster Revenue

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Introduction

Today, consumers prefer subscriptions. Be it software or content, cosmetics or cars, consumers prefer to experience a product or service for a low monthly fee, rather than own it for a higher price. As a result, more and more businesses are looking to better understand how they can adopt and succeed with subscription business models.

VINDICIA NETWORK EFFECT

ACQUIRE
BILL
RETAIN
EXPAND
SUCCEED
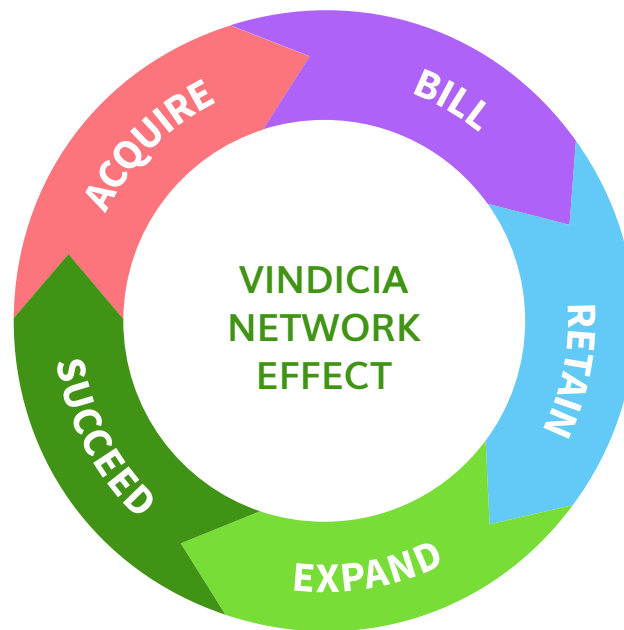
THE SUBSCRIPTION BUSINESS LIFECYCLE

What is the subscription lifecycle?

The subscription lifecycle is a framework for describing the needs, processes, capabilities and knowledge that subscription businesses require as they acquire, bill and retain subscribers; grow their operations; and achieve financial success. Those that excel at all stages of the lifecycle stand the best chances to succeed.

This eBook will help companies that are operating on, or embarking on, a subscription business. It briefly describes the key challenges and activities in each phase of the lifecycle. And it gives examples of how Vindicia leverages machine learning and our data, payment and subscription expertise – together with the Vindicia Subscribe and Vindicia Retain products – to provide the subscription intelligence that subscription-based businesses need to succeed.

What is the Network Effect?

The "Network Effect" is key to Vindicia's expertise.

With over 15 years in the subscription and payment business, Vindicia has processed massive volumes of data. We have processed $38 billion in recurring payments, involving 940 million transactions, 273 million payment accounts, and 351 million digital accounts. These transactions cover a huge range of payment methods, card networks and banks. The Network Effect of this vast and varied data set, coupled with machine learning methodologies, enables Vindicia experts to derive actionable insights and best practices that no merchant or service provider can achieve on their own. These Network Effect insights are embedded in our software, best practices and consulting.

$38 Billion Processed

351 Million Digital accounts

940 Million Transactions

273 Million Payment accounts

More Data > More Insight > More Value
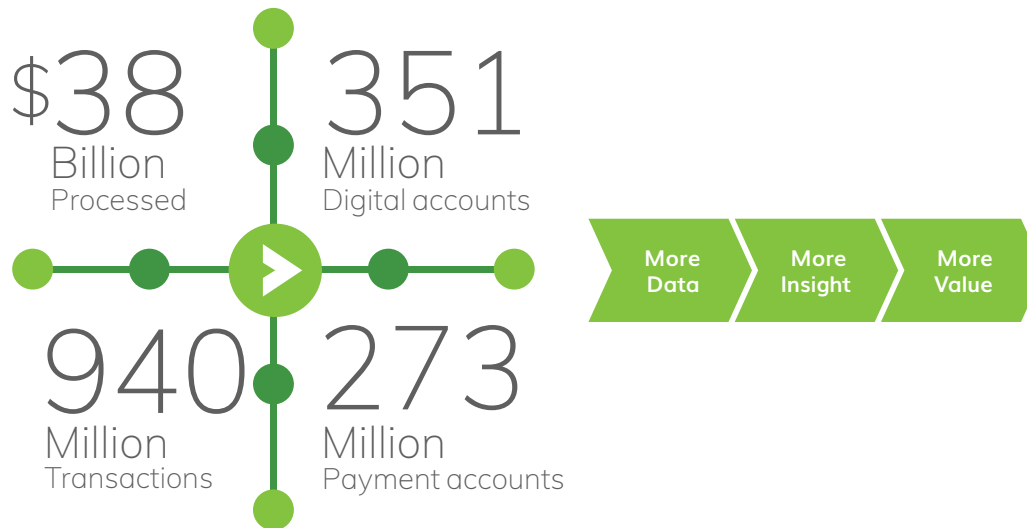
Vindicia clients get a lot more than a subscription billing platform. They benefit from subscription intelligence, differentiating capabilities, consulting and best practices across the entire subscription lifecycle.

