

# Recurly

## Coupon Campaigns and Gift Subscriptions

A Powerful Promotional Toolkit



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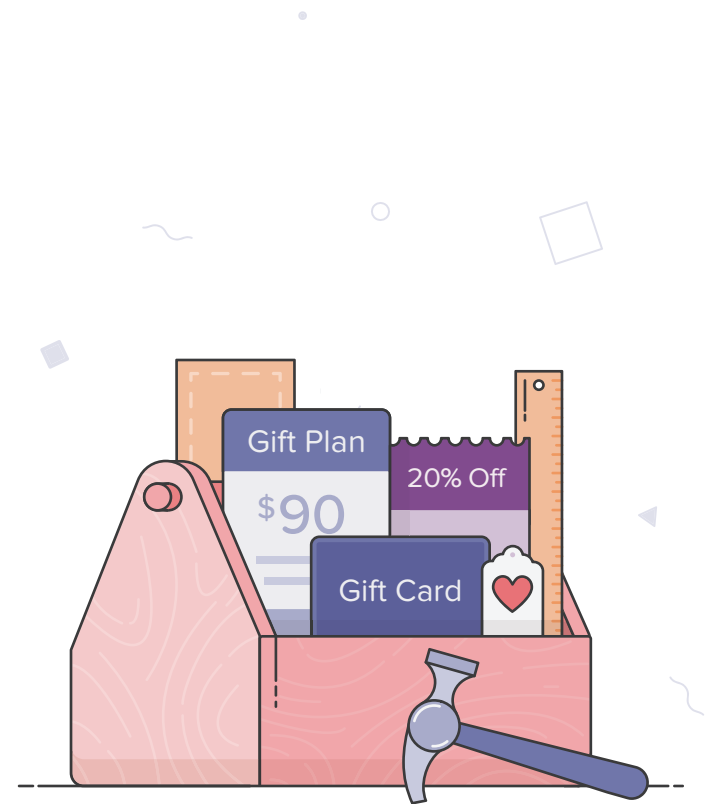
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# Overview

Most e-commerce merchants in the business-to-consumer (B2C) space face fierce competition for shoppers' attention and buying power. Regardless of the season or circumstance, it's crucial for subscription businesses that are developing and planning their marketing and promotions to be a step ahead of the competition and to invest in the right marketing programs that will help them gain new customers and achieve their revenue goals.

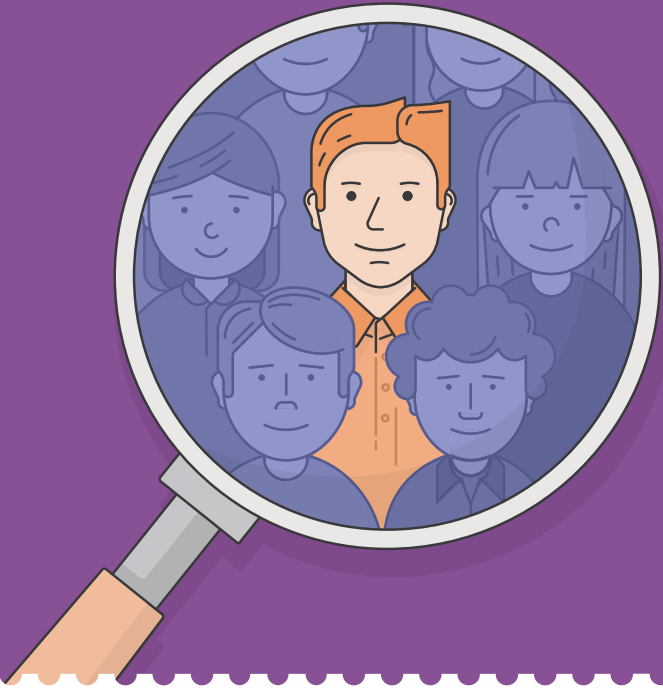
A thoughtfully designed coupon campaign will entice new customers and prospects. Gift subscriptions let your biggest fans spread their love for your product or service. Combined, they're a powerful promotional toolkit for designing a truly compelling and competitive marketing strategy. While each can be used in different ways for different purposes, both can achieve impressive results that will help guarantee a subscription business' continuing profitability and long-term success.



