Guide

Benchmarks and churn management strategies for subscription businesses

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Introduction

A thriving subscription business focuses on more than merely attracting new customers: it puts existing customers at the heart of its strategy. That means measuring and addressing the causes of churn—when customers voluntarily or involuntarily end their subscriptions.

Taking aim at churn can mean sifting through a seemingly endless maze of possible causes and solutions. But there are concrete steps you can take, both big and small, that are especially likely to limit churn—and help you keep and engage hard-won customers.

In this guide, we'll explore the differences between voluntary and involuntary churn, and we'll offer guidance to help your business manage both. We'll share new Stripe data on average churn rates by industry, payment method, and more. You'll also learn how **Stripe Billing's** revenue recovery features can help mitigate involuntary churn and give your important customer retention strategies a boost.

$722B

value of the subscription economy in 2025

$1.2T

projected value of the subscription economy in 2030

Source: Juniper Research, **Subscription economy market: 2025–2030**

Understanding and measuring customer churn

There are two types of churn impacting your business:

- **Voluntary churn** happens when a customer intentionally cancels their subscription.
- **Involuntary churn**, sometimes called passive churn, occurs when a subscription lapses even though the subscriber didn't mean to cancel—such as when a payment method on file expires.

In both cases, the lost customer means lost revenue. But the right strategies to reduce subscriber churn depend on the type of churn you want to tackle and how large of an issue it is.

How to measure churn

To measure churn, it's most convenient to use a billing software provider that includes **SaaS and billing analytics**. But if you need to calculate churn rate manually, use one of the following formulas.

"Customer churn rate" refers to the rate at which you're losing customers to churn. To find the overall rate of customer churn for a product in a particular period, such as a month or a quarter:

$$\text{Customer churn} = \frac{\text{Number of canceled subscriptions in a given period}}{\text{Number of subscriptions at the start of the period}} \text{ x100}$$

"Dollar churn rate" refers to the rate at which you're losing revenue to churn. To find revenue lost in a given period:

$$\text{Dollar churn} = \frac{\text{Revenue lost in a given period}}{\text{Revenue at the beginning of the period}} \text{ x100}$$

Reducing the churn rate means your business is able to retain more customers from month to month, quarter to quarter, or year to year. That, in turn, leads to more revenue.

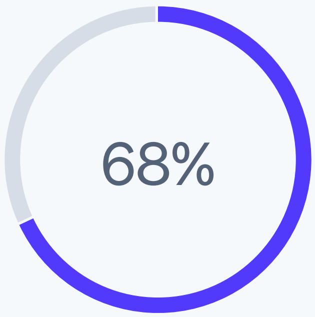
How churn impacts more than just revenue

Subscription businesses rely on **recurring revenue**, which greatly affects planning, growth, and profitability. But churn leads to more than lost revenue alone. Here are some of the areas where churn can impact your business:

- **Customer acquisition budget:** When you lose customers regularly, that puts pressure on your business to gain new top-of-funnel customers more effectively, increasing the amount you're spending on customer acquisition.
- **Planning and forecasting:** Churn also makes future revenue forecasting unpredictable. When a business can't foresee how many customers it will have in the next month, quarter, or year, it hinders leaders' ability to make long-term decisions.
- **Product development:** Churn rates can also give businesses valuable information. If churn is rising over time, or if it varies by product or geography, that could indicate weak product-market fit—highlighting an opportunity for improvement.

Once you're tracking your churn rate and understand what influences it, you can focus on diagnosing the types of churn you're seeing from customers—voluntary or involuntary—and addressing their causes.

What contributes to voluntary churn?



of business leaders fear subscription fatigue

Source: 2024 Stripe survey

Voluntary churn can reflect a customer's changing financial circumstances or their dissatisfaction with a product or service.

In the current economic climate, as consumers reduce their discretionary spending in response to inflation, subscriptions are where many choose to cut back. In a Stripe survey of 1,500 global subscription-based business leaders, 68% of respondents said they were concerned about subscription fatigue among their customers.

