

2023

## The Membership Business Model: Great for Business but What about Consumers?

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### Recommended Citation

Peters, Cara and Brooks, Bradley W. (2023) "The Membership Business Model: Great for Business but What about Consumers?," *Atlantic Marketing Journal*: Vol. 12: No. 1, Article 8.

Available at: <https://digitalcommons.kennesaw.edu/amj/vol12/iss1/8>

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# The Membership Business Model: Great for Business but What about Consumers?

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**Abstract** - Membership business models are increasingly prevalent, as they appear to be beneficial to companies. However, questions exist about the benefits of the membership business model to consumers. This paper examines consumer perspectives on the membership business model in the context of customer complaints related to Savage X Fenty's business practices. Data were collected via 692 complaints posted to the Better Business Bureau website and analyzed according to protocols for phenomenology. Eight themes emerged from the data, beginning with membership sign-up and ending with being charged after-the-fact. The themes captured the different frustrations that consumers experienced with Savage X Fenty's membership business model. The results are discussed in light of marketing relationships, ethics, and service recovery.

**Keywords** - membership business model, subscription business model, abusive brand relationships, customer complaints

**Relevance to Marketing Educators, Researchers, and/or Practitioners** - Despite the growth among businesses, virtually no studies have investigated consumer perspectives on the membership business model. This study's findings highlight the existence of potentially abusive brand-consumer relationships in the marketplace and the importance of service recovery to businesses that employ a membership business model.

## Introduction

Consultants and industry experts assert that the “product economy” is transitioning into a “membership and subscription economy” as businesses and consumers shift into new business models based on memberships and subscriptions (Kellman Baxter, 2015b; Luna, 2018; Tzuo & Weisert, 2020; Williams, n.d., para. 1). A subscription business model, in which “consumers pay a recurring price at regular intervals for access to a product or service” (Williams, n. d., para. 3), is not new, as newspapers and gyms have used this fee structure for years. However, subscription and membership business models are proliferating. Seeking to emulate the success of companies like Disney Plus, Microsoft, Spotify, Dollar Shave Club, and FabFitFun, traditional businesses are designing similar memberships and subscriptions (Janzer, 2020; McCarthy & Fader, 2017).

Unlike a subscription model, which is primarily “a financial arrangement,” a membership model also encompasses emotions, feelings of community, and relationship building between consumers and companies (Kellman Baxter 2015b, p. 11). According to Kellman Baxter (2015a; 2015b; 2016), the membership model offers powerful benefits to businesses including: increased revenues; closer relationships with customers; reduced brand switching; and deeper access to consumer data. Additional research supports Kellman Baxter's assertion that this business model yields increased revenues for businesses (Iyengar *et al.*, 2020).

While the membership model is advantageous to businesses, research is unclear as to whether (and how) the business model also benefits consumers. Kellman Baxter (2015b, p. 22-23) states that today's consumers are benefitting as membership models reduce consumers' "stress of caring for and storing all our stuff, while offering us new ways to feel part of the community." However, the popular press paints a different picture in which consumer stress is not reduced, nor are feelings of community enhanced.

Some consumers state that companies utilizing a membership business model, such as Adore Me (Kliot *et al.*, 2018), the Bier Company (Gibbs, 2022), Savage X Fenty (Ritschel, 2020), and Fabletics (Maheshwari, 2015), utilize deceptive and confusing business practices that lack transparency. Currently, there is little academic research examining membership business models and virtually no studies are investigating consumer perspectives on their use of deceptive or confusing practices. Thus, the purpose of this study is to examine consumer perspectives on the membership business model in the context of customer complaints related to Savage X Fenty. The following research questions guided the study: What types of complaints do consumers have regarding Savage X Fenty's membership business model? What are consumer perceptions of Savage X Fenty's membership business model? And how does the company's membership model affect consumers? Toward that end, the literature review, methodology, findings and discussion are below.

## **Literature Review**

### **Membership Business Model**

The limited research on membership business models primarily provides consultants' perspectives on effectively implementing the model. In 2015, Kellman Baxter coined the term "membership economy" to describe consumers being "formally engaged with organizations or groups on an ongoing basis" as a viable business model (Kellman Baxter 2015b, p. 2). Kellman Baxter (2015b, p. 11) explains that a membership is "an attitude, an emotion, whereas a subscription is a financial arrangement." Many of today's proliferating business models, however, have both components. Thus, a membership business model exists when a customer pays an ongoing price for access to the business' products or services that results in a perpetual relationship between the company and customer, while also creating a sense of community, emotions, and perceived value for the customer.

