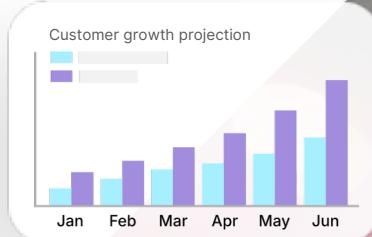
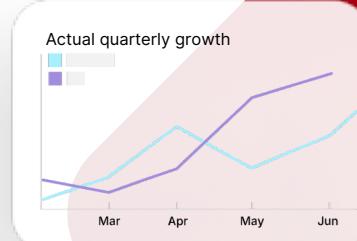


BUSINESS AND PAYMENTS GUIDE

Recurring Revenue

How to do it,
why it matters



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RECURRING REVENUE

Overview

Recurring Revenue: How to do it and why it matters

As a business owner, you know how important it is to grow and maintain a strong revenue base to cover your expenses and enable your business's growth.

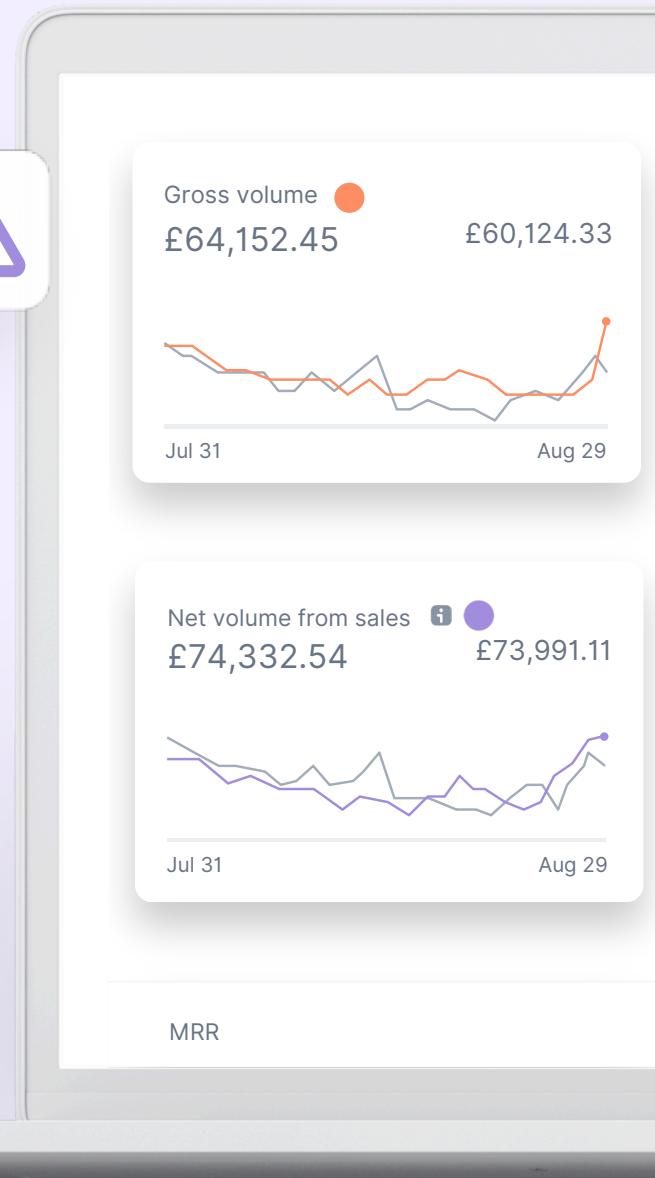
Whether you're running a service or product-based business, strong cash flow is the key to a strong revenue base.

Implementing a **recurring revenue model** is one of the most efficient and reliable ways to

- grow your business,
- maintain a loyal customer base, and
- diversify your revenue streams.

Of course, strong cash flow and recurring revenue are things most companies want to achieve, but the reality of making changes to your business model may feel daunting.

This guide outlines WHY recurring revenue is powerful for business growth, HOW you can create a recurring revenue business model (no matter what kind of business you run), and ACTIONABLE STEPS to market your new offerings and measure your performance.





RECURRING REVENUE

Why?

