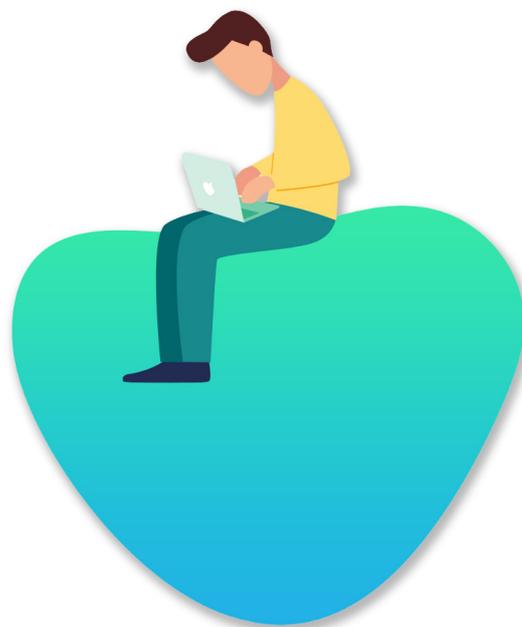


reepay

Subscriptions with ambitions

SUBSCRIPTION MODELS



Why is it important to consider which subscription model to use?

In any industry, it's important to consider how you can create the best options for optimizing your business. It certainly isn't different within the subscription business.

The subscription based industry is constantly expanding. Flexibility becomes vital in order to offer the best subscription plans to your customers while setting prices that fit your product or service. As a subscription business, it's important to choose the right subscription model, as it will most likely be a service you sell – not a product, which you can easily describe and display. That's why it's important that you consider how to become a trustworthy business to constantly optimize your service.

You can choose between a lot of different subscription models – all creating various benefits, depending on the service you provide. Subscription models can be applied to any kind of subscription business. There is no one-size-fits-all when it comes to choosing a subscription model. Your customers need to feel sure about the value of your product and it's your job to boost this feeling.

Choosing the right subscription model can strengthen the customer relation, reduce churn and assure maximum, stable revenue in the long run.

What kind of subscription models are there?

Reepay use several subscription models to choose from. They all have different qualities and strategic benefits, which makes it important to consider which one to choose, it has to suit you and your business and its needs.

Reepay is currently offering 9 different subscription models, backed by Reepays four different billing models. In this folder we will describe the benefits of these 9 different models and help you to identify the right one for your business.

The 9 different subscription models:

- The Network Model
- The Surprise Box Model
- The All-You-Can-Eat Library Model
- The Private Club Model
- The Front-of-the-Line Subscription Model
- The Membership Website Model
- The Simplifier Model
- The Peace of Mind Model
- The Consumables Model



The Network Model

With the Network Model, the value of the subscription goes up, the more people that subscribe to your product or service. Your product or service simply becomes more valuable when its popularity increases. By promoting your product, your subscribers will optimize their subscription and this is beneficiary for you in creating engagement.

Examples of the Network Model:

You can explain The Network Model very easily comparing it to a telephone. Before everyone started using the phone as a tool that connects, there were only a few people having a phone – so there was a limited number of people to call. As more people started investing in telephones the product became more valuable for everyone. In other words, to the people using the telephone it became more valuable the *more* people were using it.

Another example is gaming services or other similar services. The more people that join, the better. An example is the message platform WhatsApp, a service where you have free and unlimited messages to send, with a very cheap subscription because it uses the internet to send the messages. Another example is the World of Warcraft multi-user computer game, or any other player to player online game. It is necessary for the fun gaming experience that other people join you.

Who should use this model:

This kind of subscription model should be considered by subscription businesses that:

- Has a product or service where the utility goes up, the more people that subscribe.
- Has a product or service that addresses socially connected customers, interested in a larger network.
- Has a product or service that provides the opportunity to be shared.

What to keep in mind using the Network Model:

With this model, it becomes vital that your subscribers have the opportunity to build a network using your product. Your job is to *attract* these subscribers. Especially if you have limited resources and decide to use this model, you should focus on defining a smaller defined group of so-called “early adopters” who are vested in sharing your product or service to build density within that market.

This model will probably work best for companies with a larger capital and/or experience with the entrepreneurial business.



The Surprise Box Model

The Surprise Box model is supported by Reepays fixed-price billing model. It usually charges at the beginning of the billing cycle, selling a service or product at a fixed price. Many subscription businesses will use this kind of model since it's easy to use, adaptable, and provides continuous and predictable revenue. The customers will never doubt the price of the product, nor what they get for their money. There are low costs of entry for the customers and they will only have to pay a small amount per month. This will make it more convenient to create a subscription.

