

Recurring Payments The Ultimate Guide



Optimise your recurring payments solution
to boost retention and increase revenue

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01 Overview

Recurring payments have become the norm for both consumers and businesses, especially since there's been a huge increase in the amount of subscription services, like Netflix, Hello Fresh and Amazon Prime. So much so that the global subscription e-commerce market is expected to reach \$2.64 trillion by 2028.

But, if it's so widely used these days, why do many businesses still have such a high churn rate? Did you know that when a past-due status hits just seven months, the average account will only have a collectability rate of 50%? That's a lot of money your business could be losing! If you're not providing the key element of what recurring payments are all about, then there's no reason why your customers should stick around. So, what is that key element?

Convenience!

Recurring payments don't end with subscriptions either, there are debt managements, utility bills and insurance plans too. But the same tactics apply; you still need a smooth registration, a flexible schedule and alternative payment methods. Without these tactics, it's unsurprising the average retention rate for a business taking recurring payments sits at an unsatisfactory 40-45%. Throughout this guide, we will take you through each step so that no matter your industry, you can set up a recurring payment plan that works.



Subscription e-commerce market is expected to reach \$2.64 trillion by 2028.



DID YOU KNOW?: When a past-due status hits just seven months, the average account will only have a collectability rate of 50%.

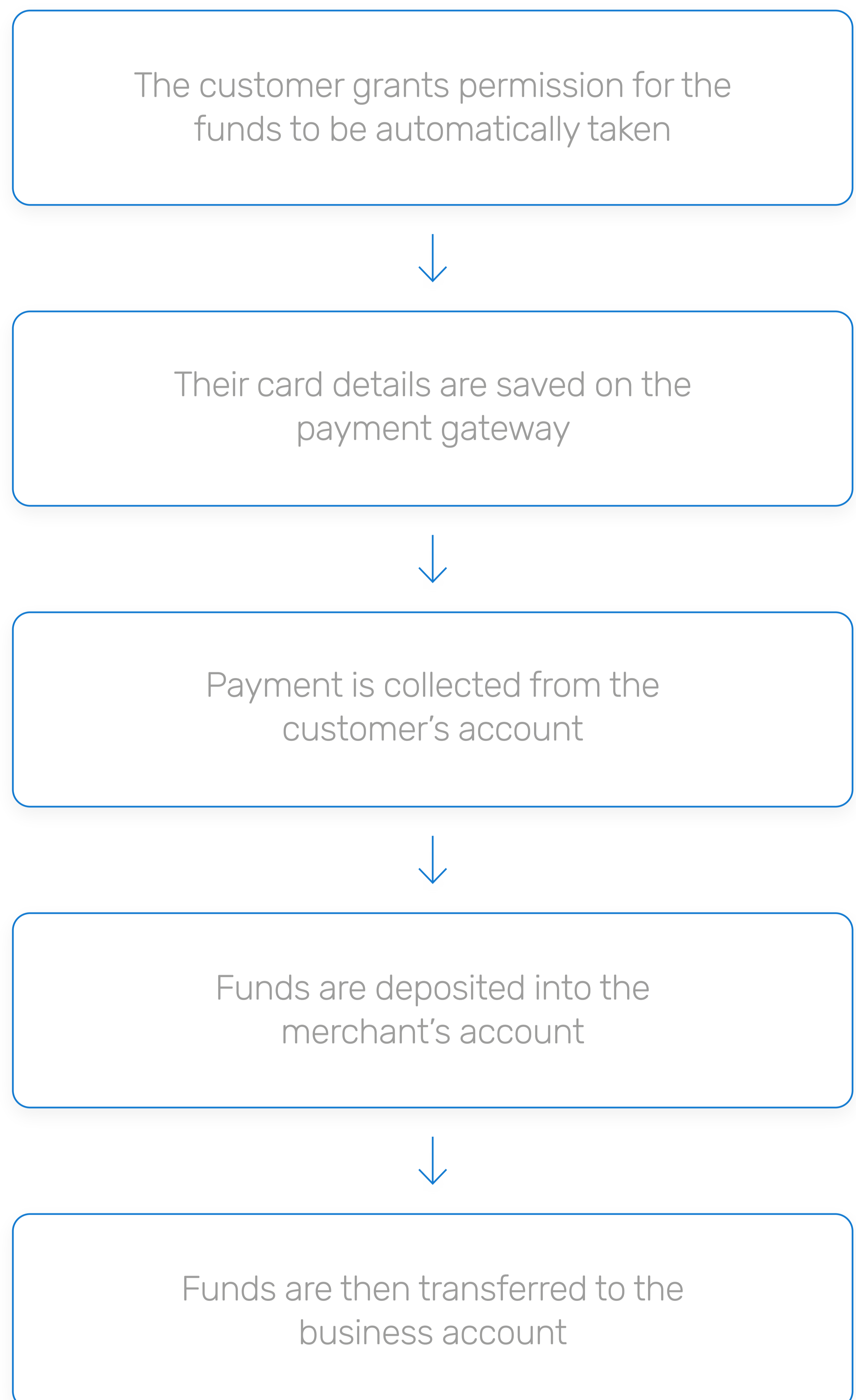
02 What are recurring payments?

Let's begin by briefly reminding ourselves of what recurring payments are. To put it simply, recurring payments, also known as recurring billing, are payments made for goods or services at regular intervals, whether that's weekly, monthly or annually. This type of payment method is a popular choice for its ease and convenience for both the consumer and the merchant.

How do they work?

