

Business Insight

European study on consumer payment preferences and the subscription economy.

FIVERTY

Subscription payments consumer survey

Germany, Norway, Sweden, Denmark, Finland, Netherlands





Subscriptions: Thinking beyond the transactions.

From music, movies and clothing to shaving kits - the subscription economy is booming. Subscriptions have already changed countless industries. The main reason for this is clear. People want to use things wherever and whenever they like, without owning them, while still being able to quit them if they are no longer needed.

How do you win in this new economy? Successful businesses offer pleasant, user-friendly subscription experiences. As a result, they build stronger customer relationships, increase renewal rates and lower churn rates.

Payments are a crucial success factor for subscription-based businesses. Leading brands such as Netflix, Spotify, and HelloFresh are committed to delivering a customer-friendly payment experience. Doing so improves the customer journey. Making it easier for people to sign up, maximising completed transactions and reducing churn of active customers.

“Payments are a key driver of Customer Lifetime Value.”
- Steven Piet, Product Lead Recurring Payments



A customer-centric payment strategy

How can you keep customers happy? Leading subscription companies are always evaluating and improving their payment flow. They use data to make decisions in areas such as checkout design and feature development. For instance, the process of retrying failed transactions can be improved with the help of data. In short: data helps to deliver a stronger (emotionally appealing) customer experience.

This approach of ‘thinking beyond the transaction’ allows companies across different countries to grow further, faster. The results are significant: more 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 for subscription payments. From choosing payment periodicity to cancellation - people in different countries have different wants and needs. Companies that understand this have a payment strategy for their customers that fits with local preferences. This makes scaling up internationally more efficient. Simply put: a human-centric approach will spark growth.

Riverty enables business growth by creating easier ways for consumers to pay and for companies to monitor their financial flows. Our ‘Subscription Payments Lifecycle’ offers a valuable tool to develop a payment strategy that keeps customers happy.

In the exciting context of subscription payments, we’re continually improving our understanding in order to develop the right solutions. We asked consumers in 6 Northern European countries about subscription payments and what makes them happy and unhappy. The results gave us an understanding of what’s needed to create customer-centric payment strategies.



Total Sample Size: 5,964 Respondents



Methodology

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

Respondents profile | Men and women | 18+ years old

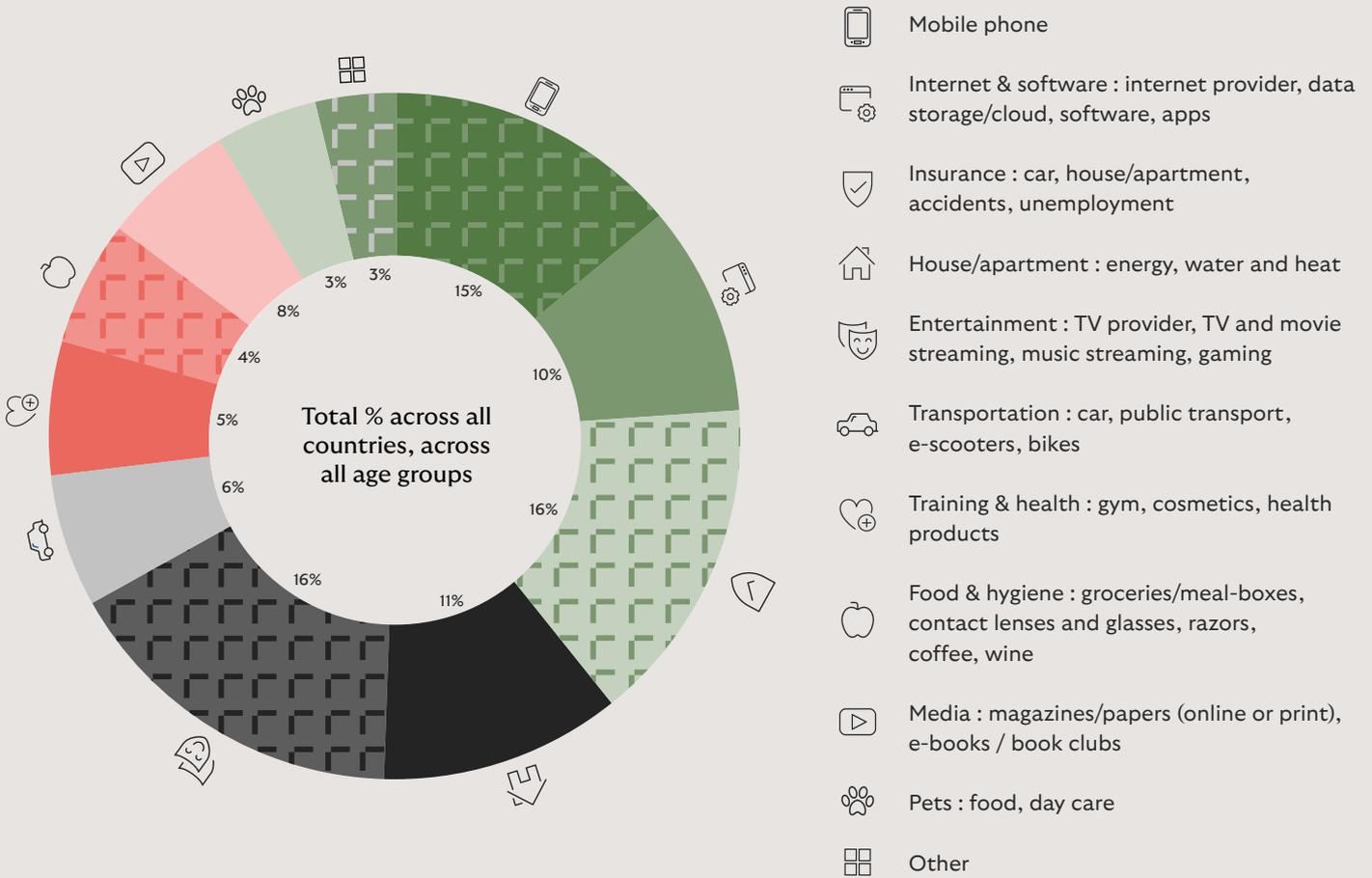
Fully or partly responsible for the payment of the household subscriptions.

