



Recurring Revenue, Recurring Risks: **Protecting Subscriptions from** **Churn & Chargebacks**

Introduction

The appeal of the subscription model has always been its predictability. Businesses invest once in acquiring a customer, and value accrues over time—month by month, renewal after renewal. It's efficient and scalable. But built into that model is a hidden risk that can threaten profitability: chargebacks.

A chargeback happens when a customer disputes a charge with their bank, usually claiming the transaction was unauthorized or the product or service wasn't delivered as agreed. In a subscription setting, these disputes often stem not from true fraud, but from a breakdown in communication.

Customers might fail to understand they've signed up for a subscription, forget about one they intended to cancel, or question a charge with an unfamiliar billing descriptor. These illegitimate chargebacks are known as friendly fraud.

If the customer's bank agrees to proceed with the dispute, the money is returned to the customer, and the merchant absorbs the costs. More than just a refund, those costs can include a chargeback fee, internal administrative time, the cost of customer acquisition, and the risk of being fined by payment networks if dispute volumes rise above acceptable thresholds.



The Expanding Subscription Market

The subscription model is no longer a novelty, but a mainstream economic engine. Consumers are opting for experiences that come with recurring access and convenience like streaming platforms, meal kit deliveries, productivity tools, cloud services, and more.

According to a report by Mastercard, **64% of U.S. consumers use at least one subscription service**, with an average of **8.2 subscriptions per person**.

The Chargeback Window of Opportunity, FT Strategies & Mastercard, March 2025

While this evolution fuels long-term customer relationships and predictable revenue streams, it also introduces a new layer of risk for the merchants. As subscription interactions become more and more automated, consumer visibility often declines, leading to an uptick in friendly fraud. For merchants, the gap between recurring payments and consumer memory has been creating a growing tension.

