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THE ACCIDENTAL CHURN GUIDE

7 ways to end failed payments

& maximize recurring revenue

Accidental churn quietly drains up to a third of subscription revenue. This guide breaks down where payments leak, and how to recover them.

35%
OF REVENUE AT RISK

+10%
ARR WITH BUTTER

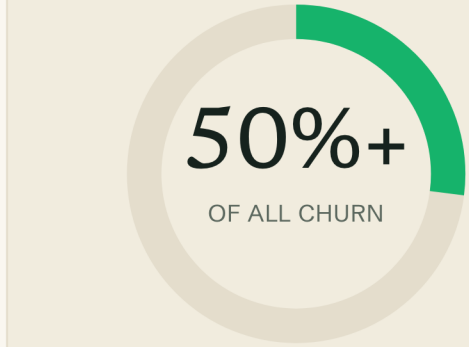
THE INVISIBLE LEAK

The churn that never cancels

Most subscription brands underestimate how much revenue they lose to failed payments, partly because the churn it causes doesn't look like “normal” churn. There's no cancellation event, no exit survey. A payment simply fails, and the subscriber disappears.

That's **accidental churn**, also known as passive or involuntary churn. It happens when a legitimate payment fails and a subscriber's recurring order is canceled, even though they want to stay subscribed.

The impact can be devastating. Butter Payments estimates accidental churn accounts for more than half of overall churn, equal to a loss of up to 35% of annual revenue.



More than half of churn is **accidental**, caused by payments that fail, not customers who leave.

“We think a lot about passive churn because subscriptions are our business.”

EMILY VON BORSTEL · CUSTOMER EXPERIENCE MANAGER, ATHENA CLUB

This guide walks through *seven concrete ways* to reduce payment failures and keep the revenue you've already earned.

INSIDE THIS GUIDE

7 ways to stop the leak

DIAGNOSE FIRST

01 Analyze your payment health

Before you can fix a failed payment problem, you need to know whether you have one and how bad it is. Three metrics tell the story.

Recurring revenue failure rate

Act above 2.5%

Measures how much of your total revenue fails to process in a given period. Above 2.5% is a signal worth acting on.

Transaction authorization rate

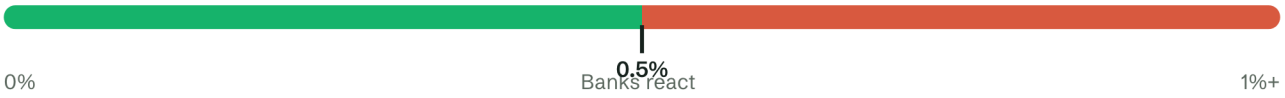
Healthy 90-95%

The percentage of payment attempts that succeed. Somewhere between 90% and 95% is where healthy subscription businesses tend to land. Below 90%, banks may start flagging your transactions as a potential fraud risk.

Chargeback rate

Keep below 0.5%

Worth watching separately from refunds. A chargeback occurs when a bank reverses a payment after a cardholder files a dispute. A refund is something a business chooses to issue. Banks monitor chargeback rates closely because a high rate suggests either fraud or a business that customers don't trust. If yours exceeds 0.5%, it will start affecting how banks treat your transactions. Fees increase, processing slows, and, typically, failed payments increase.



TWO ROOT CAUSES

02 Address the most common failures

Two issues cause the majority of failed payments for subscription businesses: **decline codes** and **fraud**. Addressing both is the most effective way to reduce failures.

DECLINE CODES

When a payment fails, the issuing bank, card network, or processor returns a two-digit code that, in theory, explains why. In practice, specific codes are rolled into broad, generalized ones, making the true reason hard to pin down.

Start from your most common codes. Look for patterns across subscriber segments and test recovery strategies against those specific codes before expanding.

FRAUD & CARD TESTING

The fraud type subscription businesses underestimate is **card testing**, someone with stolen details making small purchases to confirm a card is live. A wave of attempts drives up your failure rate, signaling risk to issuers, and legitimate transactions start getting flagged too.

WARNING SIGNS

- High volume of small-amount auth attempts in a short window
- A spike in bank/payment-brand auth mismatches
- A sudden increase in identical auth requests

THREE WAYS TO COMBAT CARD TESTING

01
Strong authentication
Add friction like reCAPTCHA to block automated attempts.

02
Rate limiting
Cap new accounts per IP to stop the specific pattern you see.

03
ML fraud detection
Third-party monitoring raises detection and frees resources.

DID YOU KNOW?

