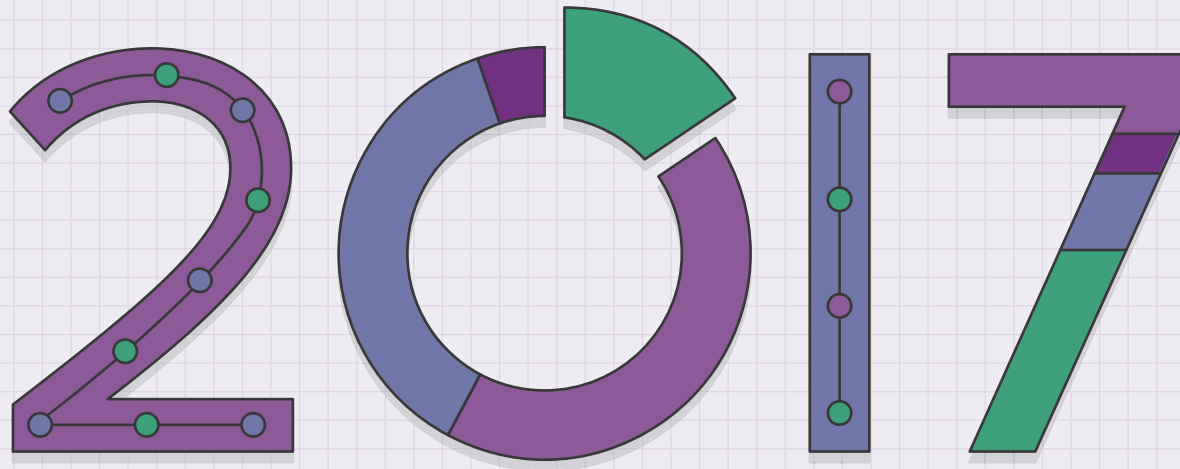


TOP 10 TRENDS

FOR **SUBSCRIPTION SUCCESS** IN





Introduction

As 2016 draws to a close, businesses are busy finalizing their plans and goals for the coming year. For subscription commerce, the recurring revenue model continues to see incredible traction, with both businesses and consumers recognizing its benefits. Certain segments have taken off while other aspects of e-commerce and subscriptions continue to evolve.

What trends will have the most influence on the subscription model and payment space in 2017? And what can the players in the space do to make sure they're positioned to take advantage of these opportunities?

Herewith are ten of the top trends we see emerging or gaining greater traction in the subscription space in 2017.

01.

Cord-Cutting Continues, OTT Conquers

The days of cable TV's monopoly on people's viewing habits are long gone. The success of Over-the-Top (OTT) providers like Netflix, Amazon, and others have proven that disruptive technologies paired with high-quality content can compete and ultimately prevail. The opportunities that OTT has created to provide not just must-see mainstream programming but niche programming as well have revolutionized the ways that entertainment is produced, marketed, and consumed. Content is indeed king.

For 2017, the OTT video segment will continue to expand with US and Canadian markets **projected to reach over \$25 billion** by 2021. Users expect personalization and a delightful experience. OTT content providers and broadcasters rely on a deep knowledge of audience expectations to satisfy their viewers and provide the customized and highly compelling programming they expect.

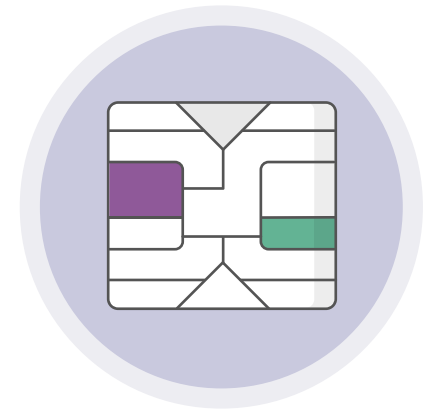


02.

EMV Catapults E-commerce Fraud to the Fore

The transition to EMV in 2016 produced many challenges. Despite the still-ongoing transition, e-commerce fraud has surged, as was expected. Fraudsters too keep up with changes in the payments industry. The coming year will see the continuation of this shift to fraud online, as more merchants and consumers adopt EMV. Increased fraud will mean increased chargebacks—the scourge of subscription businesses—which skyrocketed in 2016 due to EMV.