In 2015, Kellman Baxter identified that membership business models were increasingly adopted as digital services and other product categories, such as beauty and snack foods, were expanding (Kellman Baxter, 2015a). She articulates that successfully implementing the business model correlated with making membership enrollment effortless; providing immediate value; and reinforcing desired customer behaviors. These activities ultimately build customer acquisition and reinforce retention (Kellman Baxter, 2015a, p. 3-4; Kellman Baxter 2015b, p. 56). In 2016, Kellman Baxter explained that, while the membership business model is beneficial and is expanding across product categories, the model does not work for all companies. Successfully implementing the membership business model requires companies to: "have the right fit between

a market and service,” “identify the right metrics,” “build a culture of membership,” and “love their members more than their products” (Kellman Baxter, 2016, para. 5-8).

In 2018, Kellman Baxter asserted that membership business models allowed companies to use technology in building customer relationships that resulted in customers who stopped evaluating other alternatives, as they trusted the company to provide long-term value in the future. Kellman Baxter (2018) called this long-term customer commitment to the membership business model the “forever transaction.” Kellman Baxter (2020) later explains how companies can pursue “forever transactions” to their benefit. To increase the number of customers’ “forever transactions,” companies need to create a membership plan; identify the promise offered to members; and empower the right people to execute the plan and deliver the promise to customers. Moreover, companies need to focus on retention over acquisition of customers. Kellman Baxter (2020) states that to retain customers, a company needs to be transparent and establish consumer trust. “Long term relationships” that are part of the membership business model are contingent upon the “candor and fit” between companies and customers (Kellman Baxter, 2020, p. 215).

Skorb (2018) asserts that membership business model success is found in retaining existing customers. “Membership growth comes from retention, not from recruiting new members,” and retention is built by creating enduring customer relationships (Skorb, 2018, p. 1). He states that once consumers become emotionally vested in a business, they are more likely to become lifelong subscribers. Thus, Skorb (2018), too, argues that marketers should prioritize building customer relationships to prevent customers from cancelling the membership. Skorb (2018) also stresses that if consumers perceive the business as “trying to trick them,” or they feel confused about the offering, services, or membership agreement, they will terminate the relationship (p. 23, 95). Skorb (2018), however, does not explain why consumers might perceive the membership business model to be confusing or lacking in transparency.

## **Theoretical Foundation**

Because most of the pre-existing literature on membership business models is applied and the model relies upon customer relationships (Kellman Baxter 2015b, 2016, 2018; Skorb, 2018), this study was grounded in relationship theory. In the 1990s, researchers identified that consumers have relationships with brands, similar to human-to-human relationships (Blackstone, 1993; Fajer & Schouten, 1995; Fournier, 1998). Fournier (1998), for example, found that consumers have relationships with brands that are built on the positive emotions of love/passion, commitment, intimacy, and brand partner quality.

Since the 1990s, there has been more than 400 papers published on brand relationships across a variety of fields (Fetscherin & Heinrich, 2014) and, despite the fact that Fournier (1998) states the brand relationships can include negative feelings and dissolve from stress or entropy, it is only recently that researchers have begun to examine negative brand relationships (Khatoun & Rheman, 2021). Khatoun and Rheman (2021) conducted a meta-analysis of the 55 papers published to date on negative brand relationships and, from that review, identified ten different negative emotions that consumers have related to brand relationships, ranging from hate to fear, anger, anxiety, disappointment, and regret. And yet none of these negative emotions fully captures the worst types of human-to-human relationships, as in the case of abusive relationships.

While there are a few studies on brand misconduct as it relates to consumer-brand relationships, such as a company being accused of utilizing child labor or harming the environment (Huber et al., 2010; Hsiao et al., 2015), there are no studies to date which examine potentially abusive relationships that exist between companies and their customers as in the context of membership business models. Accusations in the popular press about membership business models are less about consumers disliking a brand or the company being accused of misconduct (i.e., mistreating the environment) and are more about business practices that are coercive and used to maintain power and control over a customer (i.e., the definition of an abusive relationship). Thus, the theoretical foundation for this study is based on a typology of the different types of abusive relationships that exist among humans, as the typology potentially applies to commercial relationships in the context of membership business models.

The literature classifies abuse in human relationships into the two general categories of physical and emotional abuse (Coker et al., 2000; Follingstad et al., 1990). Physical abuse includes physical violence, sexual violence and stalking. Physical violence consists of intentional acts to inflict pain; sexual violence is defined as sex acts without consent; and stalking is based on unsolicited and unwelcome repeated behaviors that are alarming, annoying or harassing (Mouradian, 2010). Emotional abuse also encompasses psychological abuse, economic abuse, and social isolation (Miller, 1995; Mouradian, 2010; Outlaw, 2009). Emotional abuse is based on “comments and actions intended to undermine the victim’s self-respect and sense of worth,” while psychological abuse is in the form of behaviors that “undermine the security of the victim’s own logic and reasoning” (Outlaw, 2009; p. 264). Economic abuse consists of activities which “impose economic dependence of the abused by the abuser,” and social isolation is based on victims being isolated with communication being “cut off from family and friends, whether by threat, force, or persuasion” (Outlaw, 2009, p. 264).