Customers also cancel subscriptions when a product or service is not useful or not what they expected. That could be due to imprecise marketing, overpromising, or a misunderstanding of what the product offers.

Or, the price might be too high for the product or service's perceived quality, or compared to competing products in the market.

Finally, customer service might be lacking, leading customers to cancel their subscriptions out of frustration.

What contributes to involuntary churn?

While the best steps to take to resolve voluntary churn will be unique to each business, there are several strategies to reduce involuntary churn that every business can implement. In these cases, the customer would prefer to maintain their subscription, but a payment issue prevented them from continuing to subscribe.

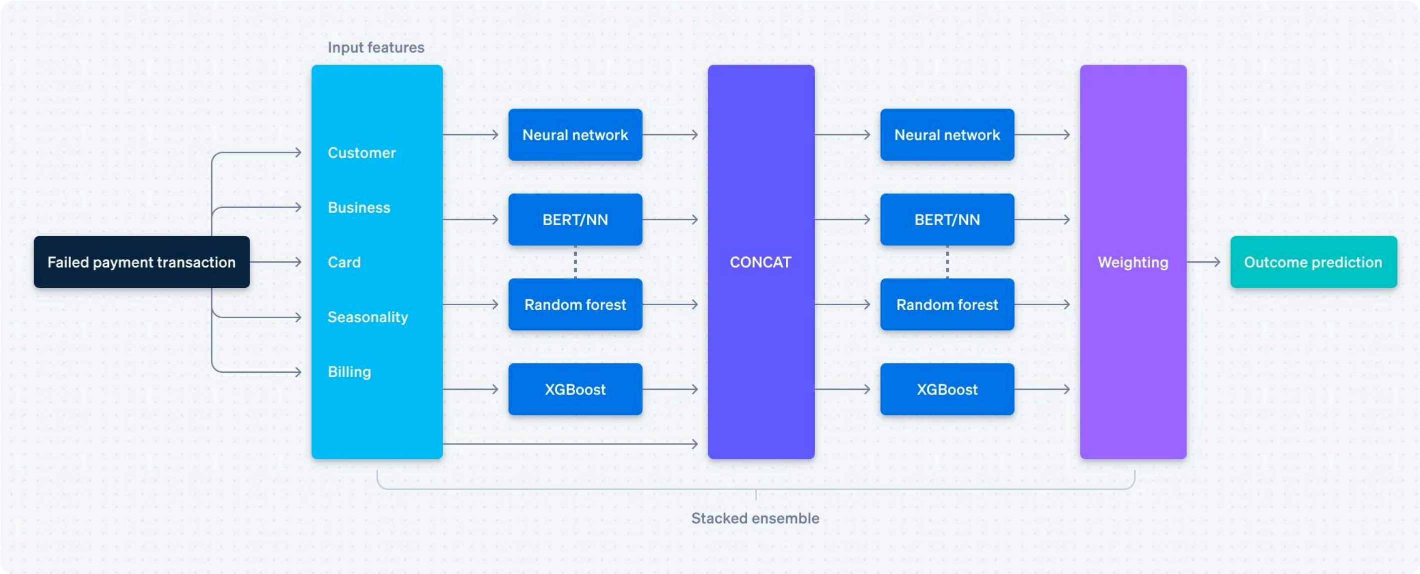
A customer's subscription payment may fail because:

- There were insufficient funds on the saved payment method
- The customer's bank declined the charge
- Their credit card expired
- Billing details changed
- The payment was blocked

Based on Stripe Billing data from 2024, the most common reason for subscription payment failure is insufficient funds. **Card declines** on the part of the customer's **issuing bank** are the next most common reason.

