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Top 5 payment trends for subscription businesses in 2025

The world of e-commerce is undergoing a massive technological transformation pushed by evolving consumer demands, increased competition, and growing complexity.

To succeed in 2025 and beyond, merchants must adapt.



Below are 5 trends that Butter predicts will define next year. By the time you're finished, you'll have everything you need to boost revenue, drive profits, & optimize your payment flow.

More merchants will launch closed-loop digital wallets

Digital wallets have surged in popularity in recent years, and their dominance will continue in 2025¹. The critical difference between now and previous years is that we foresee more merchants launching closed-loop digital wallets.

A closed-loop wallet is a proprietary wallet that can only be used to make transactions at specified locations. An example is Walmart Pay, which, as the name suggests, can only be used at Walmart locations.

Closed-loop wallets have several advantages, but the two most important are their ability to lower transaction fees and drive customer loyalty. Brands with closed-loop wallets typically receive preferential interchange fees from issuers and send transactions through fewer intermediaries. Merchants also usually pair closed-loop wallets with a loyalty program, enabling merchants to offer incentives, loyalty points, and rebates—all of which drive stickiness.

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1. Juniper Research. Why 5.6 billion people will adopt digital wallets.

Brands will deploy multiple PSPs as they scale

Selling internationally is challenging. Each country has its own regulations, currencies, and customer preferences. One of the most efficient ways to enter a global market is by partnering with a payment services provider (PSP).

A PSP helps merchants accept electronic payments. More specifically, they let merchants accept debit and credit cards (and other forms of payments) by connecting them to broader financial infrastructure. Many – if not most – PSPs handle international processing.

By partnering with a PSP, brands can scale globally. However, relying on a single PSP for global sales is inefficient and stymies growth.

While all PSPs perform the same general function, there are significant differences in quality and the services they provide. For instance, there are differences in the regions they operate in, payments they accept, relationships with card networks, knowledge of local payment regulations, and routing technology. There are also differences in authorization rates and processing fees.