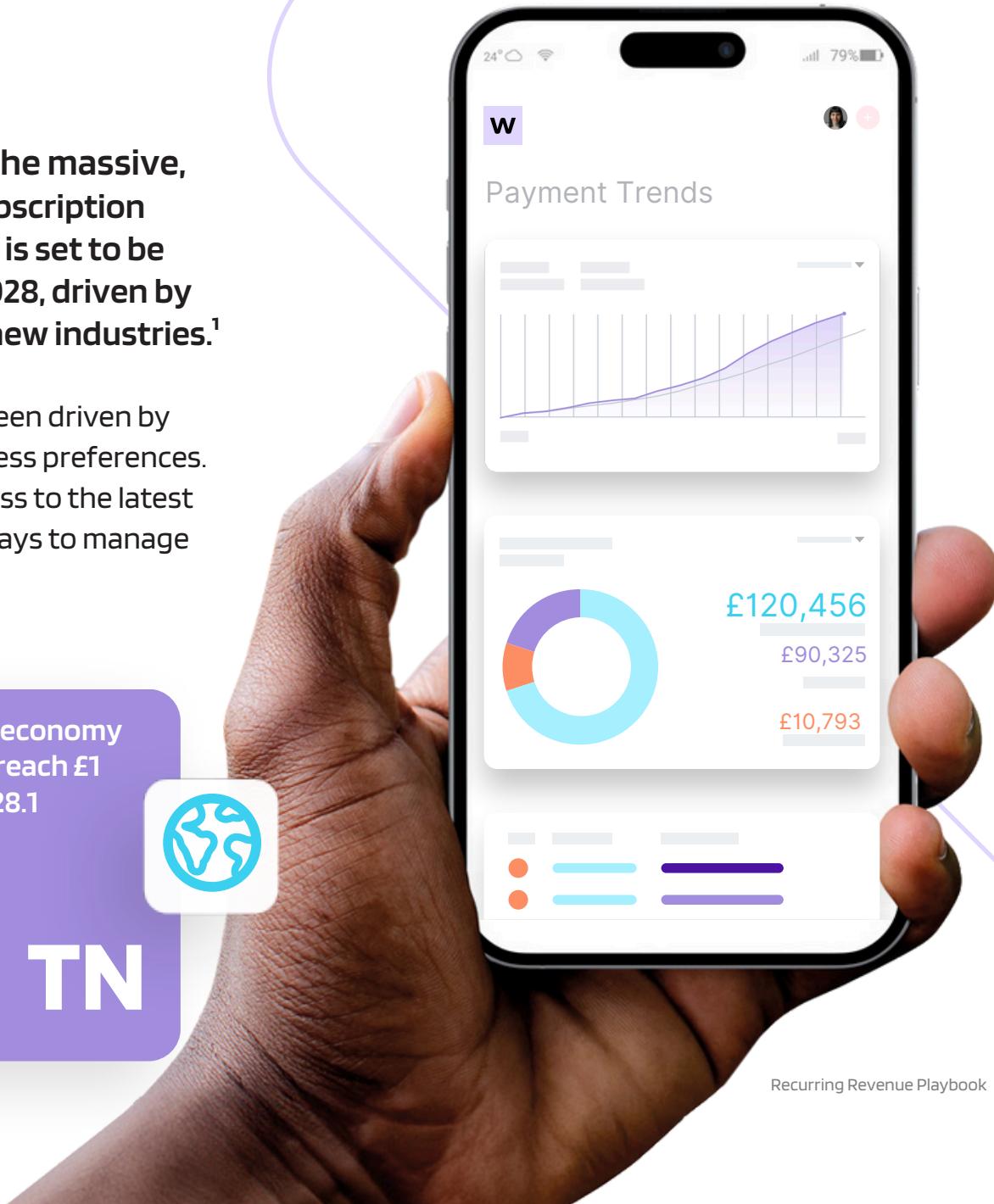
It's growing, fast

Recurring payments form part of the massive, rapidly growing market called the subscription economy. The subscription economy is set to be worth almost £1 trillion globally by 2028, driven by the expansion of subscriptions into new industries.¹

The subscription economy's growth has been driven by one thing: changes in customer and business preferences. Businesses and customers alike want access to the latest products and services, along with easier ways to manage their payments.

Subscription economy projected to reach £1 trillion by 2028.¹

£1 TN



Your customers prefer it

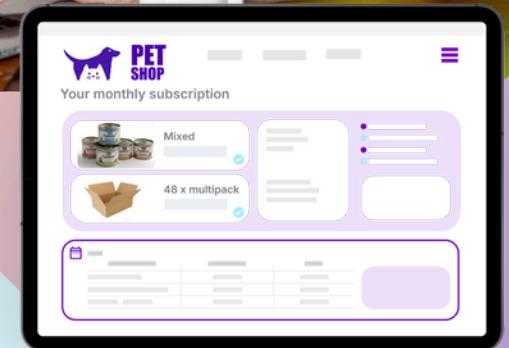
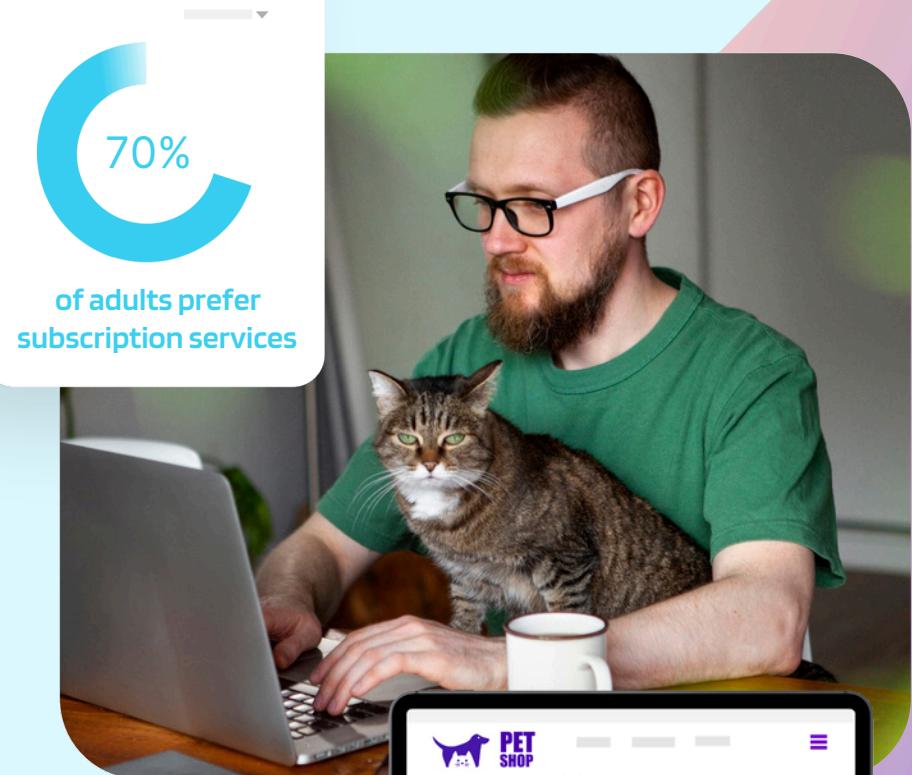
It's estimated that 70 per cent of adults prefer subscription services because it means they can access the most up to date product and services without having to maintain it themselves.

It also makes it easier for customers to afford a purchase or service as it means that they don't have to pay large upfront fees before being able to start enjoying your products or services.

It's better for your business

With electronic payments becoming commonplace in recent years, advanced payment infrastructure makes taking direct debit and credit card payments more simple and efficient than ever before.

Businesses can simplify payments, automate processes, and boost recurring revenue by switching their customers to recurring payments.



Setting your business up for the future

For businesses like yours, the change in consumer expectations and developments in payments tech means that you have plenty of options for building your businesses' recurring revenue. According to Ventana Research, there are five key reasons companies use recurring revenue:²

1 Increase revenue:

Grow your company's revenue by expanding your product and service offerings through subscriptions. This can help you attract more customers and increase customer lifetime value.

2 Improve customer experience:

More product, service and payments options creates a better customer experience, which increases customer loyalty and organic growth through word-of-mouth.

