



The DTC Handbooks

Scaling Your Subscriptions



ReCharge



From Our
Partner
Agencies

No matter how you're trying to scale your business, there are key areas you need to focus on: cash flow, systems, and logistics.

Our industry experts walk through scaling a brand new business to your first 1,000 subscribers, all the way to your first 100,000 subscribers and the tactics needed to achieve these milestones—not without some celebration thrown in!

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SUBSCRIBERS

Scale from 1 - 1K subscribers

The key step here is to go big on customer service at a reduced margin. Making sure that every customer has an incredible experience and that they tell others (through reviews and word of mouth) is key. While the margin will be smaller, this is the time to learn what early adopters think and want.



Adam Pearce
CEO at Blend Commerce

First off, make sure you've identified a niche and concept that makes your subscription offering stand out. With no or little budget to put behind marketing, it's time to get creative with how you spread the word about your new business and start attracting subscribers. Consider these tips to get started:

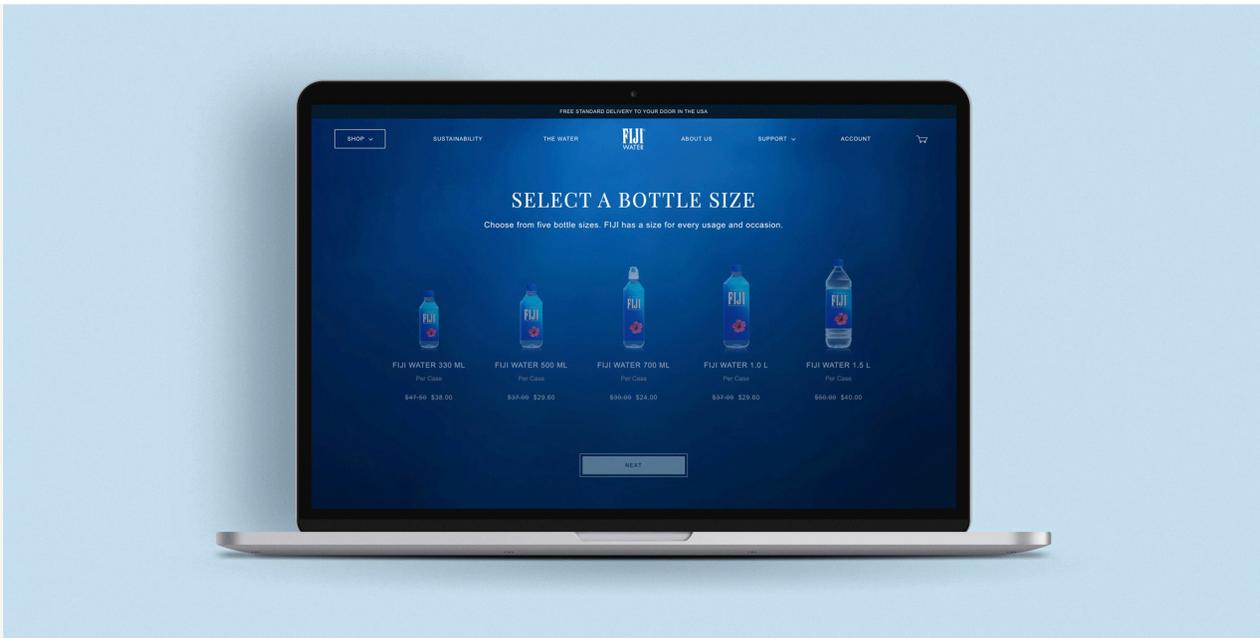
- Create a strong social media presence that aligns with your brand values and target demographic.
- Leverage the power of word-of-mouth - get friends and family involved in creating a buzz online, especially the platforms where your target audience are most likely to hang out.
- Invest some time in SEO - create and publish keyword-optimised blog posts that will drive organic traffic to your online store. This is a great long-term strategy that will pay dividends as you grow.
- Encourage sharing and gifting amongst your core fans with an affiliate program (there are platforms out there to help manage this, such as Refersion).
- Stay active with promotions, giveaways and contests.
- Reach out to influencers and bloggers in your niche for exposure, reviews and unboxing videos.