Definition of subscription: 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 do not want to use/have access to them anymore.



Distribution of categories: overall

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



Transport

Transportation subscriptions are especially popular within the age group of 25-35 y.o.



Training & health

Training & health subscriptions are especially popular with younger age groups (18-24 y.o. and 25-35 y.o.)

“Ultimately, the subscription economy allows companies to attract more consumers and build stronger relationships with them.”

- Steven Piet, Product Lead Recurring Payments

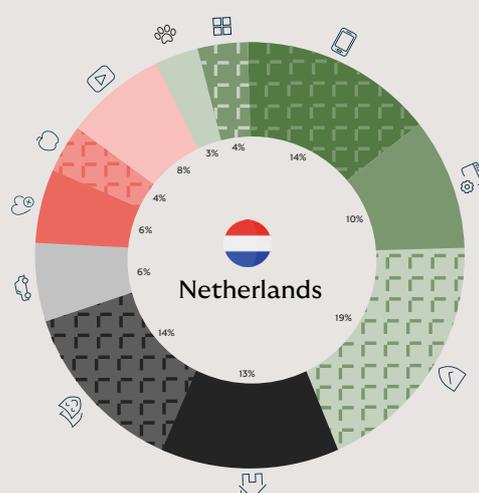
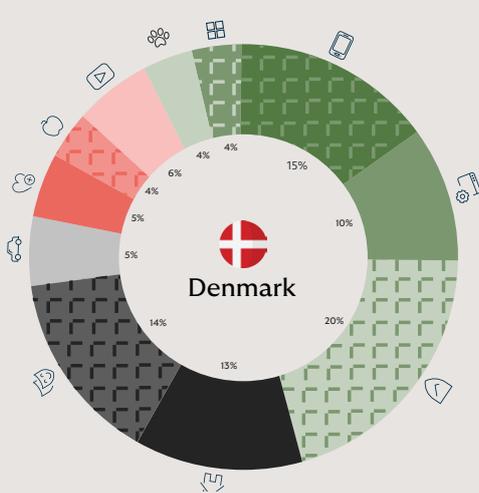
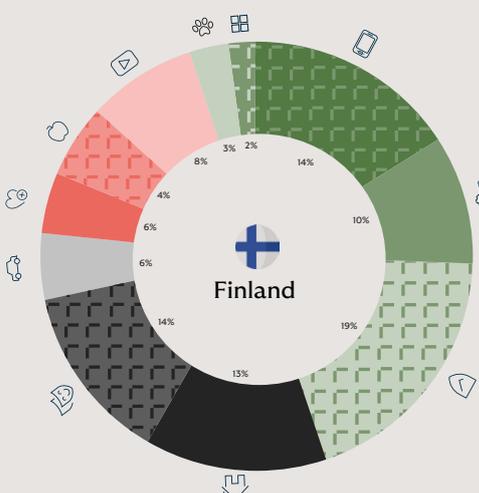
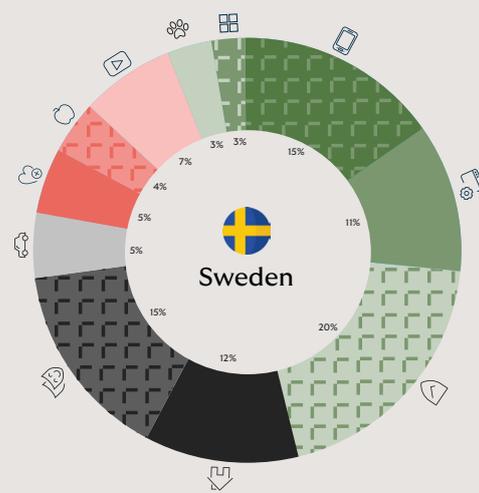
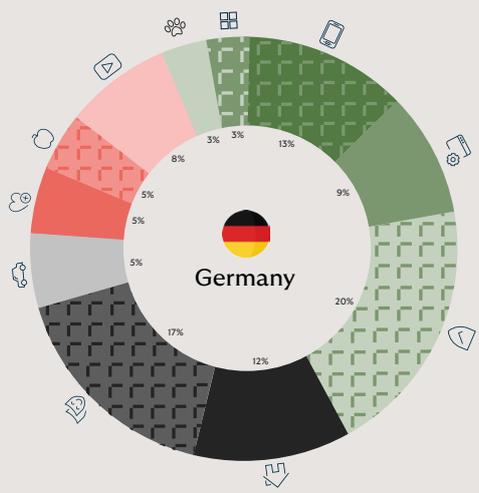
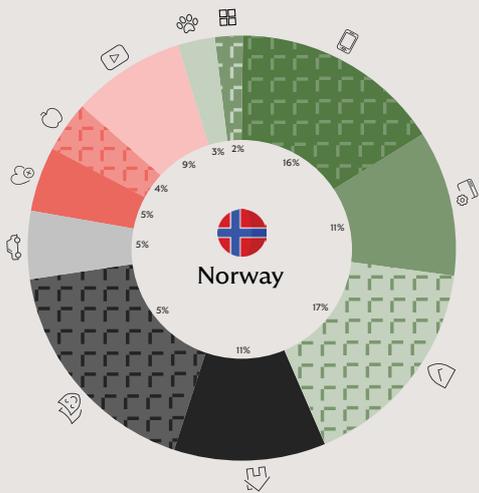


Distribution of categories: country specific

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

This shows the potential of the subscription model: it allows businesses from almost all economic sectors to offer memberships to their customers.

