

# SUBSCRIPTION PAYMENTS CONSUMER SURVEY 2022

GER, NOR, SWE, DK, FIN, NL

SUBSCRIPTION



Northern-European research findings on consumer payment preferences within the Subscription Economy

# Subscriptions: thinking beyond the transaction

The subscription economy has changed the way we buy. From music, movies, clothing or even shaving kits, subscriptions have sent a disruptive ripple through countless industries. All of this is rooted in the trend that people are less interested in owning products, instead opting to use them through subscription-based models. Companies end up building stronger customer relationships, higher renewal rates and lower churn rates.



*'Payments are a key driver of Customer Lifetime Value'*

Steven Piet, Product Lead Recurring Payments

Successful businesses in this new economy need to offer pleasant, user-friendly and clean subscription experiences. Payments are generally the main battleground for subscription-based businesses. Successful companies such as Netflix, Spotify, HelloFresh know they have to get the payment experience right. Doing so improves the customer journey. Making signups easier with fewer failed transactions and reducing churn for active users.

## **Rolling out a consistent payment strategy**

Leading subscription companies are constantly evaluating and optimising their payment flow. They use data in order to make decisions in areas such as checkout design and feature development.

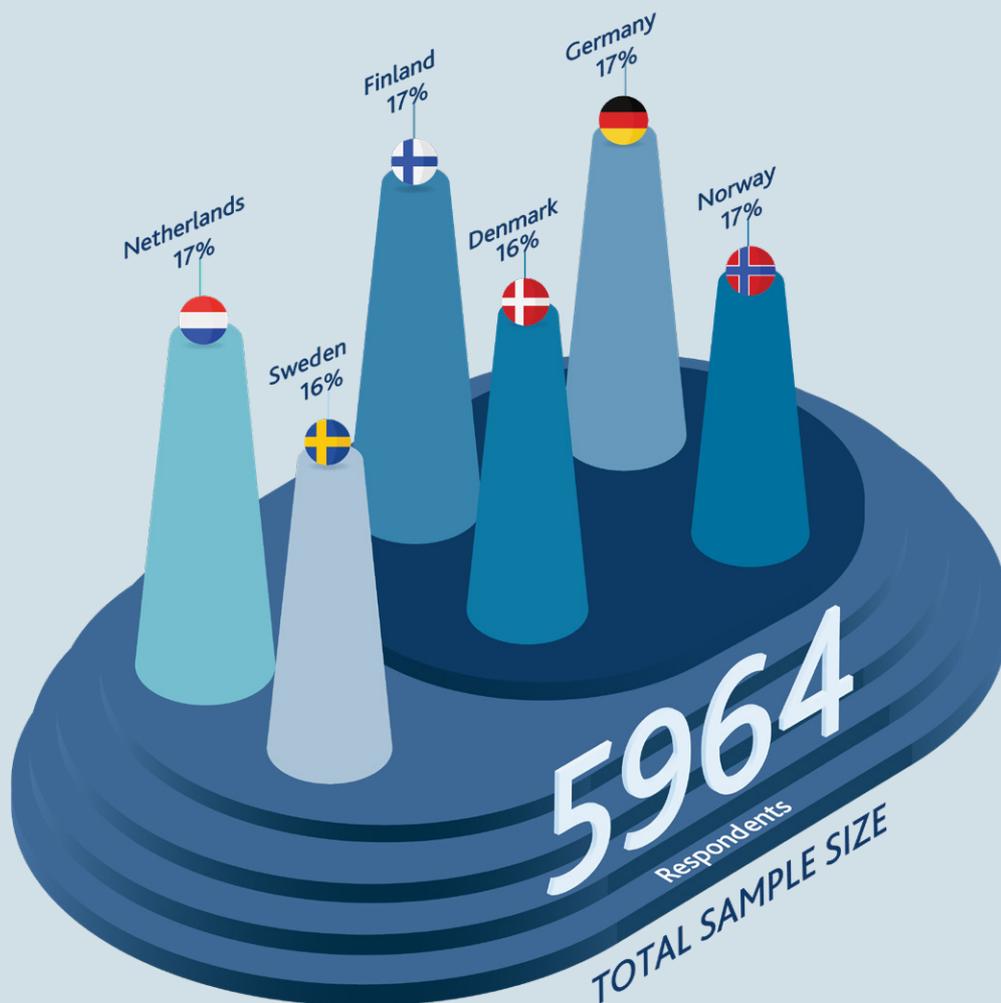
This approach of 'thinking beyond the transaction' enables companies across international markets to grow even further and faster. The results are significant: increased customer value, higher conversion rates and stronger customer relationships.

## **Offer local payment methods**

We all know the saying 'think global, act local'. This is especially true in subscription payments. From choosing payment periodicity, reminders to cancellation - consumers across different countries have varying wants and needs. Companies that understand these variations can incorporate them into a payment strategy that fits with local preferences. Which in turn makes scaling up internationally more efficient.

Arvato Financial Solutions enables companies across different industries to optimise growth. The 'Subscription Payments Lifecycle' offers a valuable tool to develop a payment strategy that resonates locally.

To continue to improve our understanding and develop the right solutions, we asked consumers in 6 Northern European countries about the wants, needs and barriers related to their subscription payments. The results gave us an understanding of what's needed to create customer-centric payment strategies.



## METHODOLOGY

Online surveys | 8 min survey length | Fieldwork during March/April 2022

### Target group

Men and women

18+ years old

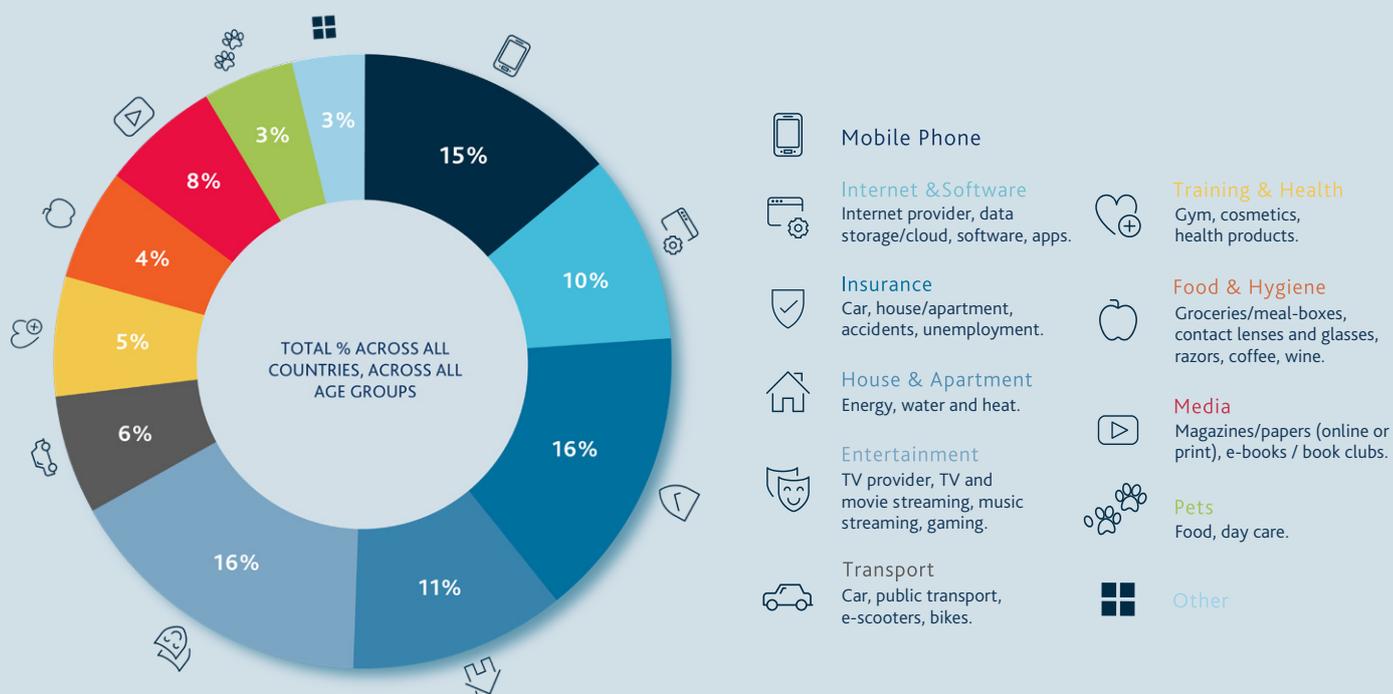
Fully or partly responsible for the payment of the household subscriptions.

