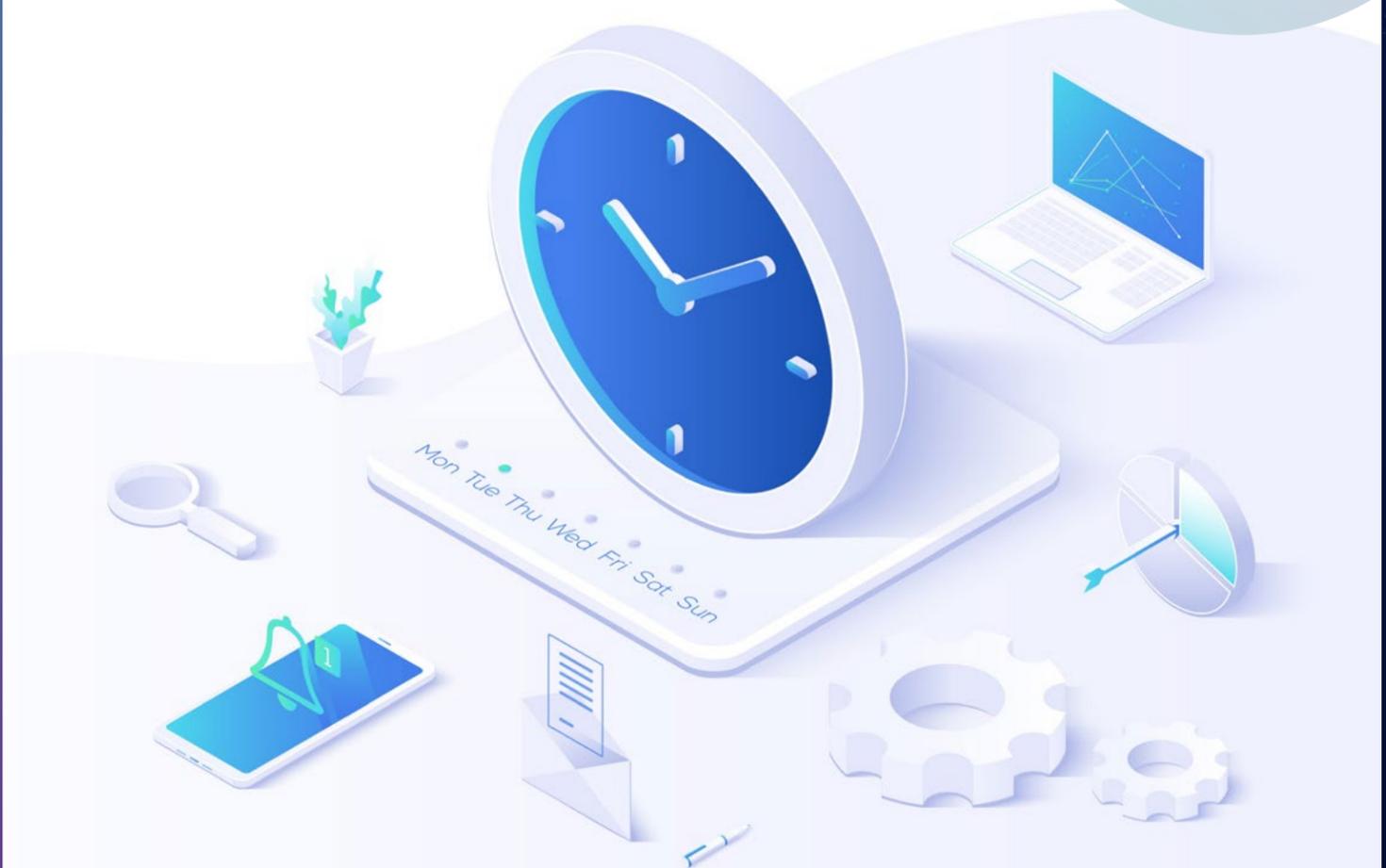


CONSUMER SUBSCRIPTION RETAIL SERVICES REPORT

Using **PAUSE FEATURES**
To Curb **SUBSCRIPTION**
CANCELLATION

9.5M

NUMBER OF CONSUMERS
WHO WOULD NOT CANCEL
THEIR SUBSCRIPTIONS
IF PAUSE FEATURES
WERE AVAILABLE



The Consumer Subscription Retail Services Report: Using Pause Features To Curb Subscription Cancellation edition, a collaboration with Recurly, draws from a survey of 1,968 U.S. consumers to learn how they use subscription services, how likely they are to cancel their subscriptions in the near future and what measures providers can take to help curb subscriber churn.

