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Minimizing Subscription Churn Through Improved Customer Experiences

Subscription Commerce Tracker® Series

■ Read the previous edition



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Subscription Commerce Tracker® Series

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PYMNTS



Acknowledgment

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Need To Know

As Belts Tighten, Experience Is Key To Reducing Churn

Subscription-based services soared as consumers sought access to goods, services and entertainment at the pandemic's onset. Lately, however, subscriptions have seen a downturn due to inflation, with the percentage of United States consumers who had subscriptions [dropping](#) from 47% in 2020 to 41% in 2021. A recent [study](#) finds that nearly two-thirds of United Kingdom consumers plan to reevaluate their subscriptions in the next six months due to cost concerns, and nearly four in 10 have canceled a subscription service already.

The economic climate is making subscribers ripe for the picking by savvy competitors, highlighting the need for a superior customer experience. Another recent [study](#) found that 39% of consumers switched brands after being approached by a competitor, and 59% said the decision to leave their current brand was prompted by negative experiences with it.

Cost-conscious consumers are [placing their subscriptions under greater scrutiny](#).



62%

plan to review their subscriptions in the next six months due to the economic crisis.



38%

have canceled a subscription to cut costs.

Need To Know

Frictionless payments are an essential component of the subscription experience.

Payment ease and convenience are vital to a good customer experience when dealing with recurring bills, and consumers increasingly [expect](#) these features from subscription services. Consumers are also frustrated with [managing](#) their current subscriptions, with nearly half of those surveyed saying they are too difficult to cancel and almost four in 10 citing this as why they have continued to pay for subscriptions they no longer use. More than half of consumers would also be open to keeping their subscriptions if they were easier to cancel. Subscription platforms would benefit from [introducing](#) pause options, which can reduce churn by allowing consumers to suspend their accounts temporarily. In addition, an advanced billing system can [increase](#) customer retention by minimizing the transaction failures that result in involuntary churn.

Consumers are [frustrated](#) with the difficulty of [managing](#) their subscriptions.

45%

**say subscriptions
are too difficult
to cancel.**

51%

**would keep their
subscriptions if
they were easier
to cancel and
manage.**

Need To Know

Subscription bundling, superaggregation and cost tiers can enhance engagement and reduce churn.

Merchants can actively [prevent](#) churn through experience-oriented strategies such as bundling, consolidation and cost tiers. One way to provide a well-managed user experience is through a strategy known as superaggregation, which enables consumers to find, use and pay for a wide range of services in a single environment rather than risk the fatigue of taking out multiple subscriptions. Options such as lower costs for ad-supported streaming services can also make a difference, with [research](#) showing that nearly half of current Netflix subscribers would be interested in a less expensive tier of service in exchange for watching ads.

Netflix
subscriber
interest in an
ad-supported
tier:



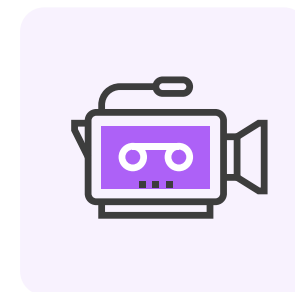
46%

of Netflix subscribers would consider switching to a lower-cost ad-supported service.



51%

of Netflix subscribers would opt for a tier containing 5 minutes of ads per hour if it were free.



Less than 1 in 3

Netflix subscribers would choose a tier with ads if there were 10 minutes or more of commercials, even if it were free.

News And Trends

One Bad Experience Can Lead To Cancellation

No matter how popular a product is, no company can rest on its laurels. Fifty-four percent of customers in a recent [survey](#) said that a single bad experience will cause them to leave a company with which they currently do business. The outlook is even worse for younger customers: 57% of millennial respondents would drop a brand after just one bad experience. Moreover, 47% of customers who switched brands to a competitor said they did so because it offered an enhanced product experience, such as online communities or how-to videos.

To keep subscribers, product managers must gain visibility into product use and gaps so they can keep their offerings from growing stagnant and maintain value for customers' recurring payments.



News And Trends

Increased cost of living equals increased churn for subscription services

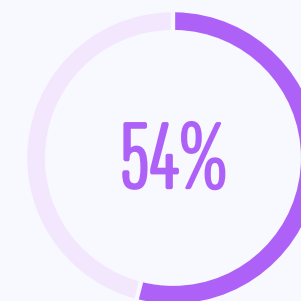
Sixty-two percent of U.K. consumers in a recent [survey](#) said they intend to review the subscription services they use in the next six months. Thirty-eight percent of those surveyed said they have already canceled at least one subscription service in response to the increased cost of living.