-  Mobile phone
-  Internet & software : internet provider, data storage/cloud, software, apps.
-  Insurance : car, house/apartment, accidents, unemployment.
-  House/apartment : energy, water and heat.
-  Entertainment : TV provider, TV and movie streaming, music streaming, gaming.
-  Transportation : car, public transport, e-scooters, bikes.
-  Training & health : gym, cosmetics, health products.
-  Food & hygiene : groceries/meal-boxes, contact lenses and glasses, razors, coffee, wine.
-  Media : magazines/papers (online or print), e-books / book clubs.
-  Pets : food, day care.
-  Other



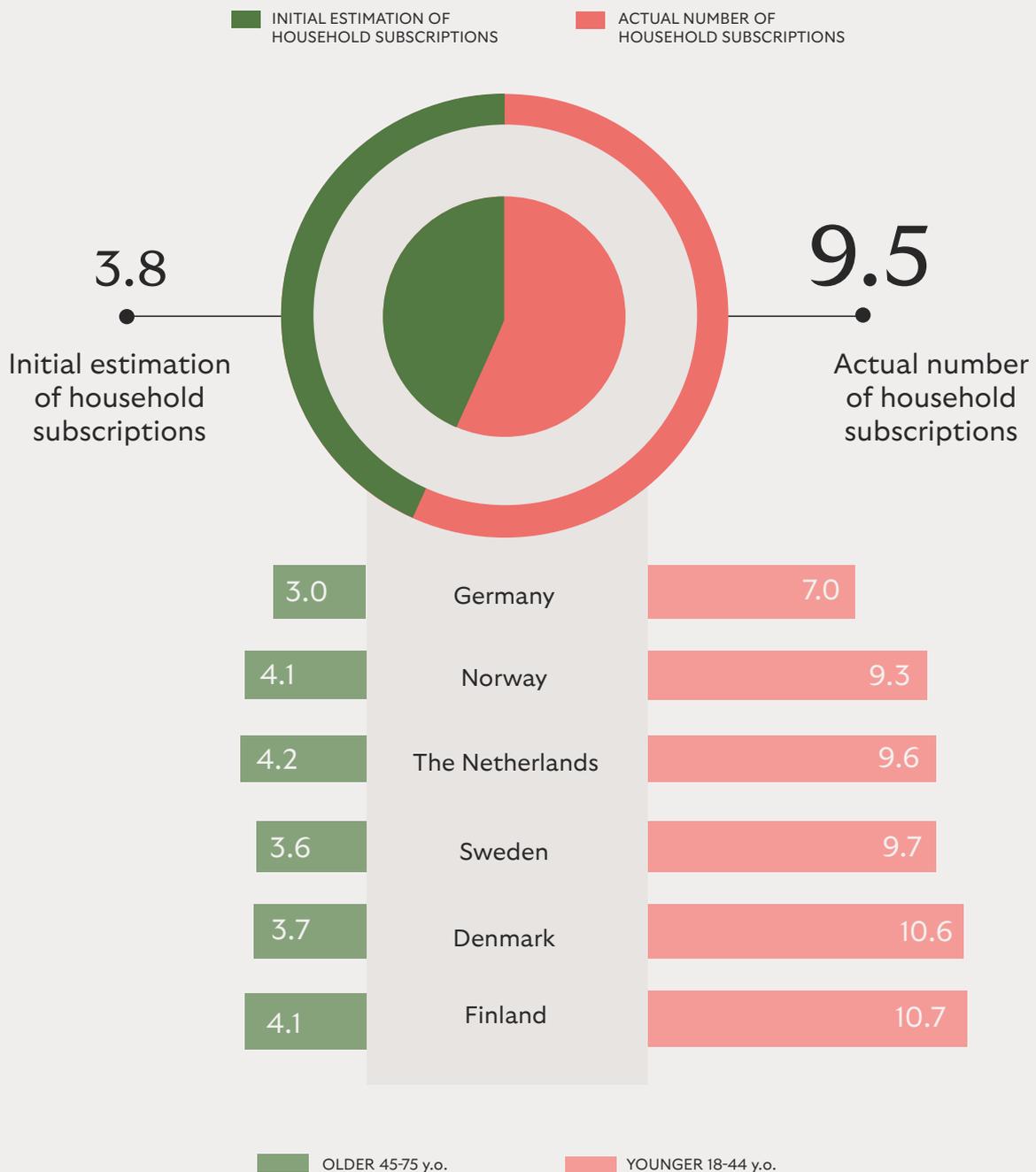


Market sizing: number of household subscriptions

Even though subscriptions are a part of their everyday lives, consumers 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. Spontaneously listing how many subscriptions a household has, proves to be quite difficult. The initial estimation of the amount of subscriptions is a lot lower than the actual amount of subscriptions when counting in more detail.

