

# Subscription Economy: a Transformed World



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# Foreword by Minna Technologies

We find ourselves in unprecedented times of profound global change. With the exponential growth of subscriptions and acceleration of digital transformation during the pandemic to the coming of age of Gen Z, the largest generational cohort in history, and millennials and the rising cost of living, both consumers and businesses are navigating turbulent times where fundamental expectations, consumer behaviour and market dynamics have shifted significantly.

We are therefore delighted to be working with FT Strategies and Savanta to delve deeper into data and insights by surveying more than 1,000 UK consumers and 1,000 US consumers, 50 subscription business executives and over 20 thought leaders from across financial services, fintech, media and beyond. Our report intends to illuminate key macro trends and predictions and provide actionable insights for banks, fintechs and subscription businesses to better support, empower and retain the customers they serve.

Because the subscription economy is vast and has an impact on everyone, we have augmented our quantitative research with qualitative insights from a diverse array of thought leaders spanning different verticals, generations and geographies. Our thought leaders represent a microcosm of the vast audience participating in the subscription economy and driving it forward.

By embedding subscription management functionality in bank and fintech apps, Minna helps connect a global ecosystem of banks, fintechs and subscription businesses with the consumers they serve. Our infrastructure supports and powers the entire subscription economy, and we therefore have unique access to a varied range of stakeholders and their strategic priorities, challenges and opportunities.

This report examines our most compelling findings and leverages the expertise of thought leaders who are shaping the future of the subscription economy in a transformed world.

We hope you will find the insights valuable and would welcome your perspective on this fascinating topic as we build the future of the subscription economy together.

## **Joakim Sjöblom**

*Co-founder*  
Minna Technologies



# Foreword by FT Strategies

We have entered a third distinct phase for the subscription economy.

Starting in the early 2000s, the first phase took around 20-plus years in which digital subscriptions gradually took hold as a strategic lever for businesses across most industries, from Media and Lifestyle, to Financial Services, Gaming, and many more. It was followed by a second phase of marked acquisition growth during the COVID pandemic, which helped spike the already healthy consumer appetite for subscriptions. We are now entering a third phase, or what we see as the retention phase.

What is the retention phase? For us at FT Strategies, we are noticing a pancaking effect, where the rapid growth observed through COVID is now being flattened by the subsequent effects of economic downturn and cost of living pressures on consumers. Yet, at the same time, we observe that consumers continue to highly value the ability to try products and services via subscriptions, and ultimately appreciate the recurring relationship with businesses, when executed correctly.

What does this mean for consumers and businesses? The retention phase will likely be one in which consumers will be more reserved about their spending and will be more likely to jump from one subscription to another to find the best fit for their needs. Businesses will therefore need to think even more actively and strategically about how to retain acquired subscribers (especially those from COVID) with customer-centric payment and pricing strategies, more transparent and intuitive UX experiences, and increased personalisation of product offerings.

To shed light into the specifics of this third phase, we have collaborated with Minna Technologies and Savanta to try and delve into the trends and drivers underpinning the phase. This report aims to provide unique insights into what subscription businesses are currently thinking around their retention and payment strategies, proprietary consumer research on subscription habits and sentiments in the UK and USA, and the expertise and views from thought leaders.

We truly hope the multi-faceted nature of this report, with input from industry players, thought leaders and consumers, will help guide readers and decision makers in navigating the future of the subscription economy.

## **George Adelman**

*Principal*  
FT Strategies



# Executive summary

This report, produced in partnership with FT Strategies and the global market research firm Savanta, brings together a wealth of fresh data-backed market insights and analysis of the key trends shaping the subscription economy right now and over the coming years.

We have spoken to a group of over 20 influential leaders from the worlds of financial services, fintech, media and beyond, alongside 50 subscription business executives at the forefront of their respective market verticals.

The insights presented here have also been informed by a specially commissioned quantitative survey of over 1,000 consumers in the United States and over 1,000 consumers in the United Kingdom alongside key analysis from FT Strategies, Savanta and Minna Technologies.

## Here are the key findings from our analysis of the state of the subscription economy.

### The consumer perspective

#### 1. **The rising cost of living is driving increased consumer awareness of subscription spend compared with 12 months ago.**

59% of UK consumers and 55% of US consumers know exactly how much they're spending on subscriptions. This awareness is strongest for 35-54 year olds.

#### 2. **Affordability and increasing prices of subscriptions are the key drivers for subscription cancellations, but consumers are also adding more subscriptions and seeking greater value.**

Despite heightened awareness of subscription spend, nearly half of consumers (46%) are spending more on subscription-based services compared to 12 months ago.

This trend is particularly marked among 18-24 year olds, 53% of whom report spending more now than a year ago. They attribute this increase to two factors: inflationary price increases and opting to add products and services to their existing packages. This age group is also driving up the likelihood of cancelling subscriptions in the next six months. Streaming video on demand is the service most likely to be cancelled, although young consumers (25-34 year olds) are the least likely to say this.

Despite cost of living concerns, the consumers we surveyed aren't cancelling the majority of their subscriptions. One in three (37%) consumers has cancelled a service in the last six months. A little over half of 18-34 year olds (51%) say they are considering cancelling at least one subscription in the next six months.

#### 3. **There are strong lifestyle, emotional and psychological elements to the appeal of subscriptions across all demographics, and the pandemic has led to behavioural shifts which mean the subscription model is dominant and enduring.**

50% of consumers say that subscriptions enable them to access products, services and a lifestyle that they otherwise would not have. Despite the cost of living pressures on consumers' purchasing power, subscription-based delivery of valued products and



services is embedded into their habits, assumptions and emotional needs. There is also a psychological appeal to subscriptions with the perception of increased flexibility and lack of commitment which drives preferences for flexible recurring payments. 63% of consumers would rather pay more per month than a lower annual fee for subscriptions. Gen Z and millennials are particularly flexible and exhibit the highest levels of churn and return behaviour. After non-discretionary spend is accounted for, the most common market vertical that households consume via subscriptions are TV and film streaming services, with 69% of consumers reporting that they have at least one streaming video-on-demand (SVOD) service.

**4. Gen Z, the largest generational cohort in history, and millennials are driving a seismic shift in how consumers engage with brands, banking and other retail-facing financial services. They are driving demands for greater levels of control, flexibility and self-serve, enhanced user experience, more personalisation, value and transparency from brands.**

25 to 35 year olds have the most subscriptions, with 22% having seven or more. These generations value access, rather than ownership, in large areas of their discretionary spending, and widely believe a person's social status is no longer defined by what they own. They consume subscriptions flexibly, switching them on and off, as needed, and often returning to brands within months of cancelling subscriptions.

**5. Consumer preferences for omnichannel and self-serve modes of consumption are driving demand for 'all in one' subscription management in one app.**

Consumers want to engage with brands on their terms and be able to self-serve with a seamless user experience – from onboarding and payments to offboarding and resubscribing. Due to the acceleration of subscription adoption during the pandemic and the increased volume of subscriptions, consumers are now seeking to consolidate subscription management. Three quarters of subscription customers (74%) express interest in a single 'all in one' app to manage all their subscriptions. Younger age groups, particularly those aged 18-44, are the most positive about this proposition, and are interested in managing this within their bank app, rather than via the subscription businesses' own platforms. Half of consumers aged 18-44 would consider switching bank accounts in order to have access to subscription management functionality in their bank app.

## The subscription business perspective

**1. The rapid growth in subscription-based adoption observed through COVID is now being flattened by the subsequent effects of both an economic downturn and cost of living pressures. We have entered a retention phase which places driving loyalty at the top of the strategic agenda for subscription businesses.**

Almost seven in ten (68%) of the 50 leading subscription businesses we surveyed say that retention is their 'top strategic priority'. They see retention not only as a means of protecting their revenues, but also as a tool to increase customer loyalty. All respondents

say they use some form of subscription management platform, many of which incorporate retention solutions. Three in five (60%) businesses would be willing to pay for a retention solution that could save up to 5% of their customer base from churning.

**2. Discounts are the top retention solution subscription businesses use to stop customers from churning.**

Almost two thirds of providers (66%) say that giving users discounts is the best tactic to win back churned customers.

**3. Real-time analysis of customer history and behaviour is essential for driving hyper-personalised offers and loyalty.**

Subscription businesses should leverage customer data and insights to generate relevant and timely offers. When discussing the adoption of third-party retention solutions, many of the businesses surveyed favour a platform that provides dashboard functionality – enabling real-time analysis of customer history in order to prompt a personalised customer response designed to retain their business. Making customers feel they are getting a personalised offer generates a greater level of brand loyalty. Customers are more aware of how their data is being used and tracked, and they therefore expect greater levels of personalisation and superior customer experience in exchange for their data. An even value exchange is critical.

**4. Subscription businesses urgently need to improve how they handle payment issues since customers expect a frictionless payment experience.**

Payment issues directly impact the subscriber experience. Negative payment issues – from onboarding issues to difficulty updating payment details, blocked cards leading to failed payments, payment delays and payment disputes – have a detrimental impact on the perception of brands, the overall customer experience and churn rates. 58% of subscription business executives highlight this as a top strategic priority behind retention.

**5. Consolidation within subscription verticals is being driven by consumer demand for omnichannel consumption, convenience and pricing transparency. Businesses are therefore looking to co-create collaborative ecosystems – including bundles and shared marketplaces.**

Gen Z and millennials and their behaviour are driving this demand – especially those aged between 18 and 35. The sheer amount of competition in spaces like streaming-based video on demand is challenging subscription businesses to remain top-of-mind and relevant. One in four providers (26%) say that the main reason for customer cancellations is ‘switching to a competitor’s product’.

Therefore co-creation and collaborative ecosystems are recommended to drive awareness, discovery, acquisition, retention and growth. This is comparable to the trend in e-commerce where consumers have shifted from consuming individual brands via their own platforms to discovering and consuming brands in marketplaces and searching marketplaces to find the most competitive offers..

## The banking, financial services and fintech perspective

### 1. **Subscription businesses are increasingly looking to their financial services partners and payment solutions providers to help them provide proactive transparency in their interactions with end customers and a frictionless payments experience.**

Subscription businesses' pain points revolve around payment issues – particularly lengthy processing times and delays experienced by consumers who expect a seamless payment experience. The payment experience is a key component of the overall customer and brand experience. Big Tech and digital wallets – including ApplePay, Google Pay and PayPal – have raised consumer expectations for frictionless payments and embedded finance.

