

THE STATE OF

Subscription Commerce



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INTRODUCTION

The stability of subscriptions

To analyze the state of the industry today, it's crucial to reflect on 2020, a year that sparked monumental change for ecommerce merchants. As many people spent more time at home than ever before, consumer shopping habits shifted dramatically.

The result: Subscription commerce saw dramatic year-over-year growth across verticals, with new subscribers flocking to the market at unprecedented rates.

The caveat: Brands needed to meet consumers where they were to make the customer experience as seamless as possible.

As we entered 2021 with a stronger grasp on the year behind us, a central question emerged about the future: How would the growth sparked in 2020 shift and change in the long term?

Though we didn't expect to see the same acceleration of growth in the subscription industry continue into 2021, we hypothesized that the year before had made a lasting impact on the industry—one that paved the way for stronger subscriber loyalty.

Humans crave experiences that repeat—especially in uncertain times.

Subscriptions can provide immense stability
for both businesses and consumers

What we found in our analysis all tied back to a pivotal theme: Subscriptions provide stability, for both merchants and consumers. While new challenges continued to emerge, such as logistics, shipping, cost inflation, and higher customer expectations, we observed that many top brands found continued growth in average order value (AOV) and customer lifetime value (LTV), all thanks to loyal subscribers who came to rely on and trust in their recurring offerings.

This report explores the data points behind these trends, providing key takeaways for subscription merchants on how to foster loyalty and consistent growth over time.

“A subscription encourages you to think in terms of nurturing long-term relationships.”

“A subscription encourages you to think in terms of nurturing long-term relationships. Like human relationships, when you prioritize a deeper sense of care and empathy in the ways you act, stability follows naturally.”

—Stephen Tracy, Founder, Keap Candles

How to use this report

In this report, we present key data findings and insights on the state of subscription commerce in 2021.

We aim to equip merchants and their agency partners with a baseline for their business in today's market, as well as the takeaways they need to scale no matter their product offerings, GMV range, or stage of growth.

Read

about the patterns of subscriber behavior and the state of the industry in 2021

Benchmark

your brand's performance against other stores of your size and vertical

Assess

the strategies that can help you optimize your offerings and maximize the staying power of subscriptions

Look ahead

to your long-term potential and develop strategies to future-proof your business

IN SECTION 1:

We dive into the data behind the stability of subscriptions, comparing statistics from 2020 to 2021 across seven different verticals. We also assess the impact of merchants' experience with subscriptions, and examine how 2021's Black Friday and Cyber Monday performance compared to previous years.

IN SECTION 2:

We divide the merchant pool into five distinct cohorts based on annual GMV, then break each down in terms of their top key performance indicators (KPIs) and feature usage. From there, we provide takeaways for each cohort on the tactics they can leverage to scale their business in 2022 and beyond.

Glossary

Access business model

Also referred to as the membership model; a subcategory of the subscription business model where subscribers purchase access to benefits like discounts, exclusive product releases, and gated content.

AOV

Average order value; a key metric representing the average amount of money a customer spends in a single transaction with a merchant

Cohort

A group of individuals sharing a common trait; in this report, merchants are categorized into five different cohorts by annual GMV

Curation business model

Also referred to as the subscription box model; a subcategory of the subscription business model involving collections of products based around a theme

GMV

Gross merchandise value; a key metric representing the total monetary value of all goods and services sold by a merchant in a given period

LTV

Lifetime value; a key metric representing the average amount of money a single customer brings in with a merchant throughout their customer lifetime

MRR

Monthly recurring revenue; a key metric representing the total revenue generated from subscription sales over a one-month period

Replenishment business model

Also referred to as the subscribe-and-save model; a subcategory of the subscription business model involving recurring deliveries of the same consumable products

Same-store sales

A retail metric used to assess the performance of existing stores that excludes new stores, measuring the difference in sales generated from a company's existing stores over a certain period of time to an equal period of time in the past

Transactional SMS

A business strategy where merchants open up a line of communication with their customers via text message about their purchases

Methodology

Over a twelve-month period, we analyzed over 12,000^[1] merchants across the subscription commerce industry, cumulatively serving over 25,000,000 customers.

We compared data from 2020 with data from January 1–December 31, 2021 with a focus on same-store sales (stores that existed both at the end of 2020 and at the end of 2021, removing stores that began their subscription journey in 2021) to give a holistic view of year-over-year growth and trends.

Each of the merchants studied in this report use Recharge to offer physical subscriptions to their customers (following the access, replenishment, and curation models), meaning subscribers receive something tangible for their purchase.

In analyzing these merchants, we keyed into seven product verticals and five GMV cohorts. Data was pulled with a focus on the change, or delta, in several performance metrics, including LTV,^[2] AOV, customer retention, and overall customers, to highlight areas of growth.

In order to simplify data visualizations, data calculations have been rounded to the nearest percent, dollar, or notable interval.

[1] These 12,000 merchants are a subset of the total count of Recharge merchants.

[2] Average lifetime value of a customer is defined here as average customer value (ACV): lifetime revenue / number of customers.

Demographics

We analyzed over **12,000 merchants** serving **25 million** total customers across **192 countries**.

VERTICALS

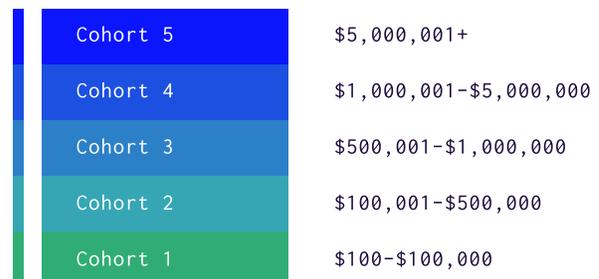
Seven categories based on product type



*Other includes merchants with offerings like curated boxes of hobby items, lawn care products, items for outdoor activities, and more.

COHORTS

Five groups based on annual GMV range



SECTION 1

2021's impact on subscription commerce

From the droves of new subscribers that flooded the ecommerce market in 2020, a group of particularly valuable, devoted customers emerged in 2021.

Subscribers were spending more and staying on in higher numbers, driving steady month-over-month retention and year-over-year growth for merchants.

Even as brick-and-mortar stores reopened and many consumers resumed their pre-2020, in-person shopping habits, subscription ecommerce saw continued growth. And though the curve wasn't as steep as the dramatic increases of the previous year, it was steady and consistent across all verticals and GMV cohorts.

These continued behavior changes indicate a lasting market shift toward recurring products and services. Not only were subscription merchants able to maintain the unprecedented AOV, LTV, and MRR of the previous year—they were also able to build upon those metrics.

Vertical findings

In our vertical analysis, we focused on seven key categories: Beauty & Personal Care, Fashion & Apparel, Food & Beverage, Health & Wellness, Home Goods, Pets & Animals, and Other (which includes merchants with offerings like curated boxes of hobby items, lawn care products, items for outdoor activities, and more).

What we uncovered: A significant portion of customers who purchased subscriptions for the first time in 2020 exhibited lasting behavior changes in 2021. Subscriptions became more than something new to try—they became a reliable part of consumers' daily lives.

Comparing data from 2020 to 2021, we measured growth in each vertical by the following KPIs: overall customers, average subscriber growth for new stores in 2021, AOV, LTV, MRR, and customer retention.

Subscriptions became more than something new to try—they became a reliable part of consumers' daily lives.

2021 subscribers by vertical



When combined, the customers in the Beauty & Personal Care and Food & Beverage verticals accounted for the majority of 2021's subscriber pool.



Overall customers

In 2021, thanks to a steady influx of net new subscribers, existing subscription brands grew their overall customer base by an average of 31% across verticals.

Every vertical saw increases in overall customer count year-over-year. Leading the pack for the highest levels of growth were **Pets & Animals** (64%), **Food & Beverage** (41%), and **Home Goods** (39%).

While **Beauty & Personal Care** brands grew their overall customer base at a slightly more modest average of 25%, they continued to hold among the highest overall customer counts of any vertical. As merchants in this vertical experienced a massive 120% increase in subscribers and a 30% increase in LTV in 2020, their ability to continue to top the charts for overall customer counts suggests that Beauty & Personal Care offerings are resonating with consumers in the long term.

31%

Average growth in overall customers



Average monthly subscriber growth

Despite facing an unprecedented ecommerce landscape, existing stores in 2021 saw substantially increased year-over-year growth across verticals.