According to the [Merchant Advisory Board](#), very large merchants can expect to see chargebacks totaling as much as \$1 million a week. Smaller merchants may face chargebacks of up to \$15,000 per week. More than ever, subscription businesses will need to have in place a sophisticated, effective, and automated fraud management solution to fight e-commerce fraud and protect their profits.



03.

New Ways to Pay With Mobile

Mobile payment methods such as Apple Pay, Square Cash, Venmo, and others are slowly gaining traction. Twenty percent of US consumers routinely use these ‘digital wallets,’ and spending via this channel is **predicted to reach \$647 billion** by 2019. Something that may bolster the uptake of this payment option is the **increased regulation** being imposed by the Consumer Financial Protection Bureau. This will bring enhanced security to consumers—their biggest concern—although issuers worry it may also stifle this emerging market.

With so many digital wallet options being marketed (for example, device-specific, retail-driven, and bank-driven), loyalty programs that enable consumers to ‘earn and burn’ points may be the unifying factor in 2017 that simplifies this payment landscape and boosts adoption. For merchants, focusing on the shopping experience and selecting the right third-party wallet will be key strategic considerations.



04.

The Age of the Customer

According to **MediaPost**, “Every industry out there knows we’re living in the golden age of the customer... with every aspect of business now customer-driven.” Businesses that don’t recognize this reality may soon face a rude awakening. Customers these days expect short call wait times, superior customer service, easy payment options, and next-day delivery. Aware of how much data has been compiled on them, consumers want experiences curated and customized to their preferences and interests.

Subscription businesses, reliant as they are on the recurring nature of their revenue, need to be constantly mindful of how they can continue to delight their subscribers, offer them good value, and keep their loyalty. They need effective and streamlined tools to manage and scale their subscription business so they can continue to give customers exactly what they want.



05.

Omnichannel Offers the Best of All Worlds

When the going gets tough, the tough go shopping... online! Research shows that the e-commerce channel is **outperforming total retail sales** by a good margin. E-commerce sales increases varied from 11-16% in 2016, while brick & mortar sales increases remain in the low single digits.

Research also shows that nearly 85% of customers start shopping via one channel and make their purchase via another. This is only going to become more prevalent as consumers seek the best attributes of both physical and digital channels, such as mobile and e-commerce. For merchants, providing multiple ways to interact increases customer loyalty. Brick & mortar retailers in particular have taken note of the gains in e-commerce and are incorporating e-commerce initiatives into their overall strategy. Witness Walmart and others adding an e-commerce component or their own Amazon Prime-like subscription offering. How can your subscribers benefit from delivery across different channels?



06.

Access Not Ownership is the Name of the Game

Consumer behavior is changing. People no longer want or need to own things such as music, movies, jewelry, or cars. Instead, they're increasingly demanding new consumption models, whether they be subscription or some form of sharing. This preference for access over ownership is what's driving the incredible success of companies like Uber, Lyft, and Airbnb, amongst others.

The subscription model drives many of these new enterprises. Anything from jet travel and Rolex watches to shoes, clothing, and software can now be accessed via subscription. But success using the model is contingent upon how well it serves customers, with retention and churn providing key insights. Subscription businesses seeking to carve out or maintain their market position in 2017 need to realize that customers are firmly in control, with highly competitive options a mere mouse-click away.

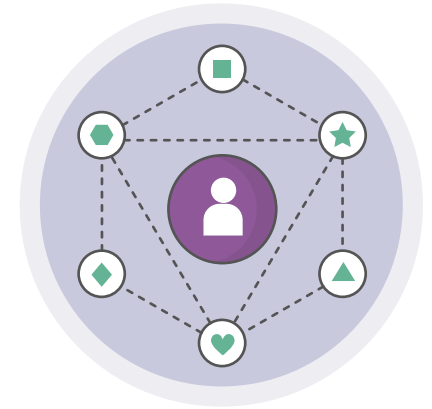


07.

Subscriptions and Security Power the Internet of Things

The Internet of Things (IoT)—which could more accurately be called the Internet of Connected Devices—may be the next Industrial Revolution. If so, it's a revolution based on access to data (often via a subscription service), and it's changing the way people live and work. Along with consumers, businesses and governments see the potential of IoT to reshape the world. **Research estimates** that there will be 24 billion connected IoT devices worldwide by 2020—that's more than three for every man, woman, and child.