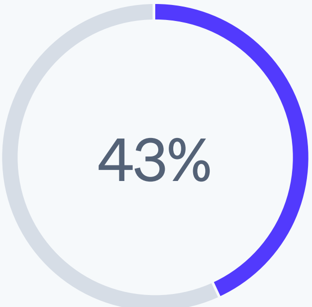
In some cases, these are recovered through a well-timed retry. For example, Stripe's **Smart Retries** automates this process and optimizes when to retry a payment for a greater chance of success. In other cases, the customer might need to contact their issuer to identify the reason for the decline. Stripe Billing makes it easy for you to automatically remind your subscribers to do this through recovery emails. In addition, Stripe proactively addresses most card expiry failures through its card account updater (CAU), Adaptive Acceptance, and network token features.

How Smart Retries work



Churn rate benchmarks

If you're eager to minimize churn among subscribers, you're not alone. Reducing churn is a priority across industries.



of business leaders say they don't know how much revenue they have lost from involuntary churn or payment failure, but they'd like to find out

Source: 2024 Stripe survey

To help inform your churn management strategy, we compiled a series of churn rate benchmarks. The data below covers subscription transaction data across businesses on Stripe from September 2024 to August 2025. We looked at monthly subscriptions only—excluding yearly, quarterly, and weekly subscriptions—to allow for direct comparisons.

Average churn rates by order value

Average order value (AOV) is the average amount customers spend per transaction. Stripe data shows that churn rate typically decreases as AOV increases. This pattern is driven by both voluntary and involuntary churn rates, which both decrease as AOV goes up. Higher AOV customers might be more committed to their expensive subscriptions once they subscribe, driving lower voluntary churn rates. The trend in involuntary churn might be due to the fact that higher AOV customers have more reliable payment methods.

Average order value (USD)	Average overall churn rate	Average involuntary churn rate	Average voluntary churn rate	Involuntary churn as a % of overall churn
Less than $10	40%	14%	26%	35%
Between $10 and $30	37%	9%	28%	23%
Between $30 and $100	34%	9%	25%	26%
Between $100 and $1,000	30%	6%	24%	19%
Between $1,000 and $10,000	24%	4%	20%	15%
Greater than $10,000	15%	4%	11%	24%

Churn rate benchmarks

Average churn rates by payment method

Customers who use prepaid cards are most likely to churn involuntarily, according to Stripe data, due to the higher likelihood of a prepaid card having insufficient funds. Customers who use credit cards are least likely to churn involuntarily. Businesses could consider encouraging customers to use a credit card in the payment flow, including as a secondary or backup payment method, if the primary method is a debit or prepaid card.

Payment method	Average overall churn rate	Average involuntary churn rate	Average voluntary churn rate	Involuntary churn as a % of overall churn
Debit	38%	11%	27%	28%
Credit	34%	6%	28%	18%
Prepaid	44%	23%	22%	51%

Average churn rates by customer segment

B2B and B2C businesses have similar churn rates according to Stripe data, though B2C businesses experienced slightly higher involuntary churn while B2B businesses saw slightly higher voluntary churn.

Business model	Average overall churn rate	Average involuntary churn rate	Average voluntary churn rate	Involuntary churn as a % of overall churn
B2C	39%	9%	29%	24%
B2B	38%	6%	32%	16%

B2C businesses are vulnerable to the common sources of involuntary churn among consumers, such as insufficient funds and bank declines, as well as voluntary changes in consumer spending patterns. B2B businesses see their customers voluntarily churn when they cut costs in response to micro and macroeconomic conditions.

Churn rate benchmarks

Average churn rates by industry

To gain a full understanding of how pressing an issue churn is for your business, you can compare your churn rates with averages in your industry. In the table below, you'll see involuntary and voluntary churn rates across some of the top industries for businesses using Billing.

Travel and lodging (43%), business services (40%), education (40%), and merchandise (ecommerce businesses selling goods, 39%) see slightly higher overall churn than other industries. Insurance has one of the highest average voluntary churn rates, despite having the lowest rate of involuntary churn. Businesses in the travel and lodging and leisure industries also see high voluntary churn and comparatively low involuntary churn. It's likely that tightening consumer budgets are a key factor in high voluntary churn rates.

