

Questions to ask:

- *What is a benchmark of success for our subscription business?*
- *What are best in class companies doing in this space? How do we compare?*
- *How does current performance compare to best-in-class benchmarks? What can be done to close the performance gaps?*
- *What best practices should be adopted?*
- *Where can we get an independent review of our current state and strategy?*

A “Bad” scenario is one with month-to-month subscription terms, no cancellation guardrails, subscriber retention below 82%, negative subscriber growth and very modest revenue growth.

By contrast, a “Best” scenario is one with multi-year subscriptions (typically pre-paid annually), cancellation clauses that are tight and corresponding results of high (>94%) subscriber retention, solid subscriber growth (>15%) and high revenue growth (>40%).

If any of these factors were used to describe the state of a subscription business on a standalone basis, it is easy to come to erroneous conclusions.

Bottom Line

There are 10 points that every CEO needs to know about a subscription business:

1. Adoption of subscription business models continues to grow but is still less than 1% of global GDP
2. Subscriptions can dramatically enhance the value of an offering and the overall business
3. Subscriptions can create strategic differentiation
4. Subscriptions are more about a recurring customer relationship than about a \$9.95 fixed monthly charge
5. A common misperception is that subscription business models are simple to execute. They are not, especially for mature organizations looking to add a recurring revenue model to an existing business model.
6. Metrics and benchmarks are key to the success of a subscription business
7. External talent and best practices can reduce risk, accelerate time to market, and ensure sustained success
8. Continuous customer engagement – not the price - is critical to the long-term success of a subscription business
9. Operating a subscription business requires a careful balance between growth, engagement, customer satisfaction and retention
10. Subscription businesses can expand your total addressable market (TAM)

**EGRES:
DEFINITION OF
SUBSCRIPTION SUCCESS**

Subscription success can be expressed in five variables that MGI Research calls

- EGRES:**
- Engagement
 - Growth
 - Retention
 - Experience
 - Satisfaction