Given the popular press has raised concerns about the business practices of several membership business models as being potentially coercive, deceptive, and lacking in transparency (Gibbs, 2022; Klot et al., 2018; Maheshwari, 2015; Ritschel, 2020), and there are no academic studies to date that have examined consumers’ perspectives on the membership business model, research is needed to unpack the types of complaints consumers have regarding these business practices, and how the membership business model can negatively affect consumers and their relationships with these companies.

## **Methodology**

### **Research Context**

The context for the study was customer complaints related to the Savage X Fenty company’s membership business model. In May 2018, singer Rhianna started lingerie brand Savage X Fenty in partnership with TechStyle Fashion Group (Brooke, 2021). The company utilizes a membership business model in selling underwear, bras, loungewear, and sleepwear. The brand started with instant recognition from Rhianna’s star power and an inclusive product line designed for all skin tones, body shapes, and sizes (Brooke, 2021). Savage X Fenty’s website allows consumers to purchase products at a discounted price by joining Savage X Fenty’s Xtra VIP membership

program, which also gives consumers access to exclusive limited-edition sets and future product discounts. Through an initial purchase on the Savage X Fenty website, a customer is given access to the discounts and automatically enrolled in the membership program.

Savage X Fenty joined the Better Business Bureau (BBB) in November 2018. For more than 100 years, the BBB has fielded consumer complaints against companies. The Bureau charges companies \$400 to become a member and they vet, investigate, and work with member companies to resolve customer complaints. According to Fowler and Loten (2012), the BBB moved online in 1996, and by 2012, the organization had more than 4.1 million U. S. visitors per month. Because the BBB has a long history of fielding customer complaints for businesses online, actively vets complaints for legitimacy, and works toward resolution with companies (unlike other review sites, like Yelp or Google Reviews, which do not verify nor work toward resolution), this forum provides an appropriate context for examining complaints among Savage X Fenty's customers.

## **Data Collection, Analysis, and Interpretation**

This study was grounded in the ontological approach of phenomenology, which examines the lived experiences of individuals (Moustakas, 1994; Thompson *et al.*, 1989). Data were collected from the BBB website under the Savage X Fenty profile. At the time of data collection (May 29, 2022), Savage X Fenty had a customer rating of 1.14 stars (out of 5) on the BBB site and there was a total of 692 customer complaints posted. The BBB's site provides the word-for-word consumer complaint, but anonymizes each post so that names, emails, phone numbers, and other personal information are not publicly available.

The 692 customer complaints were analyzed using a hermeneutic approach in which the authors sought to understand the individual experiences of the customers while also reflecting on the larger themes and related meanings (Goulding, 2005; Thompson *et al.*, 1989). The data analytic process began with each of the two researchers, who are trained qualitative researchers, reading through the transcripts containing the posts. While reading the transcripts, each researcher independently identified and created a list of codes that represented the emic accounts. The researchers then gathered together to compare their two sets of codes and to create a common coding system for classification purposes. The final set consisted of 14 different codes. The researchers then independently returned to the data and recoded each customer complaint, utilizing the common coding system. Inter-rater reliability was computed to be .98 agreement and all coding differences were resolved via discussion (Miles & Huberman, 1994).

After each post was analyzed using the common coding system, the researchers examined the data from an etic perspective, looking for patterns and themes, as well as identifying exceptions and outliers (Goulding, 2005; Moustakas, 1994). Through the emic and etic processes of data analysis, a set of eight themes emerged from the data that appeared to capture the lived experiences of the customers who had expressed frustrations with Savage X Fenty's membership business model. The business model descriptions and the potential impact on consumers were also analyzed and reported below.

## Findings

Table 1 presents the eight themes that emerged from the data, along with the frequency and percentage of occurrence for each theme. These themes captured the different frustrations consumers experienced with Savage X Fenty's membership business model. The themes also appeared to be somewhat sequential in nature, as consumers began the process with Savage X Fenty by enrolling in membership, and then proceeding to interact with the company in different ways (i.e., ordering, returning, accessing credits), and finally contacting customer service. While each of the themes revealed consumers' different concerns with Savage X Fenty's membership business model, they also interrelated as consumers often reached out to customer service after experiencing frustrations with a previous theme.

**Table 1: Typology of Customer Complaints about Savage X Fenty**

<b>Theme</b>	<b>Number*/Percentage of Occurrence</b>
Did Not Opt-In/Agree/Consent to Membership & Related Charges	218 (31.50%)
Issues with Delivery/Not Receiving Items	198 (28.61%)
Issues with Poor Product Quality/Bad Fit	34 (0.05%)
Issues with Returns/Lack of Refund	52 (0.08%)
Issues with the System (Website, Email Failure, Account Locked)	108 (15.61%)
Issues with Using Pre-paid Credits	102 (14.74%)
Poor Customer Service/Negative Interactions	325 (47.97%)
Charged After Cancelling Membership/Skipping a Month	120 (17.34%)

\*A total of 692 BBB posts, drawn from the BBB website were analyzed. However, the total count exceeds 692 as consumers often complained about more than one issue in their posts.

