

Preventing Payment Declines:

The Revenue Playbook for Subscription Growth

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Leading the shift from reactive recovery to proactive payment optimization so more renewals succeed on the first try, protecting LTV and driving predictable growth.

Many subscription and eCommerce businesses only notice payments when something breaks. That hits harder today, as retention becomes the primary growth lever in a more competitive market where customer outreach is less reliable and acquisition costs are higher than ever. Industry data shows that 5% to 18% of recurring card payments fail, with an average of around 13%.[1] That means that a significant share of renewal revenue is put at risk before teams even begin recovery.

The problem is that payments are often treated as a back-office issue, with teams focusing primarily on recovery workflows instead of preventing failed payments in the first place.

Payment failures happen for many different reasons, but most are preventable or at least recoverable. Even declines such as insufficient funds or outdated payment card details may initially appear to be final failures, but many can be prevented or recovered through proactive payment management strategies. “Instead of just working on the failed payments and recovering those, we want to work more holistically to get approvals upfront—as well as recovering failed payments,” says Jeff Pauletto, VP of Innovation at Revaly.

> **“The current shift is from reactive recovery to proactive optimization. The companies that win are the ones that treat billing and payments as a core growth lever, not just infrastructure.”**



Jerry Krayzman
Senior Director
Product Management
SurveyMonkey

Clearly, given how billing and payments now shape retention as much as product and pricing do, the question becomes what failed payments are really costing the business beyond the transaction itself.



The real cost of failed payments

The biggest problem with payment failures, regardless of what causes them, is that they're an invisible retention tax. To merchants, they may look like churn, inactivity, or customer choice, even though they often aren't. The customer, however, tends to see things very differently. For example, if a subscription renewal fails, the customer experiences an interruption and they might not immediately understand why. When that happens, engagement drops, and churn gets recorded as if it were voluntary.

"It's not uncommon that a merchant in a subscription business loses up to 15% of their customers each month just because of credit card issues," says Pauletto, highlighting the importance of retention economics. However, there are also cascading effects like customer lifetime value (CLTV) compression, wasted cost-per-acquisition (CAC), increased support burden, and inaccurate retention analytics. "In a recent test we did, we saw that the CLTV of a recovered customer was about 30% longer than the average customer," says Pauletto. As such, preventing payment declines isn't just about protecting and recovering revenue—it also grows revenue.

The problem with many existing approaches is that revenue teams often respond to churn with pricing, product, or packaging changes when the real problem is a payment failure. "They'll see that churn is increasing, and then the first thing that comes to mind is pricing is too high or that the customer isn't getting enough value from the product. But often, even if the customer is in fact highly engaged, churn happens abruptly when the root cause is a failed payment," says Krayzman, Senior Director, Product Management at SurveyMonkey. This is partly an ownership problem, because payment teams often operate in silos, leaving customer-facing teams without clear visibility into whether churn is payment-driven or truly voluntary.

Why recovery is necessary—but not enough



While recovery is still important, first-attempt approval rate is where the real value happens, because it allows revenue teams to recover CAC sooner and reduces the chances of customers leaving and never coming back just because of a failed payment. “Even if you can prevent only a handful of failed payments, the cost of a payment performance management solution is inconsequential, because the amount of revenue you’re losing is always compounding,” says Pauletto. “For instance, if you lose a customer this month due to a failed payment, you miss out on the next dozen payments they might have made otherwise.”

Of course, recovery still matters, simply because not every payment failure can be prevented. However, it’s also a last resort, because it creates friction for the customer that starts after the failure. As such, recovery tends to work best when it’s selective and intelligent. Approval rate is the upstream metric that prevents the need for recovery in the first place, making it a good indicator of how effective your payment optimization processes are. On the other hand, if a payment fails, reactive recovery doesn’t necessarily reduce the likelihood of the next payment failing.

“Issuers use complex fraud and risk models, and declines often aren’t visible or understandable to the customer,” says Krayzman. “Sending more emails or texts today doesn’t fix an issuer decision, which is why a lot of traditional payment recovery programs only see single-digit engagement rates.” Clearly, customer outreach is not the strong primary strategy many teams assume it is, and while recovery remains extremely important, it’s reactive. Approval, however, is proactive.

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What prevention-first looks like

Before optimizing payment processes to proactively prevent failures, it's important to see things from the issuer's point of view. Whenever a customer attempts to make a payment—either for the first time or via pre-approved payment in the case of a subscription—the issuer decides whether the transaction looks legitimate, consistent, and trustworthy. For instance, Mastercard's December 2025 rules show how specific recurring and credential-on-file indicators must be passed in the authorization message, and they explicitly reference Automatic Billing Updater behavior for expired cards.[2]

Payment Performance Management platforms like Revaly optimize every transaction before it's submitted—

From credential freshness and field population to formatting, recurring indicators, and retry logic—so each payment is structured for the best chance of approval. But Revaly goes further: through direct partnerships across the payments ecosystem, it provides issuers with the trust signals they need to approve legitimate transactions rather than defaulting to decline. The result is fewer false declines, eliminated fraud chargebacks, and a customer experience that's never disrupted by a problem that could have been prevented.



> "Small routing improvements can drive meaningful revenue lift—without changing anything else in the business."



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Pauletto shares an example of proactive prevention; "The easiest one businesses can look at to prevent issues up front is the timing of the transaction. For instance, if an issuer sees a transaction at 4am, they might treat it with a little more suspicion than if it were at 4pm." He also talks about the importance of correctly interpreting issuer signals when payments do fail; "The response code that you get when you try the transaction goes a long way to informing how to treat it. By leveraging the information that the banks are sending you, you can take the appropriate path to fix the problem—and prevent it from occurring again."