The five phases of the subscription lifecycle

Acquire

Acquire
Grow Your Business

Bill

Retain

Expand

Succeed
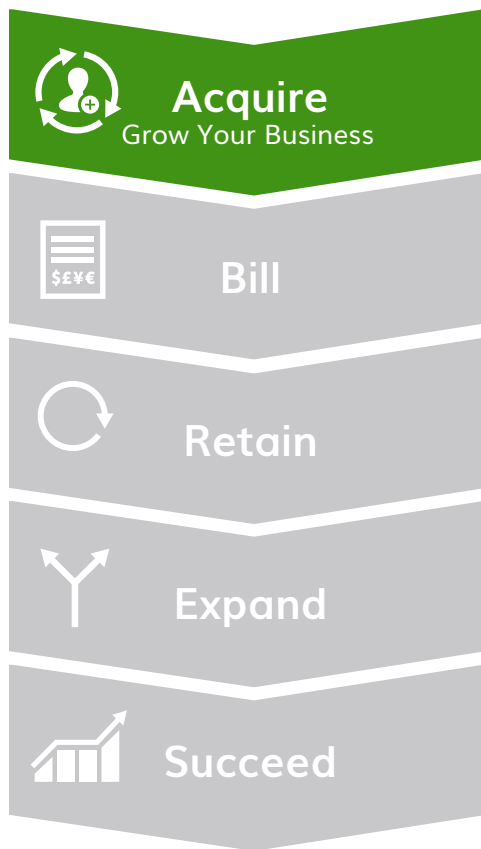
The acquire phase includes activities such as product and offer definition, segmentation, personalization, pricing, packaging, promotion, campaigns, testing, iteration, onboarding, and entitlements.

Mckinsey's famous contention that companies must either "grow fast or die slow" translates into a minimum annual growth of 20 to 30 percent, so customer acquisition (and retention, see below) is a "do or die" activity. Two essential capabilities that drive acquisition are:

GO-TO-MARKET FLEXIBILITY
The ability to rapidly define any package that your marketing and sales teams dream up – unrestricted by software, IT, cost or time limitations.

AGILITY
Ultra-fast time to market for new products, and the ability to rapidly iterate to experiment and fine-tune offers (e.g., changing price and adding features).