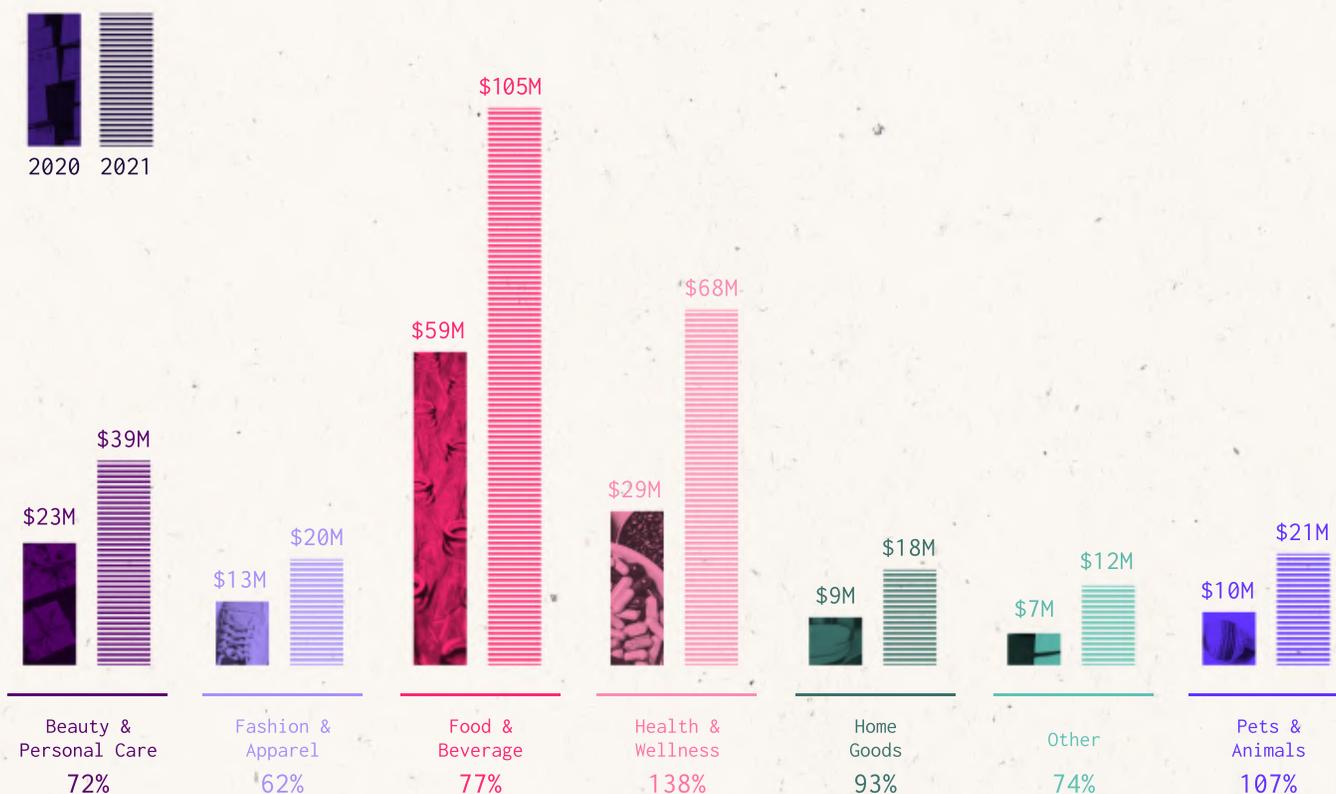
Pets & Animals merchants topped the charts with a 75% increase in average monthly subscribers in 2021 compared to 2020. Even the verticals with the smallest relative increases, **Beauty & Personal Care** and **Fashion & Apparel**, each achieved 27% average monthly subscriber growth in 2021 compared to 2020.

More than ever before, customers were willing to take a chance on subscriptions in 2021—showing that consumers are embracing subscriptions in their day-to-day lives.

43%
Average monthly subscriber growth YOY



MRR (monthly recurring revenue)



MRR (monthly recurring revenue)

Recurring revenue is the lifeblood of subscription businesses, making MRR one of their most important performance indicators. Looking at the growth of existing stores between 2020 and 2021, MRR increased across verticals. Standing apart from the rest was **Health & Wellness** at over 138% MRR growth, suggesting that consumers were increasingly relying on subscriptions for their self-care and wellness routines.

2020 saw a huge influx of pet adoptions, and new subscribers flocked to the vertical that year to care for their new four-legged family members. In 2021, data showed that **Pets & Animals** merchants experienced continued growth, with MRR increasing by 107% year-over-year. Despite showing lower percentages of year-over-year growth in other categories, **Home Goods** merchants increased MRR by an impressive 93%.

Even the vertical with the smallest relative increase in MRR, **Fashion & Apparel**, jumped up a substantial 62%. Overall, ARR (annual recurring revenue) and MRR increased by roughly 89% year-over-year in 2021.

"Subscriptions go hand-in-hand with [our customers'] regular health and wellness routines."

"With subscriptions, our customers are now able to ensure their vital supplements arrive on time while also taking advantage of our discounted subscription pricing. Subscriptions go hand-in-hand with their regular health and wellness routines."

—Taylor Morris, COO, Better Way Health

AOV (average order value)

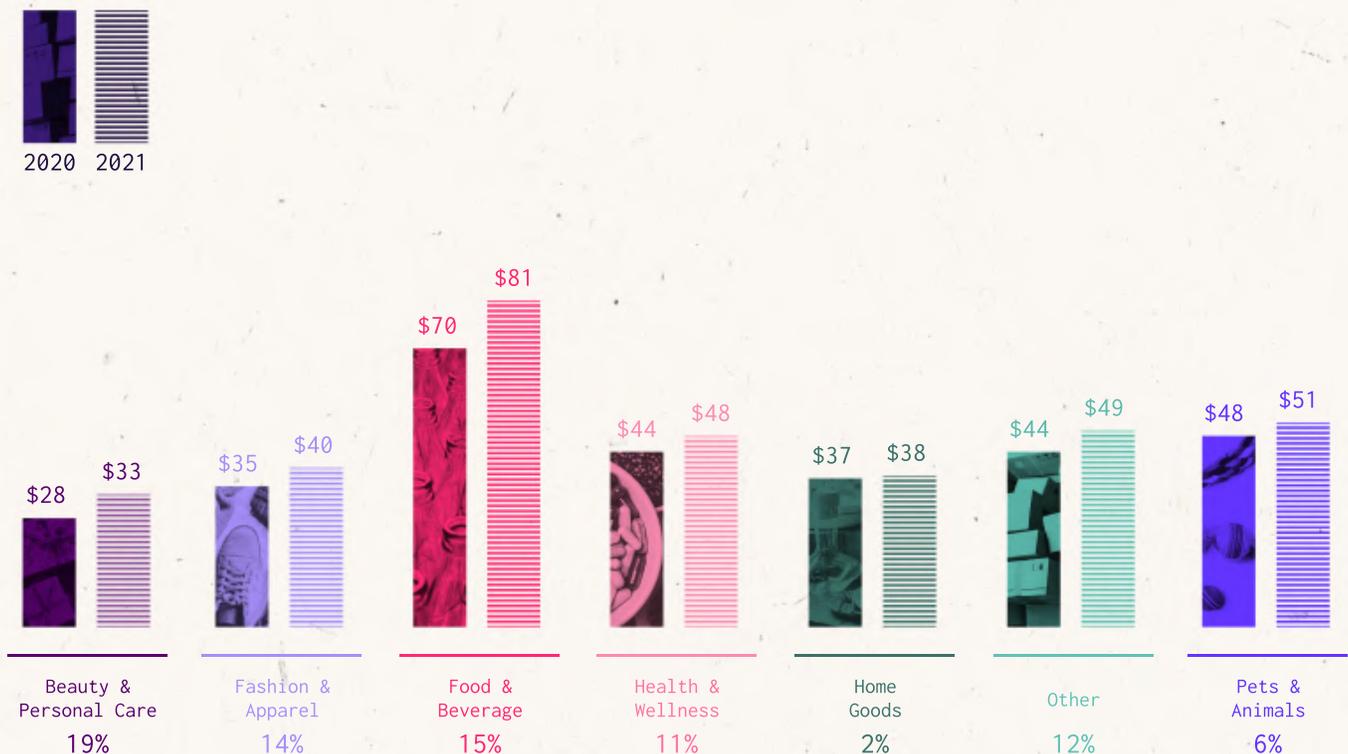
For subscription brands, the value of AOV goes beyond the average amount a customer spends in a single transaction.