# Part One

## Achieving Marketing Success With Coupons





# Test Your Way to Success!

## Developing a Discount Campaign in Recurly

There's a rule of thumb when it comes to marketing: **know your audience**. This is a great rule in general, and it's an essential rule for merchants designing a discount campaign to promote their subscription business.

### Know Your Audience, Know Your Product

A business needs to know their customers and how they interact with the business' product or service. Is it an essential in the customer's life or business or more of a fun indulgence? Are customers highly loyal and highly engaged, for example, posting unboxing videos to YouTube when their box-of-the-month arrives? Or is the product or service providing a convenience that customers appreciate and will pay for?

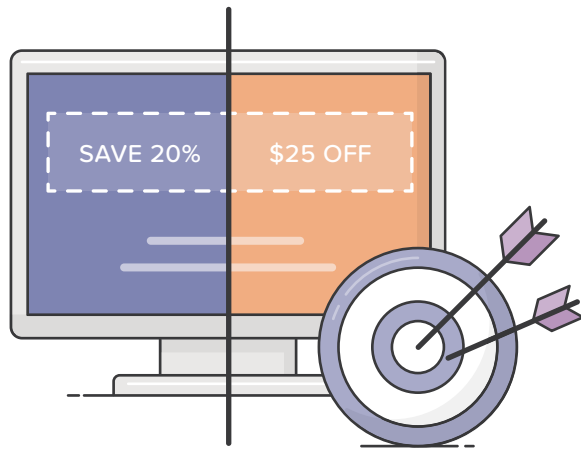
How customers and prospects view a product also plays a role in the most effective way to discount it. Commoditized products, for example, tend to have a strong response to discounts but also high churn rates

when the discount ends. Products that are perceived as being unique or of "premium" quality or value generally don't need to be discounted very much, and discounting them too much can actually hurt the brand. In this case, something more "exclusive" like invitation codes perform better.

A business that knows their customers and prospects will have good demographic information about them. They'll know something about their customers' media habits and the best ways to reach them with marketing messages. Knowing these things helps a marketer decide which delivery channels are likely to be most effective.

## Target the Right Prospects

A subscription business also needs to understand the key factors that impact revenue calculations and projections under a recurring revenue model. Subscriber churn, payback periods, and customer lifetime value (LTV) all affect campaign margins and profitability. Understanding these complexities will help target the right prospects who will deliver long-term value.



## Test, Test, and Test Some More

Another rule of thumb in marketing is test, test, and test some more. After designing a discount strategy, test their assumptions. Subscription businesses can create and run A/B split tests by creating two different offers that vary in one critical way, in Recurly. Perhaps one offer has a time limit and the other version limits how many customers can redeem. Or merchants can test how the discount offer is delivered, or experiment with the copy promoting the offer.

## Make Adjustments as Needed

With Recurly, a business can update campaigns on the fly. If a campaign is proving to be very effective, increase the number of redemptions. If it's not performing as well as expected, extend the redeem-by date to give it more time. Easily extend an expired campaign by restoring the coupon and using the coupon code again.

### 💡 Recurly Tip

Whatever is being tested, **Recurly's flexible coupon function** provides a straightforward and effective way to test the offer before delivering it widely. Merchants create the test offers, send the two different versions to the test population, and when there's a sufficient response, compare the coupon code redemptions in Recurly to see which version was the high performer. Then, the business can launch the full campaign confidently knowing which version was best.



# Creating Coupon Campaigns That Work

Because subscription businesses are driven by recurring revenue, they benefit from a more predictable revenue stream from their customers. But, they also have to continually strive to provide value, month after month, to retain customers and avoid churn.

Promotions based on added value or a price discount are an effective way to both win customers and retain them throughout the subscription lifecycle. Choosing the right incentive at the right time, targeted to the right customers and prospects is critical for optimizing promotional efforts.



## Free Trials

The subscription lifecycle starts with enticing a prospect to consider your product or service. For example, many subscription businesses offer a free trial period. Some effective promotions to get this group to convert are to:

- ▶ Send a coupon a few days before the trial period ends for a dollar-based or percentage discount on the subscription price. Add urgency by including a redeem-by date.
- ▶ Or, if they didn't sign up by the end of the trial, send them a coupon to get them to reconsider.

## Upsells and Cross-sells

Discounts and promotions can also be incredibly effective for upsells and cross-sells which augment existing revenue.

