

## **SUBSCRIPTION MARKETING**

How to Leverage Continuity for Greater Rewards



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# INTRODUCTION

As consumers satisfy their needs nearly instantaneously through the Internet, marketers recognize the next big hurdle in revenue generation is keeping the engine running.

Enter subscription marketing. A modern day re-skinning of the mail order continuity program, subscription marketing serves the willing buyer with a steady flow of consumables and collectibles, wrapped in convenience, value, personal service and delightful surprises. In exchange, the marketer receives a predictable stream of orders and revenue.

Some recognizable names in this category include the pioneers, such as The Franklin Mint, International Masters Publishers, Columbia House and Book of the Month Club, but also contemporary businesses like Dollar Shave Club, Birchbox, Blue Apron, Cellars Wine Club, Chewy, OfficeMax, Harry and David, and Nutrisystem.

**Subscription marketing programs are more popular now than ever because they deliver six valuable benefits to the marketer:**

1. Stable revenue, essential for business planning, from inventory to financing
2. Reduction of new customer acquisition costs
3. Reduction of new customer education and service costs
4. Opportunity for customer advocacy and referrals
5. Enhanced understanding of customer wants and needs for new product
6. A loyal and receptive customer base for upsell and cross sell

The qualifying factor in successful subscription marketing programs is a product or service that has consistency in definition, is consumable or collectible, and a customer base which wants or needs it regularly. Computers do not qualify; printer inks do. Cremation services do not qualify; diaper services do.



↑ 100%

The subscription e-commerce market has grown by more than 100% percent a year over the past five years.



15%

**OF ONLINE SHOPPERS**

In just the past year, 15% of online shoppers have subscribed to an e-commerce service.<sup>1</sup>

1. McKinsey & Company, "Thinking Inside the Subscription Box: New Research on E-Commerce Consumers"

# TWO MODELS OF SUBSCRIPTION SERVICE

## CLOSED-END DEALS

Specific, defined group or series of products that are limited by the term, number of orders, number of units or total dollar value:

- music collections
- books
- home study courses

## OPEN-END DEALS

Continues until the customer cancels:

- newsletters
- magazines and online entertainment
- foods and beverages
- cosmetics and personal hygiene
- vitamins
- office supplies

E-commerce subscriptions generally fall into one of three categories.

E-commerce subscriptions	%	Key Consumer Value	Description	Companies
Subscribe for replenishment	32	Save time and money	<ul style="list-style-type: none"> <li>• Replenish the same or similar items</li> <li>• Primary categories are commodity items such as razors, vitamins</li> </ul>	Amazon Subscribe & Save, Dollar Shave Club, Ritual
Subscribe for curation	55	Be surprised by product variety	<ul style="list-style-type: none"> <li>• Receive a curated selection of different items, with varying levels of consumer decision making required</li> <li>• Primary categories are apparel, food, beauty products</li> </ul>	Birchbox, Blue Apron, Stitch Fix
Subscribe for access	13	Gain exclusive access	<ul style="list-style-type: none"> <li>• Membership provides access and can convey additional "VIP" perks</li> <li>• Primary categories are apparel, food</li> </ul>	JustFab, NatureBox, Thrive Market

Source: McKinsey & Company, "Thinking Inside the Subscription Box: New Research on E-Commerce Consumers"

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# THREE OPTIONS FOR BASIS OF PAYMENT



## Retainer

Automatically bills against the consumer's credit card or Paypal account on a regular basis, irrespective of the buyer's level of usage. The marketer promotes to the buyer in order to extinguish the balance.

Naked Wines bills the buyer a fixed dollar amount monthly, accumulating a prepaid balance against which purchases can be made.



## Auto-Renew

A variation of retainer, in which the marketer automatically bills the consumer's credit card or Paypal account in advance of a fixed period of use.

TurboTax bills consumers in advance of issuing the current tax accounting software. Weight Watchers bills in advance, and then auto-renews at a monthly rate.



## Bill Me

A pre- or post-shipment event, and is most commonly seen in series purchases.

Examples include gift subscriptions and collections, lawncare, office plants and flower care.

## THE HOW AND WHY OF SUCCESSFUL SUBSCRIPTION MARKETING

Continuity programs work for a number of reasons, and can fail when execution levels fall short. Here are some basic, non-negotiable rules to work with:

- 01 The product or service inherently is a series, either of consumable items or collectibles.
- 02 The purchase plan is easy to grasp and has demonstrable value, either for its uniqueness, convenience, or election at a compelling price.
- 03 The system, including order management, inventory, shipping and customer communication, is fulfilling subscription expectations.
- 04 Customer service is easily accessible, real-time and fast, via live chat or phone, 24/7.
- 05 Customer and order analytics are continuously monitored for service issues, customer feedback, order regularity, payments, order changes, cancels and starts.

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# SUBSCRIPTION PROGRAMS ADD VALUABLE INTANGIBLES



## Delight & Surprise

Shipments and unscheduled special offers include items that communicate **lagniappe** (something extra as a bonus, reward or gift).



## Insight

The best programs generously share information, by way of newsletters, bulletins, whitepapers, blogs, direct mail, webinars and magazines for the purpose of reinforcing a membership's value.



## Community

Community members should be invited to join chat groups, Facebook, Twitter, Pinterest, local meetings, conventions and contests.



## Contact

Regular communication from the program's leader is the necessary component in a personal affiliation to a product or service. The leader advances the concept of community and identity. Email, social media and direct mail letters and notes all support the relationship.