Depending on the merchant, year-over-year growth in AOV can be an indicator that certain product offerings, like one-time purchase options or subscription upgrades, are resonating more deeply with customers. While all seven verticals experienced AOV growth in 2021, this varied significantly among categories.

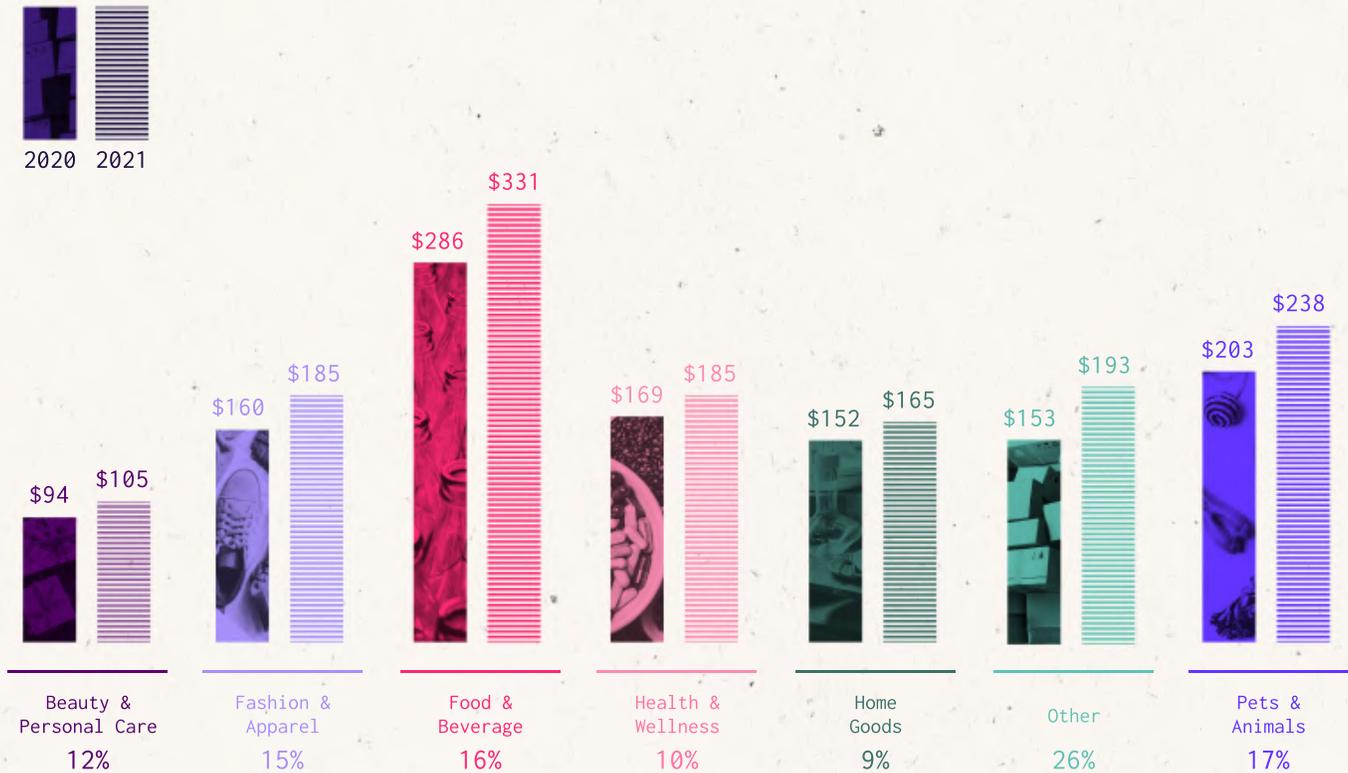
Though **Home Goods** merchants achieved the lowest AOV growth at 2%, the slight increase reflected something significant: that these subscriptions continued to resonate with customers despite a return to many activities outside the home in 2021.

Meanwhile, AOV for **Beauty & Personal Care** grew 19%, followed by **Food & Beverage** (15%) and **Fashion & Apparel** (14%). Across verticals, AOV grew 11.2% year-over-year.

AOV (average order value)



LTV (lifetime value)



LTV (lifetime value)

When assessing the longevity of subscription offerings, LTV is a crucial consideration. Because this metric represents the average amount a subscriber spends with a business across their entire tenure with a merchant, year-over-year LTV growth can be a leading indicator of strong customer loyalty.

Like AOV, LTV for existing stores increased across the board in 2021, but varied considerably from vertical to vertical. This ranged from 9% year-over-year growth for **Home Goods** to 17% for **Pets & Animals** merchants and 26% growth for merchants in the **Other** category. Overall, LTV increased by roughly 15% between 2020 and 2021.

“Our strongest customers with the highest LTV subscribe to products”

“One of the many benefits of our subscribe-and-save option is the consistent monthly revenue. Our strongest customers with the highest LTV subscribe to products, allowing us to better forecast sales and inventory.”

—Bunny Ghatrora, Co-Founder & COO, Blume



MOST POPULAR

Customer Support

AREA FOR OPPORTUNITY

SMS

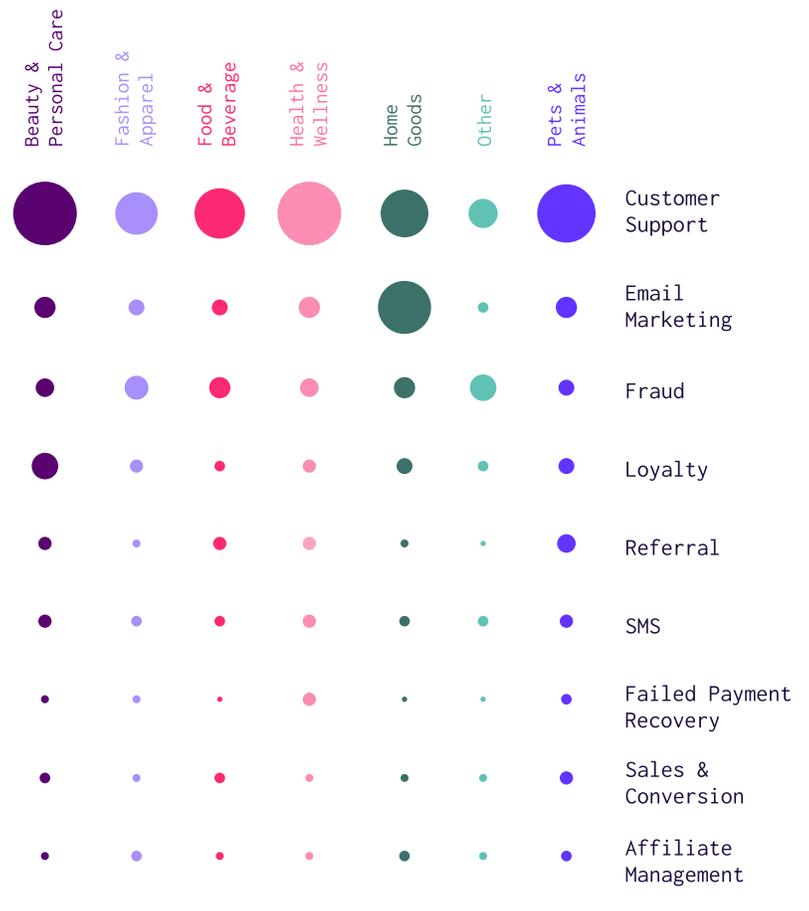
Research shows that enabling SMS communication can increase customer LTV by up to 30%

Top integrations

Breaking down popular ecommerce integrations into nine different groupings, we discovered that Customer Support integrations were the most widely-used category across verticals. Within that category, **Beauty & Personal Care**, **Health & Wellness**, and **Pets & Animals** brands stood apart from the rest, with over 20% of merchants in each category using this feature type.

Home Goods brands vastly surpassed other verticals in their usage of email marketing integrations. Roughly double the merchants in this vertical used this feature type compared to other verticals' usage.

SMS revealed itself to be a key area for optimization across verticals, as usage of this feature type remained relatively low at less than 5% usage among merchants. Research shows that enabling SMS communication can increase customer LTV by up to 30%, making these tools a natural fit for merchants looking to form long-term subscriber relationships.