Industry	Average overall churn rate	Average involuntary churn rate	Average voluntary churn rate	Involuntary churn as a % of overall churn
Furniture	28%	13%	15%	46%
Digital goods	38%	11%	27%	29%
Business services	40%	10%	30%	26%
Education	40%	10%	30%	24%
Personal services	36%	9%	27%	25%
Merchandise	39%	9%	30%	23%
SaaS	38%	8%	29%	21%
Travel and lodging	43%	8%	35%	18%
Leisure	36%	6%	30%	17%
Insurance	37%	3%	33%	9%

How to mitigate churn and recover more revenue

Churn isn't a static factor in a subscription business's operations. At any time, you can make major or minor changes to your product, payment processes, or customer support infrastructure that significantly influence churn rates and increase revenue. Here are strategies to implement when you've decided to take on voluntary churn, involuntary churn, or both.

Ways to reduce voluntary churn

To encourage customers to maintain their subscription to your product or service, try these approaches:

Gather feedback
As part of Stripe's **customer portal**, you can ask customers who canceled their subscriptions to optionally provide the reason why, which can offer valuable insight into the most common issues.

Prioritize customer service
Stripe's **customer portal** can help you build a streamlined customer service experience by giving customers the ability to self-manage their account, such as upgrading, downgrading, and pausing subscriptions.

Make product enhancements
Identify what customers are dissatisfied with (such as customer experience or delivery reliability), and then test different tactics to see what works. Stripe's **recovery and revenue automations** let you set up customized cancellation confirmation emails and ask for feedback as to why customers ended their subscription.

Offer discounts or rewards
A customer who's at risk of canceling their subscription might be persuaded to stick around for a lower price. Stripe gives businesses the ability to **offer coupons or discounts** to a customer.

Try out different pricing models
You might be able to retain more customers by changing your subscription business's pricing structure and including usage incentives. For example, you could offer **tiered pricing**, charge based on volume, allow the customer to define their own price, provide a discount for paying for a longer subscription up front, and more.

Ways to reduce involuntary churn

When customers churn involuntarily, their payment might be failing without their knowledge or due to unforeseen circumstances. Your business loses revenue on the customer's current transaction and on all their future subscription transactions—unless the payment method is updated, or you intervene.

Revenue recovery is a set of strategies you can use to recover failed payments and mitigate involuntary churn. Many subscription businesses aren't making use of them, which means that they are leaving money on the table.

$6.5B

the amount of revenue Stripe's automated recovery features earned customers in 2024

A monthly subscription that's recovered after a payment failure will continue for another seven months on average, according to Stripe data. Stripe offers both preventative and reactive recovery tools that give businesses the opportunity to recoup substantial subscription revenue. Overall, Stripe's automated recovery features helped users recover $6.5 billion in revenue in 2024.

Preventative revenue recovery methods for involuntary churn

These methods might help minimize involuntary churn:

1. **Intercept failed payments right away**
   You might be able to avoid losing revenue on failed payments when you have the ability to retry them immediately. Stripe's Adaptive Acceptance tool uses AI to identify the reason for the payment failure and, if appropriate, retry the declined payment right away. Stripe Billing users see a 0.77% uplift in authorization rates using Adaptive Acceptance.

2. **Offer a range of billing options**
   Provide flexible billing options and accept as many payment methods as possible, so your customers can use the payment type that they're most likely to keep fully funded and up-to-date.

3. **Keep card numbers fresh**
   Update card details as soon as a customer's credit card number or expiration date changes. Stripe offers a card account updater (CAU) tool, which automatically updates card details via the credit card networks. This prevents a payment failure if the customer's card details change and they haven't proactively updated them with your business. CAU can drive up to 0.7% in incremental revenue on average for Billing customers.

Reactive revenue recovery methods for involuntary churn

Once a customer's payment has failed, there are still plenty of ways to restore their payment—and keep their subscription active.

