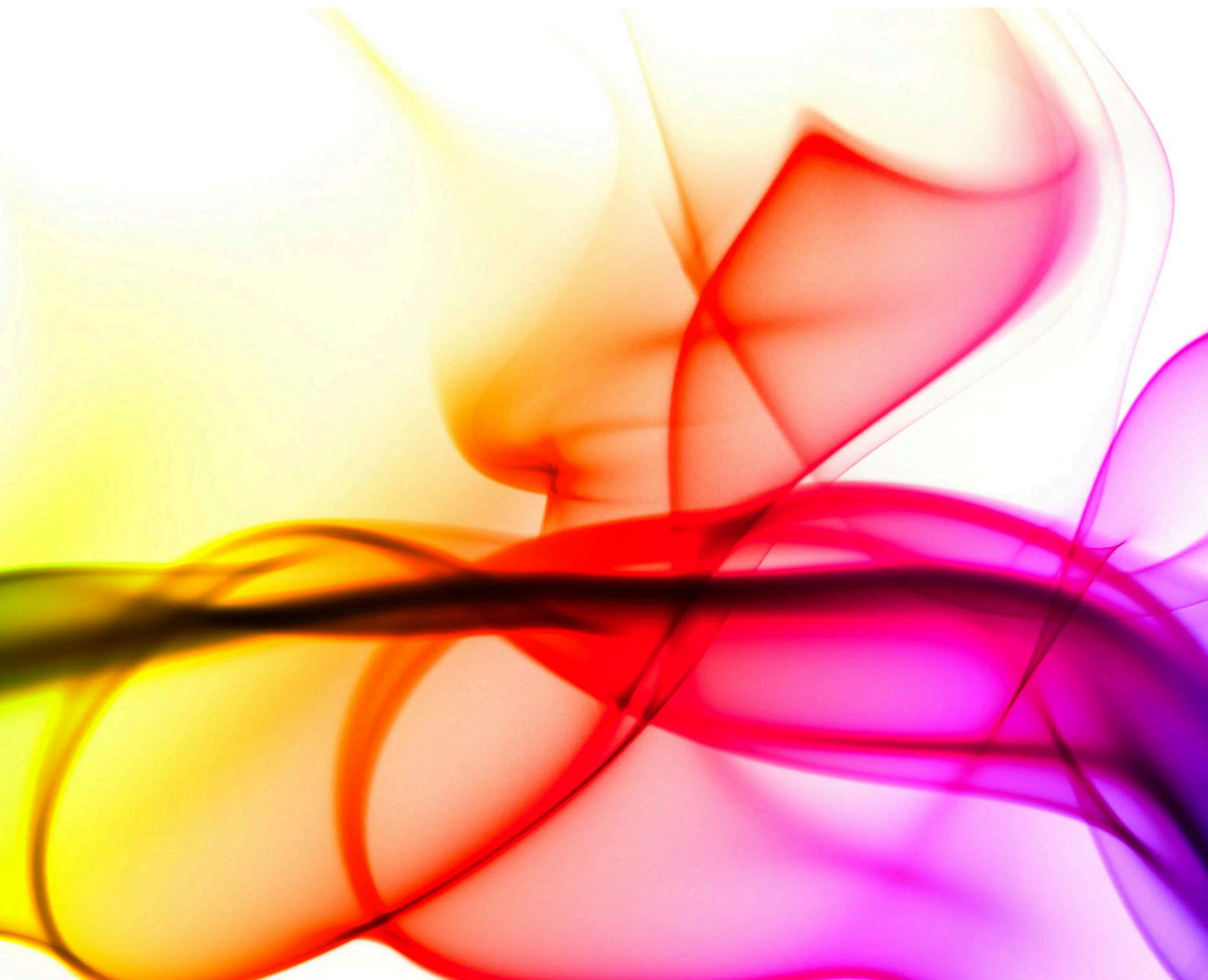




The Subscription Generation:

How Gen Z and Millennials Are Shaping DTC Retail



Introduction

As we enter the era of the **subscription generation**, two cohorts stand out as primary drivers: **Generation Z and Millennials**. These digitally native consumers have grown up with subscription services for everything from entertainment and food to fashion and tech. They crave **convenience, flexibility, personalization, and trust** in their shopping experiences. Direct-to-Consumer brands are under pressure to evolve their business models and technology to meet these expectations.