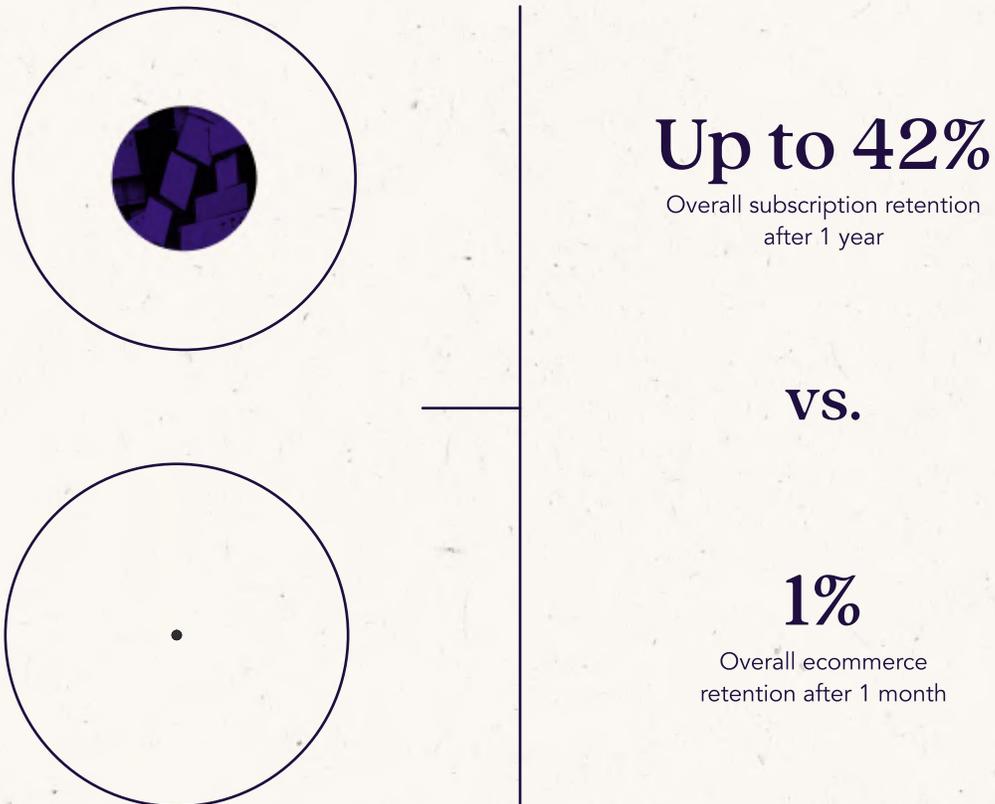
Customer retention findings

Retention is essential for any business, but for subscription merchants, this metric serves as a particularly stabilizing force. After all, retained customers continue to contribute recurring revenue, the unique fuel of this business model. Increased retention lays the groundwork for increased LTV and can be an indicator of brand affinity and customer loyalty.

In our analysis, we found that month-over-month retention rates between 2020 and 2021 were fairly consistent. Particularly in the first few months, a critical window to win over subscribers and make a positive first impression, many merchants succeeded in establishing strong, trusting customer relationships.

Even after 12 months, depending on the vertical, up to 42% of loyal subscribers were consistently staying on with merchants. In comparison, ecommerce in general has an average monthly user retention rate of 1%.^[1] Once again, subscriptions—particularly this core group of loyal subscribers—proved to be a stabilizing force for merchant performance.

[1] According to Mixpanel's [2019 Product Benchmarks Report](#), p. 4



KEY TAKEAWAY

Tap into the wisdom of your most loyal customers

Though some amount of churn is normal and expected for any business, the key is to track retention over time, see how it evolves and changes, and pivot your strategies when needed.

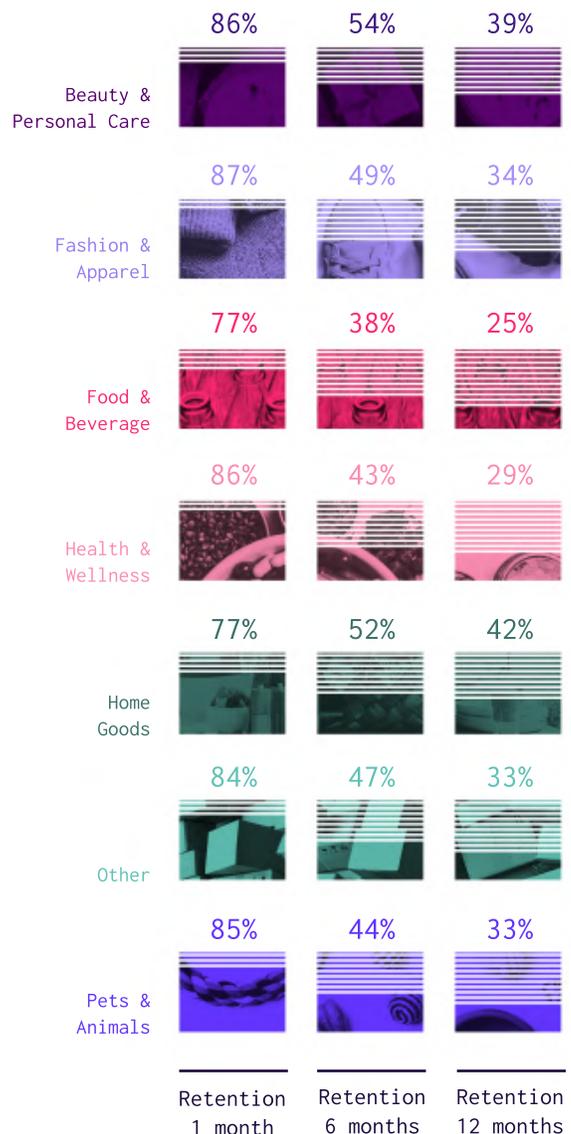
To nurture lasting relationships with your subscribers, tap into the wisdom of your most loyal customers: those who have stuck with your brand after a full year. Seek out their feedback so you can pinpoint why they've stayed with your business and how you can keep them and others coming back.

Customer retention by vertical

Breaking down customer retention rates by vertical, we found that **Home Goods** had the highest 12-month retention rate at 42%, well above the average across verticals. This could in part be due to the large number of merchants in this category who follow the replenishment business model, sending household necessity products that their subscribers use on a regular basis.

Food & Beverage, meanwhile, appeared to be the most volatile vertical in terms of long-term customer retention, with a lower 12-month retention rate than any other vertical. Merchants in this category frequently offer new subscribers incentives to sign up, such as discounts, free samples, and reduced shipping costs; when these discounts expire, customers may be more likely to churn.

Regardless, Food & Beverage merchants still see the highest LTV, MRR, and AOV of any vertical, making it a potentially high risk but high reward category.



New vs. experienced subscription merchant findings

Subscription merchants entering the Recharge ecosystem fall into one of two categories: new merchants and experienced merchants. The main difference between these two groups lies in their experience with subscriptions. By comparing them, we aimed to gain a sense of how time impacts a subscription offering's scalability.

We observed that new subscription merchants in their first year of subscriptions saw impressive growth: an average of nearly 2,800 active subscribers after one year. Meanwhile, experienced subscription merchants, who had longer periods of time to optimize their business around subscriptions, saw 1,905 more active subscribers than new subscription merchants after one year. These merchants also typically used a more advanced set of integrations, allowing them to fine-tune and personalize the customer experience for their subscribers.

New merchants are those who are offering subscriptions for the first time.

Experienced merchants are those who have migrated from a previous subscription business model.

Average active subscribers

gained after one year



Experienced merchants



New merchants

KEY TAKEAWAY

Continually hone and optimize your offerings

To show such a high level of growth in a relatively short period of time is an impressive achievement for new subscription merchants, and one that shows enormous confidence in their future scalability. Investing in subscriptions provides increasing levels of stability over time: an affirming message for merchants of all experience levels.

Consumers are growing increasingly confident in and comfortable with subscriptions. However, the longer you offer your subscriptions, the better you can get to know your customers and the greater your potential is for scalability. To harness these benefits, you must optimize your offerings in tandem with your customer feedback.

By continuing to adjust your offerings to accommodate your changing subscriber base over time, you can maximize the power of recurring revenue for your store and set the stage for continued growth.