↑20-30%

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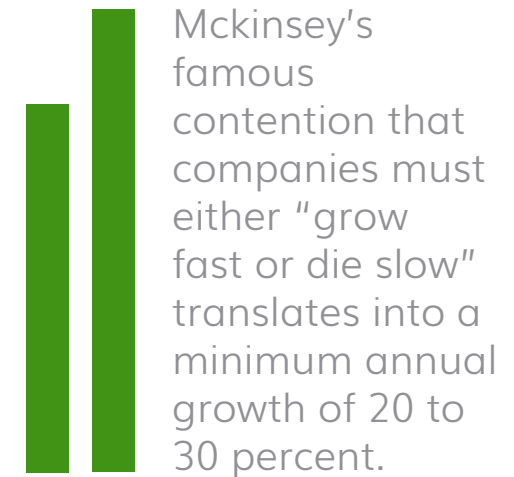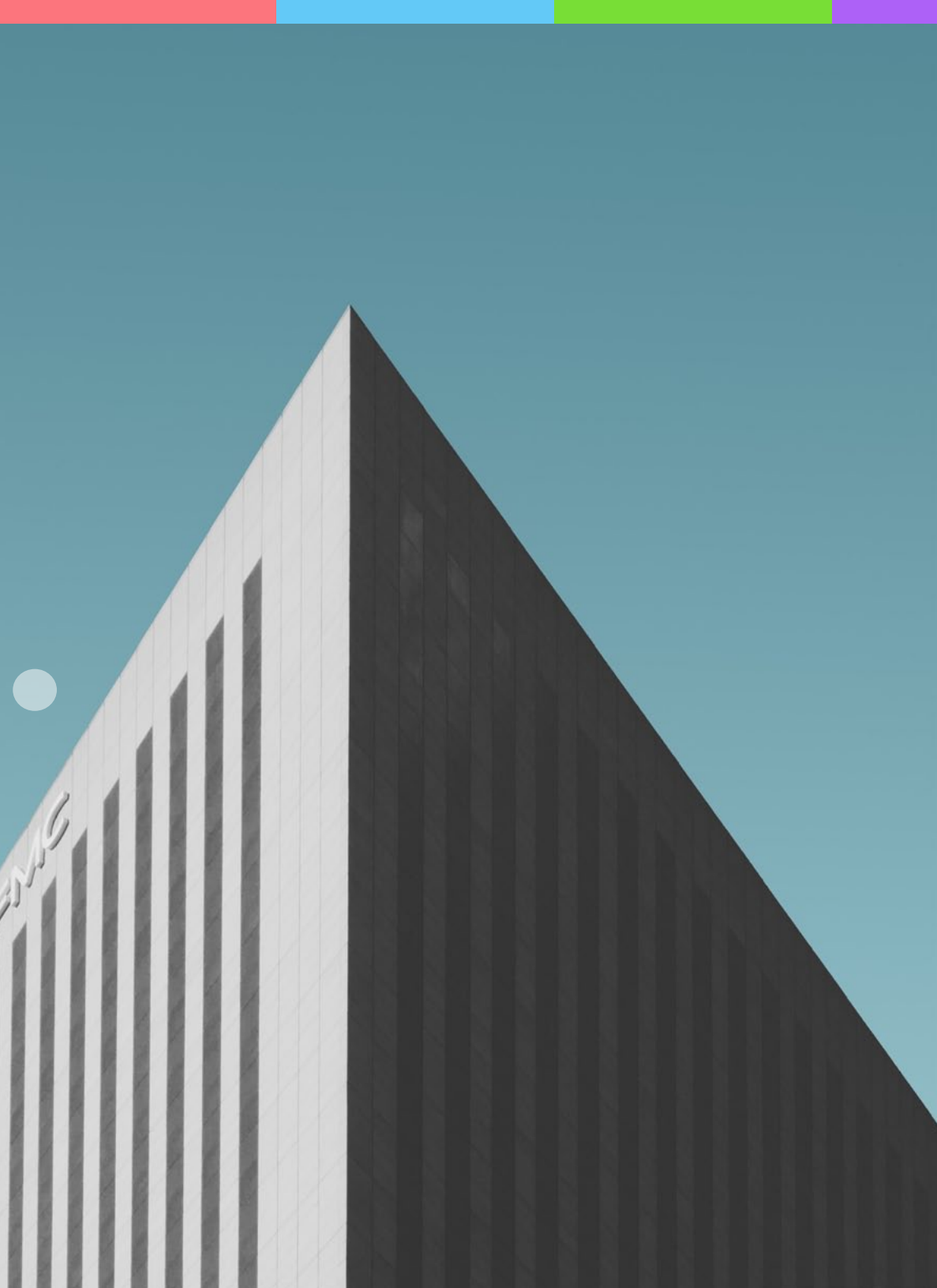
Vindicia Subscribe offers a broad set of customer acquisition tools such as coupons, promotions, freemiums, free trials and gifting. Vindicia experts can recommend which acquisition strategies to deploy and how to deploy them, leveraging Network Effect insights based on peer and cohort comparisons of price-points, bundling, packaging and more.

Vindicia Subscribe also allows you to spin up new offers – and tear down old ones – rapidly, enabling merchants to optimize pricing and packaging strategies in real time.