Delivering a **seamless subscription journey** is no longer optional – it's a strategic imperative. In this thought leadership piece, we explore how Gen Z and Millennials are reshaping DTC retail through subscription commerce and how intelligent platforms (like Bluefort's LISA Enterprise in Microsoft Dynamics 365) empower retailers to not only keep up, but lead with visionary, AI-powered strategies.

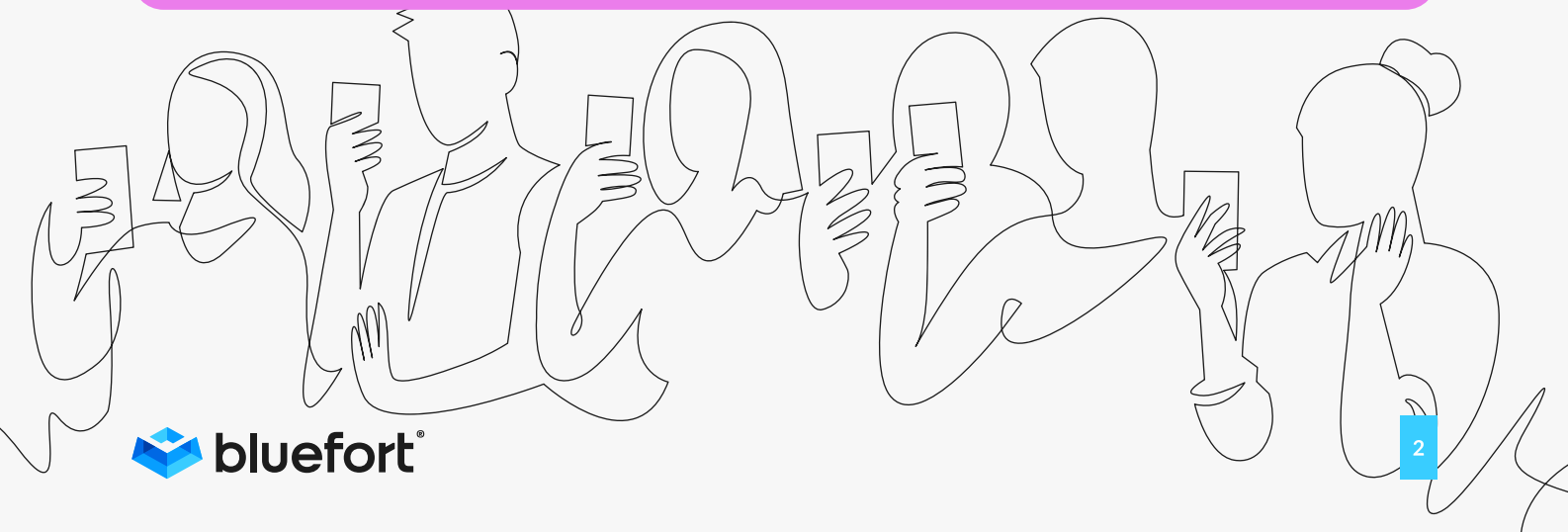
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The Rise of the Subscription Generation

Gen Z and Millennials are catalysing unprecedented growth in the subscription economy. A recent study shows **Gen Z consumers use online subscription services at dramatically higher rates than their elders** – 28% of Gen Z shoppers use online grocery subscriptions weekly, compared to 25% of Millennials, 12% of Gen X, and just 4% of Boomers. This trend extends beyond groceries: from streaming media to subscription boxes, younger consumers are far more likely to opt for subscriptions than one-off purchases. Analysts observe that **subscription models particularly appeal to Millennials and Gen Z, who value convenience, flexibility, and personalization**. In other words, these generations are **pioneering a shift from one-time transactions to recurring relationships with brands**.