New merchants

Experienced merchants

Month-over-month growth rate

As with year-over-year active subscriber counts, average customer growth rate between months one and two increased for both new and experienced subscription merchants. For experienced subscription merchants, this month-over-month growth was significantly higher at 78%, compared to new subscription merchants' 24% growth.

While experienced merchants start with more subscribers than those who are new to subscriptions, they also acquire customers at much higher rates.

KEY TAKEAWAY

Future-proofing your business starts with your first impression

New subscription merchants can look to the dramatic growth rates of experienced subscription merchants for a glimpse of their future potential. Once again, offering subscriptions for longer periods of time proves to be a major asset in maximizing the benefits of the business model—even from a merchant's very first month with a subscription management solution.

Especially for merchants who are new to subscriptions, future-proofing your business starts with your first impression. From the moment you launch your subscriptions, communicate your value proposition as clearly as possible to encourage customers to join you for the journey in the long term.



Black Friday & Cyber Monday findings

To gain a complete picture of the state of subscription commerce in 2021, it's crucial to look not only at overall trends, but also outlier periods: specifically, Black Friday and Cyber Monday. All brands know that this time, often seen as retail's world championship, is key for spikes in web traffic, sales, and new customer acquisition. In our analysis, we uncovered some intriguing trends in the behavior of both subscribers and merchants.

For one, the vast majority of customers purchased subscriptions alone, rather than one-time purchases or a combination of subscriptions and one-time purchases.

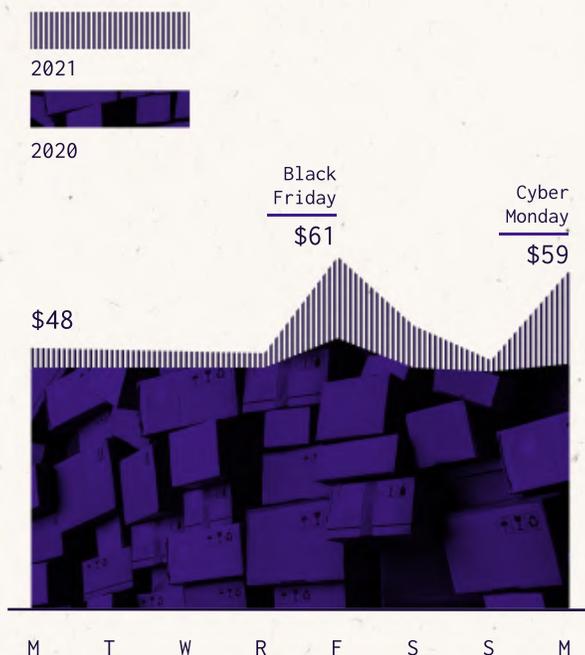
On the merchant end, we observed that discounts began sooner and lasted through Cyber Monday, creating the effect of a Cyber Week rather than two individual days.

Overall, we saw that while subscriber growth during this period decreased slightly in 2021 for the majority of merchants compared to 2020, year-over-year GMV and AOV for existing stores both increased significantly, with each showing 19% growth. Compared to the intense spikes in growth on Black Friday and Cyber Monday in 2020, 2021 saw more modest but impactful increases in subscribers during this period than would typically be seen on an average day.

Once again, subscriber loyalty appeared to rise to new heights, even as year-over-year subscriber growth for Black Friday and Cyber Monday decreased slightly. On the whole, merchants processed more overall and per transaction during this period, making the customers behind those transactions all the more valuable.

“Merchants can build lasting and genuine relationships with customers”

AOV for Black Friday/Cyber Monday week



"Subscriptions build in natural opportunities for customers to return to your brand. In this way, the recurring revenue model leads to greater stability with a predictive revenue stream. Through subscriptions, merchants can build lasting and genuine relationships with customers, providing mutual benefits to both parties and increasing lifetime value."

—Thomas McCutchen, Founder & CEO, Scoutside

SECTION 1 CONCLUSION

From monumental change to sustainable growth

What began as a boom in subscription commerce in 2020 gave way to sustained growth in 2021. Across product types, subscriptions weren't just short-term fixes for new problems—they proved to be long-term solutions that could be trusted in and relied upon.

And as new subscribers steadily joined the market, a core group of particularly loyal customers emerged, proving to be a key area of focus as they drove significant portions of merchant growth. However, vertical and the maturity of subscription offerings aren't the only factors that impact a merchant's unique needs or performance.

In the next section, we'll dive deep into how a merchant's annual GMV range impacts their KPIs, and unearth key takeaways for merchants in every range to maximize the benefits of their subscriptions.

“Our subscription increases our customer lifetime value significantly”

“Our subscription increases our customer lifetime value significantly, and allows us to build a stronger loyalty program and community around our product by fostering long-term meaningful relationships with our core customers.”

—Lisa Mastela, Founder & CEO, Bumpin Blends

SECTION 2

Performance & GMV range

When it comes to merchant performance, the importance of year-over-year GMV trends can't be overlooked. While it should always be studied in the context of other KPIs to give a complete picture of the health of a business, GMV directly impacts a merchant's available resources, which then inform everything from business strategy to integrations. And while most merchants compare themselves only to others in their vertical, meaningful opportunities for growth and optimization are often found by comparing merchants of a similar or slightly larger GMV, regardless of vertical.

In our analysis, we broke down our merchant pool into five different cohorts by annual GMV. For Cohort 1, this ranged from \$100–\$100,000; for Cohort 2, \$100,001–\$500,000; for Cohort 3, \$500,001–\$1,000,000; for Cohort 4, \$1,000,001–\$5,000,000; and Cohort 5, \$5,000,001+.

From there, we measured performance in each cohort in terms of AOV, LTV, top integrations, subscriber growth, customer retention, and flexible purchase options.

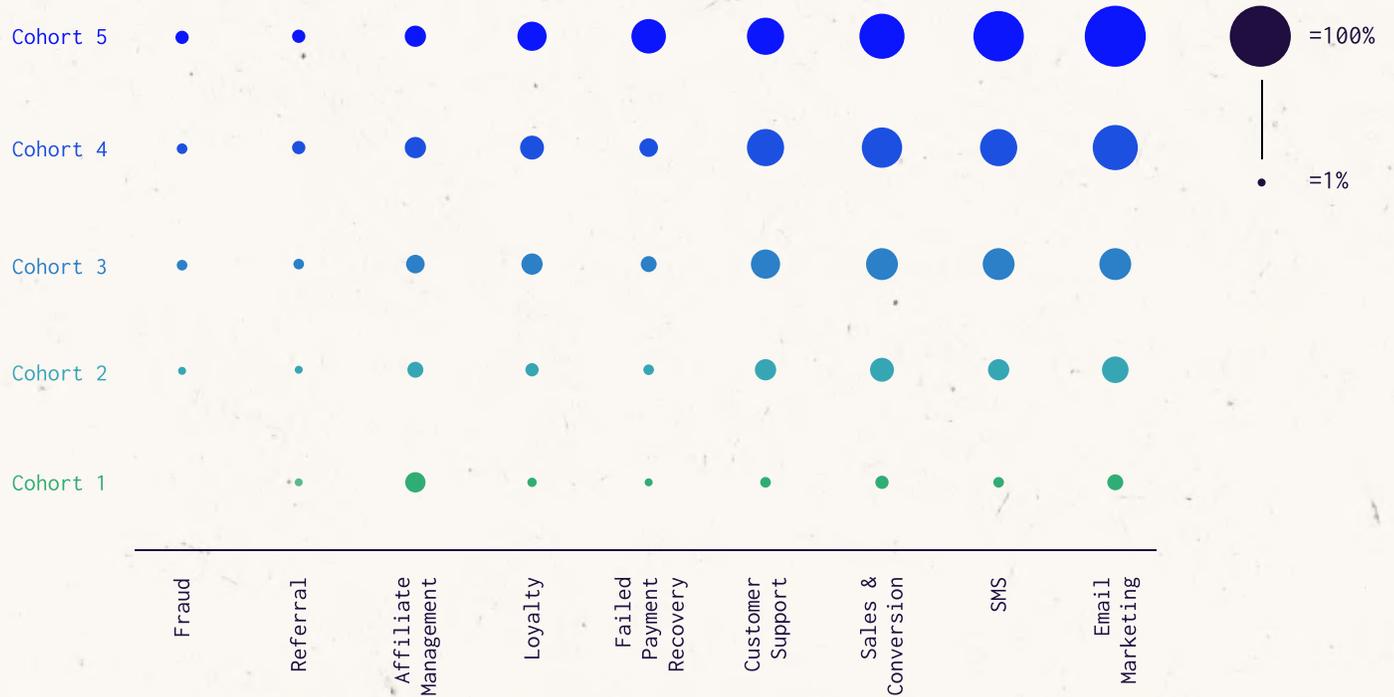
We discovered that performance didn't always neatly align with a merchant's GMV range. In fact, merchants in lower GMV ranges often outperformed their counterparts with higher GMV in certain KPIs.