Matt Abbott

Head of Growth at Swanky

Brands looking to scale and grow their subscription products must solve a customer's need through the product. Zehner's client, Tailored, launched their subscription with a personalized quiz that produces a unique formula for each customer's dog.



Our work with other subscription brands like FIJI Water has also revealed the importance of partnering with ReCharge. Through ReCharge’s platform, brands can utilize analytics to learn which products consumers value.

Brands need to embrace analytics and be adaptable to change based on what those analytics reveal. Pivoting your strategy based on what you’ve learned through analytics sets the stage for continued optimization and growth.



Mick McCarthy
Chief Design Officer at Zehner

The number of unique factors that impact a business’s scalability is just as dizzying as the number of individual companies in existence, making it tough to draw a straight line from 1 to 1k. That said, here are some things to consider:

Ca\$h Money

- Are you starting with some money in the bank to fuel advertising and brand awareness? If yes, it’s relatively straightforward: advertise, advertise, advertise. No one can buy from you if they don’t know you exist. Hire the best team you can afford to help you do it.

- If you're starting with fewer pennies in the till, all is not lost! You'll just have to focus more on organic growth: social media, loyalty and referral programs, word of mouth, sending free products to people you know, etc. While most of it will be on you, remember that sometimes it makes more financial sense to hire an expert in a particular field instead of trying to do everything yourself.

Systems

Regardless of your cash status, closing the loop on the customer journey and retention is critical to scalability. Three key factors to get off to a good start are:

- **ReCharge (duh)** - Pay very special attention to the Customer Portal and your reporting tools. Inaccurate reporting doesn't get better with growth and snowballs quickly.
- **Klaviyo (email + SMS marketing)** - Establish and maintain good communication with the customer. Stay top of mind and incentivize retention, which leads us to...
- **Smile.io (loyalty rewards + referrals)** - This is a big (and easily underestimated) piece of the puzzle: fostering loyalty with existing subscribers and encouraging organic referrals.

Logistics

Logistics are not necessarily sexy or exciting, but getting them nailed is integral to growth. If everything else is working (marketing, products, website, etc.) but customers aren't getting their boxes on time, or receive the wrong things, or your supply dries up due to poor planning---you're up Schitt Creek. Always be looking ahead and analyzing if your current systems can get you where you want to go.



Z
Founder at Tako Agency

The number one thing to do is tell everyone you know. Be transparent and vulnerable. Most people are scared of entrepreneurship because they are afraid to “fail.” So, they do not share with enough people and they do not invite enough people to be a part of their journey. Call everyone you know and share that passion.

Get your friends and family to pay, and to support you through the journey. Ask them to buy whatever the product is. Ask them to share with others they know, not only just by word of mouth, but on any and every social channel. And, if they do not, ask them again. Remind them. People get busy.

Run contests and giveaways on the website and your social channels. Try to find complimentary products to your subscription product. This way it caters or relates to a similar audience you are going after. Try to capture emails, get follows and shares, etc. Any exposure is good. Many of these contests do not have to be lavish - keep it simple and affordable.

During this time merchants have to put out content and remain active in their social channels. Share funny videos, post valuable content, share anything you can to keep people engaged. But, do not only post. Engage. Engage with your followers and with strangers. Enter conversations as much as possible.

Tell your story! Most people think people do not find them interesting or that they do not lead an interesting life. This could not be more wrong. Just the way you like to follow someone, someone will like to follow and engage with you. No, not every person will find you amusing. But, you don't find everyone amusing either.

When a brand is unknown there will be friction for users who do not know much about it or can't find much information about it. But, if they see a face and an entrepreneur who is working hard and who is transparent with everyone, there will be someone for them to trust. Someone who they will support.



Amer Grozdanic

Co-founder & CEO at Praella

Prior to the explosion of ecommerce, entrepreneurs were selling in-person at farmer's markets and pop-up shops to find their target market. Similarly, when you are acquiring your first 1,000 subscribers you have to focus on finding product market fit. Reaching out to customers and gathering feedback can help you go from that first subscriber to 1,000+.