Thus far, concerns about security and privacy have been the main barrier to greater adoption of IoT technology, with consumers the biggest laggards. Expect greater emphasis on security in 2017 and initiatives for more universal security standards and oversight before the projected explosion in IoT devices can come to fruition.



08.

The Digital Tax Man Cometh

Although various forms of digital entertainment—video games, streaming music and movies, etc.—have been around for many years, the tax laws have not been updated to accommodate these new consumption models. That’s changing. As consumers shift their entertainment online—to non-local, non-taxed streaming services—the tax revenues previously collected from cable companies and telecoms is vanishing. And local municipalities are left with a shortfall.

Enter a new streaming tax (sometimes called the Netflix Tax) meant to replace this lost revenue. Already in place in Minnesota, Pennsylvania, Chicago, and a handful of cities in California, more jurisdictions are likely to follow suit. Digital media companies will need to select content delivery and billing platforms that can track, monitor, and collect the right tax wherever they do business if they want to stay in compliance with the tax man who’s surely coming.

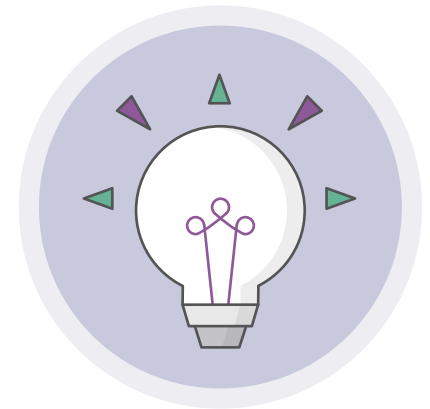


09.

Make Adaptation and Innovation Your New Year's Resolution

These days, change is the only constant, and the only way to stay ahead is to expect it, prepare for it, and embrace it. Being able to adapt is critical in today's fast-paced, ever-changing world of subscription commerce. Shifts in the market, in the payments space, in technology, in regulation, even in politics and society, can all cause ripple effects that can topple unprepared businesses. Those which are too rigid and constrained in their culture, their processes, or their technology to recognize the changes that are occurring and then adapt to them intelligently and meaningfully will falter. Those that can go with the flow will remain standing—like the willow that bends, not the oak that breaks.

Innovation is the hallmark of adaptation, for it is how well a company innovates that determines how successfully they adapt. But more than just a reactive trait, innovation is what carries the market forward and creates new markets or even entirely new industries. There's a speed component as well, as often, the company that is able to most quickly innovate and adapt is the company that ends up in first position, directing and disrupting, not following behind. These companies have a 'fail fast to succeed faster' mentality which means they're willing to risk failure for faster potential success.



10.

Data-driven Marketing Provides Powerful Results

Subscription businesses succeed and fail based on their churn and retention rates, two of the primary measures of customer satisfaction. Understanding customers' proclivities requires meaningful, accurate analytic data to quantify the 'art' behind the science of marketing and customer retention. **Marketers are increasing their spend on data-driven marketing** and reaping the rewards. But to keep seeing the results they desire, they need full, complete data which **many say they don't have**. And they need pre-sale along with post-sale information to close the loop.

Increased access into marketing data analytics in 2017 will bring greater visibility into the entire sales and customer lifecycle, enabling subscription businesses to better serve and market to customers and prospects. And more complete and accessible data will let decision-makers better allocate their marketing dollars toward top-performing channels.





Here's to Your Success

Whatever your subscription business, opportunities abound in 2017 for you to increase your customer base, MRR, and market share. Consider the market indicators and how they may apply to your business and then commit to implementing new strategies to power your continued subscription business success.

Find out how [Recurly](#) can power your subscription success in 2017.

“Recurly is a solution that scales with us as our business grows each year. From one product with a handful of subscribers to multiple products with hundreds of thousands of subscribers globally, Recurly has been a reliable part of our business and a component of our success. The initial investment in Recurly five years ago was one of the smartest decisions we could have made.”

Ryan Butters

VP of Customer Success, [Lucid Software](#)

Recurly

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



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