

Chapter 1 : Will all companies go to a subscription model?

What if services were offered on a subscription based model instead? Fed up with the risk and constant guessing game of scoped projects, I took the plunge and converted the business model of my UX.

If YES, here are 50 best subscription based business ideas with recurring revenue. The subscription business has been around for centuries. The aristocracy in sixteenth century Britain used to subscribe to cartographers so they received the very latest maps of the world as the borders of the British Empire were being redrawn. Your grandparents may have subscribed to a regular coal delivery to heat their house. But beyond media and entertainment, there is a growing number of subscriptions available, across industries. Tea Subscription-based coffee companies have been around for a while, but tea is fast becoming the new coffee with product offerings ranging from herbal tea to supercharged high-caffeine blends. This is a very good business to start if you have the passion for it. Farm-to-table Eating Whether they are proponents of the mile diet or fans of organic products, many are seeking to buy produce directly from farmers who grow it. You have to however, learn the ropes so that you can launch out loaded. Pet Foods and Treats The humanization of pets is a growing trend that lends itself to the subscription model. Pets need regular feeding so a regular shipment of food could replace a trip to the grocery store for their owners. Pets also might appreciate surprises, which they can get from monthly subscription-box Gluten-free Stuff Recently, health-food junkies have come up with the gluten-free bandwagon. Given the challenge of finding gluten-free alternatives to popular food, you can create a space that is well positioned for gluten-free subscribers. You have to be sure that you have the passion for this kind of business first. If a customer needs a regular trim, why not offer a subscription to a haircut provider? Your subscription-based home-maintenance service could involve a company offering to care for the house of a busy family. Hobby Sites This is one interesting subscription that can attract people. If you have an obscure passion that others share, then you can build a passion around it. This could be the ideal foundation for a subscription-based membership website where know-how is put behind a pay wall. Stationery Subscription Virtually everyone is becoming overwhelmed with email, so the handwritten note may be in for a comeback. Subscription company operators could curate a surprise box of stationery for people who enjoy sending a personal note. There is a lot to be gained when you start this venture. You may not limit yourself to one vitamin. There are other vitamins that you can make a focus to start out with. Hotel Art Supply Look closely and you will notice that hotels are virtually art galleries. You will find paintings, prints, and sculptures in almost every room, hallway, lounge, and lobby. Assume that one hotel has rooms, one lobby, two banquet rooms, one lounge, and ten hallways. Simply supplying one hotel with a complete art decor package can make you thousands of dollars in profits. To activate this business you will want to establish a relationship with at least 15 to 20 different artists who work in various art mediums. Hand-Painted Greeting Subscription There is large market demand for hand-painted greeting cards and post cards. If not, there are many artists who will be glad to assist you, for a fee. The greeting and post cards can be wholesaled to retailers or sold directly to companies to give as corporate gifts to clients. Gun Shop In spite of the fact that gun ownership is becoming increasingly restrictive due to government legislation in both the United States and Canada, opening and operating a retail business that buys, sells, and trades guns still has the potential to be profitable. In addition to gun sales, you can also sell ammunition and hunting-related products as well as offer a gun repair service. Promote the business by establishing alliances with gun clubs and shooting ranges as well as with firearm instructors, as these clubs and individuals can refer your business to others. Once framed, these valuable pieces of art can be resold at flea markets, mall kiosks and to interior designers for terrific profits. Older movie posters are also in high demand as collector items and this side of the business is best suited for internet sales. You can develop your own website for a small investment and start marketing collectible movie posters. There are really three important issues to address in order for a florist shop to become successful. The first is business location, and the location must be in a high-traffic and highly visible area to increase walk-in business. The second issue is delivery. The business must provide customers with a fast and efficient delivery service. The third important aspect of the business is national exposure. The business is very straightforward

