

DECISION GUIDE

Adopting Subscription Companies' Top-Performing Payment Recovery Strategies

PYMNTS |  FlexPay

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Adopting Subscription Companies' Top-Performing Payment Recovery Strategies, a PYMNTS and FlexPay collaboration, draws on a survey of 200 executives in the subscription industry that was fielded between Sept. 12, 2022, and Sept. 28, 2022. This decision guide examines the relationships between friction in the payment process and customer churn, with a focus on the best practices for preventing and recovering failed payments.

Overview

This decision guide provides aggregated data collected from executives in the subscription industry. These insights underscore the power of the payment recovery best practices top-performing subscription providers adopt to retain customers and avoid churn.

This brief will help your company better understand:



Why companies overlook failed payments and underestimate the value of recovering them



Misconceptions about the causes of failed payments



The direct link between achieving the best possible failed payments recovery solution and optimizing customer lifetime value (LTV)



Strategies top-performing subscription providers use to reduce revenue loss from failed payments



How third-party payments recovery solutions work to improve customer retention and LTV

PYMNTS surveyed 200 executives between Sept. 12, 2022, and Sept. 28, 2022, to examine the relationship between failed payments and customer churn in the subscription industry and gain a firsthand account of the best practices of the firms that best manage these challenges.

Why aren't all subscription businesses tracking failed payments?

Many subscription-focused firms severely underestimate the impact of failed payments on their bottom lines and therefore do not track them. For example, declined card payments create involuntary churn, which accounts for 50% of all customer churn; these customers would otherwise have remained subscribed but their subscriptions were canceled due to declined payments.

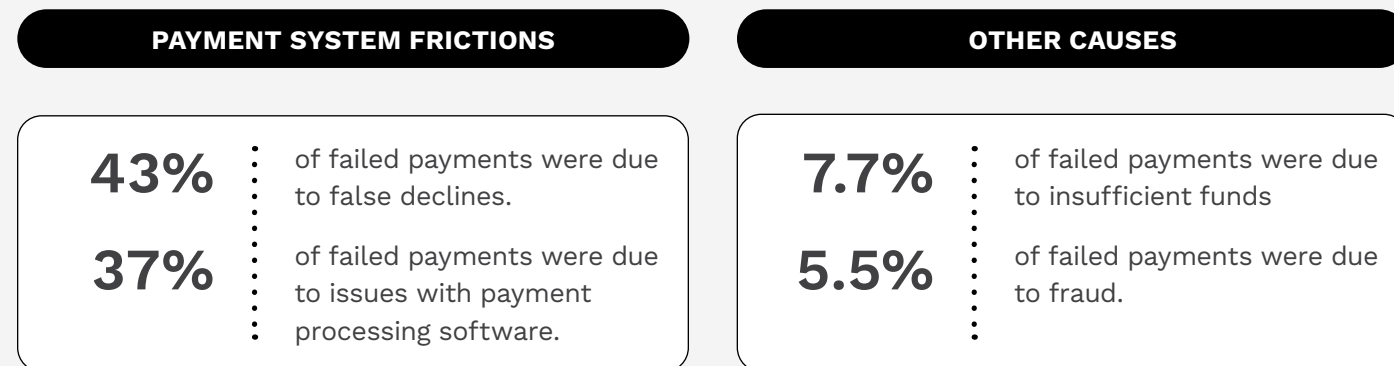
Top reasons subscription businesses cite for not tracking failed payments:



What are subscription businesses missing about the causes of failed payments?

Four in 5 failed payments are not the customer's fault. Rather, they occur due to friction in the payment process, which is critical because many of them can be recovered, thereby saving the customer. Subscription providers that adopted payment recovery efforts recouped an estimated \$141 billion in revenue during the last 12 months that would have otherwise been lost due to failed payments.

Top reasons subscription businesses experienced failed payments:



“Failed payments are an important metric [to use] to track the amount of money that has been missed for several reasons. It does not only affect the revenue or profit but also the LTV of the customer, because the customer loses interest and trust in the services.”

A CFO respondent

Does recovering failed payments increase LTV?

Measuring LTV is directly linked to business performance. Subscription providers that best minimize revenue loss due to failed payments also tend to recognize the connection between failed payments and customer LTV. More than two-thirds of top-performing subscription businesses monitor failed payments specifically, and companies that track LTV after recovering failed payments recover, on average, 24% more revenue than those that do not track this metric.