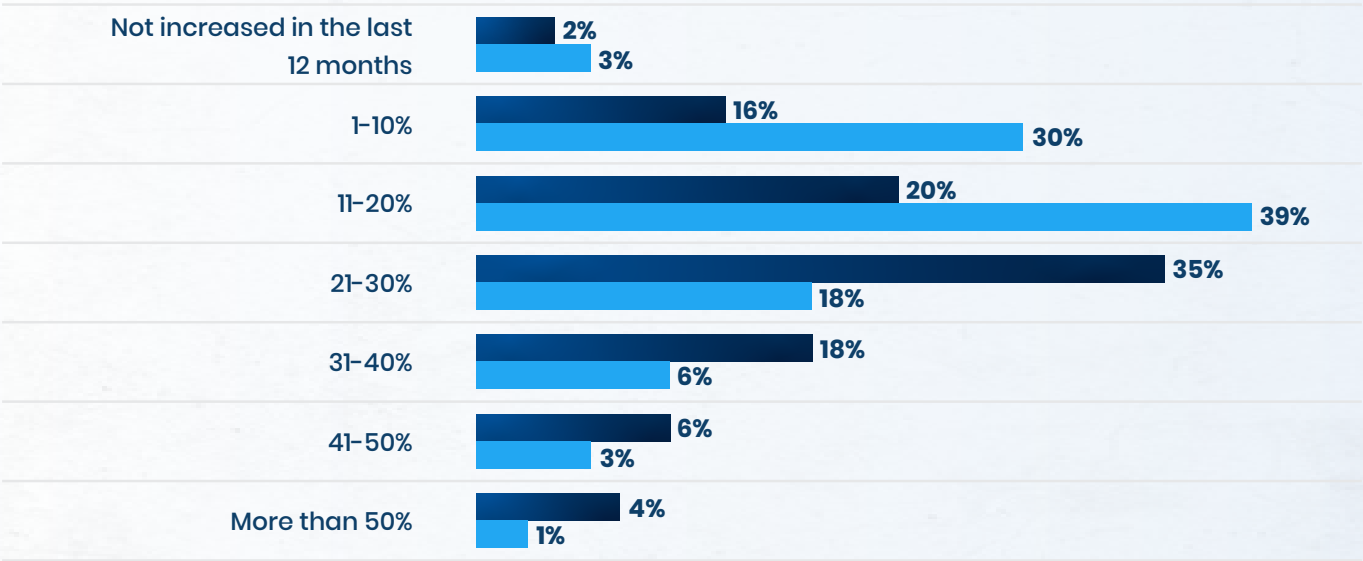


Growth Trends

Most merchants continue to remain optimistic despite growing concerns around subscription fatigue. Mastercard's data shows that **2 out of 3 U.S. businesses reported subscriber base growth of more than 10%** in the last 12 months. Confidence levels for the next year remain high, with **89% of businesses expecting continued growth**, although slightly lower than the 92% optimism reported the previous year.

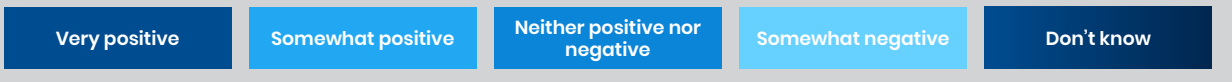
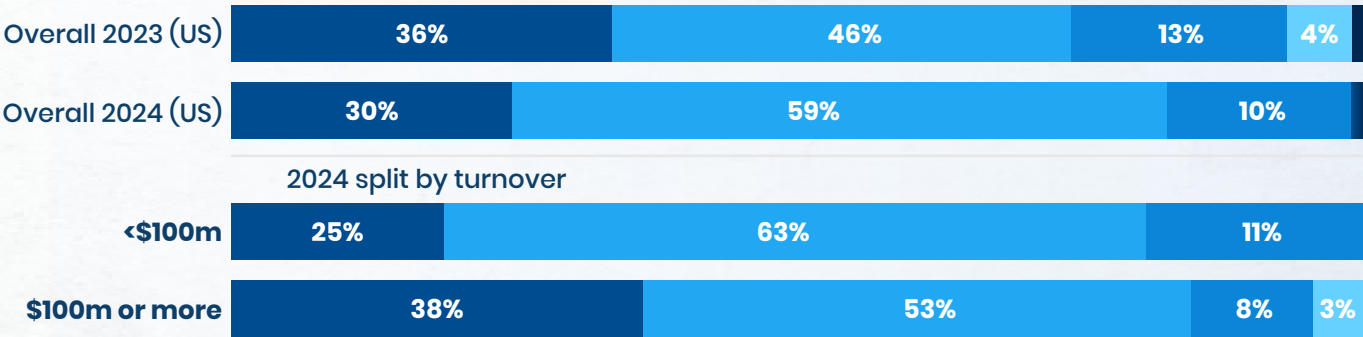
More than two out of three U.S businesses have experienced small to moderate (Up to 20%) growth in their subscriber base over the past 12 months

Subscriber base growth in the past 12 months 2023 2024



89% of businesses are confident in their growth potential over the next 12 months, slightly down compared to last year's data (92%)

Confidence about your company's prospects for revenue growth over the next 12 months



Source: The Chargeback Window of Opportunity, FT Strategies & Mastercard, March 2025

The impact of inflation and cost of living

Almost all businesses feel they will be impacted by inflation and economic volatility in the next 12 months

97%

Inflation and cost of living impacting consumers

90%

Macroeconomic volatility and risk of recession

83%

Cyber and data protection risks

Source: The Chargeback Window of Opportunity, FT Strategies & Mastercard, March 2025

The current macroeconomic environment is adding complexity to the scenario as well. With inflation and rising living costs, some consumers are tightening their wallets and reevaluating recurring commitments. Despite that, subscription spending is actually continuing to grow.

- ➞ 37% of consumers say they are spending more on subscriptions than they did last year.
- ➞ The average U.S. subscription spend per user has climbed to \$1,416 per year.

This indicates a certain tension: consumers are more selective, yet more invested. It also means that when value isn't perceived or communicated clearly, cancellations and chargebacks will often follow.