- ▶ Create a special promotion to introduce a new product or new plan to existing customers to spur increased adoption.
- ▶ Or, target specific customer groups with a special offer to upgrade to a higher-value plan or to add one-time products.
- ▶ Use Recurly to leverage subscription-level discounts to limit the offer to specific plans only.

## Cart Abandoners

Another group of prospects are visitors to an e-commerce website who add items to a shopping cart but don't complete the transaction.

A coupon strategy might include:

- ▶ Create a coupon in Recurly for these “cart abandoners” with a discount or a special promotion (“Sign up for a one-year subscription and receive one month free!”).
- ▶ If the visitor provided their email address, send the coupon that way. If not, display a pop-up coupon when a specific visitor returns to the site (if cookies are enabled).
- ▶ When surveyed, 58% of respondents said they might change their mind about a product abandoned in an online shopping cart if they were offered a discount on it.

## Fight Churn

For subscription businesses, churn is always a concern. Customers who are at risk of churning are a prime group to target with a special offer or discount.

**Customers Who Aren't Using Your Product:** Commonly indicated by log-ins or activity—may be disengaged. Create a promotion that will prompt these customers to re-engage and help them see the value in your product or service.

**Customers Who Cancel Their Subscription:** Customers who cancel their subscription aren't necessarily lost forever if a business is proactive. If a customer cancels, let them know you noticed by sending them a coupon with a special offer that encourages them to return.

**Customers Who Are Loyal:** At the other end of the spectrum are a business' most loyal customers. Let them know you appreciate them! To help ensure their continued business, offer them a special discount to thank them for being long-time subscribers.

**Whether based on a percentage or a dollar discount, plan-specific or product-specific, or a combination of factors, targeted promotions give your subscription business a boost that will add to your monthly recurring revenue numbers and your customer lifetime value, fostering ever more loyal subscribers to your business.**

## 💡 Recurly Tip

**Recurly's coupon function** has powerful features that can be used to create extremely effective campaigns for every stage in the customer lifecycle—from prospect to loyal customer to those who you'd like to see re-engaged. Subscription businesses can use their knowledge of their customers, backed by data and analysis, to create coupons and promotions that target specific customer groups with offers specifically designed for their stage in the customer journey.

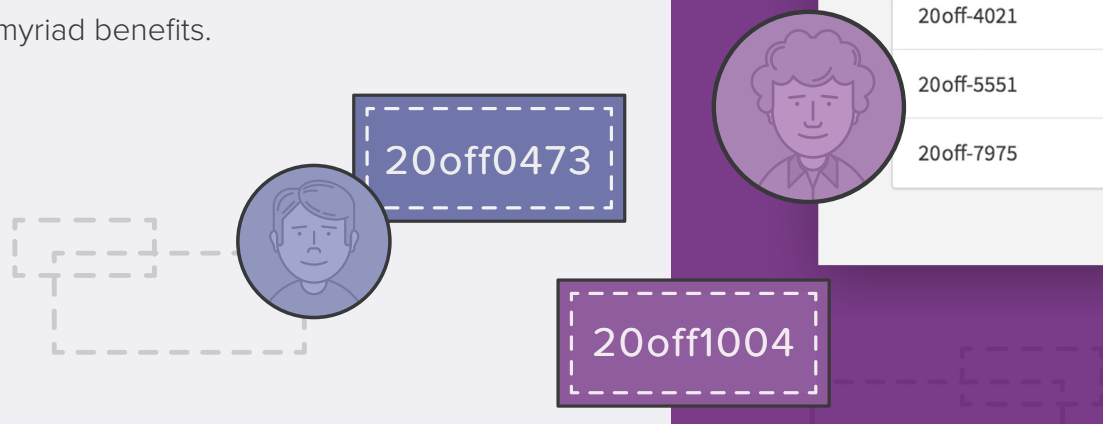




# Increased Targeting and Engagement With Recurly's Bulk Unique Coupons

In 1965, American families began clipping coupons en masse, and marketers realized how coupons convert prospects, upsell customers, and encourage brand loyalty. In 1990, the internet begat the era of online coupons, making it easier than ever for subscription-based and other businesses to reach an online audience with their promotions.

Unfortunately, the same technology also made it easy for clever bargain hunters and their friends to abuse the system, posting coupon codes online for anybody to find and use. As a result, many marketers worry about the potential unintended economic impact of using online coupons to promote their products and services, despite their myriad benefits.



