



Digital River®

Is Involuntary Churn Killing Your Revenue Growth Potential?

Insights into sustaining profitability in subscriptions.

INTRODUCTION

You know the market trends and go-to-market strategies involved in an experience-driven subscription model. And you know about the promising revenue growth opportunities of fostering lasting customer relationships. What you may not know is where the greatest opportunity for sustaining long-term profitability lies.

Where to focus your attention in order to minimize leaky profits and maximize customer lifetime value will undoubtedly give your brand an edge in a competitive subscriptions market.



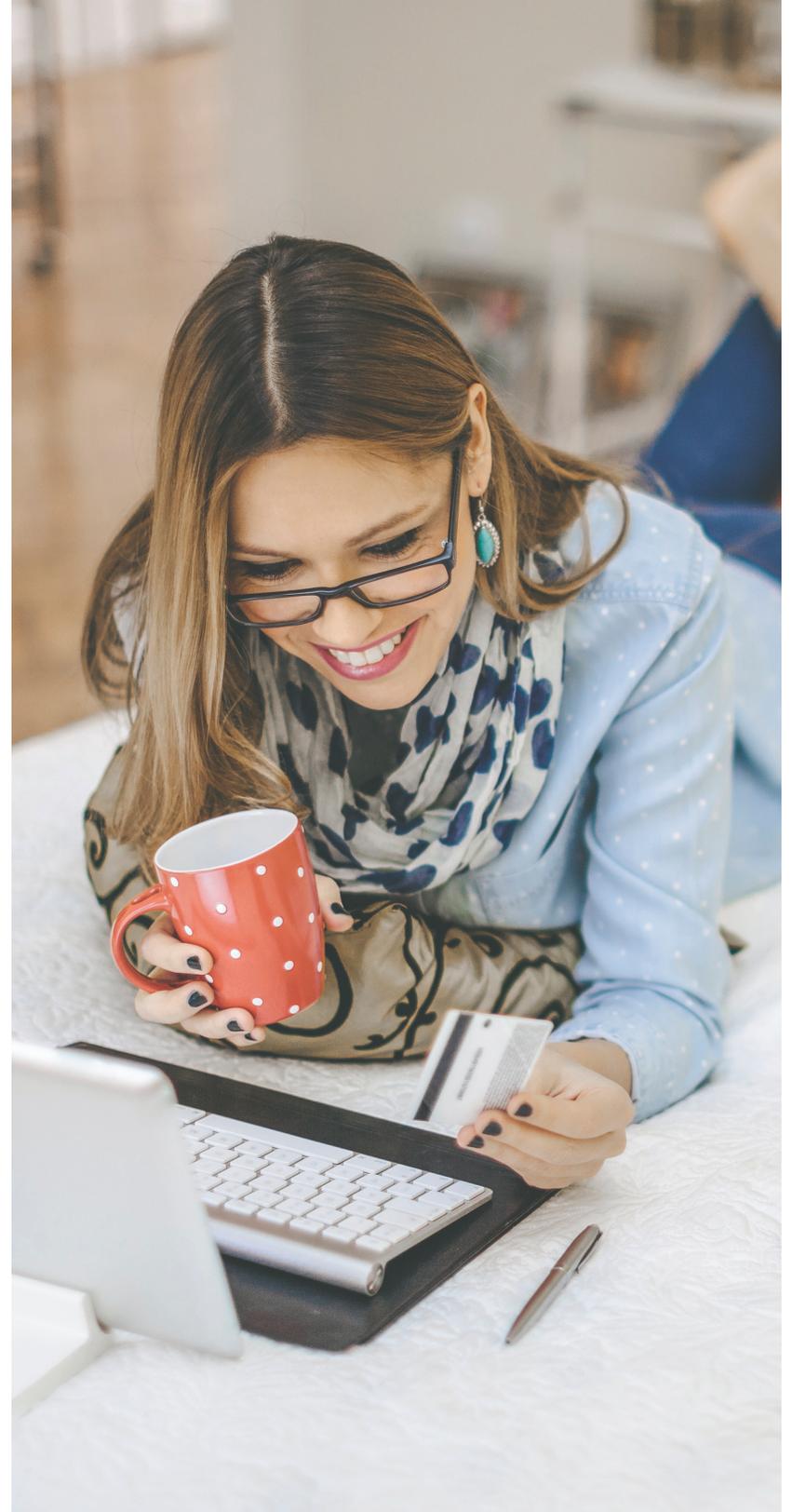
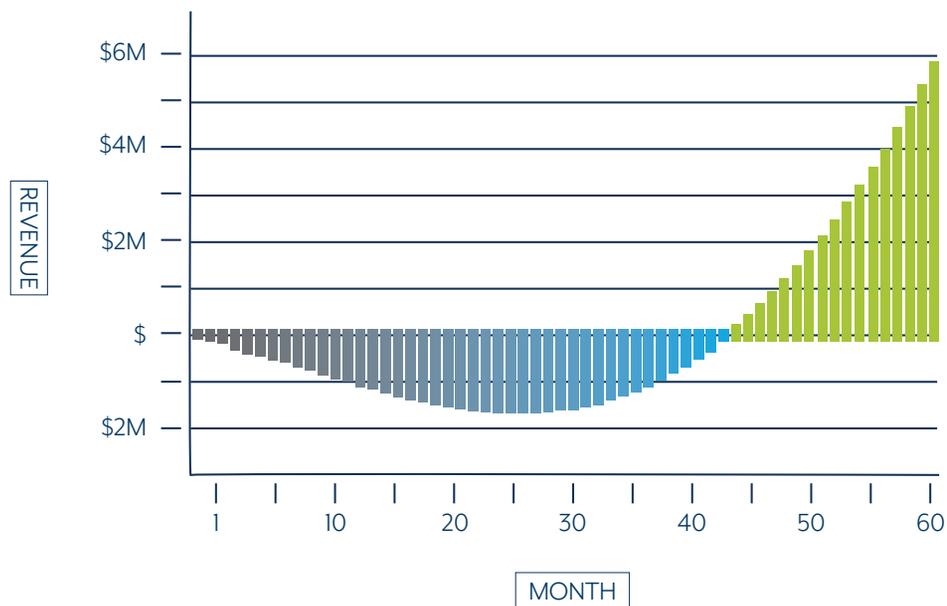
Your subscription business is probably focused on acquiring new customers.

