minna technologies

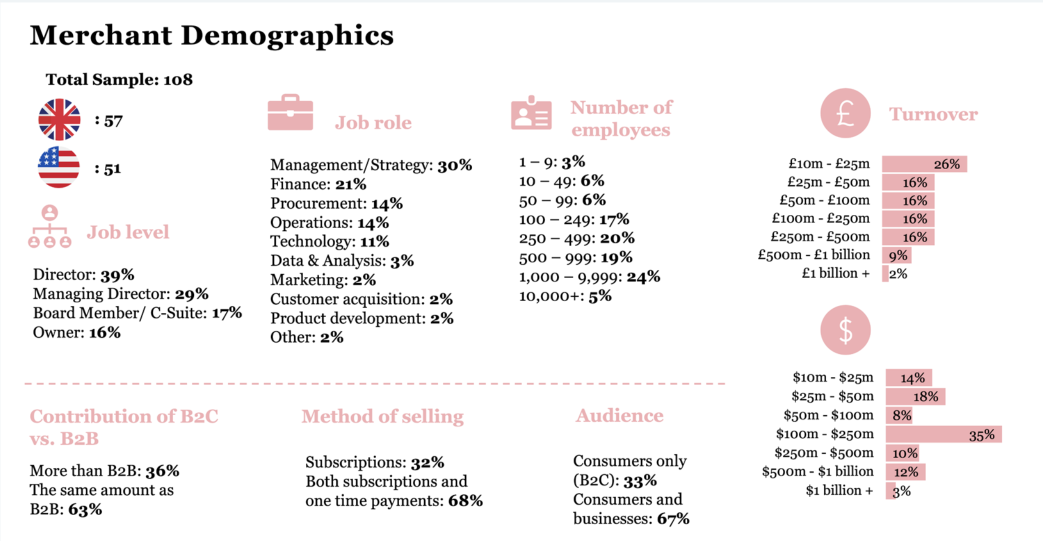
In partnership with FT STRATEGIES

Subscription Economy: Business Barometer

Research methodology

Our quantitative research was carried out by leading global market research and intelligence provider Savanta with survey input from Minna Technologies and FT Strategies.

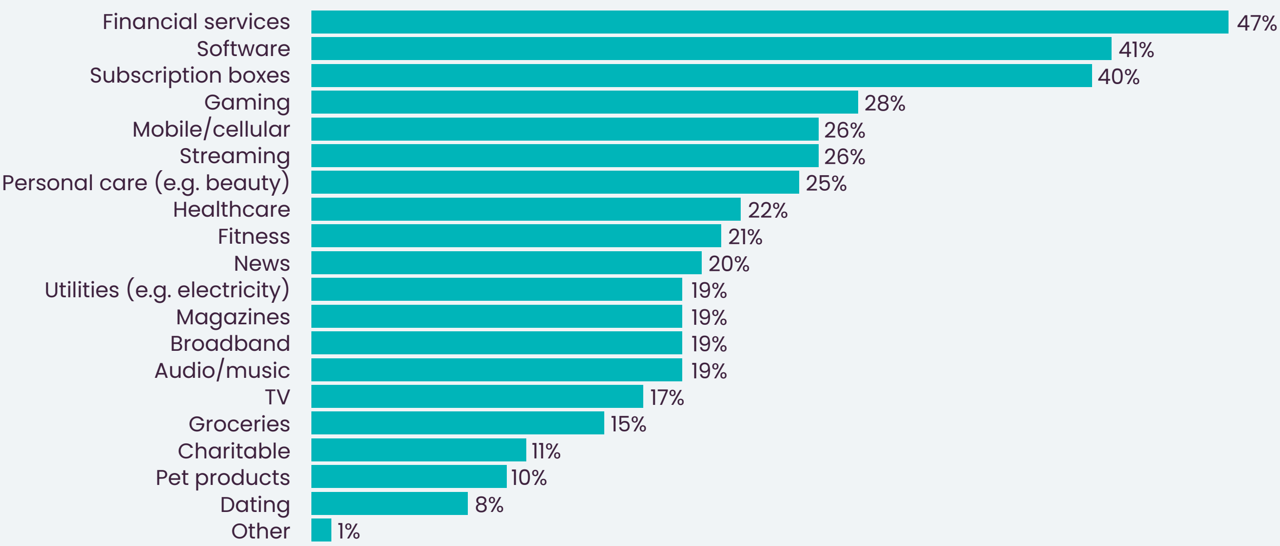
Savanta surveyed 108 enterprise subscription business decision-makers across the United States and the United Kingdom. The respondents were Board members, C-Suite executives, managing directors, directors and owners from businesses which sell products and services exclusively or predominantly to consumers using subscriptions. The annual turnover of the businesses surveyed ranges from $10 million to over $1 billion in the US and £10 million to over £1 billion in the UK. Respondents represent a range of industries and are directly involved in subscriptions as part of their job role. The data was collected in relation to the last six months of 2022 and the first half of 2023.



All research was conducted between 28 April and 4 May 2023.

Sample breakdown by subscription product and service categories

% of what type(s) of subscription products businesses offer



Contents

Thanks and acknowledgements

We are grateful to our contributors:

George Adelman, Principal, **FT Strategies**

Janine Hirt, CEO, **Innovate Finance**

Ana Lobb, VP Publishing, **Aptitude Software**

Amanda Mesler, Chair and CEO, **Minna Technologies**

Cédric Petre, Product Area Lead at Daily Banking & Mobile First, **ING Belgium**

Gurdev Potiwal, Associate Director, **Savanta**

Paul Roberts, Head of Payments, **Aptitude Software**

Disclaimer

The opinions expressed in this publication are those of the individual authors and contributors to whom quotations are attributed. They do not purport to endorse or reflect the opinions, views, products or services of other individuals or companies mentioned in this report.

minna.tech

ftstrategies.com

To download the report scan the QR code or visit minna.tech/barometer

Foreword from Minna Technologies

Following the success of our *Subscription Economy: a Transformed World* report last year with insights from over 2,000 US and UK consumers, more than 50 subscription businesses and over 20 thought leaders from media, financial services, fintech, e-commerce and beyond, we are pleased to launch our inaugural *Subscription Economy: Business Barometer* report in partnership with FT Strategies and global market research firm Savanta.

This report tracks the market outlook, performance benchmarking metrics, strategic investment priorities, recurring revenue strategies and emerging trends and tactics. It is based on data from a survey of over 100 senior executives from subscription businesses spanning a range of industries in the US and UK, augmented by analysis from leaders in media, SaaS, financial services, fintech and other subscription-based revenue models.

As subscription businesses face global macroeconomic challenges and evolving subscriber behaviour and expectations, it is critical for decision-makers to be equipped with relevant data, actionable insights and incisive analysis to inform effective strategies and tactics for retention, acquisition and growth.

Macro themes emerge from our research. Retention remains a critical priority. Over half of the companies we surveyed are concerned about the impact of changing customer demand. Business leaders are also concerned about the impact of regulation and tech disruptors on the market. Nine in ten companies feel they will be impacted by inflation and macroeconomic volatility over the next 12 months. Most businesses think their country's economic growth will improve or stay the same; high turnover and US businesses are much more confident about the economic forecast and their growth prospects for the next 12 months.

Diversifying product and service offerings and increasing prices to generate revenue are preferred to cost-cutting by most businesses amid economic uncertainty. Looking at acquisition channels, companies are most likely to consider incorporating in-app purchasing and cross selling, bundling with other subscriptions or hardware partners, and subscriptions in banking apps. Strategic investment in tech and leveraging data effectively are priorities for decision-makers, as are offering payment choice and removing friction from user journeys.

Minna's API connects a global ecosystem of banks, fintechs and subscription businesses with their customers in banking and fintech apps, fuelling the subscription economy. We have unique access to a varied range of stakeholders and their strategic priorities, challenges and opportunities.

This report examines our key findings and leverages the expertise of our team, partners and thought leaders from our network. We hope you will find the insights valuable and would welcome your perspective as we navigate the future of the subscription economy and changing market dynamics.