CONSUMER
SUBSCRIPTION
RETAIL SERVICES REPORT

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ACKNOWLEDGMENT

The Consumer Subscription Retail Services Report: Using Pause Features To Curb Subscription Cancellation edition was done in collaboration with [Recurly](#), and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](#) retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

British television subscription service Sky Sports announced on March 17 that it would allow customers to pause their subscriptions during the COVID-19 outbreak, reversing its previous decision to charge subscribers penalty fees for pausing. Many of the broadcast company's subscribers had been requesting pauses because of the myriad broadcast sporting events canceled or postponed to slow the contagion's spread.¹

¹ Marlborough, C. Edinburgh News. 2020. <https://www.edinburghnews.scotsman.com/arts-and-culture/film-and-tv/sky-sports-how-you-can-pause-your-subscription-free-during-coronavirus-outbreak-2485232/>. Accessed March 2020.

Sky Sports had been hesitant to enable a pause feature, presumably because it feared a massive revenue disruption,² so the announcement was a welcomed reprieve for many.

The circumstances surrounding Sky Sports' decision — the COVID-19 pandemic wreaking havoc on the consumers' health and stability around the globe — are undoubtedly extreme and highly distressing. Yet countless consumers are forced to deal with unforeseen events that impact their ability or desire to keep paying for subscription services even in more normal times. Unemployment, unexpected medical expenses and falling victim to theft are only a few surprises that can force consumers to shift their financial priorities and drop a recurring bill.

Providers have a choice when these situations inevitably arise: They can either require their customers to cancel for good or allow their customers to put their services on hold temporarily.

² Ives, Nat. From adult toys to business software, Coronavirus is changing the subscription landscape. The Wall Street Journal. 2020. <https://www.wsj.com/articles/from-adult-toys-to-business-software-coronavirus-is-rearranging-the-subscription-landscape-11585692808/>. Accessed March 2020.

The demand for pause features like these is far greater than one might imagine. PYMNTS' research shows that 14.2 million consumers would use these features if they were available, and the presence of such options might even prevent subscribers from canceling their subscriptions altogether.

Just who are these consumers, and why do pause features hold so much appeal for them? Are they interested in pausing their subscriptions to eliminate an extra expense, or are their subscriptions only useful during certain times of the year? What other types of features can providers offer to make holding on to their plans worthwhile?

These are only some of the questions that PYMNTS and Recurly set out to answer in our inaugural Consumer Subscription Retail Services Report: Using Pause Features to Curb Subscriber Cancellation edition.

This is what we learned.

More Than a Beauty Box

We're here to help you find joy in beauty and in taking care of yourself. Think of us as a monthly box of you-time.

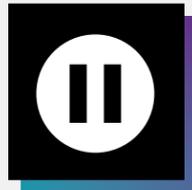
SIGN ME UP

KEY FINDINGS



One out of four consumers cancel subscriptions at a rate of at least one subscription every six months.

A unique characteristic of the subscription service market is the presence of serial subscribers. These consumers sign up for one or multiple subscription services at a time and cancel as soon as free trials run out. These individuals may disproportionately contribute to the high churn rate exhibited in the subscription commerce sector: one out of every four consumers cancels at least one subscription within a six-month period. Our research shows that 30.1 percent of consumer retail product subscribers have canceled a subscription in the past six months, while 26.3 percent of education and training subscribers have done the same. We also find that 26.4 percent of digital media subscribers and 29.1 percent of streaming service subscribers say they have ended a subscription during the past six months. Subscriber retention is crucial for providers, who are often left searching for ways to keep users from abusing free trials.



Pause features could help providers keep 9.5 million streaming subscription users from canceling.

Offering pause features, which allow consumers to temporarily suspend their subscription services and reactivate them without having to reenter their user information, can be a counterintuitive but effective way for providers to safeguard their bottom lines. Our research shows that 51.7 percent of U.S. consumers — approximately 14.2 million people — who identify as likely to cancel their current subscriptions would be interested in using pause features, if available. This could allow subscription service providers to retain an estimated 9.5 million users who would otherwise be at risk for churn, which is a foundational challenge for the subscription business model.

