

insider
SUBSCRIPTION



PAYMENT TEARDOWN:

Unlock Revenue You
Didn't Know You Lost

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SUBSCRIPTION SHOW

Master Monetization



OCTOBER
22- 23, 2024
NEW YORK, NY

REGISTRATION

WWW.SUBSCRIPTIONSHOW.COM

**Monetization
Strategy**

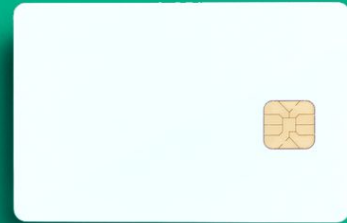
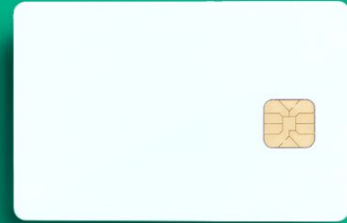
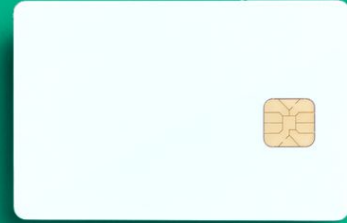
**Subscriber
Retention**

**Payment & Profit
Optimization**

PAYMENT TEARDOWN:

Unlock revenue
you didn't know
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butter_



Agenda

- 1 — Introductions
- 2 — State of involuntary churn
- 3 — The connection to payment health
- 4 — The teardown
- 5 — The impact

Vijay Menon

Ex Microsoft, Dropbox, and Scribd where I led retention.
A statistician by trade and an author by accident.



Independently **recovered \$100M in revenue and 11.7M subscriptions** across Xbox Live, Office 365, & Groove



Independently reduced accidental churn by from **55% to 25%** of overall churn, **driving \$45M in annual revenue**



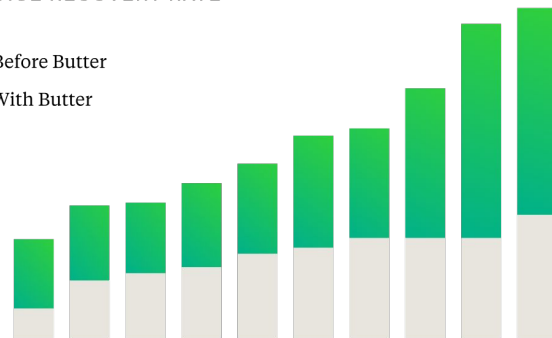
Independently improved global payment authorization rates **by 1700 bps, generating \$22M in annual revenue**

Butter is where churn ends

Butter recovers failed payments faster, and more efficiently, optimizing payment health to deliver 5-15%+ ARR growth.

INVOICE RECOVERY RATE

● Before Butter
● With Butter



*With Butter businesses typically see an increase of **5%+ in top-line ARR***

THE PROBLEM

Involuntary churn is stealing your profits and subscribers.

Why are we talking about this today?

- Churn caused by failed payments → subscribers who don't want to cancel
- #1 cause of churn for subscription companies → accounting for up to 35% of revenue loss
- Compounding impacts of failed payments go deeper than the initial failure → overall payment health and revenue loss

Silent revenue killer is responsible for

50%

of overall
subscriber churn

10%

of subscription
revenue loss

\$440B+

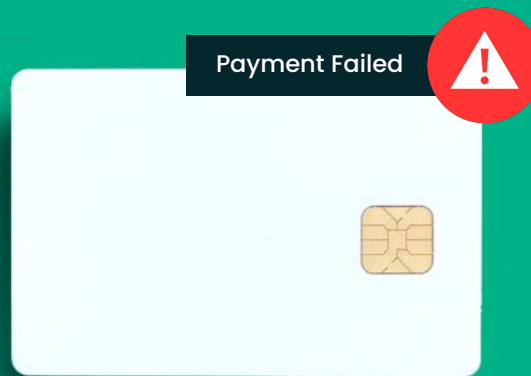
in revenue losses
across industry

Solving this problem is the #1 way to drive revenue growth.