## Types of Complaints

### *Membership Sign-Up*

Kellman Baxter (2015a; 2015b) indicates that companies that successfully implement the membership business model make enrolling in the service easy for consumers. Savage X Fenty made the process effortless. When a consumer visited the website and made an initial purchase, he/she/they was automatically enrolled in the membership program. After being automatically enrolled, the customer was charged \$49.95 per month and given a corresponding "credit" to make future purchases of discounted items with Savage X Fenty. Thus, the company was following industry recommendations, however, this initial step in the process was a frequent customer

complaint in the data. Two hundred eighteen of the BBB complaints (i.e., 31.50%) consisted of a customer stating that he/she/they did not intentionally sign-up for the membership. These customers stated that when they made their first purchase, the membership was automatically added to their cart and they were unaware they were being enrolled in the program. The following quote was typical of this type of complaint:

Savage X Fenty employs some very shady tactics in order to make customers unwittingly subscribe to their monthly VIP membership, which costs \$50/mo. I purchased from Savage X Fenty January 10, 2020, not knowing I subscribed to their VIP membership in the process. I have seen other complaints of this nature sent to the BBB by other customers, so I am not alone in accidentally paying \$49.95/month for unused services. I tried calling customer service for a refund, but they refused to refund me. ... I went back on their website to place an order using the credits that I couldn't get back, and was furious to find that Savage X Fenty adds the membership to your cart, using very subtle graphic design choices like faint font colors and small text to almost hide the fact that you're enrolling in this expensive membership. You think you are receiving the discounts advertised on the websites, as a seasonal sale of sorts, but really, the discount is the membership, you are, more often than not, unwittingly electing to pay \$49.95 a month down the line.

The same complaint continued as follows:

...I feel that if Savage X Fenty was really employing ethical business practices, they would not automatically add the membership to the cart, but rather advertise it in checkout as a more obvious option. For instance, if they included a button at the bottom of the cart that said, "Would you like to see what discounts our VIP membership grants you?" Or something to that effect. Now I have almost \$200 in credits toward Savage X Fenty that I would much rather put toward my rent since COVID-19 caused a great reduction in my hours at work. (May 21, 2020)

Of note in the quote above, which was consistent with other complaints in the data, the customer felt he/she/they should have been able to opt-in or opt-out of the program in some way. Many of the complaints stated that they did not agree nor consent to being enrolled in the membership program and they found that very concerning.

### ***Delivery***

Much of the literature on the membership business model states that companies must provide value for consumers to desire and maintain a membership (Kellman Baxter 2015a, 2015b, 2016, 2018, 2020). Within the data, 198 (i.e., 28.61%) of the complaints were related to customers never receiving items they had purchased. Customers who lodged this complaint said not only did they not receive packages, but the company also marked the items as received and then refused to issue a refund. The following quote was typical of this type of complaint:

My package was due to arrive on 9/23/2021. I received an email that the package arrived. However, I looked outside my door and there was NO package. I then went to the mailroom to see if it was left there, no package. I called the company regarding the misinformed email.



I was told by a \*\*\* that sometimes an email will go out saying the package was delivered but it has not been delivered yet. For me to wait 72 hours for the delivery. I called back on 10/7/2021 and spoke to \*\*\* and she told me because it says the package was delivered I cannot get my money back. I told her I never received the package and I called the day I received the email to inform them that the email was inaccurate and I want my money back. She told me that because I ordered it almost a month ago and they have notification it was delivered I can get a credit. They have an inconsistent policy that is not beneficial to consumers. (October 13, 2021)

As seen in the quote above, the customer was looking forward to receiving the order. However, like others, the customer never received the purchased products. Some of these complaints identified issues with the shipper, while others said items were never received by the shipper in the first place. Either way, the issue with not receiving purchased items is limiting the value that consumers perceive from their Savage X Fenty memberships.

### ***Product Quality***

Although a less prevalent concern, 34 of the customer complaints (i.e., .05%) discussed low quality products after utilizing Savage X Fenty's business model. Product quality issues included products that were poorly made (i.e. stitching ripping out), did not fit properly, were not sized correctly, and arrived wet and deteriorating. An example of the type of quote related to product quality was as follows:

I have never dealt with a situation like this before from a pretty reputable and popular company. I received the completely wrong items for both orders I placed and have never received items that were completely almost falling apart due to the threading coming out of all the seams. I've also had to call customer service over 4 times to get them to refund my money because they have charged me twice in one week for the same VIP subscription that I cancelled before it even started. If we hear the recording you can hear the woman tell me she cancelled the account successfully and then I'm being charged 2 times with a total of 3 charges including the products purchased. (January 26, 2022)

While the company had clear return policies on their website for products not fitting or if the stitching was tearing out, when a customer called to request a refund, the request was often denied. These practices potentially furthered the level of injury in the consumer's mind.