to start and operate. Simply secure leased premises large enough to be subdivided into 30 or 40 ten-foot by ten-foot vendor booths. You will also want to work closely with your local government to make sure they welcome the venture and provide the proper permits. Once completed, the vendor booths can be rented to local farmers, specialty food manufacturers, and crafts people. Paid social networking sites Since their inception, social networking sites have become a part. Provide useful and relevant content. One way to do this is to build your social networking site around a focused topic or theme. For example, if you know everything there is to know about dogs and enjoy socializing and networking with others who are interested in dogs, you might choose to build a dog-focused social networking site. Network with relevant websites. Link to other websites that focus on the same topic as your site. The best part about a direct e-commerce site is the level of control you have over your store. Business Club Websites Clubs give individuals with similar interests a way to gather for the purposes of sharing information, ideas, conversations and laughs over food and drink. Social clubs have different structures, with some being set up with free memberships, while others require their members to pay. An aspiring entrepreneur can create a plan for turning a social club into a small business that generates profit. Determine the type of community need you want to address with your social club. Outline the purpose of the social club, including your mission, visions and goals. Cookie Sales Do your family and friends tell you that you bake the best cookies in town? If so, putting your cookie baking talents to work for you has the potential to make you rich. Mass producing specialty or gourmet cookies is a very easy business to put into action. Private library Your clientele readership is likely more scattered, not clustered in any one geographic location, so rather than a physical library, you may need to rent out your books by mail or virtually. Also, you can still organize your business as a not-for-profit entity if that makes more sense than a for-profit entity. Both types of organizations need to have revenue in excess of expenses and can pay you a salary. Payment processing website The Internet provides a convenient and versatile gateway through which countless different types of businesses can market and distribute their products and collect payments from consumers. However, due to security concerns, some consumers are hesitant to give their payment information over the Internet, while others may not follow through with a purchase due to over complicated payment procedures. Setting up such online payment collection methods can also be a technical barrier for entrepreneurs. Online tutorial website Looking to start a website, but constantly putting it off due to the fact that you have no clue where to start or what niche you would even want to get into? This is the case for a lot of different online business entrepreneurs out there, especially if you are in the service providing industry and have been thinking about moving towards something different – like affiliate marketing per say. It is a great way to be creative and reduce stress. All of these people require art supplies to be able to enjoy their hobbies, and this fact creates a terrific opportunity for a start-up art supplies retail store. The store does not have to be large, just well stocked with all the popular art supplies. You can also conduct painting and sculpting classes at night to earn extra income. However, the profit potential is very good as art supplies are often marked up percent or more. Once you have chosen the works that will be reproduced, you can begin to sell the art prints. Set up a website and a sales kiosk in a mall on a busy weekend or rent a booth in a high-traffic flea market. Jewellery website and online store Jewellery boxes can retail for as much as 10 to 20 times of what it costs to build them, making this a potentially very profitable home based manufacturing venture. This is the type of manufacturing business that will let you be very creative in design and in the materials selected for the construction process. You can give gifts all year long and get paid for doing it! If you set your creativity on high and develop your own special niche, you can be very successful. Gift basket entrepreneurs buy gifts and tuck them into baskets, decorative tins, boxes or bags for their customers to give to that certain someone. Develop a website that features grocery items for sale. To start, offer only the most popular grocery items, like milk and bread, and as the business expands, so can your product line. Contract the delivery aspect of the service to people in your local community seeking to earn a part-time income. The operating format for the site would be very basic and easy to establish. Customers would simply log on to the site, select the items they wish to purchase, enter payment and shipping information and wait for their groceries. Online Custom Blue Jeans and clothing website Calling all home based seamstresses. If you are searching for a unique way to profit from your sewing talents then look no further than starting an online business that sells custom made-to-order blue jeans. Blue

jeans are an American cultural icon worn by millions of people every day, and for many people the search is never ending for a pair of jeans that fits properly and comfortably. Get started by creating a website that features the capability of letting visitors design their own blue jeans. Online Organic Food Sales The time has never been better than now to start a business that specializes in organic food sales and home delivery, as organically grown foods have become so popular, growers are having a hard time meeting consumer demand. The first step to establishing the business is to build alliances with organic food growers to supply the inventory needed for the business. The second step is to create and distribute a catalogue featuring all the organically grown food products that the business sells and delivers. Online Seafood Sales and website Take local seafood sales and delivery online, and open your business to consumers from around the world. This enterprise is very straightforward. Develop a website that features seafood of all sorts for sale. Customers will simply select the seafood they wanted to purchase, enter in payment and shipping information and wait for delivery. Commercial fishermen in virtually every country can supply the seafood featured on the site.

Chapter 2 : How do subscription business models work? | Investopedia

The subscription business model is a business model where a customer must pay a subscription price to have access to a product or service. The model was pioneered by magazines and newspapers, but is now used by many businesses and websites.