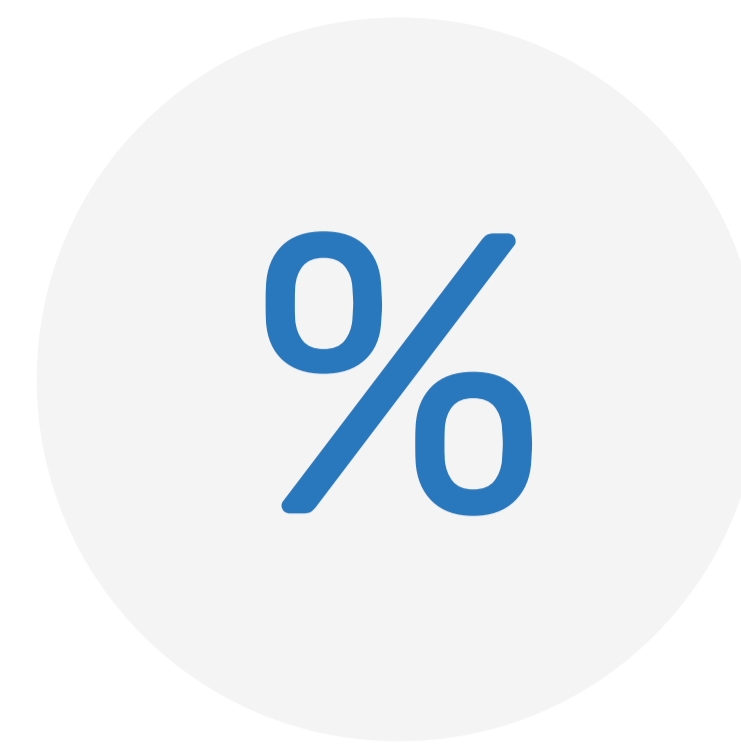
When setting up a recurring payment the customer will authorise the merchant to pull funds from their chosen payment card, for example, a debit card or credit card. Once it's set up, that's it, the customer shouldn't have to do anything else. The payments can be taken without the customer being present at set intervals until the subscription expires or the customer cancels the service themselves ending the permission to take the funds.

To be able to accept payments, the merchant will need to have a merchant account and a payment service provider, like Total Processing.



03 Types of recurring payments

Before we delve into how to optimise recurring payments, let's cover the different types. The concept of recurring payments and how the money is taken is always the same; funds will still be taken at regular intervals from the customer's chosen card - that won't change. But the purpose and terms of the payment plan may differ for different types of recurring payments. Let's take a look at the most popular:



29% of consumers pay for media subscriptions in the UAE.

01

Subscriptions

Entertainment is a big industry for subscriptions. A range of services, including magazines, streaming services like Netflix or Amazon Prime and subscription boxes like Birchbox, all benefit from recurring payments set up as subscriptions. Usually the customer can cancel a subscription at any time ending the agreement.

02

Recurring bills

The most convenient type of recurring payment are those that cover recurring bills, like utility bills, taxes and phone bills. Since these types of payments are really important to be paid on time, setting them up this way makes it much easier for your customer to stay on top of their bills and avoid late or missed payments.

03

Memberships

Memberships tend to need more of a commitment. For example, gyms and clubs which often have a set term to be completed before they can be cancelled.

04

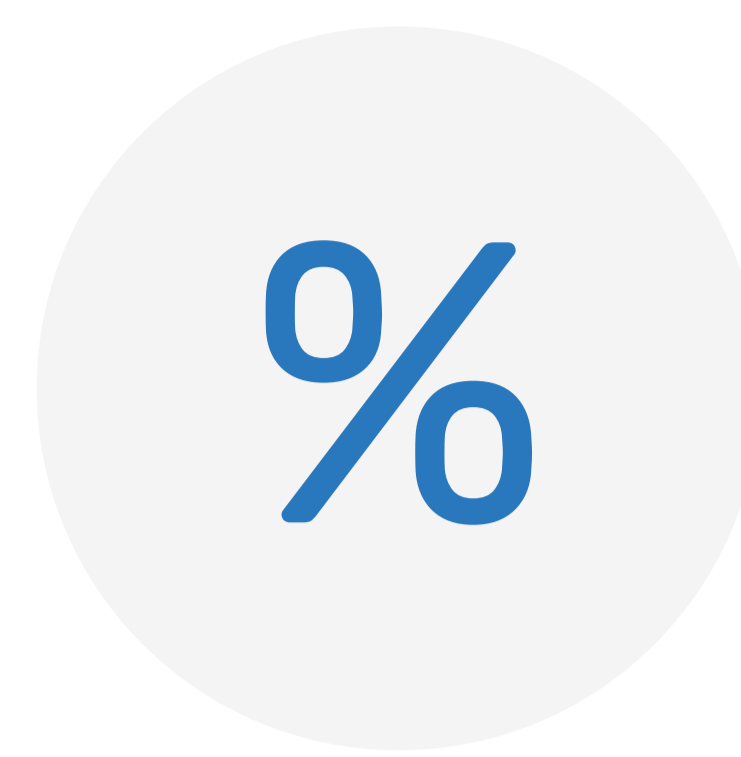
Financial planning

Additional recurring payments can be used to pay off debts, insurance schemes or regularly send funds to savings accounts or friends and family making it much easier to manage finances.

04 Reasons for churn

Churn is unfortunately a common occurrence for many businesses, but the whole purpose of recurring payments is to retain customers, right? Research has shown that if a customer has a negative experience, it will make them four times more likely to cancel their subscription. So, it goes without saying that making your service customer-friendly is hugely important.