3 Increase customer loyalty:

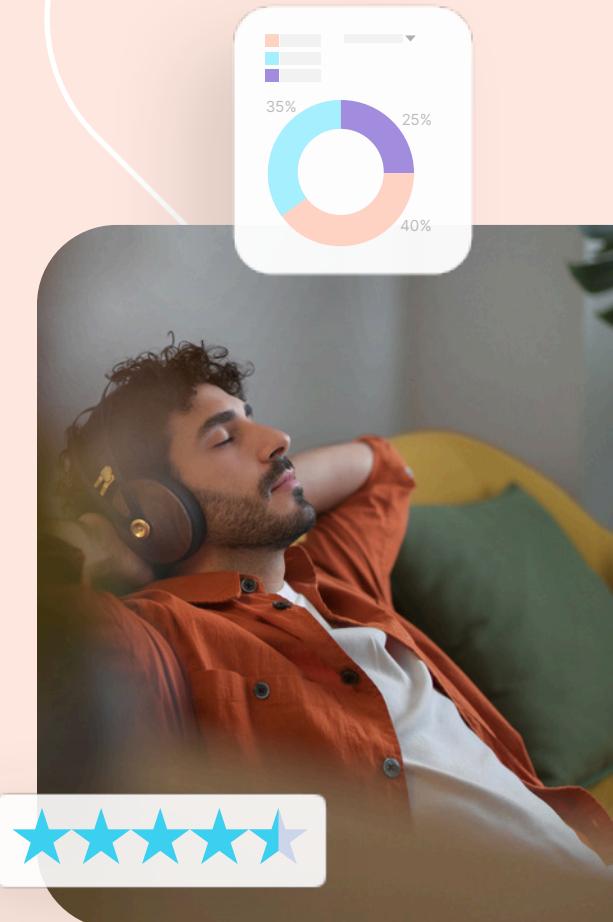
Similar to the point above, a recurring revenue model can help you amass your 1,000 raving fans that will remain loyal for the long haul.

4 Expand into new markets:

A recurring revenue model usually involves an element of systemising and "productising" your business. This can make for a highly scalable business model that you can expand into new markets.

5 Improve customer satisfaction scores:

What's the common feedback you get from your customers? Using technology to seamlessly implement and market a recurring revenue stream in your business gives you powerful data to continuously improve your offerings and regularly and methodically gather feedback.



² <https://blog.ventanaresearch.com/2015/02/19/recurring-revenue-an-increasingly-important-business-model>

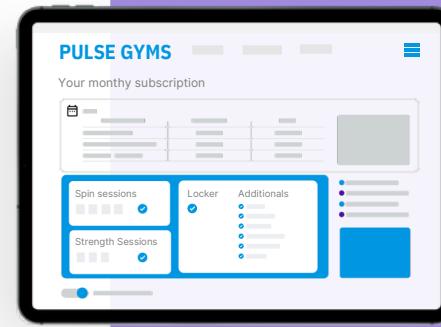
Benefits for customers

It's not just your business that will benefit from recurring payments. As outlined at the start of this guide, 70% of customers prefer paying via a subscription plan because it means they have access to the most recent and up-to-date services and can access these without having to make a large upfront payment.

Consider records, for example. Most people enjoy the experience of listening to music, but the maintenance and costs associated with owning a collection of vinyl can be a burden. Instead, most people prefer to have a Spotify account and access the latest music via a subscription.

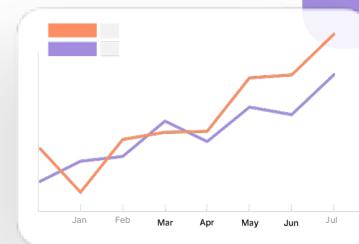


Similarly, some fitness studios and yoga clubs, offer class packs. While some customers may prefer to pay hundreds of dollars upfront for a pack of classes, most customers would rather minimise upfront payments and opt for an ongoing payment plan with lower weekly or monthly instalments.



The key benefits customers enjoy from subscriptions and recurring programs are:

- reliable service with predictable schedules
- reliable service with predictable schedules
- access to new, up-to-date services and products
- no late payment fees
- no large, upfront payments
- better personal cash flow management
- convenience through "set and forget" payments
- a better customer experience at each touchpoint
- more exposure to your business through additional and updated offerings





RECURRING REVENUE

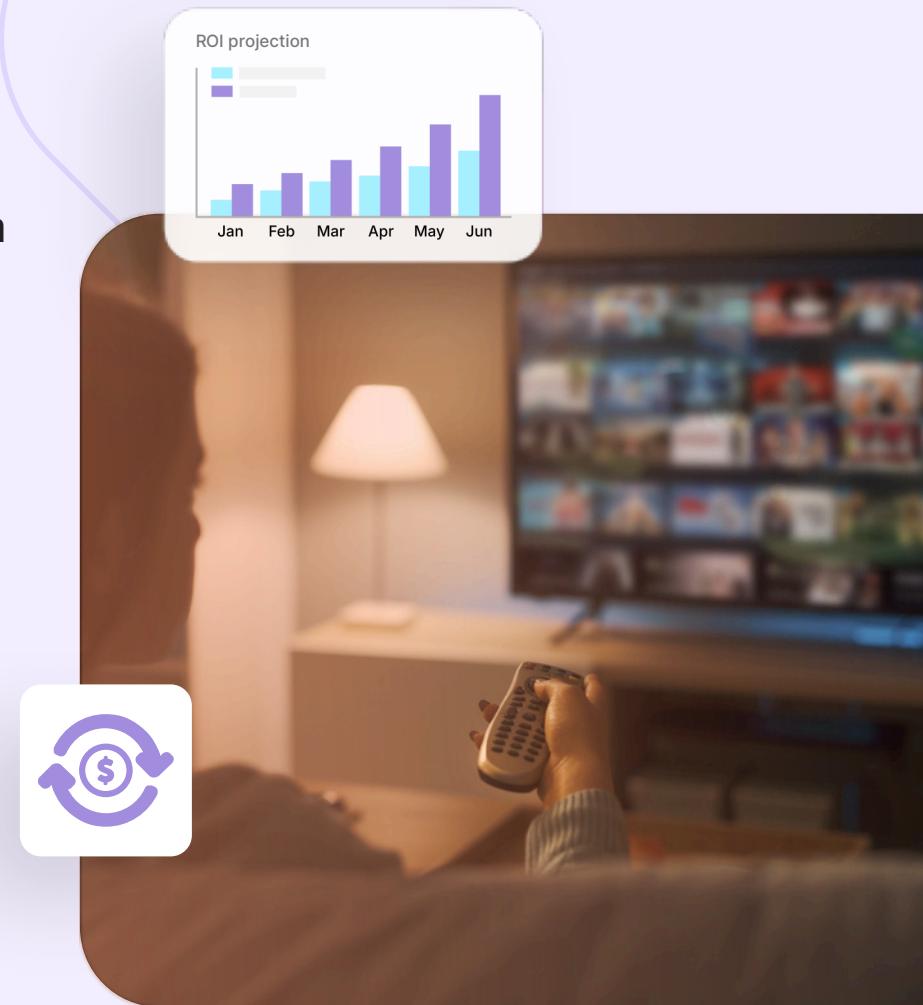
Who?

What types of businesses can use recurring revenue models?