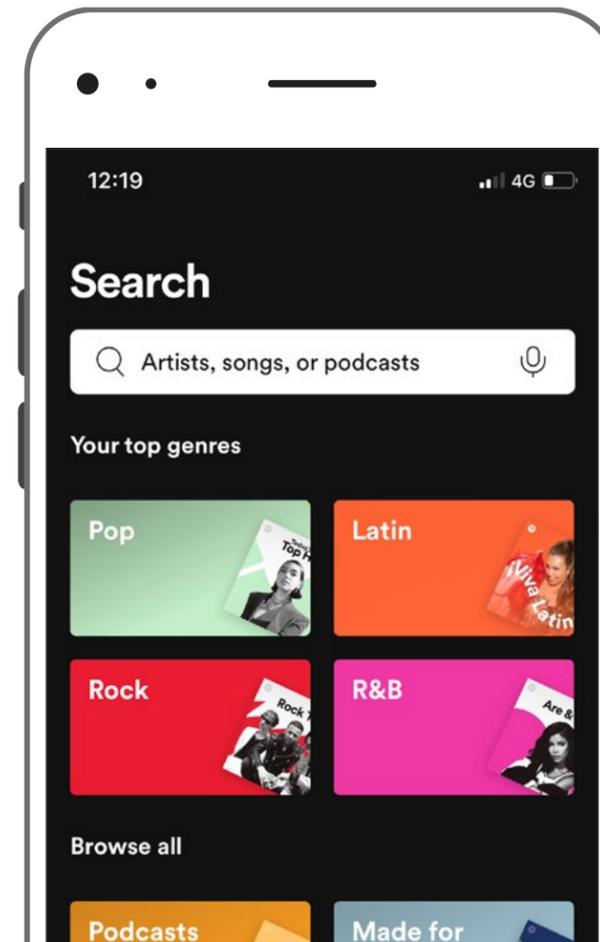
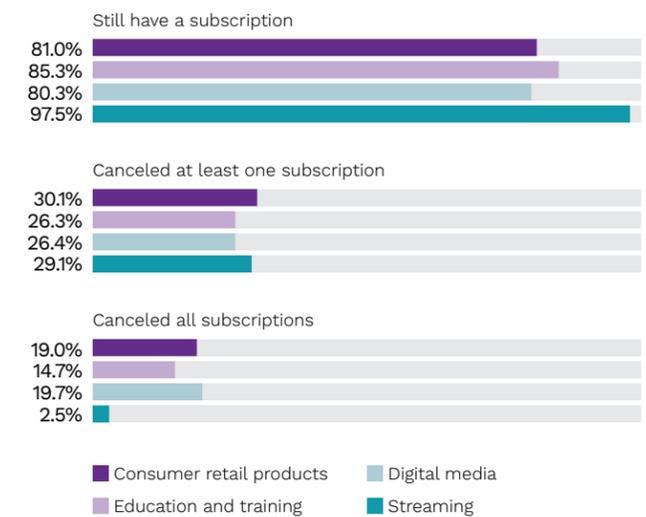
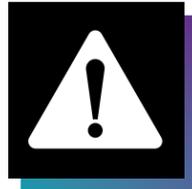


FIGURE 1: Consumers' likelihood of canceling subscriptions during the past six months

Share of consumers who have canceled select subscription services during the past six months



Source: PYMNTS.com

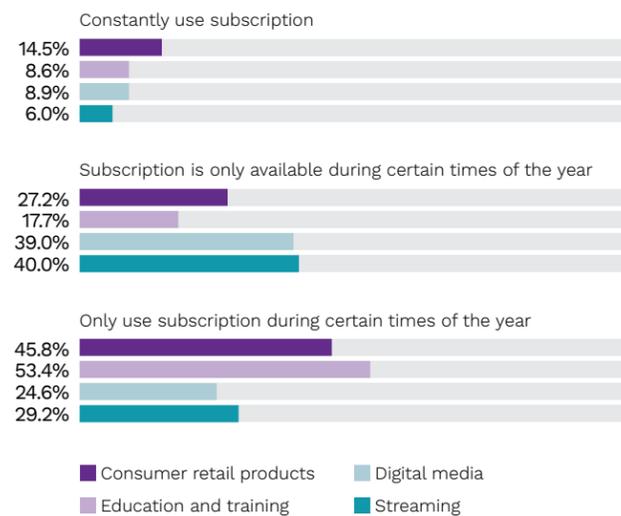


Seasonal subscriptions are at higher risk of cancellation.