An example of the model:

The surprise box subscription model involves shipping a package of goods to your subscribers every month. Your consumers will typically be passionate about the product and, therefore, willing to pay for a new package every month. For example, if your customers are passionate about drinking wine, with a monthly subscription at a wine company they receive different kinds of wine each month.

Who should use the Surprise Box Model:

This model should be considered by subscription businesses that:

- Provides a product or service with a fixed price.
- Has passionate consumers, willing to receive new products every month
- Has the ability to deal with logistics and data when shipping a physical product

What to keep in mind using this model:

Typical subscription businesses that use the Surprise Box Model are usually providing monthly or weekly delivery services, whether it's beauty products, dog food or fresh baked goods. The customers that subscribe to a subscription like this, will normally be excited about getting something different from each package they receive.

That's why it's important for you to consider how to continually surprise your customers with new products. It's important that you have the capacity to collect and manage data on your subscribers while being able to customize each experience based on your customers' preferences. This takes both time and effort but will definitely increase the customer satisfaction and loyalty if done right.



The All-You-Can-Eat Model

As one of the earlier voiced subscription models, the All-You-Can-Eat Library Model is also supported by Reepays fixed-price billing model, that includes a fixed price per plan. Using this model you supply a “buffet” of content to your customers.

Examples of the model:

Subscription businesses providing streaming services, such as Netflix and Spotify, are typical users of this subscription model; A subscription where you pay an amount of money per month and get everything the subscription service has to offer. There can be different subscription plans built in this model, but your customers will have access to all of it – whether you sell music, movies, books, videogames or educational courses.

Who should use the All-You-Can-Eat Model:

This kind of subscription model would be interesting for subscription businesses, that:

- Have a lot of different content within the same product-category (e.g. music, books, movies)
- Have a lot of existing ‘fans’, who already use your free content. If they are pleased with your service or product, they will most likely agree to pay for a subscription. This is the case with Spotify and HBO, where consumers continue as paying subscribers – as long as the product is interesting for them.
- This is an optimal subscription model to use within digital industries – even small businesses can profit from using this model.

What to keep in mind using this model:

The crucial part of satisfying your customers using this model is to *update* your content, hence you should not provide ‘outdated’ content. Your subscribers rely on you to update your database.

You should do everything you can to keep your loyal customers. It may become vital for you to give your customers an ultimatum to make sure they stick around: subscribe to the whole library or lose access.



The Private Club Model

The Private Club model is a subscription model that offers access to something of limited supply on either a membership or subscription basis. In other words, your customers are committing to a long-term subscription to access your 'private' product or service.

Examples of the model:

A typical business using this subscription model are private sports clubs. For example, you sign up for a subscription to a private sailing or golf club and get a limited membership, that includes using the clubs' facilities, or the opportunity to attend specialized classes.

Another example could be made with private websites storing unique data or offering "insider knowledge". It could be an investment site or niched art sites, where the only way to access is through a long-term subscription. This model can also be beneficial for business-to-business companies.

Who should use the Private Club Model:

This kind of subscription model is interesting for subscription businesses that:

- Supplies something 'rare' – something that's considered to be difficult to access. Your product is of limited supply – maybe a service or experience – that within a specialized customer group is in high demand.
- Has a certain kind of customers; people who are highly curious, achievement-oriented and somewhat ambitious customers. willing to put money into your inaccessible product.

What to keep in mind using this model:

If you decide to use the Private Club Model, you should definitely not offer 'a la carte' access. In doing so, your product will lose its worth.

When signing up, your customers should feel that they gain access to something truly *rare* and the only way they can become part of it is to sign up on a long-term basis. You should have in mind that what you are selling is in extremely limited supply, which makes it difficult for your product to grow without 'ruining' its rarity.

You will probably also have to define your segment since your customers will most likely be a smaller, dedicated group, that should be targeted in a way that specifically satisfies their needs.



The Front of the Line Model

This subscription model is used when selling priority access to a group of customers. For example, if you want a quicker delivery or a faster response via e-mail, you can subscribe to a service plan, that makes sure you are first in line.

An example of the model:

This model is typically used by any company with customers who are willing to pay more to jump the queue. It's used by lots of different industries – whether it's regarding airline queues, deliveries of physical products, in the software industry or being able to cut the lines at the at the local amusement park.

Who should use this model:

This kind of subscription model could be considered by subscription businesses, that:

- Have a relatively complex product or service
- Have a customer group that are not exceedingly price sensitive while willing to pay more than the average customer
- Have a customer group for whom waiting in line is a big deal. For example, if you have a customer group that travels a lot, it can have fairly big consequences for them if they can't cut the line.