Amanda Mesler

Chair and CEO
Minna Technologies

Foreword from FT Strategies

Against the backdrop of economic uncertainty, looming regulatory pressures and accelerated tech disruption, seamless customer lifecycle management is becoming ever more paramount for subscription businesses across verticals. With a number of thought-provoking insights emerging from this research, FT Strategies sees four key themes that subscription businesses should aim to have at the forefront of their strategic planning.

The first key theme we identify is the ever-high importance of retention relative to acquisition, fuelled by current economic headwinds such as inflation and tamed consumer sentiment. A single-digit percentage change in retention can result in a double-digit percentage change in customer lifetime value, with the returns becoming exponentially better as customer tenure grows. This becomes particularly relevant in times of uncertainty when "a bird in the hand is worth two in the bush", and is further accentuated by the trend of consumers being increasingly aware of what they spend their money on.

The second key theme concerns churn management accuracy. Being able to identify the source of churn and distinguish between voluntary and involuntary churn through proper system reporting and multi-point user feedback are crucial enablers of meaningful customer dialogue that translates into higher retention rates, increased churn-and-return rates and, ultimately, better monetisation. For instance, FT Strategies estimates proactive payment failure tactics alone have the potential to boost retention by more than 20% overall.

The third theme FT Strategies identifies as key is first-party data usability in the advent of AI proliferation and the phasing-out of third-party cookies. Whilst there is an increasing awareness about how to effectively collect first-party data, putting this data into productive use is an area of opportunity across the board. This sets an imperative for businesses to continue investing in first-party data capabilities, particularly in the context of emerging AI algorithms which rely heavily on the data they get fed with.

The fourth key theme we see is the increasing importance of thinking about the customer lifecycle when designing retention strategies. We find retention to be highly correlated with engagement and churn to occur for different reasons and at different rates during the early-life, in-life and renewal stages of the customer lifecycle. For instance, early-life retention is very much about getting customers to fully understand what the product is and what it offers in terms of three things: depth, breadth and multichannel experience. Proactively offering features such as bundle upsells, rightsizing and account pausing become well-placed only after a certain maturity point in the customer lifecycle.

George Adelman

Principal
FT Strategies

Headline summary

1. **Market outlook:** business sentiment and subscription economy trends
   - Retention is an opportunity to improve lifetime value and revenue growth.
   - Businesses predict changing customer preferences and regulations will impact profitability.
2. **Performance metrics:** subscription business insights
   - Subscription businesses can re-engage inactive subscribers to reduce churn.
   - Seamless cancellation and resubscription are essential to meet consumer expectations.
3. **Strategic investment:** harnessing data and tech
   - Investment in first-party data strategies is a strategic priority.
   - Subscription businesses are leveraging data and AI for enhanced personalisation.
4. **Subscription management:** recurring revenue strategies
   - Innovative retention and reacquisition strategies can enhance lifetime value.
   - Payment optimisation is a key growth driver.
5. **Emerging trends and tactics:** creating value and mitigating risk
   - Businesses prefer diversifying product and service offerings to cost-cutting.
   - Engaging subscribers across direct and indirect channels creates long-term value.

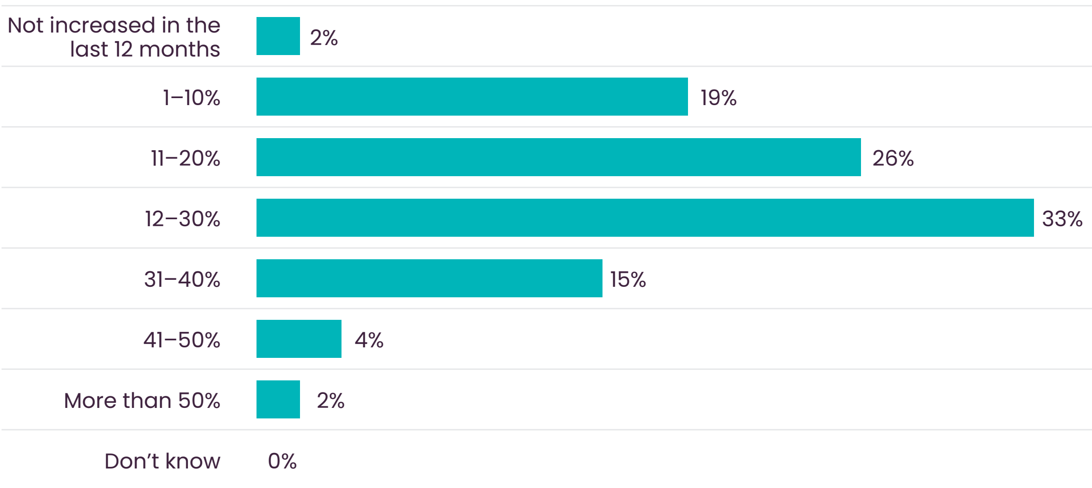
1. Market outlook: business sentiment and subscription economy trends

Retention is an opportunity to improve lifetime value and revenue growth

Despite the current macroeconomic environment of high inflation and heightened consumer awareness of subscription spend, our survey reveals that most US and UK companies' subscriber base has had small to moderate growth in the past 12 months.

Most companies' subscriber base has had small to moderate growth in the last 12 months

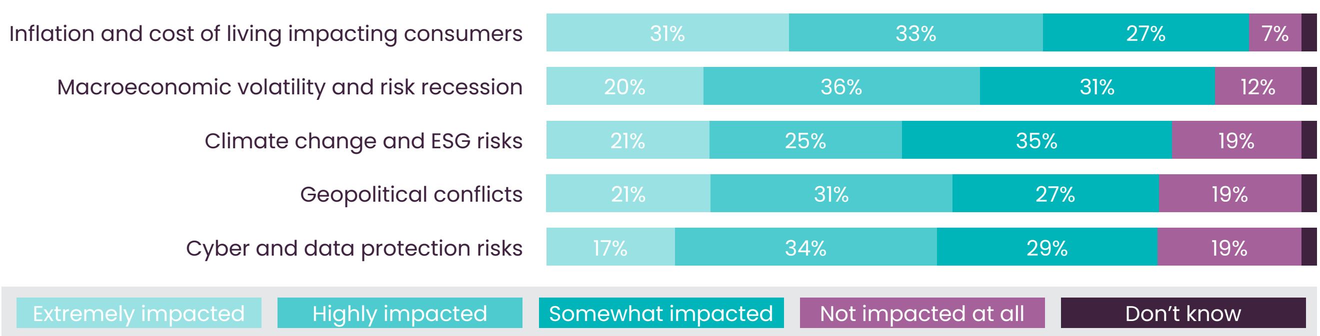
Subscriber base growth in the past 12 months



Nine in ten companies believe they will be impacted by inflation, the cost of living and macroeconomic volatility over the next 12 months – the most significant threats in this study – and over half feel they will be highly or extremely impacted.

Nine in ten companies feel they will be impacted by inflation and macroeconomic volatility over the next 12 months

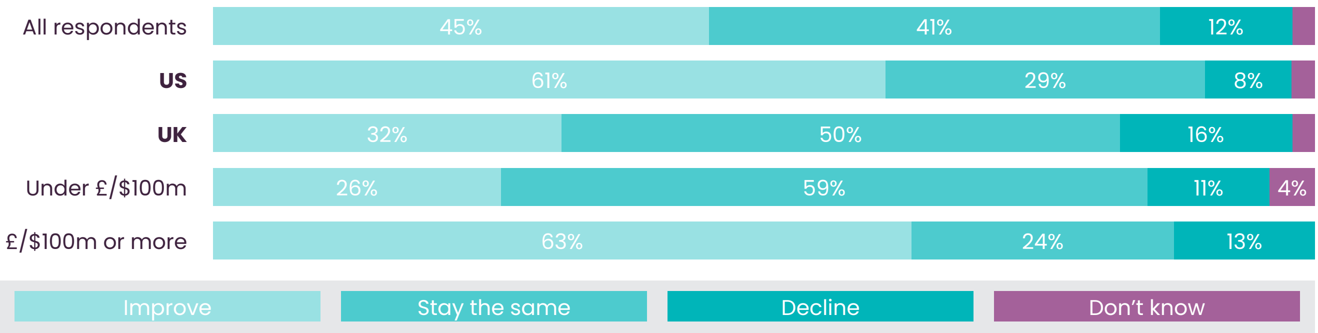
Impact on companies from the following key threats over the next 12 months



However, the majority of the companies surveyed believe that their country's economic growth rate (measured in gross domestic product) will improve or remain flat over the next 12 months. US-based businesses and those with higher turnover indicated the highest levels of confidence in economic forecasts.