### ***Returns***

Another issue, although reported less frequently in the data, was related to the company's efforts to process returns. In the data, customers often stated that requests for refunds were denied, but even when they were approved the customer did not always receive the actual refund. Fifty-two (i.e., .08%) complaints were related to not receiving the refund due for a return. Some of these customers indicated that they returned the product and did receive a refund, but the amount given back to the customer was below the amount paid for the item. Although the company had a record of the original purchase price, the amount refunded was often based on a lower "sale" price. Other customers indicated they returned an item and the company refunded them via store "credits" but

would not refund then in the form of the original payment. The following quote illustrates this concern:

I was issued an incorrect amount for some returns I sent back to them. They first tried to issue store credit and for an incorrect amount (they refunded me with sales prices when I bought it full price - order numbers: \*\*\*). Then, they promised to correct the amount and form of payment, but never did. They have tried to claim they don't have my items, requested all kinds of proof from me, which I was able to provide them. I have proof of everything (tracking info, return forms, and have a long trail of email correspondence proving everything I claim). I have reason to believe employees may be stealing returned items from their warehouses and they are blaming customers for actions of the employees. Every time I called them or emailed them about processing my returns, they would blame it on the case still being "reviewed by teams", but you cannot speak with them directly and they don't seem to do much but stall the process. (December 20, 2021)

Other customers indicated that they sent back their item but never received the refunded amount that was due. When these consumers called customer service inquiring about the return, the company refused to issue the refund and stated the package was still in transit, sometimes months after it was shipped back by the customer. The following quote provides a typical complaint of this nature:

The item sent to me was size 32DDD and an exchange was not possible because 38C was sold out by that point. I promptly returned the item by Savage Fenty shipping label for USPS on 3/5/21. I have not received the refund a month later. I have contacted customer service about this twice recently and I keep being told to check back. I find this response truly unacceptable. The extreme amount of time it took to receive the wrong sized item and now the longer amount of time to receive a refund is simply ridiculous. I returned an item to Old Navy the same day as the bra by USPS and received my refund within a few days. (April 16, 2021)

Return issues also speak to the value added required for customers to want to engage with the membership business model. For those consumers who had issues with returns, they called customer service, attempted to obtain the return amount due, and eventually requested to close their memberships altogether.

### ***System Failures***

Kellman Baxter (2018) states that businesses with the membership business model can utilize technology to build customer relationships that result in customers no longer evaluating other alternatives (i.e., "forever transactions"). At the time of the complaints, Savage X Fenty only sold its products online through the company's website. While utilizing technology is intended to strengthen relationships between companies and customers within the membership business model, the technology was actually a source of concern for some customers. One hundred eight (i.e., 15.61%) of the customer complaints were based on Savage X Fenty's technology issues. Complaints about the company's technical issues fell into three sub-categories: website issues,

email failures, and locked accounts. The following complaint was typical in talking about issues with the website:

I am trying to cancel my membership before I get charged and the page to cancel has not been loading for weeks. On \*\*\*, I tried cancelling my membership as I did initially when I first registered as a member. This seems intentional as the webpage to edit my membership still isn't loading weeks later. (February 25, 2021)

And this comment provides an example of the email failures that were mentioned:

I purchased items online and never received any confirmation email. I checked my bank and see my card was charged. However I have had zero follow up from Savage X Fenty. There is no way to track my order at all, I was not provided with a order number, nor was I provided a receipt. This is bad business. I should have at least received an order confirmation. Now I have no idea where my order is and no indication of when it will arrive. I will not be ordering from here again. (December 6, 2021)

The following quote was a typical complaint representing the account being locked without notice or reason provided:

My items never came. I contacted customer service they said they would reship them. Then all of a sudden I was no longer able to get into my account, review the purchase history, or see what credit card was on file. I checked in again with customer service about this. I kept getting different responses and answers that were obviously bluffs. They kept reassigning different people to me so I kept having to wait and then start all over again and explain the whole situation. Finally somebody said that for some reason my account was in the back office for review and I would know more in 24-72 hours. Well 72 hours came and went long time ago and still cannot access my account still no contact from customer service despite being told this is what would happen. I said, just refund me I don't need to have a shipment. Well, they can't do that because the items were credits from what they charged my credit card BEFORE. Again I was told to wait, was put on hold, was not answered several times and was told it would be 72 hours although it had already been 72 hours. Now, I get an email that my order - made with money already spent from my credit line to their company - has been cancelled. Then I receive an email that my account is closed. (February 16, 2022)

Like issues with delivery and product quality, the system issues potentially lower the perceived value of the membership and damage the relationship between the customer and the company.