Network Effect

ACQUISITION TIP
At what stage should you ask a customer for payment details? Before a free trial or after? You might assume that asking before the trial would discourage sign-ups. However, the Network Effect reveals that in the long run, conversion increases if you take payment data at the beginning of the free trial.

The five phases of the subscription lifecycle

Bill

Acquire

Bill
Manage Finances

Retain

Expand

Succeed
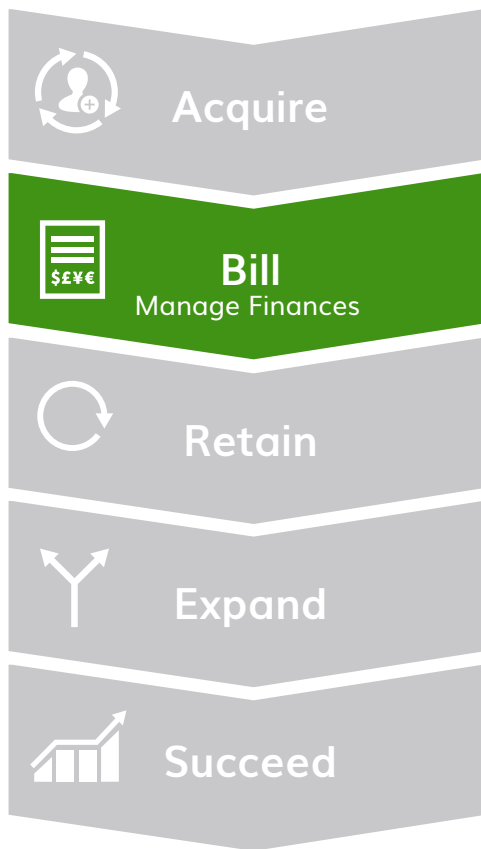
The Bill phase covers billing, invoicing, payment handling, tax calculation, fraud detection, chargeback management, accounts receivable, revenue collection, revenue recognition and reporting.

Billing is not just a technical or logistic necessity; it is a strategic weapon for acquisition, income and retention. Flexible billing enables innovative marketing. For example, Vindicia Subscribe offers multiple pricing strategies to attract buyers with different preferences, like usage-based billing, recurring charges, discounts, tiered options, virtual currencies and more.

You don't want to swap your billing platform frequently. That's why Vindicia Subscribe is designed to support your growth and expansion. It is highly scalable, supports global currencies, global taxes and over 90 traditional and alternative payment methods, including national credit cards and digital wallets such as PayPal, Apple Pay, Amazon Pay, and so on.

Network Effect
BILLING TIP
The more payment methods you offer, the better, right? Wrong. The Network Effect reveals that there is an optimal number and mix of payment methods that strikes the best balance for customer acquisition.
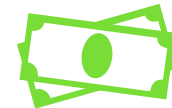
Billing is core to your financial management. To assist with your financial processes, Vindicia Subscribe offers:

FINANCIAL REPORTING AND DASHBOARDS that track operations and visualize data. You can generate reports on metrics like acquisition cost, campaign success and churn rate.

SUPPORT FOR FINANCIAL PROCESSES such as accounts receivable, revenue recognition and feeding the General Ledger.

