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Solving the churn cliff at first renewal

Project period: H2 2025

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Client snapshot

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Industry: D2C Wellness Subscription Business

Market: US & Canada

Stage: Rapid scale-up mode

Size: 8-figure ARR

Project: H2 2025

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Challenge

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Despite strong acquisition growth, a leading US based wellness brand was experiencing dramatic churn spikes at specific intervals. Previous analysis had identified 'churn cliffs' at 3 months and 6 months, but the team needed to understand why subscribers were churning at those specific times.

Critical insight: Customers would not continue after their first term

10% churn spike at Month 3 | 8% churn spike at Month 6

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Approach

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FILDI conducted comprehensive & detailed analysis using the client's subscriber data from the past 2 years. The analysis confirmed that the 3 month and 6 month "churn cliffs" were being caused by new subscribers reaching the end of their first subscription term.

The key analytical focus areas as follows:

1. Churn rate analysis by subscriber tenure to identify precise churn cliff timing
2. Segmented retention analysis by subscription term length and pricing
3. Customer feedback analysis by tenure to understand different churn motivations
4. Base size analysis to understand scale of impact across different subscription terms

Insights

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First Renewal Problem

The analysed subscriptions data confirmed that a large portion of new subscribers were churning at their first renewal.

The most revealing insights showed that customers on shorter terms (3 months) were more likely to churn than those on longer terms (6 months).

Different tenure = different reasons for leaving

Customer feedback revealed different churn reasons, depending on their subscription tenure:

- **Shorter term subscribers:** Usage and familiarity issues
- **Longer term subscribers:** Budget/value concerns, overstock and payment failures

Operational vs Proposition Issues

The first renewal problem was caused by a mix of technical and operational flaws as well as various pricing, packaging and proposition proposition issues.

Solutions were needed to address both subscription infrastructure and ongoing customer onboarding/engagement.

Recommendations

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FILDI recommended a comprehensive first renewal optimisation strategy addressing both immediate fixes and long-term structural improvements:

1

Immediate Retention Intervention

- Target new & high value subscribers with proactive engagement before losing recent high-value acquisitions
- Deploy personalised onboarding campaigns to improve product familiarity for all subscribers
- Implement flexible subscription management options for existing customers approaching first renewal

2

Structural Subscription Improvements

- Introduce right-sizing capabilities for high-risk subscribers at both checkout and before a subscriber's first renewal
- Implement winback capabilities for recently churned subscriptions

Expected impact

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Addressing the first renewal problem was identified as the quickest and best way to maintain the gap between acquisition and churn waves:

- Improved subscription longevity and payback ratios (eg, LTV:CAC)
- Enhanced overall subscription profitability
- Reduced impact of churn cliffs on revenue predictability
- Better customer satisfaction through improved subscription fit and onboarding

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The vast majority of retention efforts must focus on the first subscription term.

First renewal is make or break for subscription businesses.

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Who are FILDI ?

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What FILDI is, and why it exists

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FILDI is a consultancy drawing on 15+ years of hands-on experience in subscriptions and memberships, across marketing, product, strategy and operations with leading DTC brands like Sky, BT, News Corp, NFL and Future.

FILDI exists to help DTC scale-ups accelerate their subscriptions business by applying proven strategies and hard-won lessons from leading brands, helping to avoid common pitfalls and translate industry best practices into faster growth.

Building and scaling a subscriptions revenue business isn't easy, so **FILDI** simply exists to make it easier.

Packaging up our Subscriptions Expertise (1)

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FILDI offers subscription modules for every stage - from launch planning to performance optimisation.

Does the client already have a subscriptions business?

- YES → (Next slide)
- NO → Are they certain subscriptions are right for them?

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- NO →

Viability Analysis pack

For those considering subs but haven't decided.

Validates whether a recurring revenue model is right for the client, their audience and their vision

- YES → Do they know how to structure and launch a subscription business?

Do they know how to structure and launch a subscription business?

- NO →

Foundation setting pack

For those that have already decided to launch subs, but don't know how to get started.

Output centres on a wide-reaching plan to launch a new subs business.

- YES → Is their subscription build on track and strategically sound?

Is their subscription build on track and strategically sound?

- NO →

Intervention support pack

For those that have started building subs but are still misaligned.

Course-corrects the build and ensures a viable strategic direction.

- YES → Does their tech stack support their subscription needs?

Does their tech stack support their subscription needs?

- NO →

Tech strategy & vendor alignment pack

Helps clients avoid mismatched tools and unnecessary tech debt.

Packaging up our Subscriptions Expertise (2)

CONTACT US

FILDI offers subscription modules for every stage - from launch planning to performance optimisation.

(Previous slide)

Does the client already have a subscriptions business?

YES → Do they know how their subscription business is actually performing?

NO → **Audit pack**

Analysis of subscriptions performance.

Includes LTV modelling, net growth, and top line view of what's working vs not.

YES → Do they know why customers are leaving and how to keep them longer?

NO → **Retention analysis pack**

Deep dive on why customers are leaving (eg, voluntary/involuntary) and reveal patterns to help keep more customers longer.

YES → Are their marketing campaigns optimised for subscription metrics and retention?

NO → **Marketing support pack**

Outlining acquisition & retention offer strategy, how to measure success, and adjusting the strategy based on what's working.

YES → Are their subscription operations running smoothly and efficiently?

NO → **Operations support pack**

Fixing the behind-the-scenes operations

Includes payment optimisation, pricing strategy, customer service feedback loops etc.

Why FILDI?

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- ✓ **Real experience at scale:** 15+ years implementing these models at leading brands, not just theory
- ✓ **Avoid costly mistakes:** We've seen what doesn't work, so you don't have to learn the hard way
- ✓ **Proven frameworks:** Apply strategies that have generated millions in recurring revenue
- ✓ **Focus on your business:** Tailored solutions only. We don’t do one-size-fits-all approaches

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Thanks

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