### 2. **The fintechs and banking brands best able to meet these increasingly sophisticated technical and UX requirements will benefit financially over the coming years and drive customer acquisition, engagement and loyalty.**

Led by Gen Z and millennials, consumers are demanding seamless customer experience and transparency. Financial institutions, payment providers and fintechs can capitalise on this opportunity by optimising the user experience and personalisation, enhancing opportunities for consumers to self-serve and partnering with subscription businesses to provide frictionless payments.

### 3. **There is strong demand for intelligent solutions harnessing transaction data to provide hyper-personalised spending insights.**

The prospects around the uptake of these solutions are very strong, given the existing popularity of banking and personal financial management apps that already harness users' transaction data via open banking APIs and common data standards.

Businesses also recognise the need to leverage transaction data and provide personalised insights to drive engagement and provide value for consumers.

### 4. **Gen Z and millennials favour digital solutions to manage their spending and subscriptions and want the convenience of omnichannel consumption, self-serve and consolidation.**

In the US, the digital banking trend is being driven predominantly by younger consumers (aged 18-44) who are more likely to be lower earners and time-poor. Over a third of US millennials (36%) say they bank primarily digitally. Gen Z and millennials are most in favour of using digital solutions to manage their spending and subscriptions. They are also multi-banking, holding accounts at both incumbent banks and digital-first banks.

### 5. **Intuitive, engaging user journeys are essential to remain relevant.**

Gen Z and millennials in particular demand this. Exceptional user experience is a requirement. Both financial services and fintech players need to prioritise digital user journeys to optimise engagement and drive loyalty, especially among these age groups.

# Research methodology

## Quantitative research

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

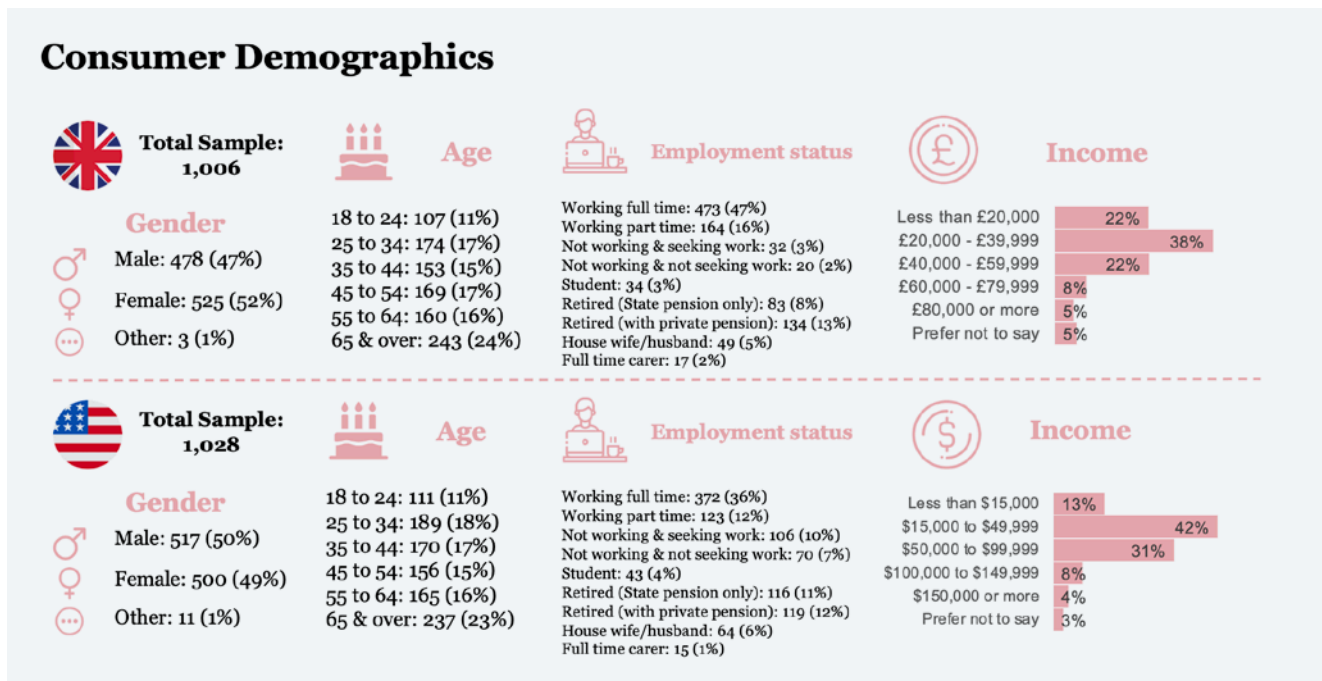
Savanta surveyed 50 subscription business executives and 2,034 nationally representative consumers across the United States and the United Kingdom. Their samples included quotes based on age, gender and region.

## Subscription business respondents

These respondents were primarily C-Suite executives from businesses which sell products and services to consumers using subscriptions and have a subscription management platform. Respondents were directly involved in subscriptions as part of their job role.

## Consumer respondents

Here is a demographic breakdown of our consumer respondents:



All fieldwork was conducted between 1 September and 30 September 2022.

## Qualitative thought leader survey

Our qualitative thought leader survey was conducted by Minna Technologies in September and October with the analysis led by FT Strategies.

# 1. Consumer attitudes and priorities

As the twin realities of high energy costs and inflation hit households across the globe, consumers are having to make tough choices about their budgets, essential spend and lifestyles. Against this backdrop, the rapid acceleration of subscription-based business models seen during the pandemic has slowed, largely due to these higher living costs.

However, our exclusive research suggests that the subscription economy is deeply embedded into the habits and assumptions of consumers across a wide range of age and socio-economic demographics.

Here we explore the factors driving consumer attitudes in relation to the use of subscription-based delivery models and how households' financial circumstances are influencing their spending priorities and their preferences for taking greater control of their finances.

## Key points

After non-discretionary spend (including broadband, utilities and financial services), TV and film streaming services are the most common type of subscription-based spending across all age groups, with 69% of respondents reporting that they have at least one video-on-demand service.

Despite this, entertainment-based services are also the subscription offerings most likely to be cancelled by their current customers as part of efforts to slim down household spending. When asked which subscription service they would cancel first, 20% said TV and films services, followed by one in ten (11%) saying they would first cancel music-related consumer services. Young consumers aged 18-34 are the least likely to cancel TV and film services first.

Three quarters of subscription customers (74%) would be interested in a single 'all in one' app to manage all their subscriptions. Younger age demographics, 18-44 year olds in particular, are the most positive about this proposition. Half of respondents aged 18-44 would consider switching bank accounts so they could manage subscriptions in their bank app.

Our quantitative research also shows that 25-34 year olds have the most subscriptions. Only 12% claim to have no subscription services. This isn't just a trend for younger generations. Our research found that 1 in 3 consumers aged 25 to 54 has 6 or more subscriptions.

As the cost of living bites, consumers are now more aware of how much they spend on subscriptions compared to 12 months ago. The age group likely to monitor their subscription spend most closely are those aged 35-54.

Despite this heightened awareness, spending on subscriptions in the last 12 months has increased in many domains, largely due to inflationary price increases and consumers choosing to add products and services to their existing packages. Almost half (46%) told our survey they are spending more compared to 12 months ago, with only 15% reporting a lower subscription spend than a year ago.

"Depending on which sources you use, it is estimated that due to COVID-19 as a global society we've jumped ahead between 5 and 10 years in our digital adoption and consumption behaviours."

**Matt Williamson**  
Banking and Fintech  
Futurist and Industry  
Advisor



In fact, just one in three (37%) consumers has cancelled a service in the last six months, with only a slightly higher proportion (42%) saying they are likely to do so in the next six months.

Those aged 18 to 34 report that they are most likely to cancel at least one subscription over the next six months, with just over half (51%) of 18-24 year olds considering cancellations, and a near-identical proportion (52%) of 25-34 year olds prepared to do the same.

For those likely to cancel at least one subscription in the next six months, affordability and the increased cost of living are the key drivers for their decision to cut back and cancel. Affordability is more of an issue right now for UK consumers than for their US counterparts, with 65% of Brits who say they are likely to cancel a service citing the increased cost of living as compared to only 48% across the Atlantic.

Of the age groups most likely to cite the cost of living as the primary reason for subscription cancellations, it is older consumers who report struggling with these costs the most. Almost three quarters (70%) of 55-64 year olds likely to cancel in the next six months cite affordability as the main reason. Meanwhile, 62% of 45-54 year olds and 65 year olds and above give the same reasoning.

# 20%

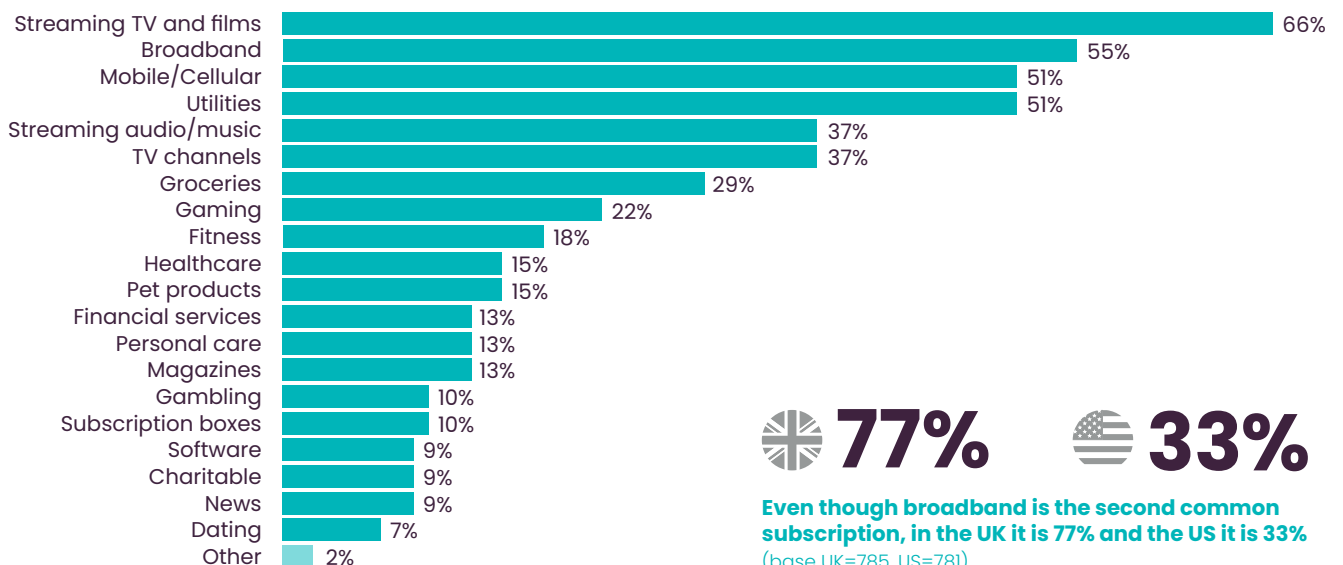
of consumers are most likely to cancel their streaming subscription, followed by other entertainment subscriptions

## Setting the scene: habits and priorities

Just over three quarters of the 2,034 consumers surveyed (77%) told us that they use subscription-based products or services, with the most commonly used subscription verticals across both territories cited as film and TV streaming.