Most companies think their country's economic growth will improve or stay the same; high turnover and US businesses are much more confident over the economic forecast of the next 12 months

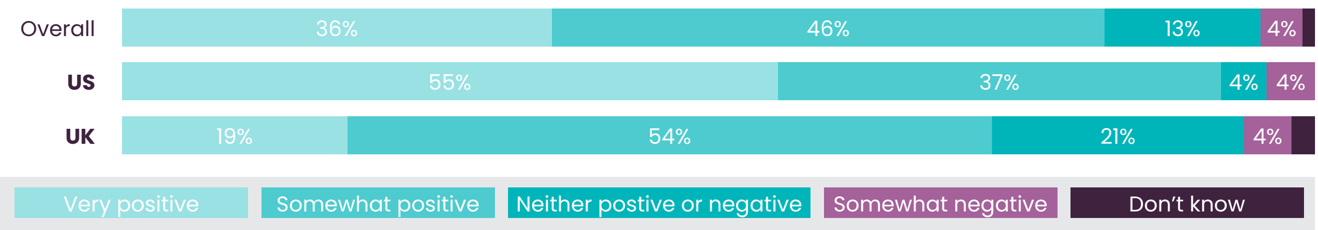
Will UK/US economic growth change over the next 12 months?



US-based businesses appear to be more confident of their prospects for growth. While virtually every US company reported being 'very positive' or 'somewhat positive' about their revenue growth projections over the next 12 months, by comparison just under three quarters of British businesses shared this sentiment.

Companies in the US are more confident of their own prospects for growth over the next 12 months

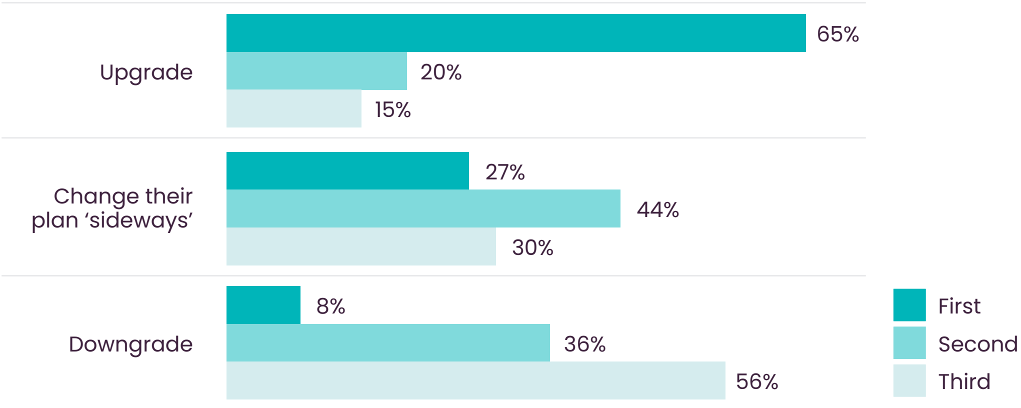
Confidence about your company's prospects for revenue growth over the next 12 months



Despite the challenging environment, among the businesses we surveyed the most common type of subscription change is an upgrade, with an average monthly change rate of 25%. Accordingly, businesses should leverage opportunities for enhancing engagement, upselling and increasing lifetime value.

The most common type of subscription change experienced is an upgrade, with approximately a quarter of customers changing their subscription product(s) month-on-month

Are subscribers most likely to upgrade, downgrade or change their subscription sideways?



25%

Average monthly change rate between January and April 2023

Businesses predict changing customer preferences and regulations will impact profitability

Changing customer preferences is the leading factor expected to impact profitability over the next decade for more than half of the companies surveyed. Additionally, subscription business executives expressed concerns about regulatory changes and additional compliance requirements, including recent introductions like Strong Customer Authentication (SCA) in Europe and the impending 'click to cancel' provision proposed by the Federal Trade Commission (FTC) in the US.

What the data is telling us

Despite the current macroeconomic challenges, most US and UK companies' subscriber base has had small to moderate **growth** over the past 12 months.

92% of businesses agree they will be affected by inflation and the cost of living impacting consumers.

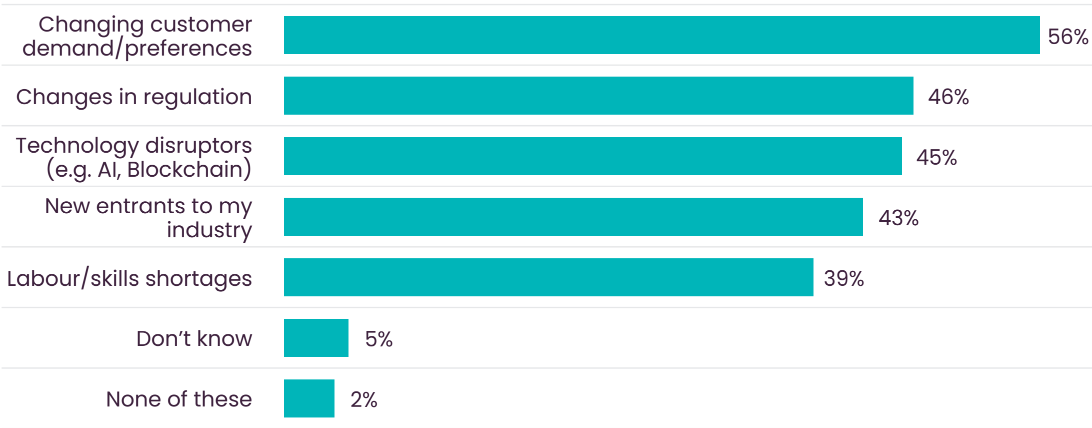
The most common type of subscription change is an upgrade, with an average monthly change rate of **25%**.

FTC's 'click to cancel' provision in the US

In March 2023, the Federal Trade Commission announced proposals that would simplify the process of cancelling subscriptions and recurring payments for US consumers. The 'click to cancel' provision, if enacted into law, would allow consumers to cancel a subscription the same way as they signed up for it. If finalised, the rule may impact some US-based subscription companies' retention tactics.

Over half of companies are concerned about the impact of changing customer demand. The largest companies are also concerned about regulation and disruptors in the market

To what extent will the following impact profitability in your industry over the next 10 years?



What the data is telling us

Over half of companies (**56%**) are concerned about the impact of changing customer demand, followed by changes in regulation (**46%**) and technology disruptors such as AI and blockchain (**45%**).

Minna insight

Changing customer demand and preferences, regulatory changes and technology disruptors such as AI and blockchain are the top three factors that decision-makers predict will impact profitability over the next 10 years. Regulatory pressure and the cost of living are also underscoring the need to make it easy for customers to cancel subscriptions. Businesses can address these challenges by taking a consumer-centric approach to drive engagement across all channels and platforms. By leveraging data-driven strategies and prioritising compliance obligations, businesses can give consumers greater control, convenience and protection and enhance the customer experience.

2. Performance metrics: subscription business insights

Subscription businesses can re-engage inactive subscribers to reduce churn

On average, companies have seen a quarter of their customers churn on a monthly basis between January and April 2023. Just under half of our respondents revealed that up to 10% of their paying subscriber base is inactive. This points to a sizeable cohort of disengaged 'zombie' subscribers who are paying for a subscription they aren't using.