However, research confirms that profitability in subscriptions is driven from maximizing renewals.

High acquisition costs underscore the importance of maximizing customer retention

Because acquisition costs are so high, it often takes years for customer relationships to yield profits. To thrive in the subscription age, you need to maximize retention year after year.

Subscription profitability over time



Small percentages make a big difference

Increasing customer retention rates by 5% increases profits 25-95%.¹ To maximize retention, we must first understand what causes subscriber churn and how to minimize the lost revenue it causes. It's natural to focus on voluntary churn—when customers actively choose to opt out—since it's easier to influence those interactions with subscribers.

But the greatest opportunity to increase retention and long-term revenue growth lies within your ability to properly manage involuntary churn—when renewals fail due to reasons beyond the customer's choosing. According to a study conducted by Forrester Consulting, 34% of all subscriber churn is involuntary.² That number can even reach 50% or more for software companies with a high percentage of auto renewals.³ That's a significant amount of leaky profits.

¹ Customer Retention Should Outweigh Customer Acquisition by Jerry Jao, Retention Science

² A commissioned study conducted by Forrester Consulting on behalf of Digital River, February 2017

³ Internal data analysis of anonymous Digital River subscriptions clients



Managing involuntary churn is difficult

What is challenging about involuntary churn is that it is driven by specific customer circumstances that are nuanced and dynamic, requiring scale to uncover and mitigate.

Many subscription platforms put tools in the hands of their customer rather than mitigating churn themselves. The probability that you can continuously drive down involuntary churn yourself is very low.

Buyer behavior continues to change.

Technology continues to evolve. Just when you think you might have things figured out, the next big innovation could change everything.

You must continue to reduce involuntary churn in order to keep pace with changes in financing, socialization, globalization, processing and more.