**Definition of subscription** (show to respondents in the beginning of the survey in local language): This survey will be about subscriptions. With subscriptions we mean products and services that you and/or your household use and pay for on a regular basis (weekly, monthly, yearly etc.) and that you have to cancel when you don't want to use/have access to it anymore.

## TYPES OF SUBSCRIPTION

### Distribution of categories - overall

Respondents across all countries indicated their subscriptions were spread across different categories.



### Transport

Transport subscriptions are especially popular within the age group 25-35 year olds.

### Training & health

Training & health subscriptions are especially popular within the younger age groups (18-24 year olds and 25 - 35 year olds).



*“Ultimately, the subscription economy is a way for companies to eventually build stronger and longer-lasting relationships with their customers.”*

-Steven Piet

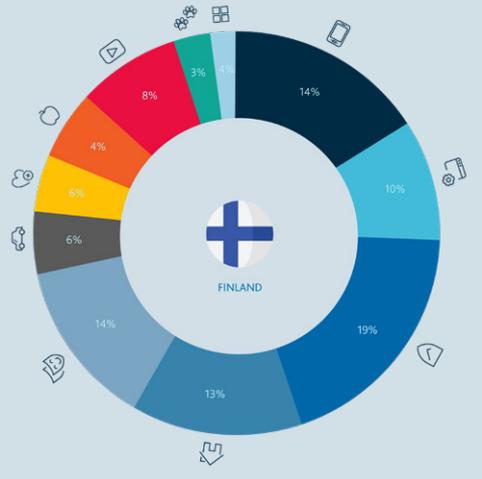
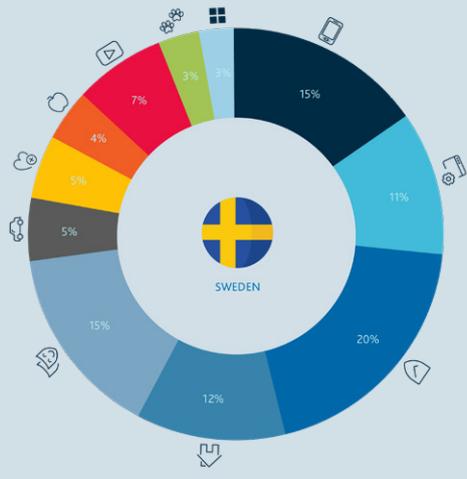
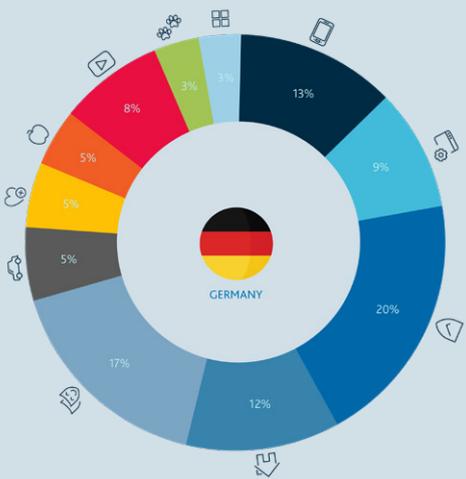
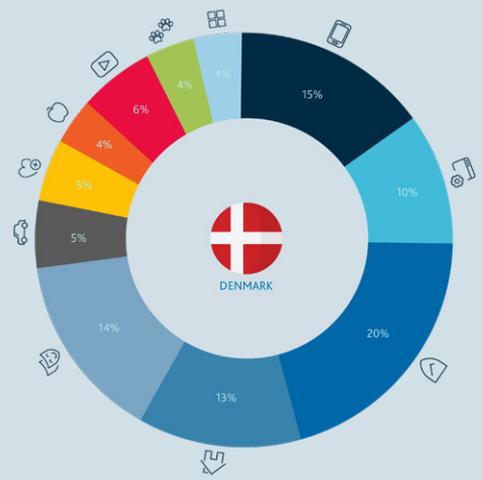
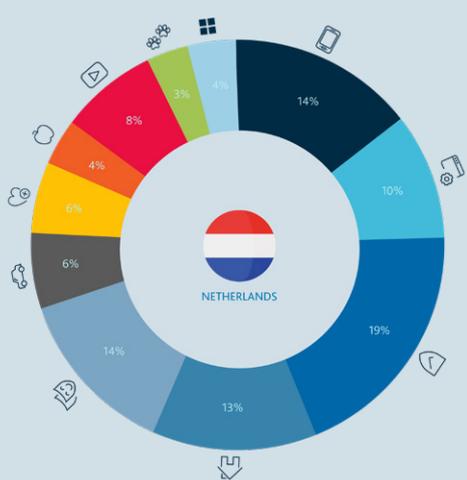
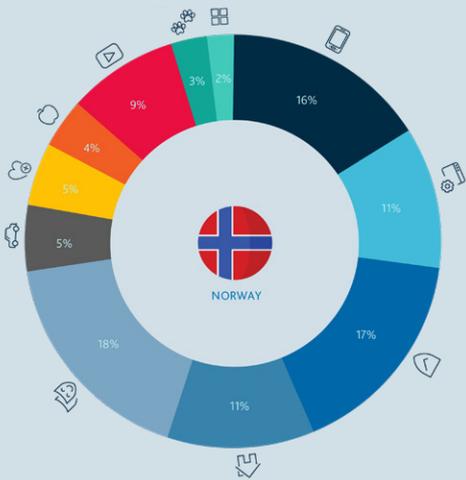
# TYPES OF SUBSCRIPTION

## Distribution of categories - country specific

In all 6 countries of our survey there's a relatively even spread of the different types of subscriptions. The majority can be classified as being 'traditional' subscriptions such as mobile phone, Internet & software, utilities, and insurances.

This also shows the potential of the subscription model: new technology enables businesses from virtually all economic sectors to offer memberships to their customers.