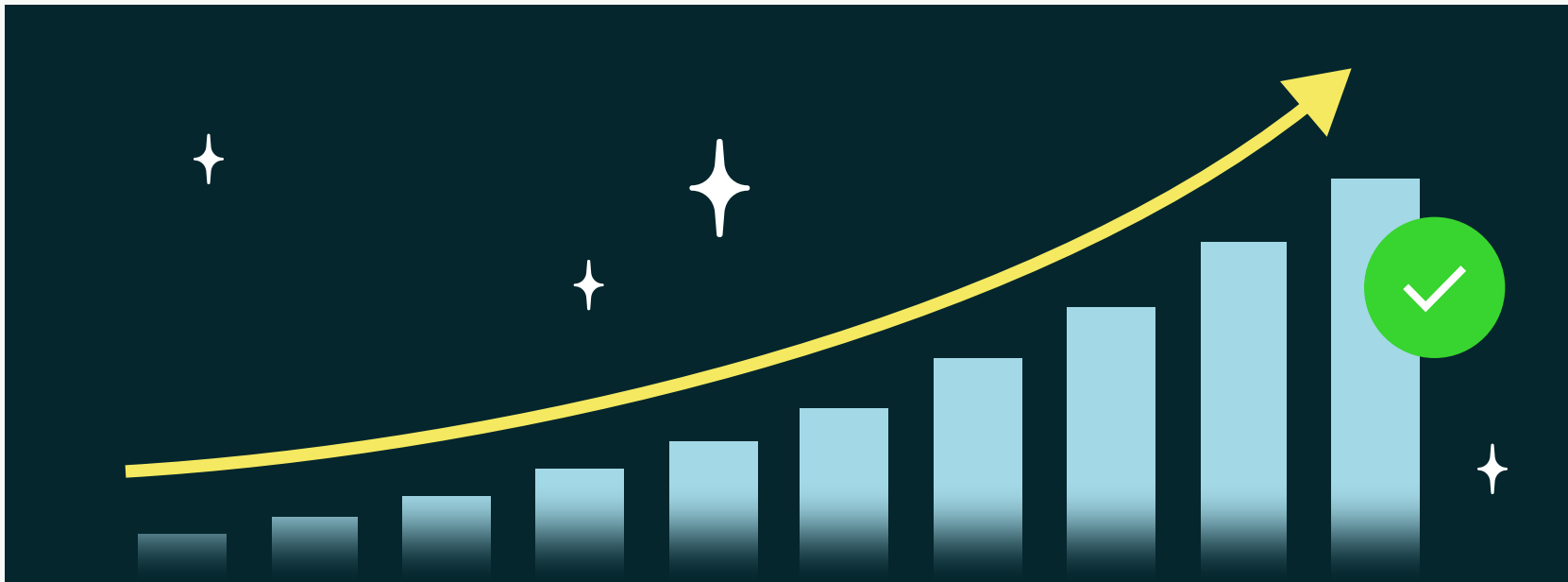


With multiple PSPs, you can reach more countries and scale rapidly. You can also increase authorization while reducing processing fees. Here's how:

Imagine you sell goods in Europe using two PSPs, and that one of your PSPs has negotiated lower processing fees for transactions in the United Kingdom. You can route your U.K. transactions through this PSP to reduce costs while routing the rest of your European transactions through your other PSP.

Another crucial benefit is redundancy. Every merchant's worst nightmare is having their PSP crash for an extended period. It could cost them millions. If a processor outage occurs, you can route everything through your second PSP and continue selling.

Retention is a new growth catalyst



It's no secret that customer acquisition costs (CAC) have surged in the last decade. Depending on your source, CAC is up between 60% and 222%², and there is no sign of it slowing down.

Moving forward, we predict more brands will (have to) shift from an acquisition mindset to a retention mindset. Not only does a focus on retention offset sky-high CAC, but it also unlocks growth. Here's why:



A 5% increase in retention boosts profits between 25% and 95%³.



It's 6 to 7 times⁴ cheaper to sell to repeat customers.



Repeat customers spend 67% more per purchase⁵.

This realignment in focus will lead to two outcomes. First, there will be an uptick in brands launching subscription experiences. Second, subscription-focused brands will expand their retention efforts by integrating a failed payments solution.

An indirect benefit of launching a failed payment solution is that it lowers operation costs.

Many merchants have customer success teams dedicated to clawing back customers through emails and phone calls. Implementing a payment recovery solution is an efficient way to recapture revenue, resulting in the need for fewer retention-focused success members and call center associates.

Related article: [How CFOs can turn failed payments into a massive growth opportunity](#)

2. SimplicityDX. Brands Losing a record \$29 for each new customer acquired.

3. Harvard Business School. E-Loyalty: Your secret weapon on the web.

4. Bain & Company. Prescription for cutting costs.

5. Practical Ecommerce. Master customer retention in 2023.

Businesses will treat recovery as a key revenue channel

In most companies, payment recovery and customer retention are viewed independently. Payment recovery is seen as a revenue driver, while retention is viewed as a way to reduce customer churn and boost lifetime value.

However, this is a false dichotomy. While payment recovery does drive revenue, it also reduces involuntary churn and boosts lifetime value—making it a key contributor to retention.