Netflix and Spotify are early examples of subscription models that grew rapidly. You and a lot of your friends and family are probably customers, opting to pay a monthly fee to access the music and entertainment libraries on these platforms.

As the subscription economy has evolved, the business models have changed too. Other well-known examples around the world include the Dollar Shave Club, Uber, and SalesForce.

Almost any business can add a subscription or recurring revenue offering to their products and services. From Netflix to Dollar Shave Club, companies of all sizes are using recurring payments to achieve a range of benefits for their business and its customers. While it may take some creative changes to your current products and services, exploring how recurring payments can grow your business can be a very profitable time investment.





Here are a few comparisons between a recurring option, and an upfront or once-off payment option. In most cases, the subscription model is more convenient for the customer, because it helps them save time, reduces upfront costs, and relieves them of the burden of having to update and maintain their product or service themselves.

Subscription

GoGet: A car-sharing network, allowing customers to pick up a car nearby, simply paying for the time the car is in use plus fuel. The customer doesn't need to worry about insurance and maintenance costs.



...

Pay-per-product

Owning a car: The owner is responsible for paying for the car (upfront or financed), fuel, insurance, maintenance, repairs, and registration.



Netflix: Choose from a range of TV shows and movies to stream in the comfort of your own home. Family bundling also provides savings.

...

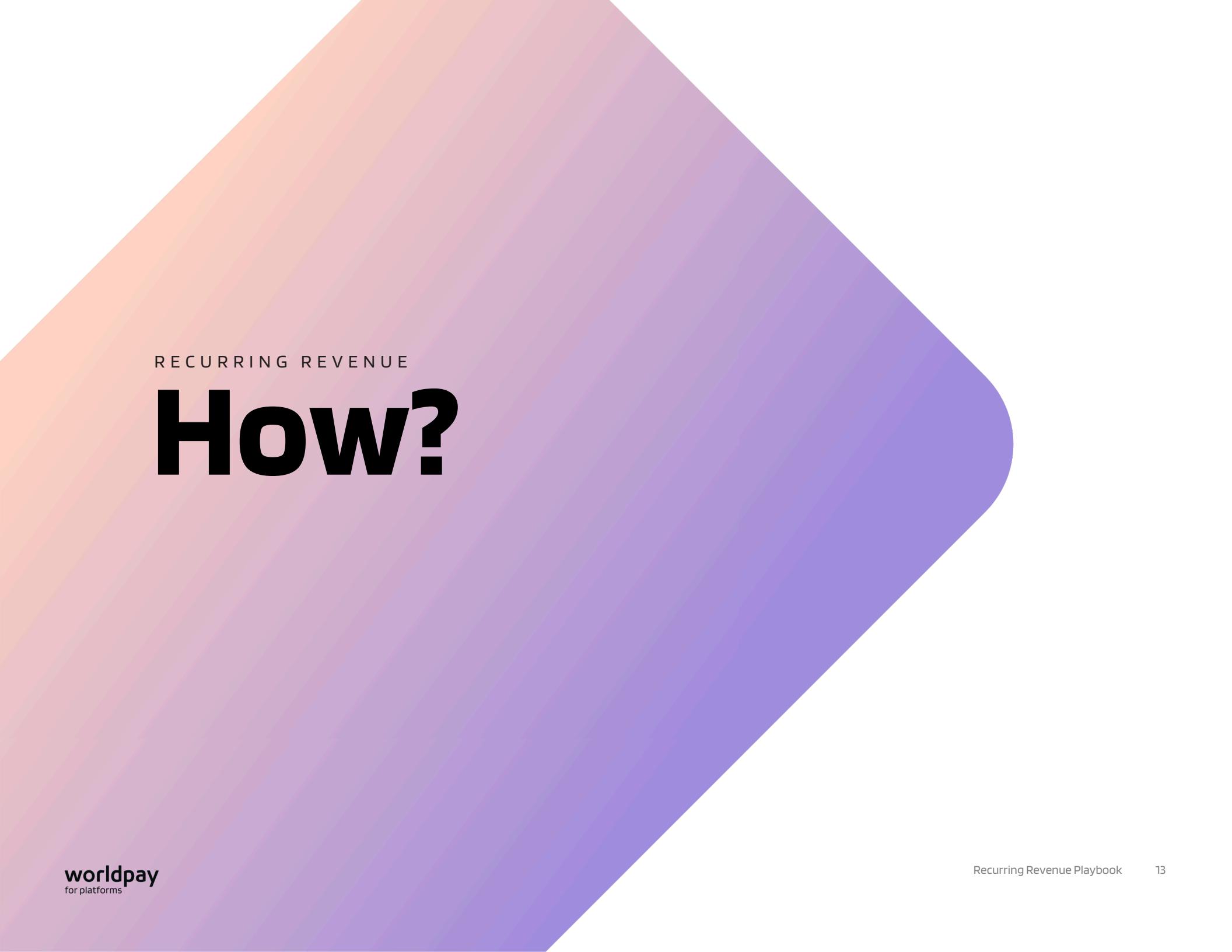
Going to cinemas: Travelling to the cinema, finding a suitable session, paying for a ticket and food and drinks. If you don't enjoy the movie, you can't switch to another, and you've spent around three to four times the price of your monthly Netflix fee.

HelloFresh: Select how many meals you'd like to make, and the recipes and ingredients are delivered to your home. The customer enjoys discovering new recipes and doesn't need to shop for ingredients at the supermarket.

...

Supermarket: Looking up recipe inspiration, travelling to the supermarket, selecting and purchasing ingredients, waiting in the queue, and travelling home. For recipes that call for uncommon ingredients, the customer often needs to buy a large amount when only a small amount is required.



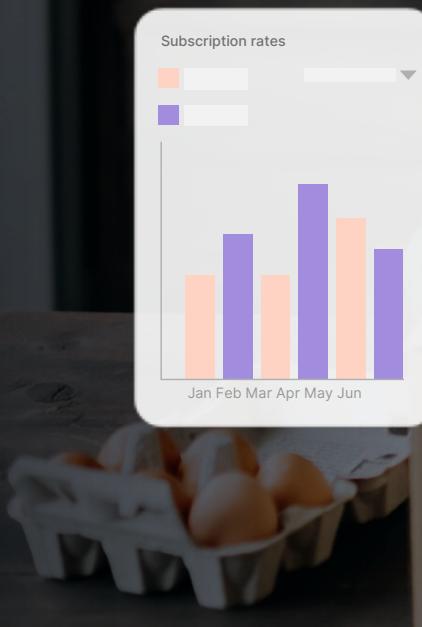


RECURRING REVENUE

How?