-  Mobile Phone
-  Internet & Software
-  Insurance
-  House & Apartment
-  Entertainment
-  Transport
-  Training & Health
-  Food & Hygiene
-  Media
-  Pets
-  Other



## MARKET SIZING

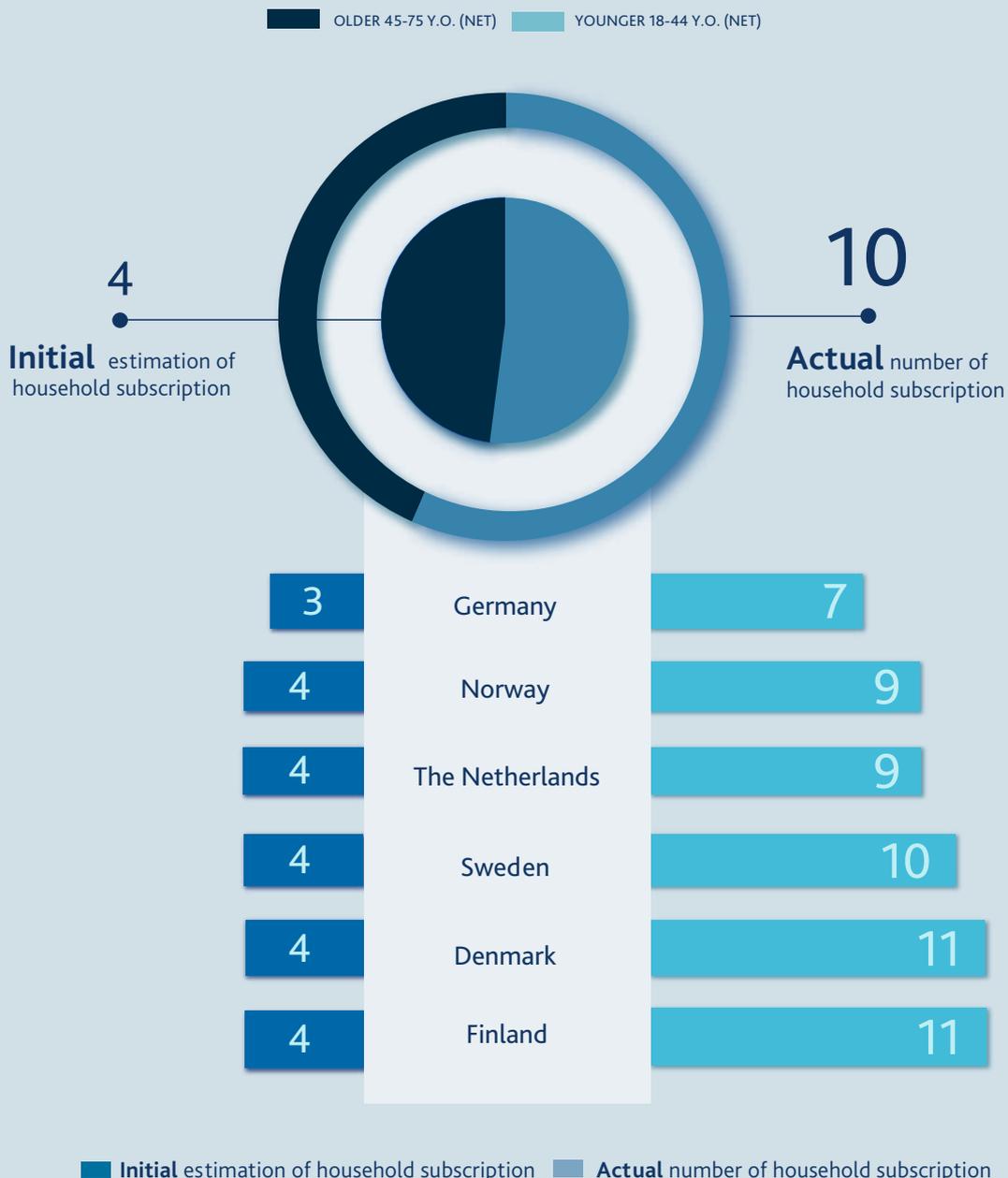
# Number of household subscriptions

Even though subscriptions are a part of their everyday lives, respondents find it difficult to accurately list the total number of subscriptions they have.

The average number of subscriptions for a household is 10, with slight differences between countries. The top-of-mind awareness of how many subscriptions a household has is low. The initial estimation before counting in more detail is much lower than the sum of all categories. It's important to note that this number also implies different payments for the various subscriptions.

## How many subscriptions do you currently have ?

Initial vs actual number, differences between age groups



# THE SUBSCRIPTION PAYMENTS LIFECYCLE

Creating the right payment strategy is at the heart of a positive customer experience. The payment solution should always deliver a framework for growth. At Arvato Financial Solutions we develop payment solutions based on the payment lifecycle. Within the subscription payment lifecycle, customer relationship is king, and payments play a big part in three key areas:

## 1. Signup

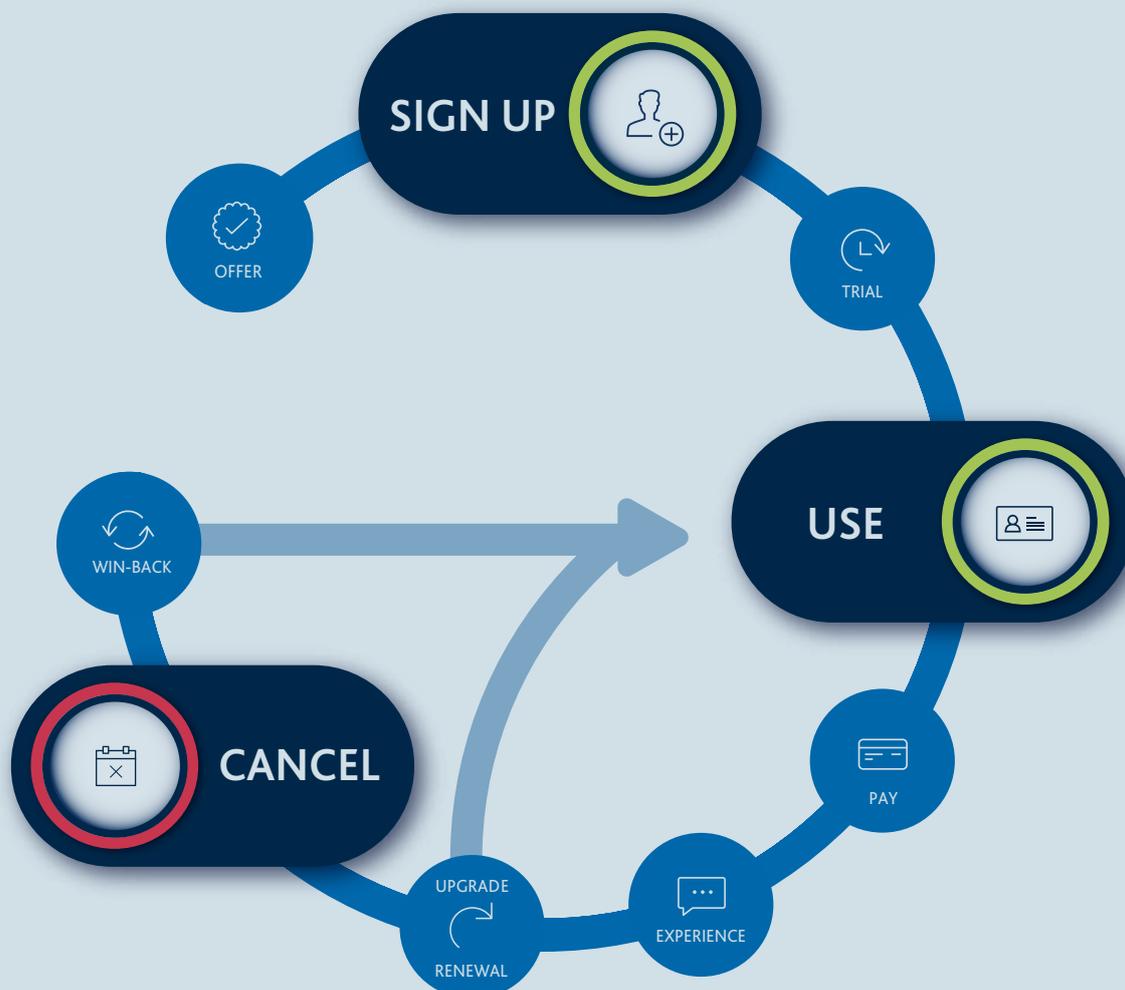
Optimizing signup is all about minimising steps, while also offering flexibility with payment methods. It's also important to offer preferred local payment options.

## 2. Use

Delivering continuous, uninterrupted access is crucial. Customers expect to have control, transparency and no payment disruptions. This phase of the Payments Lifecycle also offers opportunities to offer customers relevant upgrades based on their profiles, to create an even better subscription experience.

