The Subscription People
An Amdocs Company

Which Billing Platform Is Right for B2C Subscriptions?

The One that Delivers Higher Revenue

Low Cost and Easy to Leave — I'll Try That

One of the great strengths of the subscription model is the (usually) low cost of trying a service. A consumer might be reluctant to purchase software for $500, but eager to try it for $20 a month. Tie that low price point to a long-term commitment? Consumers can do the math; they'll be just as reluctant to sign up as they would be to make a purchase. You'll see more success with the subscription business model if you offer an enticing price—often in the form of a great promotion—while letting the consumer know that it's easy to cancel.

The move to subscription and recurring revenue business models is sweeping both business-to-business (B2B) and business-to-consumer (B2C) sectors. There are striking similarities in why—and how—subscription models lead to success for companies targeting businesses or consumers as customers. But there are also differences, and those differences show themselves clearly the impact of billing on customer acquisition and retention success.

Both consumers and business buyers have acquired a taste for subscribing to goods and services. Subscriptions offer a degree of convenience and flexibility that outright purchases can't match. Consumers and businesses aren't just being given the opportunity to try offerings like software before they buy—they never need to buy.

Subscription models have also enable innovative and disruptive businesses to emerge, especially in the B2C realm. For example, consumers can subscribe to monthly delivery of cosmetics samples, which traditionally came free with a purchase. Dozens of companies offer subscriptions to deliveries of specialty food boxes. And consumers who overindulge in edible options can subscribe to online diet coaching. There's even a moss of the month club for terrarium lovers who want to keep things interesting.

B2B and B2C companies enjoy an unprecedented opportunity to grow by letting customers pay for goods and services on a subscription or recurring basis. That doesn't mean that B2B and B2C companies have the same billing needs. You might assume that an effective B2B solution will likely meet the needs of B2C companies. It won't. The wrong solution could actually disrupt a B2C business model, dramatically reducing its revenue potential.

B2C companies that offer products by subscription or based on usage must ensure that their approach to billing supports efficient customer acquisition and retention. Otherwise, revenue will suffer. That's because acquiring and retaining consumers as customers requires far more billing agility than winning and keeping a business as a customer. In the B2B realm, an actual salesperson and account manager take responsibility for building and maintaining key aspects of the customer relationship. But for B2C offerings, a billing solution plays central role in winning and retaining customers. An effective billing system makes a substantial difference in the B2C arena, leading to subscriber base increases of as much as 25 percent over time.

This document explores the subscription billing needs of B2C companies. Highlighting the significant link between billing capabilities and revenue, we will look at how a billing platform helps drive bottom-line success.

B2C Subscriptions Require a New Perspective on Billing

The subscription model is upending traditional B2C models—and rapidly evolving to accommodate virtually every type of product and service. For instance, consumers can now easily subscribe to regular delivery of food, with organic produce boxes, snack

> “ We’re literally coming up with product and offer combinations every day. CashBox’s support for our product mix is good. It comes down to the platform’s flexibility. But retention and the retry logic are what make me think of CashBox as the Tesla of subscription billing. Every month we’re seeing revenue uplift thanks to high retention levels.”
>
> ***Steve Sesar***
> ***Co-Founder and COO, FreedomPop***

packages, and prepared meals just a click away. It’s easy to try a service and cancel if the offering doesn’t suit the consumer’s lifestyle or taste preferences. With subscriptions, you invite consumers to build long-term relationships with you. But don’t forget the constant retention risk: it’s easy to leave a subscription service. Fostering customer loyalty is as crucial as the ability to compel interested customers to sign up.

In the subscription universe, the goal is to generate recurring revenue by winning and keeping customers. That requires accounting for what it takes to do both. Traditional loyalty-builders, such as product quality, loyalty programs, and responsive customer service, still matter. But when it comes to acquiring and retaining subscribers and usage-based customers, billing plays a bigger role than you might think. The right billing platform is crucial to turning a relationship with an interested consumer into recurring revenue. Done correctly, it also generates a higher customer lifetime value to the merchant. A closer look at how billing affects customer acquisition and retention shows why.

