



The DTC Handbooks

The Most Important Metrics



ReCharge



From Our
Partner
Agencies

In measuring the success of your brand, understanding a few key calculations can give you a snapshot into the health of your business.

Measuring the lifetime value of a customer, how much it cost you to acquire them, their average order value, and the rate at which they churn will allow you to set a baseline and develop a strategy to pivot as needed. Check in with our industry experts on how to calculate these and what you should look out for.

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01 LIFETIME VALUE (LTV)

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03 AVERAGE ORDER VALUE (AOV)

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Lifetime value (LTV)

Simply put, 'How much revenue can we expect to get from the average customer while they are part of our subscription?'. Using this metric, subscription brands can clearly compare this with the cost to acquire a customer and better understand their profit margin. This is critical for subscription brands given that the cost of acquiring tends to be higher than single purchase brands.

LTV can be maximized in two key ways

- Using a loyalty program like LoyaltyLion to encourage long term commitments
- Upsells and cross sells



Adam Pearce
CEO at Blend Commerce

Tracking LTV gives you a good indication of the health of your subscription program – are you keeping people in, or are they churning after the first delivery just to get the discount? Identifying and targeting high-value customers and increasing customer LTV is essential for a subscription program to be profitable.

We all know it's easier and less expensive to grow and keep customers than acquire new ones. This is especially critical today, with increasing online competition. Your most valuable subscribers might spend the most, subscribe to high-margin products, or stay in the program longest. They may subscribe to multiple products (often multiple subscriptions make it harder to leave).

Leverage your subscription program to help you grow LTV. Targeting existing high-value subscribers with VIP offers, personalized recommendations, and upselling relevant products can help grow the relationship while increasing monthly subscription revenue and keeping customers in the program even longer.

Another way to increase LTV as well as revenue: membership subscriptions. You might be surprised how many customers find value in a membership program that offers perks like early access to new products or free shipping.



Aaron Quinn

Founder & CEO at eHouse Studio

LTV can be defined in a number of ways, from fairly simple to incredibly complex. In its most basic format, LTV can be calculated as frequency * average order value * margin * 1/churn rate as explained here. Using this formula, we have calculated LTV for a number of different customer segments to answer different types of questions.

For example, we had a hypothesis with Native that decreasing frequency would lead to less churns attributed to “I have too much.” Using our formula above, our hypothesis was that a decrease in subscriber frequency would result in an outsized, positive effect on churn rates. With this in our back pocket, we were delighted to see that churn CLV actually increased despite the decrease in customer frequency.

In effect, CLV becomes an important metric when analyzing your subscription program over time. With subscription programs, you will not see the results of any tactics that you implement until you have several cohorts of customers that experience the change. Yes, in general we want to improve AOV and decrease churn, but these numbers only become helpful when we look at the bigger picture. I highly recommend implementing one tactic each month so that you can review the CLV data from that month’s cohort and compare against previous cohorts.



Sean Glass

Senior Strategist at BVA

The way we define a customer’s LTV is slightly nuanced - we aim for total lifetime value of a customer after returns - as the reason that LTV is so important to a subscription brand is relatively simple. Ultimately, every subscription cycle is “adding cash to the kitty” - increasing total revenue per user and reducing the percentage of advertising budget to turnover.

When we have a fixed cost of acquisition and relatively low service costs post subscription, all top line profitability is attached to LTV.

For example, if it costs me \$20 to acquire a subscriber on a \$100 a month subscription and the monthly cost to serve (cost of goods, staff and shipping) is

\$60, I only make \$20 gross profit in month 1. In month 2, I make \$40 GP - raising my total profit from \$20 to \$60. Month 3, and I'm up \$100 GP.

Some of the best ways to rapidly improve your subscription LTV are:

Understand when your users “churn” and send a pre-emptive “skip” email campaign - e.g. “Building a bit of a stockpile? Skip this month and save \$20”. It’s much harder to win back a churned subscriber.

- Post-churn surveying - understand why your customers are churning - address those same problems before potential future customers come onboard.
- For subscription box sellers, if you see a product receive a 5-star component-level review, offer that as a complimentary upsell to increase your ongoing monthly revenue.

For example, imagine a health product subscription brand sells a \$69-per-month box which allows subscribers to try different products month to month. When a user submits a 5-star review for a particular cereal, shake, supplement or other consumable, they're then prompted to put it on a full-time, standalone subscription, raising monthly subscription value (and future LTV) from \$69 per month to \$69+\$20+\$30+\$40+ etc. Even if the user churns from the subscription box itself, the merchant maintains a multifaceted relationship and subscription with the end user.



Matt Abbott

Head of Growth at Swanky

At Zehner, we believe that LTV is the most important metric because customer retention increases profit and lowers customer acquisition costs. When customers are happy with their subscription, brands don't need to win them back.

Keeping an existing customer satisfied is less expensive than acquiring a new customer. Subscriptions can decrease retention and decrease churn by offering value and outstanding products and experiences.

Brands can also increase their LTV by offering users flexibility when pausing their subscriptions or editing their delivery dates. Subscription products can improve their number of active subscriptions by increasing customer touches and features like renewal reminders. Transparency is vital to the subscription experience. Platforms like Postscript and Electric SMS can help users feel empowered to control their subscriptions through features like billing notifications, subscription upsells, win-back offers, order skipping, and text-to-order.



Mick McCarthy
Chief Design Officer at Zehner

LTV is a customer's lifetime value, which describes the amount of revenue you can expect to receive from a single customer over the entire duration of their relationship with your brand. It is directly tied to retention rates, because the longer you can retain a subscriber, the higher their LTV will be.

LTV can also be linked to the number of upsell and cross-sell opportunities a merchant has--and subscription merchants have many more opportunities than non-subscription merchants to boost LTV in this way.

While LTV is affected by several things (branding, communication, customer support, etc.), the biggest piece is the actual product being sold. It has to be good. You can have a brilliant marketing strategy, an award-winning customer service team, and a bulletproof business plan, but if you have a shitty product (read: unneeded, not unique, difficult to use, etc.), you'll have a hard time getting customers to stick around.