## 3. Cancel / win-back

Customer-initiated cancellation occurs when a customer chooses to discontinue a service. Instead of cancelling, there are several opportunities to win back customers through relevant offers.

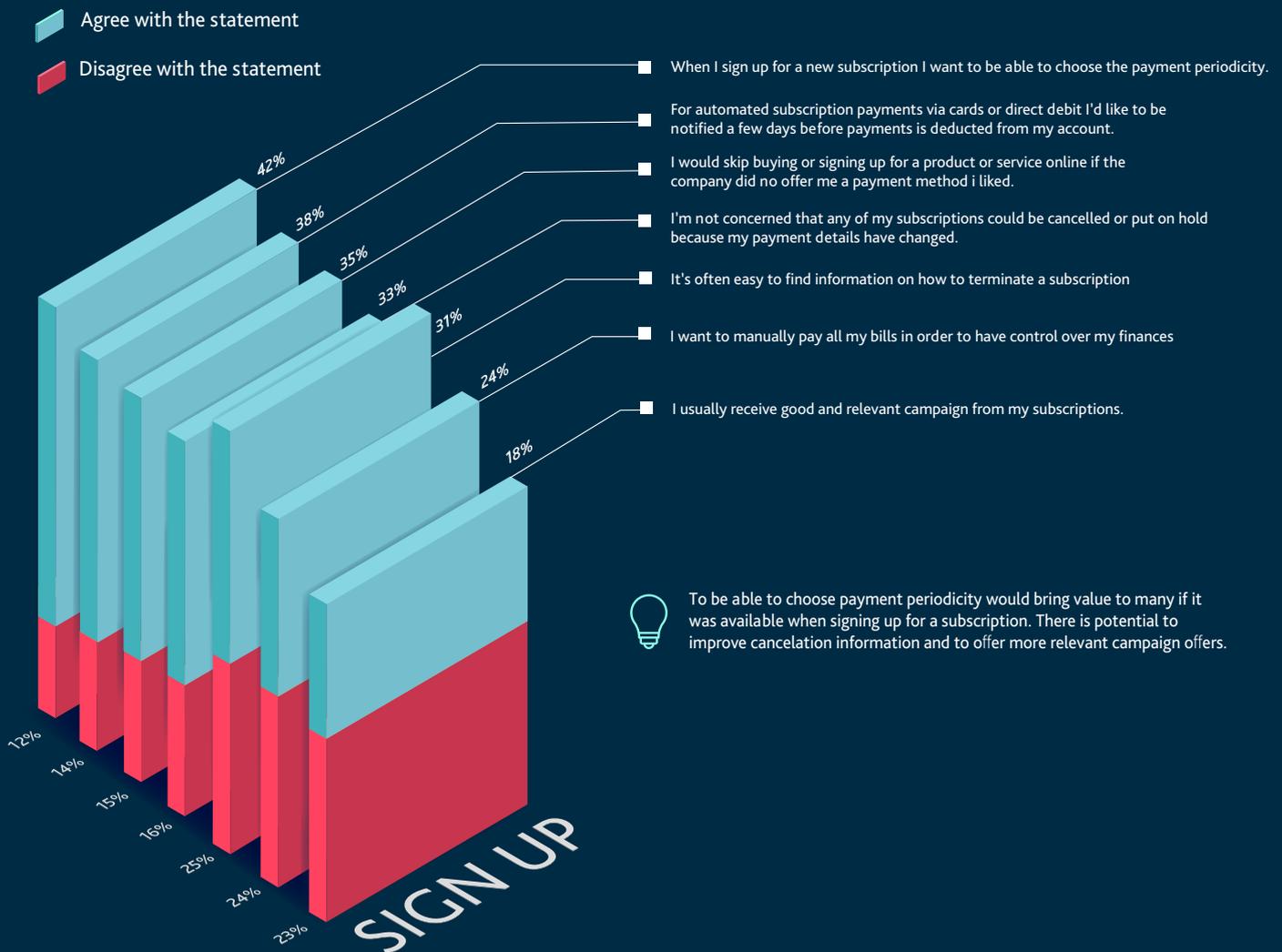


# 1. SIGN-UP



Respondents clearly indicated the key factors that are important to them in the sign-up process: the ability to choose payment periodicity, availability of preferred payment methods and notifications of automated payments.

On the rise: the increased amount of online payment methods. From digital wallets and more region-specific payment solutions (such as iDEAL or Bancontact) to 'buy now, pay later' – customers expect to be able to pay in their preferred way.





## SIGN-UP

Results regarding the sign-up phase show local similarities and differences. Across all countries, the need to choose payment periodicity is clear. Automatic payments are preferred in most countries. In Finland, however, a large group of respondents prefer to pay their bills manually.

	 Germany	 Norway	 Netherlands	 Sweden	 Denmark	 Finland	Total (all countries)
When i sign up for a new subscription i want to be able to choose the payment periodicity	48%	44%	34%	43%	41%	44%	42%
For automated subscription payments via cards or direct debit i'd like to be notified a few days before payments is deducted from my account	29%	40%	33%	41%	43%	42%	38%
I would skip buying or signing up for a product or service online if the company did no offer me a payment method i liked	36%	32%	25%	42%	32%	42%	35%
I'm not concerned that any of my subscriptions could be cancelled or put on hold because my payment details have changed	28%	37%	31%	36%	32%	32%	33%
It's often easy to find information on how to terminate a subscription	31%	34%	29%	28%	30%	33%	31%
I want to manually pay all my bills in order to have control over my finances	22%	25%	15%	29%	14%	37%	24%
I usually receive good and relevant campaign from my subscriptions	15%	24%	15%	16%	19%	20%	18%

*“Flexibility in payment periodicity is crucial. Some customers prefer to pay for a full year of service, while others want to pay in parts throughout the year.”*

