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COMPANY BACKGROUND

Photobook Worldwide is the leading e-commerce photo product company in Southeast Asia. The company was founded in 2005 to capture the potential of digital photography and has since to more than a million customers in over 100 countries.

PROJECT BACKGROUND

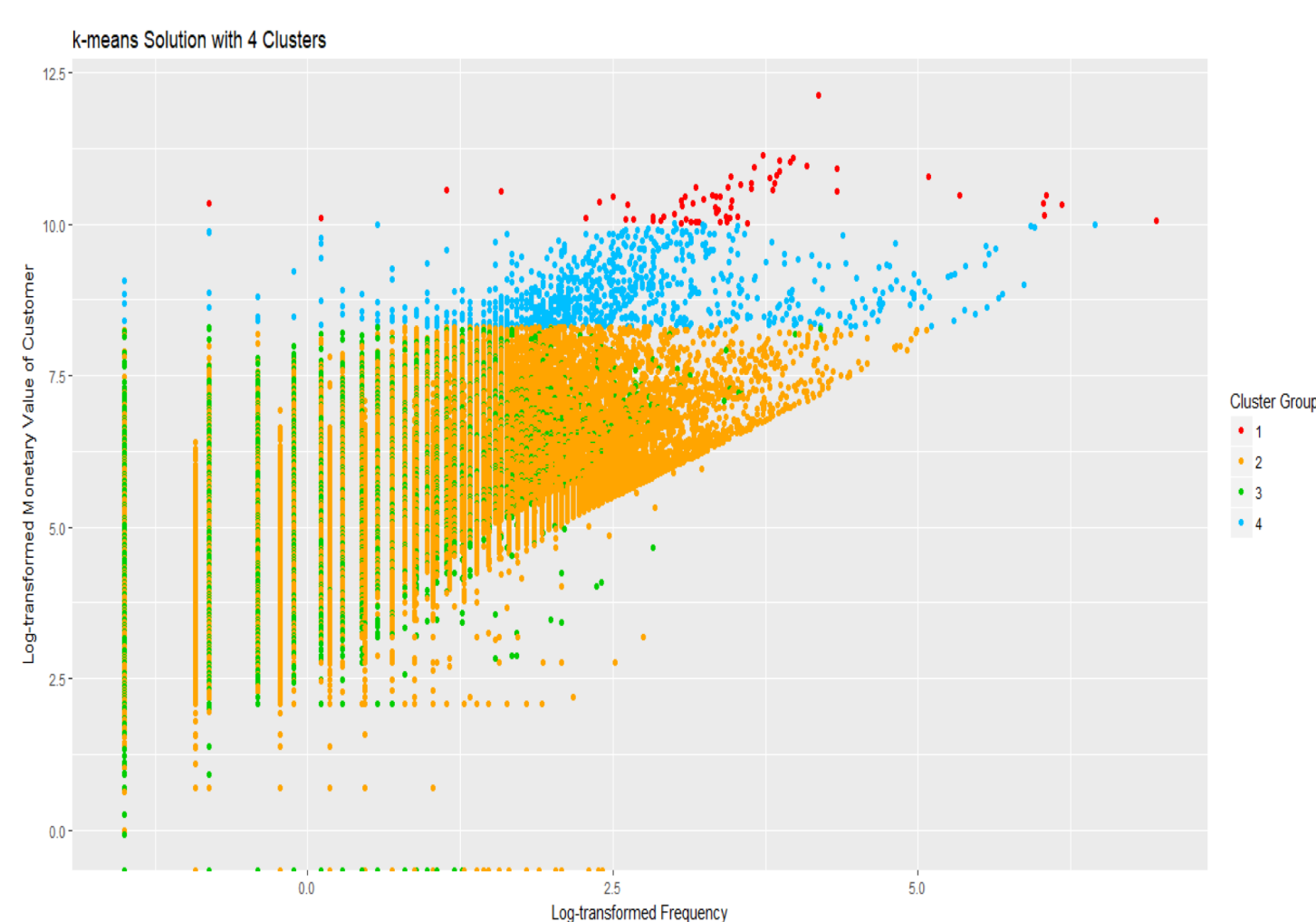
Objective: Determine if and how a subscription model would help Photobook achieve its goal of increasing customer lifetime value (CLV) by raising order frequency and/or order values for existing customers in Southeast Asia

Challenges:

- Competitive industry (deep discounts, high margins)
- Few successful subscription models in SE Asia or in photo product industry
- Several possible subscription models to test