When we're launching a new brand or subscription offering, we pay close attention to the following:

Structure - How do customers respond to different price points, products, and product mix (if it's a bundle)? What is the right offering?

Usage Rate - How much of a product does someone need? When do they need replenishment? Understand the ideal velocity that someone should be receiving a product

Entry Offers - What promotional offering is going to have the biggest impact? Should it be free shipping, a percentage off, or should there be a lower priced trial?

Messaging - What marketing message is really resonating? What product value prop, brand positioning is impactful?

Targeting - Who are our ideal early adopters? How do we target them? How does changing the targeting criteria in a paid ads platform impact a cohort?

Friction Points - What's stopping someone from converting? Is it the site experience, the price, shipping?

Obviously we're monitoring acquisition cost, churn (as it becomes relevant), and other metrics. But we're less concerned about the cost to acquire customers (within reason) and more concerned about dialing in the actual offering and who it's for.

A key point is making sure you're looking at data across each cohort (by timeframe or product depending on the KPI) to understand how changes you make to the marketing mix impact KPIs. One thing we recommend is having SOPs around regular data analysis so you can quickly identify trends and correct course.

If there is already an ecommerce business that's not subscription focused (or you'd like to drive both) it will not be enough to just add a subscription offering to your PDPs. While this will pick up some subscribers, we prefer to bifurcate the experience when we're controlling the traffic. To do that you need to utilize unique landing pages to steer new traffic down funnels that are specifically designed to convert them into a subscription.

From an acquisition perspective, we believe in starting with one channel and mastering it before adding more complexity to the marketing mix. Generally for us that means starting with Facebook/Instagram so that we can really control the traffic. Influencers are also a great acquisition channel, but we like to make sure our subscription offering is dialed in before we start pushing significant resources to that channel.

We can usually build to \$100k+/month in revenue just utilizing Facebook ads (with rapid content testing), landing pages, and some strong email/SMS automations.

As you get closer to 1k subscribers you'll start to build SOPs around customer service and churn analysis. We'll cover that in the next section!



Pierson Krass

Founder & Managing Partner at Lunar Solar

Scale from 1k - 10k subscribers

The main issue here is going to be fulfillment. Once you hit the 1000 mark, you may still be fulfilling yourself. Carefully calculating the time and cost of self fulfillment and capacity against a fulfillment center is important at this stage.

While quickly rising from 1K to 3K may seem great, not having the ability to fulfill orders can be a killer to subscription businesses at this stage.



Adam Pearce
CEO at Blend Commerce

According to Mckinsey & Co., there are three main types of subscription: Replenishment, Curation, and Access.

If you've hit 1,000 subscribers, that means you have successfully found product-market fit for subscriptions in one of these three categories!

The next step will be to evaluate your margins, acquisition costs, and customer lifetime value to understand where the biggest opportunities for growth are. We often see that the first 1000 customers are extremely loyal but that loyalty drops off as the subscription base grows. Thus, it's critical to prioritize a roadmap of tactics that will create healthy growth.

Creating a strategic roadmap starts with establishing KPIs and performing monthly analysis of testing ideas. One key element of this process is looking at customer data through a customer segmentation analysis or churn analysis to understand why and when customer churn.

When it comes to growth tactics, some might include updating the default shipping frequency, increasing the discount for subscriptions, and creating an automated email campaign for customers who have purchased three times, offering them a one-time discount to buy a subscription. These are very simple tactics that can lead to growth.

One critical consideration at this stage is if you want to combine a rewards program on top of your subscription program. In other words, do you want to give users points in addition to the discount they receive for purchasing. Be sure to do a thorough analysis of your margins before layering these together.



Sean Glass

Senior Strategist at BVA

One of the most significant barriers to growth can be pricey customer acquisition costs. To keep these costs down as you scale, it's essential that you have a thorough understanding of your customer base and where they hang out online.

Put your resources into the channels where you know they're already engaged, and towards content you know they will value - this will mean you can be more efficient in your marketing.