40% of all decline codes are a single, unhelpful `generic decline` that masks the real reason a payment actually failed.

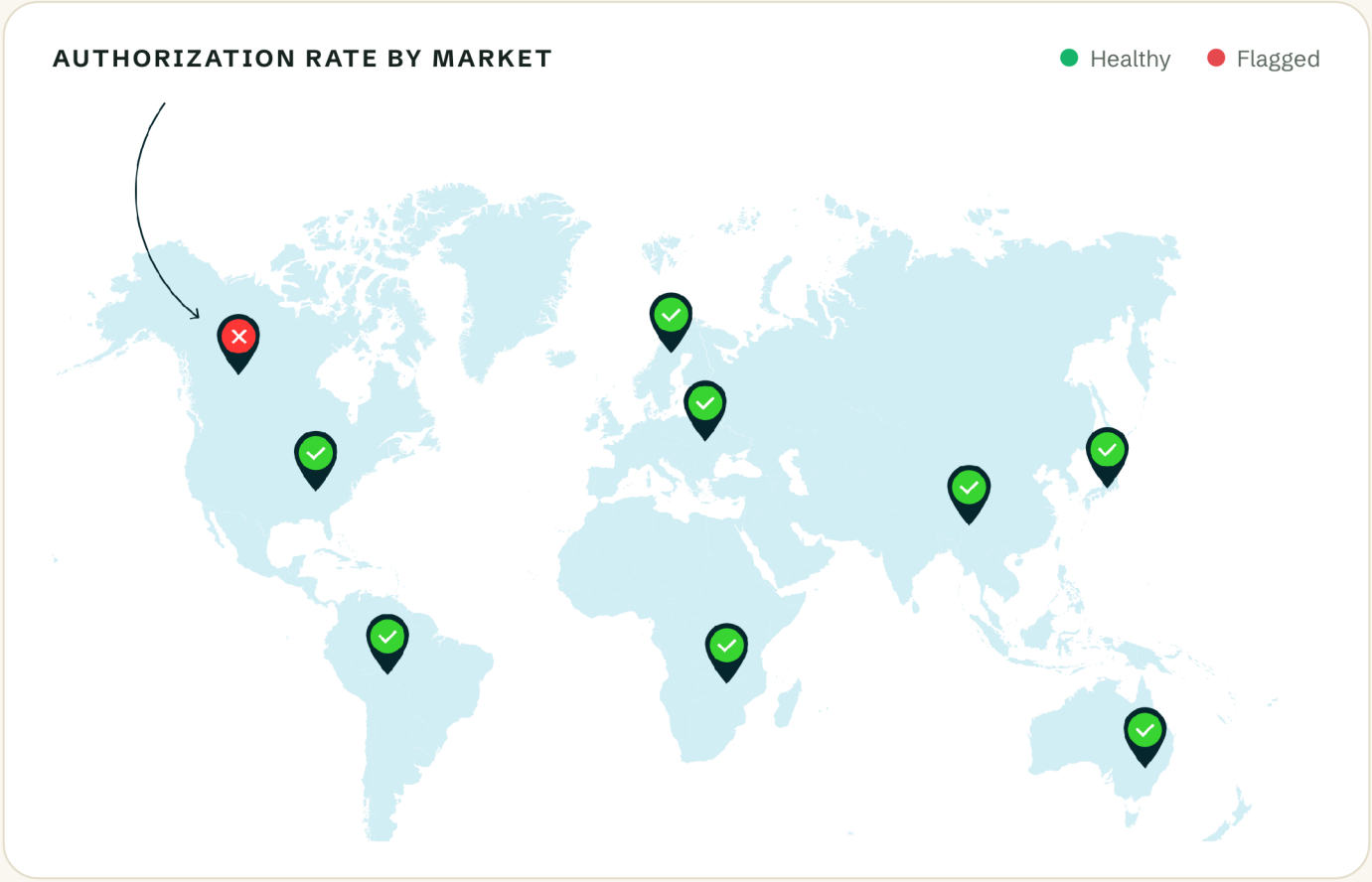
SEGMENT BY GEOGRAPHY

03 Track your authorization rate by country

Your overall authorization rate can look healthy while a region-specific problem goes undetected. Segmenting by geography is the most reliable way to catch it.