CHARGEBACK MANAGEMENT to identify claims worth contesting and mitigate losses due to chargebacks.
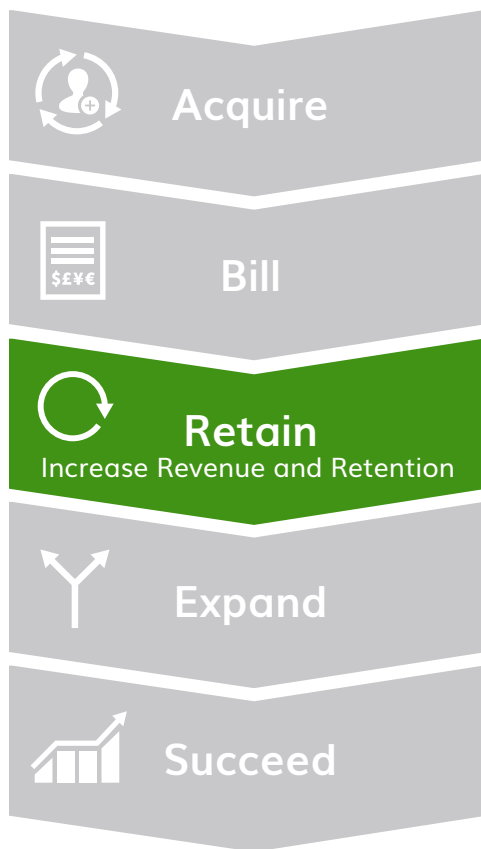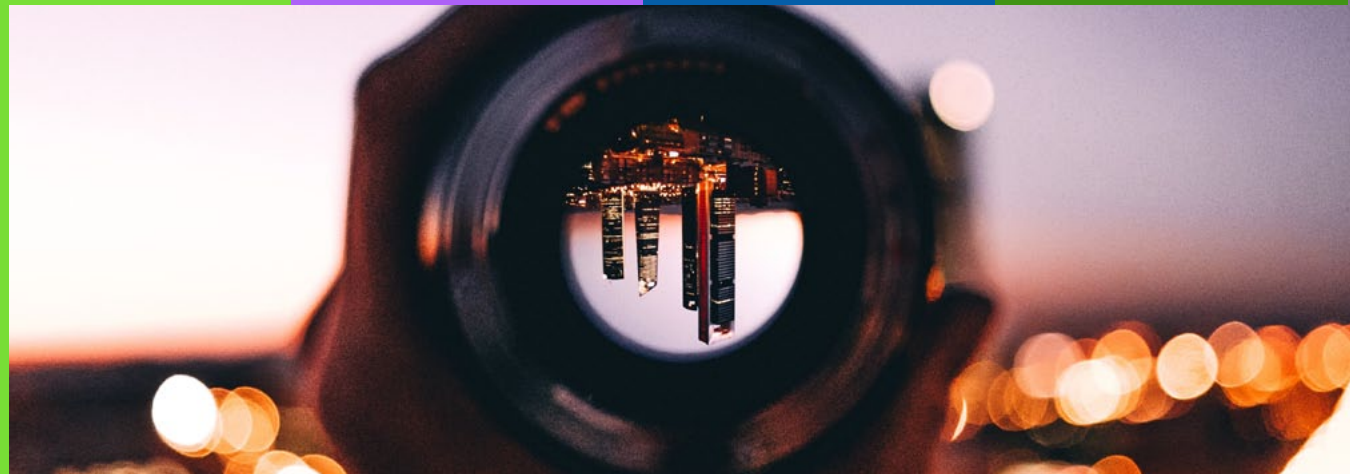
FRAUD MONITORING AND DETECTION to solidify security and prevent chargebacks.

The five phases of the subscription lifecycle

Retain

The Retain phase starts from the moment a subscriber signs up. It encompasses customer engagement and loyalty programs, as well as ongoing challenges such as churn prediction, churn prevention, retry, dunning and crucially, recovering failed transactions.

Acquire

Bill

Retain
Increase Revenue and Retention

Expand

Succeed

Retention is high stakes for subscription companies. The cost of retaining a customer is one fifth (some say one tenth) the cost of acquiring a new one, so smart businesses invest in customer relationships and retention from the moment a customer converts.

There are two types of churn – active churn and passive churn and each needs to be combatted differently.

ACTIVE CHURN
occurs when a customer is disappointed with your service and leaves by choice. Businesses should protect themselves from active churn by modifying the product or pricing, improving the communications of the value of the product, offering loyalty points, bonuses, and other tools to encourage customer engagement.

PASSIVE CHURN
is when a customer leaves your service not by choice but as a result of a glitch in the payments network resulting in a failed credit card transaction. The traditional tools for combatting passive churn are limited to retry, account updater and dunning.

Using machine learning technologies, Vindicia's data scientists innovated a new solution for passive churn called Vindicia Retain. Vindicia Retain analyzes failed credit/debit card transactions to evaluate the reason for the failure, and then applies business rules and logic to "heal" the transaction, allowing the payment to be processed successfully and money to flow into your bank account. The result: a dramatic reduction in passive churn, increased revenue and extended customer lifetime value.

Network Effect

Vindicia Retain reduces payment failures by up to 15 to 30% and boosts revenue by 3 to 6%. The intelligence and techniques driving Vindicia Retain are derived from the Network Effect using machine learning.