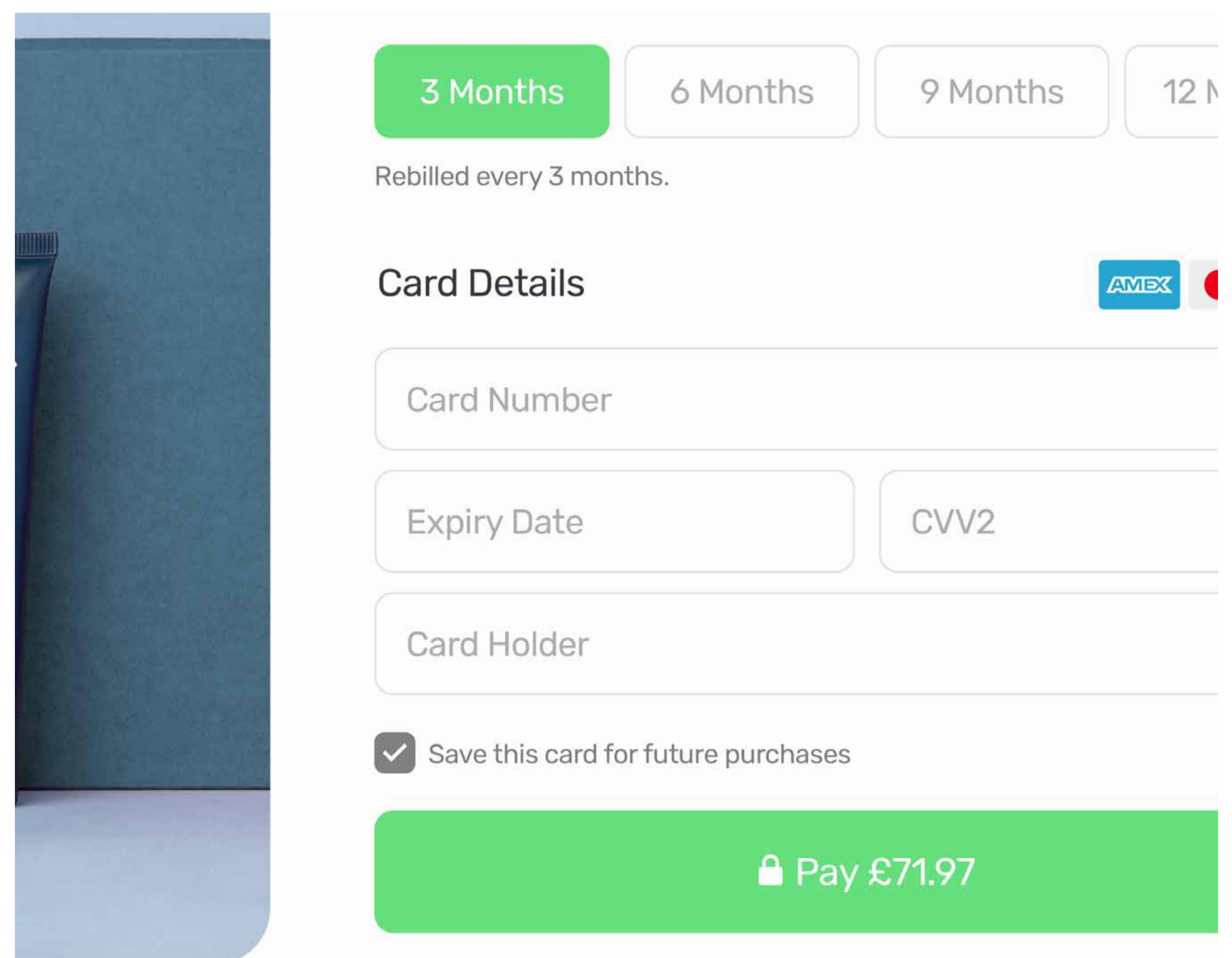
Let's go through the main pain points that might be causing you to lose your customers.



Customers are 4x more likely to cancel their subscription if they have had a negative experience.

Having to regularly update their details

Convenience and efficiency are no longer preferred but demanded these days. Being asked to update payment details for recurring billing is neither of these things. So, it's unsurprising subscribers are more likely to cancel their accounts if they repeatedly have to do this.