The screenshot shows a web interface with a 'Redemptions' section and a 'Not Redeemed' section. The 'Redemptions' section has a table with two columns: 'Name' and 'Code'. There is one entry: 'Multicoupon Demo' with code '20off-0124'. Below the table, it says 'Displaying 1 account with redemptions'. The 'Not Redeemed' section has a table with one column: 'Code'. There are seven entries: '20off-0473', '20off-1004', '20off-1991', '20off-2131', '20off-2238', '20off-4021', and '20off-5551'. Below the table, there is a coupon code '20off-7975'.

| Name             | Code       |
|------------------|------------|
| Multicoupon Demo | 20off-0124 |

Displaying 1 account with redemptions

| Code       |
|------------|
| 20off-0473 |
| 20off-1004 |
| 20off-1991 |
| 20off-2131 |
| 20off-2238 |
| 20off-4021 |
| 20off-5551 |
| 20off-7975 |

## Bulk Unique Coupons

By creating each coupon with its own unique code, subscription businesses take control of their campaigns and tailor their delivery and promotion to specific segments and even specific people. For example, using Recurly's powerful bulk unique coupon generator, marketers can create, manage, and measure the results of large-scale campaigns with unique codes which can be used for things like segmented email campaigns, refer-a-friend social recommendations, and printed coupons given away at tradeshows and in-store.

With bulk unique coupons, a marketer has more control, and prospects are made to feel special and valued by receiving a unique coupon sent individually to them, rather than a mass coupon distributed widely. And the more targeted a campaign is, the more effective it's likely to be.

## From Awareness to Engagement

The typical marketing funnel starts with generating awareness. Prospects then move through the funnel, gathering information and becoming more engaged, until they convert and become paying customers. From the marketer's standpoint, campaigns go from being broadly targeted at the top of the funnel to being more segmented and targeted at different groups of prospects at later stages in their customer journey.

With bulk unique coupons, a subscription business can send different coupons to different segments, based on that group's progress through the funnel. Unlike broadly based campaigns that are promoted widely, for example via social media, the bulk unique coupons function gives the business greater control. For example, they can limit how many people receive the coupon, and with unique codes, the coupon can only be redeemed once per person.

A business can deliver their codes and feel confident that the campaign's total discount amount is limited by what they have allowed when they set up the campaign. Additionally, unique codes can be delivered across different channels and at different times, and this data can be tracked to see how that variability affects redemption, since the delivery and redemption is one-to-one.



20off2131



20off1991

### Recurly Tip

#### Thousands of Codes Generated in Seconds

In the past, marketers had to enlist the help of developers to create bulk unique coupons. Recurly lets you generate thousands of unique coupon codes in seconds without any developer assistance.

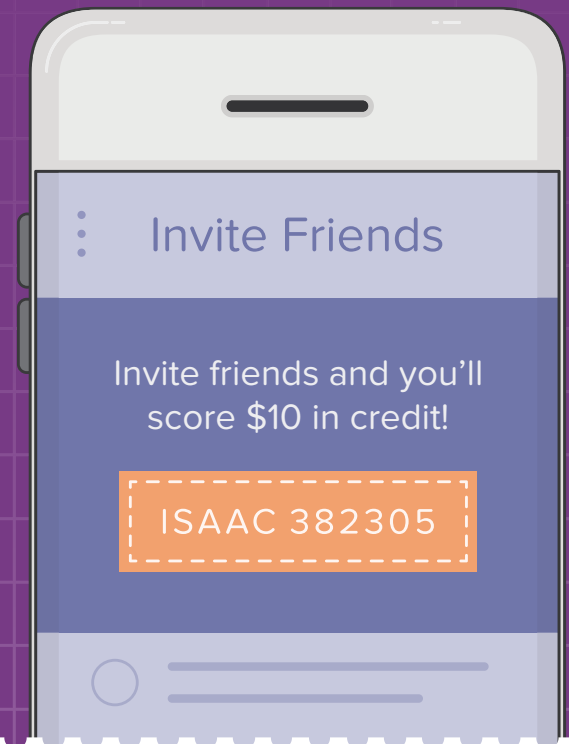
Simply create the coupon and download the unique codes that Recurly generates. Upload the codes to your email marketing tool, and use mail merge tags to send a unique code to each email address in your database or in the defined segment. Track coupon redemptions in Recurly.