Almost half of those surveyed — 45% — said that subscriptions are too hard to cancel, and more than half — 51% — said they would be inclined to try more subscription services if they were easier to cancel. As inflation continues to rise, it is likely that subscription merchants will [experience](#) more customer churn.

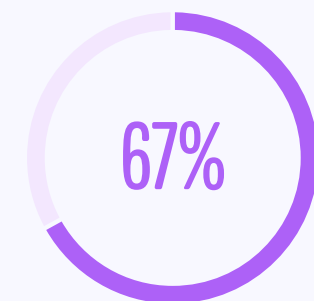
Subscribers flee Netflix amid high fees

The streaming industry is witnessing a clear example of the trend toward churn. The first half of 2022 [saw](#) 1.2 million subscribers leave Netflix. The streaming service [anticipates](#) adding one million new users with an ad-supported tier, but about one-quarter of Netflix subscribers plan to cancel their subscriptions.

Seventy percent of subscribers say Netflix is the streaming service they use the most, but increasing fees — [cited](#) by two-thirds of those who plan to cancel as their reason for leaving — as well as content fatigue and a market full of alternative streaming services have created a more challenging climate for Netflix.



Share of customers who will [terminate](#) a subscription after one bad experience



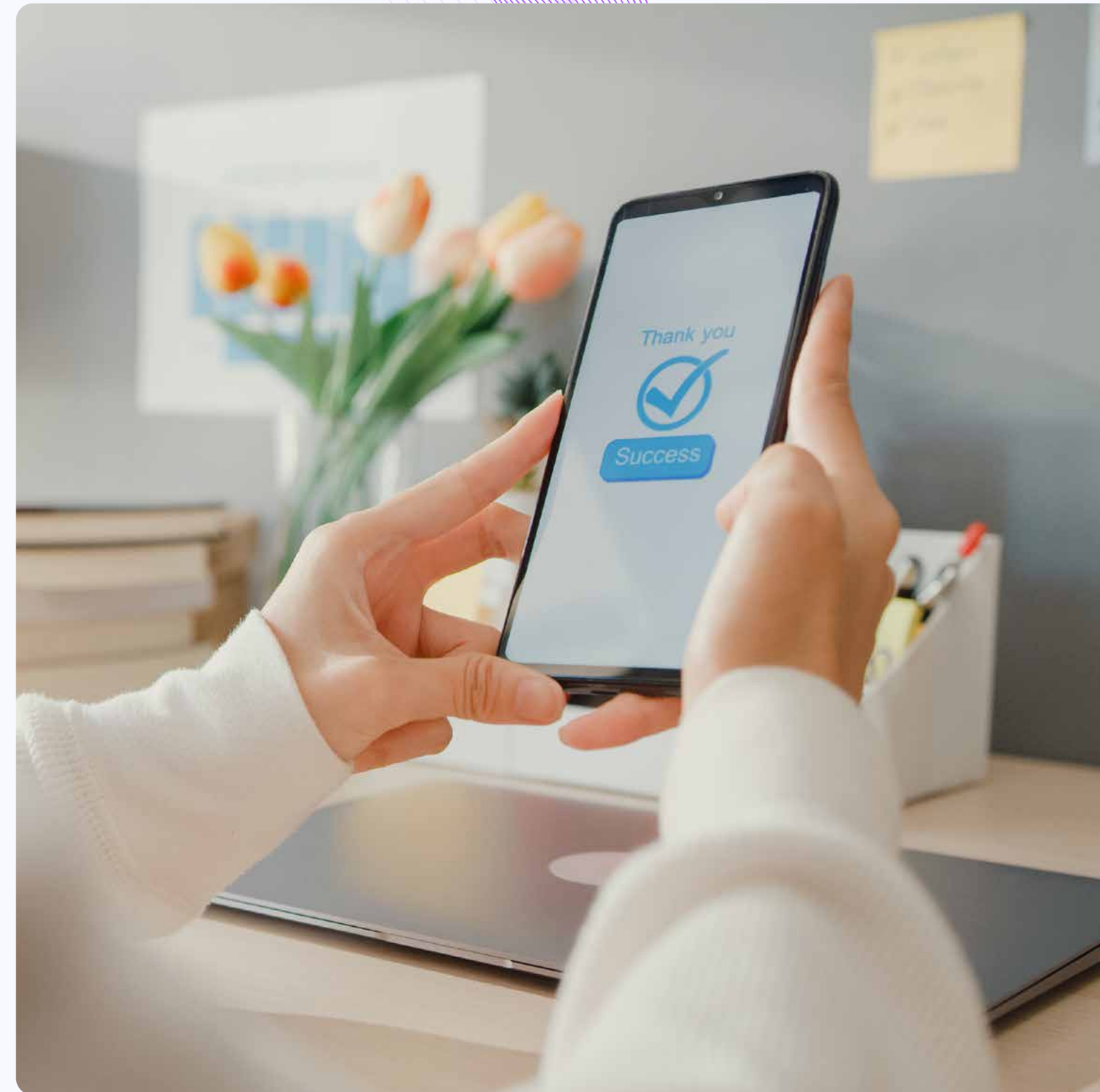
Share of customers who will [switch](#) brands if they have a better experience with a new provider

