

Credico Reviews the Rise of the Subscription Economy

The phrase "Subscription Economy" describes a business movement that has grown in popularity over the last decade.

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/EINPresswire.com/ -- It is when a traditional pay-per-item company moves toward subscription-based business models.



Led by TV and music streaming services, this business model was quickly followed by boxes of beauty products, coffee, craft beer, clothing, pet food, and much more. For customers, the appeal is convenience. For businesses, the promise of recurring income.

About Credico: <https://www.credico.com/>

The subscription industry has experienced significant growth and is consistently expanding five-to-eight times faster than traditional businesses, according to an article published by HBR in March, 2022. Here at Credico, we frequently speak with businesses struggling to acquire and retain customers. Traditionally, they would sell a service or product to a customer and hope they return and purchase again. This is no longer a reliable business model in today's world, where customer loyalty is at an all-time low due to a saturated marketplace and the constant battle on pricing. A subscription model offers more predictability in the business transactions and, if managed well, can deliver a much deeper level of consumer engagement.

So, what does it take to obtain a share of the \$275 billion subscription economy, and are there any downsides?

Help Customers Understand Your Value Proposition

Make it simple. A value proposition should be clear, compelling, and differentiating. The audience is your ideal customer, and you want your value proposition to communicate the promise of unique value in your offering. Consider the key challenges it will take for your ideal customers to overcome.

For example: Netflix's entire value proposition is providing quality entertainment to its users 24/7. This proposition includes access to a vast catalogue of products with content for all tastes and on-demand streaming with 24/7 access (without ads!).

Secret Caffeine Club's value proposition is fresh coffee from an artisan roaster each week, delivered on schedule. This plays on the consumer wants and needs of convenient, good coffee from independent growers and roasters.

Deliver Value (make sure it's measurable)

Two key factors that can predict the success of a subscription-based business:

Engagement - The value each customer gains from the service/product.

This could be measured through the Net Promoter score (NPS), customer satisfaction score (CSAT), customer effort score (CES) and user actions taken across both digital and instore experiences.

Loyalty - The length of time the customer stays with you.

Typically measured through customer acquisition cost (CAC) paired with lifetime value to the business. Other metrics can include frequency of web page visits, length of time spend on websites and customer churn.

Be Forward Thinking and Embrace Experimentation

Listen to your customers. Constantly ask how your customers feel about you. Ensure you continue improving and developing your products and services. Gather data to highlight issues and problems and use your subscribers to learn how they use your product or service and what would make it better. Experiment with them and have them be a part of the future of the business.

"An area we see businesses failing is by focusing on acquisition only. We all know that acquiring customers costs more than retaining them, yet many organizations neglect the retention side of their business. It is something we support our clients with, advising on how to restructure their business to improve their retention marketing," said Ian Attwood, CEO of Credico UK.

Given the appeal of recurring revenue and the openness from consumers for convenience, businesses would be remiss in holding back investment in this emerging business model.

How can we support your subscription business? Get in touch to find out.

<https://www.credico.com/>

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