

# DECISION GUIDE

## Tracking Failed Payments

PYMNTS |  FlexPay

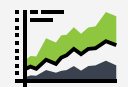
March 2023

**Tracking Failed Payments**, a PYMNTS and FlexPay collaboration, draws on a survey of 200 executives conducted between Sept. 12, 2022, and Sept. 28, 2022. The survey examined the relationship between failed payments and customer churn in the subscription industry. The decision guide offers a firsthand account of the practices the firms that best manage these challenges use.

## Overview

This decision guide provides aggregated data collected from executives in the subscription industry. These insights highlight failed payments' severe and often overlooked impact on business performance and customer lifetime value (LTV).

**This brief will help your company better understand the following:**



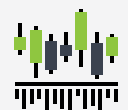
The most important metrics to monitor



The impact failed payments can have on customer acquisition and retention



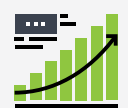
How failed payments can impact your bottom line



Benefits your company can expect from tracking failed payments



Why companies do not track failed payments



How tracking failed payments is crucial for maximizing your revenue

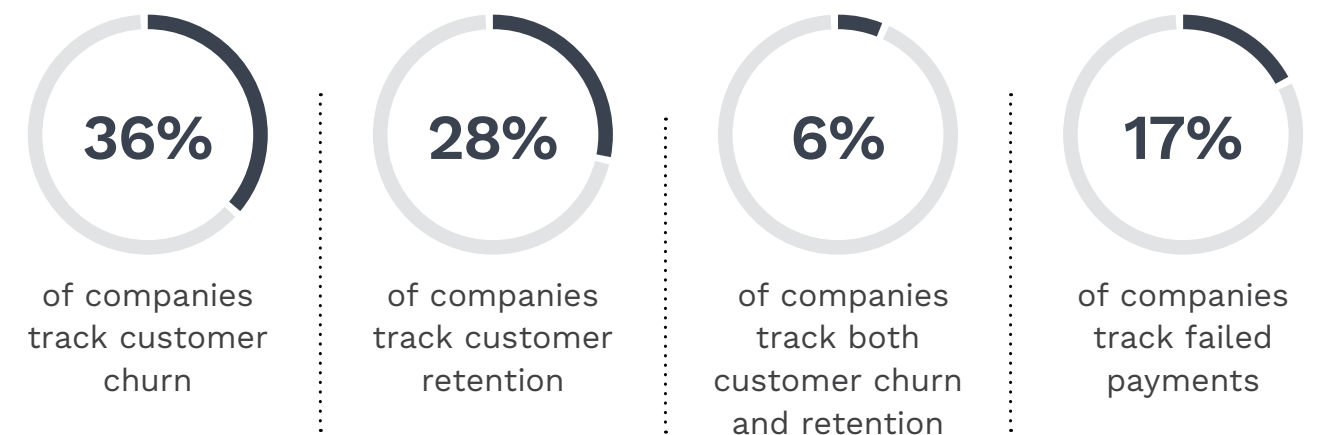
PYMNTS surveyed 200 executives between Sept. 12, 2022, and Sept. 28, 2022, to examine the relationship between failed payments and customer churn in the subscription industry and gain a firsthand account of the practices the firms that best manage these challenges use.

**This is what you need to know.**

## What do subscription businesses miss?

Just 17% of subscription-focused firms currently track failed payments despite their substantial impact on business performance. Fifty-eight percent of subscription businesses focus solely on outcome-based metrics, such as customer churn and retention, which may be easier to measure but are not as crucial.

**Share of companies tracking specific metrics:**



# How influential are failed payments to revenue and customer loss?

Failed payments alone cost the subscription industry hundreds of millions of dollars each year in lost revenue. Just 50% of subscription providers acknowledge that this poorly tracked metric significantly drives customer churn, and just a small fraction recognizes it as the primary cause.