Reaching a healthy LTV requires:

- a good product
- an easy, autonomous, delightful customer experience
- a clear understanding of your customers' needs
- excellent customer support, from the first introduction through "maintenance mode"
- a commitment to continually iterating, improving, and offering enticing new products to keep subscribers engaged and excited about your brand

You may be thinking, "OK, but how do I ensure all of those things for my store?" Understandable--it's a lot! Start by asking yourself the following questions:

- What sets you apart from your competition? As in, why might customers stick with you instead of jumping ship to a competitor?
- Can customers manage most aspects of their subscription themselves?
- Are you making your customers' lives easier or better in ways other than the set-it-and-forget-it convenience of a subscription? If yes, is that being clearly expressed regularly?
- How well do you know your customers? Do you need to implement some get-to-know-you stuff, like quizzes, on your site?

- Do you have the resources necessary to support your customers when they run into trouble? (i.e., shipping issues, returns, cancellation snafus)

Reaching your goal LTV can feel like a moving target, but it's critical for long term health as a business. (It's also a metric you'll need to consider when calculating your customer acquisition cost.)



Z
Founder at Tako Agency

For subscription-based businesses Lifetime Value (LTV) and Customer Acquisition Cost (CAC) are kings. LTV would have a minuscule lead over CAC. LTV really sets the tone for marketing, retention, churn, and operational strategies.

Number one on the list is the subscriber's experience with the product and from the customer experience team. And, no, I do not mean just chat and phone support. Customer experience starts as soon as they place an order.

A customer experience post-purchase flow is a must. Set expectations for a customer on what they can expect once the product or box arrives, and most importantly, educate them on how to maximize the experience with these products. Some products are more straightforward than others, but some need a lot of guidance.

In every possible touchpoint, it is a must to make it very easy for a subscriber to contact the customer support experience team. When a subscriber does contact the customer experience team, there needs to be a clear guide and expectation not just to 'help' them solve a problem, but rather improve their experience and perception of the brand. This way, they have an opportunity to make a bad or challenging experience into a positive one.

Providing more than a product or a transaction goes a long, long way. It ties in with experience. Merchants have to make sure to build a community that aligns with the brand, and that value outside of the goodies is provided. Everything from engaging with users on social platforms, to creating how-to videos, to simply writing helpful content, providing exclusive content via email.

Personalization is important. Making the subscriber feel like they are part of a community and that this is not just any box, but that this is their box goes a long way. It creates an emotional connection with the brand. If someone is subscribing to a puppy box, trying to find as much info on the puppy (name, breed, etc), and adding that information through touchpoints can go a long way. Something like an order confirmation email with a subject line "Tell Simba he can wag his tail. His treats are on the way!" can go a long way.

Inviting and reminding subscribers to participate in the community is crucial. Asking subscribers to share images in reviews, to tag the brand in their posts, running contests, providing giveaways, and other in-between shipment activities will keep subscribers close to the brand. It will provide a feeling of them receiving more value than what is just the box.



Amer Grozdanic

Co-founder & CEO at Praella

We define LTV for a subscription brand as the average number of cycles a customer subscribes for multiplied by the AOV each cycle. Brands tend to define LTV differently and if you've been in the market for a while you can probably get to a more definitive number vs. utilizing AOV or other estimations. At the end of the day it's how much money you can expect to receive from a subscriber in total. From our perspective, we like to look at short-term LTV, so for example the 90 day LTV since the first purchase.

While the standard LTV metric is important for measuring long-term value creation and brand growth, we do prefer to look at shorter windows. We'll look at the LTV of a customer in the first 3-6 months and use that stat to determine the value of a cohort. We like to push our clients to limit their LTV calculations to a shorter time window if they're using LTV to drive what their CAC should be. While actual LTV may be higher, we use a reduced figure for decision-making.

To increase LTV we create special perks, unique rewards, or exclusive content that customers view as valuable, and that non-subscribers can't get. Early access and special discounts don't cut it any more so we introduce variable rewards that customers really wouldn't want to miss out on. For example a unique limited edition collaboration or an exclusive online event (or in-person once it's safe).

Communication is also key to driving up LTV. Make it extremely easy for subscribers to cancel and communicate it. You won't build a lasting business by trying to trick people into a subscription. Give them a real reason to want to stay on one.



Pierson Krass

Founder & Managing Partner at Lunar Solar

The LTV (lifetime value) is what a customer is worth to your brand over time. For example, most businesses will see customers return for repeat purchases or engagement beyond just the first order. The sum of all their order values divided by their total orders is how we calculate the LTV for an individual customer. For subscription-based businesses, you will have a bit more control over the 'total orders' and should focus on regularly engaging customers so they continue to find value in your offering, and maintain their subscriptions.

While the strategy to grow LTV differs for each brand, there is one universal truth: if you value your customers (listen to them, engage with them, give them what they want), your revenue will also grow. Here are a few methods often deployed to grow LTV:

- **Have a simple and thorough onboarding process for your subscriptions.**

Collect all the info that you might need so you don't have to ask retroactively, and make the process easy and intuitive for users.

- **Regularly get them GREAT content via your website, email blasts, social media, etc.** This content can be seen as ancillary or complementary to your products. This will quickly showcase the added value that your brand can offer to subscribers.

- **Be a good listener and show that you care.** This can be done by having omnichannel support, allowing customers to find their resolutions easily and quickly. Exceptional customer service will also go a long way in building loyalty and confidence in your authority.
- **Work to personalize your content and communications.** This will also build loyalty and confidence. Setup custom merge tags in your email and text campaigns so that your communications look even more professional and personalized.
- **Incentivize annual subscriptions.** While this may be done via discounts, the added benefit of having a subscriber be 'locked in' for a year will likely offset any lost revenue from the discount.
- **Utilize upsells and cross-selling.** These methods are tried and true ways to increase the individual average order value and LTV. You can do this by a variety of methods such as bundling complementing products, incentivizing higher cart/order values by offering free shipping or a gift, or bundling products together in a new SKU.



Tate Lucas
CEO at DotDash.io

Cost of acquisition (CAC)

2020 has had a big impact on CAC (Customer Acquisition Cost). With many businesses switching to online, Google Ads, and Facebook Ads became an easy way of acquiring new customers. This resulted in more competition and higher costs.

But CAC should also not be taken at face value. Marketing channels like Facebook Ads will show what your CAC is, but this does not go on to show you the lifetime value of that new customer and this often the case with Subscription Brands.

For example, if you sold a product for \$20 and it cost you \$20 to acquire that sale, you may think your CAC is terrible and that channel isn't working. But if that product was a subscription for \$20 per month for a year, this becomes a different story.

Coming into 2021, it's likely retail stores will begin to open, some of the new online traffic will remain and some will go back to their brick and mortar stores.