This represents a significant risk, not only in terms of monthly recurring revenue, but also to a business's future planning, given that much of this recurring revenue may have already been factored into budgets and financial modelling.

Seamless cancellation and resubscription are essential to meet consumer expectations

Most business leaders we surveyed say that up to 1 in 5 of their customer base churn and return within 6 months. As explored in our previous report, *Subscription Economy: a Transformed World*[1], consumers prefer a flexible approach to subscriptions based on personal financial management and content preferences, such as resubscribing to a streaming platform when new content is released. This trend is most prevalent among Gen Z and millennial subscribers. A seamless cancellation journey also increases the likelihood of subscribers returning as customers.

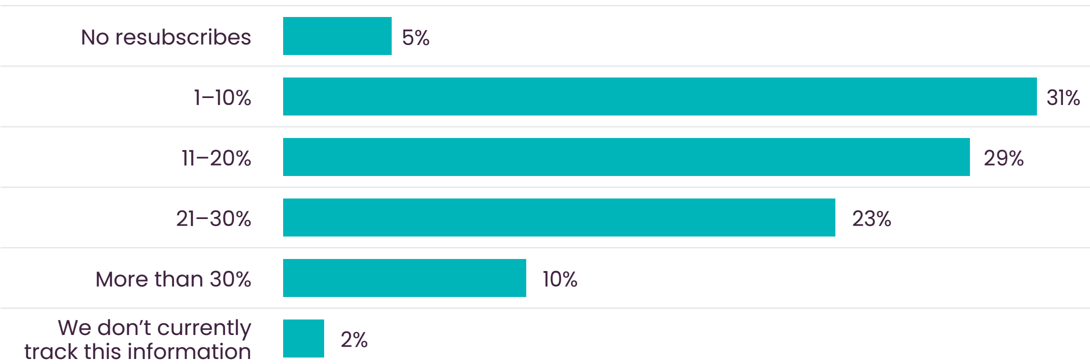
What the data is telling us

On average, companies have seen **25%** of their customers churn on a monthly basis.

For just under half of companies (**45%**), up to **10%** of their customers are considered inactive subscribers. Only **8%** report having no inactive subscribers at all.

Over the last 12 months, a majority of companies have seen up to a fifth of their customers churning and returning within 6 months

What percentage of users churn and return within 6 months?



1. www.minna.tech/subscription-economy

"Like most sectors, subscription companies face challenging times in the next 12 to 24 months. Over one in two businesses participating in this research stated they are concerned about the impact of changing customer demand. With high levels of inflation across the world, subscription companies are having to work harder to provide 'value for money' to customers. However, it is also worth considering that tech advancements in the subscription sector present both an opportunity, such as through use of AI to better model and understand customer demand patterns, and an increased risk of competition from tech disruptors looking to gain market share."

Gurdev Potiwal
Associate Director, Savanta

What the data is telling us

Over the last 12 months, a majority of companies (just over **3 in 5** respondents) have seen up to a fifth of their customers resubscribe after cancelling.

Most companies (**60%**) observe that up to a fifth of their user base churns and returns within 6 months.

FT Strategies insight

FT STRATEGIES

There seems to be increasing evidence of subscribers, particularly younger, low-to-middle-income consumers, purposefully keeping virtual cards with low funds so that they can easily leave a subscription plan through payment failure and, in effect, cause 'voluntary' involuntary churn. While regulation on the ease of cancellation could minimise the occurrence of this phenomenon, creating mechanisms to identify and manage such cases is still worth considering for subscription businesses.

Minna insight

minna technologies

Offering subscribers flexible options beyond cancellation has a direct impact on churn reduction. According to Minna's research, 86% of consumers would consider accepting an offer rather than cancelling. 80% would rather upgrade or downgrade their subscription plan than cancel. 72% would rather pause their subscription than cancel. Consumers are using subscriptions to manage their recurring spend flexibly month-to-month and want the ability to adjust product preferences instantly based on personal circumstances. By providing and reinforcing flexibility and simplicity in managing subscriptions, businesses can deepen customer engagement and increase loyalty.

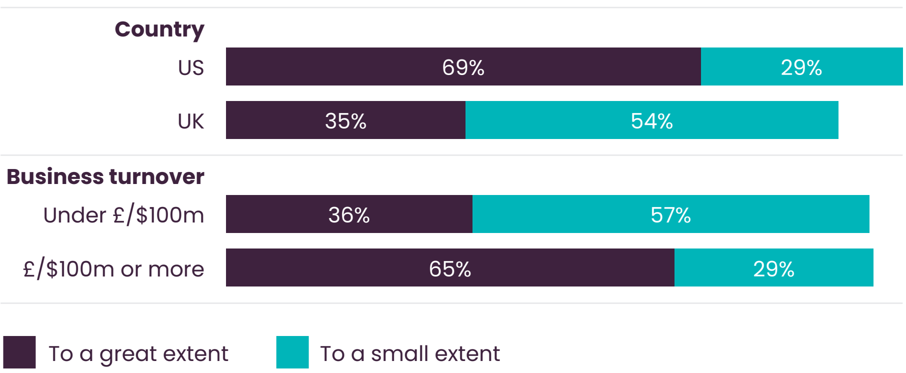
3. Strategic investment: harnessing data and tech

Investment in first-party data strategies is a strategic priority

As we evolve from an ecosystem heavily dependent on third-party data collection and advertising revenues, there is an urgent need for subscription businesses to leverage the potential of first-party data for their continuous growth and enhanced personalisation. This significant shift is being expedited by the phasing out of third-party cookies in Chrome by 2024, driven by growing user privacy concerns and increasing global data protection regulations.

Almost all companies provide personalisation with the first-party data they collect from customers

To what extent, if at all, do you use personalisation based on your first-party data?



51% To a great extent

43% To a small extent

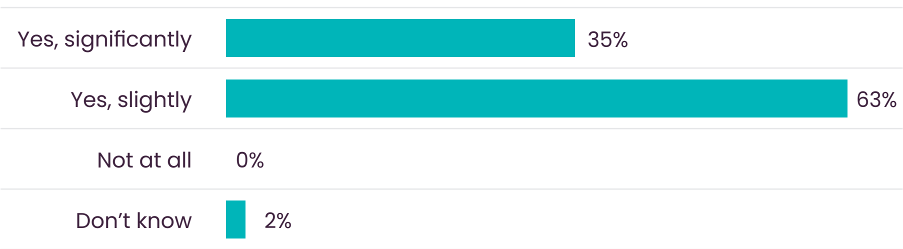
5% Not at all

1% Don't know

An overwhelming majority of businesses report that their collection of first-party data has increased over the past 12 months. Furthermore, just over four in five respondents see collecting first-party data as a strategic priority for their business.

Four in five companies state the collection of first-party data is a strategic priority for them, with collection of first-party data having increased for almost all of these companies

Has your collection of first-party data increased over the past 12 months?



81% Collecting data is a strategic priority

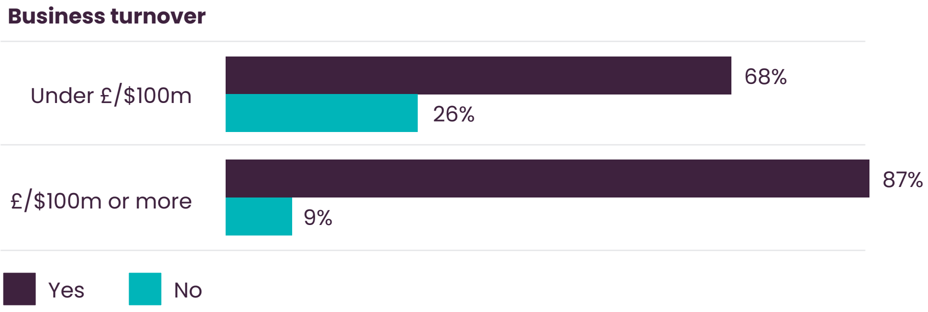
16% Collecting data is not a strategic priority

3% Don't know

Businesses tell us that these data capabilities have been put in place for a range of reasons, chief among them to personalise their customers' experience and to prevent customers churning and returning to exploit free trials.