## The impacts of failed payments:



# How much money are failed payments costing your company?

The impact of failed payments on revenue in the subscription industry is substantial and underappreciated. On average, subscription providers lose an estimated 9% of revenue to failed payments. Providers in the health and fitness industry were hit hardest in the last year, with an average revenue loss of 11%, while gaming companies performed slightly better than other firms.

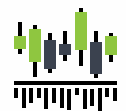
## Average revenue losses due to failed payments:



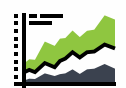
## What are the benefits of tracking failed payments and prioritizing their recovery?

Many subscription providers believe that tracking failed payments would not improve their bottom lines — but our data reveals a clear return on investment (ROI). Subscription businesses that track and analyze failed payments lose 37% less revenue than those that do not track this metric. Providers that track failed payments recover 43% more of these payments.

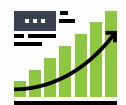
### The impact of tracking failed payments revenue:



36% of companies that do not track failed payments say they do not see an ROI from doing so.



Companies that track failed payments lose 37% less revenue to failed payments than companies that do not track this metric.



Companies that track failed payments recover 43% more failed payments than companies that do not track them.

## What stops companies from tracking failed payments?

The complexity of establishing internal systems to track, analyze and resolve failed payments deters many subscription companies. Our data shows that 39% of subscription providers do not track failed payments because of the perceived difficulty in identifying the root causes of failed payments. Meanwhile, 41% cite the difficulty in finding a solution to recover failed payments as a key reason they do not track failed payments.

### Reasons why businesses do not track failed payments:

**39%**

of companies report not tracking failed payments because uncovering the causes is difficult

**41%**

of companies report not tracking failed payments because it is difficult to find a solution

**37%**

of companies recognize that experiencing payments software issues is a leading cause of failed payments

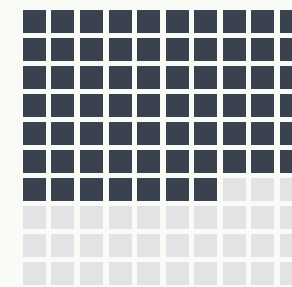
## What are top-performing firms doing?

Two-thirds of the subscription providers that are top performers in recovering failed payments explicitly track failed payments, while not many lower-performing providers do the same. Top performers are 12 times more likely than bottom performers to use third-party payment recovery software solutions. This approach leads to payment recovery rates 1.5 times higher than bottom performers, making it a key strategy for maximizing business performance.

## Top performers are 12x

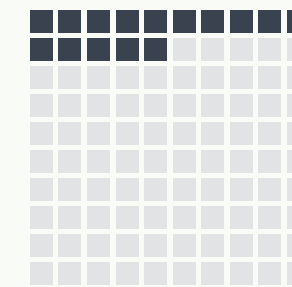
more likely than bottom performers to use **third-party payment** recovery software solutions.

### Tracking failed payments leads to success:



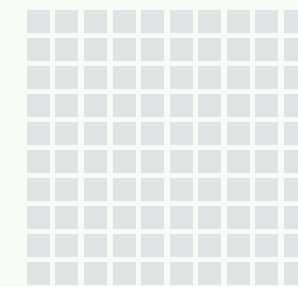
**67%**

of top performers track failed payments



**15%**

of middle performers track failed payments



**0%**

of bottom performers track failed payments



# About

**PYMNTS** [PYMNTS](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



FlexPay was founded by online merchants and payments industry veterans who recognized the friction in the payments ecosystem caused by the lack of data transparency, and misaligned priorities between payment authorization systems, merchants and customers.

We have a deep and long history with both acquiring and card-issuing banks. This is how we understand the systems that control the transaction approval processes within issuers for card-not-present transactions, known as a “risk decline system.”

The FlexPay platform delivers the highest failed payment recovery rates while also optimizing critical subscription business priorities. FlexPay understands that subscription businesses must recover the customers and revenue lost to failed payments, without sacrificing customer retention and merchant account health. To learn more, visit [flexpay.io](https://flexpay.io).

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at [feedback@pymnts.com](mailto:feedback@pymnts.com).

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