

COLUMNS

## What luxury brands can learn from subscription businesses

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About two years ago we were inundated with stories about the emergence of subscription-based retail in the digital space. Startups such as quinciple, BirchBox, [Dollar Shave Club](#) and others sprouted up left and right, while heavyweights including Amazon – with its long tentacles – maintained its dominance in direct-to-consumer physical goods subscription operations.

The model, of course, has many limitations.

Worth repeating

In particular, it tends to convey the idea that the products being sold are just generic supplies that one would like to forget about restocking, going against the grain of brand building strategies. At first glance, then, the subscription business has little to teach established brands, especially luxury brands.

The problem with this argument is that it takes the subscription business too literally.

A naïve interpretation of this model focuses on the goal of securing future revenue by locking consumers into a contract to send them goods periodically, and bill them

accordingly.

On the contrary, the subscription business is really about building a long-term relationship between a brand and consumers. The tactics? Create an ongoing conversation about consumer interests and passions, and cater to the identified needs.

Sound familiar? It should. It is the cornerstone of brand loyalty building.

The techniques that successful subscription-based companies use to acquire and retain its customers in the digital age can be leveraged by all retail brands to build brand equity in an era of waning customer loyalty, and keep customers engaged. Here is how:

1. Think of subscriptions like memberships. Find an aspect of your customer experience that can be made easier by a subscription and offer it as such. Think free two-day shipping with Amazon Prime or access to exclusive events such as sample sales for countless luxury brands.

Neither example is core to these businesses, but each make for excellent bonus material.

2. Know your customers. When your customers become subscribers they will willingly tell you a lot about themselves. Further, they will expect that you know their history with your brand. That is pure digital gold for merchandisers.

3. Keep the conversation going. If your customers are your subscribers they probably enjoy interacting with you, so your major battle is not renewal but unsubscribes.

Striking the perfect balance of helpful versus annoying is the key to avoiding the dreaded unsubscribe and driving repeat engagement.

The good news is that merchants typically excel in this area by deploying tactics such as rating, reviews, curated content and lately social media interactions.

Just remember that an engaging conversation is two-sided and, above all, interesting.

4. Find your loyalty magic formula. Subscription businesses live or die from customer retention. They constantly analyze their client base to identify the segments that are fiercely loyal and attempt to understand why.

For example, you may find that customers who buy twice within six months and share at least one wish list via social media are much more likely to renew or not unsubscribe than those who do not.

Armed with that merchandising tool you can focus your retargeting promotions to high-risk leavers and reward your faithful.

5. Carefully engineer the onboarding experience. Even if you do not offer a subscription component in your customer experience you can benefit from this tip.

When a new subscriber joins or a new visitor buys something, she is taken through a well-defined and carefully orchestrated onboarding experience to set them up and ensure that the brand conversation kicks off seamlessly.

There is nothing stopping luxury brands from using this opportunity to win loyalty by showing they understand their consumers' needs, demand cycle and willingness to engage.

6. Leverage the power of habit. Everything that is repetitive can end up being tiresome and boring, but if played right it can also become a nice habit.

Think of some enjoyable rituals, such as reading the Sunday New York Times in the park every weekend.

A business model with a subscription component is full of these little repetitive things. If you can find a way of making those a habit your customers will stick around.

AT THE END of the day, the idea is not to trap people into a cycle they do not want, but rather to incorporate your brand into your customers' lives in a way that is natural, beneficial and long lasting. I think we can all subscribe to that.

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