Prevention also depends on the quality of payment credentials themselves. If the card data on file is outdated, incomplete or poorly supported by network tools like tokenization and account updater, even a legitimate renewal can fail unnecessarily. In a prevention-first model, tokenization is important because it keeps stored credentials current, reduces data exposure, and gives issuers a cleaner, more trustworthy authorization request. Instead of storing the actual card number, the merchant stores a secure stand-in value known as a token, that can be used for future transactions without exposing the original card details. Visa says token-based transactions have reduced e-commerce fraud rates by 35% and increased authorization rates by almost 5% compared to traditional card-number use.[3]

Krayzman also discusses the importance of payment orchestration and the ability to route transactions across processors and payment methods to keep subscriptions going without customer involvement; "You can optimize by geography, issuer or by card type by running controlled experiments to improve performance. For example, you can do A/B testing by different geographies, or you can test at the payment service provider (PSP) level. When we do that at scale, even small routing improvements can drive meaningful revenue lift—without changing anything else in the business." MasterCard's own guidance also aligns with this approach by emphasizing the role of personalization and resilient infrastructure powered by data intelligence.

Not all declines mean the same thing:

Hard declines:

Require customer action, but they aren't always dead ends. A hard decline is a permanent rejection for reasons like a closed account or stolen card. In these cases, the customer will need to provide a new payment method to proceed with the transaction.

Soft declines:

Often caused by issuer risk checks and other preventable transaction issues, such as incomplete data, formatting errors, AVS mismatches, or gateway timeouts. These soft declines account for roughly 60 to 70% of all failed payments, so preventing them in the first place can have a very significant impact on customer experience and revenue.

Technical failures:

Often happen at the merchant's end and include avoidable process problems like poor retry logic or stale card credentials. It's not usually about a customer's willingness or ability to pay, nor about issuer risk. Instead, they often arise because the merchant themselves is sending the wrong request or repeating the failed attempt without making any changes.





Payments as a growth lever

When you optimize payments internally, merchants don't need to add any extra steps at checkout, and they can minimize the need for outreach. That way, customers don't even notice, which means less friction during purchases and renewals and a better customer experience across the board—all of which translates into both protecting existing revenue and actually growing revenue through increased LTV.

Rather than being the sole responsibility of the finance department, payments optimization becomes a core component of the revenue system with results showing up in the form of retained accounts, decreased support burden, improved forecast accuracy, and stronger net revenue retention (NRR). A higher first-attempt approval rate also makes customer acquisition spend go significantly further. That's what makes a proactive payments solution a measurable, controllable growth lever.

With this new operating model, revenue leaders set targets, while revenue operations (RevOps) teams are responsible for analytics and attribution logic, payment operations executes any interventions, and support teams only have to handle customer-facing exceptions. To get there, it's important to establish a baseline, connect the right data sources, and clearly segment automated recovery from customer-updated saves to avoid inflated customer relationship management (CRM) recovery numbers. Pauletto highlights the drawback of relying solely on reported CRM data; "A lot of CRMs show a number for their failed payment recovery rates, but they tend to complicate things by only showing the recovery rate of the failed payments you're actually retrying."

Krayzman talks about how first-time approval rates impact everything downstream; "If you prevent a failure, you don't just get the payment—you eliminate the risk of losing the customer due to a failed payment entirely. That way, you have much more predictable retention curves, an improved customer experience, and fewer disruptions and complaints. There's immediate ROI in that, and it shows impact quickly, because you're unlocking revenue you've already earned while also getting a few points in revenue lift from that optimization."

For revenue leaders, the most useful payment metrics are those that show up where revenue is protected before churn and forecasting issues appear downstream:

1. **First-attempt approval rate:**
   The clearest way to measure how often you capture legitimate revenue without customer friction.

2. **Percentage of at-risk accounts retained:**
   How many accounts kept active that might otherwise have churned due to a payment failure.

3. **Involuntary churn rate:**
   The share of churn caused by payment failure rather than customer choice.

4. **Revenue retained:**
   The immediate revenue preserved through better payment approval and recovery performance.

5. **NRR and forecast stability:**
   The broader business impact visible in retention quality and more predictable recurring revenue

The above provides a clear KPI hierarchy, with first-attempt approval being the top-level metric and broader retention and revenue outcomes appearing downstream.





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From payment recovery to revenue growth

Failed payments are often treated as a technical issue to be resolved after the fact. But for subscription businesses, they are also a revenue issue with direct implications for retention, customer experience and forecasting. That's why the businesses making the most progress aren't just focused on improving recovery, but are rethinking how they measure, manage, and own payment performance across the business.

To succeed, three major shifts have to happen:

Change how you measure success:

Rather than focusing on what you recover after a failure, focus on what was approved on the first attempt.

Move from reactive recovery to prevention-first optimization:

Recovery is still an important backstop, but reducing avoidable declines should be your main strategy.

Make payment performance a shared growth responsibility:

Payments shouldn't be treated as an isolated function, but as a cross-disciplinary, revenue-owned, opportunity for growth.

Pauletto sums it up aptly; "When a payment fails, the customer usually blames the merchant. They don't blame the bank. So, solving the failed payment without the customer even noticing goes a long way towards keeping them happy."

Sources

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4. Payment trends in 2026: Innovation, Trust, & Growth | Mastercard

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Revaly is a Payment Performance Management platform that maximizes approvals for subscription businesses. Using ML and behavioral science, Revaly optimizes every transaction—from timing and credential freshness to retry logic and data formatting—so each payment has the best chance of first-time approval. Through direct partnerships across the payments ecosystem, Revaly gives issuers the trust signals they need to approve legitimate transactions rather than defaulting to decline, reducing false declines and eliminating fraud chargebacks. The result: less involuntary churn, stronger LTV, and predictable revenue growth.

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