According to the McKinsey report: The higher the subscription price, the lower the customer volume. Key points to consider about subscription ecommerce price: Cost of your subscription plays in to your overall average revenue per customer "€" and will affect how much you can spend in order to acquire those customers. Your existing margins will help to dictate your possible price points. Think about reduced shipping costs using compact boxes with multiple items in predictable sizes and with predictable and relatively stable volumes. This is most important for the following types of subscribers: A reduced hassle of choice and immediate access to needed or desired items drive adoption for these two types of subscription programs. Key points to consider about subscription ecommerce convenience: Advertise subscription options on your product page as well as on a specific landing page. Explain how the process works, and what customers get. This should include price discounts for loyalty overtime in addition to the product itself. All subscription box consumers stated that personalization overtime was very important for continuing to use a specific subscription website or channel. However, it is most important for subscribers subscribing for: This aspect is a huge factor in continued subscription for consumers. Key points to consider about subscription ecommerce personalization: Use personalized email segmentation to follow up with consumers after items are delivered to understand their experience and perception of the box. Take that feedback seriously, and update all boxes moving forward to better fit the needs of the segments you are building out. Email segmentation tools like Klaviyo are important here. Get specific messages in the box and convey the purpose behind each one. Give folks a clear vision of the value. There are 5 top categories subscription ecommerce works for. The final category is a catch-all. Top subscription ecommerce verticals: Miscellaneous gifts, crickets and other off the wall boxes you can send B2B subscription ecommerce.

Chapter 3 : Why Online Retailers Need to Take the Subscription Business Model Seriously

Discover the 9 ways to create a successful subscription business model. Learn more about these nine concepts, from pricing to scaling, that can make an impact on your business.

The subscription business model Posted by: Kerry Song From pet toys and meal kits to music and movies it seems that there is a subscription-based service for just about everything. The subscription model aligns with the ever-growing demand for convenience. And because the price is set at a fixed rate, the customer always knows what she is getting and how that fits in to her budget. Subscription businesses also mean recurring sales, so businesses are better able to predict their revenue. This helps businesses manage resources and inventory as well as accommodate their expected growth more efficiently. And as an added bonus, guaranteed revenue is a particularly attractive trait when it comes to potential investors. Aside from the financial and logistical benefits of a subscription-based business model, there is the intangible value it offers both the customer and the business. And if the business is not holding up its part of the bargain, the customer will cut ties. So the business must constantly be pushing to create a better customer experience and to bring more value to the table than anyone else. And this, in turn, creates a sense of trust and security for the customer turning what could have otherwise been a one-and-done exchange into a real partnership. And once a business has that relationship with the customer, how do they maintain it? And is a subscription based model really the right move for every business? Why a subscription model instead of a pay-as-you-go model? Is it better for business, better for the customer? When I first launched Purple Carrot in October , we were a pay-as-you-go company, largely because I lacked the confidence that people would subscribe because it was all so new. Each week, the number of customers would climb, and then plummet back to zero, and I would start all over again. As the business continued to evolve, people would start to email us and ask where their weekly box was, as the concept for subscription meal kits took hold and they assumed that we too were a subscription service. We switched over in November , and its been a great concept for us as a business and for the consumer as well. Our business has far more visibility into our upcoming demand, and our customers can rely on us each week to curate incredible plant-based meals. How do you ensure your retention rates? What are the hurdles and challenges of a subscription-based business? How do you set yourself apart with so many subscription models in the market? In what ways does Purple Carrot focus on innovation outside of the menu? These two initiatives make a positive contribution to reducing our environmental impact. What does the future of the Purple Carrot brand look like? Kerry Song Kerry Song is a writer and producer with a background in economics and finance. Her passion is to create meaningful content that engages and empowers the audience to become more mindful and more compassionate with themselves and with others.

Chapter 4 : The Subscription Business Model | Feedough

That shift is away from a pay-per-product model to a subscription-based model. What interested me about this is that recently, a co-worker told me about a website (Rent The Runway) that rents.