Failed payments occur when a legitimate payment transaction is declined.

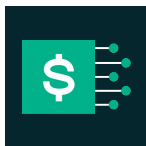
Payments are declined because of data communication issues between:

- Billing Platforms
- Payment Processors
- Card Networks
- Issuing Banks



The Problem

Recovering failed payments is challenging because there are thousands of dynamic data variables involved.



128 Data Points on
Every Transaction



2,000+ Unique
Error Codes



Global Timing
of Payments



Changing Payment
& Bank Regulations

The Problem

What's the right payment data to send to the card network and bank issuer?

Zip Code, a commonly misunderstood data point.

5 vs 9 digit
Zip Code

Card Number VISA MasterCard AMERICAN EXPRESS DISCOVER

Expires MM/YY CVV ⓘ

Country
United States

Zip Code

What about
no Zip
Code?

The Problem

What do these error codes mean? There are hundreds of issuing banks and thousands of error codes...there are no rules and no consistency

What You See From Your PSP

Error Codes	
Generic Decline	40%
Insufficient Funds	28%
PSP Potential Fraud	12%
Authentication Error	1%
Issuer Potential Fraud	<1%
PSP Processing Error	<1%
Other	4%

What Your PSP Sees from Networks & Banks

Code Number	Definition	Practical Definition
01	Refer to issuer	The card issuing bank prevented the transaction.
02	Refer to issuer (special condition)	The card issuing bank prevented the transaction.
04	Pick up card (not fraud)	The card issuing bank prevented the transaction.
05	Do not honor	The card issuing bank prevented the transaction - card should be honored.
07	Pick up card (fraud account)	The card issuing bank prevented the transaction - flag is fraudulent.
12	Invalid Transaction	The transaction type attempted is invalid - e.g. referring a refund.
13	Invalid Amount	The number being attempted to transfer was invalid - usually a typo.
14	Invalid Card Number	The card number is invalid - terminal cannot find relevant account.
15	No such issuer	The card number entered is not a valid 16 digit card with a PIN, CVV, or Visa, MasterCard or Discover.
19	No entry	An unknown error occurred.
28	File is temporarily unavailable	A temporary error occurred during the authorization process.
41	Lost card, pick up (fraud account)	The card owner has reported this card lost - issuing bank denied transaction.
43	Stolen card, pick up (fraud account)	The card owner has reported this card stolen - issuing bank denied transaction.
51	Insufficient funds	The card issuing bank has denied the transaction because the cardholder is over their credit limit.
54	Expired card	The expiration date entered is in the past.
57	Transaction not permitted - card	The authorization transaction that the customer's card is not configured for.
58	Transaction not permitted - terminal	The authorization transaction that the merchant account is not configured for.
62	Invalid service code - restricted	The merchant is not allowed to process the transaction and your merchant account does not support them.
63	Security violation	The three-digit CVV or four digit CID code on the back of the card wasn't read correctly.

There are 2,000+ unique error codes!