-Steven Piet, Product Lead  
Recurring Payments

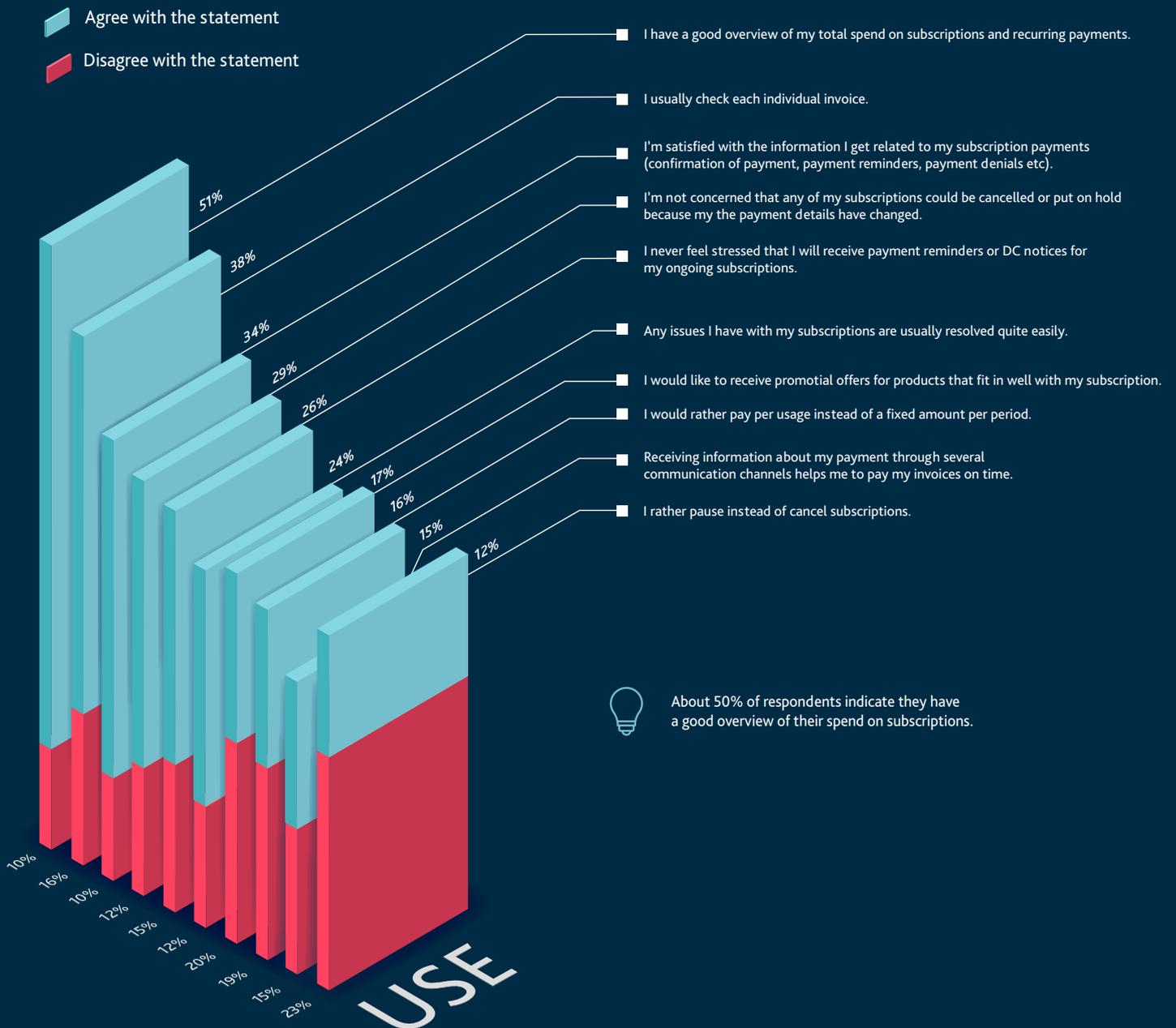
Today's customers expect more than just a great product - they want services that continually evolve to meet their wants and needs. Personalisation is crucial: the traditional 'one size fits all' is no longer relevant. This need for freedom and choice applies to payments as well.

Payment preferences differ depending on location and the type of service offered. Businesses that adopt these preferences into their payment strategy will have stronger customer acquisition and consistent revenue streams.

# 2. USE

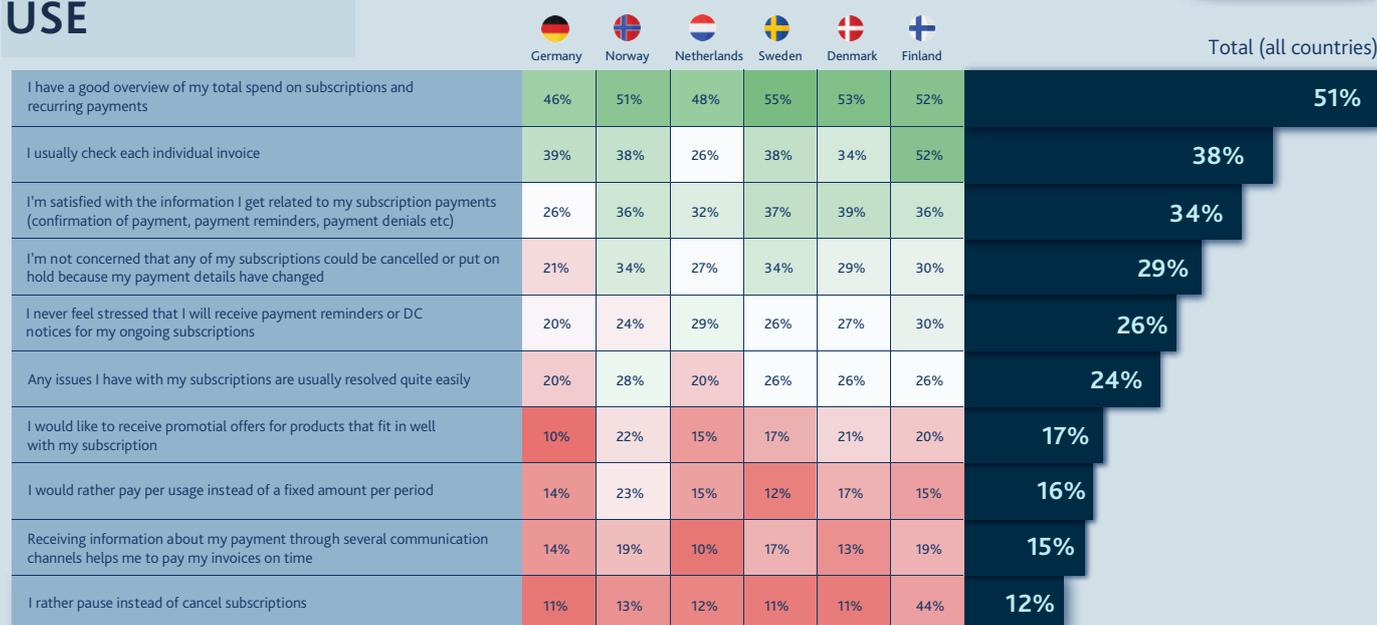


Keeping customers happy so they can enjoy uninterrupted service for as long as possible is the main goal in this phase of the subscription payment lifecycle. Respondents indicate that it's important for them to receive updates on recurring payments. This can be linked to involuntary churn, where a customer's subscription is unintentionally cancelled due to payment failure.



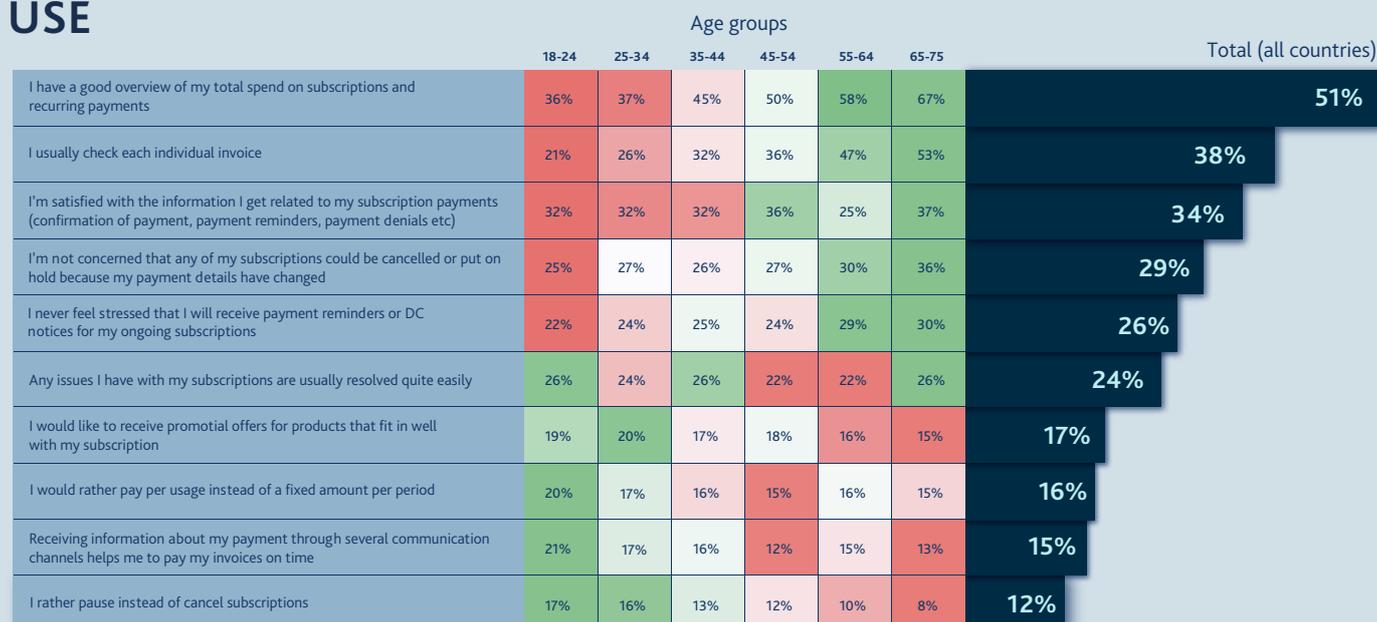
💡 About 50% of respondents indicate they have a good overview of their spend on subscriptions.