How to incorporate recurring revenue into your business

Now that you know why recurring payments are becoming more popular, why they are preferred by customers, AND how it can boost your business' health, you may be feeling inspired to start your own subscription or recurring payment offering. Whether you already have an idea or you're looking for steps to determine what will work best, it's important to remember that this process is iterative, and you don't have to get it right straight away.



STEP 1

Evaluate your **best selling products and services**

Have a look at your business sales for at least the last year to identify your best selling products and services. If you use any of the major accounting software packages, you or your accountant can drill down into the specific line items that contributed most to your revenue. Reviewing your cash flow over the same period will also show you when revenue was highest. Take note of specific times, products and services that drove sales so you can start brainstorming recurring revenue options.



STEP 2

Define your recurring revenue model and offering

There are several models for creating recurring revenue, and the option you pick will depend on the products or services you offer. Common models include:

Loyalty programs:

Reward loyal customers by offering discounts or free items and premium services for a monthly fee. This may include options such as offering the tenth session free for personal trainers or giving customers 10 per cent off their next two hair appointments. As a loyalty program evolves, you may create membership tiers, providing higher value rewards to your highest value customers. For example, workshops, books and nutrition planning if you run a gym or fitness studio.

Memberships:

Information and advisory-based businesses and other companies such as fitness studios typically offer membership models. Under this model, you create an ongoing monthly offering in exchange for membership fees. Businesses typically charge monthly or offer a discount to customers who pay annually.

Appointment-based services:

Regular appointments are key for customers in service-based businesses such as dentists, mechanics, and many health and beauty companies. By having a program of regular services for your customers to book, you can secure more repeat business compared to relying on one-off appointments.

STEP 2

Define your recurring revenue model and offering

Multi-step programs or courses:

This is a popular model for businesses that offer educational content. In exchange for a recurring payment, customers get access to your course content. Setting up timed releases of the content also encourages people to work their way through the course methodically while reducing the risk of customers accessing everything then cancelling.

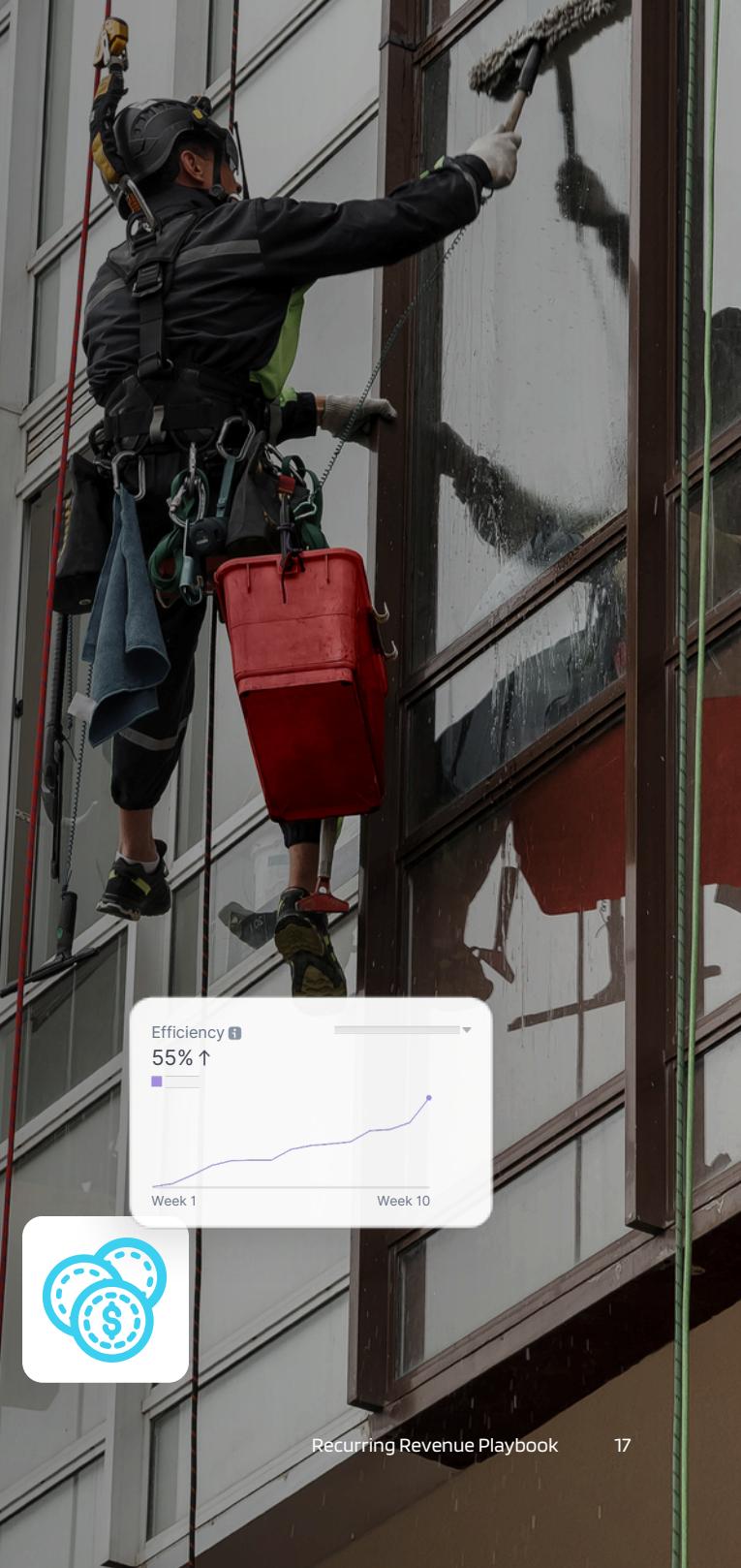
Monthly deliveries:

Household consumables and discretionary items such as clothing and health and beauty products are perfect for monthly deliveries. Many companies, such as coffee roasters, will offer a pay-per-product model and the option for monthly deliveries. It's

a great way to increase customer retention and provide customers with the convenience of always having their favourite consumables on hand at home.

Maintenance plans:

Whether you run a mechanic's workshop or cleaning company, offering regular maintenance plans is a great way to lock in repeat business. You can create a plan based on your service offering and set up a fee structure that suits your price point. For example, a monthly fee at a slight discount for multiple house cleans per month or a tiered servicing plan for people's vehicles based on their annual mileage.