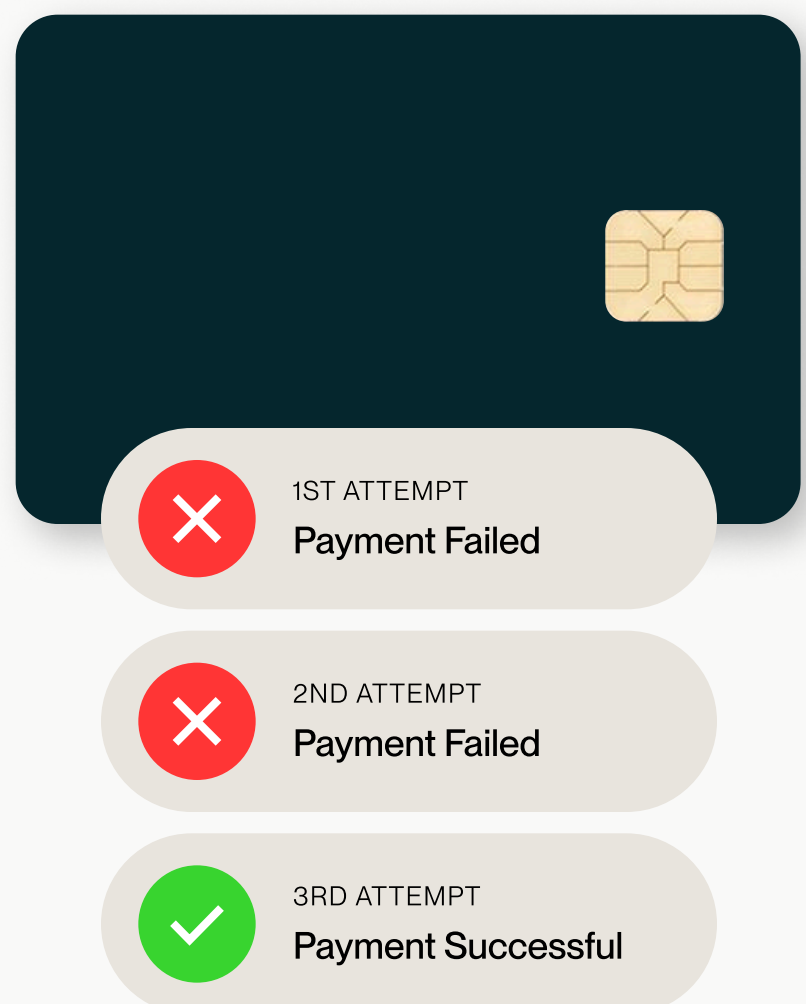
In 2025, we predict subscription-based companies will recognize this fact and treat recovery as a retention channel. This shift will result in more businesses seeing improvement in retention because, for the first time, they'll have a full view of all the activities that impact churn.

As an example, consider an insurance company whose marketing department contracts with a call center to handle all unintentional failed payments. By working with Butter, the company can recover most of those failed payments on the backend, saving significant operational costs and time.

The remaining failed payments go to the call center. Only now, the call center has something it never did before—the exact reason why those payments failed.

Armed with datasets provided by Butter, the call center can **quickly and efficiently resolve failed payment issues.**

Related article: [Dr. Squatch boosts monthly recovered revenue by 11% with Butter](#)



Building an in-house payment recovery solution will be more expensive

Building an in-house payment recovery solution will be significantly more expensive in 2025, thanks to more businesses building out their subscription arms. Butter's internal data shows the cost of hiring a payment recovery team has increased by 35% to 48% in the last 12 months.

It now costs between \$1.4 million and \$2.2 million in annual salary to staff an 8-person recovery team. The cost jumps even higher when you include benefits like healthcare, stock, and bonuses.

Below is the headcount and salary it takes to implement and maintain an in-house payment recovery solution.

Head of Payments	\$140,000 – \$230,000
Data Scientist	\$170,000 – \$279,000 x 2
Data Analyst	\$160,000 – \$270,000
Data Engineer	\$170,000 – \$258,000 x 2
Machine Learning Engineer	\$192,000 – \$300,000 x 2

If you're contemplating building a recovery solution in 2025, **labor cost is only one factor to examine.** You should also consider implementation time and impact on your core business.

Staffing an 8-person team is no small feat. It will take a year or more to on-board team members and another year or more to implement your recovery solution. This means it will take between 2 to 2.5 years before your in-house recovery solution is live. Then, it will take an additional 2 to 2.5 years to recoup the cost of your investment and see returns.

In terms of impact, building a recovery solution reduces focus on your core business. To put this into perspective, consider a beauty brand. Their core business is producing and selling beauty products. It's advantageous for the brand to have the best chemist and product designers in-house. This lets them create better products, which, in turn, helps them retain more customers. Hiring an in-house payment team would redirect resources from hiring these roles.

If you plan to optimize your payment stack next year, **we recommend partnering with a dedicated solution instead of building in-house.** Third-party platforms have lower implementation costs, go live faster, and are staffed by vetted payment experts.

Subscriptions are now a permanent fixture of business.

Going forward, merchants will focus on driving more ARR from their subscriptions by optimizing their payment stack. The key will be partnering with a solution that boosts authorization and reduces failed payments caused by involuntary churn.

Contact us today to learn how Butter can deliver 10%+ in ARR growth by reducing failed payments.

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