## USE



There are interesting local variations about key issues during the 'use' phase: the need to check each individual invoice (lower in the Netherlands), satisfaction on information regarding payments (lower in Germany). Interesting highlight: a high percentage of respondents in Finland would rather pause instead of cancelling subscriptions.

## USE



Our consumer survey also explored age differences during this phase of the subscription lifecycle, delivering interesting results. Each generation has different preferences in how they make their payments, how they'd like to be informed, and how they manage their payments overall.

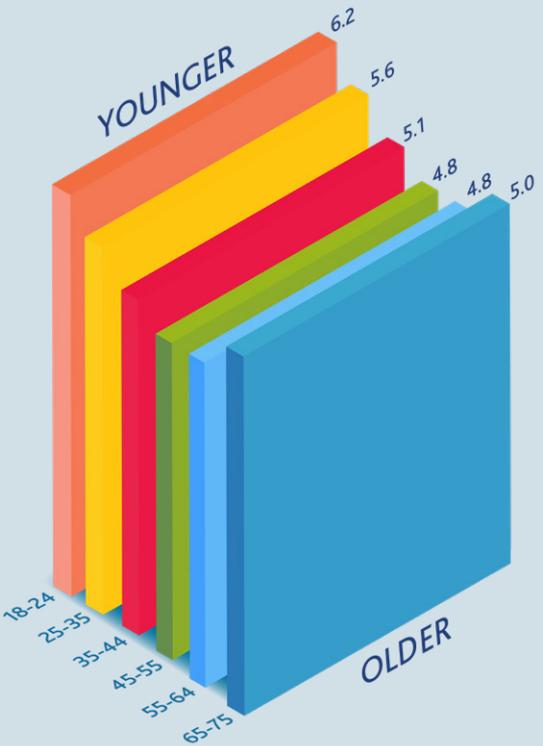
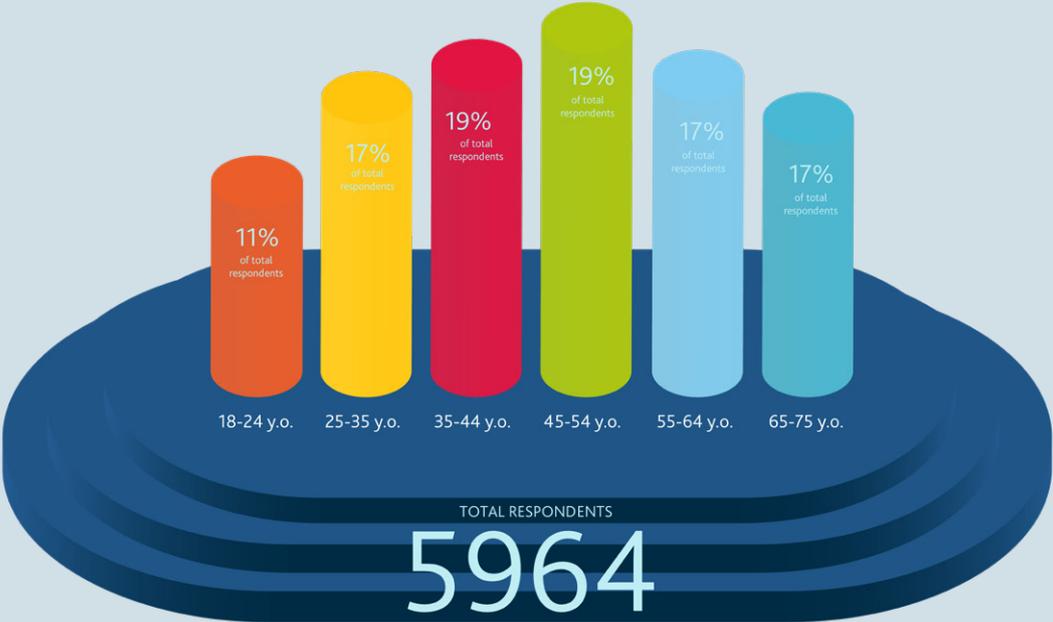
There are clear differences between the 18 - 34 and 34+ age groups, when it comes to having a good overview of their total spend on subscriptions. This can be related to the fact that a relatively low percentage of the younger age groups check individual invoices. As a result, they are also more concerned about cancelled subscriptions due to changing payment details or unpaid invoices.

# Differences in payment preferences across age group



From Baby Boomers to Generation Z - every generation has its own set of characteristics and attributes that influence their subscription behaviours and payment preferences.

Driven by simplicity and convenience, younger generations are demanding a range of new payment options. Fast, accurate payments and instant communication are also key factors. As the results show, it's important for merchants to understand the payment and billing preferences for each demographic.

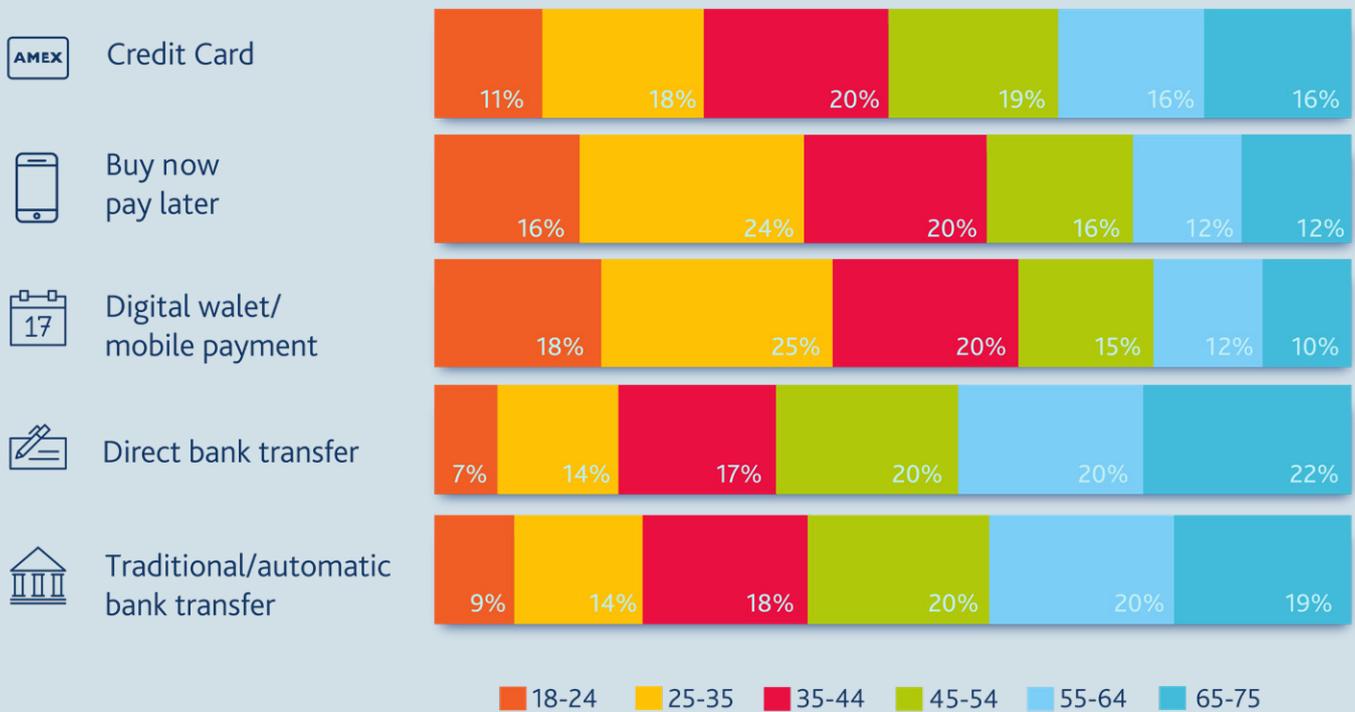


Average number of subscriptions per age group

# Payment options within age group



Younger generations are already accustomed to digital payment options. They are significantly more likely than older generations to pay bills with a debit card and are more likely to cut down on paper billing statements by selecting digital options. Younger generations expect speed and seamlessness when it comes to billing and payment. Making sure payments can be made across different devices (from mobile to desktop) will ensure satisfaction across different age groups. This is reflected in the data of the preferred payment options in the graph below.