The majority of companies have optimised data capabilities in place to prevent customers churning and returning to exploit free trials

Are your first-party data capabilities optimised to prevent users from churning and returning to exploit free trials?



81% Yes

16% No

3% Don't know

However, only 68% of smaller businesses are leveraging the potential of first-party data to prevent the exploitation of free trials. This suggests that while many recognise the importance of investing in these data capabilities, a sizeable minority are yet to meaningfully leverage its potential to drive revenue.

What the data is telling us

98% of businesses say their collection of first-party data has increased over the past 12 months.

Almost all companies (94%) use first-party data collection to provide a personalised service for their customers.

Four in five (81%) say collecting first-party data is a strategic priority for them and four in five companies have optimised their first-party data capabilities to stop users taking advantage of free trials.

"Although the death of the cookie may raise concerns, it actually presents an opportunity, particularly to those in Media & Entertainment, to transform subscription and advertising revenues, which are currently facing tough economic conditions and increased competition. First-party data paves the way for improved customer-centricity by enabling businesses to craft more personalised experiences and deliver highly targeted direct-to-consumer offerings. However, to achieve success, businesses need to invest in technology that enables them to gather data across all their channels throughout the entire subscriber lifecycle and to act on this data securely and effectively."

Ana Lobb
VP Publishing, Aptitude Software

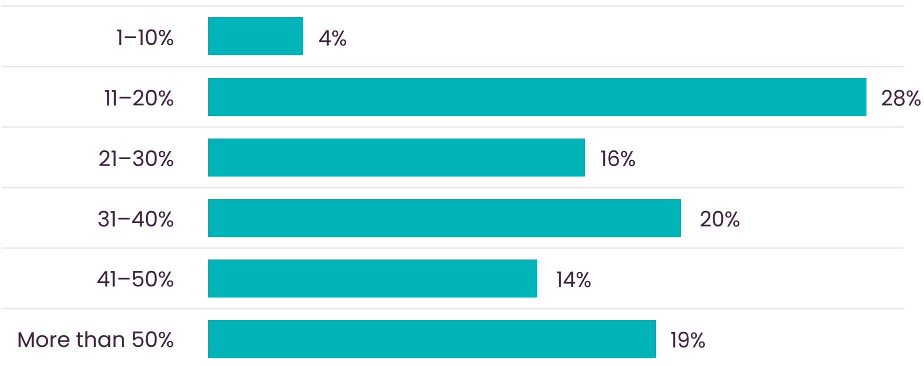
Subscription businesses are leveraging data and AI for enhanced personalisation

The recent impact of generative AI signals its potential to revolutionise the subscription economy in areas such as customer support, predictive modelling, personalisation and product recommendations.

Our data suggests that subscription companies are responding quickly to the possibilities offered by the integration of AI and advanced data analytics to improve business operations through deeper data analysis and improved capabilities for customer retention.

On average, a third of companies' budgets are invested into product, data and tech

What proportion of your budget is invested into product, data and tech?

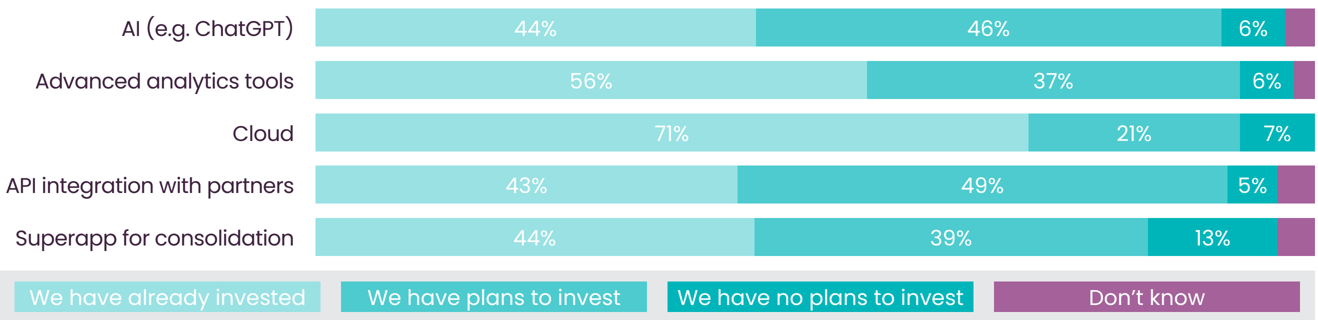


32%

Average proportion of budget allocated to product, data & tech

Cloud is the most common type of capability for companies to have already invested in, with almost half having plans to invest in AI and API integrations in the future

Have you either already invested or do you plan to invest in the following technological capabilities?



Almost half of businesses have already invested in AI capabilities, while a similar proportion indicate that they plan to invest in these tools in the future. At the same time, 9 in 10 companies have either already dedicated some resource to deploying API integrations with partners to unlock new capabilities or enhance operations, or are planning to do so. Cloud technology is the most commonly cited infrastructure investment, with approximately three quarters of respondents reporting previous cloud investment.

Minna insight

With Big Tech and fintech transforming customer expectations, financial institutions are actively implementing data-driven strategies and adopting a growth mindset, with a focus on optimising digital user journeys and enhancing the overall customer experience by leveraging data, personalisation and automation. Automation and AI are driving operational efficiency, significantly reducing the burden on the back office and enabling banks to provide the frictionless customer experience that users expect.

FT Strategies insight

With user centricity in mind, it is useful to think of AI not only in terms of the particular algorithmic capabilities it offers, but also in terms of the business task they help to accomplish. In this regard, a good way to start thinking about AI applications for your organisation is to map 3 baseline use case buckets that may combine one or more algorithmic capabilities – 'Insight', 'Automation' and 'Experience'.

Organisations can use practical frameworks to think about AI

AI performs these core algorithms...

Regression	Classification	Clustering	Generation
Predict a continuous outcome (score)	Predict a discrete outcome (category)	Group similar data points into clusters	Continue a sequence as text/other media

... which combine to form use cases

Insight	Automation	Experience
Support decision-making with predictive insights	Automate repetitive tasks that require judgement and unstructured data processing	Augment customer experiences by adapting them based on user data

Not an implementation timeline: value can be gained from all areas

Existing

AI is used to score and classify data

Process efficency and predictive customer insight

Present

AI can process long-form text inputs and outputs

Content efficiency and adaptive customer experiences

Future?

AI will autonomously execute multiple tasks in multiple formats

Managerial efficiency and hyper-personal 'super-apps'

A good next step in thinking about AI and how it can help your organisation to zoom in on the evolution of the technology and contextualise your company's current AI utilisation and implementation maturity against it. While we are witnessing an exponential surge in generative AI and applications linked to adaptable customer experiences and hyper-personalisation, the majority of businesses are yet to gain value from existing AI applications. For instance, a significant share of 'propensity to churn' and 'propensity to convert' models already rely on AI scoring, classification and predictive capabilities that have been around for a while. Focusing on filling in gaps with regards to implementing and utilising such models should not be considered less important than investing in cutting-edge generative AI technologies.

"The FinTech community is an excellent example of how companies can leverage the potential of artificial intelligence and open data. At the onset, sharing and leveraging data across stakeholders has been fundamental to the growth and success of FinTechs. The industry has led the way in offering consumers personalised financial services, tailored to each and everyone's needs. The adoption of AI and the use of data for personalisation in financial products can help consumers and business to manage their spending in a more transparent and efficient way."

Janine Hirt
CEO, Innovate Finance

What the data is telling us

Three quarters of companies have increased their investment into product, data and tech in the last 12 months. On average, a third (**32%**) of companies' budgets are invested into product, data and technology.

Almost half of companies surveyed said they are planning to invest in API integrations (**49%**) and AI (**46%**). **44%** have already invested in AI tools.