Many are calling IoT the fourth Industrial Revolution; the other revolutions brought us factories, the steam engine, and the internet. Some B2B IoT companies are finding ways to offer subscription services, but in other instances B2B subscription-based businesses are implementing IoT to strengthen their product and offerings. Why the subscription business model is the perfect fit for B2B IoT companies, and how new and old companies are quickly adapting. The benefits and efficiencies that IoT companies are creating across various industries around the globe. What you need to know about Everything-as-a-Service, we discussed how the subscription economy is growing and changing buying patterns, leading us to a point where anything can be sold as a service. With IoT, devices of all kinds are moving online and connecting. The devices are harvesting an incredible amount of data, and it makes sense to offer services around this data. IoT companies which only create and sell devices limit themselves with a one-time revenue. Moving to a recurring revenue model helps B2B IoT companies create sustainable businesses. It could be sold as a hardware and software product. The vendor can also offer the hardware and software as a product sale, but some features, such as monitoring or other key functionality enabled in the software, on a subscription basis. Nest is a perfect example. The sensors and connectivity make the Nest Learning Thermostat very energy efficient; according to the company, it pays for itself within 2 years. What to do with the plethora of data available from all those home thermostats? Nest is using the thermostat data as a platform to offer energy management services to utility companies across the U.S. The utility companies pay for the insights and services on a subscription basis. Utility companies working with Nest have access to more extensive energy usage pattern data, more effective energy efficiency programs, and are able to offer their customers free or discounted Nest Thermostats. The nature of B2B IoT products and potential array of services are a perfect match for the subscription business model. Once you have the data, you know the usage pattern. And with that, you can do a lot. You can optimize the product, of course, but think about pre-emptive maintenance for instance. It is probably the biggest opportunity in B2B to invest in a world of perfect timing. Imagine the increase in service experience this creates among your customers. The manufacturer will know when things break down before they actually break down. Takes the relationship with your B2B customers to new awesome levels. Data-driven marketing is already a hot topic, and the extensive data collected via B2B IoT companies will allow you even more precision when communicating with prospects and customers. Just think of the real time engagement potential with IoT data and devices! Again, while more press is dedicated to how this may apply to B2C IoT, savvy B2B subscription-based companies should also be looking at the Internet of Things potential for enhancing their relationship with subscribers. In this data enabled world, the producer of the product will have more end user information than the intermediary. Cause the intermediary just talks to the end user. But the end user data about the real behavior will arrive at the production facility. If you want to optimize the customer experience, it starts with understanding the real customer behavior. Once you have that? Then you can change a lot. Removes the guesswork from your product development and roadmap. This point is more for B2B IoT subscription companies who initially offered a product but then ventured into offering services around the IoT data captured by their products. B2B companies currently offering digital services such as SaaS should already be analyzing usage data when determining product development. The Regalix article expands on this benefit: Such usage data is a one-to-one conversation with the customer unlike any other, a real-time demonstration of how customers use your product, when they use it and for what purposes. Properly analyzed and smartly leveraged, it will fundamentally change how products are designed, produced, marketed and serviced, as it helps enterprises get closest to the ideal of co-creating products with constant engagement with their customers. Pay attention to how your B2B customers are utilizing the data you provide. DroneDeploy is a software platform for drone mapping and it serves a variety of industries including mining, construction, and agriculture. The issue for farmers is that those drone images had to be uploaded to the cloud requiring a wifi

connection or downloaded to a computer usually back in the office before they could be used, neither of which is convenient for many farmers in the field. Live Map solves that issue and enables users to view simple images in real-time on their iPhone or iPad – no internet connection or laptop necessary! Live Map also captures drone images in higher definition which can be downloaded later and used to provide deeper analysis. Real-time data directly from the drone to a farmer standing in the field is a game changing innovation, and is just one more use of IoT data that helps DroneDeploy remain a leader in their industry. Following that trend, B2B IoT also allows different industries to enter and compete in new markets. According to the McKinsey Quarterly article, IoT also helps businesses stand out from their competition: Optimizes Operations With everything connected via IoT, there are new opportunities to streamline operations and make your processes more efficient. This B2B IoT benefit is usually considered in terms of manufacturing. Not only could the equipment alert plant floor personnel to problems in real time, but the data feeds could be analyzed to uncover patterns that would allow technicians to predict potential failures or redeploy resources in a more optimal fashion. Earlier asset and quality loss detection. Prolongs the life of products B2B companies can help customers prolong the life of products via proactive preventive maintenance made possible by IoT. This is particularly important for products such as manufacturing equipment, vehicles, and farm equipment. IoT providing proactive preventive maintenance suggestions in vehicles has received generous press for B2C companies, but maintaining vehicle fleets is a huge B2B opportunity as well. The data not only allows the company to provide corporate customers with preventive maintenance information for the fleet, but also provides Michelin a recurring revenue stream. It is gaining traction across many industrial segments, logistics, transportation, and smart cities. Other industries, such as healthcare, retail, and agriculture are following closely. But one thing is certain:

Chapter 5 : Moving to a Software Subscription Model - Smarter With Gartner

Subscription-based offerings is a business model where a customer pays a subscription price in order to access the products or services. You most probably have paid for a subscription before.