This, in turn, illustrates the fact that each cohort must take a unique approach to drive sustainable growth and maximize the stabilizing effect of subscriptions.

COHORTS

Five groups based on annual GMV range

Cohort 5	\$5,000,001+
Cohort 4	\$1,000,001–\$5,000,000
Cohort 3	\$500,001–\$1,000,000
Cohort 2	\$100,001–\$500,000
Cohort 1	\$100–\$100,000



Top integrations

In our analysis, we compared integration usage across cohorts, breaking this down into nine different categories of commonly-used features.

We discovered that in general, the higher a merchant’s annual GMV was, the more integrations they tended to utilize. Across cohorts, the integration category with the highest average usage was email marketing. In fact, in the cohort with the highest annual GMV, Cohort 5, 100% of merchants utilized this feature type.

In 2021, more than 75% of merchants with more than \$5 million in annual GMV utilized SMS integrations.

SMS integrations proved to be another powerful category for Cohort 5. In fact, over 75% of these merchants utilized this feature type, while usage remained minimal for merchants in Cohort 1.

However, we saw massive percentage increases in integration usage between Cohorts 1 and 2, particularly in customer support tools.

“Having a well-integrated tech stack allows us to create a seamless experience”

“The bigger our merchants are, the more third-party apps and tools we get to work into their overall experience. While it can be challenging to put together, having a well-integrated tech stack allows us to create a seamless experience across the entire customer journey. For improving retention in 2022, RechargeSMS enables customers to manage their subscriptions entirely via text. Even better, if the customer runs into any issues, we’re able to integrate it with over five different customer support platforms, which allows our client’s support teams the ability to respond in real-time to customer inquiries.”

—Brandon Amoroso, Founder & CEO, electrIQ Marketing



rechargeSMS

For merchants, the benefits of RechargeSMS include:

30%

potential increase in LTV by allowing subscribers to manage their orders via text

\$130,000

in potential annual savings on customer support through automation

Skip & swap

with ease, empowering subscribers to manage their orders from their messaging app

KEY TAKEAWAY

Do the math for your business

As we saw in Section 1 with new versus experienced subscription merchants, it appears that as merchants continue to mature and grow their business, they develop a greater need for integrations. Conversely, merchants who don't strategically utilize integrations are often leaving money on the table and missing opportunities to level-up their business.

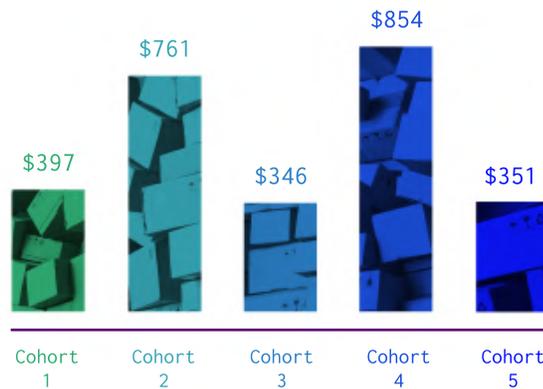
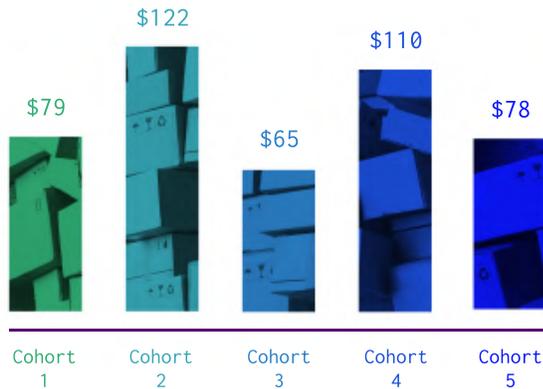
A key example of this lies in failed payment recovery services. On average, merchants lose 10% of their revenue to failed payments, which can occur for reasons as simple as forgetting to update credit card details. What's more, failed payments are one of the main contributors to passive churn, meaning customers leave without actively cancelling their service.

Keeping this in mind, it's crucial to do the math for your business. If the amount of money that would be lost for your business equates to more than what it would cost to integrate with a failed payment recovery system, it's well-worth your resources to weave that functionality into your tech stack.

Other key integrations to look at are SMS tools, which allow customers to engage with your brand and manage their orders from their mobile devices. Studies show that merchants can increase the LTV of a subscriber by up to 30% by enabling SMS communication; however, Cohort 1 showed very limited usage of SMS integrations.

Considering Cohort 1's more modest annual GMV, a valuable strategy for merchants in this group to consider is implementing tools like RechargeSMS. This transactional SMS tool is free to use for all Recharge merchants—a low risk but high reward strategy for increasing customer engagement, brand loyalty, and LTV.

AOV & LTV



KEY TAKEAWAY

Reward your most valuable subscribers

Though customers in Cohort 4 spent more throughout their entire customer lifetimes, they also saw the greatest dropoff in 12-month customer retention. With the second-highest AOV of any cohort, these customers are typically spending vastly more per transaction, but not necessarily sticking around long term. Therefore, for merchants in this GMV group, it's particularly important that you focus your efforts on cultivating customer loyalty. Consider integrations geared toward loyalty or referral programs, rewarding your most valuable customers for their purchasing behavior and encouraging them to stick with your business.

AOV

One KPI that did not show a meaningful correlation to GMV in 2021 was AOV. While Cohort 5 represents the highest GMV group and serves an overwhelmingly high percentage of total subscribers, AOV for Cohort 2 was significantly higher at \$122 versus Cohort 5's \$78. Looking deeper into Cohort 2, we discovered that 42% of its merchants fell into the Food & Beverage category, the vertical with the highest AOV.

LTV

As seen with AOV, Cohorts 1, 2, and 4 all surpassed Cohort 5 for the highest levels of LTV.

Leading the pack was Cohort 4 with \$854 LTV. This could be attributed in part to the cohort's merchant makeup: The Food & Beverage and Health & Wellness verticals comprise the majority of its merchants. Each of these verticals experienced significant spikes in customer growth in the second half of 2021.

Subscriber growth

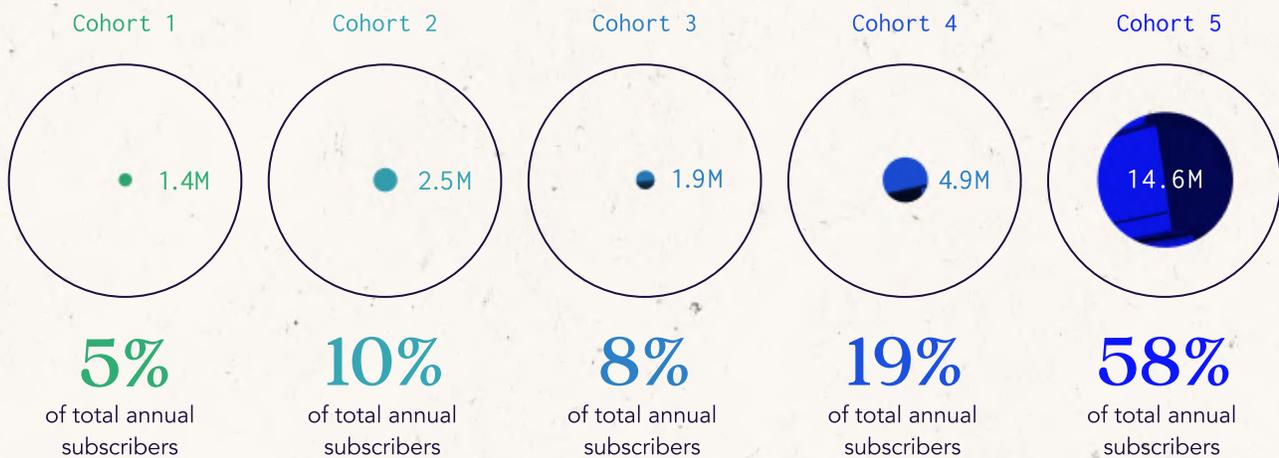
Subscriber growth takes into account any changes to the size of a merchant's customer base. Here, we look at annual subscriber growth, as well as the average number of new subscribers merchants gained each month.