Companies in the US and those reporting higher turnover (**over £100m or $100m annually**) use personalisation with their first-party data to a greater extent than their smaller counterparts or UK-based businesses.

4. Subscription management: recurring revenue strategies

Innovative retention and reacquisition strategies can enhance lifetime value

The most commonly adopted engagement and retention tactic used by subscription businesses taking part in our research is the deployment of offers to entice churned customers to resubscribe. Over two-thirds of companies use this tactic.

While our research also uncovered that the majority of companies gather meaningful customer feedback, only a fifth use an exit survey as an engagement and retention strategy. This represents a key point of engagement and an important data gathering opportunity.

Once collected, this data can be used to optimise retention through building out personalisation strategies, improving user experience and implementing more dynamic pricing.

Respondents noted the top three most effective reacquisition tactics are giving users free trials (ranked first by 24% of respondents), discounts (ranked first by 19% of respondents) and new offers (ranked first by 17% of respondents).

Measured by level of turnover, small to medium companies prioritise free trials and new offers as reacquisition tactics, while the largest companies in our sample rank giving users discounts the favoured option of the three.

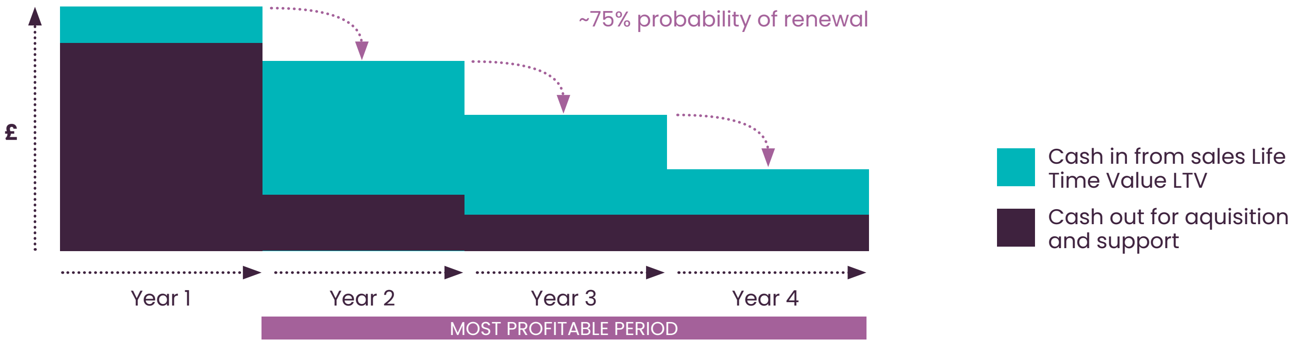
FT Strategies insight

FT STRATEGIES

Mapping a stylised industry-agnostic cash flow profile of an average B2C subscriber that assumes a ~75% probability of renewal each year illustrates a vital but often overlooked point with regards to the relative importance of retention vs acquisition, which is increasingly relevant in the context of current economic conditions that affect acquisition prospects and consumer behaviour. That is, the share of LTV cash inflows relative to cash outflows from acquisition and support starts growing significantly after year 1, with ROI being increasingly maximised as subscriber tenure grows (and after several renewal rounds, respectively).

Retention is key to grow lifetime value of your consumers

Cash flow profile of a B2C subscriber



Payment optimisation is a key growth driver

Flexibility and choice for customers in both payment and account management are key factors that can determine both the velocity of customer acquisition and the level of customer churn over time.

While both US and UK consumers continue to rely largely on traditional payment methods such as credit and debit cards, direct debit or standing orders, alternative digital payment methods are continuing to grow in popularity.

This trend, driven by convenience, adoption of embedded finance and cost of living factors, signals that companies would benefit from offering subscribers flexible payment options.

What the data is telling us

Three quarters of companies (**73%**) deploy proactive churn management strategies with their subscribers, while 1 in 5 (**19%**) said they adopt a reactive approach.

Subscription companies are most likely to make use of offers to encourage resubscription, with **70%** deploying this feature as an engagement tool.

Respondents identified offering an upgrade or add-on, additional content, and experience customisation as the three most effective retention tactics.

Those most likely to collect customer feedback on a structured basis are US companies, (where **86%** of US-based brands report doing this) and those with high turnovers (£100m or $100m and over) where **81%** of such businesses report doing so.

Enhancing multichannel consumption of content and increasing the depth of content are preferred as engagement and loyalty tactics over widening the breadth of content, with **38%**, **35%** and **24%** of companies respectively ranking these options first.

UK vs US preferred payment methods

	Direct debit & standing order		Debit card		Credit card		Digital wallet		Buy-now-pay-later		Direct Carrier Billing		Bank transfer	
	UK	US	UK	US	UK	US	UK	US	UK	US	UK	US	UK	US
Inactive subscribers	0%	12%	5%	2%	9%	10%	25%	22%	42%	41%	49%	31%	54%	33%
1-10%	12%	16%	14%	8%	21%	8%	28%	20%	30%	27%	19%	49%	14%	47%
11-20%	30%	43%	37%	47%	39%	33%	32%	43%	21%	27%	21%	18%	23%	16%
21-30%	14%	10%	19%	18%	23%	29%	12%	10%	4%	4%	11%	2%	7%	2%
31-40%	18%	12%	16%	16%	7%	10%	4%	4%	0%	0%	0%	0%	2%	0%
41-50%	11%	2%	5%	6%	2%	8%	0%	2%	4%	0%	0%	0%	0%	0%
More than 50%	16%	6%	4%	4%	0%	2%	0%	0%	0%	0%	0%	0%	0%	2%

"Understanding the local intricacies that exist with payments in different countries is key for clients who wish to scale globally. This includes being able to offer the payment methods that consumers expect in their relevant markets, and routing payments to leverage local relationships to maximise acceptance and minimise transaction costs. Additionally, optimising payments has always been a key driver both for acquisition and retention, but with the recent growth in local regulatory requirements around card on file and recurring transactions, this has grown in importance. By focusing on these areas, you can ensure your recurring payments are as effective as possible, minimising involuntary churn and enhancing subscriber lifetime value."

Paul Roberts
Head of Payments, Aptitude Software

What the data is telling us

Debit cards, credit cards and direct debits and standing orders are the most common payment methods for subscribers, on average accounting for **62%** of payments.

US businesses on average have a higher share of credit card users (**21%**) than UK-based brands (**16%**).

Digital wallets, like ApplePay and Android Pay, on average account for **11%** of payments.

Minna insight

A frictionless and secure payment journey is a critical component of the user experience for subscribers, as is offering a variety of payment options for ease and choice. Subscribers are also now more aware of their subscription spend and actively tracking and managing their recurring payments. It is important to provide transparency and control to enable them to manage these easily and reinforce the value they are receiving in exchange. Queries about recurring payments and subscriptions are among the most common reasons why customers contact banks. We frequently see over 50% of dispute volumes for banks originating from subscription payments.

FT Strategies insight

FT STRATEGIES

New regulation around the ease of cancelling creates additional incentives for businesses to ensure payment processes are seamless. It is becoming increasingly important to keep a close relationship with payment companies and new fintech solutions in order to help adjust payment timings as well as carefully construct automated customer messaging campaigns to avoid churn.

Payment optimisation should be seen more as a driver rather than as an enabler - research shows that businesses accepting 5+ payment methods achieve higher revenue growth rates than those accepting only 1 to 5 methods.

Recurring payments can be challenging in countries with specific regulations, such as India's requirement for customer authorization for each payment. Thus, the use of multiple payment service providers (PSPs) can ensure domesticity and adaptability to different markets and fraud rates.

5. Emerging trends and tactics: creating value and mitigating risk

Businesses prefer diversifying product and service offerings to cost-cutting

When asked which actions companies may be considering to mitigate against economic challenges, the most common options cited were diversifying product and service offerings and increasing prices. These were preferred to cost-cutting actions such as reducing workforce and salaries.