For the online startups of 2020, this may cause some panic and they will start to look at acquiring new customers again to keep their new online store going. Therefore CAC is likely to remain high in Q1 and possibly Q2 of 2021.

With more established brands, we noticed that many started turning towards using alternatives for custom retention. In particular, Email Marketing has seen a large increase in use and after updating the structure of their flows, one brand saw a 218% increase in revenue from Email.

Being able to retarget new website visitors on a channel that does not have an associated cost per click like paid ads means a much stronger position for such brands.

Merchants should look at focusing on retaining the new customers they acquired in 2020, using various CRM systems like email, blogs, loyalty grams, and subscriptions. These will go towards lowering CAC and building customer loyalty.



Adam Pearce
CEO at Blend Commerce

Effective CAC is vital for ensuring longevity in your marketing plan. Simply investing for growth can cripple a business if not managed properly. Calculating CAC is the best way to ensure that you're investing sustainably. CAC is calculated by dividing the money spent on advertising by the number of customers generated. So, if you spend \$100 on a campaign that generates 20 customers, the CAC would be 5. This calculation is an effective way to optimise campaigns and multiple ads through comparison.

You shouldn't stop here though; CAC can also take into account the true cost behind a campaign by including the advertising cost as well as internal salaries and logistical costs. For best practice, you should look to couple more regular CAC calculations on an ad basis with longer term CAC revisions, including the overall spend on marketing teams.

Looking to 2021, we can only suggest that the CACs will continue to rise alongside bidding for ad space and increased CPC in an increasingly competitive marketplace. 1st party data storage will become an extremely important tool to have at your disposal while putting even more value into returning customers, consumer loyalty, and LTV of your customer base.



Matt Abbott

Head of Growth at Swanky

When it comes to CAC, 2020 is a very, very odd year. From the pandemic shifting landscape of brick-and-mortar and ecommerce, as well as the state and national elections, the waters were not easy to navigate. This applies to agencies and merchants with internal marketing teams. It was an on-the-go learning experience. It was hard to be proactive, it appeared as the entire ecosystem was in the reactive mode.

Ecommerce was growing in the last year, but 2020 provided an explosion like no other. And this explosion will stick. Brick and mortar merchants who did not value ecommerce or those that did not value it as much as they should have - because of 2020, they will. And, there will be more to make the switch.

This will saturate every vertical even more. More saturation will generate more competition, and more competition will drive the cost of acquisition up. This will make it even more important for many merchants to transition from a ‘transactional’ business to a brand and community-driven business.

According to revealbot.com here is how Cost per Conversion/Purchase (CPC/CPA) was 2019 vs 2020:

Quarter	2019 <small>Data provided by revealbot.com was segmented by calendar quarters in 2019</small>	2020 <small>Data provided by revealbot.com was segmented by months in 2020</small>
Q1	\$8.05	Jan - \$15.79 Feb - \$13.94 Mar - \$14.58
Q2	\$8.78	Apr - \$18.77 May - \$21.51 Jun - \$18.02
Q3	\$8.77	Jul - \$19.50 Aug - \$19.91 Sep - \$19.98
Q4	\$7.67	Oct - \$17.41 Nov - \$21.15 Dec - \$22.25

The costs to acquire customers will maintain a similar pace, but it should be expected that there will be a slight correction, but nothing close to what it was in 2019. The only or best way around high acquisition costs is to become an early adopter of newer social channels and their ad platforms. Usually, newer platforms cost much, much cheaper than more mature, established companies like Facebook and others.

Another way around higher acquisition costs is to leverage affiliate marketing, referral programs, and utilizing the brand community to become advocates and ambassadors.



Amer Grozdanic
Co-founder & CEO at Praella

CAC can oftentimes confuse merchants and it's a deceptively complex metric. The following are what merchants need to understand:

Brands look at what their customer acquisition cost is differently from one another. We like to define it as all advertising spend associated with new customer acquisition (so no retention marketing dollars included) divided by new customers.

We look at our retention programs separately so we have a clear understanding of what it costs to acquire a first time customer versus the cost to get a previous customer to make their next purchase. While each individual marketing channel might have a CAC associated with it, they generally are based on "last touch" attribution, which can be deceptive. That's why we like to look at a blended CAC across all of our advertising spend.

Many times our clients will look at our digital advertising efforts and think that CAC is entirely controlled by variables within the various ads managers.

That's not the case, while CPM and CTR drive your CPC (cost per click or to get someone on the site) one of the most important metrics contributing to CAC is conversion rate. It's important to use different promotional strategies and CRO tactics to improve conversion rate.

Brands tend to look at a single platform reported CAC metric (for example, what Facebook ads or Google Analytics is spitting out). That's not an accurate representation of your CAC. Consumer journeys we're seeing are starting to get more sophisticated than a few years ago. Usually a customer might have multiple touches (such as a Facebook ad, opened email, branded search ad) all before their first purchase. For that reason, it's key for brands to understand multi-touch attribution and really figure out which channels and platforms are contributing to the conversion and how they should be valued.

Average CAC on social channels like Facebook and Instagram have risen YOY and we expect that trend to continue. With the new iOS changes brands are going to have to adjust their CAC expectations based on 7-day click data, because soon that's all we'll have on platforms like Facebook. While future advertising costs are always unpredictable, we'd advise that brands don't become over reliant on any single channel to drive top of funnel traffic. Coming into 2021, these are a few of things that we're focused on given our expectation that advertising will continue to be more expensive:

Business Model Optimization - We're pushing our brands into two strategies. Many brands end up with a standard flow of homepage to PDP and live in a no man's land as it relates to acquisition cost versus AOV. You have a standard CAC, but the AOV usually isn't super appealing and the % of customers subscribing (if you offer both) isn't compelling either. This results in a need for a really tight CAC goal, which is hard to sustain when ad platforms and acquisition have become increasingly volatile. For that reason we generally like to use two structures:

- Low priced entry offers into subscription. For example the "Just pay shipping!" offer or a heavily discounted first purchase offer. These offers usually can pull CAC down by 50%+ (but you need to watch churn carefully).
- The second is opting for AOV bundle packs. Many times we can introduce compelling high priced bundles via landing page experiences without a significant impact to CAC.

Focus on Creative - Creative is becoming the most important needle move in most digital advertising platforms. No media buyer can buy their way out of bad creative. We utilize proprietary tech (as do others in the industry) to rapidly a/b test creative assets. We tag various attributes of assets and take a data driven approach to all asset creation. That's the level of detail brands need to be thinking about as it relates to creative testing.