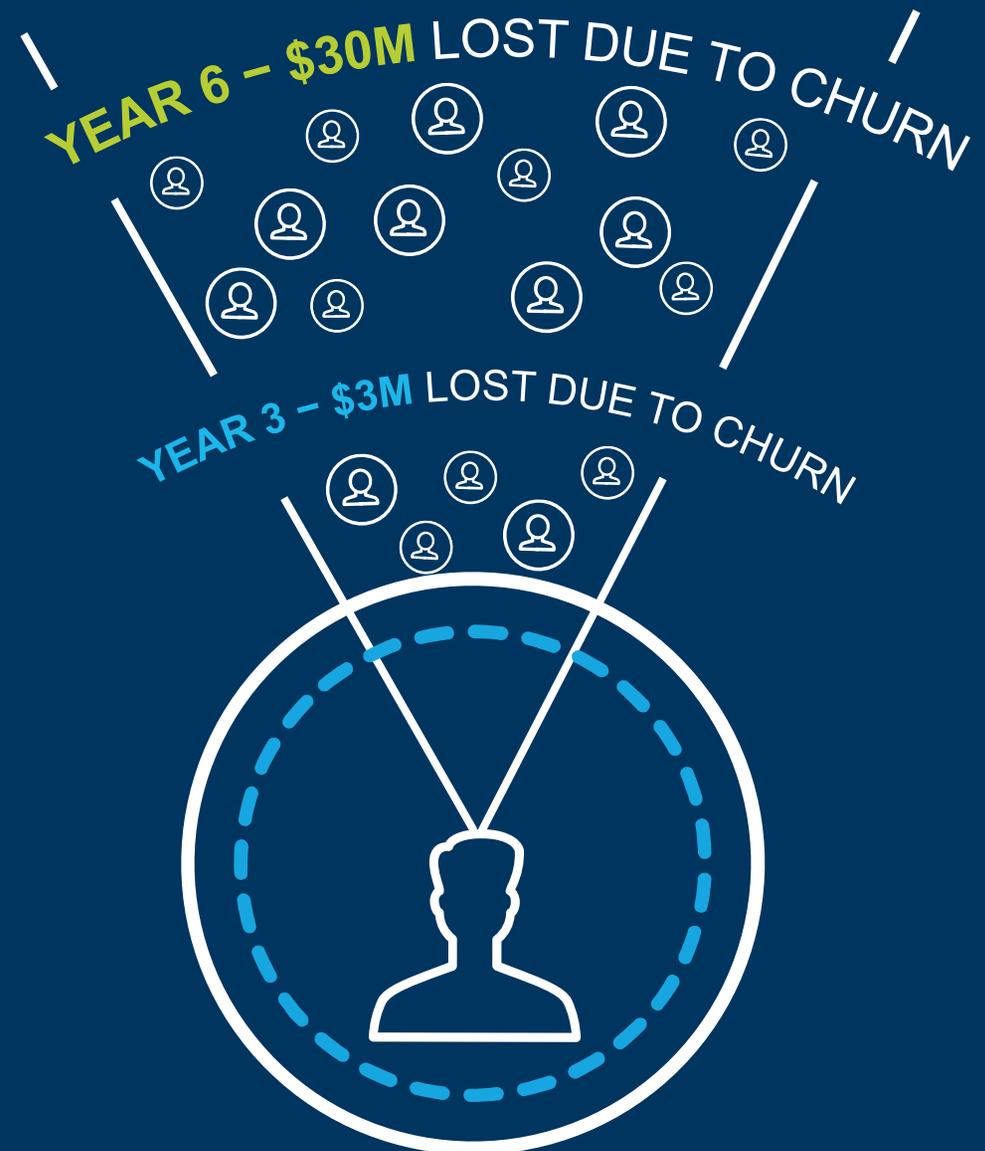
Do you have the capacity and motivation to drive churn down?

Act early to prevent lost profits

If involuntary churn isn't properly managed early, it gets harder and harder to replace the volume of lost customers needed to sustain profitability over time. However, replacing lost customers is not easy. 91% of subscription professionals surveyed by Forrester Consulting reported that it costs at least twice as much to acquire a new customer as it does to keep an existing one.¹

68% of retention managers surveyed by Forrester Consulting said that replacing lost customers is “very” or “extremely” challenging.¹

¹ A commissioned study conducted by Forrester Consulting on behalf of Digital River, February 2017