*“Including generational differences in your payment strategy will have positive impact on subscriber loyalty. The younger generation prefers mobile payment methods, while the older generations prefer the more traditional methods such as credit cards.”*

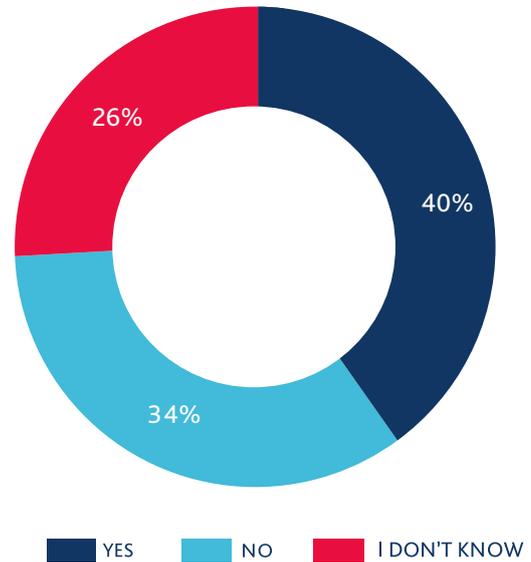
-Steven Piet, Product Lead Recurring Payments

# 3. CANCELATION (during sign-up)

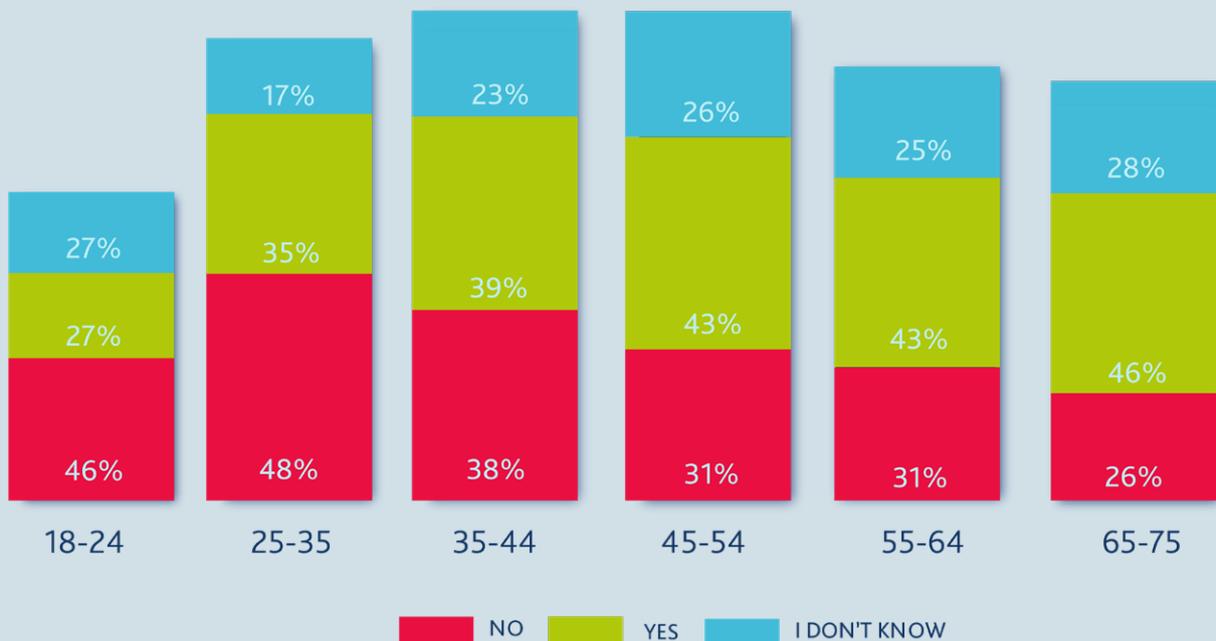


Despite knowing the importance of reducing customer churn, many businesses struggle to hold on to their subscribers. For different reasons, existing customers decide to leave and cancel their subscription. It's important to differentiate between cancelling during the sign-up process and cancelling the subscription after usage. First, we will highlight the data from abandoning a new subscription in the sign-up process.

Total number across all age group



### Have you ever abandoned a registration for a new subscription?



# 3. CANCELATION

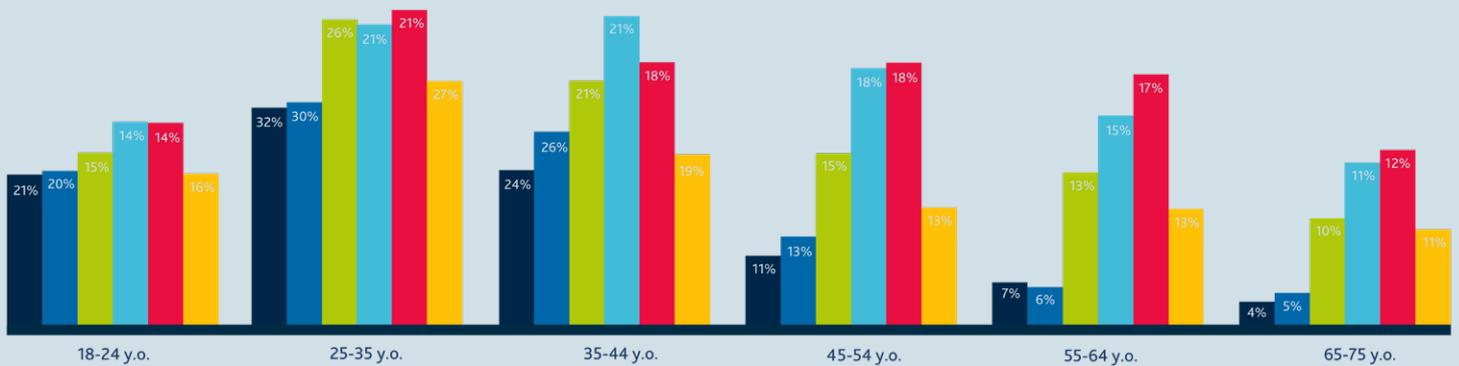
## (during sign-up)



Knowing the reasons why consumers drop-off during the sign-up process can offer valuable insights for improving this phase of the subscription lifecycle. As the results indicate, respondents expect a variety of payment options and expect the sign-up process to be as simple and short as possible.

Ensuring the best possible user experience is crucial to moving potential subscribers through the digital checkout line. Every step matters. Subscribers are more likely to quit the service if paying for their subscription doesn't go smoothly. This increases the churn rate and affects revenue. To conclude: the sign-up process should have no friction, so consumers will instantly experience the joys of a good subscription experience.