### ***Pre-paid Credits***

Kellman Baxter (2015b, p. 68) states that “pricing needs to be transparent” in using the membership business model. The more confusing the business model, the less likely customers will trust the company (Kellman Baxter 2020). Savage X Fenty had an incredibly complex pricing model, which was of concern to customers. One hundred two customers in the sample (i.e.,

14.74%) expressed confusion as to why they could not use their pre-paid credits, as Savage X Fenty's policies for how credits would apply to a particular purchase were quite complex.

Many customers expressed frustration over Savage X Fenty's policies when available credits did not equal the cost of a purchase. One credit was applied to the purchase, no matter the price of the products bought. If a customer placed an order that was less than \$49.95, Savage X Fenty charged him/her one credit and the customer did not receive the difference from the purchase price to apply to future orders. Conversely, if the order exceeded \$49.95, Savage X Fenty only applied one credit to the order and the customer was charged the incremental amount. Even if a customer preferred to apply more than one prepaid credit to cover the total cost of the purchase, Savage X Fenty's pricing policies did not allow it. The following customer complaint was illustrative of this Savage X Fenty policy:

Since the pandemic, I have been trying to cancel my account but because I currently have 10 credits, if I cancel before using my credits I will lose all of my money (credits). I have tried placing 3 separate orders to use my credits and each time the company cancels my order (after confirming). This time, instead of trying to use all 10 credits at once I placed an order using only 6 credits.... the order went thru (or so I thought)! Not only did the company TAKE AWAY my 6 credits, but it also charged my debit card non VIP PRICE FOR THE ITEMS! 1<sup>st</sup> charge for \$110 and 2<sup>nd</sup> charge \$220...they split the 6 items into 2 orders. At time of purchase, I authorized the 6 credit purchase, my bill total was only \$31 (tariffs and taxes)...not once did I authorize \$300 for items that I've clearly paid for with my current \$500 credit balance. (October 8, 2021)

Another common customer complaint was that once they cancelled, they could no longer use their pre-paid credits. Many customers discovered that the money they had accumulated in the form of prepaid credits would be lost if they cancelled their membership. The following complaint illustrated this policy:

Where my issue lies is when I went to purchase something using the membership credits I accumulated, I was only eligible to use \$49.95 at a time and if the order was over \$49.95 that money would have to come out of pocket. So not only does the company have over \$100 from me, I'm not actually permitted to "spend it any way I like" as they say. I was okay with my order having to be over a certain amount in order to have the credit applied but not being able to use my credits in one order is extremely disappointing. This policy was also not made clear when I signed up and in the following months. I also would have canceled my membership some time ago but was notified that I would lose access to my credits, and my money, if I did. When I finally tried to purchase some items that I would actually use, I couldn't without having to pay additional money to do so. (November 23, 2021)

As seen above, the application of only one credit was problematic for some consumers who felt they were paying more than what they had agreed to when they obtained the membership. In addition, customers disliked losing access to their pre-paid credits when they attempted to cancel their membership, which is consistent with the sunk cost fallacy, as described by Iyengar *et al.* (2020).

## *Customer Service*

Skorb (2018) identifies customer retention through building relationships as being critical for a successful membership model. Skorb (2018) argues that if customers perceive the business as “trying to trick them,” they will terminate the relationship (p. 23). The most frequent form of consumer complaint lodged against Savage X Fenty was related to customer service actively attempting to prevent the customer from cancelling a membership. Three hundred twenty-five of the customer complaints (i.e., 47.97%) stated that Savage X Fenty customer service representatives could not be reached, attempted to prevent the customer from cancelling (through bullying, manipulating or incentivizing him/her/them to stay), blatantly refused to cancel the membership, or hung up/discontinued the conversation after the customer requested cancellation. The following quote illustrates how customers felt “bullied” by the customer service agent:

I am very upset after a phone call I had the other day with Savage X Fenty customer support. I wanted to cancel my account since I have at least \$450 worth of credits that was taken from a card that I don't check very often. The person on the phone told me how sad it was that I wanted to close my account and that she could only give me one credit refund and that if I canceled I don't get any of my money back. So I was bullied into keeping the account for the second time. I have called once before to cancel but they have all these tricks to keep you from cancelling. I really need to cancel my account and have my money refunded. As a new single mother I need some help I just really can't afford this. (March 16, 2022)

Other customers complained that they simply could not reach customer service, despite using the different communication methods available to them, as shown in this complaint:

Their website says I can cancel my paid subscription at any time but I've been trying for days to cancel it and they don't answer phone or chat. I signed up for a paid subscription that is advertised as easy to cancel anytime. Chats online literally hung up on me when I said I wanted to cancel. This happened three times in a row. I have also called three times. Each time it says I'm x place in line and it'll be x minutes. I have waited on hold for average of thirty minutes a call, saying entire time agent was four or ten minutes away from answering. Third time I called I opted for a call back. They never called me back. (July 17, 2020)

These quotes were typical of the complaints as Savage X Fenty's customer service team appeared to deliberately prevent customers from cancelling their membership, either through blatantly refusing to cancel, hanging up/discontinuing the conversation, or attempting to talk the customer out of cancelling. Customers felt manipulated by these interactions, which did not enhance their desires to maintain their relationships with the company.