### What types of subscriptions people use

% of people who say the following



**77%** **33%**  
 Even though broadband is the second common subscription, in the UK it is 77% and the US it is 33% (base UK=785, US=781).

# 69% of respondents on both sides of the Atlantic said that the most important types of subscription packages are broadband and utilities

But while TV and film streaming services are the most popular, they are also the most demand-elastic subscription type, with 20% of respondents who use at least one subscription saying that TV and film streaming is the service they are most likely to cancel.

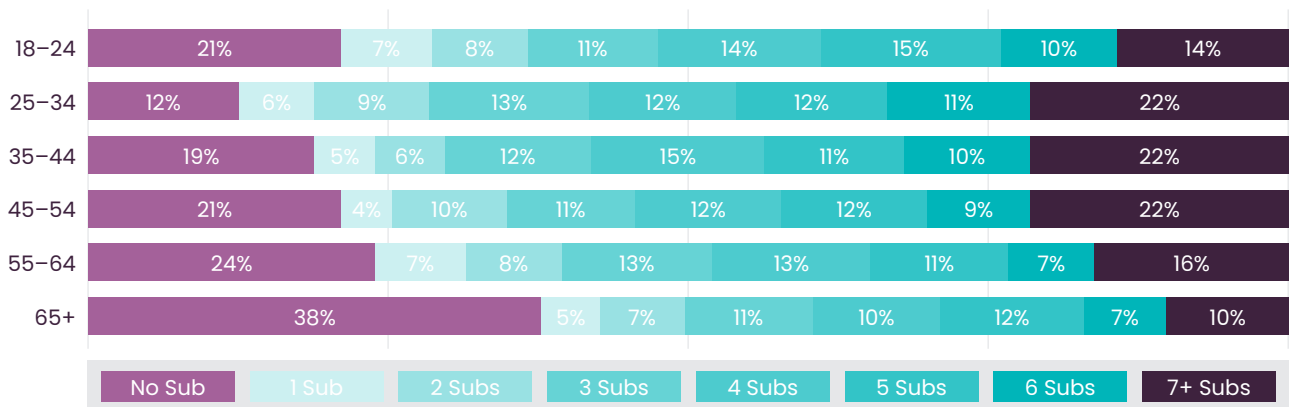
This choice is then followed by other entertainment verticals: audio and music streaming services (11%), TV channels (8%) and magazines (7%).

While streaming TV and films are the most popular type of subscription service, a large majority of respondents (69%) on both sides of the Atlantic said that the most *important* types of subscription packages are broadband and utilities.

25-34-year-olds have the most subscriptions. Almost a quarter (22%) of 25-54 year olds have seven or more subscriptions.

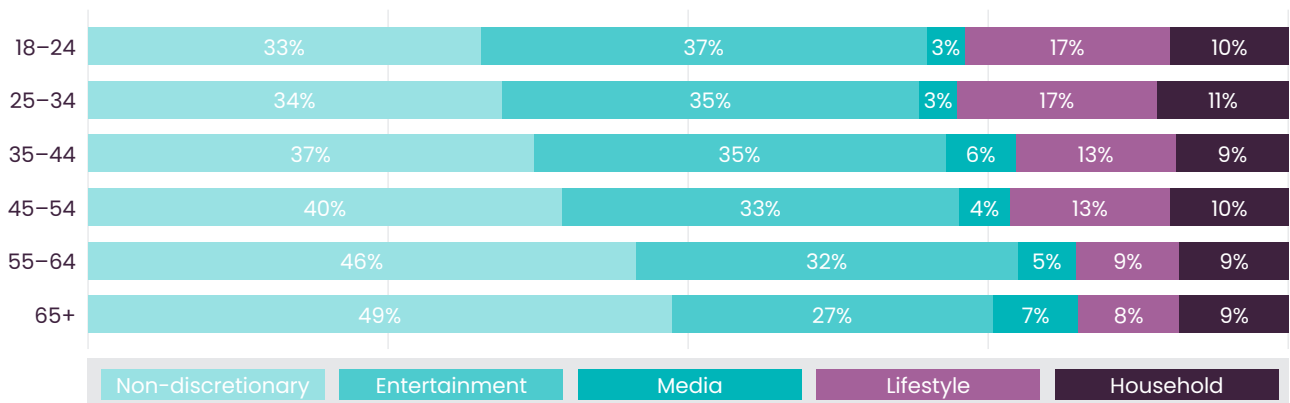
## 25-34 year olds have the most subscriptions

Breakdown of subscription amounts by age groups



## Top subscription verticals

Breakdown of top subscription verticals by age groups



Non-discretionary includes: Broadband, Utilities (eg. electricity), Mobile/Cellular, Software, Financial Services  
 Entertainment includes: Gambling, Gaming, Streaming TV/Films, TV Channels, Streaming Audio / Music  
 Media includes: News, Magazines  
 Lifestyle includes: Charitable, Dating, Fitness, Subscription Boxes, Personal Care (eg. Beauty)  
 Household includes: Groceries, Pet Products, Healthcare



While a clear majority (73%) of consumers pay for the services they use, almost a quarter (23%) pay for some of their services while also using other services paid for by family and friends. This underlines a shift from the importance placed on ownership towards a more pragmatic desire for access to valued products, services and communities.

### The awareness paradox

In the UK, research from Lloyds Bank<sup>1</sup> found that 1.2 million subscription payments were cancelled between June 2021 and March 2022. The high street bank suggested its findings were evidence that households have been doing a 'subscription audit' following the lifting of pandemic restrictions and, latterly, as a result of cost of living pressures.

The vast majority of our respondents (93%) report a greater awareness of the amount they spend on subscription services compared to 12 months ago. When asked if they monitored this type of spend back then, a slightly smaller proportion (86%) said they did. This uptick is largely driven by UK consumers. The group most likely to say they are aware of their exact spend on subscriptions right now are those aged between 35-54 years old.

But despite this increase in claimed awareness of exact spending on subscriptions, just under half (46%) of all subscription consumers say they are spending more on these services compared with a year ago. This trend is particularly marked among 18-24 year olds, 53% of whom report spending more now than a year ago.

When asked why they increased their subscription spend, many cite the increased cost of living, alongside inflationary price increases.

“Even if most businesses won’t admit it, a big part of why subscriptions are so appealing to C-suites and investors is because most people will end up paying for more than what they use.

But as consumers are more connected and have a better understanding of where each pound is going, there will be more clarity and scrutiny on their subscriptions.”

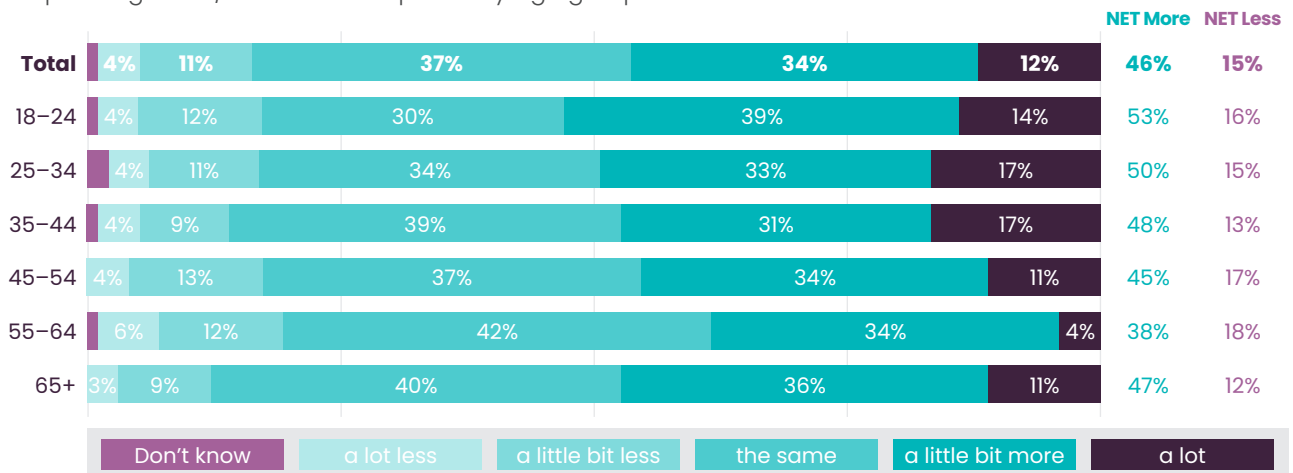
**Eric Fulweiler**

Founder & CEO, Rival



## 18 to 24 say they are spending MORE on services compared to 12 months ago

I am spending more/less on subscriptions by age groups



<sup>1</sup> [lloydsbankinggroup.com/media/press-releases/2022/lloyds-bank/over-a-million-subscriptions-stopped-by-customers-as-households-feel-the-squeeze.html](https://lloydsbankinggroup.com/media/press-releases/2022/lloyds-bank/over-a-million-subscriptions-stopped-by-customers-as-households-feel-the-squeeze.html)



**71%** of British consumers earning less than £20,000 per annum report the increased cost of living as the main reason to consider cancelling their services

**Difficult financial choices**

For those on the lowest incomes, there is a key difference in the reasons cited for likely cancellations between US households and their UK counterparts. Almost three quarters (71%) of British consumers earning less than £20,000 per annum report the increased cost of living as the main reason to consider cancelling their services.

Meanwhile, only a third of American consumers on the lowest incomes – those earning less than \$15,000 per annum – report this reason as the primary factor. By contrast almost three quarters of US consumers in this income bracket say it is in fact the increasing cost of the services that is causing them to consider ditching them.

**Values and attitudes**

**From ownership to access**

The consensus view from the market practitioners we surveyed is that the transition from ownership to access is complete.

This trend appears to resonate most closely with Gen Z and millennials. These demographic cohorts are driving a seismic shift in how consumers engage with brands, banking and other retail-facing financial services.

Gen Z and millennials have come of age in an environment where renting, rather than buying, is a default choice. This may also reflect the finding that, for many, a person’s social status is no longer defined by what they own.

