

Subjective Research Case Study on Subscription-Based E-Commerce Business

1. 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.

2. Understanding the terms Subscription and Membership

In e-commerce, subscriptions and memberships are two popular business models, each designed to provide on-going value to customers while securing recurring revenue for businesses.

3. Types of Subscription Based E-Commerce Models:

- i. Replenishment Subscriptions:** Customer pay a recurring fee to receive delivery of physical products.
 - i. Examples: Country Delight (Dairy)
- ii. Curation Subscriptions:** Curated selection of surprise products based on customer preferences, often monthly.
 - i. Examples: Sugarbox (beauty)
- iii. Access/Membership Subscriptions:** Exclusive access to perks, discounts, or content for a recurring fee.
 - a. Examples: Amazon Prime, Zomato Gold

- iv. **Digital Content/SaaS Subscriptions:** Continuous access to digital content or software services.
 - a. Examples: Hotstar (streaming), Adobe Creative Cloud (SaaS).
- v. **Fixed Usage Subscriptions:** Customers receive a set number of products or services per billing cycle.
 - a. Examples: Audible (audiobooks).
- vi. **Pay-as-You-Go Subscriptions:** Customers are billed based on actual usage instead of a fixed fee.
 - a. Examples: AWS (cloud services), Google Cloud.
- vii. **Educational/Skill-based Subscriptions:** Access to online courses and skill development resources for a recurring fee.
 - a. Examples: Coursera, Unacademy, Scaler.

4. Types of Membership Bases E-Commerce Models:

i. Free Memberships

- a. Customers sign up for free accounts but get limited access to certain features or content.
- b. Examples: Many e-commerce websites offer free membership for customers to track orders or save favorite items.

ii. Paid Memberships

- a. Customers pay for exclusive access to perks, discounts, early access to sales, or exclusive content.
- b. Examples: Amazon Prime (free shipping, access to Prime Video)

iii. Tiered Memberships

- a. Multiple membership levels (e.g., silver, gold, platinum) with increasing benefits at higher tiers.
- b. Example: Airlines offering frequent flyer programs with different tiers of benefits.

iv. Loyalty Program Memberships

- a. Membership programs where customers earn points or rewards with each purchase, which can be redeemed later.
- b. Example: Sephora's Beauty Insider, Starbucks Rewards.

5. Key Differences Between Subscription and Membership:

Aspect	Subscription	Membership
Definition	Recurring fee for products/services.	Fee for exclusive access or perks.
Focus	Regular product/service delivery.	Building a community with perks.
Revenue	Fixed recurring revenue.	Free or paid with varied benefits.
Benefits	Consistent access/delivery.	Discounts, early access, perks.
Commitment	Time-bound (monthly/yearly).	Ongoing, renewed by choice.
Examples	Spotify, Netflix, Adobe.	Amazon Prime, Costco, Sephora.

6. Overview of CLV and churn in the subscription-based models:

i. Replenishment Subscriptions

- a. **CLV:** High due to consistent product needs (e.g., razors, household items).
- b. **Churn:** Low if delivery and pricing are smooth.

ii. Curation Subscriptions

- a. **CLV:** Moderate, driven by customer engagement with curated products.
- b. **Churn:** Higher if novelty wears off.

iii. Access/Membership Subscriptions

- a. **CLV:** High with perceived membership value.
- b. **Churn:** Increases if benefits don't match the cost.

iv. Digital Content/SaaS Subscriptions

- a. **CLV:** High if content or tools are consistently used.
- b. **Churn:** Linked to engagement; higher if usage drops.

v. Fixed Usage Subscriptions

- a. **CLV:** Moderate, based on product/service usage limits.
- b. **Churn:** Higher if customers underuse their subscription.

vi. Pay-as-You-Go Subscriptions

- a. **CLV:** Variable, depending on usage.
- b. **Churn:** Low due to flexibility but may rise with decreased usage.

vii. Educational/Skill-based Subscriptions

- a. **CLV:** High if customers continue learning.
- b. **Churn:** Higher if content becomes irrelevant.

7. Research on a Successful Company: Country Delight

- **Reducing Churn and Increasing CLV**
 - **Quality Assurance:** Focus on fresh, high-quality dairy products.
 - **Customer-Centric Strategies:**
 - **Personalized Recommendations:** Tailored suggestions based on purchase history.
 - **Loyalty Programs:** Earn points for purchases, redeemable for discounts or free products.
 - **Flexible Subscription Plans:** Easy modifications to delivery frequency and product selection.
- **Customer-Centric Strategies**
 - **Personalized Recommendations:** Analyze customer data for tailored product suggestions.
 - **Loyalty Programs:** Reward repeat purchases to foster customer loyalty.
 - **Flexible Subscription Plans:** Allow customers to adjust orders to meet their needs.
- **Factors Affecting Subscription Decisions**
 - **Product Value:** Quality, freshness, and reliability influence subscription choices.
 - **Customer Experience:** Positive user experiences lead to loyalty.
 - **Pricing:** Competitive pricing compared to alternatives is crucial.
 - **Competitors' Offers:** Promotions and unique offerings can sway customer decisions.
- **Challenges Faced by Companies**
 - **High Customer Acquisition Costs:** Marketing expenses impact profitability.