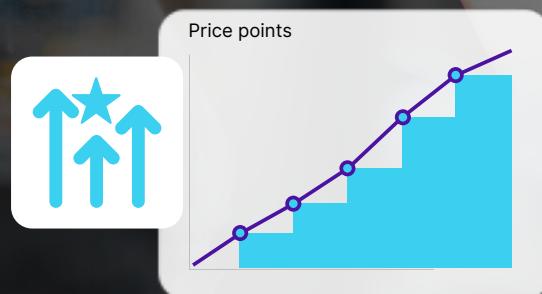


STEP 3

Create a pricing strategy

The pricing strategy and frequency you pick will depend on your offerings and audience. A standard subscription model with a monthly fee will suffice for ongoing offerings such as courses and memberships. However, if you run a gym or fitness studio, you may add some extra conditions and adopt a contract model, stipulating a minimum four-month term, for example. Lower priced goods and services such as small consumables, digital

content, educational platforms, SaaS products, and streaming services work well with an auto-renewal subscription. Sunk money consumables (think Nespresso coffee pods) and sunk money subscriptions (e.g. journalism platforms such as Bloomberg) are good options too. Finally, service retainers are perfect for services based businesses that charge by the hour or for a specific offering or appointment.



STEP 4

Start simple and build over time

Your recurring revenue offering doesn't have to be perfect before you launch it. In fact, creating a minimum viable product and testing it with customers to gather feedback can help you iterate and build over time. Recurring revenue pricing varies based on discounts to encourage repeat and bulk purchases or annual payments, usage levels, and tiered access to features. Providing free trials, discount codes, and freemium to paid offers entices customers and gives them access to what they'd experience if they were paying for your premium offering.

To get started, keep things simple. Start with two or three pricing tiers and iterate over time as you gather customer feedback. And most importantly, if you have an ideal price point, make sure you add a premium offering above it so it looks like the best value offering.



STEP 5

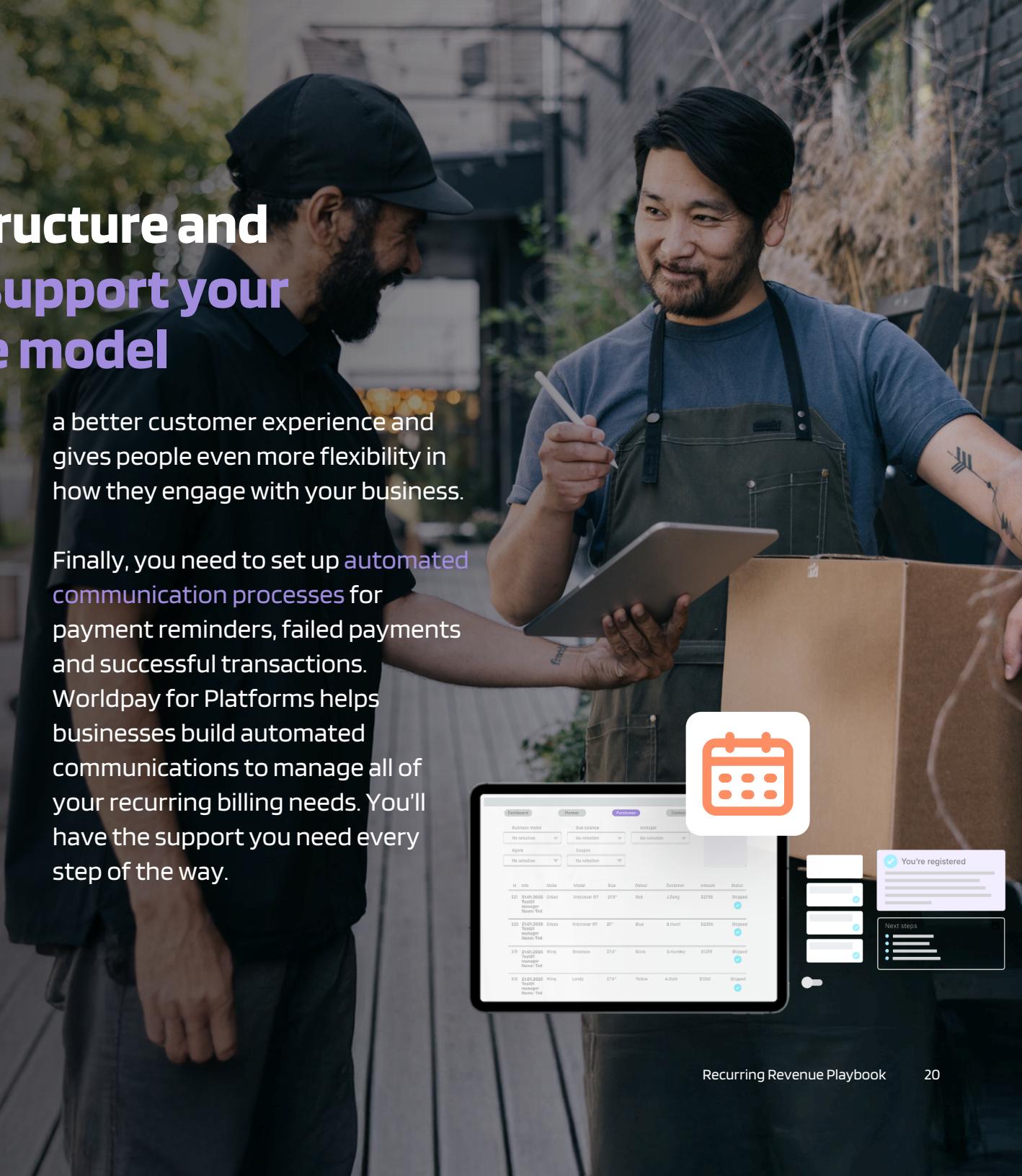
Set up the infrastructure and fee schedules to support your recurring revenue model

Once you've created your offers, you need to set up the systems that will help this new part of your business run smoothly. Using a recurring billing partner will help you get up and running quickly. It's a cost-effective way to get all of the tools you need along with dedicated support to minimise late payments and maintain compliance. Further, it's important to remember that one size doesn't fit all with recurring payments, even if you have created a few options.

With Worldpay for Platforms, you can set custom fee schedules allowing some customers to pay weekly while others pay monthly. It creates

a better customer experience and gives people even more flexibility in how they engage with your business.