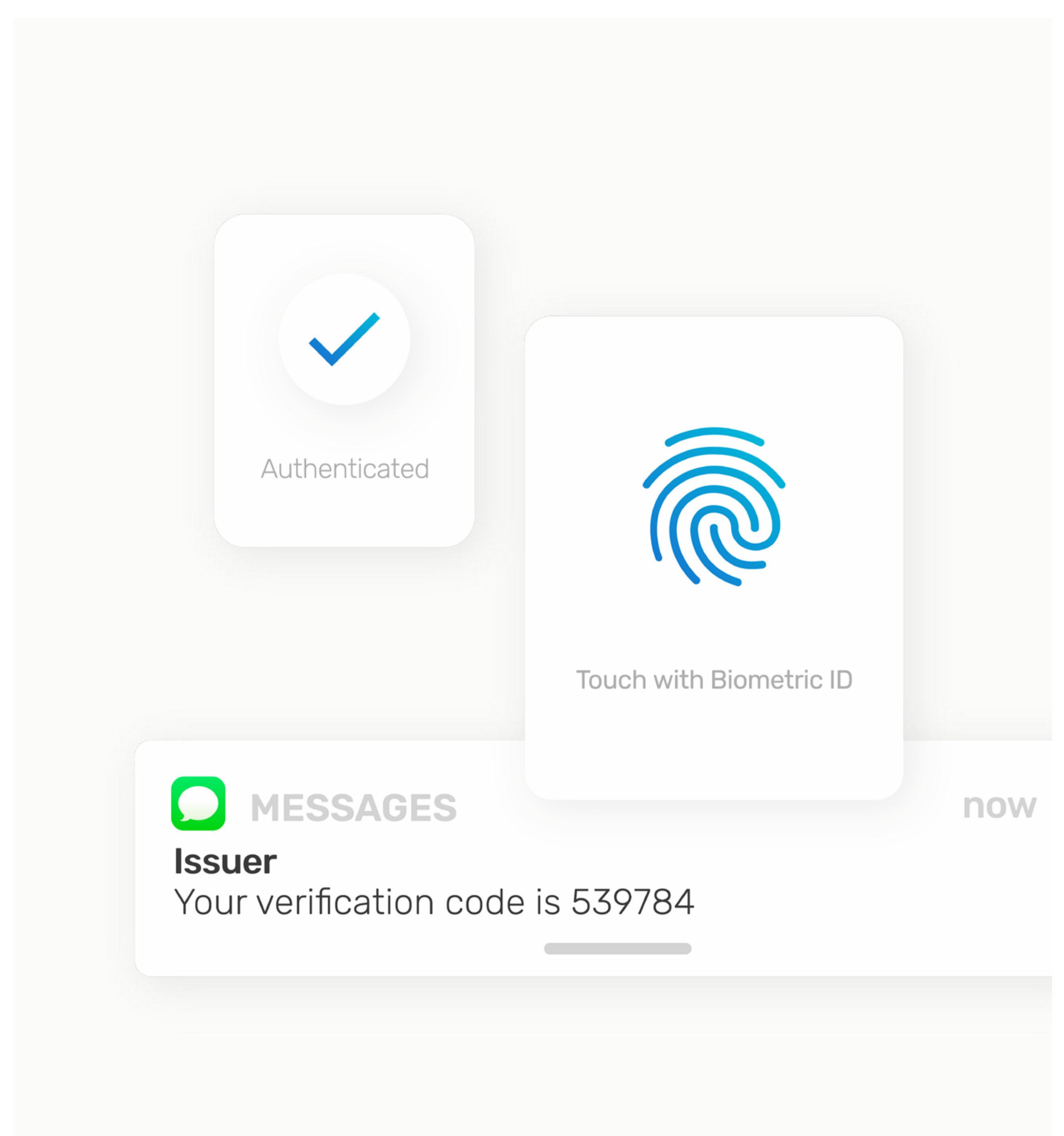


TIP: Give you customers the option to save their details for an automated, recurring checkout experience.

Subjecting users to repeated authentication

We all know Strong Customer Authentication (SCA) is a necessary requirement if you want to combat the rise in online fraud. Even most customers will have come to expect that they need to verify their identity when making a payment online, usually via a one-time passcode sent by SMS or email, biometric fingerprint or facial recognition or by approving directly in their banking app. While needed, the added friction fraud detection systems like SCA adds to the customer journey usually results in lower conversion rates.

Do not fear! Recurring payments are merchant initiated. This means after the initial payment, where SCA is typically applied, fixed, future transactions will be exempt from SCA checks. However, be mindful that if your customers plan changes at any point, SCA will once again become a requirement.



Negative registration experience

A positive customer experience is essential for reducing churn. PwC reports 32% of customers will terminate their transactions with a brand after a single bad experience, so you've only got one shot to get it right. There's nothing worse for your customers than a drawn out registration, with long forms requesting unnecessary information or a long verification process.

Creating a dedicated landing page for subscription sign ups, almost like a checkout page, can help to provide a smoother experience. It will give you the chance to really sell your service and its value and set expectations.

Lack of flexibility

A good business meets the needs of its customers. A great business can adapt to its customers' needs as they change. Subscription payments are notoriously rigid, and don't always take into account customers changing financial situations. This increases the risk of them cancelling their subscriptions for good.



DID YOU KNOW?: 63% of shoppers say a seamless shopping experience throughout an e-commerce store makes them trust a brand.

05 How to optimise recurring payments

Now that we've gone through the risks that come with recurring billing, let's take a look at the solutions that are here to answer all your prayers.

Offer a smooth sign up process

The sign up process is the first step (after you've convinced them to sign up in the first place, of course) in onboarding new customers. So, if it's a long-winded and complex setup, then there's a high chance they'll walk away before completing the registration form. Quick and simple is key.