Getty Images The subscription business model has been around for centuries. The aristocracy in sixteenth century Britain used to subscribe to cartographers so they received the very latest maps of the world as the borders of the British Empire were being redrawn. Your grandparents may have subscribed to a regular coal delivery to heat their house. Why is there so much interest in subscriptions? Subscribers improve the value of your company, create a steady cash flow, and increase the lifetime value of a customer. The movement is fuelled by software that makes it easy to track and bill customers monthly, and suddenly everything from cabbage to condoms is available by subscription. I recently finished writing a book on the subscription business model and through my research I discovered 20 surprising things you can subscribe to: Stationery If you like fancy thank you cards and beautiful stationery, you can subscribe to a curated package of new stationery shipped to your door each month from Austin-based Nicely Noted. Vitamins Toronto-based Koge will send you a regular shipment of your favourite vitamins without you ever having to visit a pharmacy. Art Class Instead of going down to the local community center, you can learn to paint or draw or sculpt from New Masters Academy, a subscription-based art education website. Dog Treats BarkBox, co-founded by Matt Meeker of MeetUp fame, will send you a box of dog treats and toys every month, ideal for what Meeker calls "Dog Parents" to set the devoted dog lover apart from mere dog owners. Bloom targets spas, restaurants and hotels that need a delivery of fresh-cut flowers every couple of weeks. Chocolate If you have a thing for chocolate, you can subscribe to a regular delivery of fancy treats from Standard Cocoa. Mosquito Spray If you live in the south and are tired of swatting mosquitoes on your patio, subscribe to a regular treatment from Mosquito Squad whose franchisees will come to your home every three weeks to spray. Faith Subscribe to Faith Box and get a monthly delivery of quotes, scripture and action items to help you live a more pious life. Beef Jerky Sumo Jerky hunts for the best beef jerky on the planet who gets that job? Now Jeff Bezos will sell you a regular shipment of Huggies delivered to your front door. Ink HP Instant Ink is an ink cartridge replacement service where the granddaddy of Silicon Valley will send you an ink refill based on the number of pieces of paper you print each month. Discover something you like? You can buy the full size version on the Birchbox website. Advice You can subscribe to The Wood Whisperer membership website for advice on becoming an amateur cabinet maker. Movies Starting in , AMC Theatres is experimenting with an all-you-can-watch theatre subscription where you can go to the movies as often as you like for one monthly subscription. My new book, *The Automatic Customer: Pre-order a copy before the release date and you will receive three free gifts.* Jan 21, More from Inc.

Chapter 6 : How B2B Subscription-Based IoT Businesses Are Changing The World

Subscription business models are based on the idea of selling a product or service to receive monthly or yearly recurring subscription revenue. They focus on customer retention over customer.