Full Funnel Optimization - Facebook made it so easy for new merchants to acquire customers that marketers started to forget what it takes to really build a strong brand. It's more important than ever to eke out marginal improvements out across your funnels. Every incremental gain will help reduce or stabilize CAC and build a more sustainable business.



Pierson Krass

Founder & Managing Partner at Lunar Solar

How much does it cost you to gain a new customer? Consider your ad spend, design costs to create advertisements, and marketing costs to build the strategy. Dividing this total by your total unique orders would make up your CPA (cost per acquisition).

It is no surprise the cost to acquire new customers skyrocketed in 2020 as more brands were forced to adopt ecommerce sales channels as their primary source of revenue. With the enlarged group came more online noise and thus a greater cost to 'grab the attention' of a potential customer. The landscape is more competitive than ever and this will likely be just as true in 2021 and onward.

While the pandemic caused this shift in 2020, experts are doubtful that we'll ever fully return to the pre-Covid era. The convenience of online ordering and the relative safety from the pandemic (or any pandemic) will be on all of our minds for years to come. That said, what are ways to lower your CPA? While that is a tough question to answer universally, there are some common threads that all merchants could keep in mind to understand their CPA:

- **Having a good domain authority score with Google will mean you pay less for the same ads.** Remember, Google WANTS to show users the BEST result, regardless of the ad revenue they gain. This is how their platform grows and why consumers click on the advertisements so often.

Google Ads uses an auction system for most search and display ad placements, but it isn't just what \$\$ amount you bid on a keyword, it is also how relevant your website is to the search query. Very relevant = high page or domain authority. Sites with higher authorities get preferential treatment with ads.

- **Having good analytics data, and someone on the team to analyze that data is the other controllable way to lower your CPA.** With this data, you can learn which ad language or photos are most effective, what audiences are most likely

to convert, and so much more. By slowly improving and narrowing your focus to the 'best performing' ads and settings, your CPA will get lower and lower. Often ad groups will silo different ad strategies and groups so they can more easily detect which do the best and for who. Strategic choices will be considered such as allocating more budget to the best performers, and reducing budget for ads that may be more of a long shot.



Tate Lucas
CEO at DotDash.io

Average order value (AOV)

AOV needs to be carefully monitored along with CLV and CAC. Cross sells and upsells are by far the best way to maximise AOV, and this a great way to use the customer portal to encourage and incentivize additional purchases with subscriptions.



Adam Pearce
CEO at Blend Commerce

It's a balancing act to increase subscription AOV without annoying subscribers or turning them off, but there are some gentle nudges that can be effective if positioned right. The key to successfully increasing AOV is making the additional spend feel worth it to the customer.

A common nudge is offering free shipping with a minimum purchase amount and suggesting relevant cross-sell products to get them over the line. Another tactic is to offer a kit that conveniently bundles synergetic products together so that the customer doesn't have to figure it out themselves.

Also, offering products in bulk at lower prices per item/volume can be a compelling way to increase a subscription AOV. Just be sure that you offer customers a way to adjust quantities or skip orders if they can't use that bulk amount fast enough.

The customer portal also can be an opportunity to increase AOV by showcasing personalized recommendations for products the customer can add onto an upcoming shipment. However, be cognizant that the costs of the cross-sell or add-on product are within a reasonable range of what needs to be spent. For instance, if a customer needs to spend \$15 to get free shipping, don't offer a \$40 product. You can test to see what offers have the highest conversions with different customer segments.



Aaron Quinn

Founder & CEO at eHouse Studio

We have found that average order value is one of the trickiest metrics to increase for ecommerce merchants. Subscriptions are based on an agreement between the merchant and the customer that they can save time and money by automating a transaction. When a merchant asks a customer to add to their subscription to increase AOV, they break this agreement. This creates some level of risk. A customer who is actively reviewing their subscription is more likely to pause or cancel than a customer who is not.

Thus, we want to be careful in our tactics to increase AOV. Recharge's integration partner ARPU allows customers to add to their next order without navigating to the customer portal. This is a great tactic because it keeps the customer focused on increasing AOV rather than cancelling. On the flip side, Recharge's Novum Theme allows customers to add products to their subscription from the customer portal. Customers can add one-time products to their subscriptions, which will boost overall AOV.



Sean Glass
Senior Strategist at BVA

One of the most popular (and most effective) methods of increasing AOV and monthly subscription value is leading your consumers through an upsell/product selection journey.

By stepping a consumer through a logic-based upsell journey, you are uncovering their perceived needs, addressing those needs and also gathering the information you need to provide relevant upsells/in-sale validation.

For example, imagine a user visits a hair loss prevention website seeking to solve their “problem”. They are led through a quiz (a staged upsell flow) that could look a little bit like this:

- What is your gender?
- How old are you?
- What kind of hair loss do you have?
- Have you got any dietary conditions?

You can then make a supported recommendation: “To deal with this, this and this, we recommend this product, this product and this product because X, Y, Z.” The additional trust you’ve garnered through capturing and regurgitating the user’s own input adds weight to your suggestion, making it more likely your end user will both convert and buy more product in that single transaction, thereby increasing AOV.



Matt Abbott
Head of Growth at Swanky

Merchants can increase their AOV by being strategic about what they present to their consumers. When working with Only Natural Pet, we outfitted their customer portal to display relevant product recommendations, upsells, and cross-sells.

We built out a feature for the Soylent dashboard that enables customers to add products to their next box at a promotional price. When discounting products, brands need to offer products that customers truly value.



Mick McCarthy
Chief Design Officer at Zehner

The easiest is obviously cross-sells and upsells (are we noticing a theme here?), but how you do that matters. Is there a free gift with purchase of \$X? (Everyone expects free shipping these days, so don't expect that to work as well as it used to.) A discount code for purchases at X, Y, and Z dollar thresholds? Can the customer take a quick quiz within their portal to get a personalized product recommendation? Here's where customizing your Customer Portal comes in again.



Z
Founder at Tako Agency

Subscription-based businesses have a challenge when it comes to AOV. Typically business selling subscriptions provide a convenience factor to subscribers, where they do not have to re-engage with the website. It almost drives and creates a set it and forget it attitude for subscribers. But, this is mostly valid for transactional businesses. For brands and merchants that build communities, this is much different. The re-engagement is encouraged across different channels from social media channels to the website.