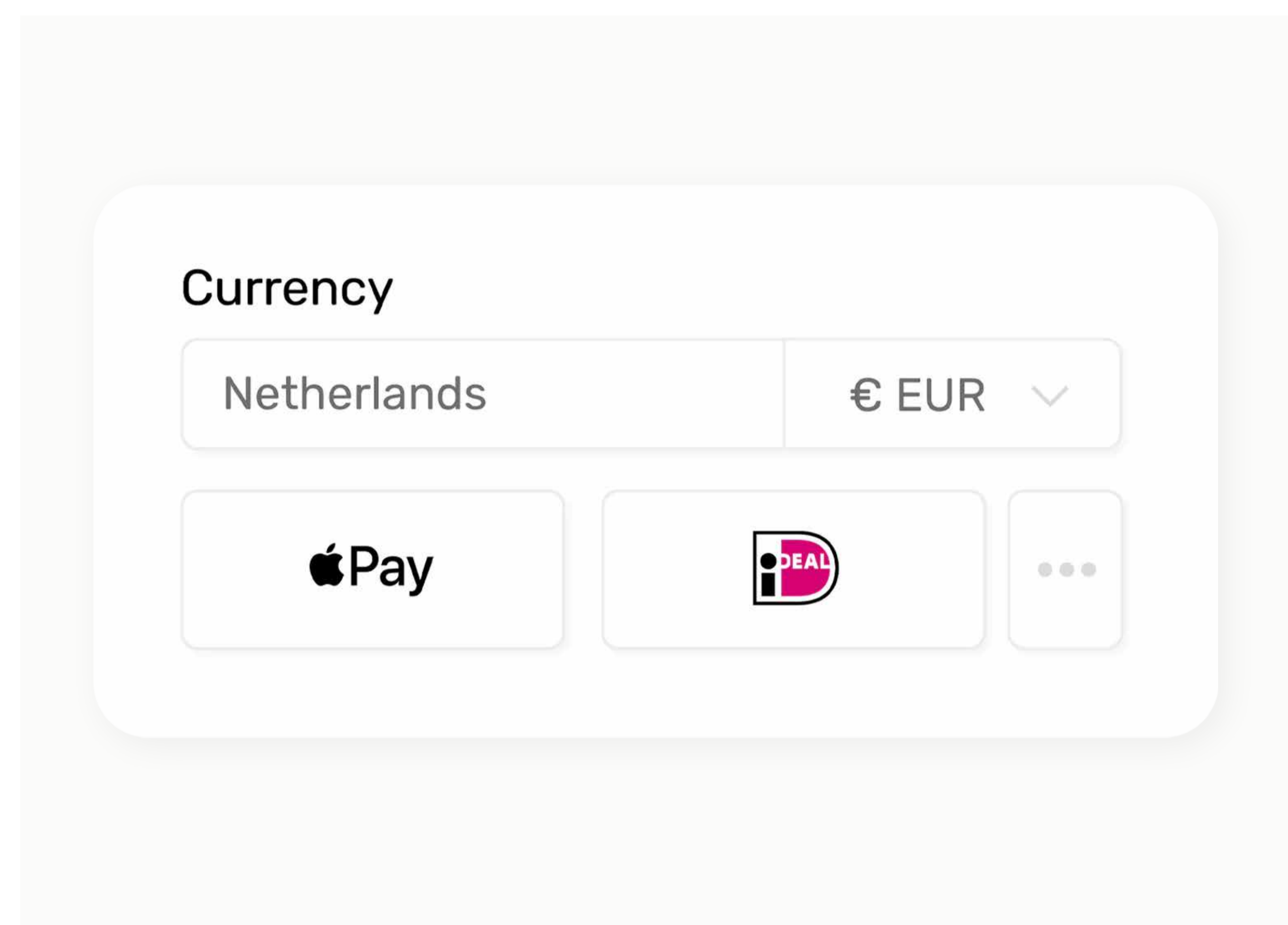
Keep it simple

When it comes to the sign up form, only request the information that is needed. Asking for irrelevant details will only prolong the process. Keep the layout and the copy as simple as you can too. Your customers just want to sign up and start using your service, so why delay the process and risk them dropping off before they finish.

This goes for the authentication stage too. We all know that verifying your customers before they sign up is important to prevent fraudsters from getting through. But it doesn't need to be overly complicated.

Local payment methods

Everyone will have their own preferred payment method, which will vary all over the world. For example, in Germany GiroPlay handles more than half of all online transactions, whereas 70% of online purchases in the Netherlands were paid using iDEAL. So, if you have international customers and want global success, it's important to offer the relevant payment method for that country.

A screenshot of a payment method selection form. The title is "Select payment method". There is a black button with a white card icon and the text "Card", followed by a button with three dots. Below this is the "Card information" section, which includes a card number field with "1234 1234 1234 1234" and icons for VISA, Mastercard, American Express, and PayPal. There are also fields for "MM/YY" and "CVC" with a card icon. At the bottom, there is a green "Create Plan" button and a dark blue "Apple Pay" button.

Reduce friction

The sign up process is the first step (after you've convinced them to sign up in the first place, of course) in onboarding new customers. So, if it's a long-winded and complex setup, then there's a high chance they'll walk away before completing the registration form. Quick and simple is key.

Keep accounts up to date

Missed payments, or even losing a customer, just because the card registered has expired can be really frustrating. But spending time manually updating all your customers' payment details is unrealistic and a mindless job you don't want to be doing.

So, what if there's a way to automatically update customer's details, with no loss of time and resources for your business? No, it's not a trick question, there is actually a way. When you start processing with your payment provider, such as Total Processing, you should benefit from access to a range of tools and features to help you optimise revenue. One of these is Account Updater.

Account Updater will automatically update a customer's expired payment credentials using information provided by issuing banks via Mastercard. This removes the need to re-register client information, when a card is lost, stolen or expires which reduces the likelihood of customers subsequently closing their account. It's that simple.

Have you noticed that subscription giants, Netflix, do it for a seamless continuation of their service? It really does work!

%

54% of these SME's expect that their payment will be paid late

Registered Cards

Active (3)

Archived (2)

VISA

Card number
1234 **** * 1234



Card number
1234 **** * 1234

VISA

Card number
1234 **** * 1234

Be flexible

Remember, lack of flexibility = cancelled subscriptions. There's no one size fits all when it comes to payments, so making sure your customer can alter their plan to suit them will increase your customer retention.

Adjustable schedule

Customer's demand freedom these days, so there's no surprise that one of the biggest reasons for churn is that the payment plan just doesn't suit their schedule. Mitigate this risk by allowing your customers to pay when they want and how they want, including date and time. For example, most people like all their payments to come out at the start of the month after pay day so they can see what disposable income they have left.