“Our loyal subscribers provide us with a steady flow of orders and monthly revenue.”

“In a world full of uncertainty, our subscription programs and our loyal subscribers provide us with a steady flow of orders and monthly revenue. Our overall business grew in 2021 and our subscription programs continued to expand and delight our customers.”

—Thatcher Wine, Founder & CEO, Juniper Books

Annual subscribers

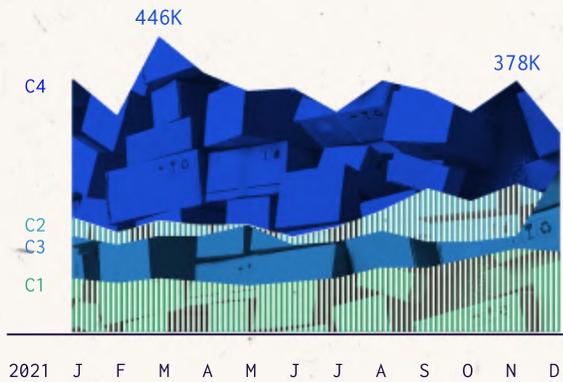


As expected, the cohort with the highest annual GMV, which often includes large brands with extreme consumer popularity, showed the highest annual subscriber counts. The remaining cohorts generally followed this trend. However, instead of subscriber counts evenly increasing by cohort, Cohorts 4 and 5, made up of very large, established brands, vastly surpassed the rest.

Once merchants get to this stage of GMV, they typically have the resources to dramatically expand their customer bases through marketing campaigns, converting one-time purchasers to subscribers, and more. After all, each subscriber, whether gained or lost, accounts for a portion of your recurring revenue stream, which empowers your business with greater stability and reliability.

Net new monthly subscribers

With an average of over 1.3 million net new subscribers per month, Cohort 5 dwarfs Cohorts 1–4. Therefore, for this analysis, we'll take a closer look at the first four cohorts.



Cohorts 1 and 3 each had fairly steady monthly new subscriber counts until the latter months of 2021. At that point, these numbers began to increase for both groups through the end of the year, even more dramatically so for Cohort 3. Cohorts 2 and 4, meanwhile, experienced more hills and valleys in monthly new subscribers throughout the year—particularly sharp for Cohort 4.

KEY TAKEAWAY

Balance acquisition strategies with retention efforts

While acquiring new customers is important for any business, it's particularly important that subscription merchants not lose sight of their existing customers. After all, each subscriber, whether gained or lost, accounts for a portion of your recurring revenue stream, which empowers your business with greater stability and reliability.

Particularly for merchants in the cohorts with the sharpest spikes in new subscribers, such as Cohort 4, it's important to balance your acquisition strategies with retention efforts.

Focus on creating a seamless and convenient experience for your subscribers, with as much built-in flexibility as possible.

The happier your existing customers are with your brand, the more they'll spend with you and the longer they'll continue to purchase from you. Ultimately, this increases your LTV and maximizes the stabilizing benefits subscriptions can offer your brand.

Flexible purchase options

by GMV cohort

Skips

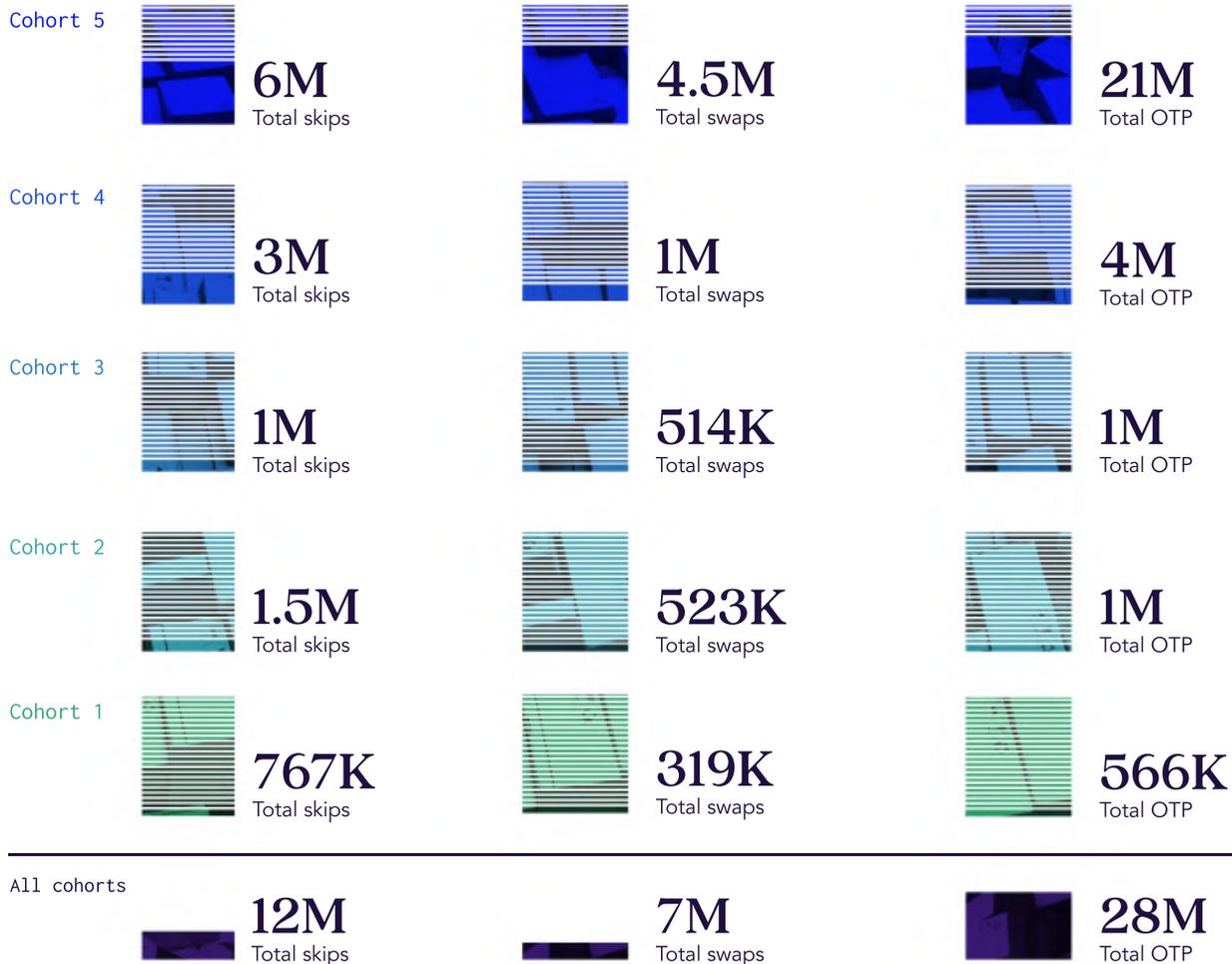
allow subscribers to cancel a single delivery if they have too much product, are going out of town, or just need a quick break

Swaps

allow subscribers to change certain items in their order so they get the exact products they want—e.g. swapping to a different flavor

One-time purchases

allow subscribers to purchase single items alongside their recurring orders so they don't have to commit to a subscription for every product



In 2020, we found that merchants who offered flexible purchase options like delivery skips, product swaps, and one-time purchases increased AOV by an average of 6%. In 2021, we saw customers continue to take advantage of these purchase options, showing that flexibility is still a major priority for subscribers in every cohort.

On average, customers who utilized product skips did so three times throughout the year across cohorts, while customers who utilized product swaps did so two times throughout the year. Customers who utilized one-time purchases also did so an average of two times throughout the year across cohorts, with the exception of Cohort 5, whose customers averaged nearly three one-time purchases per year.