PYMNTS Intelligence

Retaining Subscribers With Seamless Payments And Customer Journeys

The popularity of subscription-based services skyrocketed over the last several years, propelled by the multitude of consumers staying at home during the pandemic. The average consumer [spent](#) \$273 monthly on subscriptions in 2021, up from \$237 in 2018 — a 15% increase amounting to an extra \$432 per year.

Subscription fatigue has been increasing since restrictions eased, and inflation has accelerated a trend toward churn. A new [study](#) finds that 62% of U.K. consumers plan to scrutinize their subscriptions in the next six months due to the economic crisis. Cost sensitivity is also raising the bar on customer experience for consumers' recurring payments, with even a single bad experience likely to [result](#) in a brand's cancellation.



PYMNTS Intelligence

Negative experiences sour consumers on subscriptions

Poor customer experiences hobble many subscription services. A February Bankrate [poll](#) found that nearly 60% of millennial and Generation Z consumers have been hit with unexpected subscription fees, for example, making them more hesitant to try these services in the future. More than one-third of respondents said it is difficult to cancel a subscription or turn off automatic payments, with 10% saying it is very difficult. A September YouGov and TrueLayer [survey](#) reported an even higher share — 45% — of U.K. consumers finding subscriptions too hard to cancel, with 38% having continued to pay for a subscription they no longer use. Ironically, 51% of these respondents said they would be more inclined to try subscriptions if they were easier to cancel.

“Stealth” subscription charges can occur when consumers accidentally sign up, forget to cancel a free trial or unwittingly join memberships that renew automatically.

51% of U.S. adults who have ever had a subscription or membership account have incurred unwanted charges. This figure breaks down to:



57%
of Generation Z



58%
of millennials



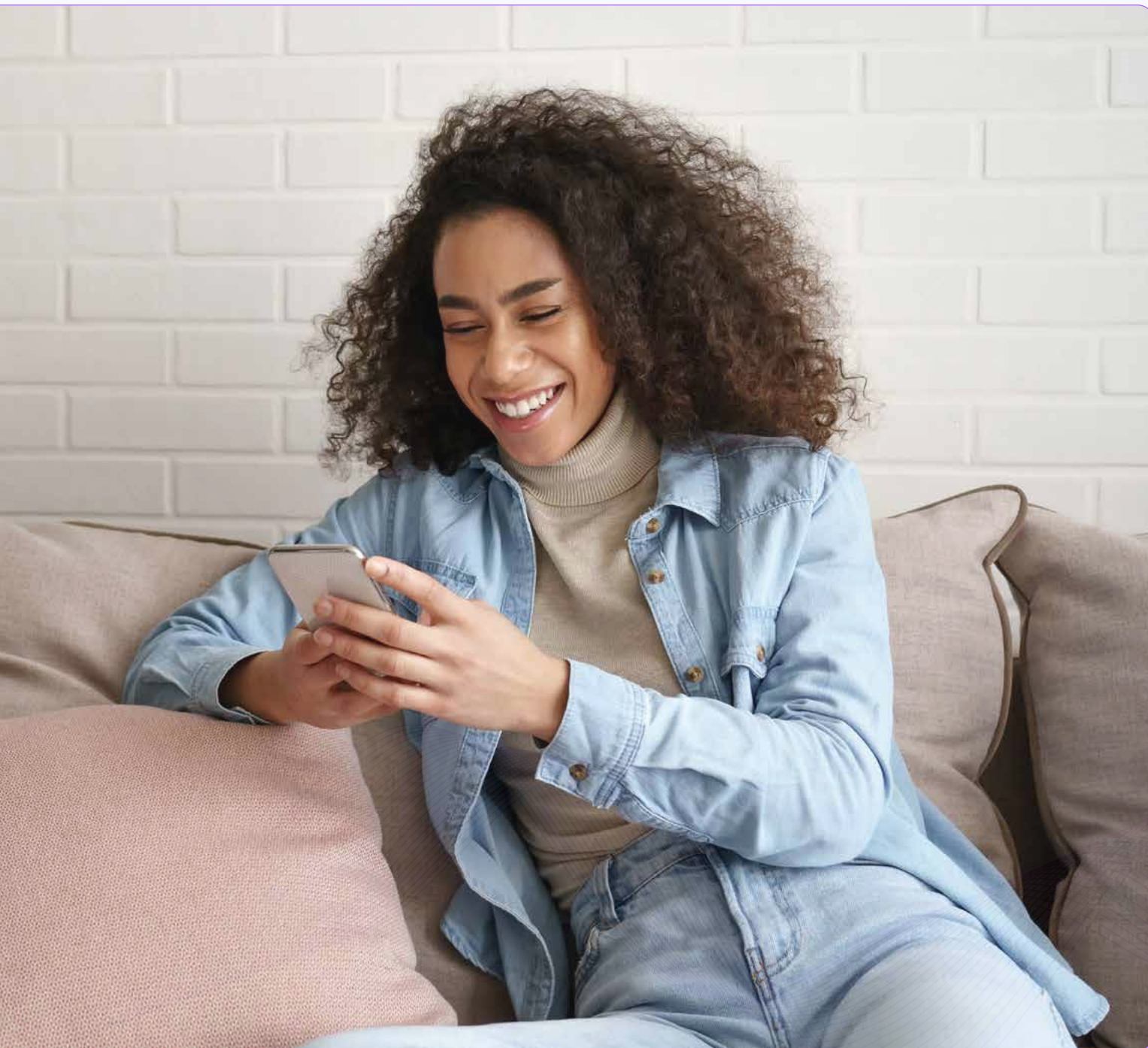
48%
of Generation X



45%
of baby boomers

Ease, convenience and transparency when paying — or canceling — recurring bills are vital components of a good customer experience, and consumers increasingly [expect](#) these attributes from their subscriptions. Moreover, advanced billing features can help reduce a large part of churn.

PYMNTS Intelligence



Improved billing to reduce churn

More subscription platforms are [introducing](#) features such as subscription pause, which can reduce churn by allowing consumers to self-suspend their accounts, instead of canceling them, until they can afford them again.

In addition, not all churn is intentional, and one important way to [increase](#) customer retention is by minimizing so-called involuntary churn. This results from transaction failures due to payment details such as new card expiration dates or changed ZIP codes. A strategic billing system will automate these updates, reducing involuntary churn by 30% or more and increasing revenue by up to 5%.

Improved billing systems have the potential to [boost](#) customer retention for a wide range of recurring payments, from utilities to insurance.

PYMNTS Intelligence

Superaggregation: The key to personalized experience

A well-managed customer experience can [reduce](#) churn, and one key way to [provide](#) this is through personalization via a superaggregation strategy. Superaggregation enables consumers to find, use and pay for a wide range of services in a single, trusted environment rather than take out multiple subscriptions with individual providers and apps. A user management platform can reduce costs while offering the kind of customized experience that prevents churn and increases revenue.

Recurring purchases [require](#) an ever-evolving effort to maintain relevance to customers month after month. Strategies such as flexible billing, recovery of failed payments and aggregation of curated content can set the stage for the seamless transactions and experiences that keep subscribers engaged for the long haul.