## More Control, Better Analytics

Marketing teams also have a greater ability to track how the coupon performs and generate more granular analytics, for example, time from delivery to redemption. They can run A/B split tests to track the effectiveness of different offers. And because the delivery is individual (usually via email), it feels like a more personalized offer—because it is!

Another way bulk unique coupons can be used is for **refer-a-friend programs** which are very effective because they provide the recipient with social proof from someone the recipient knows while supporting the brand and cutting through the noise of competing advertising.

Refer-a-friend campaigns allow for a different way to leverage discounts, as the approach is more personal and targeted and requires action from the customer (sharing the code or codes with specific friends) who may also receive a discount when the coupon is redeemed. Campaigns like this are particularly suited to brands that view discounts as diluting their brand value and want to use them in a more discreet way. This feature is also well suited to partnership deals.

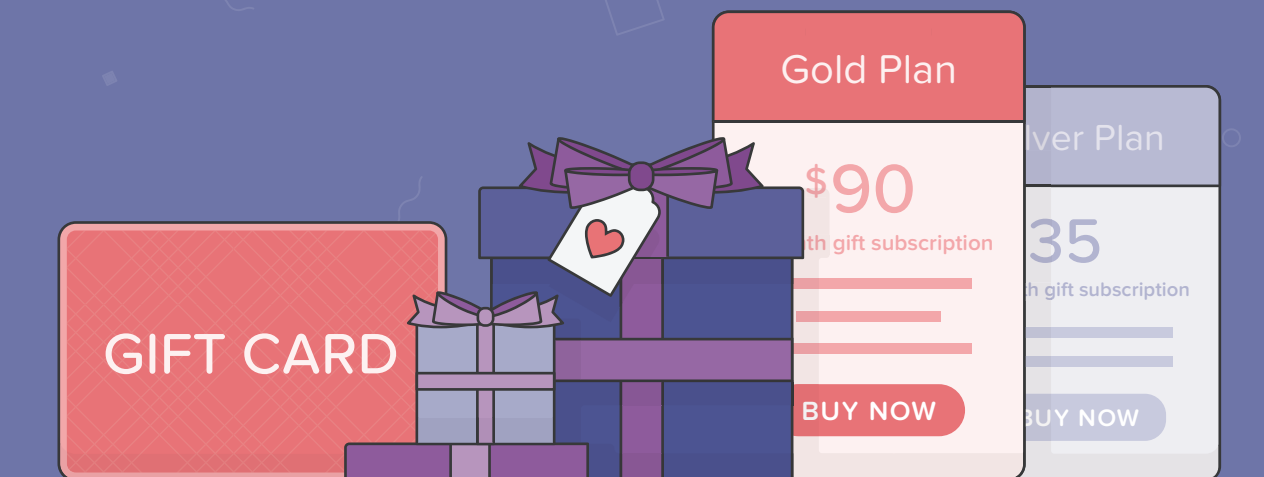


## Not Your Mother's Coupons

Consumers have come a long way from the days of clipping coupons from the Sunday paper. And as the technology and tactics related to coupon campaigns have evolved, the effectiveness of these campaigns has only improved. Changes to how coupons are created and distributed has given marketers the ability to develop far more targeted campaigns that are extremely effective in converting prospects, upselling customers, and encouraging brand loyalty.