Butter has worked with subscription businesses that assumed they had an authorization problem across an entire country, only to find the issue traced back to a single bank or PSP. The fix was a targeted routing change, not a wholesale rethink of their payment stack.

If you sell internationally and aren't segmenting authorization data by geography, start there before drawing conclusions about what's fixable.



RETRY ON DATA, NOT INSTINCT

04 Use dynamic retry logic

When a payment fails, the instinct is to retry it, which is understandable. However, retrying without a decline-specific strategy does more harm than good.

We've mentioned this several times, but it is worth hammering. Excessive payment failures impact your overall payment health. The more failures you have, the more banks scrutinize your transactions, which leads to even more failures.

You can recapture more subscribers (and revenue) by using your historical transaction data to automatically retry a transaction based on past successes. This is known as dynamic retry.

Here are a few points to keep in mind when developing dynamic retry logic.

FOCUS ON THE RIGHT DECLINE CODES

Decline codes fall into two categories that require different responses.

Hard declines

Hard declines are permanent failures, such as a stolen card or a closed account. Retrying them costs you transaction fees and produces nothing.

DON'T RETRY

Soft declines

Soft declines are temporary and worth pursuing. Focus your efforts on these. Start by pulling your most common decline codes and mapping what recovery actions have worked against each one.

FOCUS HERE

Two common solutions for soft declines are to retry with ZIP+4 instead of the standard five-digit ZIP code and update a card's expiration date.

04 Route and time your retries

PERFORMANCE-BASED ROUTING

Most subscription businesses run all their payments through a single PSP. That's a meaningful constraint. If that PSP has a degraded relationship with a particular issuing bank or handles a specific card network less effectively, every affected transaction fails with no fallback.

Working with multiple PSPs gives you options. A payment that fails through one processor can be retried through another, and over time, your transaction data will tell you which routing decisions produce the best authorization rates in which circumstances.

OPTIMIZED RETRY CADENCE

Varying your cadence based on the decline code and what you know about the subscriber's payment patterns will recover more revenue than a fixed schedule. In the U.S., target the 1st and 15th of the month to align with pay cycles. You can also try Fridays to align with subscribers who are paid on a weekly basis.

An example of this tactic in action is with cross-border transactions. Imagine a video game company based in Seattle, Washington, that offers digital subscriptions to users worldwide and processes payments daily at 2 p.m.

TIMING EXAMPLE · CROSS-BORDER

2:00 PM Seattle, batch runs	=	3:30 AM India, looks suspicious

In this case, 2 p.m. in Seattle is 3:30 a.m. the next day in parts of India. As a result, the payment fails because it looks suspicious. Instead of retrying immediately, the company should wait until business hours in the time zone.

DID YOU KNOW?

Retrying a failed payment over and over again without a tailored strategy is known as `woodpeckering`.

STAY UNDER 0.5%

05 Manage chargebacks deliberately

We noted above that if your chargeback rate exceeds 0.5%, it will start affecting how banks treat your transactions. Use these tips to decrease your chargebacks.

1

Use clear billing descriptors

A significant share of chargebacks happen because a subscriber doesn't recognize the charge on their statement. A descriptor that clearly identifies your brand name reduces “I didn't authorize this” disputes.

2

Respond to cancellation requests quickly

Subscribers who can't easily cancel often dispute the charge instead. A frictionless cancellation process removes one of the most common non-fraud chargeback triggers.

3

Emphasize your subscription policy

Subscription businesses are especially susceptible to chargebacks. Subscription-focused companies often offer free trial offers. When regular recurring payments kick in, customers sometimes dispute them. You can reduce disputes associated with free trials and promotions by emphasizing the terms of the promotion at checkout and by sending a reminder email before the full price goes into effect.

RECOMMENDED

Dispute by Butter

For the best results, Butter recommends using a chargeback prevention solution such as Dispute by Butter. The solution leverages machine learning and transaction details to intercept disputes before they reach your processor and determines which disputes are worth fighting, leading to a higher dispute win rate, reduced chargeback ratio, and fewer processor fees.

