Subjective Case Study

The topic of the study:

How a subscription-based e-commerce business employed customer-centric strategies to reduce churn and increase customer lifetime value. Find how companies are Maximizing customer spending and loyalty while minimizing subscription cancellations to enhance profits and long-term business sustainability in an e-commerce model.

To examine how subscription-based e-commerce businesses reduce churn and increase customer lifetime value (CLV), we can take **Dollar Shave Club (DSC)** as a detailed case study. DSC, known for its affordable razor subscriptions, faced various challenges and developed key strategies to succeed in customer retention and extending CLV.

Dollar Shave Club spotted consumer inconveniences, where most saw an over-served market. In the shaving market, men had to choose between (supposedly) high-tech razors or low-cost, low-functionality tools. DSC aimed to change this by providing an end-to-end customer experience with affordable shaving products.

In 2012, DSC launched its online store and quickly disrupted the overpriced men's razor blade market. It purchased its products from wholesalers, removed the traditional physical retail channel, and sold razors and blades online at a lower price.

DSC focused heavily on online marketing to replace the reach of the eliminated middle- man. Its launch video with founder Michael Dubin showcased the brand's sense of humor and went viral. Editorial content accompanies each delivery, often with a humorous twist.

The company was acquired by Unilever in 2016 for approximately $1 billion.

Here's a deep dive into their methods:

Business Model and Subscription Focus:

- Dollar Shave Club revolutionized the grooming market by offering a subscription-based service where customers receive razors and other grooming products at regular intervals.
- This model provided convenience and cost savings, driving customer acquisition, but retaining these customers long-term became a focus as competition increased.
- DSC sold directly, cutting out the retail stores. On the upside, this meant saving margins traditionally paid to retailers.

Key Metrics for CLV and Churn:

1. **Customer Retention**: DSC maintained one of the highest retention rates in the men's grooming subscription industry. On average, 54% of customers made repeat purchases within the next quarter during the pandemic, a critical factor in boosting CLV. This figure dropped to 25% after six quarters, still outperforming competitors like Bevel and Harry's IMPACT Bloomberg Second Measure

2. **Churn Rate**: Although DSC was successful in retaining customers, churn was inevitable. By offering value in terms of convenience and affordability, their churn rate remained low compared to other competitors. They introduced programs like referrals and discounts for new customers to minimize churn Digital Chapter

3. **Customer Lifetime Value (CLV)**: DSC leveraged loyalty and engagement strategies to increase CLV, focusing on social engagement and experiential marketing. They offered personalized subscription plans, including bundles, discounts, and unique customer experiences like "Bathroom Minutes" (a fun, playful newsletter), which strengthened emotional connections and increased the average lifetime value of each subscriber IMPACT Digital Chapter

Strategies and Tactics:

1. **Subscription Flexibility**: DSC allowed customers to personalize their subscriptions, including offering free trials, discounted first-time offers, and referral bonuses. This not only enticed new subscribers but also created an emotional connection, encouraging loyalty Digital Chapter

2. **Engagement and Delight**: DSC created a unique customer experience with playful branding, humorous advertising (e.g., their viral launch video, "Our Blades Are F*king Great"), and consistent communication with customers through newsletters and community engagement IMPACT. They also incentivized social media sharing, which helped build a sense of belonging and exclusivity.

3. **Expansion of Product Offerings**: Initially focused on razors, DSC expanded into skincare, body care, and hair care, offering both subscription services and one-time purchases. This expanded their addressable market and allowed for greater upsell opportunities, driving additional value from existing customers Bloomberg Second Measure

4. **Personalization and Customer Engagement**: DSC implemented personalized product recommendations, which improved customer satisfaction and helped them upsell or cross-sell related products like shaving creams, moisturizers, etc. They developed loyalty programs that rewarded long-term customers, offering exclusive deals, and products to incentivize continued subscriptions.

5. **Value Proposition Enhancements**: By expanding beyond just razors to a broader range of personal care products, DSC made its subscription model more valuable for customers. This diversified offering encouraged higher spending per customer and increased customer lifetime value. DSC consistently communicated the value of its offerings, using humor and targeted content in its marketing, which resonated with customers and kept them loyal.

6. **Customer Support and Flexibility**: Offering the option to modify, pause, or skip shipments without penalties was crucial in reducing cancellations. Customers appreciated the flexibility, which allowed them to control their subscriptions based on their needs. Strong customer service that could swiftly resolve issues and maintain satisfaction was integral to reducing churn.

Challenges Faced:

1. **Market Saturation and Competition**: Despite its success, DSC faced intense competition from other subscription services like Harry's and Gillette on Demand, which prompted them to continually innovate and diversify their offerings Digital Chapter.
2. **Retaining Long-term Subscribers**: Maintaining retention beyond six quarters proved challenging. DSC had to focus on adding new product categories and improving customer experiences to reduce churn among long-term users Bloomberg Second Measure

Impact of Changes:

The combination of flexible subscriptions, enhanced customer experiences, and social engagement proved highly effective. Dollar Shave Club grew to over 4 million subscribers before being acquired by Unilever for $1 billion in 2016 IMPACT.

The expansion into related products (skincare, body care) helped maintain growth and improved CLV while keeping churn rates manageable. Their business model showed that consistent value delivery and customer delight were critical to long-term sustainability.

Metrics to Track:

For companies looking to replicate this success, the following metrics are critical:

- **Customer Retention Rate**: To gauge how effectively the business keeps its subscribers engaged over time.
- **Customer Lifetime Value (CLV)**: To measure the overall value that each customer brings throughout their relationship with the company.
- **Churn Rate**: To identify the percentage of customers leaving the service, helping to focus efforts on retention strategies.
- **Average Order Value (AOV)**: To assess the impact of upselling and cross-selling initiatives on each transaction.

In conclusion, DSC's ability to deliver consistent value, maintain customer engagement, and personalize the subscription experience were essential to reducing churn and boosting CLV. Other e-commerce subscription companies can learn from these tactics by focusing on customer delight, product expansion, and referral programs to achieve long-term success.