Implement social media campaigns focused around the very unique aspects of your product offering as well (to keep targeting tight and spending low). You can maximize return on acquisition spends and help facilitate scale by increasing customers' LTV. Your subscriber base is a ready-and-waiting market to sell additional products to - embrace cross sells and upsells to add value to subscribers and boost your revenue.

Levelling up your email campaigns with relevant content and personalized product recommendations is another way to bolster relationships with subscribers and boost LTV. Churn is another common hurdle to overcome for a subscription business. Make sure you have a detailed understanding of when people are churning and why. Armed with this knowledge, you'll have a fighting chance of combatting cancellations and keeping your subscriber base growing.



Matt Abbott
Head of Growth at Swanky



Suzannah Cranwell
New Build Service Team Lead at Swanky

The most frequent bump we witness merchants face revolve around internal process and organization, especially for merchants that have subscription boxes that change from month to month.

Usually, merchants start out of small spaces. We worked with merchants that shared stories of renting small co-op spaces to operate out of storage units. As they inch toward higher volume, space can quickly become an issue - from storing shipping boxes to having enough space for employees to having enough space for inventory.

With this growth also comes the responsibility to hire and delegate, and for the founder to pivot from working for their business to working on their business. Passing responsibilities to someone else, to new hires, can turn out to be a challenge for merchants.

Another common one is that with public and growth comes competition - this can stem from an established brand with plenty of resources, entering the market. It can also attract entrepreneurs who think they can do it better than everyone else.

Being prepared for this is important as it can make a merchant question pricing, marketing strategy, growth strategy, etc. Usually, merchants get worried once competition emerges. Especially when they were the first to market with the idea.

Lastly, it is dealing with churn and retention. When brands are growing they tend to invest so much time into acquisition, acquisition, and even more acquisition. As brands start to create traction, especially when they're in the 1000s, keeping a customer becomes as important (and in some cases more important) than acquiring a new customer.

Spending time on a retention strategy is essential as early as possible in the funnel. But, not just giving a free month or a discount, but actually understanding the issues and addressing them with value, and proactively trying to resolve the problem. Resolve it so someone else in the future would not find that issue to be the reason they cancel their subscription.



Amer Grozdanic

Co-founder & CEO at Praella

After breaking the 1k subscriber mark we assume that the subscription offerings are structured properly. Our attention moves to scaling up the business and we shift our focus to the following:

Audience Diversification - The first 1k customers tend to be really passionate early customers. When going for the next 10k+ subscribers we're usually trying to identify other target markets that we can successfully penetrate. This means shifting the marketing messaging a bit to better explain products, the brand, and other components of the subscription that might have been more intuitive for the "early adopters."

Acquisition Improvements - Since the focus going from 1 to 1k is building a business model the ad spend is usually dialed back and CAC levels out at a pretty natural clip. Those acquisition costs generally start to creep up quickly as you scale your ad spend. Our primary focus becomes scalable acquisition and making improvements across the acquisition strategy to combat a rising CAC. This usually means more robust creative testing, audience diversification, and improvements to landing pages or the site via CRO to improve funnel efficiency.

Channel testing - Beyond just improving the efficiency, we're also starting to test new channels. You probably can rely on one or two channels or platforms to scale to 10k subscribers, but you'll quickly run into ceilings as you make the move to push to 100k. For that reason we like to kick off channel testing leading up to 10k subscribers so we can start to define a path forward beyond the core channel that's driving acquisition (for most brands this is Facebook ads and influencer marketing to start).

Churn - Many times with the first couple hundred customers the churn is artificially low. This is because you tend to get a bunch of folks on subscription that are coming in organically versus scaled up acquisition efforts. These "early adopters" might be friends and family, others in the industry, or just customers that are really passionate about your brand or product. As you scale your user base, churn generally starts to creep up. We're constantly monitoring each new cohort and looking to fix any unusual churn activity.

Note that as you dig deeper into churn and get longer data windows you might be comfortable loosening up your initial CAC requirements with more concrete LTV data.