The Modern Subscriber: Behaviors, Preferences & Pitfalls

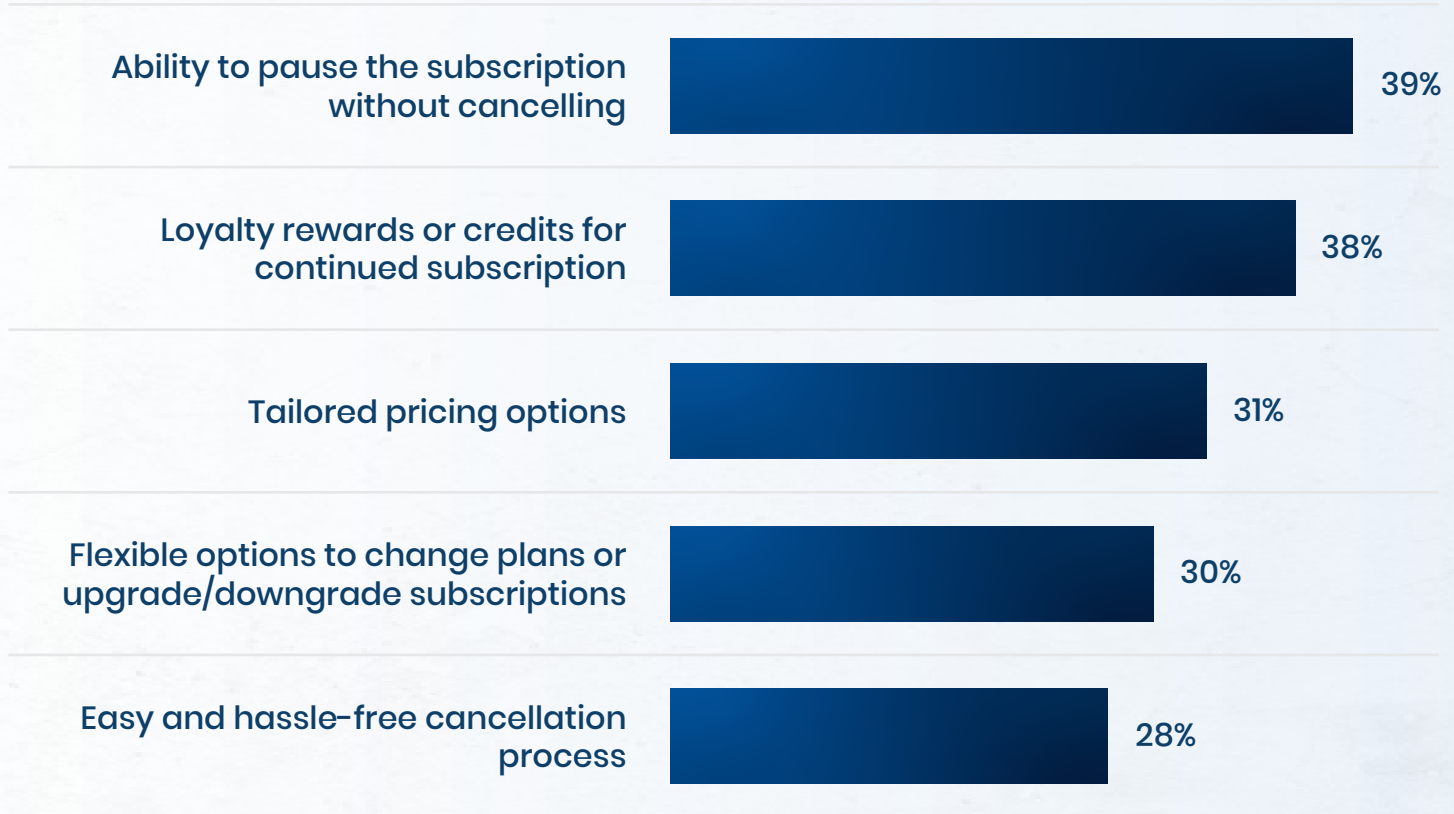
Today's subscribers mix entertainment with productivity and convenience with experimentation.