- **Managing Customer Satisfaction:** Consistent quality is essential for retention.
- **Dealing with Competition:** Differentiation is vital in a saturated market.
- **Successful Tactics for Increasing CLV**
 - **Personalization:** Use customer data for targeted marketing and recommendations.
 - **Proactive Customer Support:** Timely support reduces dissatisfaction.
 - **Loyalty Programs:** Incentivize repeat purchases to foster loyalty.
 - **Data-Driven Insights:** Analyze behavior for improved offerings and user experience.
- **Impact of Changes**
 - **Customer Loyalty:** Improved experiences lead to stronger relationships and reduced churn.
 - **Spending Patterns:** Personalized offerings encourage higher spending.
 - **Business Sustainability:** High retention rates contribute to long-term profitability.
- **Measuring Success (Key Metrics)**
 - **Churn Rate:** Percentage of customers canceling subscriptions.
 - **Customer Lifetime Value (CLV):** Total revenue expected from a customer.
 - **Customer Retention Rate:** Percentage of customers retained over time.
 - **Customer Satisfaction Scores:** Metrics like Net Promoter Score (NPS) gauge customer satisfaction.

8. Research on a Successful Company: Unacademy

- **Reducing Churn and Increasing CLV:**
 - **Quality Content:** High-quality courses taught by experienced educators.
 - **Customer-Centric Strategies:**
 - **Personalized Recommendations:** Tailored course suggestions based on user interests.
 - **Loyalty Programs:** Referral bonuses and discounts for long-term subscribers.
 - **Flexible Subscription Plans:** Options for monthly or yearly subscriptions.
- **Customer-Centric Strategies**
 - **Personalized Recommendations:** Utilizes user data for tailored suggestions.
 - **Loyalty Programs:** Incentives for referrals and continuous subscriptions.
 - **Flexible Subscription Plans:** Monthly and yearly options cater to diverse needs.
- **Factors Affecting Subscription Decisions:**
 - **Product Value:** Perceived value and quality of courses.
 - **Customer Experience:** User-friendly platform design and effective support.
 - **Pricing:** Competitive pricing and attractive discounts.
 - **Competitors' Offers:** Influence of alternatives in the market.
- **Challenges Faced by Companies**
 - **High Customer Acquisition Costs:** Significant marketing expenses.
 - **Managing Customer Satisfaction:** Consistency in quality and timely feedback.
 - **Dealing with Competition:** Need for differentiation in a crowded market.

- **Successful Tactics for Increasing CLV**
 - **Personalization:** Data analytics for tailored user experiences.
 - **Proactive Customer Support:** Timely assistance enhances satisfaction.
 - **Loyalty Programs:** Discounts and exclusive course access for long-term users.
 - **Data-Driven Insights:** Analyzing user behavior to refine offerings.
- **Impact of Changes**
 - **Customer Loyalty:** Improved experiences lead to reduced churn.
 - **Spending Patterns:** Personalized value encourages higher spending.
 - **Business Sustainability:** High retention rates support long-term growth.
- **Measuring Success (Key Metrics)**
 - **Churn Rate:** Percentage of users canceling subscriptions.
 - **Customer Lifetime Value (CLV):** Total revenue expected from a customer.
 - **Customer Retention Rate:** Percentage of customers retained over time.
 - **Customer Satisfaction Scores:** Metrics like Net Promoter Score (NPS).

9. Research on a Successful Company: Disney + Hotstar

- **Reducing Churn and Increasing CLV**
 - **Diverse Content Library:** A wide range of movies, TV shows, sports, and original series attracts and retains subscribers.
- **Customer-Centric Strategies:**
 - **Personalized Recommendations:** Tailored content suggestions based on viewing history.

- **Loyalty Programs:** Bundled subscriptions with telecom operators and exclusive content for premium users.
- **Flexible Subscription Plans:** Monthly and yearly options to cater to different user needs.
- **Customer-Centric Strategies**
 - **Personalized Recommendations:** Enhances user engagement through tailored suggestions.
 - **Loyalty Programs:** Incentives for long-term engagement with exclusive offers.
 - **Flexible Subscription Plans:** Monthly and yearly payment options accommodate various financial situations.
- **Factors Affecting Subscription Decisions**
 - **Product Value:** The perceived value of exclusive content and live sports.
 - **Customer Experience:** User-friendly interface and effective customer support.
 - **Pricing:** Competitive pricing compared to other streaming services.
 - **Competitors' Offers:** Alternatives like Netflix or Amazon Prime can impact subscription choices.
- **Challenges Faced by Companies**
 - **High Customer Acquisition Costs:** Significant marketing expenses.
 - **Managing Customer Satisfaction:** Consistency in quality and addressing feedback.
 - **Dealing with Competition:** Need for continuous innovation and differentiation.