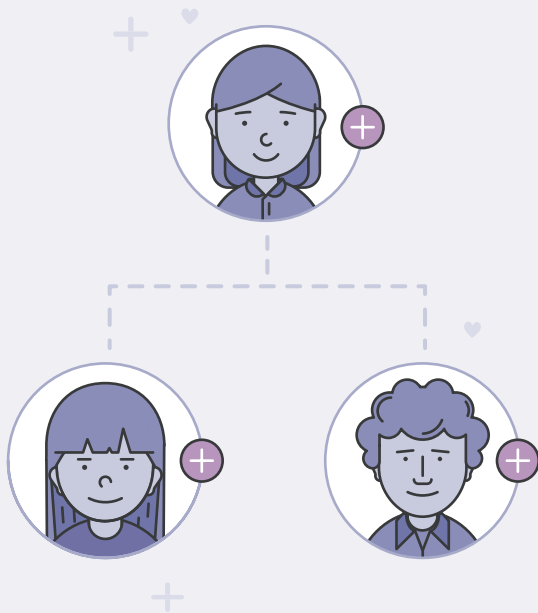
# Part Two

## Grow Your Business With Gift Subscriptions



# Plan Your Marketing With Gift Plans and Gift Cards

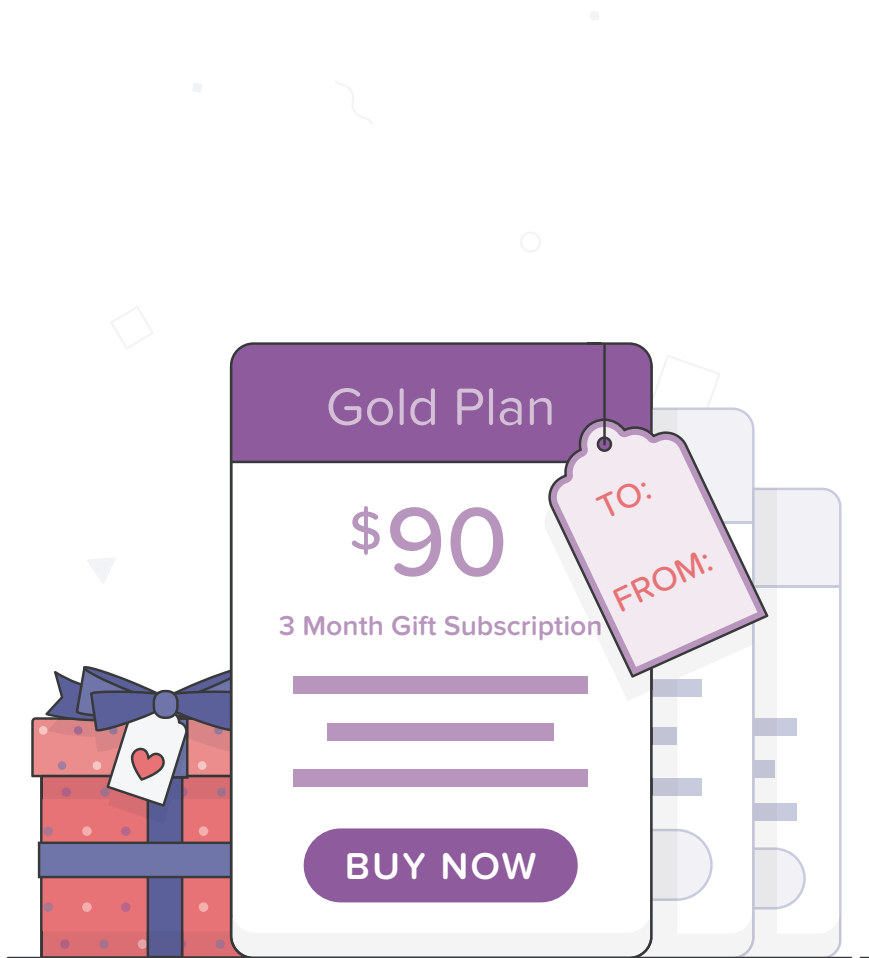
Gift subscriptions (whether **gift plans** or **gift cards**) provide another excellent way to support a recurring revenue business' acquisition of new subscribers. Gift recipients may not start out as paying subscribers, but many, having had a chance to try a product or service, will like it and choose to continue their subscription when their gift term expires.



**In fact, this is the beauty of gift subscriptions: your best customers are given the chance to share their love for your product or service with their friends and family. The business benefits from this “social proof” and acquires new customers at a lower acquisition cost.**

When combined with coupons, gift subscriptions provide subscription businesses with a rich promotional toolkit to attract customers. The business can even incentivize their customers to give gift subscriptions by offering them a discount (via a coupon) for every gift they give!

Let's explore different gift subscriptions options and how they work. Recurly provides two different gift subscription options: plans and cards. Subscription businesses can opt to provide only one gift type, or they may include both options as part of their gift subscription program.



## Marketing With Gift Plans

Imagine a box-of-the-month subscription business seeking to invigorate their subscriber base. The marketing team has launched a marketing effort around gift plans, using social media and their other preferred advertising channels. The business has only one box and some inventory they'd like to move, making gift plans (vs. gift cards) the better option.