The Problem

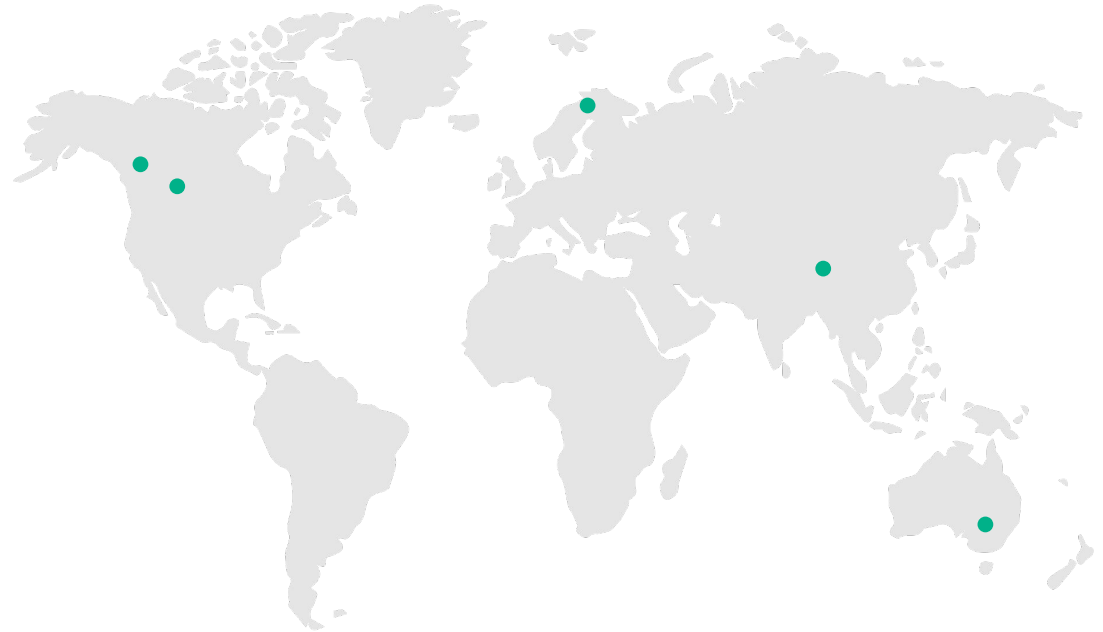
What time of day is best? The location of the issuing bank is a key factor in determining the right time of day for presenting your payment

Subscribers Across Time Zones

1 pm Eastern USA = 5 am in Australia

2 pm Central USA = 1 am in India

4 pm Pacific USA = 1 am in Europe



The Problem

What day is best? Day of week is a factor for payment recovery – for example, handling specific error codes, such as insufficient funds.

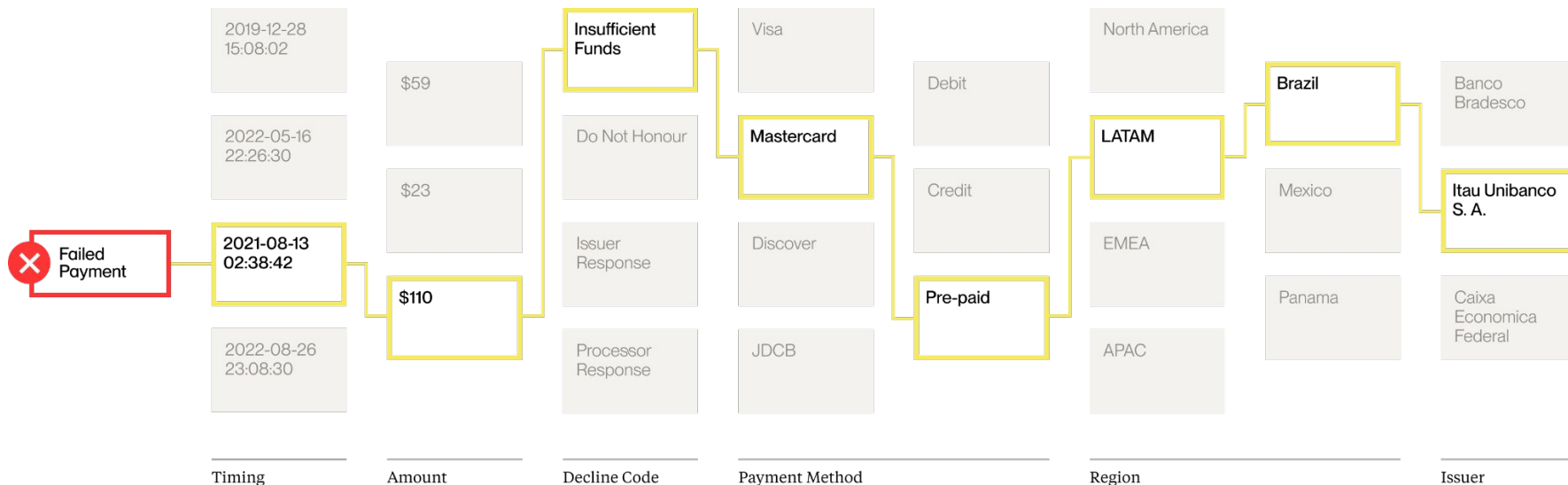
SUN	MON	TUE	WED	THU	FRI	SAT
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2