Acquisition: Marketing and Payment Flexibility Fuels Growth

One of the key differences between B2B and B2C selling is the role of marketing. For many B2B subscription services, marketing generates leads that a salesperson follows. The salesperson reaches out, chases prospects, and negotiates final pricing. In the B2C realm, that would be impractical due to the higher volumes and lower price points. Marketing is sales for many B2C offerings—and for high-volume B2B offerings. That’s why arming your marketing team with pricing and promotion flexibility leads to success.

To win subscribers, you need to attract them to your product and provide an appealing offer. You launch campaigns and promotions to achieve that goal. Unfortunately, some billing solutions make it difficult to set up and refine promotions. They may also make it difficult to track ongoing revenue by promotion. Significant IT resources are needed to make modifications, which can take days or weeks. When every tweak to a promotion requires IT resources, your team’s ability to quickly test and improve campaigns—and to generate new promotion ideas—is limited. You fail to acquire customers—or lose existing customers—as they jump at promotions offered by more agile competitors.

After you’ve attracted customers, they need to be able to pay you. And payment methods are evolving rapidly, especially in consumer markets. The key to payment method success is obvious: let customers pay with any payment method they choose. B2C companies need a billing platform that accepts virtually every current payment method and proactively enables the acceptance of new payment methods as they emerge.

Companies seeking to compete globally need a billing solution that supports billing and communications native to each country and region. In some regions, supporting local currencies is essential, but it’s a competitive advantage—and a customer experience plus—in all regions. No matter the currency used, tax calculations must comply with local requirements. And customers expect billing related communications in their language and with references suitable to their locale and currency. But just accepting a currency and communicating in the local language are not enough. B2C companies must embrace regionally prevalent payment options. These include increasingly popular regional bank and direct debit methods along with billing through mobile carriers and cash options, such as payments facilitated stores like 7-Eleven and Oxxo. Of course, it’s equally important to accept regionally popular credit, debit, and prepaid cards.

Retention: the Key that Unlocks Higher Revenue

A subscription business grows through customer acquisition—and retention. The marketing costs involved in attracting new subscribers make it essential that you get maximum value from everyone who signs up for your service. As you retain subscribers longer, your average customer lifetime value increases along with your revenue.

To ensure high retention, it's essential that all of your processes, including billing, help you avoid customer attrition or churn. Churn encompasses both voluntary and involuntary loss of customers. For most B2C products, it's as easy to unsubscribe as it is to subscribe. You're likely to see high voluntary churn if your products don't represent a good value or if your customer service is poor. Involuntary churn happens when a subscriber wants to keep using your product but is forced to take special action in order to do so. Billing issues are one of the leading causes of involuntary churn—and your billing solution should be able to help prevent it.

Imagine that a subscriber's credit card expires, or the subscriber has another type of short-term issue with their credit card. When their payment transaction fails as a result, they get cut off from your services. The subscriber then has to address the cause of the problem themselves, which means that they have to make a conscious decision to remain with your service. Instead, your subscriber just might choose to try a competing service. But what if your billing solution could actually resolve many of the causes of failed transactions automatically without inconveniencing the customer? The subscriber would never involuntarily face the decision to remain with your service or leave.

A Closer Look at Vindicia

When B2C companies review billing solutions, many find that Vindicia delivers an ideal fit. Why? Unmatched support for customer acquisition agility and measureable retention improvements.

The Vindicia billing solution, Vindicia® CashBox®, delivers all of the features a B2C company needs to succeed with global subscriptions. With military-grade security along with scalability and reliability, CashBox meets the compliance and performance requirements of virtually any subscription business. Companies can readily grow the number of accepted currencies and send customized billing messages in any language that's compliant with ISO 639-2 or IANA Language Subtag Registry standards. CashBox also lets you route payments to processors by country, currency, or product.