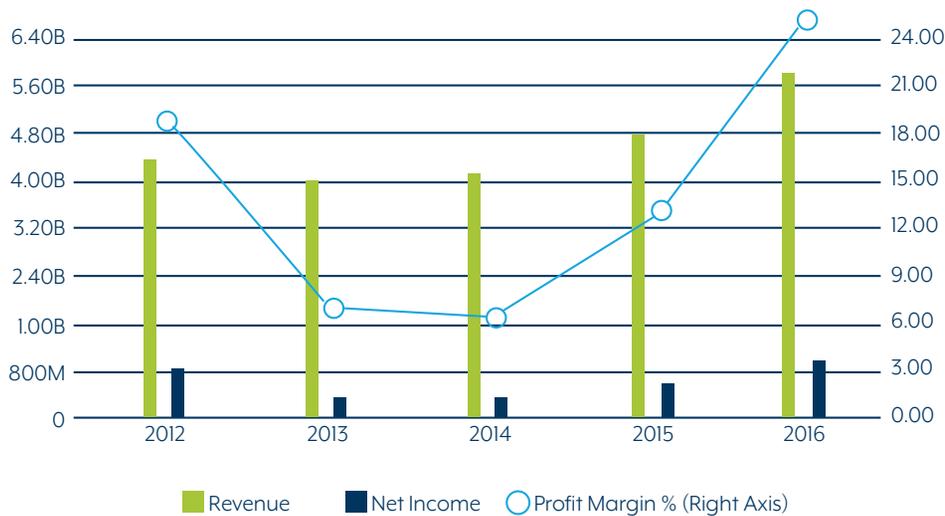


Adobe got it right

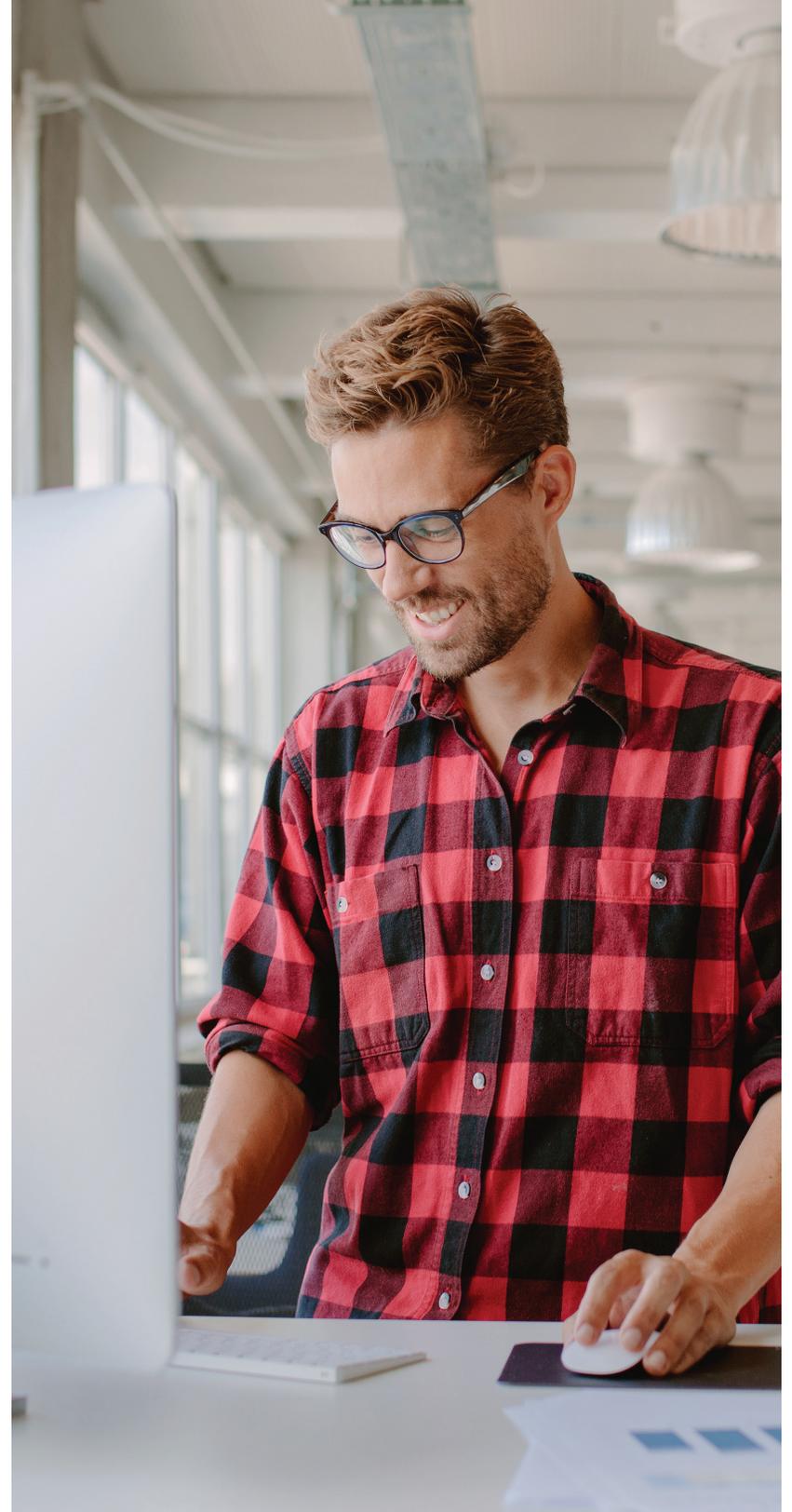
Industry leaders are leveraging advanced payment processing tools and consolidating capabilities to reduce involuntary churn and drive revenue growth.