What to keep in mind using the Front of the Line Model:

As this model can be used in an extension of other subscription models it's easy to implement, to add an extra stream of recurring revenue. Some of your customers will have the resources to pay more, but these will probably not be a tangible, specified customer group, like the Private Club subscription model users. You should, therefore, *prioritize* their needs for not wanting to wait in line, when you market this service.

It's important that you maintain a good reputation and a high-quality service. When using this model you should have in mind that some of your customers pay more than average. That's why it's vital that this customer group is prioritized *at all times*.

Lastly, do NOT forget your standard customers. Even though you have some VIP customers paying more for a special service, you still have to remember taking care of your regular customers as well.



The Membership Website Model

Some companies sell knowledge or expertise to people willing to pay for your knowledge. This subscription model supports this kind of service. With this model you can publish your know-how in a closed forum, accessible through signing up as a paying subscriber.

Examples of businesses using the model:

When signing up, subscribers will get access to unique content, like courses, videos, forum discussions or articles. It could be offers of tutors or mentors with specific expertise, travel guides or rental sites, where you gain access to a whole bunch of tips and tricks through a subscription paid on a regular basis. Some financially successful membership websites tend to help other business owners in mastering specific skills or industries. This subscription model can be used by companies that sell services for both consumers and businesses.

Who should use the Membership Website model:

This kind of subscription model should be considered by subscription businesses that:

- Has a product or service that is very specific and who are operating within a niche market, that most of their customers quite likely will be very enthusiastic about
- Has ongoing insider information and are able to constantly add new perspectives to their website
- Have related products or services to sell their subscribers

What to keep in mind using this model:

Using this model, you need to be constantly able to expand your knowledge and to add new perspectives to your product or service, making sure your membership website is continually evolving. It may become necessary to invest in productions of content via different medias, like video content, podcasts or written articles. You can create awareness around both your product and your company and increase the chances of people noticing you.

To successfully implement this model, you have to be an expert in your field – or at least collaborating with someone who is. You could partner with other companies or specialists to improve your product, increase awareness and make money on related products. Typically, companies using this subscription model will find themselves in quite a competitive market. You should also try to find ways to incorporate your subscribers through different kinds of service platforms to keep them satisfied.



The Simplifier Model

Everyone wants to simplify their life. With this subscription model it becomes possible to take a product or service that you supply and provide it to your customers on a regular basis. If you offer your customers a regular service contract they don't need to remember to call or write you every time they need your service.

Examples of the Simplifier model:

Using this model, you can set up a service contract on a predetermined schedule. This will be convenient as you will have a source of recurring revenue and your customer gets a recurring service performed. Businesses using this model will usually manage the routine tasks of a homeowner, like window or house cleaning, or dog walking. Implementing the Simplifier Model can make everything a little easier for your customers.

Who should use this model:

This kind of subscription model should be considered by subscription businesses that:

- provide a service that consumers need on a regular basis (daily/weekly/monthly)
- have a customer group that is relatively affluent and busy – while having the resources to pay for a service they don't have time to do themselves
- provide personal and clearly defined services, such as pet-grooming, massages or tutoring

What to keep in mind using the Simplifier Model:

If you're considering this subscription model you could benefit from interviewing your target customer group to get to know their exact needs. Then, you can approach them in the best way possible. It's vital that you provide your services on a scheduled basis flexible to your customers needs, setting up a regular schedule. They rely on you to execute the service, and to remember their different schedules.

There should be a balance in how many services you provide. Your customers need to know that the service you provide comes with a high amount of quality. You should be aware that your customers may need more services on a regular basis, and that you already are a trusted resource. In other words, you should consider offering more high quality services for all your customers needs. With fixed prices set for different services, your customers won't have to deal with immediate variable payments.



The Peace of Mind Model

The Peace of Mind Subscription Model offers insurance premium to something your customers hope they will never experience.

With this model, your business can provide a 'peace of mind' to your customers, as they know they have signed up for being 'covered' in case of an unexpected event.

Examples of businesses using the model:

Companies using this model will usually be insurance companies or businesses that provide some kind of warranty program. Your customers will typically pay a small amount each month for 'the peace of mind' to cover the cases of something unexpected to happen. This is the case when you buy an insurance. It could be about creating a safety for your customers regarding feeling safe traveling, being covered in case their bike got stolen, or if the roof of their house starts leaking.

Businesses will sell the serenity of customers knowing they're covered and don't have to pay a large amount of money if something should happen – therefore to feel "safe" they pay a monthly payment.

