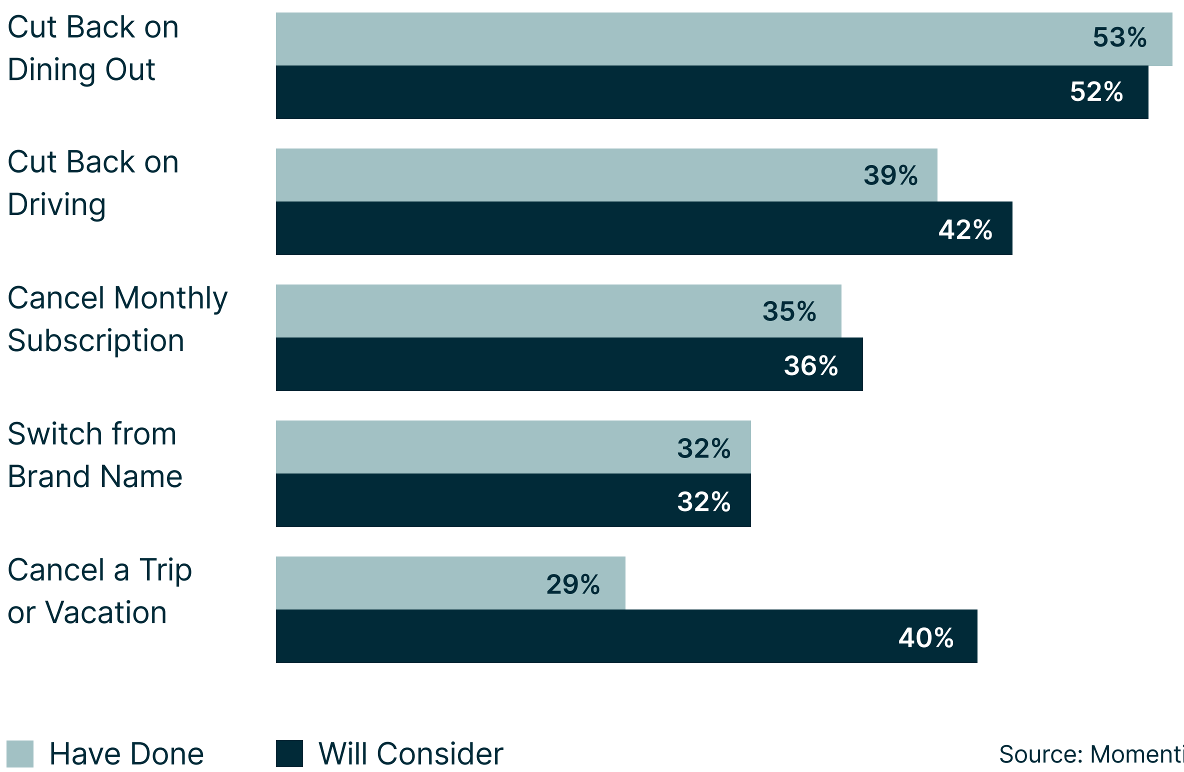
Running a **Subscription Business** in a Down Economy

chargebee
retention

Introduction

Subscription businesses are starting to feel the twin effects of rising interest rates, inflation, and the draw down in consumer savings. With the most recent **Fed rate bump of .75%** - many economists are predicting a recession:

Americans Consider Cut Backs



Source: Momentive AI

Most consumers surveyed **(52%)** say they're under more financial stress now than a year ago.

This guide is a summary of best practices for navigating the treacherous waters of a down economy while maintaining growth. Recessions can be difficult times to be in business, but they are also opportunities for those who navigate them with skill.

Many of today's most successful companies were founded in recessions. Indeed, there is evidence that consumer stress brought on by recessions can lead to loyalty to customers who help them through difficult times, and continued success in the inevitable upswing following.

A Time of Changing Metrics and OKRs

How do your success metrics and goals change in hard times?

In a recession, the focus from investment shifts from “Growth at all costs” to **“Maintaining Margins and Extending Runway”.** Running a lean, efficient business is paramount.

Here’s the type of goal shifts you might see from your investors or management:

Growth Mode vs. Efficiency Mode

GROWTH		EFFICIENCY
• Setup for Next Round of Capital		• Extension of Runway
• Growth in revenue or user metrics		• Maximization of LTV and LTV/CAC ratio
• Maximizing # of new customers	VS	• Reduction in mean time to cash flow
• Employee Growth & Operational Focus		• Maintenance or Freeze Fixed Costs
• Growth Tools (ad optimization)		• Efficiency and Cost Reduction Tools

These will filter down into your company goals and Objectives and Key Results (OKRs). Your entire organization will shift from “growth mode” to “efficiency mode”. This will result in:

- Rewarding long-term loyalty to increase average spend per customer
- Willing to part ways with bad (unprofitable) customers
- Redefining your marketing KPIs to focus on cash runway and preservation - rather than growth at all costs

Recession-Proof Tactics for Hitting your OKRs:

So your subscription business has changed OKRs, how do you hit those goals?