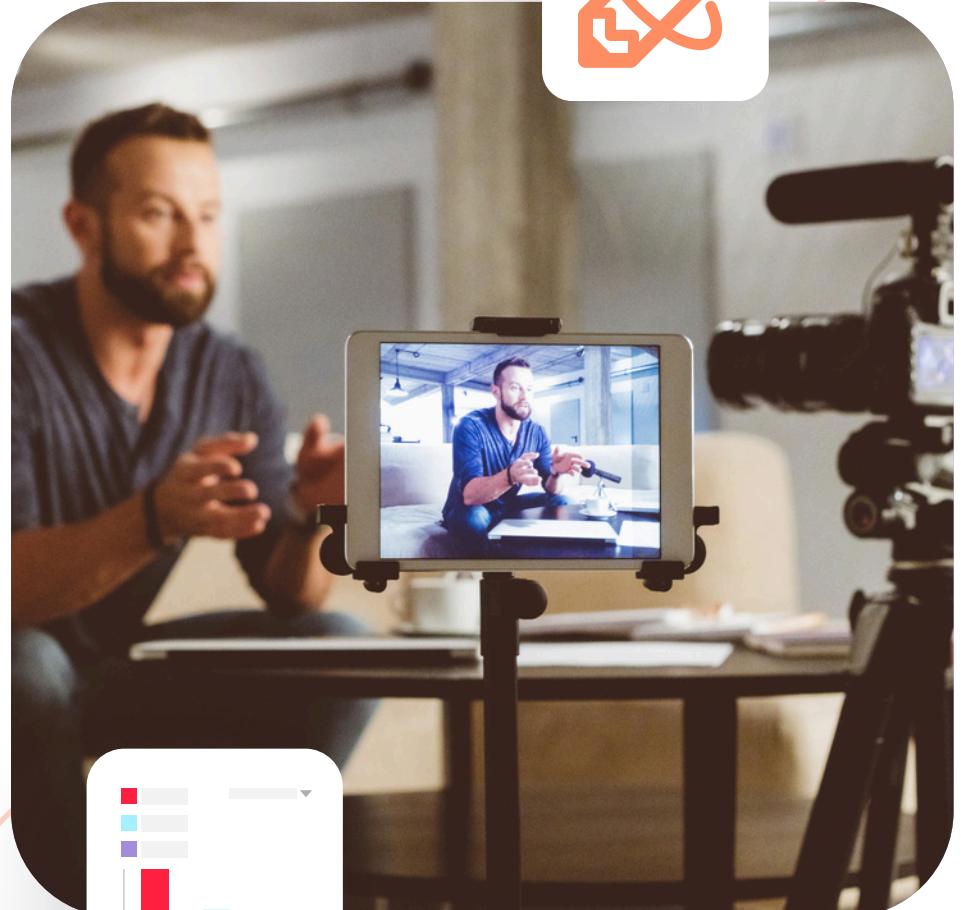
Finally, you need to set up **automated communication processes** for payment reminders, failed payments and successful transactions. Worldpay for Platforms helps businesses build automated communications to manage all of your recurring billing needs. You'll have the support you need every step of the way.



How to generate adoption of your recurring program with your customers

Once you've created some compelling recurring revenue offers, you need to market these to your customers. Starting with your existing customers can generate strong results, with the probability of [selling to an existing customer between 60 and 70 per cent](#).

In contrast, [a new customer has a conversion rate of 5 to 20 per cent](#). This doesn't mean you shouldn't market your recurring offerings to new customers. You just need to implement some smart marketing tactics that incentivise people to try your products or services. We've outlined three key activities that will help you generate adoption of your recurring offerings.



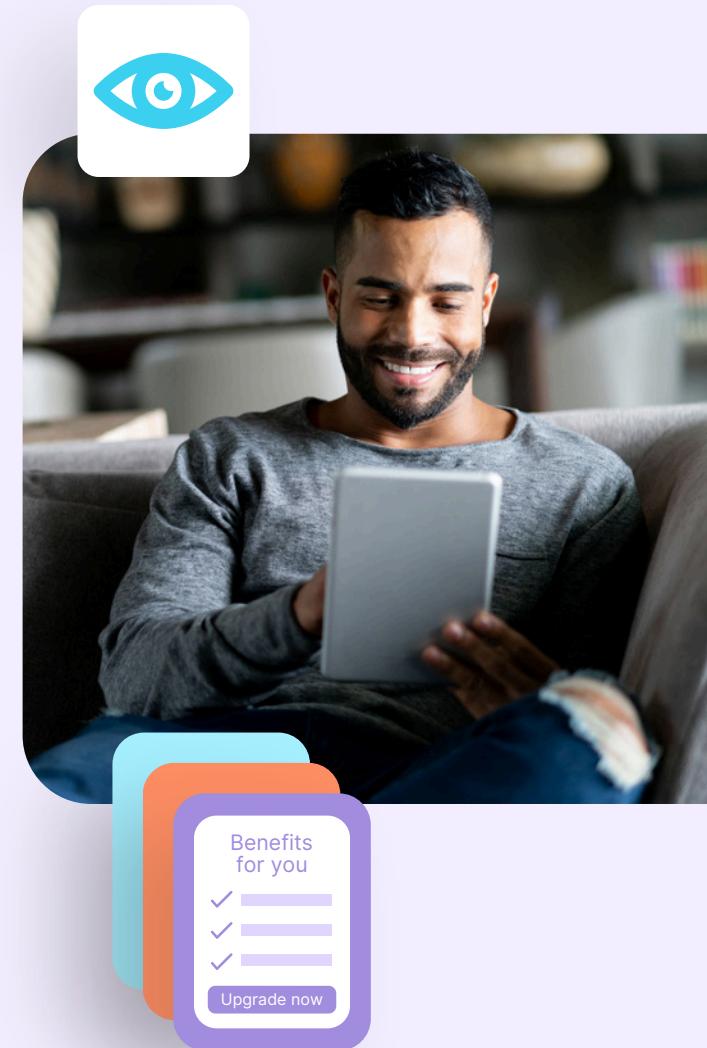
1

Advertise the benefits to your customers

It's important to make sure your audience knows about your new offering, so communicating via your marketing channels should be your first step. You'll need to regularly communicate the features and benefits and value created through your products and services. This means that any well-performing marketing collateral you create now can be updated and used in future campaigns too. Amazon, for example, communicates the benefits of their Prime membership at various touchpoints on their website, whether you're searching for a product or checking out.

Similarly, Dollar Shave Club outlines the benefits of their monthly subscription in a simple text-based graphic. These graphics can be used across your website, social media channels, and email marketing.

Like other marketing campaigns, there are templates you can follow, especially when you're setting up email flows from attracting new customers to welcoming new subscribers or sending an email once a customer upgrades to a premium offer. Start with setting up your marketing collateral to attract sign-ups to your subscription, and build from there.