This is because, for subscription businesses with only one or two subscription plans, offering gift plans keeps the process simple: the gift giver's choice will always equal the recipient's choice. Since the plan will start immediately upon purchase, businesses that ship physical goods can start shipping right away. With gift cards, they have to wait for the recipient to redeem their gift.

Subscription plans can be purchased by anyone and given as a gift. Husbands can purchase beauty boxes for their wives, grandmothers can purchase music or video streaming subscriptions for their grandkids, cat lovers can purchase dog-treat boxes for their dog-owning friends, and parents can sign up for cooking subscriptions for their sons and daughters in college. With Recurly, the purchaser can have the choice of giving a subscription that is recurring or nonrecurring, and only the giver need provide any credit card information. Setting up and managing the gift plan is easily accomplished through Recurly's user interface (UI) or our API.



## Marketing With Gift Cards

Now imagine a subscription business that offers digital goods and/or services. They have a plethora of plans with different pricing, making gift cards—which they can make available in different denominations (and currencies)—an attractive gift option.

The card denominations offered should take into consideration the prices of their subscription plans.

- ▶ If the price points are low, offer cards in small amounts. Similarly, if the lowest priced plan is \$25, make sure your lowest denomination card is at least this amount. For example, if plans are priced at \$25, \$50, and \$75, the gift cards offered should come in denominations that take these prices into account.
- ▶ It may also be a good idea to take into account how much tax will be included in the final price and offer cards that cover the plan price **plus tax**.

Gift cards may be a better choice for some businesses than gift plans. The receiver is able to start the subscription when they are ready; they can choose the subscription plan they want rather than having it chosen for them; and, if they already have an active subscription, they can apply the card to their next renewal payment, use it to upgrade, or even purchase add-ons.

# Gift Card Best Practices

As we've shown, gift cards are a great way to promote your subscription business. But make sure you keep in mind the following best practices to ensure you and your customers get the most out of your gift card program.



## Ensuring a Positive Experience

Indeed, making sure that the person giving the gift card and the person receiving it have a good experience—for example, by doing things like setting card denomination appropriately—helps to ensure the experience is a positive one. Making sure that the related processes are straightforward and transparent, that the gift is easy to redeem, that the giver's needs have been considered (for example, by letting them include a personal message when the gift is transmitted)—all these things show that as a business, you're concerned about providing your customers with the best possible experience. Automating as many touch-points as possible also improves efficiency and helps things to go smoothly.

It's worth remembering that the giver may be one of your most-loyal customers, who are providing their “social proof” of how much they enjoy your subscription product or service. This implied testimonial loses its impact if the receiver does not have a good experience and may also reflect badly on the giver.

A positive experience also further encourages gift recipients—who are in effect prospects not customers until they provide their own payment information—to do just that when their gift subscription ends. As with free trials, finding value in a company's product or service and enjoying their experience with that company supports their decision to continue their subscription beyond the gift term.



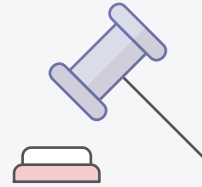


## Tracking Gift Card Conversions

Tracking the conversion rate of gift subscription recipients is another best practice, as it will help determine which conversion points to optimize. As with many areas of marketing, A/B split testing can be an invaluable tool to provide insights into what works best and where more effort is needed.

For example, different gift card amounts could be tested. Or one could test if conversions improve or not by collecting credit card information from the receiver upfront, when they redeem their gift. How the redemption is handled can be tested, for example, by seeing which option performs better: having the gift redemption process included on the sign-up page or displaying it separately on its own page.

Another reason to optimize gift card conversions (besides the obvious revenue benefits!) is related to how revenue is recognized. When a gift card is purchased, the revenue can't actually be recognized until the card is redeemed and used to pay for a product or service. Until that point, the revenue must be carried as a liability.



## Gift Card Regulations

Before starting any gift card program, a business should confer with a legal and financial advisor as there are many laws around gift cards, both at the federal and state level. For example, there are rules that must be followed regarding expiration dates, dormant account fees, cash payouts, and escheatment (which involves identifying abandoned accounts and remitting the funds to the appropriate state if unable to contact and return them to the customer). Knowing you're following all rules and regulations will help ensure your gift subscription program runs smoothly.