Who should use the Peace of Mind model:

Typically businesses using this kind of subscription model

- have the capacity to handle the problem if the unexpected occurs, or something should happen to their customers
- possess the resources to handle customer service while knowing the industry they operate in. You should be able to predict the likelihood and frequency of a claim.

What to keep in mind using this model:

When using the Peace of Mind Subscription Model you need to ensure that you have the infrastructure and resources to honor the commitment if your subscribers should experience something unexpected. You do not want to catch a bad reputation.

You can limit your risk by offering a subscription to a handful of customers to see how often claims occur. In addition, you can effectively limit your customer offers by creating different subscription plans that cover specific areas of insurance.



The Consumables Model

With the Consumables Model you can offer your customers a subscription to things like everyday items they need on a regular basis, or feel-good or hobby related items consumed for fun. Most common is probably everyday items such as coffee, razors, pet food or groceries.

Examples of businesses using the model:

Businesses using this model typically sell everyday products of some kind, B2C or B2B. One of Reepays customers using this method is Matas, Denmark's largest health and beauty retailers. Many other businesses are already using this model, where one of the most well known are the American e-tailer Amazon, providing their customers with product subscriptions on a regular basis.

Who should use the Consumables model:

If your business has a customer group with busy lives that are willing to pay extra for the convenience of having products delivered instead of going shopping for them, you are a good fit for the Consumables Model. Or if you sell everyday products like food, coffee or hygienic items, you should also consider the Consumables Model.

What to keep in mind using this model:

Make sure that what you offer is different from what other companies offer, so that you stand out from the crowd and the customer is choosing you. To do this, you can:

- offer discounts
- your own brand items
- or any other way to make the customer pleased with choosing you for a subscription.

This model works both for big and small businesses, and if you're a smaller company you need to be clear about how the customer benefits from choosing you and not a bigger, more well known company. As a smaller business it's hard to compete with the bigger companies' prices, product range or free shipping – but what you can do is to focus on the shopping experience when the customer is choosing you. Make them feel valued and appreciated, add a personal touch, offer what discounts you have budget for at the moment or other things that enhance the shopping experience.

Easy subscription billing - ready for growth

Manage your subscription business with ease and control the payment process end-to-end. Spend less time on administration, make better predictions and spend more time with your customers, using Reepay's smart subscription features:



Upgrade and Downgrade

When a customer up- or downgrades, Reepay will handle all customer communication, payment and correct billing of each individual customer.



Credits

A credit can be assigned to a subscriber, who will be charged by the next payment draw – whether the credit is one-time or recurring.



Percent and Dollar Discounts

Easily apply percentage discounts or create attractive fixed dollar discounts off the price of a subscription.



Parallel Price Adjustment

Easily adjust prices differently from customer to customer and incorporate prices exclusively for new subscribers.



On Hold

Provide flexibility for your customers by letting them set their subscription on hold. When they want to re-activate their subscription, it is easily done.

Manage subscriptions and grow

An important part of subscription management is to be able to make changes and test your customers subscriptions. Reepay helps you manage, expand and grow your subscriptions with features that will make everything easier for both you and your subscribers.



Trial Period

Give your customers a taste of your product or service before they sign up as paying subscribers.



Additional Costs

An additional cost can be drawn from the customer's wallet either immediately or automatically added to the next planned payment draw.



Cancellation

Your customers can cancel their subscription either by the end of the current period, when the notice/ binding period allows it or with immediately effect including the opportunity to get compensation in form of a refund.



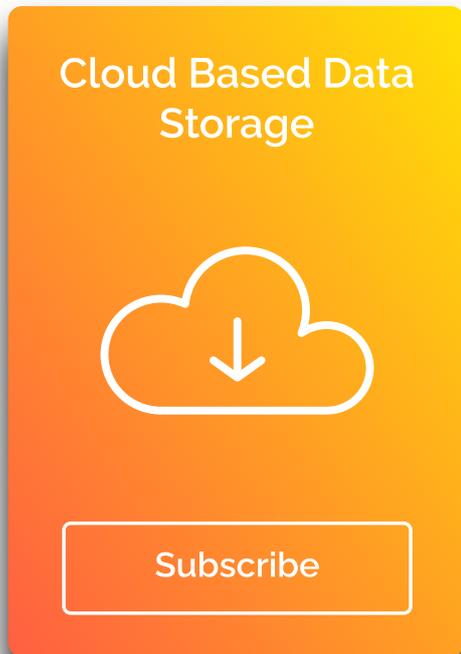
Coupons

Coupons are used as an effective tool to engage your existing customers and attract potential customers. You can individualize your coupons, which makes it possible for you to target any group of customers.