New Standard Operating Procedures - Going from 1k to 10k subscribers is also a good time to re-examine SOPs around customer service, fulfillment, etc. You need to ensure that the rest of the business is scaling properly alongside the customer growth. Many times the original processes, customer service SOPs, among other, need to be rebuilt to facilitate this larger scale - and we want to build a foundation that allows us to achieve 100k+ subscribers.



Pierson Krass

Founder & Managing Partner at Lunar Solar

Scale from 10K - 100K subscribers

Customer experience using tools like the ReCharge Customer portal is an absolute must at this stage. Naturally, the business will see some churn, but giving customers the ability to manage their subscription and to see advanced analytics on users of this size is key. This can be particularly important if you're planning to eventually exit the business.



Adam Pearce
CEO at Blend Commerce

Once you have reached the 10,000 subscriber benchmark, the first thing you should do is celebrate. The second thing you should do is revisit your subscription roadmap. (Yes, you should have a roadmap just for your subscription program, especially if you want it to grow!)

At this stage, retention is equally as important as acquisition. If you haven't updated your customer portal, now is the time. Create strong incentives for the customer to stay subscribed. Review the Recharge partner ecosystem for apps that can encourage users to improve AOV or reduce churn. A few apps that we've used are Churnbuster and ARPU, both to great success.

Acquisition at this phase starts to become more complex. With a large enough base, you should be able to create look-alike audiences from your subscription base that can be used to attract new potential subscribers. A one-off promotion on subscriptions can bring in large groups of new subscribers but can also lead to higher churn rates as these customers may be less qualified. Tactics at this phase should be closely monitored and iteratively tested.

The best part about getting to this phase is that you will likely have a number of long-term VIP customers. These customers can be segmented into a special group to get regular feedback, which will often drive insights around product issues, potential new products, and subscription program issues.



Sean Glass
Senior Strategist at BVA

To achieve those sorts of subscriber numbers, your subscription business needs to be a well-oiled machine with all the moving parts working in synergy. Not only do you need to be acquiring new customers, you also need to focus on retaining existing customers, all whilst expanding your business operations and continuing to innovate - no small feat.

Here are just some of the key things subscription brands need to scale to six-figure subscriber numbers:

- An ecosystem of seamlessly integrated, enterprise-scale technology solutions that can handle rapid growth, providing customers with a slick, reliable subscription experience.
- A dedicated, optimized fulfilment operation to handle orders and shipping, helping you serve your customers more efficiently.
- A commitment to nurturing strong customer relationships - a happy, satisfied, loyal customer base is essential for subscription brand growth.
- Streamlined billing processes in place, with an accessible customer portal for easy self-management of the entire subscription lifecycle.
- An inside-out understanding of the data behind your brand and willingness to continuously innovate through testing and optimization.
- Use of personalization tools to provide a tailored, compelling experience for customers.
- Collaborations with similar-sized, complimentary brands or retailers who share the same sort of audience with you.
- Broader, brand-based social campaigns and paid advertising across multiple channels, with a larger audience.



Matt Abbott

Head of Growth at Swanky

Optimizing acquisition is important. As time passes and the brand grows, so does the data with it - paid, email marketing, etc. Understanding and optimizing the acquisition funnel will help with a breakthrough. Whether someone has a Subscription Box model or they are under a “Subscribe and Save” model, the challenge remains the same - every visitor must be accounted for.

Email continuously tends to be one of the most powerful ways to remarket. Incentivize visitors to share their email - whether it is a how-to guide or even the usual coupon. Running A/B tests with email collection will help gauge what current and future customers value.

This also applies to SMS marketing. Most email marketing platforms like Klaviyo and Omnisend now offer SMS as a marketing channel. And, SMS is outperforming email when it comes to welcome series emails, cart abandonment, etc.

Streamlining retargeting funnels for marketing channels like Facebook, Instagram, and others is crucial. Merchants sometimes run general ads just to bring someone back. Thinking about messaging in segmented periods of time is as important as taking into account audiences and what pages or products they were engaged with.