For DTC retailers, the message is clear:

Subscriptions are becoming a preferred way to engage with younger consumers, generating predictable recurring revenue and deeper customer loyalty. But capitalizing on this opportunity requires understanding exactly what these savvy consumers expect from subscription services.



Younger Consumer Expectations

1

Unmatched Convenience:

Gen Z and Millennials expect shopping to be effortless. Subscriptions satisfy this by automating repeat purchases and deliveries. Whether it's auto-refilling household essentials or getting personalized monthly curated products, convenience is king. Everything from sign-up to cancellation should be frictionless. Brands that offer easy self-service subscription management (via intuitive apps or portals) earn loyalty. A smooth, one-click checkout or the ability to seamlessly modify an order matters just as much as the product itself.

2

Flexibility and Control:

This generation demands flexibility in how they subscribe. Rigid contracts are a turn-off. They prefer freedom to pause, skip, upgrade or cancel subscriptions at any time without penalties. Successful DTC subscription models often provide multiple tiers, customizable plans, and transparent pricing. By giving customers a sense of control over their subscription (e.g. changing delivery frequency or product mix on the fly), brands can reduce churn and foster long term engagement. Flexibility isn't just a perk – it's an expectation.

3

Personalization:

Having grown up with algorithm-driven recommendations, younger consumers respond to personalized experiences. They expect subscription services to know their preferences and tailor offerings. This means using data to recommend products, curate boxes to individual tastes, or send alerts about relevant arrivals. Personalization builds the sense that a brand “gets” them. With Microsoft Dynamics, businesses can grow revenue by using AI and real-time insights to understand customers and personalize journeys. For subscription retailers, this might include intelligent cross-sell recommendations or customized loyalty rewards that deepen each customer's connection to the brand.

4

Trust and Transparency:

Trust is a deciding factor for Gen Z in particular. 43% of Gen Z consumers prefer buying directly from brands (DTC) over marketplaces, largely due to a desire for trust and authenticity. They need to trust that their personal data is safe, that billing is transparent, and that the brand's values align with their own. Clear communication, reliable delivery, and ethical business practices go a long way. For subscription services, trust also means delivering on promises consistently – if a monthly box is supposed to arrive on the 1st of each month, it should, without fail. Trust, once earned, translates to loyalty and advocacy among these socially connected consumers.

5

Omnichannel Experiences:

Gen Z and Millennials blur the lines between online and offline, expecting true omnichannel integration. They want to discover a product on social media, check it out in-store, subscribe via mobile app, and manage their account through a web portal—all with a seamless experience. A subscription might be purchased online but serviced in-store, or the reverse. Continuity across channels is crucial. Brands must ensure that whether a customer interacts via website, app, social media, or in person, their subscription details and history follow them. This consistency reinforces convenience and trust, showing the brand values the customer's time and preferences at every step.

Strategic Challenges for DTC Brands

Meeting these expectations isn't easy. Many traditional retailers and even newer DTC brands struggle with legacy systems and siloed data, making seamless subscription experiences difficult. Key challenges include:



Fragmented Systems: Subscription management touches many parts of the business – marketing, eCommerce, billing, fulfilment, customer service. If finance, supply chain, and CRM systems aren't unified, customers might encounter inconsistent service (e.g. being billed incorrectly or unable to synchronize an address change across systems). Siloes lead to mistakes and frustration. Breaking down these silos is a strategic priority.



Scalability: Running a small subscription pilot is one thing; scaling to thousands or millions globally is another. Brands face challenges in scaling operations, from managing complex billing cycles to handling inventory for recurring orders. They need platforms that can scale recurring revenue models globally without compromising the customer experience.