The three [defining](#) features of a superaggregator:



An [integrated user experience](#), offering a broad range of services within one virtual interface



[Unified search and discovery](#), recommending personalized content based on customer data



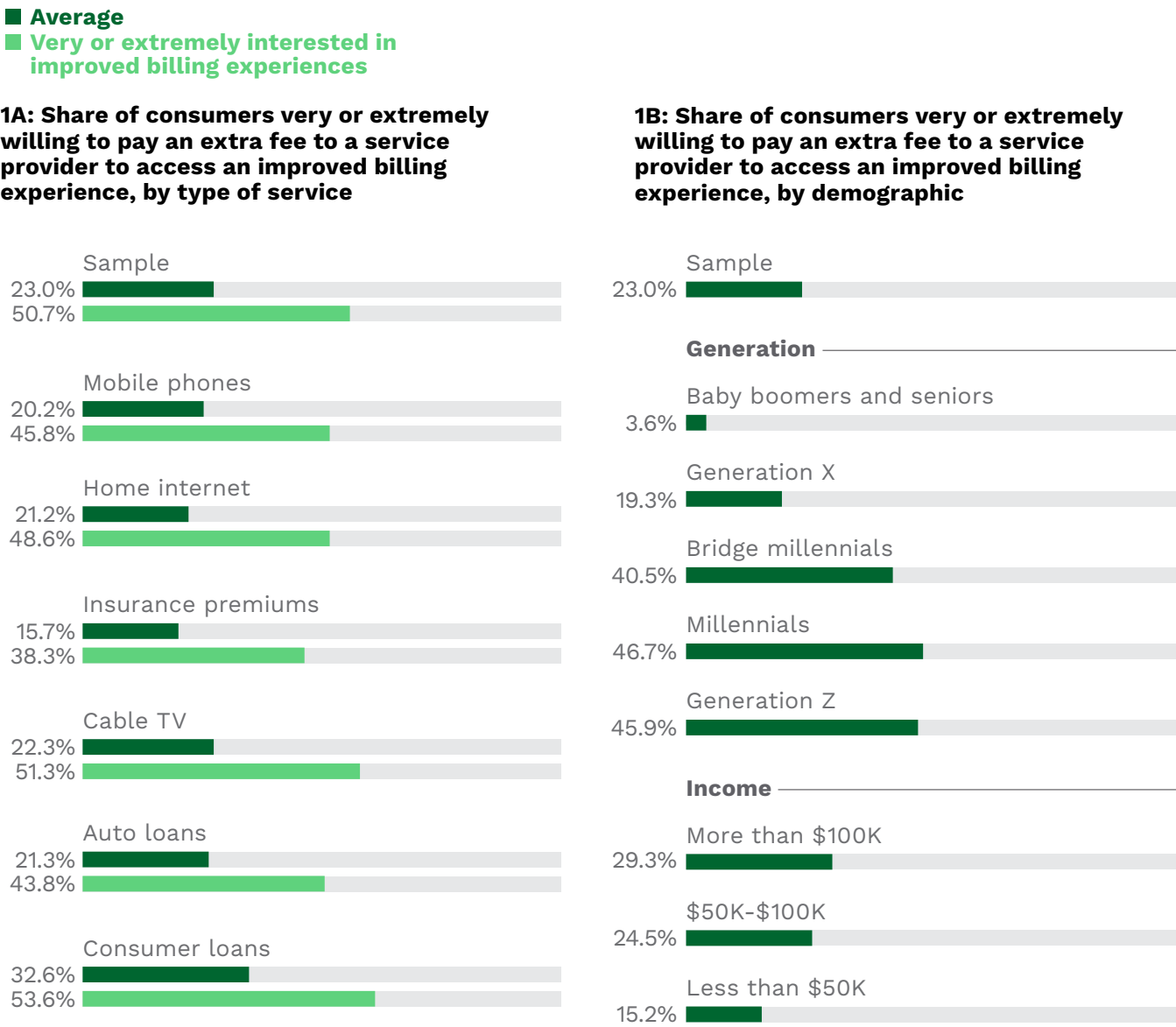
[Simplified transactions](#), with single sign-on and management of multiple subscriptions while permitting users to bring existing subscriptions on board

Chart Of The Month

Consumers Would Pay For Easier Billing

A sizable number of consumers dislike the current billing process for various services and providers so much that they would be willing to [pay](#) extra for an improved payment experience. Almost one-quarter of consumers surveyed said they would be very or extremely willing to pay an extra fee for this, including 47% of millennials and 46% of Gen Z. One way to reduce customer churn is to make billing seamless and completely friction-free.