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 enable new growth. At Riverty we develop payment solutions based on the Payments Lifecycle. Positive customer journeys are at the heart of this lifecycle. Payments play a big part in three key areas:

1. Sign-up

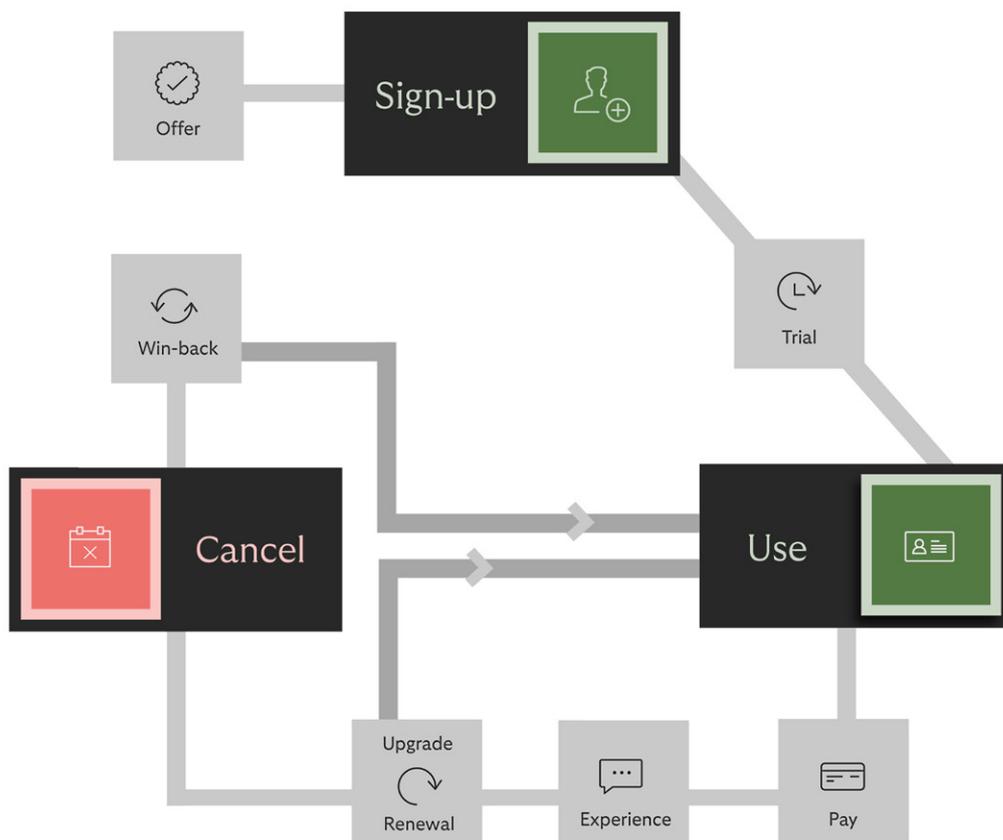
Optimizing sign-up is all about making it as easy as possible for people to start a subscription, while also offering different payment methods. It's also important to include preferred local payment options.

2. Use

Subscriptions are always open for business. Customers expect to have control and transparency. Most importantly they want to avoid payment disruptions, so they can enjoy their subscriptions every day. This phase of the Payments Lifecycle has another benefit. It gives businesses the opportunity to offer customers relevant upgrades based on their profiles. Allowing them to get an even better subscription experience.

3. Cancel / Win-back

For different reasons, a customer can decide to discontinue a service. Instead of cancelling, there are several opportunities to win back customers through relevant offers. Combining data with a human-centric approach can provide the right insights.





Sign-up

Consumers were very clear with which key factors are important for them in the sign-up process. First, the ability to choose when they pay (monthly, quarterly, yearly). Second, the availability of preferred payment methods. And lastly, notifications of automated payments.

Online payment methods continue to become more popular. 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.