Data Overload Without Insights: DTC subscriptions generate a wealth of data on customer behaviour and preferences. But harnessing that data for insight is challenging. Brands risk drowning in data without the tools to analyse it for forecasting demand, personalizing offers, or identifying churn signals. Accurate forecasting is tricky when dealing with dynamic subscriber counts and usage patterns, yet it's vital to avoid stockouts or oversupply.



Customer Retention and Churn: The subscription model makes it easy to acquire a customer, but also easy to lose one – often with a simple click to cancel. Churn rates can be high if the value isn't continuously proven. Keeping subscribers engaged and preventing churn through timely interventions (such as win-back offers or loyalty perks) is a constant struggle. It requires knowing when and why subscribers might cancel, which is a data-driven challenge.



Friction in the Journey: Any friction – whether a confusing sign-up process, lack of payment options, or slow customer support response – can derail the subscription experience. Delivering a truly frictionless journey demands not only great front-end design but also rock-solid back-end processes. For example, if a subscriber updates their payment method, the system should seamlessly handle it without interruption to service. Many brands find their existing commerce systems weren't designed for this level of fluidity.

The strategic challenge for retailers is to transform their operations and technology stack to overcome these hurdles. This is where modern, AI-powered business platforms enter the picture.

AI-Powered Transformation: From Operations to Insight

Today's leading DTC brands are leveraging artificial intelligence (AI) at every step of the subscription journey. Microsoft calls this “the new era of AI-powered business”, highlighting how intelligent cloud applications can adapt and innovate with built-in AI across CRM and ERP. In practical terms, AI is revolutionizing subscription-based retail in several ways:



Personalized Customer Journeys: AI crunches customer data (browsing history, past purchases, engagement patterns) to tailor experiences. This could mean smart product recommendations, dynamic pricing offers for loyal subscribers, or AI-driven content (like tailored emails) that resonate with individual interests. When native to ERP and CRM like Microsoft Dynamics 365, AI helps brands understand customer signals across the organisation in real time and respond with the right message or offer, driving conversion and upsells.



Demand Forecasting and Inventory Optimization: AI models analyse historical sales, seasonal trends, and external factors to forecast demand more accurately. For subscription retailers, this is gold – it means predicting how many subscription orders will come in, which products will be popular, and ensuring inventory meets that demand without overstocking. AI-driven demand planning uses historical data and machine learning to keep inventory optimized at all times, preventing stockouts for subscribers while minimizing waste.



Proactive Customer Service with AI Assistants: AI chatbots and virtual agents (like Microsoft's Copilot in Dynamics 365) can handle routine inquiries 24/7, from “Where is my box this month?” to “I want to swap items in my next delivery.” They provide instant support and can even upsell (“I see you liked last month's coffee; would you like to add an extra bag this month?”). This immediate, intelligent service builds customer satisfaction. And when a human touch is needed, AI assists agents with relevant data so that every support interaction is personalized and efficient.



Operational Efficiency and Automation: AI and automation go hand in hand to streamline internal operations. Repetitive tasks – invoice generation, payment processing, subscription renewals, failed payment retries – can be automated through intelligent workflows. This not only reduces errors and manual labour, but frees up teams to focus on strategy and creativity. Microsoft Dynamics 365, for example, embeds AI to automate financial processes and suggest optimizations, helping organizations innovate and keep pace by using AI to optimize financial operations. The result is leaner, faster processes that scale as the subscription base grows.



Churn Prediction and Retention: Perhaps most critically for the subscription model, AI can identify patterns that lead to churn. By analysing usage frequency, customer feedback, and engagement, machine learning models can flag subscribers at risk of cancelling. Brands can then proactively intervene with targeted retention offers or personalized outreach to reduce churn and boost lifetime value. Intelligent subscription platforms incorporate such AI-driven insights, enabling retailers to achieve measurable improvements in retention reporting minimum churn reductions of 10% and corresponding lifetime value increases of 15% when these strategies are applied.

