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Your subscription product has customers, now what?

When my startup signed its first subscription customer, it was a good day. When my startup signed its 100th subscriber, it was a better day. But then I started thinking, now what?

Turns out, if your product is valuable and your pricing is fair, it's not that difficult to land a subscription customer. However, it's much more difficult to *keep* a subscription customer. And it's next to impossible to do both at the same time.

My problem was not uncommon for a subscription product startup. The time it took to keep my existing customers satisfied was quickly outgrowing the resources I had available to me as those customer numbers increased.

Fortunately, this is not my first subscription rodeo, so I'm well versed in automation as a release valve in the subscription pricing model.

After launching subscription products and services over and over again, both successfully and less-than-successfully, I've discovered there's a certain system of automation best practices to maintain a balance between landing new subscription customers and keeping existing subscription customers.

Why subscription pricing is a double-edged sword

Subscription pricing is the new norm for everything from software to services.

The benefits to both the customer and the company are undeniable. The customer gets a low-commitment entry point into a more robust offering. The company gets access to new markets with customers that may not be in a position to commit to a large cash outlay up front.

Furthermore, let's face it, the math is easy to do and compelling. Take the number of customers multiplied by subscription fee multiplied by subscription period and you get annual recurring revenue — the holy grail for any business.

And finally, and maybe the biggest benefit on the startup side, economies of scale kick in pretty quickly. As more customers subscribe, costs per customer go down, and profit per customer goes up.

To a point.

Subscription pricing is certainly a beneficial model for products that fit said model. But subscription pricing comes with a sometimes underestimated increase in the heavy-lifting required to keep all those subscribers satisfied as their numbers increase.

After all, by it's nature, subscription pricing is not a one-time transaction. Instead, your subscribers are making a decision every month as to whether or not to re-up. And the moment your customer lifetime value (LTV) dips below your cost to acquire that customer (CAC), you fall into a hole you might not be able to climb out of.

> *Customers who quit subscriptions are unhappy customers. Unhappy customers need more focus, which requires more resources. That's called a vicious cycle. Left unchecked, that cycle becomes a death spiral.*

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Automation is your way out of the death spiral

It isn't long before the headaches at 1,000 subscribers start to cascade beyond the resources that could easily handle 10 or even 100. Questions abound, expectations are all over the map, complaints rise, payments fail, bugs are exposed, features are requested. It can be dizzying enough just to keep up with the inbound, let alone solve all the problems.

When the time it takes to serve existing customers invariably consumes most or all of the resources you have on hand, the first thing that starts to suffer is your ability to go get more new customers. At first, this might even be a relief. If you're struggling with 100 customers, you're going to fall over at 200.

But another overlooked truth with a subscription pricing model is that if you're not growing, you're dying. The subscriber customer is always transient, and every single one will someday leave you for one reason or another.

A subscription product becomes a balance between serving the subscribers you have, minimising churn, replacing the subscribers you lose, and getting more new subscribers to keep growth at a healthy, but manageable, clip.

That math isn't as much fun. But there's a solution. Automation, when done properly, can help balance growth. The trick is knowing when and how to apply automation to maintain that balance.

Here's what I've learned over the years.

DON'T automate marketing

To be clear, I'm not eschewing automated marketing, I'm talking more about marketing strategy. If finding customer prospects are like drilling a well, the wells for subscription products are larger in number but shallower in depth.

With a subscription product, the benefit is that you're always improving and enhancing. The drawback is you're always going to have to find new audiences, new channels, new messaging, and new offerings.

Pitching an evolving product or service to the same audience through the same channels will slam the growth door shut.

DO automate sales

Nothing improves the efficiency of a growth cycle better than automating the sales process. I'm not saying you should reduce your sales team, but you should always be giving them new tools to make hitting their numbers that much easier.

Adding self-service options, removing purchase friction, digital contracts and payment options, tiering, free trials, automated conversions, online demos, CRM — all of these tools should be employed as quickly as possible.

Every minute your sales team isn't spent closing is a minute freed up to keep that customer happy. In other words, that time is money taken from CAC and added to LTV.

DO automate onboarding

Onboarding is probably the most overlooked part of the subscription model — in other words, it's often skipped rather than automated. But the truth is, once you land the customer, the best way to keep them from leaving is to get them successful with your product as quickly as possible.

That's onboarding.

Your first touch with a new customer should be their first steps on the path to success. Don't just give them a menu of options, make some assumptions and guide them through their first few days or weeks of usage.

This is more than automated videos. It's interactive demos. It's video training. It's data collection and proactive help when it looks like that customer needs help, instead of waiting for them to reach out. Because when they do reach out, it might not be to support, it might be to cancel their subscription.

DON'T automate support

That said, the less automation around support, the better.

First, always make it clear to your new customers when costly human support ends and cheaper automated support begins, because your customers will always see through this as the economic choice it is. Be honest up front.

Automation is fine for high-level touch points, especially those initiated by the customer, but they should be informational too. Don't just send an automated email acknowledging receipt of the customer's issue, let them know when they should expect a human response (or if they shouldn't).

My first hire is almost always support. It's the function I know I have to offload first, because it's repetitive and time consuming. But I can't just automate those tasks away, because the causes behind them are nuanced.

DO automate reporting

For almost every part of the business, from marketing campaign results to customer engagement, whenever I integrate a new process into the system, I build an automated report that is automatically delivered to the people who need to see it. Even if that person is just me.

Like onboarding, reporting is often skipped, and when it is, there's usually a lot of data gathering and analysis done manually and only when it's needed. As customer volume and activity increases, this becomes a lot of manual work done way too often.

DON'T automate hiring

When you do add resources, it's a big spend, and you'll be adding them to either bring on new customers or keep existing customers. Make a mistake here, and you lose at both.

Don't just throw a job requisition onto a hiring website and let its automated tools do the search for you. Every touch point with a potential hire is more human data on whether or not the hire is a fit.

DON'T automate direct functionality

All of the above is about automating your infrastructure. When it comes to your product or your service, automation is always helpful, but too much of it can result in a poor customer experience.

Your direct functionality is where the product or service meets customer expectations. Not that that customer experience can never be automated, but it should be your last priority.

DO automate indirect functionality

Instead, look into automating any secondary functionality that supports that primary functionality.

In the case of Teaching Startup, our product is the answers we give to the questions we received. While we'd never automate those answers (and oddly, a previous startup of mine was built on automated content creation), I am doing everything in my power to automate the delivery the answers, the collection of questions, and the access to the value stored in the database of previous answers.

In every case, when you can make it easier for the job to get done, the job gets done better. This results in higher customer engagement and higher customer satisfaction at lower levels of effort. The time you get back is more time spent growing the entire machine, both automated and human.

This article was originally published on Medium by Joe Procopio

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