Disagree with the statement Agree with the statement



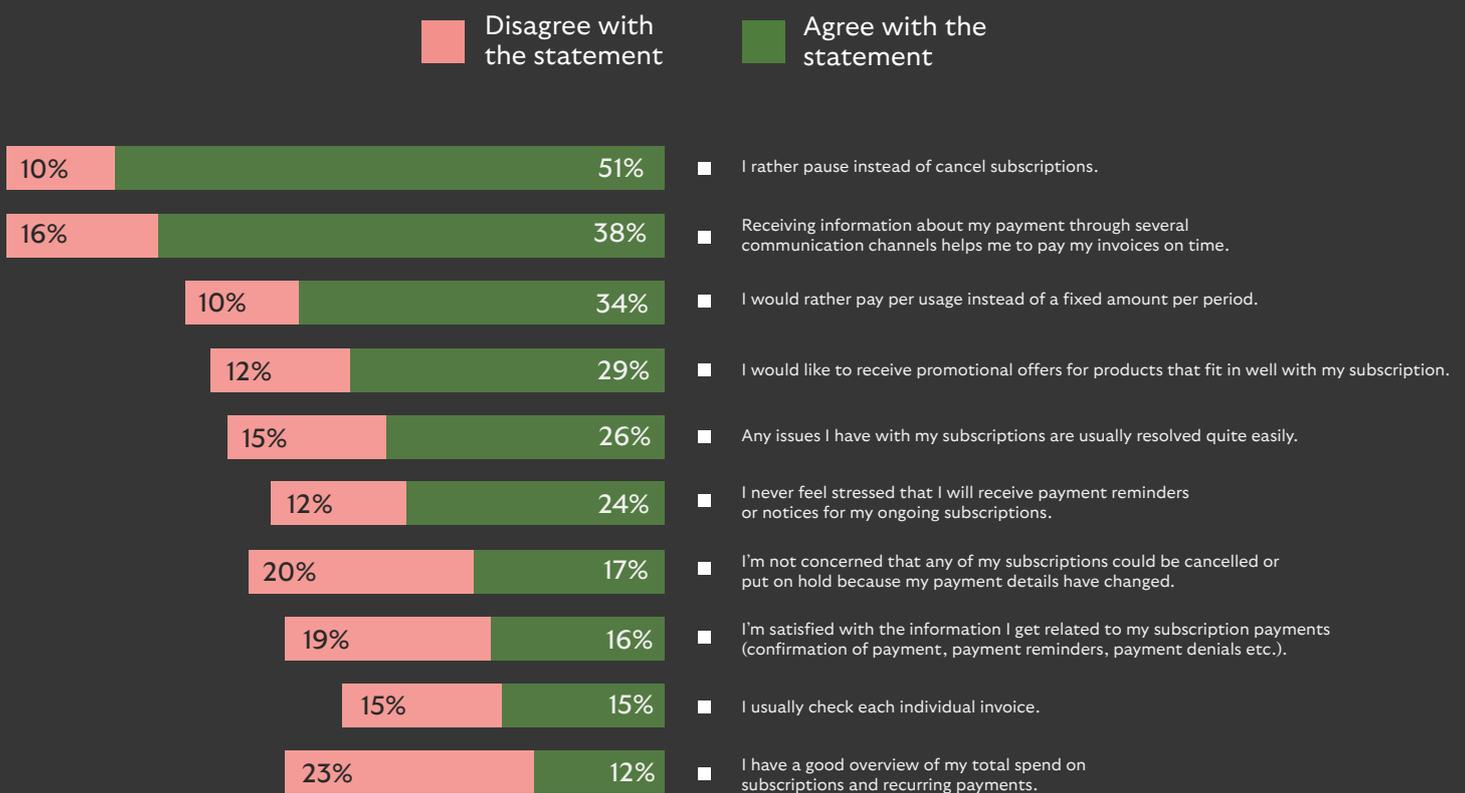
Being able to choose payment periodicity would bring value to many if it was available when signing up for a subscription. There is potential to improve cancellation information and to offer more relevant campaign offers.



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 Payments Lifecycle.

Consumers mention 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 consumers indicate they have a good overview of their spend on subscriptions.



Use

Local flavours, different tastes. There are interesting variations in the 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 consumers in Finland would rather pause instead of cancelling subscriptions.

	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 are 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 not 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 offers from my subscriptions	15%	24%	15%	16%	19%	20%	18%

Age group variations

Our consumer survey also looked at age differences during this phase of the subscription lifecycle. 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 is because 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.

	18-24 y.o.	25-34 y.o.	35-44 y.o.	45-54 y.o.	55-64 y.o.	65-75 y.o.	Total (all countries)
I have a good overview of my total spend on subscriptions and recurring payments	36%	37%	45%	50%	58%	67%	51%
I usually check each individual invoice	21%	26%	32%	36%	47%	53%	38%
I'm satisfied with the information I get related to my subscription payments (confirmation of payment, payment reminders, payment denials etc.)	32%	32%	32%	36%	25%	37%	34%
I'm not concerned that any of my subscriptions could be cancelled or put on hold because my payment details have changed	25%	27%	26%	27%	30%	36%	29%
I never feel stressed that I will receive payment reminders or DC notices for my ongoing subscriptions	22%	24%	25%	24%	29%	30%	26%
Any issues I have with my subscriptions are usually resolved quite easily	26%	24%	26%	22%	22%	26%	24%
I would like to receive promotional offers for products that fit in well with my subscription	19%	20%	17%	18%	16%	15%	17%
I would rather pay per usage instead of a fixed amount per period	20%	17%	16%	15%	16%	15%	16%
Receiving information about my payment through several communication channels helps me to pay my invoices on time	21%	17%	16%	12%	15%	13%	15%
I rather pause instead of cancel subscriptions	17%	16%	13%	12%	10%	8%	12%