Figure 1: Consumers willing to pay extra for improved billing



Source: PYMNTS
Streamlining Bill Payment: How Frictionless Experiences Drive Customer Engagement, May 2022
N = 2,913: Complete responses, fielded Dec. 10, 2021 – Dec. 20, 2021

Insider POV

Learn From An Insider How A Subscription Model Improved Patient Care



SUNIL VASISHT
Chief operating officer

“The doctor is not rushed, and she has the time to listen to the patients. Just listening to them is 90% of the problem solved.”

Sunil Vasisht, chief operating officer at [Meridian Springs Primary Care](#), tells PYMNTS how the practice was able to leverage the subscription business model for healthcare.

Quality healthcare on demand, accessed with the same ease as a favorite movie or TV series, is not merely a fantasy, according to Sunil Vasisht, chief operating officer at Meridian Springs Primary Care in Tomball, Texas. Application of the subscription service model to healthcare removes obstacles to care and adds convenience, he contends.

“The idea is that it is a flat fee,” said Vasisht. “Just like you binge-watch movies on Netflix, visits are unlimited. There is no visit fee. You don’t have to think twice about visiting your doctor, especially for primary care. And what that does is incentivize people to get their preventive care, which is the most important.”



Insider POV

How the subscription-based model leads to improved patient care

Meridian Springs' business model is different from that of most U.S. healthcare organizations, Vasisht explained. By charging all members a flat monthly fee rather than billing them or their insurers on a per-service basis, the practice receives revenue regardless of whether patients visit or not. As a result, it can emphasize quality of care over patient volume, with the practice's doctor spending 30 minutes to one hour with each patient.

“When you remove [the standard U.S. care model] and put [health-care] into a subscription, you actually free up the medicine part of it to do what [physicians] do best,” he said. “Doctors in this country have fantastic training, but the business model has made them captive to a very faulty system. Changing the business model to a subscription model frees the doctors to do what is necessary.”

Additionally, this model enables the practice to function as a one-stop shop. While patients are referred to external specialists and hospitals as needed, the practice endeavors to provide as much care on-premises as possible, including elective and cosmetic procedures. This allows patients to save time and money by doing business with a provider they already trust.

“A great thing about what we do is [that] you're already a member, which doesn't just mean that you're getting primary care. You are also getting access to all the services we offer.”

Insider POV

Creating active patient engagement

Removing payment friction is among the greatest advantages of the subscription business model, and this alone is an important way to reduce churn. Meridian Springs Primary Care automates its billing, ensuring that patients' payments are processed in a completely seamless manner. The administrative team also receives alerts when cards on file are about to expire so that they can reach out to members and ensure these are updated ahead of time.

The practice views onboarding and setting proper expectations as another tool to keep churn low, making sure that patients understand the difference between the subscription or value-based care model and the typical U.S. fee-for-service model. Finally, even when patients do not need to visit frequently, the practice considers it important to continue to engage them, letting them know that the doctor is just a click, text or phone call away for any concern, no matter how small.



“Every month you have to provide [members] some value. You know, it might be a newsletter with some ideas about health or social media. The more engaged your members are, the less the churn,” Vasisht concluded.