One place most returning customers, especially subscribers, go to is the Customer Portal. To drive AOV, we worked with one of our merchants, Doggie Lawn, to enable subscribers to add on one time purchases to their subscription deliveries.



Amer Grozdanic
Co-founder & CEO at Praella

Orders are shipping on time, however [shipping carriers are experiencing delays](#). | FREE Shipping on all subscription orders

Reviews | FAQ | Blog | About Us | Help

DOGGIE LAWN
YOUR DOG'S BACKYARD IN A BOX

HOW IT WORKS | OUR GRASS | SHOP | GIFT | PICK YOUR PLAN | User Icon | Cart Icon

My Account

[Subscriptions & Orders](#) | [Sign Out](#)

PA Praella
amer@praella.com
Password: ***** (edit)

Your Subscriptions

SUBSCRIPTION	STATUS	FREQUENCY	NEXT PROCESS DATE	TOTAL	
Standard DoggieLawn	Active	Every 1 Week	Jan 28, 2021 Outside of holidays and weather delays, laws typically arrive Thurs-Sat the week after your process date.	\$26.00	Manage Add-ons

Orders are shipping on time, however [shipping carriers are experiencing delays](#). | FREE Shipping on all subscription orders

Reviews | FAQ | Blog | About Us | Help

DOGGIE LAWN
YOUR DOG'S BACKYARD IN A BOX

HOW IT WORKS | OUR GRASS | SHOP | GIFT | PICK YOUR PLAN | User Icon | Cart Icon

Add-ons

< GO BACK | X

Clam Chowda Dehydrated Dog & Cat Treats \$9.99 <input type="checkbox"/> SELECT	Boo Boo's Best SuperFood Nuggets \$7.99 <input type="checkbox"/> SELECT	Winnie Lou Carrot Doggie Treats \$9.99 <input checked="" type="checkbox"/> SELECT	Duck Duck Beet Soft Baked Treats \$6.99 <input checked="" type="checkbox"/> SELECT
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Manage
Add-ons
Re-Activate
Re-Activate

NEED HELP? Send us an email at contact@doggielawn.com | Add Add-ons | TOTAL

AOV is one of the most important KPIs to track and be aware of if a company is looking for first purchase profitability or a really tight payback window on a new subscriber. The following are a few ways to increase AOV:

Customer Portal Upsells - Offering upsells directly in the subscription portal is a great way to up the AOV. There are a few key areas where we are currently testing upsells. An example is from one of our pet food clients, where we are displaying upsells right on the main “Subscriptions” page of the customer portal.

In this example, we set up a specific Shopify collection and have the portal pull in upsell items from that collection. It gives the merchant ownership over what products are displayed as upsell items, instead of just pulling “all Shopify items” or “all ReCharge” items. This is great for when a client wants to push specific products.

You can also personalize which products are actually shown as upsells based on upcoming charges either with Shopify’s recommendation engine or your own recommendation logic. For another food and beverage client, we started from ReCharge’s Novum theme and heavily customized the upsell logic. We utilized a combination of displaying specific upsells on the “edit subscription” page based on the subscription product you were editing along with Shopify’s built-in recommendations API endpoint. With both of these, we created a powerful recommendation engine that’s ½ manually curated and ½ automated.

SUBSCRIPTION ITEMS

Now you have the ability to add and edit your subscription.

NEXT DELIVERY

QTY	TOTAL	DELIVER	NEXT CHARGE
3	\$46.67	EVERY 31 DAYS	DEC 24, 2020

TOSS THIS IN YOUR NEXT ORDER

The image shows three product cards for upsells. Each card features a product image, the product name, price, weight, and two buttons: 'ADD TO YOUR SUBSCRIPTION' and 'ONE-TIME PURCHASE'. A note at the bottom of each card states: 'We offer free shipping on all orders that are 3 or more bags.'

- CHICKA CHICKA BOW WOW** 7.0LB \$69.99
- CHICKA CHICKA BOW WOW** 3.0LB \$34.99
- TEXAS BEEF** 7.0LB

Bundles - We love to use bundles to increase AOV. We've been surprised this year to see a lot of success with high priced entry bundles that include limited edition products or complimentary products. For example, with one of our beverage clients, we tested a bundle as high as \$110 that was very successful despite a historic \$45 AOV. Bundles can be a great way to get a high initial order before rolling someone into a subscription.

Keep in mind that large bundles and increased AOV can be really valuable to a business, but it's not always the best path for certain subscription offerings. If you push someone into too high of an AOV it can increase churn. One landing page we like to use with our clients is a bundle builder page. That way a prospective customer has the ability to build a bundle that they're comfortable with.

Product Line/Brand Extensions - Sometimes the simplest answer is adding new products to the line up. You can bundle an existing line as much as you want, but there comes a time in most brands' lifecycles when new innovation is key to propelling everything forward. Usually, we like to start this process by surveying existing customers and really understanding where they have additional needs and wants that we can solve.

Reward Programs - A well executed rewards program can draw customers in and keep them incentivized to add new products to their orders. These programs come in a lot of different shapes and sizes, but the most important thing is to ensure you have a well-branded and engaging program. Most brand reward programs fall flat because they just install a rewards app to facilitate referrals and a basic points system, and make no effort to make the customer truly feel special.



Pierson Krass

Founder & Managing Partner at Lunar Solar

As we've discussed, AOV is the average single order value for one of your customers (total revenue from orders / total unique customers = AOV). Beefing up the AOV will likely be easier compared to acquiring new customers entirely. There are lots of strategies to increase AOV and many of them are simple to deploy and proven to be effective.

One tactic is 'cross-selling' compatible products before the customer checks out. An example would be showing a pop-up or product area in your cart advertising the compatible product - e.g. showing batteries when an electric toothbrush is in the cart. Another method is called 'upselling'. This is when merchants offer a slightly better product than the one the customer has selected - such as an improved model, or a bundle that includes the core product + something else.

Another tried and true method of upselling is to use the 'free shipping' language - e.g. free shipping for all orders over \$xx. Adding a 'progress bar' that shows how far a customer is from this threshold is a great added feature.

For existing subscription customers, the secret to increasing their AOV is by having an intuitive and well-designed customer portal. This is the place the existing customers will go to view and manage their subscriptions, so it's a great place to showcase additional 'add-ons' (cross-sell), or different product bundles to replace what they already have (upsell).