1. **Retry failed payments**
   You can retry failed payments on a fixed or customized schedule. Using AI, Billing's **Smart Retries** feature automatically retries failed payments at optimal days and times to increase the likelihood of success. You can also create a custom retry schedule based on your individual business, industry, and knowledge of your customers' behavior.

2. **Automated failed payment notifications**
   Send **customized emails** alerting the customer to a payment failure with an easy, one-click pathway for updating payment information.

3. **In-app dunning**
   You can also **offer notifications** directly on your website or mobile app, ideally as reminders for customers to update the payment method before they lose access.

4. **Discount offers**
   If a payment has failed several times, you could offer the customer the option to resume their subscription at a lower price. This can take the form of a **discount** on a certain number of upcoming months of membership.

5. **Secondary payment method retries**
   Through **Link**—Stripe's accelerated checkout experience that securely stores and autofills customers' payment details—failed payments can be retried on secondary payment methods, such as an alternative credit card stored on the customer's Link account. You can still make use of this revenue recovery strategy through other methods even if you're not using Link.

How subscription businesses have reduced churn and increased revenue with Stripe

2% increase in revenue

using Stripe's card account updater

Twilio, the customer engagement platform powering nearly one trillion digital interactions a year, wanted to grow into international markets while addressing challenges with involuntary churn. After A/B testing Stripe against its previous processor, Twilio experienced a 10% uplift in authorization rates using Stripe's local processing in key markets, Adaptive Acceptance, card account updater, and consultative support optimizing transaction processes. With reduced involuntary churn, Twilio can be confident it won't lose out on valuable revenue, and that its users won't inadvertently lose access to the customer engagement tools they need to build insightful paths to their customers.

" Stripe has a relentless focus on innovation. A great example of this is the machine learning model used to enhance authorization rates. We've realized roughly a 1% uplift in authorization rates just from Adaptive Acceptance. It requires zero effort from our side. It's purely done on the engineering efforts of Stripe."

—**Chris Nasson**, former Director of Investor Relations and Treasury

Leonardo.Ai

40% of failed payments recovered

using Smart Retries

When generative AI startup **Leonardo AI** (acquired by Canva in 2024) decided it was time to monetize, the company chose Stripe as its payments and billing partner. A variety of Stripe optimizations had a major impact on Leonardo AI's ability to address churn and capture revenue. Stripe automated failed payment reminders and email notifications about upcoming card expiration for Leonardo AI's customers. Smart Retries recovered over 40% of failed payments—5x the industry average. Adaptive Acceptance, card account updater, and network tokens led to a 2.15% increase in Leonardo AI's payment success rate over the course of a year. With Stripe handling billing, payments, taxes, and more, the team at Leonardo AI can focus on the core business, including expanding the company's audience to support enterprise customers.

" We went from being a free platform to a revenue-generating global platform in a matter of weeks. Stripe Billing really allows us to streamline our backend efficiency so we can focus on our core product."

—**Chris Gillis**, Cofounder and COO

How Stripe can help

Stripe is the only platform that offers customers the ability to manage payments and billing. Stripe Payments and Billing build on each other, and Billing benefits from Stripe's expertise in global payments (Stripe processed $1.4 trillion in payment volume in 2024 across Billing and other products) and understanding of card issuers (Stripe is a card issuer too).

As a result, Billing comes with sophisticated payments automations under the hood. For example, Billing offers these proactive tools to avoid failed payments:

- Card account updater
- Automated renewal emails
- Hosted recovery surface

Stripe Billing offers these reactive features to recover failed payments:

- Smart Retries and scheduled retries
- Automated recovery emails
- Customizable recovery flows with recovery automations

Retaining subscription customers isn't just about building a product that excites them. It's about keeping them engaged from month to month and year to year, and preventing them from inadvertently losing access through failed payments. Reducing churn and recovering revenue will save you money, but it will also save you customers—and help you build on the loyalty your business has rightfully earned.

Ready to get started?

Learn more about Stripe Billing and how it reduces churn for subscription-based businesses.

Access a complete billing solution or contact us to design a package specifically for your business.

Start now or get in touch with our team.