⬇ **REDUCES PAYMENT FAILURES** 15-30%

⬆ **BOOSTS REVENUE** 3-6%

The five phases of the subscription lifecycle

Expand

Acquire

Bill

Retain

Expand
Extend Your Horizons

Succeed
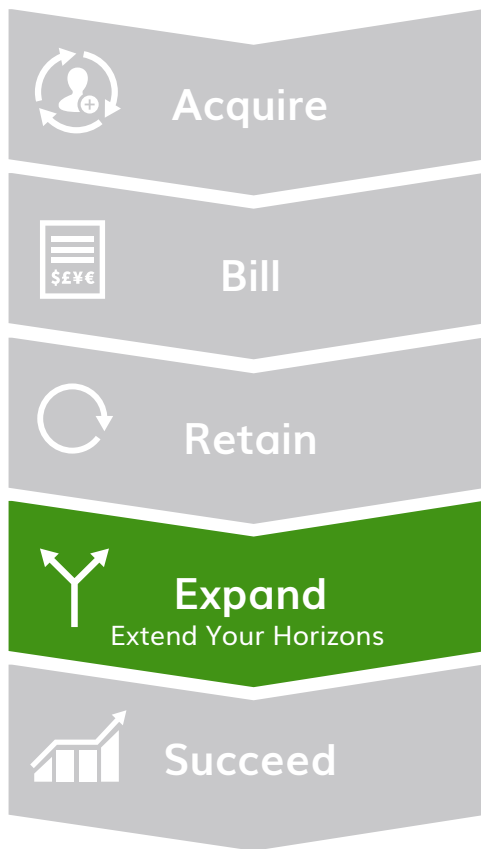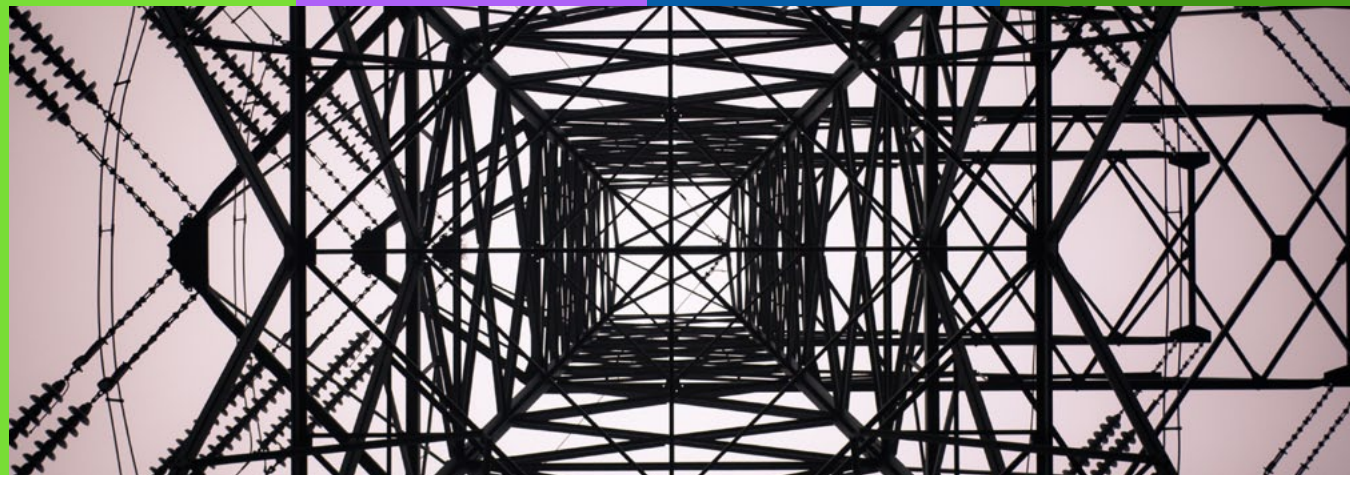
The Expand phase is about extending your horizons and vision. It includes core processes such as cross-sell and up-sell, but also daring to launch new products, new properties, and expand geographically.

Revenue growth is the life-blood of subscription businesses. Revenue growth funds acquisition, expansion and innovation. Expansion is primarily in two dimensions:

GROW EXISTING REVENUE:
Build up by attracting more customers and then cross-selling and up-selling to your customer base.