Be sure that your customer portal is a pleasant experience before directing existing customers. Focus on features such as: an intuitive login process, intuitive portal design and mobile-friendly interface.



Tate Lucas
CEO at DotDash.io

BONUS DISCOUNTS
(ONE-TIME PURCHASE)

LickOchops
\$5.99 (Save 40%)
Omega-6, and 3 fatty acids with Microbials.
Natural Source Vitamin E to boot.
8 fl. oz. bottle
★★★★☆ (1367 reviews)
[ADD TO CART](#)

Supromega Fish Oil
\$5.99 (Save 40%)
Omega-3 fatty acids with Microbials.
Natural Source Vitamin E to boot.
8 fl. oz. bottle
★★★★☆ (567 reviews)
[ADD TO CART](#)

NubOnubs - Beef Flavor
\$5.99 (Save 40%)
100% raw freeze-dried treat. Give 'em a little nub'n!
80+ treats per bag!
2.5 oz. Bag
★★★★★ (2938 reviews)
[ADD TO CART](#)

[Continue to Shop](#) **or** [GO TO CART](#)

Pictured: A timely popup on Dinovite.com to suggest additional add-on items once a customer has something in their cart. This is a great flow to increase AOV.

Churn

Going on a journey with the customer via email communication is key to reducing churn. For example, if you're a beauty brand, the customer needs to be guided through their first month (how to get started, how is it going, tips) to really get them involved with a process or lifestyle change that associates with your product. If brands can help customers develop a lifestyle that the product becomes key to, this can be a great way to keep customers coming back.



Adam Pearce
CEO at Blend Commerce

A subscription based merchant must balance acquiring customers and keeping customers. One of the most powerful insights to the health of a customer is studying the churn rate for the brand - essentially when does the average customer cancel their subscription. Churn is the most important metric to help diagnose and prevent subscription cancellations.

Step 1 - Collect Data

Start by collecting as much data as possible through the customer portal and customer service. Use GTM or heat-mapping to collect on screen behavior for interaction in the customer portal.

Consider launching the subscription program where customers must interact with customer service to cancel. This can be annoying for customers if you aggressively try to prevent cancellation; instead, just ask for more information. This is a great way to engage with your customer base - unhappy customers are more likely to be honest.

Step 2 - Implement Cancellation Prevention & Winback

A few months after launch, give customers the ability to cancel from within the customer portal with meaningful and valuable cancellation reasons. Here you can present the customer with relevant cancellation prevention methods. For example, if the cancellation reason is the customer has too much product, reveal one click action such as Delay 2 Weeks.

If you cannot prevent the customer from cancelling, then give the customer a little break and later try to get them back through winback campaigns via SMS or Email. These communications can offer discounts on products the customer has tried or new complementary products.

Step 3 - Implement Proactive Measures to Increase Loyalty

While cancellation prevention and winback strategies are helpful, they have limited success because the customer is already in a negative state of mind. As you gather more data about subscriber churn, implement proactive measures to surprise and delight your customers to make it through the risky phase.

For example, if customers frequently churn after the third order, include a free gift on the third order as a surprise to delight the customer. Or include the free gift in the fourth order, but draw awareness to that milestone in the customer portal (only 1 order away from a free gift valued at \$20).

Gifting can be digital too. You can deposit 1000 loyalty points into their program on the third order, which encourages the customer to stay on board for the fourth order. You can also implement a pop up after the third order that says Thank You for being a loyal customer, here is a 10% discount on your next order. These proactive measures grab customers before the experience turns negative.



Thomas McCutchen
Founder & CEO at Scoutside

The screenshot shows a customer portal for 'LADDER'. At the top, there is a navigation bar with 'PRODUCTS', 'ABOUT', 'HOW IT WORKS', 'QUIZ', and 'BLOG'. On the right, there are icons for user profile, search, and cart, along with a 'GET STARTED' button. Below the navigation, there are links for 'MY SUBSCRIPTIONS', 'ACCOUNT DETAILS', 'ORDER HISTORY', and 'SIGN OUT'. A large banner features a photo of a man and the text 'WELCOME BACK, ALEX' with a 'REWARDS BALANCE 1,200 POINTS'. Below this are 'EARN POINTS' and 'REDEEM REWARDS' buttons. The main content area displays 'SUBSCRIPTION PLAN 1' with an 'EDIT PLAN' link. It lists 'NEXT SHIPMENT' as 'AUGUST 15 [EVERY 1 MONTH]', 'SHIPS TO' as '123 MAIN ST. NEW YORK, NY', and 'SHIRT SIZE' as 'MEN'S MEDIUM'. The plan includes three 'PRODUCT 1' items, each priced at '\$30' and described as 'CHOCOLATE' with '12 packets'. A 'FREE GIFT' icon is shown with a note 'ONLY 2 ORDERS AWAY'. At the bottom, a summary section titled 'AS A MEMBER YOU GET:' lists benefits: '3X POINTS', '20% OFF ALL ORDERS', 'FREE GIFTS', 'FREE EXPEDITED SHIPPING', and 'VIP CUSTOMER SUPPORT'. A 'TOTAL:' of '\$99.98' is shown, with a note 'BY SUBSCRIBING YOU ARE SAVING \$20.00/MO'. A large 'ADD SUBSCRIPTION PLAN' button is at the bottom right.

Reducing churn comes down to giving customers choice to customize their subscriptions. Don't make it hard! It's important to communicate with customers clearly about all of the ways they can customize their shipments. Making this information available won't kill your bottom line – in fact, it's preferable for a customer to skip an order or put their subscription on temporary hold versus unsubscribing.

Customer communications also build the customer relationship if they add value. For example, recommending useful add-ons or new flavors in emails or text messages as part of an upcoming delivery reminder email can be perceived as helpful and timely. Also, post-purchase communications like recipes, styling tips or creative ways to use a product can keep customers engaged with your brand and keep them from getting bored with their subscription.

In another example, we created a branded self-serve customer portal for a natural health brand that clearly presented frequently sought information like recent orders and order status, as well as simplified order and subscription management features (e.g., edit, skip, swap, add-on), and reduced churn by 30%!



Aaron Quinn

Founder & CEO at eHouse Studio

The best way to lower churn rate is to create a product that customers literally can't live without. Like coffee, for example. Caffeine jokes aside, churn is really all about the effort to find the perfect product fit for your customer. For instance, I consume one bag of coffee every month, so a monthly coffee subscription is right for me. But, some months I prefer a light roast while others I prefer a dark roast. Some months I'll have friends over who will drink some coffee, and some months I'll decide I'm going to drink tea instead (which never lasts long).