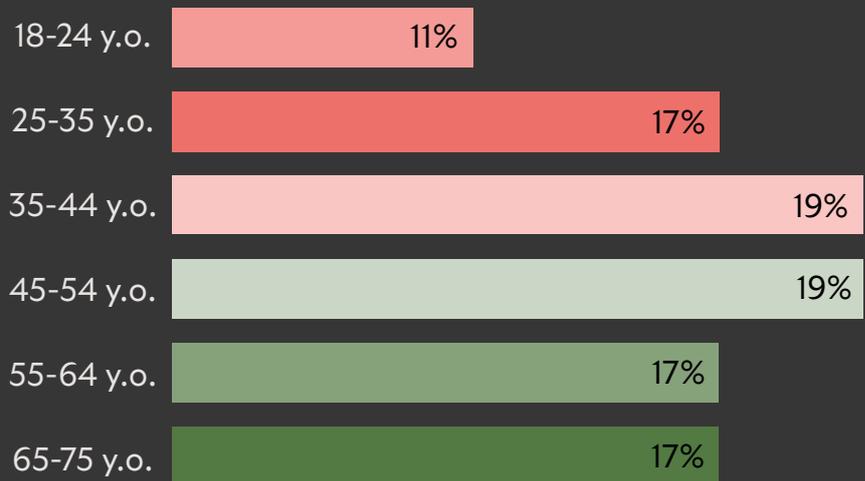


Differences in payment preferences across age groups

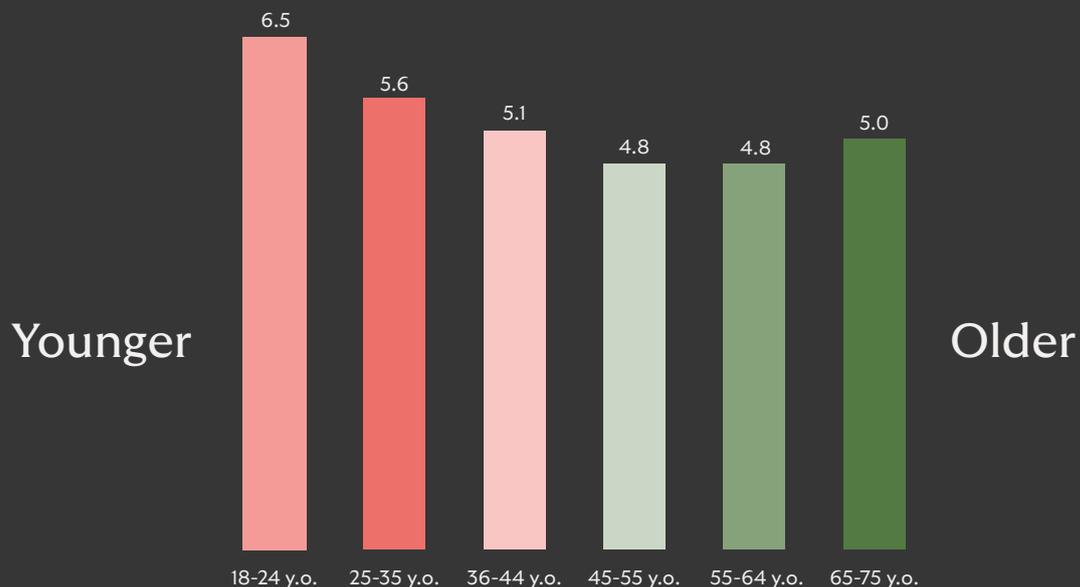
From Baby Boomers to Generation Z - every generation deals with finances in a different way. Tech-savviness and the willingness to spend influence their subscription behaviours and payment preferences. Simplicity and convenience are very important for younger generations. Which means they demand a range of new payment options. Fast, accurate payments and instant communication are also key factors. As the results show, it's important to understand the payment and billing preferences for each demographic.

Total Respondents

5,964



Average number of subscriptions per age group



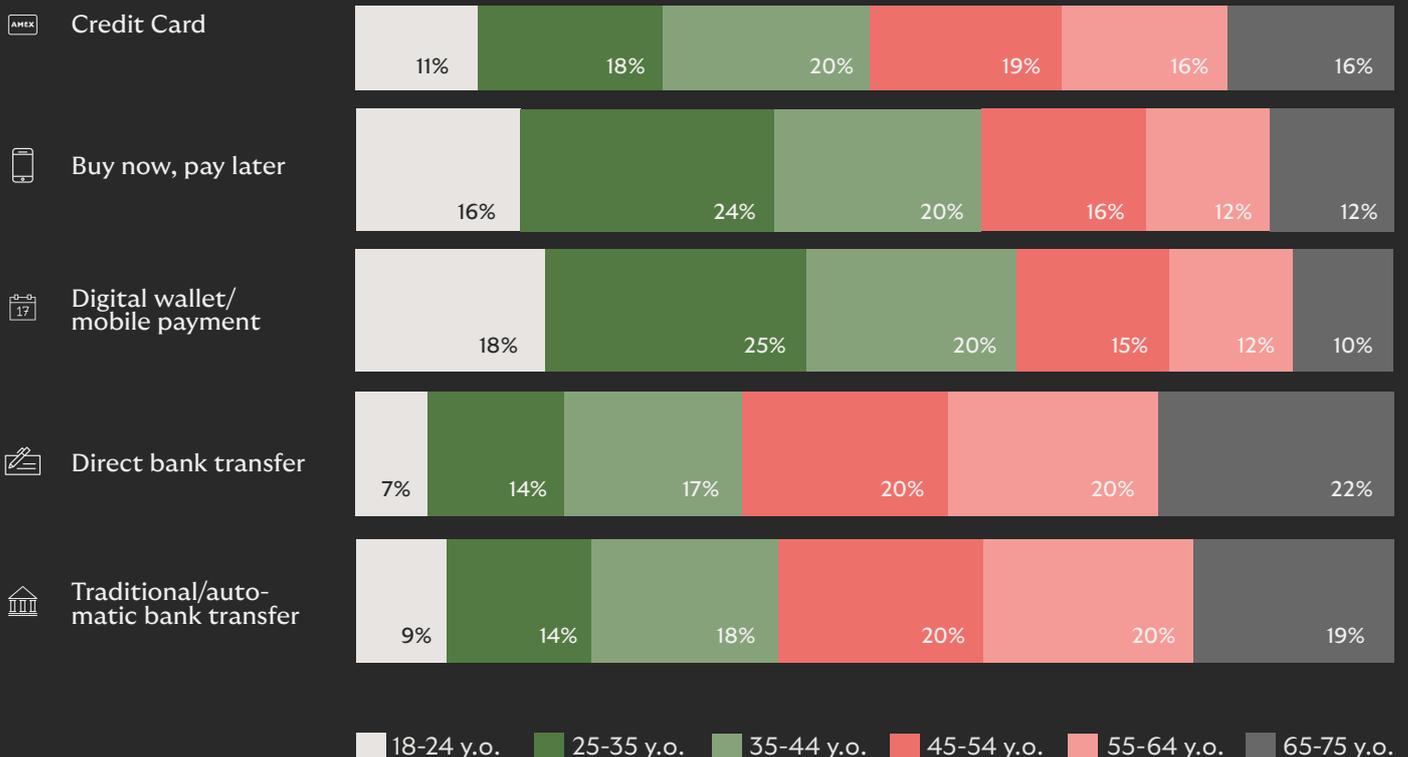


“Including generational differences in your payment strategy will have positive impact on subscriber loyalty. The younger generation prefers mobile payment methods, while the older generations prefer more traditional methods such as credit cards.”