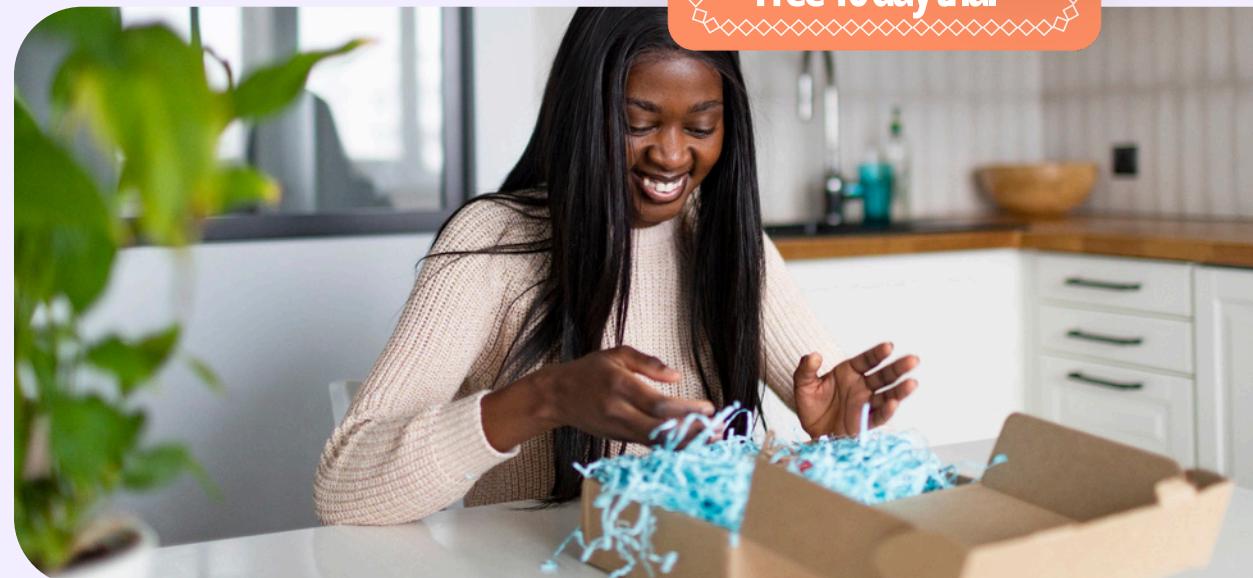
2

Run specials, free trials, and exclusive discounts

When you're first getting started, you may want to consider letting customers trial your product or service first before they begin paying. This allows customers to experience what they'll receive as an ongoing customer. To increase conversions at the end of a customer's free trial, consider offering a discount such as 20 per cent for the first three months. This is a common strategy implemented by [SaaS companies](#).

Alternatively, for service-based businesses, you can consider offering discounts for ongoing agreements such as 15 per cent off when a customer books 12 sessions. Finally, offering specials at certain times

throughout the year is another good strategy. For example, mechanics could offer a 20 per cent discount for services booked and completed within the Christmas period. New Year offers from gyms and fitness studios is another common strategy.



3 Use your recurring offers as an opportunity to check-in and re-establish value

Your recurring offering is a great way to keep in touch with customers and re-establish value. For example, if some of your customers are billed monthly, you can set up [automated emails](#) to check-in and see if they're interested in any of your other products and services. Offering a unique discount or special offer in these nurture emails is a great way to increase conversion, cross-sell other offers or up-sell to your premium options. If you provide a special offer in any of your emails, make sure to include a hint in the email's subject line.



The interface shows a 'Special offer email template' with a 'Special offer email' selected. It includes a 'Write the key points you want to cover' section with a list of items and a 'Generate content' button.

Special offer email template

What do you want to create?

Special offer email

Write the key points you want to cover

- Offer itself [what are you offering, and why is it special?]
- Time frame [when is the offer valid]
- How to take advantage of the offer [what are the rules of the offer?]
- Why the offer is worth taking [what are the benefits of taking advantage of the offer?]

Replace the [square brackets] with your information

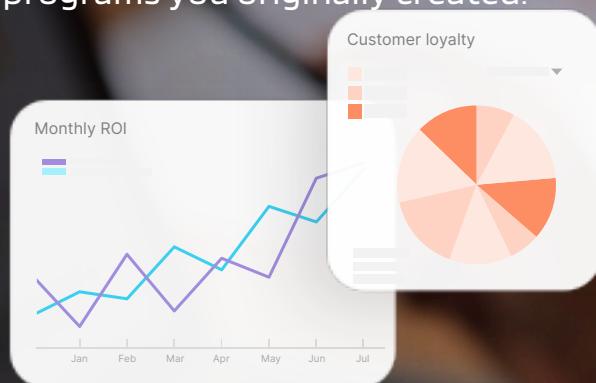
Generate content

Measuring the success of your recurring revenue program

It's important to regularly review your recurring programs to see if it's helping create more revenue for your business, increasing customer loyalty, and growing lifetime customer value. Similar to the steps you may take to determine your best-selling products or services to create a [recurring revenue stream](#), analysing your finances over a period of time also allows you to determine how well your new offerings are performing.

The best way to measure the success of your recurring revenue programs

is by looking at your accounts receivable and payment data to identify levels of customer loyalty, payment frequency, successful up-selling and cross-selling, and how long customers are likely to remain signed up. Undertaking this process is also a great way to determine where to focus your future marketing efforts and if you should continue with all of the recurring programs you originally created.



As an example, if you want to evaluate which one of your two recurring programs is the most popular and worth continuing, you need to collate your payments data and analyse some important metrics:



1 monthly recurring revenue

2 the number of customers completing recurring transactions

3 the average value of these transactions



4 month-on-month growth for each program

5 month-on-month churn (cancellations)

From here, you can identify which program is most popular, if it is generating a healthy profit per customer, whether it is growing in scale and adoption (and if a campaign you might be running is working), and how long customers are likely to continue the program. For example,

you may have set up a program to run for 12 weeks, but find *customers* are dropping off or payments are declining after six weeks. This is an indicator that you may need to adjust the value of the program to encourage people to stay on for the full 12 weeks.

You could also incorporate more communication at this point to get feedback and make an informed business decision about your next steps, whether it's stopping a program, making changes, or doubling down on a marketing campaign and program that is highly successful.

Get inspired, master your cash flow and grow with **Worldpay for Platforms**

Setting up recurring revenue streams in your business is a fantastic way to grow and maintain consistent cash flow while providing an exceptional customer experience. No matter what type of business you run, there's likely a subscription model that will work for you. It's all about reviewing what's currently working in your business and building on that to create new offerings for current and future customers.

Visit: platforms.worldpay.com/EN

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