### Why have you abandoned registration for a new subscription?



- Not having access to bank account data in the purchase/ sign-up process
- Not having access to credit card in the purchase / sign up process
- Registration process took too long
- Not able to use a payment method I like
- Sign up process too complicated
- Do not recognize company handling the payment



## CANCELLATION AFTER USAGE

	Germany	Norway	Netherlands	Sweden	Denmark	Finland	Total (all countries)
I didn't need the product or service anymore	37%	47%	34%	37%	39%	46%	40%
I was not happy with the price	29%	33%	23%	35%	30%	30%	30%
I had to many subscriptions. Needed to prioritize	15%	28%	19%	19%	16%	24%	20%
I was not happy with the quality	19%	21%	17%	18%	19%	18%	19%
I didn't get the added value I expected from being a subscriber	16%	14%	18%	17%	15%	14%	16%
I no longer had the economy to continue paying for it	11%	20%	14%	16%	13%	14%	15%
I wanted to reduce my environmental footprint	8%	5%	8%	6%	7%	4%	6%

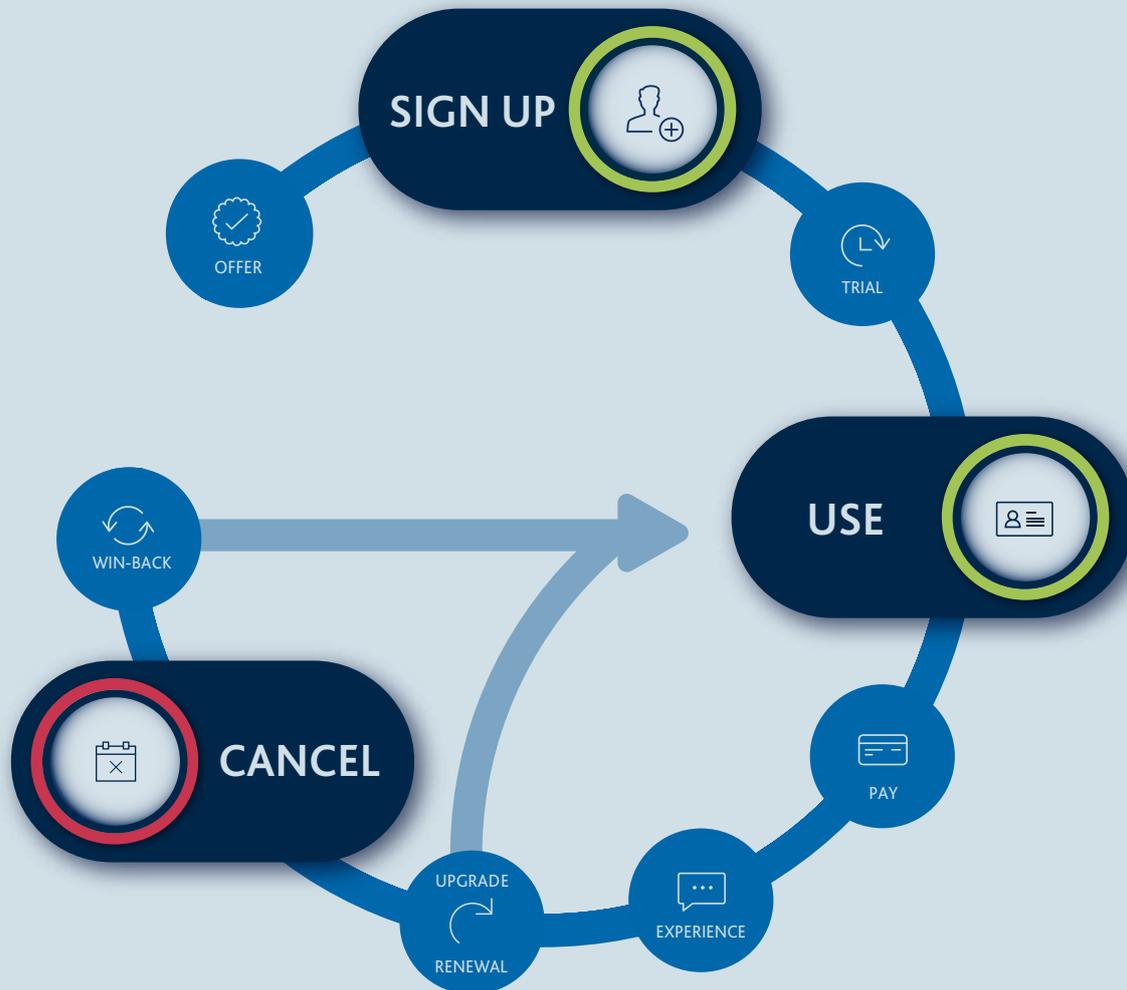
*'If you know why a customer has cancelled a subscription, you can turn it into a subscription reactivation. That's how you win'.*

-Steven Piet, Product Lead Recurring Payments

Handling cancellations in a subscription business requires a solid understanding of subscription billing and its recurring nature. It's crucial to realise this is not just about cancelling a single invoice but changing an entire revenue stream.

The survey highlighted several main reasons for respondents to cancel their subscription. These reflect clear opportunities: clear communication and interaction about the level of satisfaction as experienced by customers. As well as being transparent about the pricing and creating relevant (promotional) offers to highlight the added value of the subscription.

# SUMMARY - THE SUBSCRIPTION PAYMENT LIFECYCLE



Arvato Financial Solutions' 'Subscription Payments Lifecycle' can deliver a useful framework for growth.

If you want to attract as many subscribers as possible you have to offer the payment methods they prefer. As well as major payment methods, this means also providing the locally preferred methods in different markets.

Each of the three phases of the Payments Lifecycle has specific steps, which reflect a customer-centric approach. Adopting the steps and principles behind it will enable you to scale your payment strategy across borders. Putting the customer at the heart of the subscription experience.

**Seamless Recurring Billing**



**Rewarding Subscriptions**



**Great Customer Experience**

# SUMMARY - PAYMENT STRATEGY OPPORTUNITIES

## SIGN UP



Remove all possible friction points in the sign-up phase. Giving the customer payment flexibility and the opportunity to customise the offering will help drive conversion.

Businesses that accept more payment methods grow their revenue and customer base faster. Businesses that accept more payment methods have more effective payment collection.

## USE



Deliver uninterrupted access. The goal is to do this for as long as your customer wishes, ensuring that there are no disruptions for reasons related to payments, technical or otherwise.

Offer transparency around payments, avoid hidden costs and communicate clearly. This will trigger and increase brand trust and loyalty.

Also include friendly notifications to remove payment stress from customers.

## CANCEL



Make it easy for customers to cancel and be transparent about it. During every stage of the subscription experience, customers should feel that they're in control.

This phase of the lifecycle is also an opportunity for win-back. Based on the main reasons for cancellations, you can create specific offers that might get people to reconsider.

## About Arvato Financial Solutions

Arvato Financial Solutions offers professional financial services for international and local companies, allowing them to entrust their financial backend processes to a specialist and focus more on their core business. Our services range from credit risk management as well as payment, factoring, receivables management and debt collection. Our team comprising of around 7,000 experts in 15 countries are united by a common goal: seamless and efficient financial services for the best possible financial results of our customers.

### Subscription Payment: thinking beyond the transaction

Arvato Financial Solutions supports the entire lifecycle of a subscription (from signing to collection) and enables predictable cash flows by pre-financing subscription contracts. We have packaged this with a digital first payment experience to create the flexibility, transparency and control that today's subscribers expects. Combined, this makes us the right partner to help scale your subscription business across borders.

## How can we help you?

Interested in additional research findings or how to scale your payment strategy? Contact Peter Wilmenius, Vice President Sales O2C.



### Peter Wilmenius

Expert on Subscription Payment solutions

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