## *Charged Afterward*

The final concern that emerged from the data regarded customers stating they were improperly charged after having followed company policies to avoid charges. One hundred and twenty of the customer complaints (i.e., 17.34%) were based on the issue of such improper charges. When a customer enrolls in the Savage X Fenty membership, the company policy states that he/she/they will receive an email indicating a membership charge of \$49.95 from the 1<sup>st</sup> through 5<sup>th</sup> of each

month. During that time, the customer could select to “skip” the month to avoid a charge. Some of the complaints stated that the customer had appropriately “skipped” a month during this time frame but was charged anyway. Others shared graver concerns that they were continuing to be charged even after having completely cancelled their membership with Savage X Fenty. The following quote was a typical type of complaint related to being charged after having cancelled:

In April of 2021, I filled a complaint through the BBB against Savage Fenty for charging my bank account for a VIP membership that I believed I had canceled in December of 2020. On April 29 I received a refund for four months of payment for the VIP membership along with a cancelation of my membership on their end. When I go to the Savage Fenty website I do not have a membership that shows up. As of today I have been charged \$49.95 on May 10, 2021, and June 15, 2021. I need a refund for those two months and my membership to be canceled. I thought we had reached this solution in April of this year. (July 7, 2021)

In an effort to stop these payments after they had cancelled the membership, some consumers stated that they had changed their credit card information. They did not provide the new credit card number to Savage X Fenty; however, the company had begun to charge the new card anyway, as explained in the following quote:

... After that, I cancelled my membership. HOWEVER, SavageXFenty was somehow still charging me. I ended up changing my credit card info so they couldn't anymore. Fast forward to November 2020, again they SOMEHOW were able to start charging me again for a membership?!? How is that even possible. This company is shady. It's been 7 months and they're still charging my credit card the \$50/month membership fee. (June 1, 2021)

Literature on the membership business model does not speak to businesses charging consumers after they had cancelled their membership. It is unclear from the data whether the charges were intentional or a glitch in the system, but the practice increases the probability that consumers will contact the BBB with complaints.

### ***Consumer Perceptions of the Membership Business Model***

Within the complaints, descriptions of Savage X Fenty’s membership business model were quite negative. Customers used the following words to describe Savage X Fenty’s membership business model: “deceptive,” “in need of a class action lawsuit,” “feels like a scam,” “bait and switch,” “false advertising,” “lies,” “fraudulent,” and “illegal.” A typical quote describing such consumer feelings toward Savage X Fenty’s business model is as follows:

I have been trying to cancel my monthly subscription with Savage Fenty for 4 months now every time I get on the phone they gave me the run-around told me that I need to call back no one's available to cancel my subscription and tried talking me out of it so many times ... so you all just screwed me majorly out of my money and then you're going to tell me I only get \$100 refund back even after you told me that you're going to let me keep my other \$100 in credit but I am not a VIP anymore that's bull crap and I'm highly, highly upset.

False advertisement. Lies Lies. I want all my money back... absurd and in my point of view illegal. (April 9, 2022)

The authors also noted that several quotes suggested that some people lodging complaints were from vulnerable populations, which amplifies the negative impact of the membership business model on consumers. Statements such as, “I cannot afford this...” were quite common. Customers identified themselves as single mothers, poor college students, unemployed, suffering from Covid, grieving a death, hurricane survivors, and minors. Many of the complaints indicated that their experience with Savage X Fenty enhanced their anxiety and stress, on top of already existing struggles in their lives.

Finally, the authors also examined comments regarding Rihanna’s role as the celebrity founder of the company. Six of the complaints in the data set mentioned Rihanna and these customers seemed to disassociate her with Savage X Fenty's business practices. These comments indicated that Rihanna was only the “face of the company” who was not aware of her company’s business practices. The following quote provides an example of this perspective:

I have yet to receive this order!! I will never order from this website again. Rihanna should be aware of what these people are doing to her brand. All I wanted to do was support and now thanks to their horrible customer service, false advertising, poor delivery practice and up charging my credit card, I will never buy anything from here again. (January 11, 2022)

Thus, while the customers’ concerns seemed to negatively impact their interest in continuing their membership with Savage X Fenty, their frustrations did not appear to negatively impact Rihanna’s celebrity image.

## **Discussion and Implications**

Theoretically, this study fills a gap in the literature by examining consumer complaints on Savage X Fenty’s membership business model. Eight themes emerged from the data, but several appeared more frequently than others. Consumers were especially concerned about being automatically enrolled in the membership program, not receiving the items they had ordered, and experiencing resistance from customer service in obtaining a refund or canceling the service. Consumer complaints about the product quality and the company not processing returns were also included in the data but were much less prevalent.