Diversification proved a crucial strategy during the height of the pandemic, as businesses quickly sought to pivot towards new revenue streams. The strategy has since grown in popularity among subscription businesses, with half of those surveyed indicating that they will consider launching alternative revenue streams to complement existing products and services.

Notable examples include the New York Times acquiring Wordle[1], Netflix venturing into gaming[2], and BMW offering on-demand heated seats[3]. These moves demonstrate the effectiveness of creating new revenue streams to drive financial stability and unlock new opportunities for customer acquisition, growth, retention and win-back.

This multi-faceted approach enables businesses to mitigate risk by reducing reliance on a single revenue stream, while maintaining flexibility in the face of constant change.

Engaging subscribers across direct and indirect channels creates long-term value

As consumer preferences continue to evolve over time, forward-thinking subscription businesses are exploring opportunities to diversify their acquisition channels.

Over the next 12 months, companies are most likely to consider incorporating in-app purchases and cross-selling, bundling with other subscriptions or with hardware partners and subscriptions in banking apps.

Subscription businesses prefer enhancing multichannel consumption of content and increasing depth of content over widening the breadth of content to promote engagement and loyalty. This is important for decision-makers to consider when assessing tactics to increase customer personalisation and user engagement.

What the data is telling us

Half of businesses indicated a preference for diversifying product or service offerings when asked about which tactics they are considering to mitigate against economic volatility over the coming 12 months.

A slightly smaller proportion (42%) suggested price increases were a plausible possibility.

A similar number (40%) said reducing operating costs may be considered.

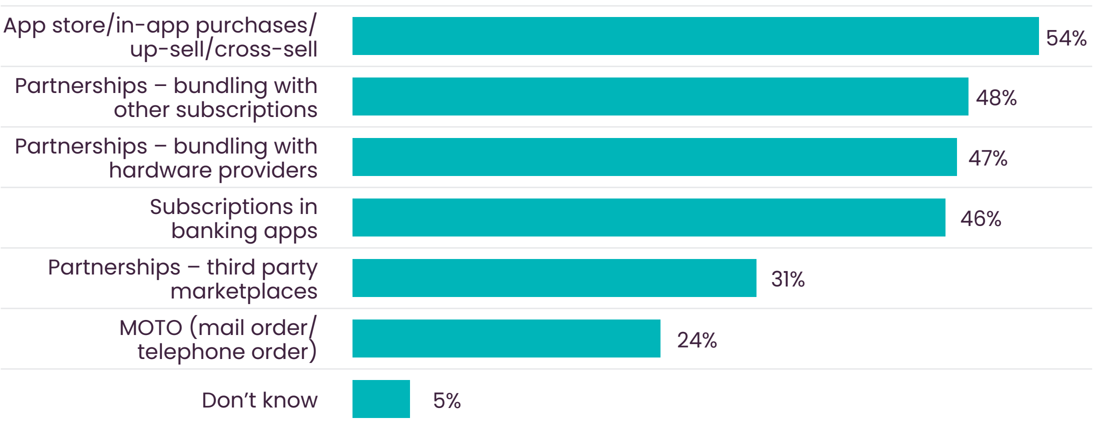
1. Tracy, Mark. "The New York Times buys Wordle." New York Times, 31 Jan. 2022, www.nytimes.com/2022/01/31/business/media/new-york-times-wordle.html
2. "Neflix launches first games on smartphones." BBC, 2 Nov. 2021, www.bbc.co.uk/news/technology-59136945
3. Valdes-Dapena, Peter. "Why BMW is offering heated seats on a monthly subscription." CNN, 14 Jul. 2022, www.edition.cnn.com/2022/07/14/business/bmw-subscription/index.html

Minna insight

With increased subscription volumes and recurring spend, there is rising consumer demand for consolidation, convenience and a seamless customer experience. As noted in *Subscription Economy: a Transformed World*, three out of four US and UK subscribers are interested in having one app to manage all their subscriptions. Gen Z and millennials are particularly interested in managing subscriptions in their banking app. One in two consumers aged 18 to 44 – and one in three consumers across all age groups – would consider switching bank accounts to have access to in-app subscription management. Subscription businesses should consider the importance of indirect channels for retention, acquisition and growth.

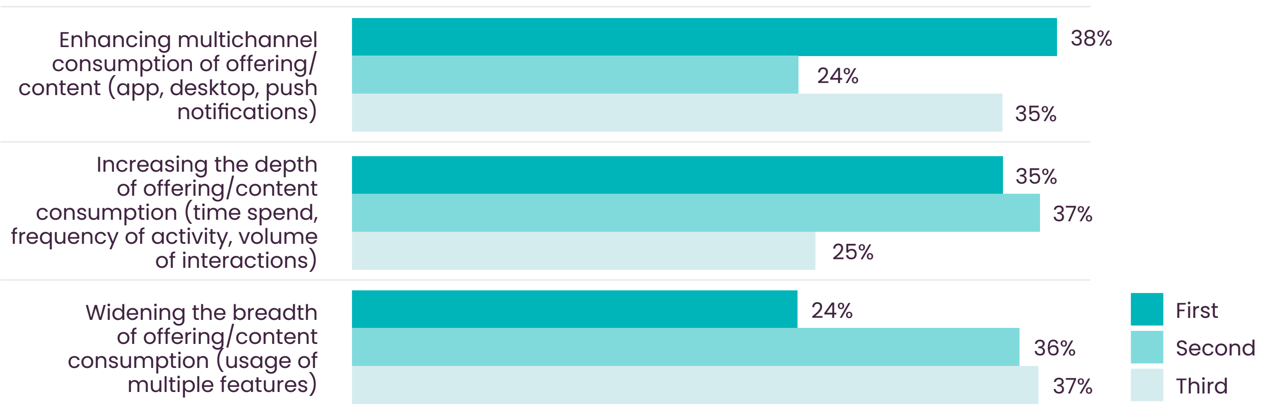
Companies are most likely to consider incorporating in-app purchasing/cross selling, bundling with other subscriptions or with hardware partners and subscriptions in banking apps

Which of the following acquisition channels are you considering in the next 12 months?



Enhancing multichannel consumption of content and increasing depth of content are preferred over widening the breadth of content for promoting engagement and loyalty

Which of the following are the most effective engagement and loyalty tactics for your business?



FT Strategies insight

FT STRATEGIES

Using hyper-discounts to acquire new customers may interplay with existing subscribers and cause regret cannibalisation amongst those who are paying a regular price. This underscores the importance of having trials during the onboarding process. Those are well-placed to ensure that the full retail price is understood by the user and friction is minimised.

If executed correctly and offered at the right time, we find bundling can indeed be a potent retention hook. 'Quasi-bundling' – bundling-like additions made to existing subscribers' packages – can also help manage price increases. If positioned well, they could create a feeling of a value exchange. This however largely depends on:

- the rationale for the price increase being well explained and communicated in the first place
- the bundle feature that is offered as a compensation gift is personalised in terms of interest adjacency (e.g. if a subscriber is already subscribed to articles about global warming, giving away a free trial, or even full access, to articles about sustainability could be a good way to reward the customer at this critical MOT point).

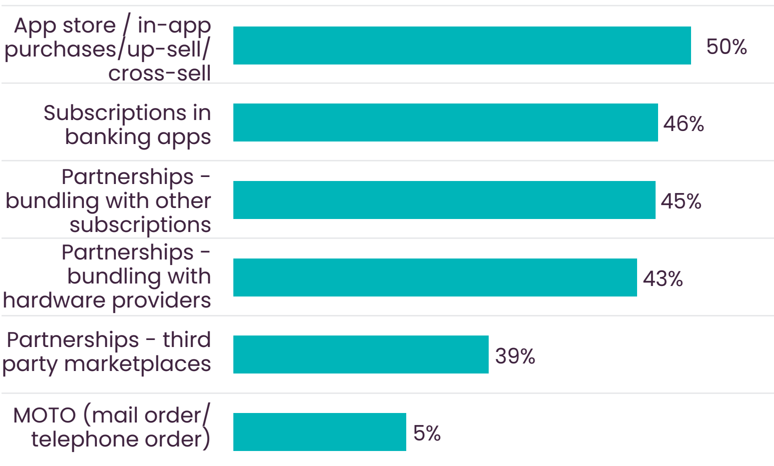
FT Strategies finds that all three consumption attributes – depth, breadth and multichannelism – have a positive impact on engagement and retention, albeit in varying degrees depending on the stage of the customer lifecycle. For instance, depth and multichannelism appear more well-versed for bolstering early-life engagement and retention compared to breadth. At the same time, breadth, particularly in the form of bundling, is found to be increasingly potent as a hook further down the customer lifecycle - that is, for in-life and pre-renewal retention.