CROSS-BORDER REALITY

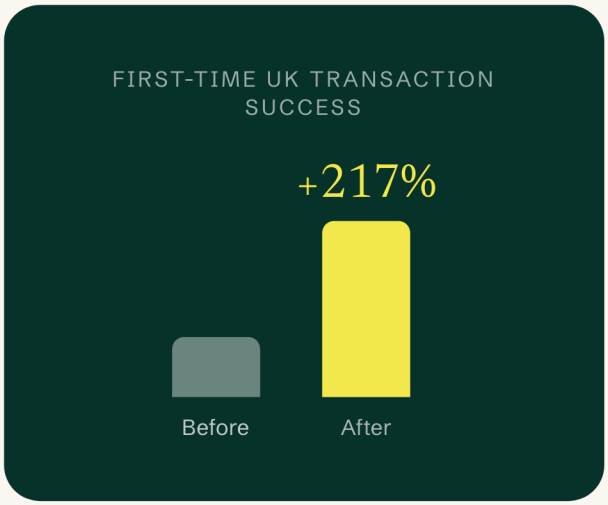
06 Build a payment process that accounts for geography

Cross-border payments fail at higher rates than domestic ones when brands use a one-size-fits-all recovery strategy. This is because processing time, payment preferences, and the relationships between PSPs and local acquiring banks vary by market.

To improve cross-border payments, take geography into account when developing your plan.

As an illustration, Butter worked with a large media brand that was seeing **70% of first-time payments from the UK fail.** The cause turned out to be a data problem at checkout rather than anything systemic about the market itself. Dynamically updating the customer information captured at checkout brought first-time transaction success up by 217%.

That kind of result isn't typical of every geography problem, but the diagnostic approach is. A failure rate concentrated in one market usually has a narrower cause than it initially appears.



MORE WAYS TO IMPROVE YOUR PAYMENTS

Consider a local entity

One structural option worth considering is establishing a local entity. It isn't required to accept local payment methods, but it does lower transaction fees, reduce currency conversion costs, and speed up processing times. For markets where authorization rates are already healthy, it primarily improves unit economics. Where failure rates are elevated, it can also improve how local banks and networks treat your transactions.

Set regional fraud rules

Card-not-present (CNP) fraud risk is also worth factoring into your global payment setup. CNP transactions are more common in subscription models by definition, and the fraud risk profile varies by region. Building regional fraud rules rather than applying a single global threshold will produce better authorization rates without meaningfully increasing fraud exposure.

PREVENT, DON'T RECOVER

07 Collect better data upfront

The quality of data you collect at checkout has a direct effect on your authorization rate. Incomplete or mismatched data can trigger a decline that has nothing to do with the payment method being invalid.

SMALL MISMATCHES THAT TRIGGER FALSE DECLINES

ZIP mismatch
A code that doesn't match the card on file. ZIP+4 often outperforms five digits.

Missing address
A full billing address carries more weight in certain markets.

Name entered differently
A billing name unlike the one on the account can flag the transaction.

The fields that matter vary by bank and network. Collecting the right ones consistently reduces false declines before they happen.

Better data improves dunning, too

A generic “your payment didn't go through” email performs worse than one that reflects the actual decline reason and tells the subscriber exactly what to fix. The more you know about *why* a payment failed, the more targeted your outreach can be.

PUT IT ALL TOGETHER

Reduce failed payments and boost ARR by 10% with Butter

A leaky payments funnel holds your enterprise back. Butter optimizes your entire payment flow through four products, each targeting a specific part of the lifecycle.

A Auth

Reduces false declines by dynamically updating authorization amounts and payloads before the transaction reaches the bank.

R Route

Analyzes processing fees, geography, and historical approval rates to send each transaction through the most effective processor.

R Recover

Applies individualized retry logic to failed payments rather than a fixed schedule, using transaction-level data to set timing and approach.

D Dispute

Intercepts chargebacks before they reach your processor and identifies which are worth contesting, lowering your chargeback ratio and fees.

"Partnering with Butter is one of the easiest decisions you can make."

Sid Tiwari CFO, The Athletic

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START TODAY

Start recovering more failed payments

See how much revenue your payment funnel is leaking, and how much Butter can win back. Book a walkthrough with our team.

Book a demo →

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