Additionally, it is possible that these choices and attitudes are the result of demographic changes that may have dissolved the default assumptions made by the previous two generations around the feasibility of home ownership and the ease of saving for retirement.

“We have seen the shift from an ‘ownership’ to ‘subscription’ mentality rapidly accelerating in both Gen Z and millennials, which is driving greater consumption of digital subscription services.

It is also driving customer experience expectations ever higher. If, as a provider, you are unable to provide an intuitive, contextual, personalised and engaging customer journey, it’s highly likely you will be rapidly exchanged for another provider who can.”

**Matt Williamson**, *Banking and Fintech Futurist and Industry Advisor*



“Gen Z and millennials are already pre-programmed to rent rather than buy. They exhibit this in their choice of how and where they live, how they travel and how they use devices to communicate. 68% of adults believe a person’s status is no longer defined by what they own.”

**Leon Daniels OBE** *Vice President, Chartered Institute of Transport, former MD, Surface Transport, Transport for London*



As a result of this cultural shift, many Gen Z and millennials' expectations for greater control, better user experience, more personalisation and value are rising. Many of the leaders contributing to this report argue that over the longer term, consumers' expectation of a flawless customer journey will likely dictate their choices more than product-related factors.

In addition, the shift in both consumer and enterprise software platforms from a static purchase to a software-as-a-service (SaaS) delivery model reinforces that customers' expectations around user experience, choice and customer support are continuously evolving.

The business leaders highlight that, in practical terms, in order to meet these expectations, subscription businesses need to better understand their customers' functional and emotional needs.

As users come to accept the fact that the digital services they use are learning increasing amounts about them and that their data is part of the value exchange for services, they expect this information to inform a first-class customer journey. That means better user experience and more personalisation.

### **Influencers and long-term relationships**

Consumption habits are moving towards an environment where customers, in both consumer and business markets, are no longer simply looking to buy products from trusted sources, but are looking for a longer-term relationship with these sources to learn from them.

**"What we are seeing now is that consumers are much more comfortable with the idea of subscribing – they know how to sign up and how to cancel; they understand the utility, but their expectations are also correspondingly high. Whereas during COVID the value proposition revolved around convenience and access, during the cost of living crisis the proposition has to demonstrate value for money."**

**Gabrielle Hase**, *Non-Executive Director, Planks Clothing, Tate Enterprises, K3 Business Technologies, UltraCommerce*



**"With subscription revenue models, companies have access to more information about the end user, versus product-based models where it's a one-off interaction, and will need help making sense of and ensuring they can get value from the data available. Conversely, customers will expect more personalisation in their offers, given the stronger relationships with merchants and service providers."**

**Tasha Chouhan**, *UK & IE Banking Director, Tink*



**"In the long-term, we are going to see a rise in the knowledge economy as people invest more in learning from people they trust online. This is Influencer 3.0 where we no longer want to just buy products from people we trust, we want to learn from them as a trusted source of information."**

**Andy Ayim MBE**, *Founder, Angel Investing School*



“Consumers are thinking long and hard about the choices they are making – which subscriptions are truly important to them? Which ones can’t they live without? They want more control and flexibility in the subscription model. They want to have the ability to adjust their preferences based on their individual circumstances. In the past these models were based on long-term contracts with very little flexibility or choice.”



**Clinton Foy**, *Head of Business Development, Clear Factor*

This has consequences for the marketing, sales and retention strategies adopted by subscription businesses.

While our leaders disagreed as to whether Gen Z should be treated as a single block for the purposes of understanding their consumption behaviour, attitudes and priorities, they agreed this cohort values brand image and transparency alongside UX and personalisation.

### Control and flexibility

With the cost of living likely to continue impacting both discretionary and non-discretionary decisions over the coming months, the emphasis on flexibility around the way in which subscription spending can be controlled is a key concern across a wide variety of age and income demographics.

This means the ability to instantly adjust their product preferences based on their personal circumstances. Consumers are using subscriptions to manage their spend flexibly month-to-month. The pandemic rapidly accelerated the adoption of subscriptions and shifted consumer behaviour, and this subscription mindset has now become firmly entrenched.

The need for convenience and flexibility means that subscription customers expect to manage their subscriptions – and their recurring spend – fluidly.

Based on the desire for both flexibility and control, it is therefore understandable that three in four subscription customers (74%) say they would be interested in a single app to manage all their subscriptions in one place.

“A key trend is the expectation of authentic behaviours and values from the provider. With traditional brand loyalty having waned, Gen Z and millennials are looking at providers that authentically align with their own core values.

ESG has become a topic of huge importance to the next generation’s social construct in the past two years. Many institutions have been caught out ‘greenwashing’ – publicly implying they want to, and are creating change, when they are still investing in damaging (but highly profitable) ventures.”

**Matt Williamson**, *Banking and Fintech Futurist and Industry Advisor*



“The pandemic shifted consumer behaviours and societal trends to favour a subscription-based model. It shined a light on the need for greater flexibility, something that can be observed from increased trends in working from home among employees. We are seeing that the cost of living crisis is only emphasising these trends. Consumers prefer paying variable amounts per month rather than being tied down to payments. Subscription models offer consumers the chance to pay for their needs on a month-to-month basis, without the worry of their future financial situation.”



**Stella Smith**, *Founder & CEO, Pirkx*

## Predictions

### 1. Consumer interest in omnichannel subscription offerings will continue to grow.

Against the backdrop of cost pressures and continuously evolving expectations around the ease of the customer journey, consumers are likely to express increasing levels of interest in omnichannel, bundled offerings and marketplaces where several providers make their services available within a single, shared platform. Consumers want ease and consolidation centred around their needs. They expect a convenient 'all in one' experience rather than individual experiences on brands' own platforms.

### 2. The 'Influencer 3.0' era is coming.

Consumers and business customers are looking for longer-term relationships with trusted sources of information and thought leadership. This may lead to more subscription offerings incorporating experiential components, including events and increasing levels of one-to-one interaction with certain influencers.

### 3. The subscription economy and personalisation will expand into new verticals.

The subscription economy and personalisation will likely continue to grow across a wider range of business verticals and will re-shape the way in which businesses make both operational and capital investment decisions over the coming years. Consumers in younger age groups are likely to value and increasingly rely upon financial products that offer them more control and convenience over their financial lives. This will include fintech products that make greater use of more sophisticated open banking technology, further enhancing the trend towards personalisation.

"Subscriptions are here to stay but consumers also like choice so they won't choose subscriptions for everything. Businesses need to determine if the subscription model is actually the right model to offer or if they are doing it because of the buzz. They need to offer value for commitment, and value does not necessarily mean discounts.

If you have a barrier to entry of a high cost such as a machine requirement, subscriptions can be a great tool to enter a market where the household purchase of a machine can be spread through a subscription model. This gives some businesses a chance to approach markets they may have struggled to enter before. Subscriptions will certainly grow in the medium to long-term."

**Daniel Sharp**, Head of  
Global Sales  
& Marketing,  
Halo Coffee



## Strategic recommendations

### 1. Meet consumer demand for an 'all in one' subscription management solution.

An 'all in one' solution to help consumers manage their subscriptions and recurring payments can help consumers tackle the increased cost of living. Such a solution will succeed only if it gives consumers more control over their finances during a time of inflationary price rises.

The target market for this all-in-one solution should be those who are time-poor and spending more on subscriptions. Based on our research, this is typically the younger age demographic, particularly those aged 18-44 years old.

Although brands place emphasis on investment, acquisition and retention in their own platforms, there is a consumer expectation for consolidation, and given the plethora of subscriptions, the modern consumer will inevitably seek to manage these in one place to save time.

### 2. Foster both individuality and community to appeal to Gen Z.

Subscription providers should avoid treating Gen Z as a single, monolithic block when formulating marketing, sales and retention strategies. This means tailoring communications and propositions based on in-depth, narrower demographics and consumption behaviour, rather than a blanket approach based simply on age.

However, what is clear from our research and our contributors' insights is that the Gen Z age group has a statistically higher propensity to place importance upon a brand's image, transparency, community and values. There is also an emphasis on individuality and interacting with brands on their own terms, in different channels and being able to self-serve when needed. The importance both of individuality and community is also reflected in insights we gained from the creative industries.

### 3. Moving from a culture of ownership to access means prioritising personalisation and user experience.

Personalisation and greater investment in user experience will be key to meeting consumer demands within a landscape characterised by ever growing and evolving expectations. Approaches to personalised service and customer experience should extend to pricing and customer-centric retention strategies.

"I feel musicians and artists are seeing the reality of investing time into social media and pushing streams and so are putting that energy and creativity into finding and fostering artistic communities. A great example of this is the indie (local/global) radio station dublab - that broadcasts out of LA, São Paulo, Cologne, Barcelona and Tokyo to the rest of the world - where you are seeing music reuniting with the wider arts community both over the airwaves and in-person via deep, intentional, and highly non-algorithmic programming. So we need more antidotes to the algorithms because that's what moves us."

**Beatie Wolfe**, *singer and songwriter*



## 2. Subscription business trends

### How are subscription businesses responding to this environment to drive acquisition, retention and growth?

While the previous section outlined the factors influencing consumer attitudes and circumstances impact their decisions around subscription delivery models, here we explore how subscription businesses are interpreting consumer behaviour.

Subscription businesses should formulate strategies to create meaningful, mutually beneficial relations with consumers, while empowering them to have more control.

### Key points

The rapid growth in subscription adoption observed through Covid-19 is now being flattened by the subsequent effects of both an economic downturn and the cost of living pressures many developed economies are now witnessing.

Analysts anticipate consolidation within the subscription economy, particularly in the streaming and video-on-demand verticals. This is likely to impact both the value proposition to the consumer and between providers within the marketplace. In VOD and digital media, smaller content producers may either be forced to exit the market or become subsumed into larger players via increased mergers and acquisitions deal flow.

Subscription services in some market verticals are facing marked downwards pressure compared to others. Video streaming (SVOD) faces increasing competition, the growing popularity of advertising-backed streaming services and rising production costs.

Almost seven in ten (68%) of the 50 leading subscription businesses we surveyed told us that retention is their 'top strategic priority'. These contributors told us that they see retention as a tool to increase customer loyalty.

These same decision makers believe that customers have far more competitive choices in the marketplace now. One in four providers (26%) say that the main reason they observe for customer cancellations are 'switching to a competitor's product'.

Discounts are still the most readily used retention solution which merchants use to stop customers from churning.

Most subscription businesses believe that any truly effective retention solution should be customer-centric. Only by truly leveraging known customer behaviour can the business have a chance to retain customers.