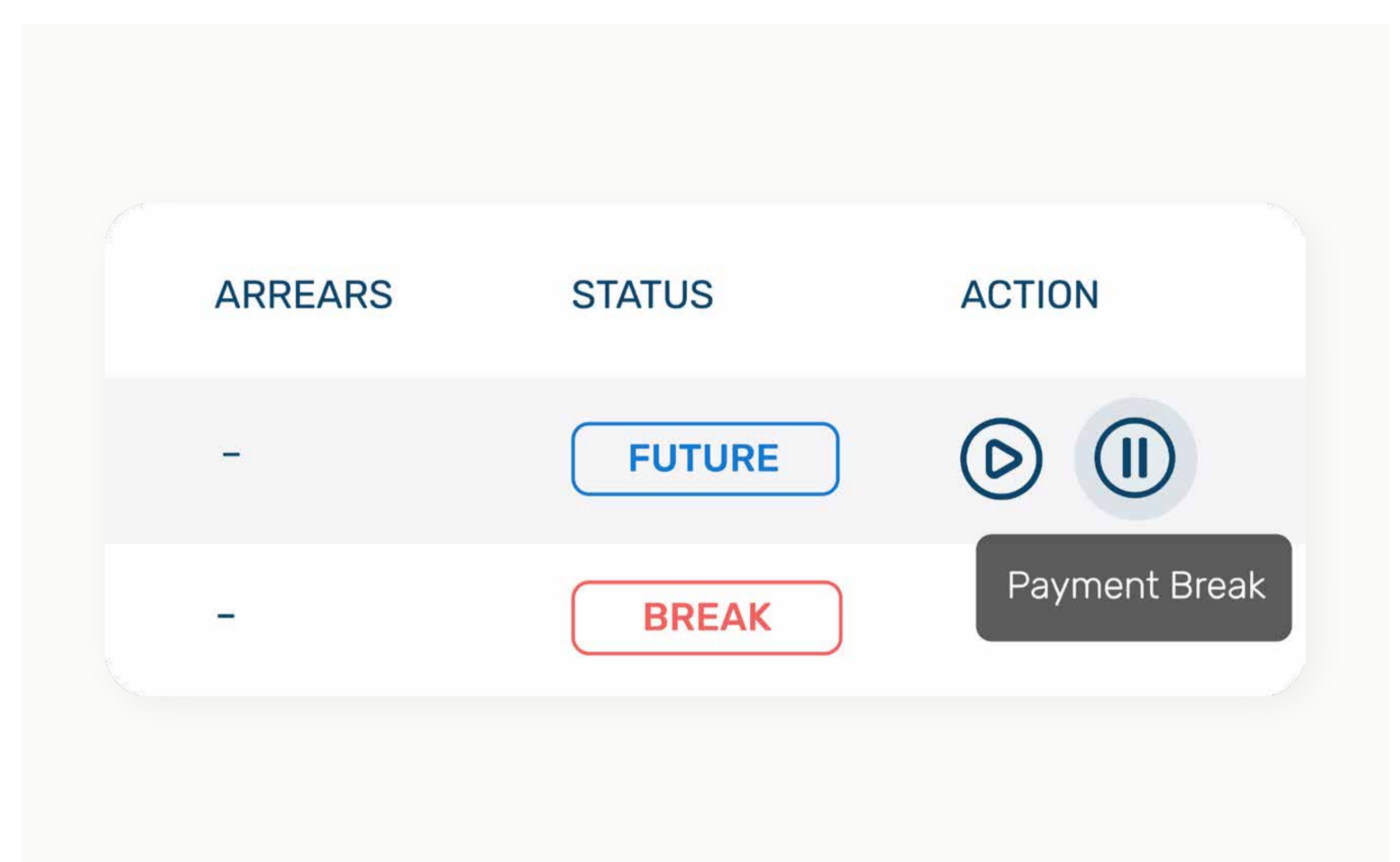
You can also use tools such as optimal billing times which use intelligent algorithms to reduce failed payments by determining the best time of the day to take payments from your customers.

Flexible schedules don't just cover when the bill is due either. It can also cover shipping schedules, for example, for subscription boxes. If the customer wants to delay when their product is being shipped, let them. Otherwise you risk them cancelling it instead if they don't need to be replenished just yet.

Payment breaks

Some months can be tougher than others financially, so offer the option to skip a month or two out of their schedule. A paused payment schedule is a far more profitable alternative than a terminated account. It can do wonders for customer loyalty and actually increase future conversions with your customer. Pure Gym does this well. They let their members freeze their membership for up to three months, preventing them from cancelling their membership altogether.

All you need to do is choose the right payment provider who will give you the tools to do this. For example, with Total Processing you'll have access to our Total Control platform. From there, you can easily alter and amend payment schedules to maximise customer retention.