In summary, AI is not a futuristic nice-to-have; it's embedded in modern business applications, and it's a game-changer for subscription commerce. The key is having the right enterprise-wide platform to put these AI capabilities to work across the business.



Intelligent Platforms

Delivering Seamless Subscription Journeys

To tackle the complexity of subscription models, forward-thinking retailers are turning to intelligent, unified platforms that bring together all the pieces of the puzzle. Microsoft Dynamics 365, reinforced by Bluefort's LISA Enterprise solution, is one example of an ecosystem designed for this challenge. Why are such platforms critical?



Unified Data and Operations: An intelligent subscription platform will unify finance, supply chain, CRM, and subscription operations in one place. Bluefort's LISA Enterprise, for instance, layers complete subscription and recurring revenue management onto Dynamics 365's finance and supply chain capabilities. This means the entire lead-to-lifecycle-to-payment process occurs in a single system. When a customer subscribes, the order flows through billing, inventory allocation, and revenue recognition without manual hand-offs between disparate tools. The result is a single source of truth for subscriber data and smoother operations. Finance teams, sales and marketing, and service reps all collaborate on the same platform, seeing a 360° customer view.



Scalability and Global Reach: Enterprise-grade platforms are built to scale. As subscription volume grows, the system handles more transactions, more invoices, and more complex scenarios (like proration, upgrades, or multiple subscription tiers) with automated precision. Additionally, these platforms come with multi-currency and multi-region support out-of-the-box. Brands can confidently launch subscription services into new markets, knowing their core system can handle local tax rules, currencies, and compliance. This global scalability lets retailers expand recurring revenue models internationally without rebuilding processes.



Frictionless Customer Experiences: A unified platform directly translates to a better customer experience. For example, if a customer updates their shipping address in the self-service portal, a unified system instantly reflects that in the next shipment's fulfillment info. If they upgrade from a basic to premium plan, the next invoice and service level adjust automatically. By eliminating integration gaps and the subsequent growth and maintenance issues, intelligent, complete platforms ensure that from the customer's perspective, everything "just works." No lost information, no repeated questions, no delays. Bluefort's solution emphasizes delivering "frictionless deal control" through collaborative workflows between sales, finance, and operations – all aiming to make each customer interaction seamless and error-free.



Analytics and Insights Everywhere, supercharged with AI forecasting: Modern subscription platforms come with built-in analytics and AI insights at every level. Executives across the enterprise can monitor key metrics like Monthly Recurring Revenue (MRR), churn rate, customer lifetime value (CLV), and inventory turnover in real time via dashboards. However it is AI that provides the game-changer, offering projected trends so decision-makers get forecasting superpowers – for instance, predicting next quarter's subscription growth or the impact of a pricing change. Having these insights integrated means retailers can be proactive: adjusting strategy on the fly, personalizing marketing campaigns, and continually optimizing the subscription offering for better profitability and customer happiness.



Faster Innovation with AI and Automation: Intelligent platforms are not static; they are continually infused with new capabilities (especially AI). Microsoft's vision of Dynamics 365 is to have AI copilots assist in every business function, from automatically drafting responses to customer inquiries to optimizing supply chain logistics. Bluefort aligns with this vision by leveraging Microsoft's AI investments in Dynamics 365 within its Subscription Management solution. This means that as Microsoft's AI models get smarter, Bluefort's retail clients immediately benefit from those advancements – whether it's more accurate predictions or improved recurring revenue finance and supply chain optimizations. Essentially, by choosing such a platform, a retailer is future-proofing their operations, ensuring they can continuously adapt to consumer needs and tech trends without costly and time wasting overhauls.