Example: Timing x Insufficient Funds

- Fridays are often prioritized as pay days for handling insufficient funds
- Early wage access is growing and many employees are now paid earlier in the week
- Weekend employees are generally paid on Mondays & Tuesdays

The Problem

Every failed payment is unique, and requires a unique recovery strategy.



Drive 5%+ ARR growth?
Here's how.

Churn is a symptom of a larger problem: Poor Payment Health

- Payment health is critical to the success of your organization. It's simple: payments=profits.
- Payment health is the whole picture – an overarching set of metrics that your organization should be focused on to maximize profits.
- Understand the metrics you need to measure, the impact to your organization, where to optimize to capitalize on the growth lever.

3 metrics to benchmark your Payment Health



Recurring Revenue
Failures



Refunds &
Chargeback



Transaction
Authorization Rate /
MID score

Evaluation

- How many payments are failing overall
- How many transactions are failing top of funnel
- Revenue lost to payment failures
- Efficacy of current retry strategy
- Impact of payment failures on LTV/ARPU
- Impact on payment health (total revenue lost)

How much am I losing to failed payments?



How is this impacting overall revenue?



How do I optimize?

Example insights and what they could mean

Low TAR

Over-retrying failed payments, in particular hard error codes like invalid card that can't be recovered by just retrying the card.

Failure Rate of Prepaid cards

Large amount? Consider no longer taking them, or at least not taking non-reloadable.

Invoice Acceptance Rate lower outside NA

Not taking into account global timing of payments.

75%+ of retry attempts in 1-3 hour window

You are batching your retries which has a higher likelihood to be flagged as fraud by issuing banks, lowering your revenue recovery rate.

3 big wins

1. Reduced Churn Rates

Reducing customers lost to failed payments decreases churn and the impact compounds over time

2. Increased LTV:CAC Ratio

Fewer customers churning due to failed payments, overall LTV improves

3. Increased top and bottom-line ARR

Increased acceptance rates, conversion rates, and fast, efficient revenue recovery drive cost savings and 5%-10% more revenue for the business

	WITHOUT BUTTER	WITH BUTTER	BUTTER IMPACT
Monthly ARPU	\$25.00	\$25.00	-
Intentional Churn	4.0%	4.0%	-
Accidental Churn	3.0%	1.5%	(1.5%)
Total Churn	7.0%	5.5%	(1.5%)
Gross Margin	50.0%	50.0%	50.0%
Customer LTV	\$179	\$227	\$49
LTV:CAC @ \$25	7.1x	9.1x	1.9x
LTV:CAC @ \$50	3.6x	4.5x	1.0x
LTV:CAC @ \$75	2.4x	3.0x	0.6x

	WITHOUT BUTTER	WITH BUTTER	BUTTER IMPACT
Beginning Customers	500K	500K	-
Customer Growth	10%	10%	-
New Customers	600K	600K	-
Total Churn	7.0%	5.5%	(1.5%)
Churned Customers	462K	363K	(99K)
Ending Customers	638K	737K	99K
ARPU	\$25.00	\$25.00	-
Annual Revenue	\$171M	\$186M	\$15M