> "Saving a customer is up to **25 times cheaper** than acquiring a new customer"
>
> Harvard Business Review

Retention and Deflection Funnel testing isn't just a savvy tactic in the boom times. As the focus moves to efficiency, retention can play a key role in hitting your efficiency goals. Here are the key ways that retention can help you hit your goals:

Reduction/Extension of Marketing Budget:

Generally speaking, offers in the retention flow will not be outlays the way customer acquisition costs are. They are generally discounts on existing customers, or flexibility in terms of downgrades or costs. What you'll see with a focus on retention is higher LTV/CAC ratios that lasts, and isn't just a temporary blip from reducing marketing budgets.

Payoff times of 1 payment cycle:

Retention offers end up paying themselves off in terms of revenue and profit gains. Usually within 1 billing cycle the business has achieved positive ROI on retention offers.

Customer loyalty amidst shrinking budgets:

Acquisition of new customers isn't just a demand gen exercise. It's also about word of mouth and customer experience. Indeed, our 2021 State of Industry Report found that customers were 80% more likely to start a subscription with a company that made it easy to cancel.

When Focusing on Retention, Be Consumer and Customer First:

For eCommerce and Consumer businesses, recessions or times of economic upheaval can be times of changing brand and retail loyalty.

Indeed, Mckinsey found that in 2020, a year of great tumult brought on by the COVID crisis, 75% of consumers changed their brand preferences. Unsurprisingly, the top reasons consumers changed their brand preferences were **value, availability, and convenience.**

What does this mean for your **ecommerce business**? It's time to start listening to your customers. Find out what aspects of your subscription business are most valued by your customers, and ensure that, from acquisition to retention, you are living up to your promises. Specifically, at Chargebee Retention, we've found the following tips to be very helpful:

- Offers and discounts are especially appreciated in times of recession
- Don't add stress by hiding the cancel button
- Move beyond once-through measurement of your business
- Always be Testing

For B2B businesses, the environment is similar to consumer - budgets are declining and SaaS/tool budgets specifically are under pressure. Business stakeholders appreciate the following:

- Provide flexibility in extending or pausing subscription to reduce risk of "trigger happy" termination under pressure to cut costs.
- Clear ROI reporting as part of the cancellation experience can help consumers make their case to management.
- Customer Success or Sales Team outreach to "at risk" accounts that visit the cancel page or reduce their usage of your platform can save customers.

Other Tactics for Recession Proofing your Business:

Retention and customer focus isn't the only way to improve your runway or profit position. In our conversations with customers, we're finding that there's a few simple tips to hit your OKRs:

Redefine your ideal customer profile:

Focus on your core business and consider eliminating distracting products/ customers.

Improve conversion rates through CRO:

Top-of-funnel marketing efforts may take a dive in due to shrinking marketing budgets. The best way to ensure continued growth is to renew focus on conversion rate and funnel optimization. This often means picking apart your analytics, finding opportunity areas, and A/B or multivariate testing to increase conversion. Conversion rate optimization is likely too big a topic for this piece, but there are plenty of resources out there that address this topic.

Talk to your Vendors:

Your SaaS and enablement vendors often have a broad market perspective. Request strategic guidance from them on hitting your goals. Often you will find some advice based on your own data that isn't apparent.

Explore hidden features in tools you already have:

Marketing automation tools like hubspot, marketo, and even Chargebee have many features that go unused. Instead of buying another tool, explore efficiency in the tools you have.

Sources: 1. Momentive AI 2. Harvard Business Review

About Chargebee Retention

Chargebee Retention automates customer retention for online subscription businesses by saving and preventing customer cancellations while helping merchants to learn, improve, and differentiate. As pioneers of the retention category, Chargebee Retention is a premier platform that leverages data science,

targeting, and personalization to empower subscription services to maximize lifetime value (LTV) and automate high-value

workflows at scale. Chargebee Retention integrates natively with popular billing systems, can be implemented in days to weeks, and features an efficient usage-based pricing model, that has delivered 850% ROI in the first year alone.

Learn more today

Contact your Chargebee representative or visit Chargebee.com/retention

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