What defines them isn't just what they subscribe to, but how they think:


- ➞ They prefer monthly plans instead of long-term lock-ins.
- ➞ They sign up quickly but disengage even faster.
- ➞ They want flexibility, instant cancellation, and zero surprises.
- ➞ They don't always read the fine print, but will react if something feels unclear.

According to Mastercard's study, **half of U.S. subscribers have canceled at least one service in the past six months**, with younger and lower-income consumers most likely to churn. Among those who canceled, many indicated they would have remained if given the option to pause, downgrade, or receive a lower price.

Top five factors that would encourage subscribers to remain subscribed and not cancel

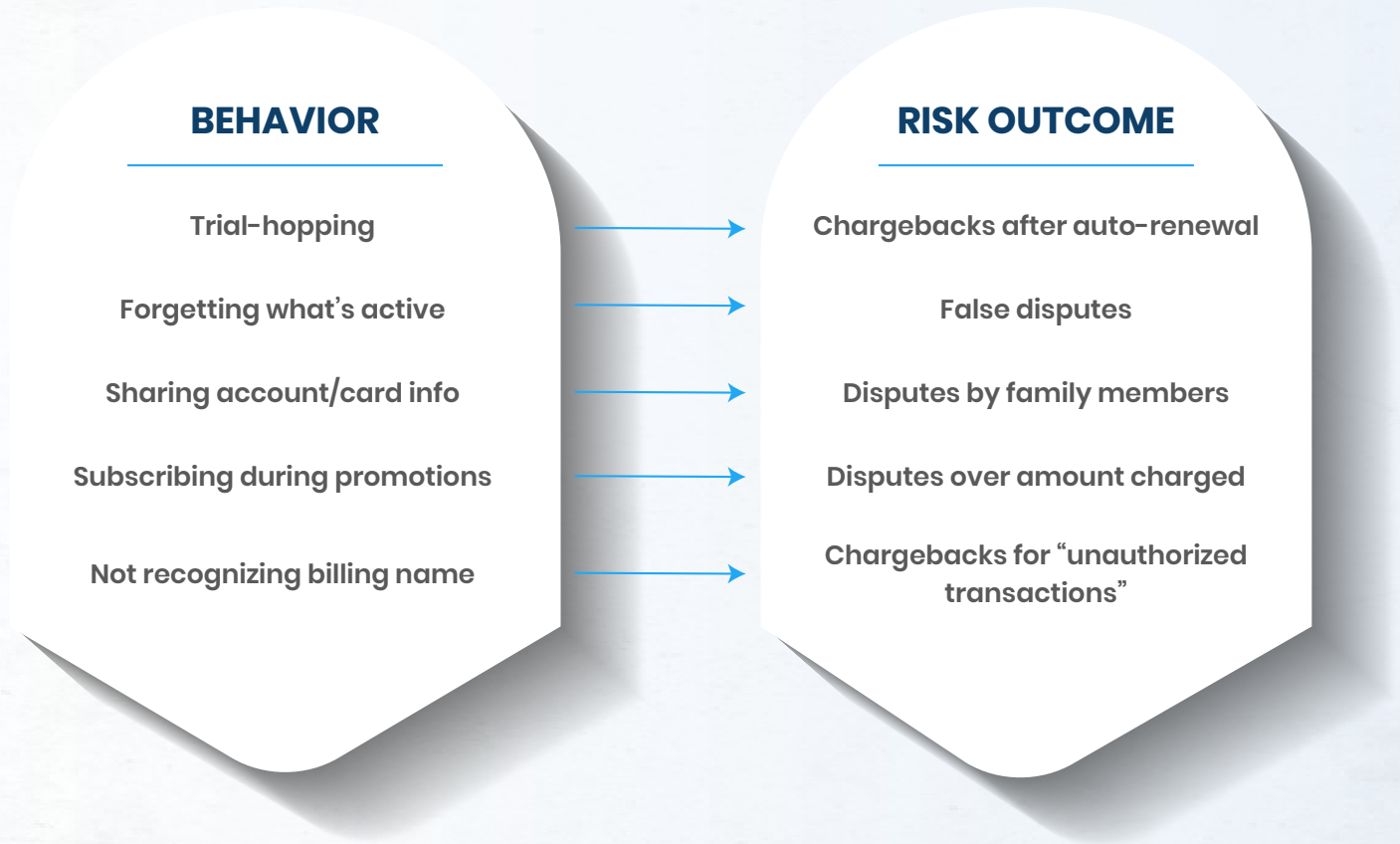


31% of consumers say they frequently cancel and resubscribe



Behaviors That Increase Chargeback Risk

Certain patterns of customer behavior can lead to an increased risk of disputes:



Consumers aren't always setting out to deceive, but many are still more likely to file a chargeback than contact customer support. Some justify it to themselves as a correction of an honest mistake they shouldn't have to pay for. Others blame the merchant for making the cancellation process too confusing or tedious.

Inactivity as a Risk Signal

Let's say a subscriber hasn't logged into a learning platform in 60 days. On Day 61, they're charged again for a monthly renewal. If they've moved on mentally or can't recall authorizing auto-renewal, they're likely to view the charge as invalid.

Here's the pattern that repeats across verticals:

Engagement Drops	User Forgets	Charge Hits	Dispute Filed
X Logins stop	? "What is this?"	\$ "They charged me again?"	! "I didn't authorize this"

CBG Insight

If subscribers receive a charge they didn't expect, they'll often dispute it. This can apply even when the terms of the subscription were clear. The smartest merchants today are not just tracking active users, they're also analyzing drop-off patterns, payment gaps, and usage silence as early signals of risk.

Effective Strategies for Reducing Subscription Chargebacks

1 Transparent Communication Practices

Clear Terms & Conditions

Detailed Billing Statements

2 Enhanced Customer Support

Proactive Support

Regular Follow-ups

3 Secure & Efficient Payment Processing

Secure Payment Gateways

Recurring Payment Management

4 Thorough Record-Keeping & Dispute Management

Maintain Detailed Records

Evidence Collection

5 Preventive Strategies for Chargeback Reduction

Customer Education

Fraud Prevention

6 Analytics-Driven Insights

Real-Time Performance Tracking

Data-Backed Decision Making

In subscription businesses, revenue is earned not just at sign-up but in every billing cycle. As expectations among consumers have shifted, proactive dispute prevention has become even more essential.

Sustaining profitability therefore depends on treating each billing event as both a revenue opportunity and a potential risk moment. When renewals occur without sufficient transparency or engagement, consumers are more likely to question charges, cancel prematurely, or file disputes through their banks. Effective dispute management is not just about recovering funds after the fact—it is about anticipating points of friction, addressing them before they trigger disputes, and reinforcing trust with customers in the process.

Chargeback Gurus helps merchants transform dispute data into a powerful decision-making tool, because in the subscription economy, every detail counts.

About Chargeback Gurus

Chargeback Gurus helps merchants protect and recover more revenue by providing technology-driven chargeback management solutions powered by AI insights, data science, advanced analytics, and expert knowledge.

With deep industry expertise, flexible solutions, and a proactive approach, CBG equips merchants with the technology and insights needed for effective chargeback prevention and recovery. CBG aligns 100% with our client goals and operates with integrity, honesty, transparency, and an unmatched level of security and compliance.

Why is CBG the Right Choice

- ✓ CBG operates with integrity, honesty and transparency
- ✓ Award winning chargeback management technology platform
- ✓ Over a decade of industry expertise
- ✓ Industry leading chargeback revenue recovery rates
- ✓ Industry specific custom dispute packages
- ✓ Aligned with client's goals and strategies
- ✓ Leverages AI driven technologies to deliver better results
- ✓ Seamless integrations
- ✓ Ability to build customized strategies that scale
- ✓ Trusted advisor across a range of industries, including Fortune 500 clients

Recovery Rate*

92%

Subscription and Recurring Payments



*Before Pre-Arb Recovery Rate. Time frame: January to December, 2024. Cancelled Recurring Payments Chargeback % is measured across all industries in which CBG operates.

Schedule a consultation with one of our **subscription chargeback specialists.**



Get Started



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