Providing an incentive with the first purchase is huge. But, think outside of the 10% or 15% off. If a box or a product is \$20.00 to subscribe, it is important not to

devalue the box by offering 10% off (\$2.00) value. Thinking about free add-ons that complement a subscription is important. For example, if someone is selling a razor subscription for \$20, throwing in a shaving cream that costs the merchant \$2.00 but to the customer, it might be a value of \$5-10. The same cost to the merchant, a higher value to the customer. Running tests like these with merchants we have seen lifts in conversions from 8% to upwards of 37%.

Creating additional perks for subscribers is another great way to break through plateaus. Anything from free shipping on subscriptions to receiving bonus points every month through a rewards program, to early access to new releases, or even X% off on non-subscription items.

Forgetting about customers after they sign up is the biggest mistake. One way to resolve this is by setting a flexible, self-managed portal for customers to be able to upgrade and downgrade their subscription, change their subscription, pause a subscription, etc. The portal should walk a customer through all the options and provide resolutions or alternatives for any reason they may want to cancel. We've seen retention improve by as much as 38% after implementing proper workflows with merchants within their dashboard.

If a subscriber cancels, it is not always a lost customer. It is important to segment users by cancellation reasons and find a way to win them back. Subscribers tend to cancel due to the quality of the product or because of a life change or interruption - moving, financial, vacation, expired credit card, etc. Analyzing this data will allow approaching the churned subscriber in a more personable manner.



Amer Grozdanic

Co-founder & CEO at Praella

Depending on the product and vertical the first 1k and even 10k subscribers tend to be the “innovators” or “early adopters” if you’re thinking about it from an adoption curve perspective. This means they’re more likely to be lenient with poor experiences than customers that might not be as passionate about your product or brand.

For our CPG clients we usually like to think of the 100k subscriber mark as “crossing the chasm” into mainstream market adoption. That means that everything across the entire experience needs to be 100% buttoned up. Generally our clients start to plateau due to a slowdown in acquisition, which is usually driven by ceilings being hit and a decline in a couple of top performing channels.

Marketing Channel Diversification - Scaling from 10k to 100k generally means substantial marketing platform and channel diversification, and looking to find new, cost effective, ways to bring folks into the top of the funnel. From 1k to 10k you might diversify your digital channels, but when you’re scaling up to 100k you’re likely going to need to explore other avenues like streaming, podcasts, OOH (out of home), in-person events/tours/ambassador programs, etc.

While some brands are able to scale over 100k with just influencer and paid digital advertising, it’s really rare. There’s no one-size fits all approach to acquisition. You’ll need a standardized framework for monitoring attribution and acquisition cost to efficiently test new platforms and channels and find what works best for your brand.

Personalization - Personalization via segmentation becomes increasingly more important as you scale. We find that to penetrate new niches or target markets it generally takes some message personalization and ultimately more segmentation from an offer and subscription management perspective. It’s important to be aware of the fact that you might need to adjust your offer and messaging as you scale up.

Distribution Channel Diversification - Support from a multi-channel distribution approach becomes more critical. For example, brick and mortar retail is driving trial, which is ultimately resulting in more organic subscribers. We believe that an omnichannel distribution approach with a strong connecting between online and offline will help accelerate the subscriber base and ultimately enhance company profitability.

Some new tech we're testing utilizes receipt data and an SMS chatbot to drive purchasers into subscription offerings online. For example, you buy a bottle of Lemon Perfect in store and then you're pulled online to sign up for a subscription.



Pierson Krass

Founder & Managing Partner at Lunar Solar

Here's the gist

Looking at your business today and the goals you have set forth for your subscriber base allows you to create actionable plans to hit those milestones. With scalability comes celebration, but also many moments of reflection- ensure you've got everything set up as success starts to hit like a tidal wave.



Explore the rest of the Powerful & Profitable Subscriptions series to gain insights from 12 different agencies on a variety of topics: from building a community, to scalability, and everything in between.

Thank you to our partners

We're thrilled to collaborate with the most successful and fastest-growing agencies in commerce to create this playbook. If you're interested in contacting one of our partner agencies, please use the links below.

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