Controlled circulation A subscription for unlimited use of a service or collection of services. Usage may be personal and non-transferable, for a family, or under certain circumstances, for a group utilizing a service at one time. In the publishing industry, a subscription to a bundle of several journals, at a discounted price, is known as a "big deal". This is also known as the convenience model because it is a convenience for the customer to not have to remember to go find their product and buy it periodically. Based on their success, many other retailers have begun offer subscription model services. For goods with an unlimited supply and for many luxury services, subscriptions of this type are rare. A subscription for basic access or minimal service plus some additional charge depending on usage. A basic telephone service pays a pre-determined fee for monthly use but may have extra charges for additional services such as long-distance calls, directory services and pay-per-call services. When the basic service is offered free-of-charge, this business model is often referred as freemium. Not only does this greatly reduce uncertainty and the riskiness of the enterprise, but it often provides payment in advance as with magazines, concert tickets , while allowing customers to become greatly attached to using the service and, therefore, more likely to extend by signing an agreement for the next period close to when the current agreement expires. In integrated software solutions, for example, the subscription pricing structure is designed so that the revenue stream from the recurring subscriptions is considerably greater than the revenue from simple one-time purchases. In some subscription schemes like magazines , it also increases sales, by not giving subscribers the option to accept or reject any specific issue. This reduces customer acquisition costs, and allows personalized marketing or database marketing. However, a requirement of the system is that the business must have in place an accurate, reliable and timely way to manage and track subscriptions. From a marketing-analyst perspective, it has the added benefit that the vendor knows the number of currently active members, since a subscription typically involves a contractual agreement. This move has significant implications for sales and customer support organizations. Over time, the need to close large deals decreases resulting in lower sales costs. However the size of the customer support organization increases so that the paying customers stay happy. For repeated delivery of the product or service, the customer also saves time. Subscriptions which exist to support clubs and organizations call their subscribers "members" and they are given access to a group with similar interests. An example might be the Computer Science Book Club. Subscription pricing can make it easier to pay for expensive items, since it can often be paid for over a period of time and thus can make the product seem more affordable. On the other hand, most newspaper and magazine-type subscriptions are paid upfront, and this might actually prevent some customers from signing up. An unlimited use subscription to a service for a fixed price may be an advantage for consumers using those services frequently. However, it could be a disadvantage to a customer who plans to use the service frequently, but later does not. The commitment to paying for a package may have been more expensive than a single purchase would have been. In addition, subscription models increase the possibility of vendor lock-in , which can have fatally business-critical implications for a customer if its business depends on the availability of a software: For example, without an online connection to a licensing server to verify the licensing status every once in a while, a software under a subscription-model would typically stop functioning or fall back to the functionality of a freemium version, thereby making it impossible to continue to use the software in remote places or in particularly secure environments without internet access, after the vendor has stopped supporting the version or software, or even has gone out of business thereby leaving the customer without a chance to renew the subscription and access his own data or designs maintained with the software in some businesses it is important to have full access even to old files for decades. Also, consumers may find repeated payments to be onerous. Subscription models often require or allow the business to gather substantial amounts of information from the customer such as magazine mailing lists and this raises issues of privacy. A subscription model may be beneficial for the software buyer if it forces the supplier to improve its product.

Accordingly, a psychological phenomenon may occur when a customer renews a subscription, that may not occur during a one-time transaction: Some who favor a subscription model for software do so because it may change this situation. The subscription model should align customer and vendor toward common goals, as both stand to benefit if the customer receives value from the subscription. The customer that receives value is more likely to renew the subscription and possibly at an increased rate. The customer that does not receive value will, in theory, return to the marketplace. Legal[edit] A customer who is placed in a jail or prison can be billed continuously for subscription services which may render them without funds upon release. Environment[edit] Because customers may not need or want all the items received, this can lead to waste and an adverse effect on the environment, depending on the products. Greater volumes of production, greater energy and natural resource consumption , and subsequently greater disposal costs are incurred. Subscription models might also create the opposite effect. This can be illustrated by subscribing to a service for mowing lawns. The effective use of a single mower increases when mowing for a collection of homes, instead of every family owning their own lawnmower which are not used as much as the service providing mower, the use of resources for producing lawnmowers therefore decreases while lawns stay cut.

Chapter 7 : 50 Best Subscription Business ideas With Recurring Revenue

Robbie Kellman Baxter is the founder of Peninsula Strategies a consultancy for subscription & membership business models, and the author of The Membership Economy: Find Your Superusers, Master the.