GROW NEW REVENUE:
Expand your area of operations to new products, new lines of business and new geographies. Vindicia Subscribe's wide-reaching support for languages, currencies and global tax compliance make it easy for subscription businesses to expand domestically and internationally.

Network Effect

Renewals are key to expanding, but what's the optimal way to design and communicate a renewal offer to a customer? The Network Effect can help optimize your renewals strategy.

The five phases of the subscription lifecycle

Succeed


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Acquire

Bill

Retain

Expand

Succeed
The Path to Long-term Success
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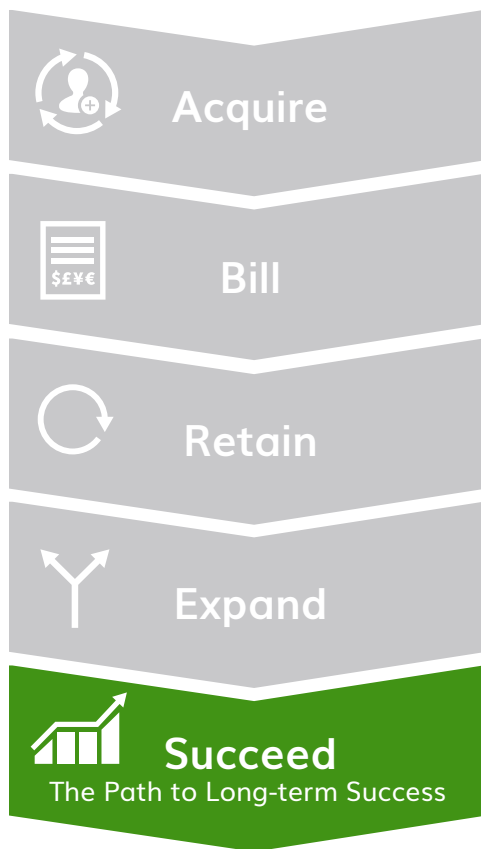
The succeed phase includes one-off activities such as implementation, integration and migration, but more significantly, also ongoing optimization driven by consultation, benchmarking, analytics, and business intelligence.

VINDICIA SUBSCRIBE ENSURES YOU GROW – VINDICIA ENSURES YOU SUCCEED.

Great products and great service do not guarantee success. In addition, you need business acumen. That means domain expertise - in subscriptions, payments, marketing, sales, financial management and more.

Working with Vindicia gives you access to our business acumen. You benefit not just from Vindicia Subscribe's leading functionality, but also from Vindicia's unparalleled industry data, expertise and experience.

Vindicia offers our clients:

Client Business Reviews: Tailored assessments that visualize and contextualize your company's success and identify areas of improvement.

Technical implementation support: A 15-year near flawless deployment record.

Business intelligence: Configurable dashboard, the independence to extract and analyze any data point, and track and define your own KPIs.

Customer success teams: Intimate involvement in your business from Vindicia experts who can offer advice on growth initiatives and challenge resolution.

Customer service: Available, accessible and dedicated support.

Network Effect

Our Client Business Reviews utilize cohort analysis, peer ranking and other data sets that no subscription business can access to evaluate your performance and generate actionable insights.

Moreover, to give you peace of mind, the Vindicia Subscribe SaaS platform is built to perform with features such as:

✓ **FOUR 9s AVAILABILITY SLA**

✓ **HIGH SCALABILITY**

✓ **OPEN SOAP/REST APIs**

✓ **PRIVACY**
GDPR compliant

✓ **SECURITY**
PCI DSS Level 1 compliant for 13 years;
SSAE16-11 audited annually

Subscription business success necessitates excellence at all phases of the subscription business lifecycle. This eBook has briefly highlighted what these phases are and how Vindicia equips you with all of the capabilities you need to help you succeed and grow.

Vindicia Subscribe makes your business agile, efficient and effective, poised for growth.

Vindicia Retain increases your revenue and retention, and extends customer lifetime value – calculate your <u>ROI</u>.

And Vindicia...well, we are empowered by subscription intelligence and the Network Effect, experienced, expert, consultative, and devoted to your bottom-line success.

Altogether, a winning combination.

Read more about <u>Vindicia Subscribe</u> and <u>Vindicia Retain</u>.

About Vindicia