Strategic Recommendations for Retailers

For senior decision-makers in retail and eCommerce, embracing the subscription economy is not just about adding a new sales channel; it's about reorienting your business around ongoing customer relationships. Here are strategic steps gleaned from industry leaders and Bluefort's expertise to succeed with DTC subscriptions:



Embrace a Customer-Centric Mindset:

Shift the focus from products to people. Every strategy should start with, "What would make our subscriber's life easier or happier?" Whether it's introducing a new subscription box or tweaking an existing service, let customer convenience and delight be the north star. Solicit feedback actively and use it to iterate.



Invest in Unified Technology:

If your current systems can't talk to each other, make it a priority to unify them. Consider platforms that bridge Recurring Revenue ERP and CRM so finance, supply chain, and customer data are one. The goal is one platform, whole business – breaking down silos for good.



Use AI for Intelligence, Not Just Automation

Automation saves time and money, but insight makes money. Use AI tools not just to streamline tasks but to uncover patterns. Identify what drives subscriber retention or signals upsell opportunities. Encourage teams to trust data-driven recommendations (e.g., a sales AI suggesting the next best offer), combining human creativity with analytical rigour for smarter decisions.



Design for Flexibility:

Build your subscription offerings to be as flexible as economically feasible. Let customers have choices in how they engage (different plans, add-on options, the ability to skip or gift a month, etc.). Internally, design processes that can adapt. This might mean training customer service to handle unusual requests empathetically, or configuring systems to handle mid-cycle changes cleanly. Flexibility reduces churn by addressing issues before they cause cancellations.



Focus on Metrics that Matter with AI:

Recurring revenue businesses thrive or fail based on key metrics such as churn rate, Monthly Recurring Revenue (MRR), Customer Lifetime Value (CLV), and Customer Acquisition Cost (CAC). Intelligent subscription platforms harness built-in AI capabilities to continuously monitor these critical KPIs, proactively identifying patterns and flagging anomalies in real-time. For instance, if churn rates begin to rise, AI-driven alerts immediately highlight underlying factors—like product quality issues or pricing mismatches—and suggest corrective actions, such as targeted loyalty incentives or personalized retention campaigns. By leveraging AI insights and automation, businesses can rapidly respond, optimizing customer engagement and strategically boosting lifetime value.



Nurture Trust through Transparency:

Finally, build trust at every opportunity. Be clear about billing (no hidden fees), communicate proactively (email reminders about upcoming shipments or expiring payment cards), and own up to mistakes when they happen. Gen Z and Millennials respect brands that are authentic and responsible. If you leverage customer data with AI, be transparent about how it's used to benefit them (like better recommendations or special perks), reinforcing the value exchange.

Building the Future with right Strategic Vision.

Gen Z and Millennials have rewritten the rules of retail. They've proven that the future of commerce is not just digital, but subscription-based. These generations demand more – more convenience, more personalization, more accountability – and they reward the brands that deliver. Direct-to-Consumer retailers that rise to the challenge will cultivate not one-time buyers, but loyal members of their brand community with high lifetime value.

Achieving this vision requires **strategic foresight and the right technology foundation**. It means reimagining the customer journey as a continuous loop rather than a funnel, and empowering your organization with AI-driven, unified systems to make that journey smooth.

As a Microsoft Solutions Partner and the Centre of Subscription Excellence in Microsoft Dynamics 365, Bluefort understands the complexities retailers face.

Our belief – borne out by client successes – is that with an intelligent Recurring Revenue powered ERP+CRM ecosystem like Bluefort's LISA Enterprise native to Microsoft Dynamics 365, retailers can unify their operations, harness AI for smart decision-making, and deliver exceptional subscription experiences at scale.

In this subscription generation, winners will be those who combine **visionary strategy with smart execution**. By aligning with the expectations of Gen Z and Millennials and investing in platforms that meet their needs, retail leaders can build recurring revenue models that fuel long-term growth. In short, adapt to this new paradigm and you'll not only meet the demands of today's young consumers—you'll earn their trust, loyalty, and enthusiastic subscription for the long haul.

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