Not without consequences at least. The subscription business model take shopping to the next level by eliminating one last final hassle: Subscription boxes and other such services have been steadily gaining momentum since the early s. A lot of factors are variable, such as how frequently the packages are delivered, how much choice the shopper has in the products or if they prefer the surprise , and even the types of products, ranging from pet toys to sex toys. And today, this business model has become quite successful. Senior data analyst Kay Fay reports on a study from Hitwise Retail Brick-and-mortar behemoths like Starbucks and Sephora are also following the trend by offering their own subscription package deliveries. Subscription box services see more social media engagement: The same study outlined the demographic data for the most popular subscription shoppers: As Thomas Rankin reports , men seem statistically predisposed to subscription services: Benefits for the Store Recurring Revenue without Checkout. Obviously return shoppers are good for business and increase profits, which is why brands fight so hard for customer loyalty. Another byproduct of a steady recurring revenue is predictability. Your inventory demands are also predictable. You have a better idea of how much of what to keep in stock, reducing waste and circumventing running out of stock. Benefits for the Consumer Niche Markets. Everyone has their niche, but not every niche is satisfied. Subscription businesses, especially subscription boxes, are capable of targeting specific niche groups in a way more generalized eCommerce stores cannot. Given the cost advantages for stores see below , subscription brands can afford to specialize in particular tastes. As long as its economically viable, no market is too small. The subscription business model sidesteps this, not only by making the decisions for their customers, but by making better decisions. Just as the stores benefit from predictable revenue streams, customers benefit from predictable deliveries. No forgetting orders, no getting items late. After the initial transaction, the consumer never has to worry about fulfilling that need again. For this reason, subscription services work well with products that need to be regularly reordered. Because eCommerce stores save money with subscription services, the savvy ones pass some of those savings onto the customer. This price break adds more incentive to join “ often buying a regular subscription delivery turns out cheaper that periodic, individual purchases, plus without the nuisance of having to place an order every time. As is usually the case, subscription services throw in an unexpected or surprise item, whether as a gift or part of the service. This benefits the store as well, as it gives them to opportunity to promote new, experimental, or unknown products. Million-Dollar Subscription Companies The truth is, the subscription business model can lead to a million-dollar company if done correctly. JustFab One of the most successful subscription business models, JustFab combines the bankable fashion industry, the convenience of subscription services, and the allure of personalized professional styling. Of course, the fee for the membership is billed automatically at the beginning of each month, but shoppers are given 5 days to skip the month if they choose. Dollar Shave Club You may know the Dollar Shave Club from their famous viral launch video , which sent the business into orbit shortly after its opening. Not only do they offer a quality product razor blades at a cheaper price, they also give customers the first month free as extra incentive. A great model made better, considering that razors are one of those products that need periodic reordering. BarkBox BarkBox thinks outside the box, so-to-speak, breaking away from the safe industries of fashion and beauty with pet supplies “ though still a product that needs regular reordering. Every month, dog owners receive a care package full of dog toys and treats, though members all get the same curated box. One of their hooks is that they offer personalized recommendations, based on a initial styling quiz, for non-subscribers as well, a way of ingratiating themselves to potential joiners. Their selling point is that the snacks are natural, healthy, and devoid of artificial ingredients for the most part. They appeal to the minority niche of vegans and healthy eaters who find it difficult to find non-GMO, gluten-free food. Takeaway This is the first article in our new series about the subscription business model, meant as an introduction on the topic.

Chapter 8 : The subscription business model

Subscription Businesses Are Exploding With Growth. A subscription business is a company that sends you a package, usually once a month, of items they've picked out for you. a model that.

We equip business leaders across all major functions, in every industry and enterprise size with the insights, advice and tools to achieve their mission-critical priorities and build the successful organizations of tomorrow. The debate about whether the software industry will move from a traditional license and maintenance model to a subscription-based model is long over. There is now widespread adoption of software-as-a-service SaaS. In fact, many traditional enterprise software providers have been forced to make the shift to SaaS. IT leaders who successfully transitioned their organizations whether on-premise, hosted or in the cloud encountered many of the same challenges. Wurster shares a few of the lessons they learned along the way from the common sense to the painful. Ease into the transition You do not have to move all customers and products to the new subscription offering at one time nor do you have to stop selling products through your traditional model. Ease into the change by offering options and new products for customers with a subscription-first strategy. At the same time, maintain your traditional model for existing products and customers during the transition. Move new products and customer contracts first and then convert existing customers to keep acquisition costs low. Be sure to provide flexible license options. When creating your transition strategy, be sure to also: Do this within a specific time frame to minimize impact on your financial statements. Include a cross-functional team in strategy development. Whenever possible, select representatives with subscription experience. Realign sales and partner compensation packages. This encourages behaviors that actively support the move to subscription. Retrain and modify professional goals as necessary. Both are ideal for introducing new features to new and existing customers. For example, you can turn capabilities on or off via user access to a SaaS solution. Try-before-you-buy programs modular options also help to differentiate your SaaS model, improve the value of your software and provide more predictable cash flows. Leverage the analytics across your community of end users. Integrate new features into your go-forward plan to support higher prices and user growth. Ensure partner and reseller revenue streams remain intact Be prepared to demonstrate the value of moving to a subscription model to sales, customers and partners. Sales will want to be reassured that they can make as much or more over time. Partners will want to ensure they are not cut out of the value chain as subscription models eliminate or reduce some revenue-generating services and fees. This is one of the biggest transition pain points IT leaders experienced. To combat misconceptions, follow these recommendations: Educate direct sales and partner field teams. Help them understand how they can make as much or more with the SaaS model. Provide partner-only content streams and tooling. This will allow them to replace no longer needed, implementation and configuration activities with additional, value-added services. Offer helpful business models to offset former license fees. Do this for partners who use reselling licenses as a significant part of their business. For example, provide training or managed services to the customers they have relative to the new SaaS products.