The relationship between LTV and failed payments:

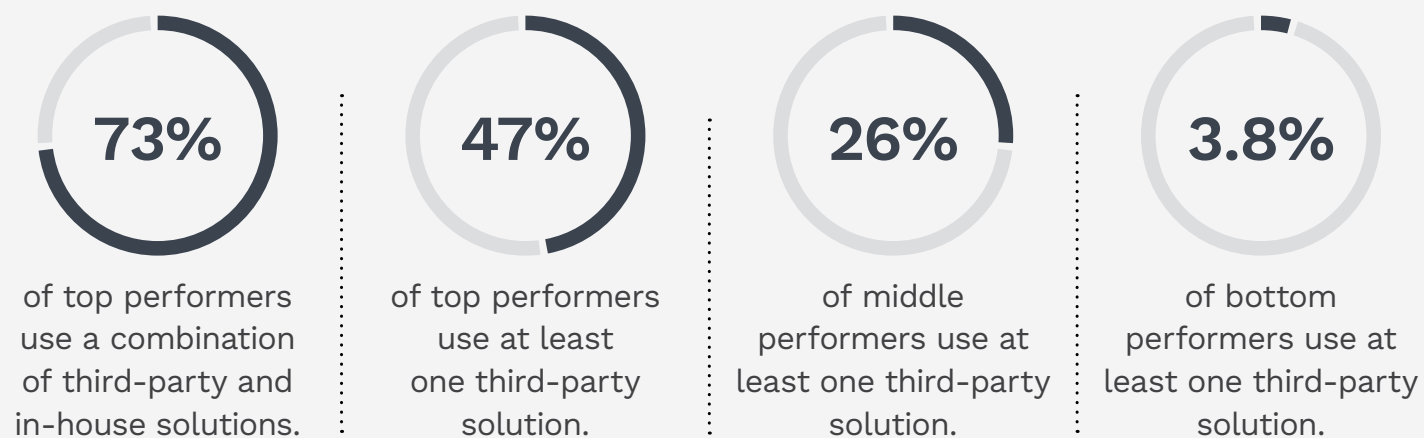


What can subscription businesses learn from top-performing companies about increasing their failed payments recovery rate as well as LTV?

Top-performing providers reduce revenue loss from failed payments by leveraging multiple strategies. Their approaches include monitoring various metrics, implementing specific payment recovery solutions and possessing a deep understanding of the factors that lead to customer churn.

These top performers use a combination of third-party and in-house payment recovery methods — and this pays off. For every additional method used, companies recover an average 22% more revenue that would have otherwise been lost. Specialized solutions do make a difference: Top performers are 12.4 times more likely to use a third-party payments recovery solution than bottom performers are.

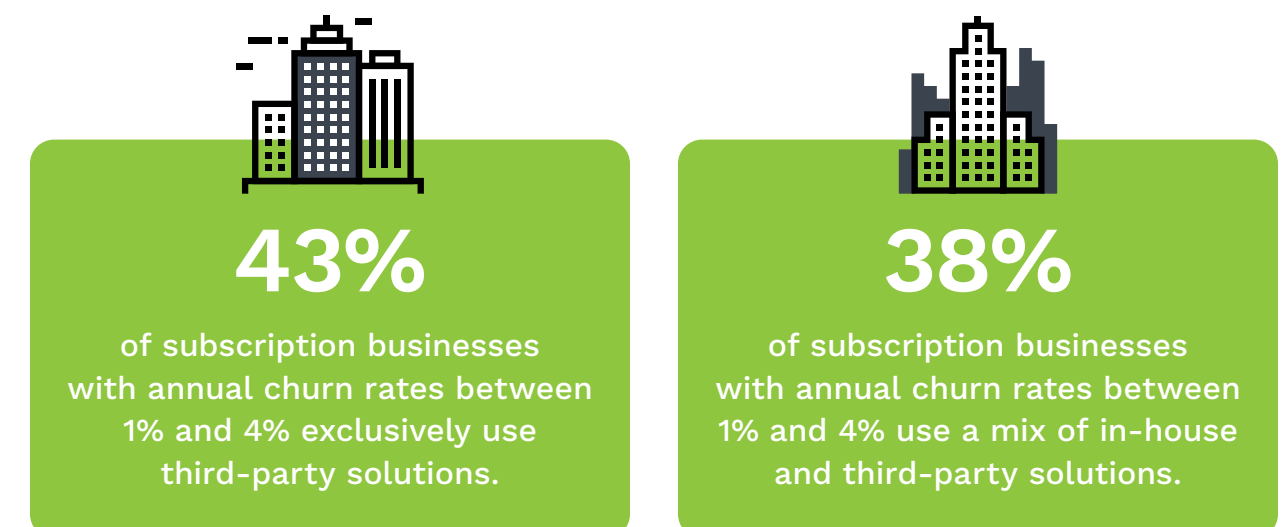
Use of payment recovery methods:



How do third-party failed payments recovery solutions assist with customer retention and LTV?

Third-party failed-payments recovery solutions are often more effective than in-house solutions at recovering failed payments. Implementing third-party payment solutions also allows subscription companies to benefit from access to specialized expertise in handling failed payments and keep their churn rates low.

The impacts of third-party payment recovery solutions:





About

PYMNTS [PYMNTS](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



FlexPay was founded by online merchants and payments industry veterans who recognized the friction in the payments ecosystem caused by the lack of data transparency, and misaligned priorities between payment authorization systems, merchants and customers.

We have a deep and long history with both acquiring and card-issuing banks. This is how we understand the systems that control the transaction approval processes within issuers for card-not-present transactions, known as a “risk decline system.”

The FlexPay platform delivers the highest failed payment recovery rates while also optimizing critical subscription business priorities. FlexPay understands that subscription businesses must recover the customers and revenue lost to failed payments, without sacrificing customer retention and merchant account health. To learn more, visit flexpay.io.

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.

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