One size does not fit all. Having a variety of retention models in the background enables the business to generate a customised offer for the customer. Making the customer feel like they are getting a personalised offer often generates a greater level of loyalty towards the brand.

Retention solutions should utilise dashboard functionality – enabling real-time analysis of customer history.

# 68%

of the 50 leading subscription businesses we surveyed told us that retention is their 'top strategic priority'



# 5.7%

year-on-year reduction in spending on subscriptions as a whole, from May 2022 according to recent research from Barclaycard<sup>2</sup>

## The market landscape today

One of the biggest trends is the flattening of the exponential growth of subscriptions observed throughout COVID due to the current economic downturn and cost of living pressures.

Consumers looking to cut costs are placing subscription services under more scrutiny than they did 12 months ago because of their recurring and discretionary nature.

Recent research from Barclaycard<sup>2</sup> shows spending on subscriptions as a whole fell by 5.7% year-on-year from May 2022, with the UK lender attributing this decline to the cost of living crisis taking a stronger hold over household budgets.

Subscription services in some market verticals are facing more downwards pressure than others. Video streaming faces a trio of key challenges. It finds itself buffeted firstly by the increasing competition and a saturation of paid providers, the growing popularity of advertising-backed streaming services and rising production costs.

The sheer amount of choice in this domain has led some of our leaders to describe video streaming services' key obstacle in this competitive landscape as the increasingly 'watch and go' mentality of consumers.

"Profitwell, a pricing consultancy, carried out a survey with 26,000 subscription companies and found that, since 2022, the pancaking pattern has been observed throughout the industry.

Within news publishing we find this pattern to be practically identical. The skyrocketing numbers of new digital subscribers observed during the pandemic have now plateaued, and have returned, in general, to growth rates observed pre-pandemic in 2019."

**George Adelman,**  
Principal, FT Strategies



"Cutting costs and subscriptions is the obvious one. As pressures grow on cost of living, both from rising costs of key goods/services and inflation, there will be more scrutiny on all costs, particularly discretionary and recurring ones with longer-term commitments."

**Eric Fulwiler,** Founder & CEO, Rival



## Here to stay

This flattening in subscriber growth does not, however, mean that consumers are rethinking the value of subscriptions as a delivery method for products and services they either desire or need.

While this 'access' focused delivery model won't be for everyone, our research emphasises that the subscription model is enduring.

Long-term evidence suggests that as markets mature within different digital content verticals, we tend to see an increase in the numbers of digital subscriptions, as digital literacy increases and business models become more sophisticated and targeted. However, it is important to note that subscription growth will vary by category.

## Consolidation and bundling

A second major trend identified by our research is the anticipated consolidation of the subscription market, particularly in the streaming and video-on-demand verticals.

This is likely to manifest itself both in the value proposition to the consumer and between providers within the marketplace. Our experts suggest that the current high interest rate environment and the subsequent increase in borrowing costs lowers the availability of capital to smaller market players.

These interest rate factors, combined with analysts' forecasts of an impending global recession, mean that these smaller content producers may either be forced to exit the market or become subsumed into larger players via increased mergers and acquisitions deal flow.<sup>3</sup>

"It's no surprise that companies seeking to create a meaningful and ongoing relationship with their customers have invested heavily in developing subscriptions as a new line of business.

Greater frequency of purchase equals greater loyalty, which in turn equals higher lifetime value and, as a result, greater enterprise value; the model makes sense."

**Gabrielle Hase**, *Non-Executive Director, Planks Clothing, Tate Enterprises, K3 Business Technologies, UltraCommerce*



"More personalisation and being easy to access are very important to younger generations. The cost of living crisis in the UK will surely affect the rate of subscription cancellations. It will also make young consumers more selective and prone to 'freemium' subscription models.

Is that bad? Not always. Ultimately this separates firms and services that deserve to survive from those that don't, while sorting the bad ones out of the market."

**HeeJung Jung**, *Assistant Professor of Entrepreneurship, Imperial College Business School*



<sup>3</sup> <https://www.refinitiv.com/perspectives/market-insights/two-year-ma-boom-runs-out-of-steam/>  
<https://www.ft.com/content/7fd1e056-b612-445e-a4bb-c03a7404a925>  
<https://www.ft.com/content/59e7e32b-66b5-4fe8-8a7b-1da57adfd556>



While some of this anticipated market consolidation may well be opportunistic, our business leaders observe a greater interest in partnerships between businesses that wish to co-create collaborative ecosystems.

Some have suggested that this strategic collaboration may take the form of content sharing, joint ventures for the creation of new technology solutions or joint advertising sales functions.

For consumers, this is likely to mean an increase in the number of bundled offerings covering a variety of content verticals, services or products, the most high profile example of which is Amazon's Prime service. Separately, it has been reported<sup>4</sup> that Disney is exploring how to bundle its theme park benefits alongside its Disney+ content subscription service.

Providers that invest in this bundled offering strategy are more likely to survive the current wave of macroeconomic uncertainty.

At the same time, consumers will seek out these types of bundled subscriptions. They are looking to make their money go further at a time when everything from basic household necessities to energy bills and out-of-home entertainment are going up in price.

**"A recession will have a marked impact on the ability of content producers to sustain current levels of spending.**

**Moreover, current hikes in interest rates to help slow down inflation will increase borrowing costs, which in turn will lower the availability of capital.**

**The lack of lower-cost financing has implications for the merger and acquisition picture in the subscription economy and the ability to finance expensive content productions. It could force smaller players to exit the market and slow down less well-established players launching or scaling subscription propositions.**

**This gives the advantage to more mature players that do not need to borrow to finance expansions but rather can finance through their current revenues."**

**George Adelman**, *Principal,*  
*FT Strategies*



**"We are seeing an explosion of collaborative ecosystems containing what were once competitors now having to accept they need to work together to remain relevant.**

**It is highly likely we will see casualties from incumbent late movers being consumed through M&A purely for the customer base, not the technology. Or they will simply cease to exist because they are no longer relevant.**

**This growth is ultimately driven by the consumer, who has become used to digitally acquiring and assessing information quickly, making decisions and acting on them in their personal life."**

**Matt Williamson**, *Banking and Fintech Futurist and Industry Advisor*



## 'Churn and return': how can brands drive consumer loyalty?

A key consequence of the plateauing in customer growth outlined above is that the majority of subscription businesses now agree that customer retention is their primary strategic goal.

These subscription business decision makers say that the main reasons they observe for customer cancellations are 'switching to a competitor's product' (26%), 'subscription price increases' (20%), and 'poor customer experience' (20%).

A broad consensus is that a successful retention process can lead to a reduction in customer issues and complaints, which should then translate into increased revenues and clearer company strategies.

"The SVOD model is likely to evolve beyond a purely transactional relationship, with a growing need to improve perceived value in order to drive engagement and increase retention as well as establish competitor differentiation. This might be achieved by offering bundled additional products and services as part of the overall proposition. For example, Curzon offers a membership which includes both cinema tickets and access to its streaming service whereas some sports entities discount or combine their SVOD service as part of club membership schemes including season tickets."

**Jon Lazarus**, Content Strategy & Streaming Media Specialist, Managing Partner, Carousel Entertainment



"The subscription business executives we surveyed agreed that any solution should be customer-centric. Leveraging and learning from customer behaviours during the subscription period would help to customise potential offers to stop customers from churning."

**Gurdev Potiwal**, Associate Director, Savanta



"Because managing many subscriptions is an administrative burden, I believe there is a finite amount that any one consumer will buy, so each one has to truly prove its relevance and worth.

Consolidation will happen, and the ones that win will be those that demonstrate a truly unique offer or superior service."

**Gabrielle Hase**, Non-Executive Director, Planks Clothing, Tate Enterprises, K3 Business Technologies, UltraCommerce



# 66%

Half of the subscription businesses we surveyed acknowledged that their churn rate – the rate at which customers cancel their subscription over a given period of time – is higher this year than it was last year. An identical proportion of respondents also agreed that they are worried about a global rise in subscription cancellations right now.

So how can subscription businesses drive customer loyalty in an environment where a range of market verticals face more competition than ever before?

### Discounts

Discounting, a traditional retention strategy, is still the most readily used tool by merchants to stop customers from churning, with almost two thirds of merchants (66%) saying that giving users discounts is the best tactic to win back churned customers.

The retention solutions that are used the most are discounts (58%); options to pause subscriptions (52%); offers based on the reason for cancelling (36%); and offering upgrades (36%).

The option to pause the subscription is seen as the most effective of these measures by 40% of respondents. 'Pause' functionality is seeing more widespread use for businesses and while it can provide customers the flexibility to manage the subscription on their terms, it is comparatively easier for a business to re-activate the relationship with an inactive customer than with a lost customer.

### Consumers want choices beyond cancelling

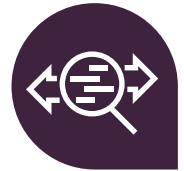
Our survey results also reveal that consumers want holistic subscription management functionality. Rather than having a binary 'on/off' mentality toward subscribing and cancelling, consumers prefer having choice and flexibility. Many consumers would rather pause or change their subscription plan or accept an offer than cancel their subscription outright. Therefore it is clear that subscription businesses should give customers more choice and flexibility in order to retain them.

### Proactive engagement and transparency

As consumers become more aware of their subscription spending, they are increasingly seeking pricing and billing transparency from subscription providers.

This means businesses cannot simply rely on what one contributor refers to as 'consumer whales' – customers who forget how much they are spending.

## Here is a selection of the observations given by our respondents:



"I feel that retention is associated with customer life-cycle management. Issues customers face can be reduced by using a retention solution"

"The long-term relationship between a business and customer is maintained by using a retention solution"

"Increase in revenue through optimised retention practices and more value for money overall"

"Clearer perspectives about retention measures. Knowing what's working best for the company and what strategies are not working with clients"

*A selection of comments from subscription businesses surveyed*

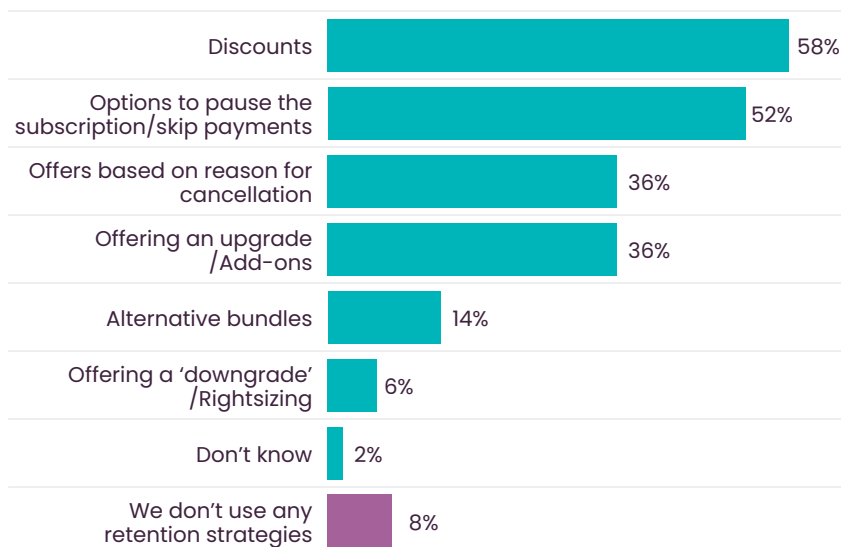
In order for subscription businesses to respond successfully to these rising consumer expectations, they will need to make substantial investment in improving both their pricing models and their user experience.