Chapter 9 : The elements of a successful subscription business

Gartner predicts that by , all new entrants and 80% of historical vendors will offer subscription-based business models, regardless of where the software resides. "What began as a trickle a few years ago has become a stampede of vendors wanting to make a move to a subscription business model," Wurster says.

This is undoubtedly one of the reasons that subscription models have become so popular in the world of eCommerce. Subscriptions keep those hard-fought customers on the hook for automatic repeat purchases, plus they create a reliable source of recurring revenue. Why recurring revenue is so important Recurring, predictable revenue is ideal for eCommerce stores. In a world where the next sale might be anywhere between ten seconds or ten days away, revenue that can be counted on month after month, year after year, can go a long way in creating stability. We addressed why subscription-based revenue is ideal for many stores in a previous post: A subscription-based sales model introduces regularity into this world of chaos and unpredictability. Store owners will always know how many subscriptions they have running at any given time, how many subscribers belong to each tier, and when the next billing cycle will occur. With subscriptions, a stream of reliable, recurring revenue is introduced that store owners can count on. Subscription revenue might even allow you to hire an employee or work with an agency! Recurring revenue, which can be brought in through a subscription-based model, puts more money in your pocket and enables you to do more with your store. Security

Read our post on securing your WooCommerce store to learn the first steps you should be taking. If your subscribers receive a single, regularly-stocked product each month, this will be easy. A few things to keep in mind: Your customers will appreciate, or might even expect, discounts in exchange for subscribing. If you received any items for free, pass along the savings if possible. Many subscription boxes include free samples or discount goods provided by manufacturers. Throwing these in without upping the price can make your offering look like an even better value. Along with the cost of your subscriptions themselves, you should also be considering how often you charge for them. Some customers prefer to pay monthly, while others will be fine paying once per year. The smartest thing to do: Some products are going to sound realistic, even for very specific shoppers or situations. But how often do shoppers actively buy new socks, or pick out new toys for their children? Maybe not often enough. Have a tasty product that customers are going to want or need frequently, like tasty freshly-baked cookies? And the solution is pretty simple: Turn down the frequency to quarterly or perhaps bimonthly and take payments accordingly , and Consider including more than one product, since shoppers are likely to buy several new goods at once vs. Think about socks you buy a pack at a time, not just one set! A hammer of the month club? This will allow you to find out if you should scale up or down, or just offer more options. You can also use an extension like ShipStation to streamline the process of printing labels and generating tracking numbers. Planning to offer multiple shipping options for subscribers? Be sure to add estimates to each method. Put those boxes together and find a carrier to get them moved out. Weigh your options carefully before you launch! Delivery frequency Should you have more options, scale up or down, or is your timing just right for everyone? Pricing Are your prices fair for what subscribers are getting? Could you offer occasional discounts via email or even surprise printed coupon codes in your boxes to offset necessary high prices? Shipping Is shipping reliable and affordable? Are your products arriving safely? Are there any countries you might want to consider shipping to in the future? The products themselves Is the quality good? New options Maybe you sell subscriptions for your freshly-baked cookies, but your subscribers want you to ship out your world-famous brownies, too. If you see a trend or something alarming, try to resolve the issue and notify the customers impacted or interested as quickly as you can. Keeping communication open and showing commitment to your business can go a long way in keeping those hard-earned subscribers around! A successful subscription-based business is within your reach With the right knowledge, tools, and products, attracting subscribers and creating a steady stream of recurring revenue is well within your reach. Have any questions for us about selling subscriptions online?