Create New Schedule

ⓧ

ⓘ All the fields are mandatory unless stated otherwise

Select Product (Optional) ▾

From: ▾ To: ▾

Payment Frequency ▾ Collection Day ▾

Amount GBP

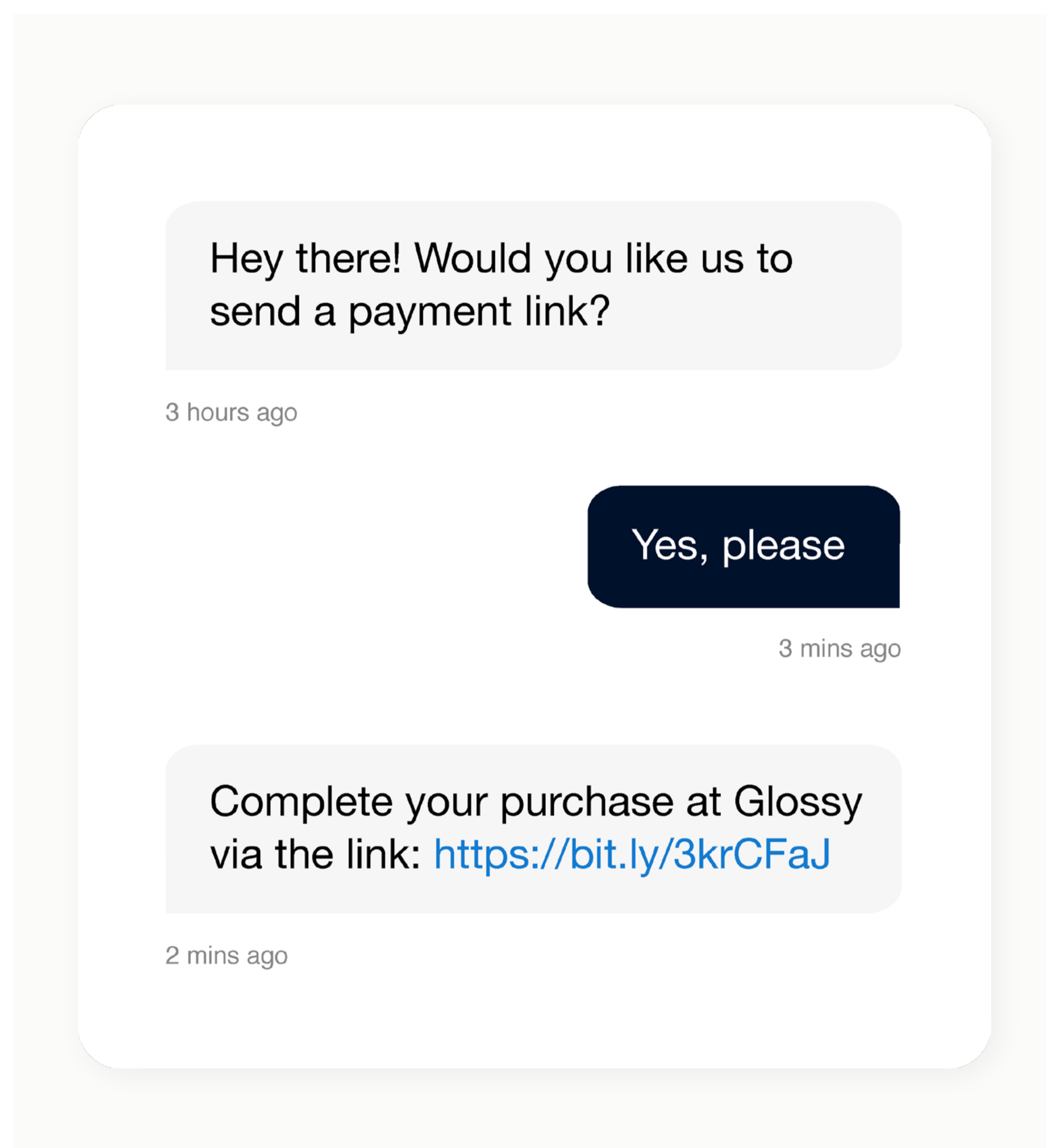
Cancel Create Schedule

Payment recovery

Barclays reports three in five UK businesses are owed money from late payments. This is certainly a stress you don't have to live with. In cases where, for whatever reason, the initial payment is unsuccessful, you may be thinking your hands are tied, there's nothing else that can be done. Wrong! We've still got a few tricks up our sleeve to help you recover those payments.

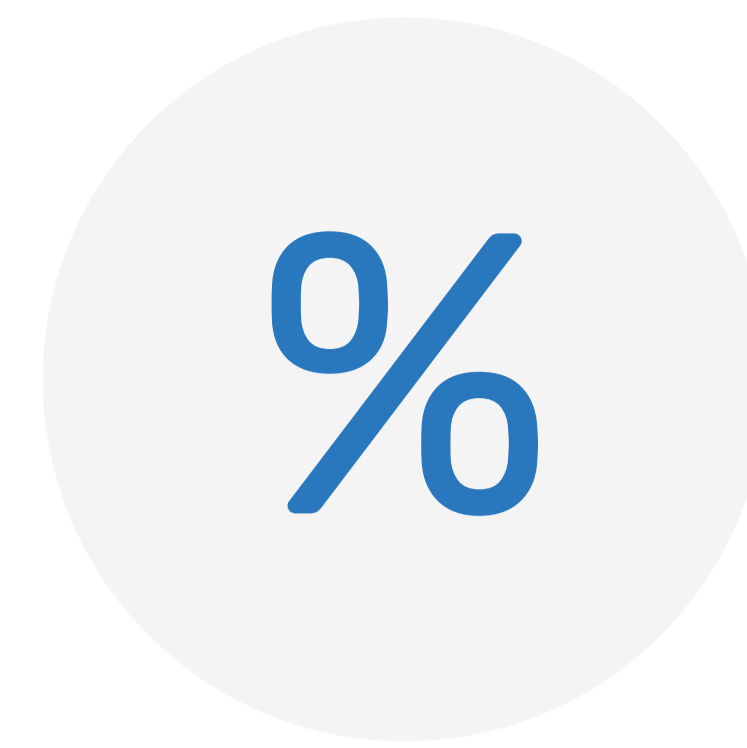
Pay by links

The easiest way to chase a payment is via pay by links. SMS marketing doesn't just have to be used for promotions, transactional messages like one-off payment links can be sent out so your customer is able to carry out their repayments easily, and at their own convenience. This kind of freedom encourages payments to be made, rather than ignored, and you can wave your cash flow problems goodbye!