This investment in proactive transparency will benefit those businesses who adopt this approach most robustly, and not simply in the short-term. If a consumer is happy with their brand experience, in the event that they cancel due to changing financial priorities, that positive brand image increases its re-acquisition chances further down the line. A seamless cancellation experience also increases the likelihood of a customer resubscribing.

### A customer-centric approach

Our research also found that firms are increasingly investing in personalised retention strategies, such as giving customers personalised offers based on their reason for cancellation. Just over a third of respondents (36%) told us that they offer such a solution.

### What retention solutions do merchants use?



# 58%

offer *Discounts* and **52%** give *Options to pause subscriptions/skip payments* – these are the two most common retention solutions currently used.

**"In times of financial crunch, subscription businesses need to be proactive rather than reactive in helping customers find the best pricing for them. This could mean more transparent ways in which businesses 'rightsize' their audiences to lower price points, while also making unsubscribing easier for them.**

Our research finds that people who have had an easy cancellation experience keep the brand in higher regard and are more likely to resubscribe once they are able to do so.

Against this backdrop, subscription businesses could benefit from launching the option of pause buttons as a way to help customers better control their subscription spending.

In recent client work with publishing clients across EMEA, we have seen a particular rise in interest in launching pause buttons as part of their wider retention strategy."

**George Adelman,**  
Principal,  
FT Strategies



**36%** offer retention strategies, such as giving customers personalised offers based on their reported reason for cancellation

Our business leaders agreed that in order for a retention model to be successful in reducing churn and growing revenue, it needs to be customer-centric.

This points to several strategies. Subscription businesses should have a variety of retention models in the background to generate customised offers. This, in turn, can help generate a greater level of loyalty as the customer sees that the provider is responding to both their material and emotional needs.

Making it easy to both sign up as well as cancel is a clear 'hygiene factor' to running a successful subscription business.

Our leaders point to offering potential customers as many ways to pay as possible as key to enabling growth and a satisfactory customer experience.

This means a connection to all major banking platforms and, crucially, making it easy to pay by mobile and digital wallets. Enhanced deployment of digital wallets and open banking technologies also empowers consumers not only to pay easily, but also to retain a clear overview of their subscription spending.

### Personalisation and flexibility

Giving consumers more space and flexibility in their subscription purchasing decisions is another potential pillar in a successful retention strategy identified by both our respondents and our business leaders.

Customer experience and pricing mechanisms are two particular areas identified as being ripe with potential for personalisation, highlighting the vital role that individual customer behaviours play in informing successful retention and growth strategies.

In addition, some of our leaders suggest that usage-based pricing could soon become an increasingly popular proposition for subscription-based businesses, in addition to the buy-now-pay-later (BNPL) schemes that are proving effective with customers.

### Effective subscription management

While retention has been cited as the primary strategic priority for subscription businesses, another key priority not far behind is a desire to improve the handling of payment issues, with 58% of respondents highlighting this imperative.

A broad consensus was that a successful retention process can lead to a reduction in customer issues and complaints, which should then translate into increased revenues and clearer company strategies.

All respondents say they use some form of subscription management platform, many of which incorporate retention solutions.

"Do you integrate with Paypal, Apple Pay, Google Pay? Are you making it easy for your customer to purchase on their phone or device? If not, you are dropping potential customers. The same goes for subscriptions. Make it easy."

**Daniel Sharp,**

Head of  
Global  
Sales and  
Marketing,  
Halo Coffee



"Enhanced flexibility and personalisation of products and customer experience will remain key for continued success."

**Jane Houghton,**

Growth  
Advisor and  
Director, JH  
Consulting



# 72%

of businesses we surveyed said it is important to offer customers ways to manage or change their subscription, rather than cancelling

Three in five (60%) of businesses we surveyed told us that they would be willing to pay for a new retention solution in order to save up to 5% of their customer base from churning.

Just over seven in ten (72%) said it is important to offer customers ways to manage or change their subscription, rather than cancelling. 53% agreed it is important to focus on finding ways to decrease voluntary churn.

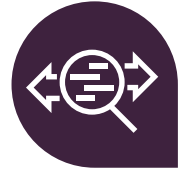
### No 'one size fits all' solution

One of the most important requirements specified by subscription business decision makers is the need for customisation to be at the heart of their retention model, giving businesses the flexibility to tailor customer-centric retention tactics.

They are seeking to break down complex analytics into easily digestible insights. There is broad agreement that knowing and understanding the behaviour of customers will help retain them.

Respondents were vocal in their advice for businesses. Key themes include the desire for solutions that can effectively make use of customer histories.

### Respondents' insights:



"I think that it is best to provide insights and advice on renew subscription brackets based on the customer interests in the past"

"My advice would be to rely on advanced analytics to gauge subscription payment efficiency and customer satisfaction levels"

*A selection of comments from subscription businesses surveyed*

# 86%

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



## Predictions

### 1. The use of artificial intelligence to aid personalisation will increase.

As subscription management platforms become more technically sophisticated, those most effective will be deploying predictive models to discern when a customer might be looking to leave, based on trended past behaviour. They will then be in a much stronger position to 'nudge' the relevant customer back with a micro-tailored retention solution.

### 2. Subscriptions will become more embedded in consumers' lives through use-based pricing.

Companies anxious to retain customers during tough trading conditions may pursue new pricing strategies designed to acquire new customers in a way that lowers barriers for them to join and leave in a flexible way. For some market verticals, this may mean that use-based pricing mechanisms could prove to be viable and effective.

### 3. There will be fewer standalone providers within streaming-based video-on-demand services as consolidation takes hold.

The impact of high interest rates and forecasts of recession across many developed western economies may see some smaller entrants either forced to exit the market or become absorbed by larger, more mature players, resulting in a slight reduction in the number of standalone streaming services in the market.

While some of this anticipated market consolidation may well be opportunistic, those providers who make strategic acquisitions to bolster their offering to omnichannel-favouring consumers will find growth opportunities.

"Consumers want freedom and flexibility across all aspects of their lives. From services such as Spotify and Netflix, and ClassPass gym access and car leasing, we can see a decreased desire to own things. Consumers are also gravitating increasingly towards self-improvement services and choosing to pay for them in a way that suits them. The personalisation of subscriptions is vital for granting customers the ability to choose what works for them."

**Stella Smith,**  
Founder &  
CEO, Pirkx





## Strategic recommendations for subscription businesses

### 1. Develop practical strategies to enable a flawless customer journey.

Retention is the primary strategic objective for virtually all the subscription businesses we spoke to over the course of our research. As a result, many providers are examining more customer-centric approaches towards pricing and the customer journey.

By re-examining each aspect of a customer's user journey and eliminating pain points, businesses can position themselves for long-term success, even during challenging times. Make the payments experience frictionless and don't underestimate how important this is to the overall brand experience.

### 2. Use personalised pricing and language.

Businesses should use solutions which enable seamless customer prompts based on sophisticated customer behaviour modelling. Having a variety of retention models which can be deployed simultaneously will be a key strategy for businesses to maintain their current market position.

Appropriate prompts should always be deployed in the correct way for the correct audience. Using language rooted in effective behavioural psychology can assist businesses in their efforts towards cultivating increased levels of customer loyalty.

### 3. Bolster your brand image and provide choice and convenience for your customers.

Certain consumer demographics, particularly those within the 18-44 age segments, are increasingly concerned about a service provider's brand image, reputation and transparency.

Ensure that ample time, resources and strategic thinking are deployed to communicate effectively and engage with existing and potential customers.

Gen Z and millennials are also seeking self-serve and convenience. They want to engage with brands on their own terms in whatever way they choose and are seeking consolidated, 'all in one' solutions, rather than engaging with brands in their own websites and apps.

In order to succeed with these customers, businesses must be prepared to think first and foremost about what consumers want and enable them to engage with brands in platforms that consolidate subscription management. The focus should always be on making the experience as easy and seamless as possible for consumers. Give consumers as much choice and flexibility as possible, including options beyond simply cancelling a subscription. Consumers prefer to pause and resume, change subscription plans and accept offers.



## 3. Financial services and fintech

We have so far explored how consumer attitudes, habits and priorities have shaped the subscription economy and the approaches that subscription businesses can take to retain customers, solidify their market positions and form long-lasting relationships in a competitive market against a backdrop of wider economic uncertainty.

In order to deliver customer-centric retention strategies and empower customers to take control of their finances, subscription businesses need the right infrastructure.

Innovative banks, fintechs and payment providers are well positioned to equip subscription businesses with the tools, platforms and payment mechanisms to enable them to make the most of their offering.

Given the current economic climate and its impact on household budgets, responsible banks, fintechs and payment services providers should be gearing up to empower consumers with more information about their finances and the tools they need to stay in control of their finances.

### Key points

Subscription businesses are increasingly looking to their financial services partners and payment solutions providers to help them in their mission to provide proactive transparency in their interactions with customers.

The banks and fintechs best able to meet these increasingly sophisticated technical and UX requirements will benefit financially over the coming years.

Subscription businesses are increasingly looking to leverage personalisation in pricing – a strategy that requires a range of key technical capabilities, particularly around the way in which user data can be analysed to anticipate consumer behaviours around retention.

The prospects around the uptake of these increasingly intelligent solutions are very strong, given the existing popularity of banking and personal financial management apps that already harness users' transaction data via open banking APIs and common data standards.

There is also consumer demand for consolidation. Half of consumers aged 18–44 say they would consider switching bank accounts to have subscription management in their bank app. One in three respondents across all age groups agree.

Subscription businesses are seeking to enhance real-time analysis of customer usage data to unlock the creation of prompts to influence customer behaviour effectively.

Subscription businesses' main pain points revolve around payment issues – particularly lengthy processing times and delays experienced by consumers who expect a seamless payment experience.