Adobe's annual revenue for 2016 was \$5.85B, representing 22% YOY growth. Net income grew 85.65% to \$1.17B.

Operating income | Operating margin
\$1.49B | 25.5



Adobe's subscription model shows nearly perfect execution starting in 2013.



Consider a single, end-to-end solution for optimal ROI

To thrive in the competitive and rapidly changing subscriptions market, you must strike an effective balance between acquisition and retention. While subscription businesses expect their subscription billing platform to meet both payment and customer life cycle needs, few actually use a full-service provider. Yet the value of a consolidated, integrated solution is recognized. 96% of subscription professionals agree that a single, full-service provider would improve their ability to reduce involuntary churn.¹

It's important to find a partner with scale, experience, insights, and ongoing technology advancements to minimize involuntary churn and lift your profits.

¹ A commissioned study conducted by Forrester Consulting on behalf of Digital River, February 2017



Gain a proactive partner who is accountable for your success

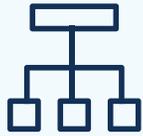
At Digital River, we believe in true accountability. Everything about our advanced cloud solution is designed for risk-free global commerce and sustainable profitability. Our proven expertise with tech-centric brands means you have a proactive partner with the tools and knowhow to help you succeed.

We power and personalize your shopping experiences, process and fulfill orders, and localize your online business everywhere. Our unparalleled global payments and localization capabilities achieve optimal authorization rates and conversions worldwide, driving down involuntary churn and accelerating your revenue growth. And to protect your brand, we take on risk. We combat fraud, and simplify billing, taxes and compliance.

In short, we're all-in, fully committed and responsible for each facet of your ecommerce business. We are trusted advocates who help build your brand, amplify your ROI and expand your global opportunity. Digital River is commerce with accountability.



5 ways Digital River drives subscription profitability



Full Service

We're the only subscription provider that offers end-to-end ecommerce—global business infrastructure, technologies and services.



Global localization

Our global payments and localization capabilities achieve the highest authorization rates for converting subscription renewals.



Motivation

Our percent-of-sale revenue model and economies of scale uniquely motivate us to maximize your revenue.



Experience & Innovation

Digital River demonstrates relentless pursuit to minimize involuntary churn, spending the past 10+ years on subscription technologies... including the first to identify Intelligent Transaction Routing, which has now become an industry standard.



Scale

We can allocate resources for ongoing analysis and discovery of new ways to drive down involuntary churn.

We are the experts in complexities and intricacies of a successful subscription model.

We take a firm anti-churn position

Digital River understands that increasing payment authorizations on renewals can deliver significant growth opportunity.

Our innovative toolset drives down both voluntary and involuntary churn. After ten years optimizing all kinds of subscription billing models, we're experts in chopping down turnover. In fact, we've increased revenue for even large subscription brands by 12%.

Combat churn with our industry-best tools

- **Intelligent Payment Routing:** Uses smart data and the largest network of local acquirers in the industry to find the best possible route to convert your transactions.
- **Retry Logic:** Maximizes authorization rates by using pre- and post-expiration billing attempts to resolve temporary blocking issues.
- **Expired Card Optimization:** Identifies expired cards and automatically extends the expiration date.
- **Payment Account Updater:** Automatically updates Visa and MasterCard credit cards to prevent declines.
- **Configurable Notification Management:** Supplements your customer service efforts by sending renewal reminders, alerts and other notifications.
- **Customer Self-Service:** Enable customers to update or change billing information, upgrade or downgrade services, review order details and much more.
- **Single Login & Customization:** Simplify the user experience by seamlessly routing customers to their secure account portal.
- **Cancellation Surveys & Discounts:** Use proven marketing techniques during the cancellation process to gain insights into what causes voluntary churn, and to entice subscribers to reconsider opting out.
- **Grace Periods & Extensions:** Empower customers to renew and extend their subscriptions when payment is overdue.
- **Chargeback & Refund Management:** To recover revenue and manage customer disputes, we tackle chargebacks head on and use proactive notifications.



We're all-in, fully committed to each facet of your ecommerce business. Contact us today.

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Digital River **Churn Reduction eBook**