Multiple card registration

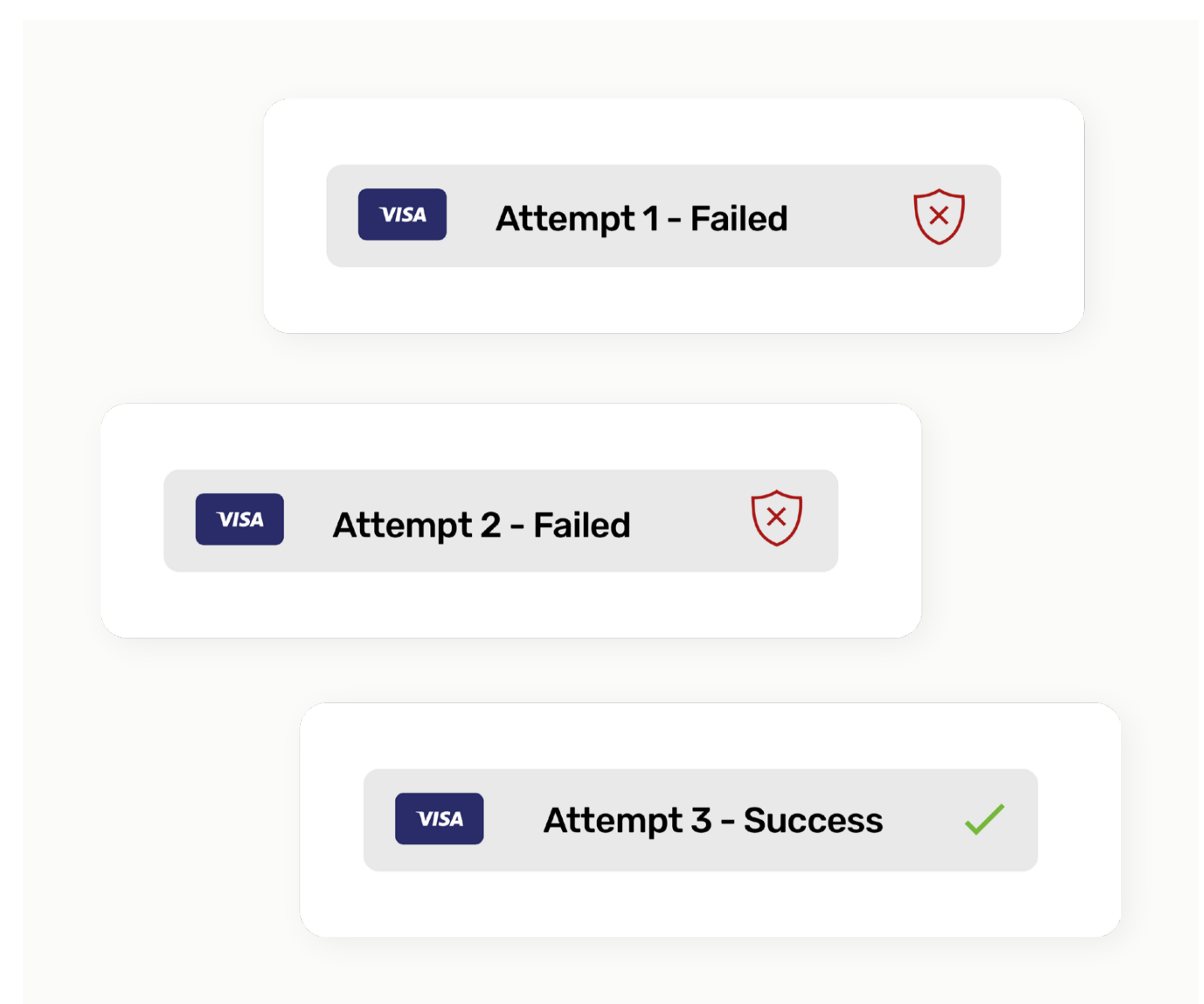
We've already mentioned that failed cards cause a huge amount of churn. So, how do we deal with this? By having multiple cards registered to a customer's account. This means if the customer card expires, rather than an instant declined payment, all other registered cards will be tried until a successful payment is met.



Three in five UK businesses are owed money from late payments.

Auto re-biller

There's also the rebiller; a smart tool that will automatically rebill missed payments from your recurring schedule until the payment request is completed. There can sometimes be limitations on how many rebilling attempts can be made, which is why having the option of sending pay-by-links too can really help to boost conversion.



Get in-depth data

What's the best way to continuously improve on reducing churn? Let's describe it in three words: data, data, data. Having the ability to view any and all your transactional history will allow you to analyse the weaknesses in your recurring billing model. Then you can plan for smarter ways to increase your revenue. It also helps you to predict your cash flow, making it much easier to create more accurate forecasts and handle turbulent times in the market.

06 Protection against fraud

Just like with everything else, recurring payments can be targeted by fraudsters. Being aware of their usual tricks and how you can protect yourself and your customers is crucial.

The two main types of fraud to look out for are card testing and reseller fraud.



Card testing

Fraudsters will test to see if they can use stolen card details to make online purchases. They will often use subscription-based services to commit the card testing since they often offer easy sign ups with a low transaction value making it easy for them to go unnoticed.



Reseller fraud

They sign up for trial periods and then sell the accounts on to unsuspecting consumers. Not only are they conning their victims out of money, they're also damaging the businesses reputation.

It can be easy to block any transaction that appears to be even slightly suspicious, but how do you think that will make your genuine customers feel? Constant declines and multiple SCAs create a bad customer experience and can deter them away from your service or prevent them from paying on time.

So, what can you do to tackle fraud?

With a few best practices, you can protect your customers without putting them off:

- When it comes to compliance, adhere with the Payment Card Industry Data Security Standard (PCI DSS).
- Conduct Know your customer (KYC) during sign up and verify their identity through SCA.
- The payment gateway that processes the payments will use tokenisation to store payment information so that they only need to be entered once.
- Use smart tools like our anti-fraud and risk management service integrated within our Total Control platform.

Are you ready to tackle churn and boost your revenue? Get in touch to optimise your recurring payments solution.

Contact a payment specialist today:

[Get a Quote](#)

[Contact Us](#)

Your Global Payments Partner

Total Processing recognises the importance of a streamlined recurring payment process that meets the needs of your business.

Our merchant-focused approach with a comprehensive set of tools is designed to foster success and create an optimised recurring billing system that benefits both your business and your customers.

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