# 50%

of consumers aged 18–44 say they would consider switching bank accounts to have subscription management in their bank app

**36%** of US millennials say they bank primarily digitally

## Delivering proactive transparency

Subscription businesses believe proactive transparency in the way that they relate to their customers is critical. By ensuring customers are happy with their user experience and interactions, subscription businesses can increase brand image, loyalty and win-back. Our thought leaders agree this is also true for financial services providers.

## Pricing and payments

Businesses need to make every aspect of the customer experience seamless, convenient and intuitive, particularly in the domains of pricing and payments. With personalised pricing emerging as one potential avenue to aid with both acquisition and retention, such a strategy requires systems that can intelligently identify the customer's needs, with the right user information, at the right time.

Financial services and fintech brands that are best able to meet these increasingly sophisticated requirements will be those who can ultimately benefit from growing their client-base over the long-term, while being seen to help consumers better understand and manage their own finances.

By leveraging fintech tools, automation and self-serve, banks can provide a better customer experience and also seek to reduce the operational costs of handling subscription-related payment enquiries and disputes.

"Fintech is the crown jewel of the UK tech and financial services sectors, and consumer trust has been key to its success to date. The fintech community's approach to transparency and its focus on the customer has paved the way for its growth.

Providing consumers with tangible solutions to help them in their everyday lives is at the core of many fintechs' propositions. Fintech enables people to better understand, grow, and manage their money, often in an easier, cheaper and more transparent way. Companies such as Minna Technologies have implemented innovative solutions for consumers to monitor their subscription spend and take control of their finances.

We welcome this important report as it shines a light on how subscription businesses are increasingly looking to partner with fintechs to provide better, more transparent services to their end customers."

**Janine Hirt**  
CEO, Innovate Finance



"One bank we spoke to received upwards of 90,000 calls per month just from customer enquiries about subscription payments. It's just one example of how the exploding subscription economy for consumers is placing added cost pressure on banks."

**Michael McFadgen**, Partner,  
Element Ventures



Some pricing strategies and payment mechanisms suggested by our thought leaders, including usage-based pricing, embedded finance or buy-now-pay-later schemes, will all need a strong, secure and user-friendly infrastructure to make a tangible impact with consumers and subscription businesses.

Financial institutions can leverage fintech partners to help mitigate risk and streamline and enhance operational efficiency by enabling customers to self-serve and reduce the back office burden of high call centre volumes, payments disputes, payment failures due to blocked card payments, card replacement costs and other issues. This is an opportunity for financial institutions to streamline their services and reduce operational costs, while providing customers with a seamless experience.

FT Strategies notes, "Every challenge presents an opportunity, and we think subscription businesses as a whole will be thinking even more strategically around personalisation - not only from a product lens but also in terms of pricing, whether that is introducing usage-based pricing, flexible billing cycles, or buy-now-pay-later schemes."

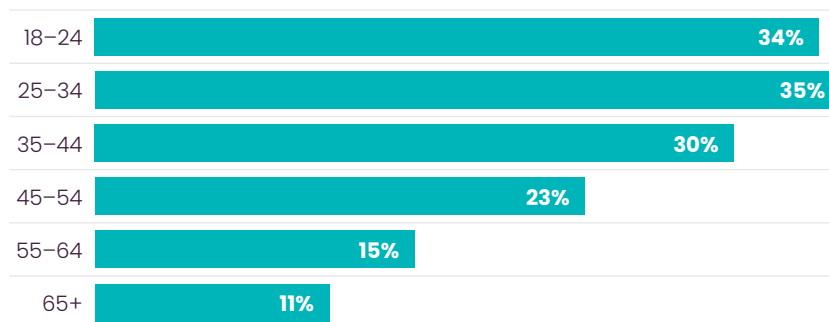
**The vital role of transaction data**

Many fintech products can already leverage users' transaction data via open-banking application programming interfaces (APIs) and common data standards to better understand customers' spending patterns and empower people to improve their finances.

Popular personal financial management apps and app-based savings providers, such as Plum in the UK and Acorns in the US, already leverage users' transaction data using algorithms and automation to help customers determine how much they can afford to deposit in savings over the course of a billing cycle.

There is clear demand, particularly from younger age demographics, to manage personal finances and spending in app-based digital platforms. These tools can empower consumers to have increased visibility, monitoring and management of their recurring spend.

**Young consumers prefer mobile payments/digital wallets**



"The wave of subscription adoption, accelerated by COVID, has had a derivative effect on the banks' balance sheets, has interrupted the digital self-service experience customers demand and has increased banks' risk profile. UK and US banks are allocating budgets to correct the trend, implementing solutions to simultaneously serve their customers while streamlining end-to-end services and reducing operational costs to support the subscription economy."

**Joakim Sjöblom**,  
Co-founder  
of Minna  
Technologies



"Banks, fintechs, energy companies and others need to leverage the abundant data and sophisticated tools to help customers make better choices - not pushing solutions on them but offer them tools of empowerment to improve their financials - and track the results."

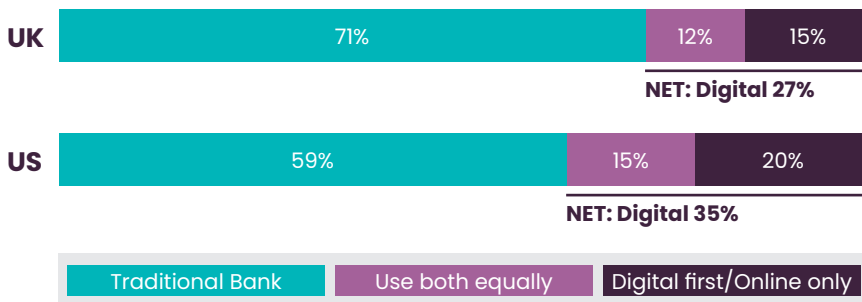
**Håkan Ludvigson**,  
CEO & Co-founder, Eliq



Our consumer survey has found that in the UK and the US, those aged 18-44 are most in favour of using digital solutions. Furthermore it is US fintechs leading the charge here, with over a third (36%) saying they bank primarily digitally.

The rising trend of multi-banking, with customers using traditional and digital-first banks equally, shows that customers are actively exploring and comparing bank and fintech providers. Their user experience and engagement will ultimately determine where they consolidate their transactions and which bank becomes top-of-wallet.

### Traditional and digital banking



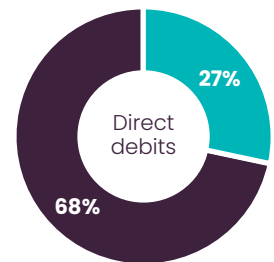
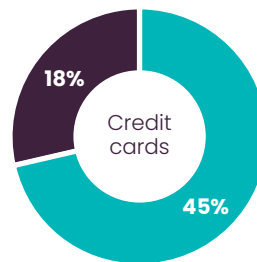
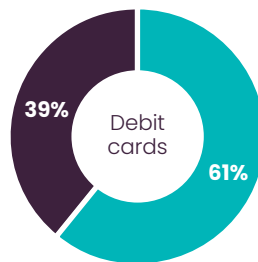
“Subscriptions are convenient, and are the right choice for many people, but for others, their proliferation can act to reduce visibility and result in a loss of control over monthly commitments. If this occurs, financial services providers are well placed to step in and help, offering tools to track and manage subscriptions.”

**Tom Bull,**  
Partner, EY



### US consumers prefer using debit cards and credit cards for subscriptions

### UK consumers prefer direct debits



“Personalisation will be key for fintechs to improve engagement with Gen Z and fintechs. Fintechs can leverage customer data to create more unique and engaging experiences in their products or services.

One example is to leverage users’ transaction data to better understand their spending patterns and empower people to improve their finances. For Gen Z, who grew up with TV on demand and next-day delivery, getting personalised insights based on their own spending habits is key to meeting not only their expectations but the ever-changing economic climate.”

**Tasha Chouhan,** UK & IE Banking Director, Tink



# 74%

of subscription customers express interest in a single 'all in one' app to manage all their subscriptions

These findings point to an environment where consumers would welcome the ability to manage their subscription accounts and payments using simple, user-friendly digital platforms.

Empowering consumers to understand and control their monthly recurring spend will be crucial amid the cost of living crisis.

Solutions should ultimately leave consumers happy with their user experience and allow feedback loops for continuous improvement.

FT Strategies observes: "Historically, organisations have been product-led and have lacked the digital infrastructure, UX, and customer feedback loops to ensure audiences are consistently satisfied with their service. This means that the roles of creative/content, data, product, tech and commercial functions need to increasingly come together via cross-functional teams that ensure audience feedback is reflected in the product, enabling them to meet changing expectations."

## Consolidation and convenience

There is a significant opportunity for banks and fintechs to capitalise on consumer demand for 'all in one' consolidation and self-serve. Consumers want to engage with brands in their own way, on their terms, in multiple channels and with a seamless experience across all touchpoints.

Due to the acceleration of subscription adoption during the pandemic and the increased volume of subscriptions, consumers are now seeking to consolidate subscription management. Three in four consumers express interest in a single 'all in one' app to manage all their subscriptions in one place. Furthermore, one in three of all respondents and half of respondents aged 18-44 say the prospect of a banking app that allows them to manage subscriptions would make them more likely to switch banks, giving retail banking brands a strong incentive to integrate this functionality into their present digital offerings.

In-app purchases and the mobile banking infrastructure connected to app stores will become increasingly important, especially with payment legislation changes in this space over the coming months.

## The consumer perception

Fintechs can help consumers have more control of their finances, while also helping the subscription businesses they use to improve each part of the customer experience.

Our research suggests that consumers would respond extremely positively to a proposition that would give them greater confidence and control over their outgoings.

"According to the consumer group Which?, in 2022 alone 2 million households will have missed a bill payment every month as people struggle to keep up with costs."

Fintechs have an important role to play here in driving down this number, by enabling individuals and SMEs to take control of their finances through providing a complete picture of household income and outgoings, forecasting possible future scenarios during a time of volatile prices, energy costs and interest rates, and potentially providing advice on ways of managing finances."

**Roberto Napolitano**,  
Director of Marketing &  
Communications, Innovate  
Finance



## What subscription businesses expect from their financial services partners

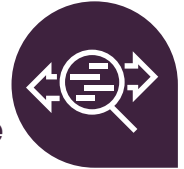
The subscription business decision makers we engaged with are unanimous about their desire for solutions that produce real-time analysis of customer usage information, automate the process of creating prompts to influence customer behaviour and personalise solutions to meet their particular vertical or proposition needs.