## The Greater Good

In some cases, membership implies and supports commitment to a cause, purpose or larger goal that is championed by the marketer, for example disease cures, social welfare and global charities.



## Identity

To some extent, a subscription membership is like an association membership. As appropriate to the program, members may welcome a membership badge, in the form of branded clothing, accessories, stationery, gadgets, jewelry, certification, cards, packaging and manuals.

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# PROSPECTING

Your best prospects are your current customers. Your next best prospects are somebody else's customers. To that end, look within your own customer files for those multiple purchases, and screen for series sales opportunities.

Those opportunities may not exist unless you are able to cross sell a new concept. For instance, a one-time purchase of tableware may be the basis for creating a recipe club, a dessert program or table flowers program.

To prospect beyond your customer files, you have several avenues to pursue:

1. Contact at least two list researchers and brokers for their guidance. They will assemble prospect pools made up of known interests: association lists, magazine readers, entertainment buyers, TV ad responders and loyalty club members. Look for email addresses and postal addresses.
2. Based on the demographics of your current customers, you can custom select prospect pools from database compilers like Experian, Transunion, Equifax, and Acxiom. Typical profiles include education, income, age, home, marital status, children and car status.
3. A third approach is to select prospect lists by clusters of socio-demographic overlays that segment lifestyles and lifestages. Claritas PRIZM and Acxiom PersoniX are known providers. Beyond these, there are numerous analytical firms that have created new prospect pools based on web-based transactions and browsing. Their reach is broad, but entirely focused on internet activity, which limits your communication channels and prospect identification.

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# THE MULTI-CHANNEL APPROACH

The classic continuity program was launched by direct mail. Prospects were presented with elaborate and compelling displays of benefit-laden brochures and letters and samples.



## Direct Mail

Direct mail still retains a corner of this market and is popular among all demographics and ages. Indeed, millennials give more credence to direct mail than they do internet ad placement. Among all media choices, it has the unique power of 100% trackable activity. You know exactly whom you mailed to, and who replied.

Still, the sales channel is skewed towards older, wealthier consumers, which coincidentally is the domain of subscription marketing programs. Those programs which offer physical samples, and large format printed visuals such as literature, collectibles, art, entertainment, newsletters, home and garden, health and beauty are viable, successful subjects in hard copy media like direct mail, package inserts, FSIs and co-op mailers.



## Direct Response

Direct response via cable TV programming is a powerful agent. Cable programming is targeted on tightly defined interests, so that continuity programs can be promoted to smaller, more focused groups than traditional network channels. There are literally thousands of cable channels in the U.S., and for any of the major carriers, there are at least 200 available to promote your program.

Cable provides a controlled release of your comprehensive story, based on the ad content. You can start and stop it on a dime. Tracking is one way only: inbound telephone sales and Internet response. You can calculate cost per acquisition, measure timing, but not response percentages.



### **Web-Based Marketing**

Web-based marketing is clearly a vast opportunity for prospecting, via Search, Web ad placement, social media and content marketing. Cookies enhance ad placement, and are the basis for volumes of helpful browsing analytics. On the downside, web-based marketing is challenged by pervasive and relentless bots, which artificially drive up wasted ad costs.

As well, web marketing cannot identify actual visitors who do not authenticate at your site. On the Internet, your market is unidentified until you take an order. An additional downside to web recruitment is the ease at which a visitor can be re-routed by various clicks. You can lose many eligible prospects due to the wealth of distractions available.



### **Email**

Email contact is an accepted and powerful arm in both prospecting and customer communication. It is an essential for most programs, as it continually offers opportunity to educate, congratulate, upsell, reinforce, surprise and remind your customer. Email also provides a solid platform for response analysis based on e-address for prospecting, and more comprehensive statistics for known customer lists.

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# MULTI-CHANNEL IS THE RIGHT CHOICE

A communication strategy that incorporates a variety of channels will help you reach the right person at the right time. A grandmother of four may personally enjoy browsing through a Babykins catalog, but when it comes to ordering, she turns to the iPad her kids gave her last Christmas.

An elaborate newsletter delivers content while a live Facebook page draws us in with a conversation. Blow-ins and FSIs stop a magazine reader in mid-sentence, but your uninvited pop-up ad can rile the same person who was reading the news online. Use direct mail as a trigger to send your customers to your website to order. Then, follow up with an email, with a link to your website, to ensure they received your message and take full advantage of the offer.

Marketers must embrace multi-channel to cover the diverse habits of age groups while recognizing the physical laws of browsing: we are everywhere, at any time, and that's where you will find us.



Likewise, a written thank you note enclosing a VIP discount card gives a lot more traction than a shower of emails stacking up in the “Unread” column.

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# RRD MARKETING SOLUTIONS BUILDS INTERACTIONS THAT DRIVE RESPONSE

RRD Marketing Solution hosts the largest and most diverse direct marketing production platform in America. You can harness our resources with confidence:

1. Strategic direction in design of campaigns including targeting and creative
2. Creative design and copy for acquisition and retention
3. Production of hyper-relevant and personal direct mail in small to large quantities with spectacular format arrays
4. Postal logistics that improve delivery, timing and reduce costs
5. Analytical tools and expertise to test and track winning features
6. Email enhancements that support profitable customer communication
7. State of the art web-retargeting and bona fide online ad placement to known prospects

Born out of the mail order industry, subscription marketing provides revenue stability and also drives growth rewards going forward.

If you would like to learn more about the direct mail trends that can improve readership and results, contact us today at **800.722.9001** or **[msdelivers@rrd.com](mailto:msdelivers@rrd.com)**.

**Optimize Engagement.**  
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