## Gift Cards and Fraud

Unfortunately, fraudulent activity and purchases are a reality in any e-commerce program, and gift cards are no exception. Gift card fraud occurs most commonly when stolen credit card information is used to purchase gift cards which are then sold on secondary sites to unsuspecting victims. This can result in a chargeback when the purchaser tries to redeem the card. Not only does the business lose money, these incidents can impact the relationship with the potential new customer. Therefore, it's important for any subscription business offering gift cards to have a robust and effective fraud fighting strategy in place. In order to combat gift card fraud, Recurly follows these best practices:

- ▶ A gift card may not be used as the payment for the purchase of another gift card, as this is a common fraud tactic used to essentially “launder” transactions that are fraudulent.
- ▶ Refunds of gift card purchases are only made to the original purchaser of the card.
- ▶ We require the collection of additional billing address details which enables stronger credit card verification checks.
- ▶ Recurly allows a gift card to be canceled, if requested, when the purchase was made fraudulently, ensuring that that gift code cannot be redeemed.

## 💡 Recurly Tip

Recurly gift cards include additional advanced features which support industry best practices for a successful gift subscription program.

- ▶ Automated emails to the receiver notify them of the gift and include a reminder if it hasn't been redeemed.
- ▶ While Recurly requires payment information to create a new subscription, gift recipients can be exempted from supplying this.
- ▶ With one-time-use redemption codes, the entire card amount is added as a credit to the account, which is then drawn down by renewals. This eliminates the need for the recipient to keep track of the card in order to use the remaining balance.
- ▶ As the gift term comes to an end, recipients are encouraged to continue the subscription by entering their own payment information.



## Customer Service Functions

When embarking on a gift card program, it's important to empower customer service reps so they can quickly address and resolve any issues or concerns from either gift givers or receivers. Some common issues may involve delivery, redemption, or refunds.

To best serve gift givers and receivers, customer service reps should be able to:

- ▶ Access all gift card information to help answer questions about what was purchased, delivery details such as mailing or email address, what has been redeemed, and any remaining balance that may exist on the account
- ▶ Edit the email address and resend the email to the receiver
- ▶ Regenerate the code if there's some concern that the transmission email may have gone to the wrong address
- ▶ Provide a refund to the giver, if requested, if the gift card has not yet been redeemed
- ▶ Cancel the gift card in cases of fraud or if a refund was issued

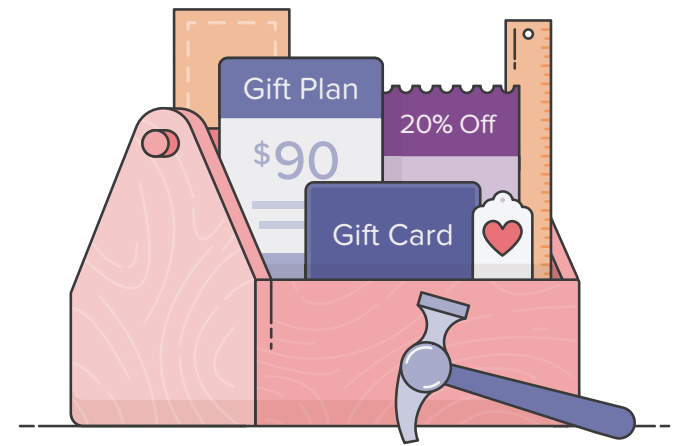


## Use Coupons to Support Gift Subscriptions

Supporting a gift card program with coupons can be a very effective strategy to encourage sales and reward your best customers. By tracking which customers give gift subscriptions, the business then has an opportunity to follow up and send them a coupon as a show of appreciation. Similarly, you can launch a gift campaign by offering customers a coupon for their future purchases for every gift subscription they give.

# Powerful Marketing Results

A thoughtfully implemented coupon and gift subscription program should be a mainstay of any B2C subscription company's marketing efforts. Gift subscriptions combined with coupons make for a powerful and compelling promotional toolkit to support the acquisition of new customers and upsell and encourage renewals among existing customers. These tools let subscription businesses test different tactics and combinations, learn from these efforts, optimize on the fly, and iterate for continued success—ultimately providing an effective means to support customer acquisition and increase overall customer LTV.



To learn more about how Recurly can help power your subscription business, visit [Recurly.com](https://recurly.com) or call us at 1.844.732.8759.

 REQUEST A DEMO

# Recurly

Recurly provides enterprise-class recurring billing management for thousands of subscription-based businesses worldwide.



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