- Steven Piet, Product Lead Recurring Payments

Payment options within age group

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





Cancellation

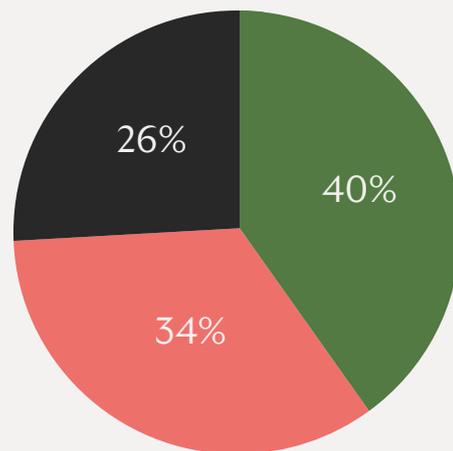
(during sign-up)

Keeping customers happy and onboard is crucial for subscription businesses. Still, many businesses struggle to hold on to their subscribers. For different reasons, existing customers decide to leave and cancel their subscription.

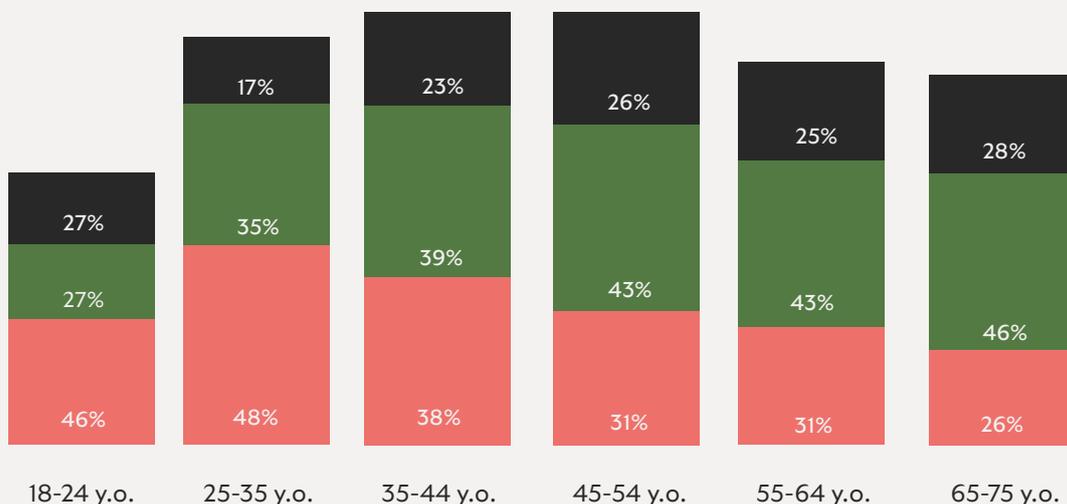
It's important to make a distinction between cancelling during the sign-up process and cancelling the subscription after usage. First, let's explore what the data tells us about people who don't complete the sign-up process of a new subscription.

Have you ever abandoned a registration for a new subscription?

Total number across all age groups



■ Yes ■ No ■ I don't know



■ Yes ■ No ■ I don't know



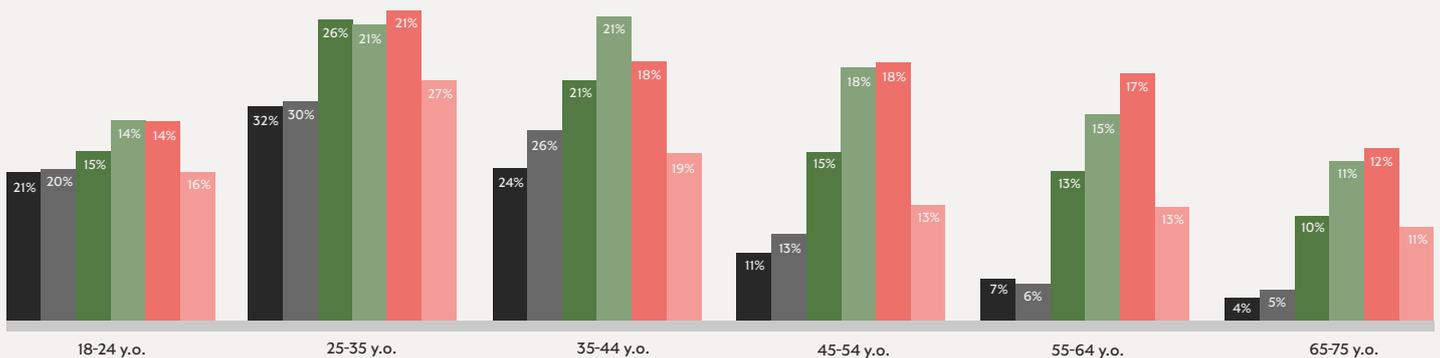
Cancellation

(during sign-up)

Knowing the reasons why consumers do not complete the sign-up process can offer valuable insights for improving this phase of the subscription lifecycle. Our research is clear, consumers 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

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 too 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%

Cancellations can also lead to new opportunities. Especially when it comes to handling cancellations in a subscription business. It requires a solid understanding of subscription billing and its recurring nature. The main thing to consider: when a customer stops a subscription, this goes beyond a single invoice. Their decision changes an entire revenue stream.