- **Successful Tactics for Increasing CLV**
 - **Personalization:** Data analytics for tailored content recommendations.
 - **Proactive Customer Support:** Timely assistance to improve user satisfaction.
 - **Loyalty Programs:** Exclusive content and deals for long-term subscribers.
 - **Data-Driven Insights:** Analyzing viewing patterns to optimize content offerings.
- **Impact of Changes**
 - **Customer Loyalty:** Improved experiences lead to reduced churn.
 - **Spending Patterns:** Perceived unique value encourages higher spending.
 - **Business Sustainability:** High retention rates support long-term growth.
- **Measuring Success (Key Metrics)**
 - **Churn Rate:** Percentage of subscribers canceling their subscriptions.
 - **Customer Lifetime Value (CLV):** Total revenue expected from a customer.
 - **Customer Retention Rate:** Percentage of customers retained over time.
 - **Customer Satisfaction Scores:** Metrics like Net Promoter Score (NPS).

10. Patterns in Successful Companies

- **Customer-Centric Approach**
 - **Personalized Recommendations:** Tailors content or product suggestions based on user data, enhancing engagement.
 - **Loyalty Programs:** Offers incentives for long-term subscriptions, fostering brand loyalty.

- **Diverse Offerings**
 - **Variety of Products/Content:** Attracts a broader audience with a wide range of options.
 - **Flexible Subscription Plans:** Monthly and yearly options accommodate diverse financial situations.
- **High-Quality Customer Experience**
 - **User-Friendly Platforms:** Intuitive interfaces improve retention.
 - **Proactive Customer Support:** Timely assistance enhances satisfaction and reduces churn.
- **Data-Driven Insights**
 - **Continuous Improvement:** Uses analytics to refine offerings and adjust marketing strategies.
 - **Competitive Pricing Strategies**
 - **Promotions and Bundles:** Attractive pricing and bundled offers encourage long-term subscriptions.

11.Relationships Between Tactics Used and Improvements in Churn and CLV

- **Personalized Recommendations**
 - **Churn Impact:** Keeps users engaged and reduces cancellations.
 - **CLV Impact:** Encourages exploration of offerings, leading to higher spending.
- **Loyalty Programs**
 - **Churn Impact:** Increases customer retention through value recognition.
 - **CLV Impact:** Drives repeat purchases and sustained revenue.

- **Flexible Subscription Plans**
 - **Churn Impact:** Reduces cancellations by allowing plan adjustments.
 - **CLV Impact:** Encourages upgrades and maintenance of subscriptions.
- **High-Quality Customer Experience**
 - **Churn Impact:** Satisfied customers are less likely to seek alternatives.
 - **CLV Impact:** Positive interactions lead to repeat business and increased spending.
- **Data-Driven Insights**
 - **Churn Impact:** Proactively addresses pain points to reduce churn.
 - **CLV Impact:** Strengthens customer relationships and drives higher lifetime value.

12. Metrics to Track Improvements

- **Churn Rate:** Monitor the percentage of subscribers canceling their subscriptions to identify retention challenges.
- **Customer Lifetime Value (CLV):** Track the total revenue expected from a customer to evaluate long-term profitability.
- **Customer Retention Rate:** Measure the percentage of customers retained over time to assess the effectiveness of retention strategies.
- **Net Promoter Score (NPS):** Gauge customer satisfaction and likelihood to recommend the service, indicating overall loyalty.

13. Conclusion & Recommendations

- **Key Findings**

- **Customer-Centric Strategies:** Personalization and loyalty programs are crucial for enhancing customer engagement.
- **Diverse Offerings:** A wide range of content or products attracts and retains a broader audience.
- **High-Quality Experience:** User-friendly platforms and proactive support are essential for reducing churn.
- **Data-Driven Insights:** Continuous analysis of customer behavior helps refine offerings and improve satisfaction.
- **Competitive Pricing:** Attractive pricing strategies and bundles influence subscription decisions.

- **Actionable Recommendations**

- **Enhance Personalization:** Use data analytics to deliver tailored recommendations that cater to individual preferences.
- **Develop Loyalty Programs:** Create incentives for long-term subscribers to foster brand loyalty and reduce churn.
- **Improve User Experience:** Focus on creating an intuitive interface and providing excellent customer support.
- **Offer Flexible Plans:** Provide various subscription options to accommodate different customer needs and financial situations.
- **Leverage Data Insights:** Regularly analyze customer feedback and behavior to adjust offerings and marketing strategies.