Recharge gives customers the tools to address all of these: change flavors, pause subscription, and order next shipment now. To ensure your customers are getting the most out of these tools, we highly suggest using the Recharge Novum Theme for the customer portal, which was loosely based on the work that BVA did with Native.

Once your self-service tools are easily accessible, the next step is to analyze your cancellation reasons. The cancellation reasons are probably the most valuable part of your entire website because they provide direct feedback on how to make your business better. Using the answers from real customers, you can better understand how to make that perfect product fit for your customers.

Let's say you sell a funky t-shirt of the month. While it may be difficult to find the right frequency and design for every customer, you can still find out if a certain type of t-shirt runs small or is itchy. Responding to and fixing this type of problem will result in less churn in the long run.

It's also incredibly important to personalize your cancellation options to create a lasting relationship with the customer. A customer who loves the brand but had a bad experience can and should be rewarded for providing valuable feedback. To make this bit easier, you can use Recharge's out-of-the-box self-service cancellation prevention tools; like apply an immediate discount to the next order.

Finally, it's important that your subscription program messaging is clear up front on your product page. Many customers accidentally subscribe to your product, which creates for a regrettable experience 1-3 months down the road. Make sure the subscription is clearly labeled on the product page, cart page, and checkout.



Sean Glass
Senior Strategist at BVA

Data and communication are the two areas we regularly focus on when tackling churn rate. First, we need to understand the reasons for customers cancelling, and the only way to do that is to ask them. Don't be afraid to reach out immediately and shortly after cancellation to get feedback (and don't just rely on digital means - pick up the phone). Secondly, make sure that feedback is collated and acted upon to prevent future customers cancelling for the same reason.

Most customers want to feel like you care, and if they feel valued, they are statistically less likely to end their relationship with you as a business. You must be proactive about it though: onboard your customers carefully, educate them by providing information about the products and the company, regularly ask for feedback, provide various ways for customers to get in touch with you when seeking help, make it difficult for them to ignore you, and finally, show them that you value them. If you're building a brand, make your customers part of a community; engaging with them on social media is one of the most impactful and cost effective ways to build a relationship.



Matt Abbott
Head of Growth at Swanky



Suzannah Cranwell
New Build Service Team Lead at Swanky

Communication is essential in preventing customer churn. At Zehner, we believe that subscription services need to be transparent about their pricing structure, renewal cadence, and options.

To decrease churn, companies need to empower their users to control their subscriptions and accounts. Doing so increases positive sentiment and builds trust.

We also recommend companies implement email and SMS notifications on the status of their deliveries and renewals. This touchpoint encourages users to pause or skip instead of canceling. When customers cancel, companies must listen to their feedback and understand the reason.

Maintaining an accurate reflection of product offering and inventory is also essential. In our collaboration with Only Natural Pet, we worked to keep their stock inventory accurate.



Mick McCarthy
Chief Design Officer at Zehner

There's a certain part of churn that's inevitable; no one has a churn rate of 0%, and striving for something unattainable will drive you nuts. Some degree of churn will always be out of your control, so the work comes down to the portion that is within your power to influence.

Dig deeper to find out why your customers are abandoning you. Is the Customer Portal too clunky to use? Have recent price hikes been poorly received? Was the free trial too short, or too long; too much, or too little? Is a competitor beating you out?

Finding answers can be as simple as a personalized email to former customers. You'd be surprised how many people are open to helping a business succeed, and are happy to give you the reason for the breakup. (Don't forget to write them a heartfelt thank-you in reply!)

If that's not viable, at least make sure you have a "Would you mind telling us why you're canceling?" module set up in the Customer Portal to try and gather some data on the way out.

Once you've figured out why you're being ditched, you'll know how to solve it.



Z
Founder at Tako Agency

Lowering churn begins with pre-sale. This should cover everything from product quality to warranty, to shipping and even returns and cancelations.

Communicating proper expectations and even finding a way to exceed expectations will allow merchants to get a head start on maximizing customer experience.

Assess involuntary churn. Sometimes subscribers are lost, not because they dislike the subscription, but because a credit card payment fails for various reasons. Setting proper follow-ups for credit card errors within the dunning process of the platform is crucial. While the dunning process can and will recover

many subscribers, some will still churn. So, it is important to also create a win-back flow in the email marketing and SMS flow. Communicating to subscribers that they may lose their subscription due to issues with their card might be the easiest way to keep a subscriber.

Communicating the value of the box by making the delivery of the box be an anticipated moment that subscribers look forward to. Making sure packaging reflects the brand is huge. The packaging, the box - it sets the expectation and excitement level of what is in the box. Making sure that packaging creates a level of excitement, it can go a long way. Letting the packaging communicate the value of the box and items within it plays an important role in setting the tone with the subscriber.

Making sure that communication is not a monologue but rather a dialogue might be the most important.

Opening lines of communication between subscribers and the customer experience team will provide everlasting insights on how to improve the overall experience. Whether it is a post-cancellation survey or via chat or email, getting in front of a possible problem and resolving it for others proactively can allow for churn to be lowered.



Amer Grozdanic
Co-founder & CEO at Praella

Finding the right balance between too much communication and enough is usually one of the challenges brands face.

Ease of Subscription Management - Making it easy for consumers to interact with your customer service and manage their subscriptions is key. Trying to hide or make it challenging for someone to edit or pause their subscription will always result in disaster. In addition, we're seeing more upfront and thoughtful communication (like shipment reminders) helping in reducing churn. There are a handful of ReCharge integrated apps that can be used to enhance this communication.

Post Purchase Automations - Generally this automation starts immediately following purchase and the series continues to educate customers about their purchase and product/brand efficacy. Lowering churn rates starts with brand education in the post purchase flow. Saying thank you and educating customers on your product and brand as soon as they've made a purchase is the first step in building a bond with your customers.

By having consistent messaging in your post purchase communication about what to expect and how to best use your product, you're setting up their first experience with you for success. Communication shouldn't stop after the first purchase. Continuing to add value via email and SMS for subscribers is a great way to keep them engaged and feel appreciated.

Win-Back Series - Even with great post purchase communication, subscribers will churn at some point. The canceled subscription event can be passed to your ESP to trigger a canceled subscriber flow. This is a good place to ask people why they canceled and reinforce the flexibility of your subscription program.