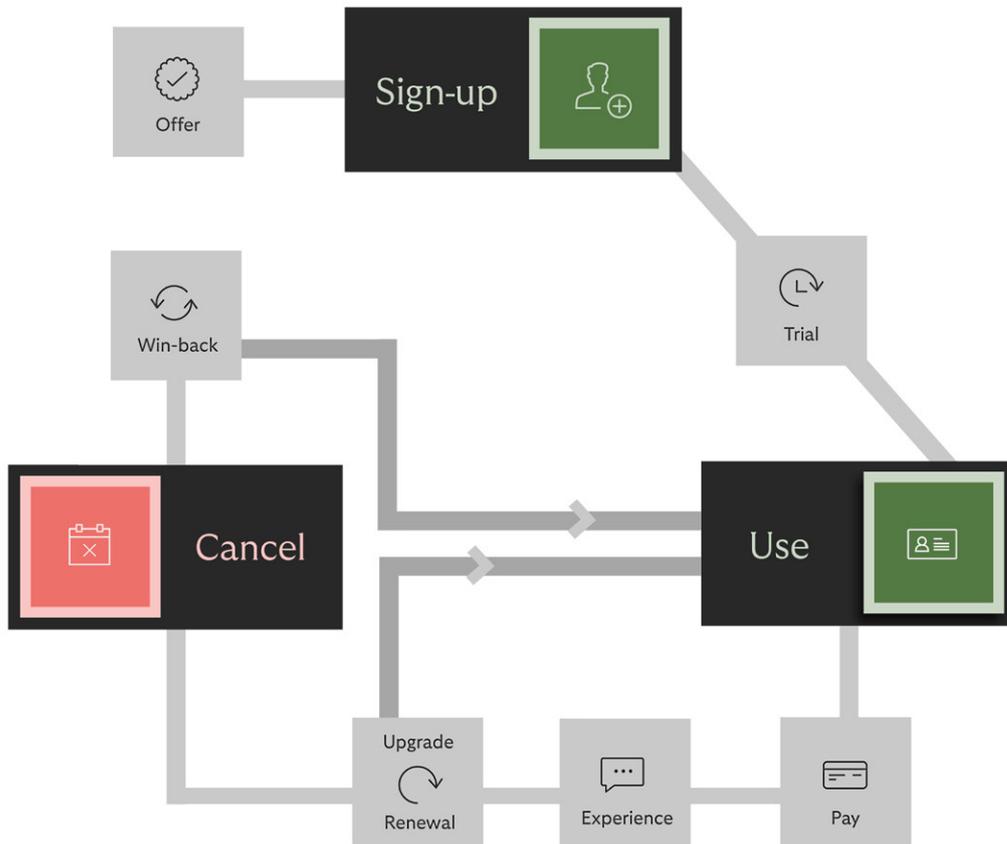
Our survey showed different reasons for consumers to cancel their subscription. These offer solid opportunities: clear communication and interaction about the level of customer satisfaction. As well as being transparent about the pricing and creating relevant (promotional) offers to highlight the added value of the subscription.

“By focusing on your customers’ reasons for cancelling you can start turning them into reactivations. That’s how you win.

- Steven Piet, Product Lead Recurring Payments



Summary: The Subscription Payments Lifecycle.



Riverty's 'Subscription Payments Lifecycle' is a useful framework for growth.

If you want to attract as many subscribers as possible you have to offer the payment methods they prefer. This also includes locally preferred methods in different markets.

Each of the three phases of the Payments Lifecycle has specific steps, based on 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 Subscription > Happy Customer



Summary: Payment Strategy Opportunities

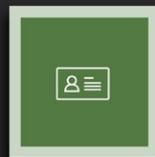
Sign-up



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. Make sure there are no disruptions related to payments, technical or otherwise.

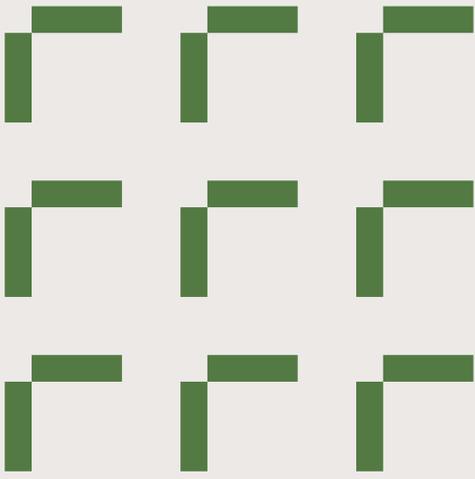
Offer transparency around payments, avoid hidden costs and communicate clearly. Also include friendly notifications to remove payment stress from customers. This will increase brand trust and loyalty.

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 Riverty

A world where business meets the needs of humanity. Where financial technology makes a difference. Where everyone is in control of their own financial story. At Riverty, we're building it, together. With a team of more than 5,000 experts in 13 countries, we're finding smarter, simpler, seamlessly connected ways to manage your money. From flexible payments to accounting and debt collection, our holistic solutions empower everyone to live their best financial lives. It's time to enter a new era of economic freedom.

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