Subscription businesses and consumers are also frustrated with payment issues, ranging from lengthy processing times and involuntary churn due to blocked payment cards to payment disputes and failed payments.



## Mobile payments/digital wallets are more popular in the UK

## Here is a snapshot of some of the comments we received on this issue from our respondents:



“Mainly, the payment being debited from the customer’s account but not reflecting on our end”

“The time taken for a payment to reflect on a customer’s account is not always consistent.”

“Customers not being able to complete the transaction. Any technical issues midway can be a big challenge for us when it occurs frequently.”

“Clients want a simple and seamless payment experience. At times, they find the payment process lengthy.”

*A selection of comments from subscription businesses surveyed*

## How consumers pay for subscriptions in the UK and US

Debit cards	51%
Direct debits	47%
Credit cards	31%
Mobile payments/digital wallets	24%
Buy-now-pay-later (BNPL)	6%

## Predictions

### 1. **Subscription businesses will partner with financial services and fintech providers to solve payment issues and support more personalised pricing and engagement strategies.**

Subscription businesses realise that payments are an integral part of the overall brand experience. Poor payment experiences can damage brands and even affect purchasing decisions. From delayed and failed payments to blocked card payments, difficulty updating payment details and payment disputes, consumers are frustrated with payment issues, and these are also causing problems for subscription businesses – both in terms of the operational burden and customer dissatisfaction and churn.

As subscription businesses explore new pricing strategies and payment mechanisms designed to offer more flexibility to their customers, they will benefit from platforms that can offer more sophisticated data and payment capabilities.

Some of the strategies our contributors discussed – including usage-based pricing, embedded finance or different types of buy-now-pay-later schemes – will require a strong, secure and user-friendly infrastructure to make a tangible impact with consumers and the subscription businesses servicing them. Both financial services and fintech providers can play an essential role in building and optimising this infrastructure.

### 2. **Consumers will switch to banking providers who give them more flexibility and control.**

Consumers are seeking proactive support from their banks during the cost of living crisis to help them track and manage their monthly spend. They also expect a seamless customer experience and solutions that give them flexibility, control and convenience.

They are also seeking to consolidate management of their subscriptions and recurring payments. Half of our consumer respondents aged 18-44 and one-third of all respondents representing all age groups say the prospect of a banking app that allows them to manage subscriptions would make them more likely to switch banks, giving retail banking brands a strong incentive to integrate this functionality into their present digital offerings.

### 3. **Financial services and fintech providers will benefit from collaboration with partners to give consumers enhanced convenience.**

Just as subscription businesses are exploring opportunities for co-creation and collaboration in ecosystems to reach consumers in an increasingly fragmented and competitive marketplace, financial services and fintech providers are competing to become top of wallet and acquire and retain customers, whose fundamental behaviours and expectations have shifted as a result of the pandemic and other market forces.

Financial services and fintech providers will win and flourish in this new landscape if they take a collaborative and omnichannel approach, partnering with other businesses to augment their capabilities and give customers more control, choice and convenience.



## Strategic recommendations for financial services and fintech

### 1. Help give consumers flexibility and control during the cost of living crisis.

Financial institutions and fintechs that can effectively communicate that their solutions will ultimately help end consumers to exercise greater control and visibility over their finances and spending are those likely to benefit with substantial growth opportunities.

Consumers are seeking proactive insights and support to help them manage their finances and recurring payments. By providing consumers with effective, intuitive tools, financial institutions and fintechs can empower consumers with greater control and the ability to self-serve. By enabling consumers to self-serve, financial institutions can also significantly reduce operational costs and the administrative burden on the back office.

### 2. Drive engagement and loyalty by providing an exceptional user experience and intuitive user journeys.

Consumers expect hyper-personalisation and a frictionless user experience, and they are willing to switch if they aren't satisfied with their current providers. The fluidity of consumers' attitude towards brand and product loyalty is especially true for Gen Z and millennials, who do not have a binary 'on/off' attitude towards subscriptions. They prefer flexible subscription management options - for example, pausing and resuming subscriptions or upgrading and downgrading subscription plans. These consumers also cancel and resubscribe at a much higher rate, so the concept of brand loyalty is changeable.

Our survey also revealed that increasingly US and UK consumers are multi-banking and using both incumbent and digital-first banks equally, while younger generations are opting for digital-first banks. These consumers are therefore testing and comparing their experiences with incumbent banks and digital banks. In order to retain these customers in the long-term, financial institutions and fintechs need to offer compelling and engaging experiences, seamless journeys and a flawless customer experience that is both efficient and personalised.

Financial services and fintech providers will succeed if they focus on optimising the user experience and user journeys for each customer, leveraging continuous data and feedback, and enabling customers to interact on their own terms. If they listen to customer feedback and adapt accordingly and nimbly, financial services and fintech providers will excel and evolve, meeting and even exceeding customer expectations.



### 3. Reduce operational costs and increase engagement and long-term value by collaborating with partners.

Financial institutions and fintechs must partner with other businesses within the industry, as well as beyond – such as subscription businesses – to augment their capabilities, reach a wider audience and be both top-of-mind and top-of-wallet. The mentality of ‘build vs buy’ is being replaced with ‘partner in an ecosystem’. The leaders in this space do not shy away from bold partnerships – even with potential competitors and players outside of their industry – since the ultimate aim is to delight the customer and provide a flawless customer experience.

By giving consumers access to more capabilities, personalisation and tools that empower them with control over their finances, financial services firms and fintechs can build lasting engagement and drive brand value and loyalty. By offering customers the ability to self-serve, they can both meet customer demand and reduce operational costs and the cost to serve customers.

“Gen Z and millennials are no longer bound by brand loyalty, which has protected incumbent banks for decades. It used to be more hassle for the consumer to switch providers than accept poor service. Today it is feasible to download an app supplying whatever service you require, onboard and begin using its services within 5 minutes or less.

For banks and fintechs, it’s now table stakes to have a good digital experience for customers. The opportunity lies in understanding your customer and their data, creating and leveraging ecosystems that offer the best possible services of value to them, at the right moment in time – from student loans and mortgages to accessing wages early.”

**Matt Williamson**, *Banking and Fintech Futurist and Industry Advisor*



“Banks and fintechs need to build trust and show their values are aligned to consumers’ needs, especially during the cost of living crisis. They can help consumers make better choices and balance their budgets and needs in one place. It’s also about partnerships and how fintechs and banks can bundle deals with other financial services offers.

In an open data, open banking environment they can create better flexibility, engagement, offers and trust based on consumers’ needs. Fintechs and banks can offer subscription wallets, bundle deals, loyalty offers and new ways to purchase products. Open banking and embedded finance will give us more data and intelligence to drive choice and adoption across this space.”

**Clinton Foy**, *Head of Business Development, Clear Factor*



# Conclusion

In our transformed post-pandemic world where consumers and businesses are navigating challenging economic and geopolitical conditions and coping with rapid digital and behavioural shifts, it is more important than ever for subscription businesses, financial institutions and fintechs to remain relevant and add value to consumers. The unprecedented acceleration of digital transformation as a result of the pandemic – estimated between 5 to 10 years – and the indelible shifts in consumer behaviour as a result mean that businesses can no longer rely on the old strategies and tactics deployed before COVID.

The traditional barriers between industries and verticals, work and personal lives, physical and virtual, B2B and B2C, and corporate and personal values have been eradicated. With increasing convergence, consumers have reimagined the way they interact with brands, placing themselves at the centre and comparing and benchmarking all brand experiences – both business and personal – against the seamless user experience and user journeys of their favourite digital providers. Consumers expect more value, are less patient and are willing to switch to other brands if they have a poor experience that is not efficient, personalised or relevant.

Gen Z, the largest generational cohort in history, and millennials also represent a rising tide of change. These generations expect and demand self-serve, proactive transparency, community and values, hyper-personalisation and an omnichannel approach from brands. They want to engage and interact with businesses on their own terms, in whatever channels they desire, and they want the experience to be authentic, personalised and built around them, with constant improvement based on iterative feedback. If any problems or issues arise, they want them dealt with as quickly and painlessly as possible, preferably in self-serve digital channels.

As our thought leaders emphasised, there is no 'one size fits all' solution to appeal to these generations. Instead, businesses should seek to provide a user-centric experience, meticulously planned and executed and constantly evolving based on user feedback and engagement to optimise and personalise that experience for each customer. In marketing and communications, businesses should seek to leverage these customer insights and stories and build a community, rather than promote their own narratives. Businesses should seek to partner with financial services, fintech and technology providers who can augment their capabilities and enhance their ability to engage with and delight customers.

We are currently facing one of the most challenging global outlooks, and both consumers and businesses will need to adapt quickly to deal with these pressures. However, now is also an opportunity for businesses to rise to the challenge and empower consumers with the help, support and tools they need to take control of their finances and manage their budgets and services flexibly. If businesses actively engage with customers in this way and provide authentic and efficient customer-centric support and insights, they will drive long-term loyalty and value for consumers. Even if customers churn, a compelling brand experience will compel them to return.

Despite the difficulties ahead, businesses can be more relevant than ever, but they must see themselves as part of this wider, global ecosystem of the subscription economy, not as a lone brand or platform. This is a subscription universe with the customer at its centre.

A customer-centric mindset, a dedication to providing a flawless customer experience and leveraging customer feedback for continuous improvement will position your business and your customers for long-term success. At the core of the subscription economy is a strong partnership between consumers and businesses that adds value for both. The value exchange must be equal for this partnership to endure.

With global collaboration, innovative products and services, and financial services, fintech and payments providers supporting the subscription infrastructure and transactions, together we can build a thriving ecosystem for the subscription economy and empower consumers and businesses in our transformed world.

## About Minna Technologies

Minna Technologies is an embedded fintech company connecting global banks and fintechs with subscription businesses to give consumers real-time, self-serve subscription management in-app. Partnering with top-tier banks, fintechs and subscription businesses and backed by Visa, Element Ventures, Middlegame Ventures, Zenith Capital and Nineyards Equity, Minna empowers more than 20 million consumers to manage their subscriptions and recurring payments in one place with control, choice and convenience.

[minnatechnologies.com](http://minnatechnologies.com)

## About FT Strategies

FT Strategies powers customer growth by providing the expert insight, integrity and consulting excellence required to transform the future of businesses based on real world, first-hand experience. Staffed by the experts who successfully transformed the FT's business model in the face of disruption, FT Strategies works with organisations worldwide, from a wide range of sectors, helping them increase recurring revenue, monetise audiences, grow subscriptions, build engagement, create a customer-centric culture, transform organisations, build new products and ventures, and future-proof businesses.

[ftstrategies.com](http://ftstrategies.com)

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