Subscription Billing Models

At Reepay you can set multiple plans for recurring payments. Try a variety of different billing cycles and/or different prices, providing the best options for your customers.



The Fixed Recurring Model

The Fixed Recurring Model works if you have a subscription business that provides a product with a fixed price. The fixed recurring model usually charges on a recurring basis, typically at the beginning of the billing cycle. You simply have to enter the recurring price and billing cycle information.

There are several benefits attached to this model:

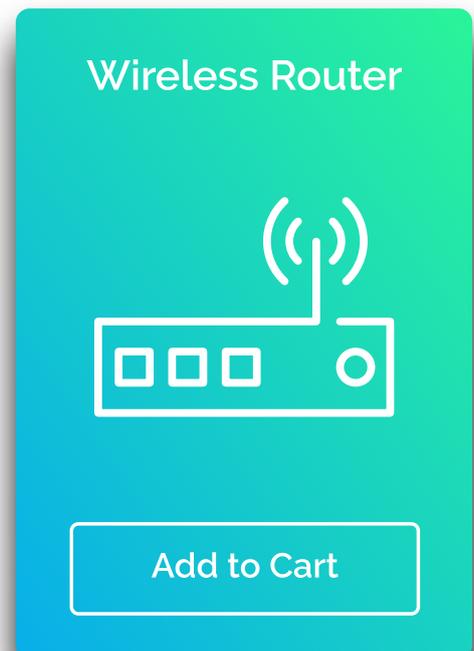
- Constant Revenue
- Low Cost of Entry
- Predictability for your Customers
- Price Certainty

The One-Time Charge Model

The One-Time Charge Model works for subscription businesses that has one-time products or services as part of their subscription plans. E-commerce and digital-download businesses will typically use this model.

The One-Time charge model includes the benefits:

- Makes it possible for your customers to try out products or services before they commit to a subscription
- Allows the ability to test the demand of new products or services

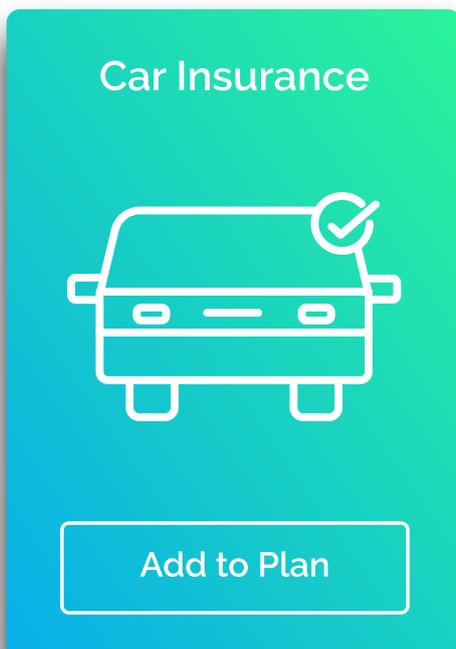
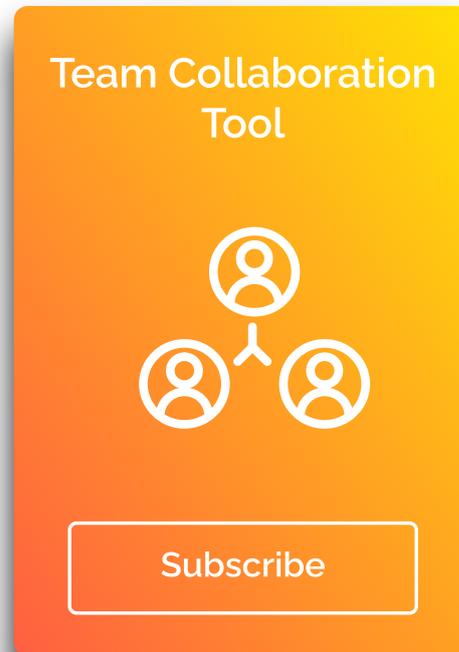


The Metered Based Model

The Metered Based Model is suitable if you have a subscription business that charges customers depending on the number of users.

This billing model is typically used by software selling services and provides these benefits:

- Predictable Costs
- Transparent Billing



The Usage Based Model

The Usage Based Model is used by subscription businesses where the subscribers pay for only what they use. It's a model that's highly adaptable to changes in the market. It's typically used by businesses such as financial- and insurance services, IT businesses and cloud-based services.

This model serves the benefits:

- Highly adaptable to market conditions
- The price aligns to the value of the product
- Less chance of churn

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