What the data is telling us

Subscription businesses rank app store and in-app purchases as the most effective acquisition channel (**50%**), followed by subscriptions in banking apps (**46%**), bundling with other subscriptions (**46%**) and bundling with hardware providers (**44%**).

Subscription businesses rank these as the most effective acquisition channels

Rank the following acquisition channels in order from the most effective to the least effective for your business



"Our feature, developed with Minna and available in our ING Banking app, has been a particularly important one in the context of high inflation and people looking for solutions to be more in control of their personal finances. ING OneView allows our customers to have a better insight into their subscriptions and save up to 240 euros every year via fully automated subscription management services."

Cédric Petre
Product Area Lead at Daily Banking & Mobile First, ING Belgium

Recommendations for subscription businesses

1. Market outlook: business sentiment and subscription economy trends

Retention is an opportunity to improve lifetime value and revenue growth

Given that most subscription businesses have seen small to moderate growth in their subscriber base, focusing on retention strategies and tactics can help increase lifetime value and revenue growth. Businesses should leverage opportunities for enhancing engagement and upselling since the most common type of subscription change is an upgrade, with approximately a quarter of subscribers changing their subscription month-on-month.

Businesses predict changing customer preferences and regulations will impact profitability

Since changing customer preferences is the leading factor expected to impact profitability over the next decade, followed by regulatory changes and additional compliance requirements, subscription businesses should focus on enhanced progressive customer profiling, leveraging real-time data and analytics to enable them to understand their customers' priorities and preferences on a deeper, ongoing level and anticipate their future needs. Businesses should also provide the control, flexibility and transparency that subscribers expect and ensure they keep abreast of the latest regulatory developments.

2. Performance metrics: subscription business insights

Subscription businesses can re-engage inactive subscribers to reduce churn

Giving existing customers a greater degree of choice and flexibility in how they manage their subscriptions over a range of direct and indirect channels can aid retention. To maximise customer lifetime value, businesses should re-engage inactive 'zombie' subscribers. With our data indicating that approximately 9 in 10 companies have inactive subscribers, incorporating re-engagement strategies into business processes not only aids retention efforts but also unlocks future upsell opportunities. These can include personalised cross-platform offers, targeted recommendations, optimal renewal prices and simplifying the upgrade process across channels. By reactivating subscribers, businesses can generate sustainable recurring revenue.

Seamless cancellation and resubscription are essential to meet consumer expectations

Since 60% of businesses agree that up to 1 in 5 subscribers churn and return within six months and subscribers are managing subscription costs flexibly, it is important for subscription businesses to provide both a frictionless cancellation and resubscription experience. A positive offboarding journey increases the likelihood of a customer returning in the future.

3. Strategic investment: harnessing data and tech

Investment in first-party data strategies is a strategic priority

While players in the subscription economy have grasped the strategic importance of first-party data utilisation to inform product strategies, some companies remain at a relatively early stage in adopting a data-driven approach.

A recent study by FT Strategies carried out with 400+ organisations found a relationship between profitability and developing first-party data assets. This underscores the strategic importance of first-party data as both a driver and an enabler of growth, and reinforces the imperative for organisations to ensure they are able to not only collect first party data efficiently and effectively, but also make the most out of it.

The study also corroborated earlier findings that customers are becoming increasingly reluctant to give away first-party data. FT Strategies finds two approaches work well when it comes to addressing this hurdle: having a value exchange with the user and organising registration-only events.

Indeed, exchanging value for data has been found to be successful in incentivising users to give away more first-party data, with front-runners in the space being Kia, Tesco and The New York Times which offer broader access to features and services once a user shares additional data with them. Organising events is also a great way to collect first-party data whilst providing a positive customer experience – as opposed to blocking access to content or promotions. Digital events in particular allow for greater scale than physical events given the lower variable costs and fewer limitations on capacity.

Subscription businesses are leveraging data and AI for enhanced personalisation

Consider the whole spectrum of existing and upcoming AI offerings beyond generative AI, and prioritise investment in scalable and cost-effective propensity-to-convert and propensity-to-churn modelling tools to enhance monetisation against the backdrop of economic pressures.

As data richness and accuracy is a key enabler to reaping the full benefits of AI systems, consider strengthening your first-party collection and management tools, and enhancing the customer feedback loop.

4. Subscription management: recurring revenue strategies

Innovative retention and reacquisition strategies can enhance lifetime value

Companies that have identified and enacted a sustainable process for automatically capturing customer feedback via exit surveys are likely to get a much stronger understanding of their customers' pain points and the factors which influence churn.

This valuable data plays an important role in guiding and generating dynamic offers, discounts, alternative packages or pauses to enhance customer retention and win-back strategies. This data can be reabsorbed back into the business to complement first-party data collection and progressive profiling efforts, resulting in a more holistic customer profile. This also enables a data-led approach to the optimisation of product packaging and pricing, as well as the creation of personalised experiences, which over 50% of businesses surveyed are deploying.

Payment optimisation is a growth driver

It is crucial to offer choice and convenience for customers through a range of traditional and alternative payment methods to appeal to diverse audiences. Businesses should leverage embedded finance to ensure payment journeys are frictionless and remove any obstacles to resubscription, including payment blocks. Regularly evaluate payment infrastructure to unlock emerging payment opportunities and ensure adherence to regulatory requirements, while reducing operating costs, cross-border transaction fees and overall complexity.

5. Emerging trends and tactics: creating value and mitigating risk

Businesses prefer diversifying product and service offerings to cost-cutting

Consider strategies to diversify product and service offerings and remain competitive and relevant in the current economic climate. 'Quasi-bundling' – bundling-like additions made to existing subscribers' packages – can help manage price increases and the perception of value, especially if this is personalised by leveraging data about subscribers' interests.

Engaging subscribers across direct and indirect channels creates long-term value

Consider incorporating in-app purchases and cross-selling, along with bundling with other subscriptions or with hardware partners and subscriptions in banking apps.

Adapt the positioning and wording of your value proposition to make it as user-needs-centric as possible (for example, from 'applying for a mortgage' to 'moving to a new house').

Repackage fee-based services as subscription packages, and clearly delineate different features that make your proposition tiered and value-add across price points.

About Minna Technologies

Minna Technologies is the global market leader for subscription management embedded in banking and fintech apps, partnering with top-tier banks, fintechs and subscription businesses. Minna is the only B2B2C platform with an automated subscription management engine, bank-grade compliance and the widest global subscriptions and payments coverage. We fuel the subscription economy, helping businesses grow revenue, reduce operational costs, and drive engagement, retention and lifetime value for over 50 million users.

minna.tech

About FT Strategies

FT Strategies is the digital growth consultancy from the Financial Times. Staffed by the experts who successfully transformed the FT's business model in the face of disruption, FT Strategies work with organisations worldwide, from a wide range of sectors, helping them increase recurring revenue, monetise audiences, grow subscriptions, build engagement, transform digitally, and thrive in the digital economy.

ftstrategies.com

For further information contact

Mia Iwama Hastings
Director of Marketing
Minna Technologies

mia.hastings@minna.tech

George Adelman
Principal
FT Strategies

george.adelman@ft.com

James Vallance
Product Marketing Manager
Minna Technologies

james.vallance@minna.tech

Spartak Sofiykov
Manager
FT Strategies

spartak.sofiykov@ft.com

In partnership with