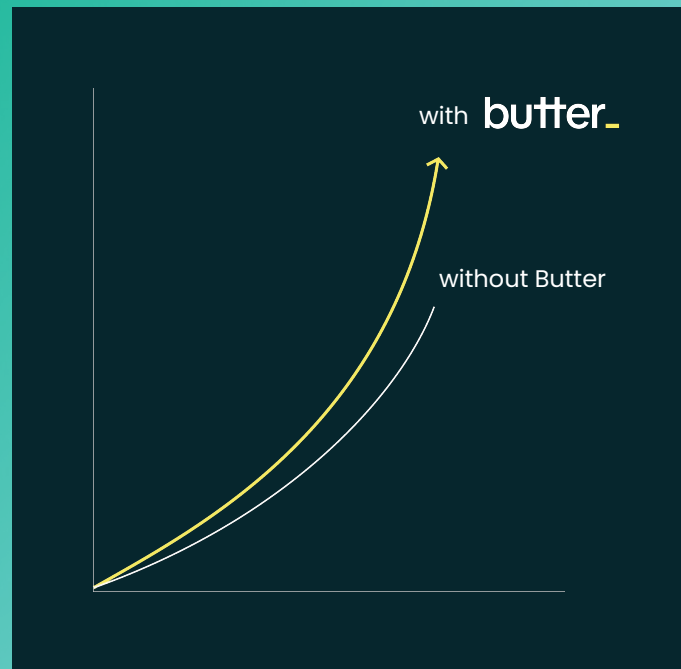
Proof is in the (bread & butter) pudding

“Through our partnership with Butter, we have seen significant lift in the customers we recover, with **each customer translating to 2x more revenue.**”

– Justin Bersuder, Vice President of Product at Curology

“We are keeping more subscribers active and **we are increasing our revenue every single month** relative to what it would have been had we stuck with Recharge’s solution.”

– Timothy Moore, Head of Finance at Hairstory



The Offer

Do you know why you're losing revenue? Find out with a free Payment Health Analysis.

We review your payment data and:

- Discover exactly how much revenue you're losing
- Know why payments fail & how to optimize
- See your revenue recovery \$\$\$ & total revenue growth

**Normally \$10-20k with a consultant*

What's next?

- Request your analysis
- It takes 5 minutes to get data → your information is 100% secure
- We analyze your data, present on results
- 30-day no-risk eval, with guaranteed results if we work together

butter.

Payment Health Analysis

Let our data scientists analyze your payment health and show you how much revenue Butter can recover.

The Opportunity

Evaluate the financial impact failed payments is having on your business.

- \$25M in lost revenue
- 30,000+ in lost invoices
- 15% of revenue
- 45% of overall churn

Error Code	Error Code List	Rate of Lost Payments	Revenue At-Risk per Month
Insufficient Funds	508	-0.2%	\$4
Invalid Card	1601	-0.2%	\$12
Account Closed Transaction	1602	-0.2%	\$2
Do Not Honour	504	-0.2%	\$1

Revenue over time by error code

Current Retry Strategy Evaluation

Understand the effectiveness of your current retry strategy and how it impacts your overall payment health.

Revenue over time by error code

Your current retry strategy appears consistent for all cards and error codes.

Failed Source	Share of Volume	Rate of Lost Payments	Revenue At-Risk per Month
Bank	-0.4%	-0.1%	\$1
Credit	-0.4%	-0.1%	\$1
Prepaid	-0.2%	-0.1%	\$1

2 out of every 3 transactions are failing for **Company X**

Transaction Authorization Rate

- Company X: 33%
- Industry Standard: 90%

A lower authorization rate reduces the likelihood of first time payment success, meaning you are more likely to lose prospective customers to payment failure.

\$30M projected ROI

- \$10M from recovered revenue
- \$15M from LTV of retaining those customers
- \$5M from payment health improvements

6.2% ARR growth

Thank you