CashBox supports the many business model variations within the subscription universe, including metered usage, add-on purchases, and microtransactions. But CashBox's unique ability to fuel customer acquisition stands out. Marketers can set up and refine pricing and promotions with little or no involvement from IT. Companies using CashBox can quickly launch campaigns and optimize them for acquisition. This helps to drive the rapid growth of the customer base and revenue.

What's more, customer retention is an area where Vindicia provides truly unique capabilities. Vindicia's ART Advanced Retention Technology™ system analyzes failed payment transactions and diagnoses the issues behind them. It then automatically resolves many of the problems that can cause transactions to fail. Subscribers stay connected to the services they've chosen. They don't experience the inconvenient service disruptions so common with other billing solutions. Crucially, Vindicia reduces involuntary churn by as much as 30 percent. That increases revenue dramatically, especially over time. A monthly increase in retention with Vindicia of just 5 percent can translate into a greater than 25 percent increase in the paying subscriber base over two years.

Revenue-Building Insights from Subscription Experts

You know your customer retention rate, but how does it stack up against similar companies? How does it compare to best-in-class companies in other B2C sectors?

Vindicia clients know. At regular Client Business Reviews, the Vindicia team offers analysis of key metrics and makes recommendations for increasing revenue. They also share benchmarking data that gives clients a window into offer strategies, revenue, subscriber growth, and retention metrics across the vast Vindicia user-base.

Conclusion

To win and keep consumers as subscribers, companies need to ensure their offering delivers value and flexibility. But billing impacts customer acquisition and retention success, too. B2C companies must take consumer preferences and the customer experience into account as they choose a billing solution. Consumers want to try services that offer enticing promotions. They also prefer to pay with their favorite payment methods in their own currency. Most importantly, consumers are more likely to stay with companies that don't force them to resolve every payment glitch themselves.

Any B2C company considering a subscription or usage-based business model needs to include Vindicia among the billing solution providers it considers. Vindicia offers the acquisition agility that B2C companies need to earn initial signups from choosy consumers. And only Vindicia offers capabilities that improve retention by reducing involuntary churn by about 30 percent or more—and that measurably increase revenue. The complimentary Vindicia Trial makes it easy to evaluate the strengths of Vindicia's solution. Contact Vindicia today to learn more.

> " From promotions and customer service to tax management, CashBox makes the billing side of our processes a breeze. Generating a promotional code in CashBox is fast and easy. It's basically instantaneous and requires no assistance from IT staff. Integrated reporting gives us the visibility into transactions that we need."
>
> *— Paul Kriloff*
> *Senior Manager of Customer Revenue and Customer Acquisition Marketing, Allrecipes*

B2C Subscription Billing Checklist

Must Have Features	CashBox
Marketing promotion and campaign flexibility	✔
Transaction failure prevention	✔
Support for mixed-term subscriptions, metered usage, one-time purchases, and freemium	✔
Reporting and analytics	✔
Revenue analysis and insight from subscription experts	✔
International compliance and tax support	✔
Support for multiple payment methods, currencies, and languages	✔
Scale and 99.99+% uptime	✔
Salesforce compatibility	✔
Fraud management and prevention	✔

We're the Subscription People

The Vindicia platform is much more than a billing system. And we're so much more than our products. Vindicia helps you acquire, bill, and retain customers. The result: greater recurring revenue. And that defines success in the subscription business.

Servicing millions of subscribers yields more data, better insights, and greater value for our clients. All made possible by the Network Effect. We provide comprehensive subscription solutions built on proprietary technology, strategic consulting and best practices for subscription businesses that we forged from big-data insights. That's why they call us the Subscription People.

The Subscription People

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ABOUT VINDICIA

Vindicia, an Amdocs company, offers comprehensive subscription management solutions that help businesses acquire and retain more customers. Providing much more than just a billing and payments system, the company's SaaS-based subscription management platform combines big data analysis, strategic consulting and proprietary retention technology. Vindicia provides its clients with more recurring revenue, more customer data, better insights, and greater value throughout the entire subscriber lifecycle. That's why they call us the Subscription People. To learn more visit **www.vindicia.com.**

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