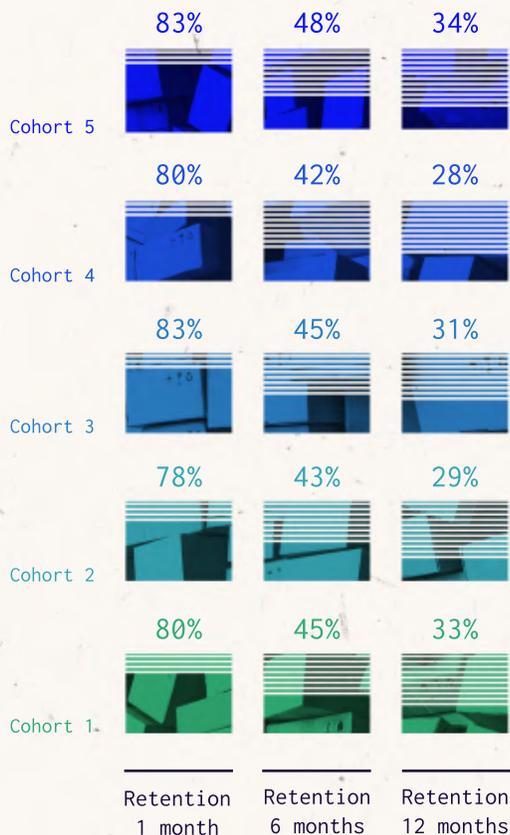
KEY TAKEAWAY

Empower your customers with easy subscription management

Flexible options, like skipping, swapping, and adding one-time purchases, allow subscribers to customize their experience with you, increasing engagement, customer satisfaction, and AOV. Regardless of your GMV range, first, be sure to offer these options to your customers. But next, and equally important: Educate your customers that these options exist so they can take advantage of them as much as they need to.

Finally, think critically about the ways you allow your customers to manage their own subscriptions with you. Make sure you're meeting them on their terms and empowering them with options like transactional SMS or an engaging customer portal experience. Once you've educated your customers about these flexible subscription management options, you can offer them a predictable, reliable experience—one they can weave into their regular routines.

Customer retention



Customer retention by GMV group

When it came to retaining customers, Cohort 5 led the pack, with higher retention rates after months 1, 6, and 12. Cohort 1 followed closely behind in terms of 12-month retention—an interesting development, as this group is composed of a vastly higher percentage of new subscription businesses than any other cohort.

Cohorts 2 and 4, meanwhile, saw the greatest amounts of customer churn after months 1, 6, and 12. This could be attributed to the fact that both of these cohorts had large percentages of Food & Beverage merchants, who had the lowest customer retention of any vertical.

KEY TAKEAWAY

It's never too early to start thinking about retention

Customer retention is an ongoing battle for any retail merchant, and subscription brands are no exception. With a saturated market of similar merchants, and offerings that speak to customers at varying levels, it can be a challenge to keep them engaged long term. Therefore, it's important to start thinking about your retention tactics from day one. Finding ways to continuously offer personal value to your customers is essential to keeping them in the long run.

Utilize integration tools specifically geared toward retaining customers (both by passive and active churn reduction). Additionally, educate customers on the options to use flexible purchase options (skipping, swapping, and purchasing one-time add-ons) to meet them where they are, mitigate any fear of subscription commitment, and make it easy for them to engage with you.

Cohort challenges & opportunities



Cohort 1 | \$100–\$100,000 in annual GMV

Challenges

Merchants in Cohort 1, a vast group that spans all verticals, generally have less recurring revenue than other cohorts, and therefore **less financial capital**. This can in turn limit their ability to invest in new technologies, build custom subscription use cases, and scale in employee count. With smaller teams and fewer resources to draw from, these merchants may find greater challenges in building out strategic plans for their subscriptions.

Opportunities

While their annual GMV was lower than any other group's, month-over-month subscriber growth for merchants in Cohort 1 increased steadily, particularly in the later months of 2021. To maximize this growth potential, it's crucial that these merchants work within their budgets to **build an optimized tech stack** geared toward enhancing the customer experience. A natural first step: implementing the low-hanging fruit like RechargeSMS, a free tool for all Recharge merchants that can help increase customer engagement and LTV through transactional texts.



Cohort 2 | \$100,001–\$500,000 in annual GMV

Challenges

The major challenge for merchants in Cohort 2 lies in **customer retention, particularly over longer periods of time**. This group showed the second-lowest subscriber retention rate at the end of a 12-month period, which could be attributed to its high percentage of Food & Beverage merchants—a vertical with typically high churn. These factors can jeopardize customer loyalty, LTV, and recurring revenue if not properly addressed.

Opportunities

To foster long-term growth and brand trust, merchants in Cohort 2 should focus on **showing value to their customers** beyond their subscriptions' introductory period. This can be done by thinking thoughtfully and intentionally about any discounts on the first few deliveries, working strategically to avoid a customer behavior pattern where subscribers churn out after taking advantage of reduced pricing. It's also important to make subscriptions as flexible as possible, empowering subscribers to easily skip shipments or swap products so they can get the most out of each delivery. Finally, it can be valuable to invest in failed payment recovery solutions to mitigate passive churn.



Cohort 3 | \$500,001–\$1,000,000 in annual GMV

Challenges

Cohort 3 showed the **second-lowest annual subscriber counts** of any other group in 2021. And while their annual GMV stands apart from Cohorts 1 and 2, they lack the resources of Cohorts 4 and 5 that would allow them to implement a more robust, customized tech stack.

Opportunities

Thinking critically about **sustained, long-term subscriber growth** is crucial for merchants in Cohort 3, particularly those that launched their subscriptions in 2021. These brands should consider dedicating resources to a referral integration that can help cultivate steady and meaningful subscriber growth. Additionally, it's key to focus on meaningful retention strategies, such as easy and intuitive skipping and swapping features, to keep existing customers coming back.



Cohort 4 | \$1,000,001–\$5,000,000 in annual GMV

Challenges

Although their annual GMV is vastly higher than that of Cohort 2, merchants in Cohort 4 also struggle with **subscriber retention and loyalty**. After months 6 and 12, Cohort 4 had the lowest customer retention rates of any cohort.

Opportunities

Merchants in Cohort 4 are on the precipice of the group with the highest GMV. In order to scale to that next level, it's key to **focus on retention efforts**. These can include clearly communicating value propositions, specifying any flexible product options, and empowering customers to manage their own subscriptions with ease. By nurturing new customers beyond their first few orders, merchants can set the stage for reduced churn and sustainable, long-term growth.



Cohort 5 | \$5,000,001+ in annual GMV

Challenges

The challenge for merchants in Cohort 5 is **keeping their subscribers engaged** throughout their customer lifetime. While their overall subscriber counts remain sky-high, their LTV is among the lowest of any cohort. Additionally, a much smaller percentage of this group's customers take advantage of skipping a delivery, which could put them at greater risk of active churn.

Opportunities

With over \$5 million in annual GMV each, merchants in Cohort 5 have many more resources to draw from. This doesn't just mean financial capital—it also means a colossal group of subscribers whose behavior and feedback can be studied to inform overall strategy.

Customers want to feel seen and understood. Therefore, it's important that merchants **solicit the feedback of their most engaged subscribers**: those who frequently rate products, swap flavors, or add one-time purchases to their order.

If a merchant is already offering flexible options like skips, swaps, and one-time purchases, they should be sure that their customers are aware of these options. This can be achieved by crafting clear and concise messaging educating them about their options to customize their subscriptions, and making this process as intuitive as possible to increase engagement among subscribers.

SECTION 2 CONCLUSION

Steady wins the race

One of the greatest assets of subscriptions is their ability to foster lasting, dependable relationships between merchants and customers. In 2021, we saw this stabilizing effect play out in subscription commerce as a whole, with 2020's vast spikes in growth giving way to a more modest, consistent, and predictable trajectory.

To take advantage of the stabilizing force that subscriptions provide, it's key to establish a baseline for your business not just in terms of your product types, but also regarding your annual GMV range. In this way, you can gain a deeper and more accurate picture of where you currently stand, as well as your strategies for scaling in the future. Looking at the tactics used by cohorts with higher annual GMV can help you form a north star to march toward, informing your big picture strategy for scalability.

If there's one thing we've learned in the past two years, it's that the world is unpredictable—but stability can be found in meaningful relationships.

As we continue moving forward in 2022 and beyond, we predict that the merchants who know themselves, and their customers, in the deepest and most nuanced ways will be able to predict their performance with the greatest accuracy and set the stage for the longest-lasting customer relationships.



We help you turn transactions into relationships.

Recharge is the leading subscription management solution, helping ecommerce merchants of all sizes launch and scale subscription offerings. Recharge's subscription billing and payment management solutions are designed to help merchants grow by increasing revenue and customer lifetime value while reducing operating costs and churn. Today, Recharge powers subscriptions for more than 50 million subscribers across 15,000 merchants.

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