Odds are a customer will not just hop back on subscription immediately so don't be scared to lengthen these flows out. This is also a good time to offer customers incentive to come back on subscription or show them products available not on subscription.

Surprise & Delight - It's always nice for a subscriber to get a surprise that delights them and furthers their connection with the brand. For example, we've tested sending a GWP (like a branded hat or t-shirt) at certain order thresholds with subscription purchasers and it always results in a reduction of churn. It doesn't always have to be a physical product, you can do a personal check in, send unique content, etc.

Finally, don't forget to add appropriate exclusions in your marketing efforts so subscribers don't get hammered with retention ads, unnecessary email communication, etc. It's a big mistake to hammer subscribers with digital ads as part of overarching retention efforts.



Pierson Krass

Founder & Managing Partner at Lunar Solar

As a subscription business, the 'churn rate' is a very important metric to keep in mind. This is how we measure a customer's 'drop off' for subscription products. To calculate your churn rate, you take the amount of customers 'churned' and divide it by the total customer count.

To mitigate churn, we'll want to remove all controllable factors as a business owner that might cause a customer to cancel. This often boils down to communication—the cadence of communications (timing), the way you communicate (tone), and what you are communicating (content).

To fully understand churn rate, we would want to understand what is causing the drop. Are we failing to communicate expectations accurately? Are we not communicating those expectations quickly enough? Are we losing trust and loyalty by not being personable? Is our product appropriately priced and valued?

If you build your communication campaigns thoughtfully, you can likely decrease churn significantly. To do so, lean on some of the email and messaging automation systems out there so you can appropriately plan and control the communication flow. e.g. Mailchimp, Klaviyo, Active Campaign.

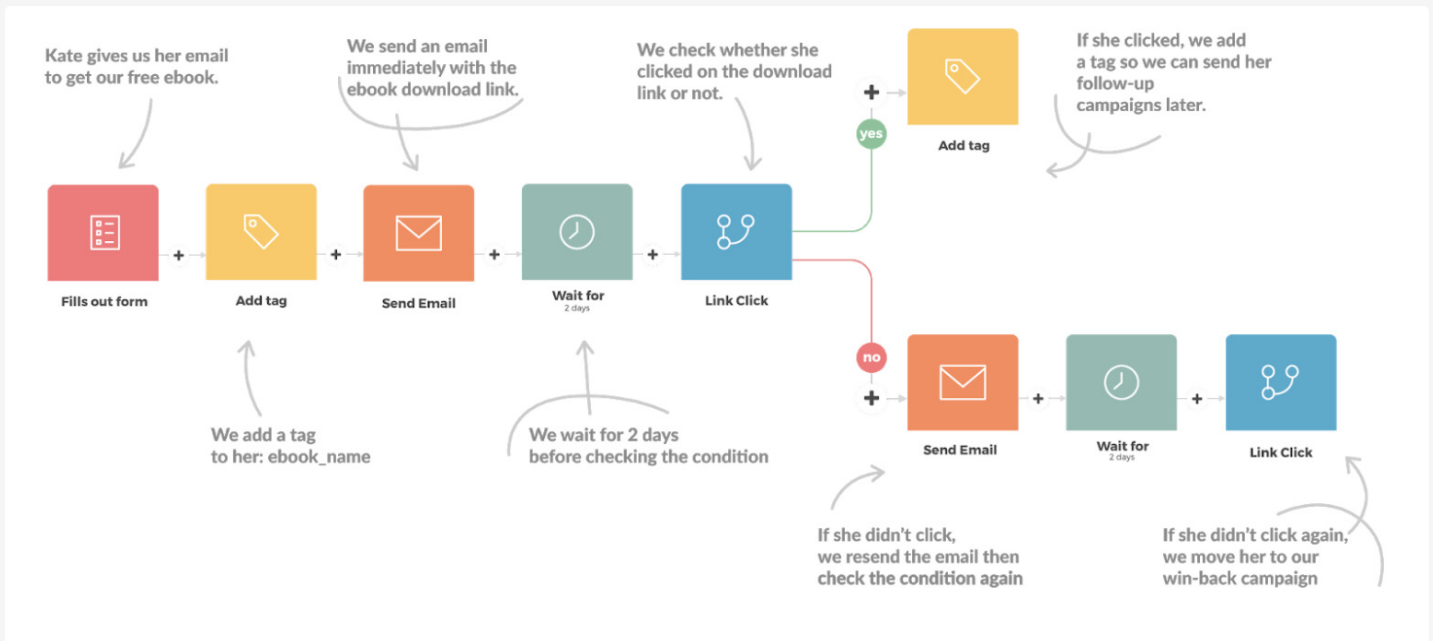
Next, sketch out all the information you need to communicate to new customers and build a flow for your customers around your communication goals. We will call this an 'onboarding' or a 'welcome' series. Once that flow completes, start subscribers on a simpler ongoing series. Moving subscribers from one flow to another can be automated and is an easy feat with most email list management systems.

As you map out the content of each email in the flows, be sure to think about when each notification will go out. e.g. 2 days after receiving previous email or after the user logs into the portal. This is one area that you can A/B test to see which gets you the best results. Remember, keep your communications brief and helpful. No need to send messages when you don't have anything to say.

After the onboarding series, your goal should be to keep your customers excited and in the know of what you do. It is your opportunity to promote your next subscription or upsells to a very eager audience. If you can anticipate their questions and needs and communicate that information before a customer asks, you will gain trust and loyalty.



Tate Lucas
CEO at DotDash.io



Pictured: Example drip campaign flow map courtesy of Automizly.com.

This shows what emails will be created, when they should be sent (based on time or actions) and how we are continuously updating the user account for better future communications.

Here's the gist

In summary, you want a high LTV and AOV, and a low CAC and churn rate. What plans are you putting into place to increase and decrease where necessary? As you continue to scale your business, these metrics will shift and change. Understanding their relationships and improvement plans can ensure you stay on top of the health of your business.



Explore the rest of the [Powerful & Profitable Subscriptions series](#) to gain insights from 12 different agencies on a variety of topics: from building a community, to scalability, and everything in between.

Thank you to our partners

We're thrilled to collaborate with the most successful and fastest-growing agencies in commerce to create this playbook. If you're interested in contacting one of our partner agencies, please use the links below.

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blendcommerce.com

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scoutside.com



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