Companies To Watch

Subscription Providers Evolve With Consumer Demand



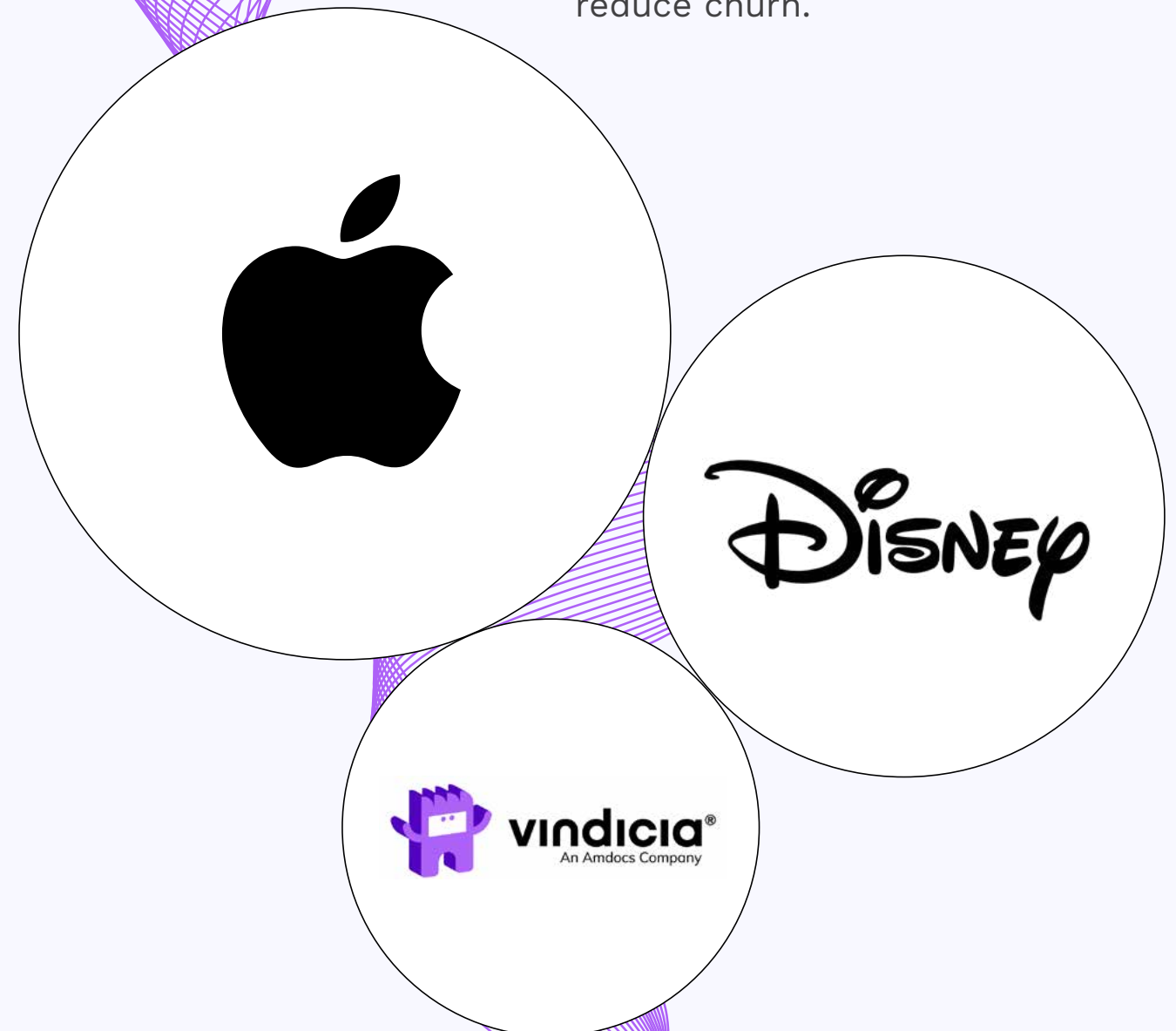
An **Apple** iPhone subscription bundle combining hardware and services is [expected](#) to be coming soon. The bundle will enable consumers to acquire iPhones and accessories for a monthly fee.



Disney announced that it will [launch](#) its planned ad-supported tier, Disney+ Basic, on Dec. 8 for \$7.99. Subscribers will pay \$10.99 to avoid ads, which will run 15 and 30 seconds long and will be non-skippable on the lower-cost tier.



Vindicia has [integrated](#) Venmo into its list of 90 accepted payment methods, granting merchants another option with which to attract and keep customers. Payments that are streamlined and simplified help retain users and reduce churn.



What's Next

A Call For Subscription Consolidation

Consumers who [stream](#) media use an average of 7.1 services, with 4.3 of them subscription-based and 2.8 free. Consumers enjoy the variety, but the fragmentation creates inconveniences when paying bills or determining which media are available. Sixty-six percent of consumers who stream want search capabilities across streaming services, and 65% want to manage all their subscriptions in one place. Fifty-eight percent of these consumers want consolidation of streaming services.



About

PYMNTS [PYMNTS](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



[Vindicia](#) offers comprehensive subscription management solutions that help businesses acquire more customers, retain them longer and grow. Providing much more than just a billing and payments system, the company’s SaaS-based subscription management platform combines subscription intelligence, strategic consulting and proprietary retention technology. Vindicia provides its clients with more recurring revenue, more customer data, better insights and greater value throughout the entire subscriber life cycle. To learn more visit www.vindicia.com.

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