CUSTOMER ANALYSIS

Using K-Nearest Neighbors analysis on historical purchasing data, customers were divided into four clusters with regards to spend, frequency and recency: super-high frequency (SH), High Frequency (H), Medium Frequency (M), and Low Frequency (L)



Key insights:

- Majority of customers satisfied with Photobook experience
- NPS is positive, especially among high-frequency users
- Photobook purchases driven mostly by external factors and price

PROJECT APPROACH

We had three work streams to explore a subscription model at Photobook:

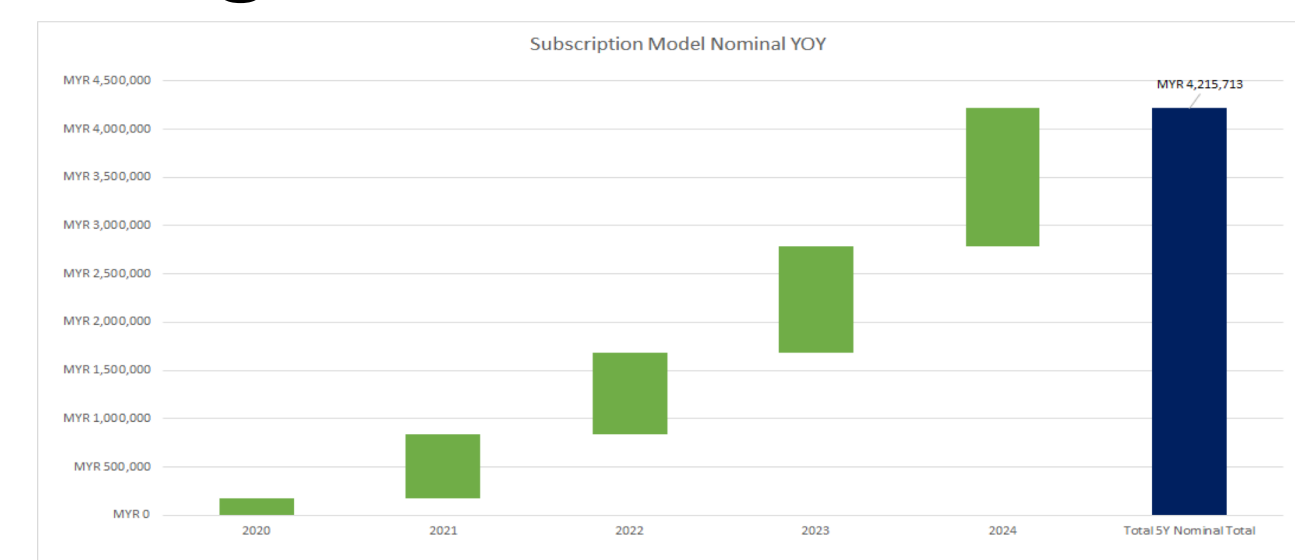
- **Customer Data Analysis:** Segmented customers by spend and frequency for all customers. We split demographic & behavioral insights by cluster.
- **Value Proposition:** Analyzed post-sale surveys from Malaysian customers and interviewed eight customers to develop value propositions
- **Pricing & Financial Model:** Determined break-even price through Single Customer Value (SCV).

FINANCIAL MODELING

Subscription price was determined by setting the Single Customer Value (SCV) to zero

Variable	Definition	All	Sens. Anal.
CAC _{mean}	Average cost of acquiring a customer through all channels	MYR 16.90	MYR 0.80
CC	Cost of retaining a customer beyond the trial period	MYR -	MYR -
r _{pt}	Revenue per unit time	MYR 27.43	MYR 1.00
c _{pt}	Cost per unit time	MYR 13.88	MYR 1.00
P _{CTr}	Probability of entering trial after acquisition	9%	MYR (0.15)
CR _{init}	Initial Churn Rate	0.48	MYR 0.24
CR _{nat}	Natural Churn Rate	0.16	MYR (0.22)
k	Decay or Churn Parameter	0.266	MYR 0.16

Pricing bundle at RM69 generates 5Y after-tax NPV of RM2.4M



IMPLEMENTATION & NEXT STEPS

Sample concept: Photobook savings passport

- Special Discounts for Passport Holders
- Access design features: stickers, backgrounds, etc.
- Free shipping & upgrades on purchases
- Digital Passport for Account Members**
- Enables PB to track demographic information and purchases

Expires 1 year from purchase

- Incentivizes spending within set period of time
- Heavy promotion during Holiday season

Company Implementation Steps:

- Revise subscription model scenario(s) and financial model based on company needs and strategic goals
- Identify key implementation considerations including pilot or beta test