Managerially, the literature on membership business models articulates the benefits to companies in utilizing this model. However, the literature is sparse in identifying benefits to consumers and the results of this study show that consumers are not necessarily better off when purchasing through the membership business model. The data showed that consumers had numerous complaints about the Savage X Fenty membership business model, starting with being automatically enrolled in the membership and ending with being hindered in trying to terminate the relationship. These results demonstrate the importance of relationship marketing in the context of membership business models. Like interpersonal relationships, brand-consumer relationships are two sided (Blackstone, 1993; Fajer & Schouten, 1995; Fournier, 1998), and consumers need

to perceive that they are benefiting from the relationship if marketers are going to successfully leverage the membership business model.

The results of this study also show that there is potential for abuse and unethical business practices associated with the membership business model. Table 2 presents a summary of the different types of abuse in relationships, as identified from the literature, and potential associations with the themes that emerged from the data. Savage X Fenty customers were emotional and frustrated by the potentially abusive interactions with the company. By the time they had contacted the Better Business Bureau with their complaints, customers appeared to be desperate. They felt that the Savage X Fenty membership business model was coercive, deceptive, and fraudulent, and they had little recourse to stop the company from continuing to charge them for the membership.

**Table 2: Potential Types of Abuse in the Membership Business Model for Savage X Fenty**

Potential Type of Abuse	Theme in the Data	Customer-Brand Interaction
Physical	Issues with Poor Product Quality/Bad Fit	Consumer complaints about product damage and poorly performing products were not rectified
	Issues with Delivery/Not Receiving Items	Issue with delivery and not receiving items had been reported by customers but the company continued its poor shipping practices
	Issues with the System (Website failure, Email failure, Account locked)	Persistent issues with technology by customers, which were not fixed upon calling customer service
Psychological	Did Not Opt-In/Agree/Consent to Membership & Related Charges	Consumers stated they did not sign up for membership and were automatically/deceptively/coercively enrolled; company questioned customers' logic and reasoning when complaints were lodged about automatic enrollment or lack of transparency related to enrollment on the website



Emotional	Poor Customer Service/Negative Interactions	Customer service interactions were negative with customers reporting that they felt manipulated and bullied when they tried to cancel membership or request a refund
Economic	<p>Issues with Returns/Lack of Refund</p> <p>Issues with Using Pre-paid Credits</p>	<p>Consumers reported that items were never received or they shipped items back and the company never issued the refund, not returning money due to the customer</p> <p>When consumers cancelled their membership, they were denied the ability to utilize the pre-paid credits they had built up over time, thus increasing the dependence on the company by the customer and using the pre-payment of credits to force the customer to stay in the relationship and continue to be charged</p>
Social isolation	Poor Customer Service/Negative Interactions	Consumers reported that they would call customer service and no one would answer, they would be put on hold for excessively long times, and customer service representatives would hang up or disconnect when the customer stated that they wanted to cancel membership, denying the customer the ability to communicate with the company
Stalking	Charged After Cancelling Membership/Skipping a Month	Consumers reported they had cancelled their membership or skipped a month online (per the company's policies) but were then charged afterward, which was alarming or annoying

The results of the study also showed that when customers contacted Savage X Fenty's customer service, instead of utilizing an opportunity for a service recovery to fix issues and potentially revive the relationship, the company was unresponsive, actively tried to stop communicating with the customer, denied the request to terminate the membership, and refused to issue refunds/reship items that did not arrive. This behavior is the opposite of how services marketing literature suggests managers approach service recovery (McCollough *et al.*, 2000). Some customers who attempted to contact customer service were not wanting to cancel their membership; they just wanted their damaged product replaced or exchanged for a different size. But the poor customer service response potentially pushed them to the point of wanting to cancel due to their frustrations.

Managers can use the results of this study in improving their membership business models to enhance customer satisfaction and retention. The results show that clearly providing an opt-in/opt-out method, separate from the products being purchased, would be an important consideration for companies. Obtaining permission to charge a customer's credit card for future membership credits and reducing technical glitches with the website are also important to implementing a membership business model. And finally, having a simple pricing model that is clear to customers is of utmost importance when implementing the membership business model.

## Limitations

While this study contributes to the literature by examining consumers' perspectives on the membership business model, there are also some limitations that suggest directions for future research. This study focused on one company, Savage X Fenty, which sold lingerie at a discount to its members. Future research should examine additional companies spanning different product/service categories. For example, future studies could examine whether the themes identified in this study exist in the same way for customer memberships of digital streaming services, such as HBO or Netflix. Additionally, future studies could gather survey data from a larger sample of consumers, and not just examine the perspectives of those who are trying to terminate the membership. Examining the lived experiences of customers who have maintained a long-term relationship, compared to those who have terminated their membership, would also provide additional insights for marketers interested in utilizing a membership business model.

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