Consumers who use their subscription services only during certain times of the year or who use services that are only available during certain seasons are more likely to plan to cancel those subscriptions within the next year than individuals who access their subscriptions all year. Our research shows that 29.2 percent of streaming users who use their subscriptions during certain times of the year and 40 percent whose subscriptions are only available during certain times of the year report an intention to cancel their streaming subscriptions within the next year. Just 6 percent of streaming consumers who use their subscriptions year-round plan to cancel over the same time-frame.

FIGURE 2:
How consumers' subscription cancellation likelihood relates to their frequency of use

Share of respondents who say they are likely to cancel their subscription plans, by period of subscription use



Source: PYMNTS.com

This finding usually means that education and training subscriptions are at the highest risk of season-related cancellation. Our research determines that 55.5 percent of consumers who currently have education or training subscriptions and plan to cancel them in the next year only use those subscriptions during certain parts of the year. This is a far greater share than we see among consumers who plan to cancel their digital media subscriptions, for example, as just 21.2 percent of them say they use their subscriptions seasonally.

Approximately one out of five subscribers does not pay for their own subscriptions.

When discussing subscription cancellations, it is important to bear in mind that many consumers use but do not pay for their own subscriptions. About one out of five US consumers who use subscription services uses at least one service that someone else pays for. Their propensity to pay for their own subscription services varies by the type of service in question. Consumer retail and digital media subscribers are the two most likely groups to say they purchase their own subscriptions: 84.7 percent and 82.4 percent pay for their own services, respectively. Only 65.8 percent of education and training subscribers and 74.4 percent of streaming service subscribers say the same.

Who pays for these piggybackers' services is even more interesting. Individuals who use consumer retail and streaming subscription services are the most likely users of services paid for by their family members, for example — 13.9 percent and 22.2 percent of each group piggyback off their relatives, respectively. Education and training subscribers are the most likely to say their subscriptions are either paid for by their employers or that their subscriptions are free, as 10.7 and 9.4 percent say so, respectively. Subscription providers must bear in mind that the end users they are hoping to win over are not always the ones who are footing the bill for their services.

Consumers who use subscription services are younger, have more education and earn higher incomes than average.

Anyone can pay for subscription services, but end users tend to be younger, better educated and better paid than average. No generation shows a greater liking for subscriptions than Gen Z, however, as 91.6 percent of the demographic have at least one subscription service. The second-most and third-most likely groups to have subscriptions are the millennial generation and Gen X, as 87.4 percent and 77.8 percent say they have at least one subscription, respectively.

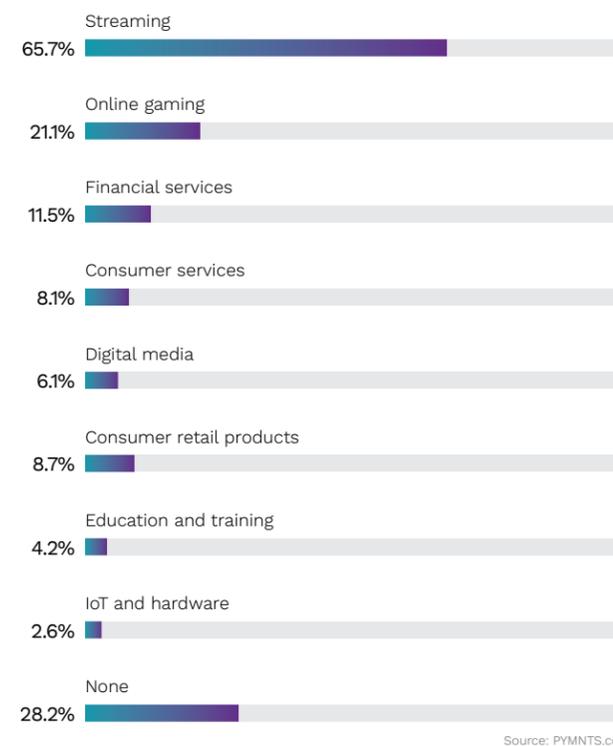
Pause features can help keep subscribers from canceling their subscription plans, but such capabilities are only the beginning. The following report explores additional features subscription service providers in various sectors can implement to better match their subscribers' unique circumstances.

SIZING UP

THE SUBSCRIPTION SERVICE MARKET

Streaming is by far the most popular type of subscription service, as 65.7 percent of consumers report subscribing to at least one streaming service. The second-most and third-most popular types are online gaming and financial service products, respectively, but neither is subscribed to by even half as many consumers as those that subscribe to streaming services.

FIGURE 3:
The popularity of various subscription services across generations
 Share of consumers who have select types of subscription services

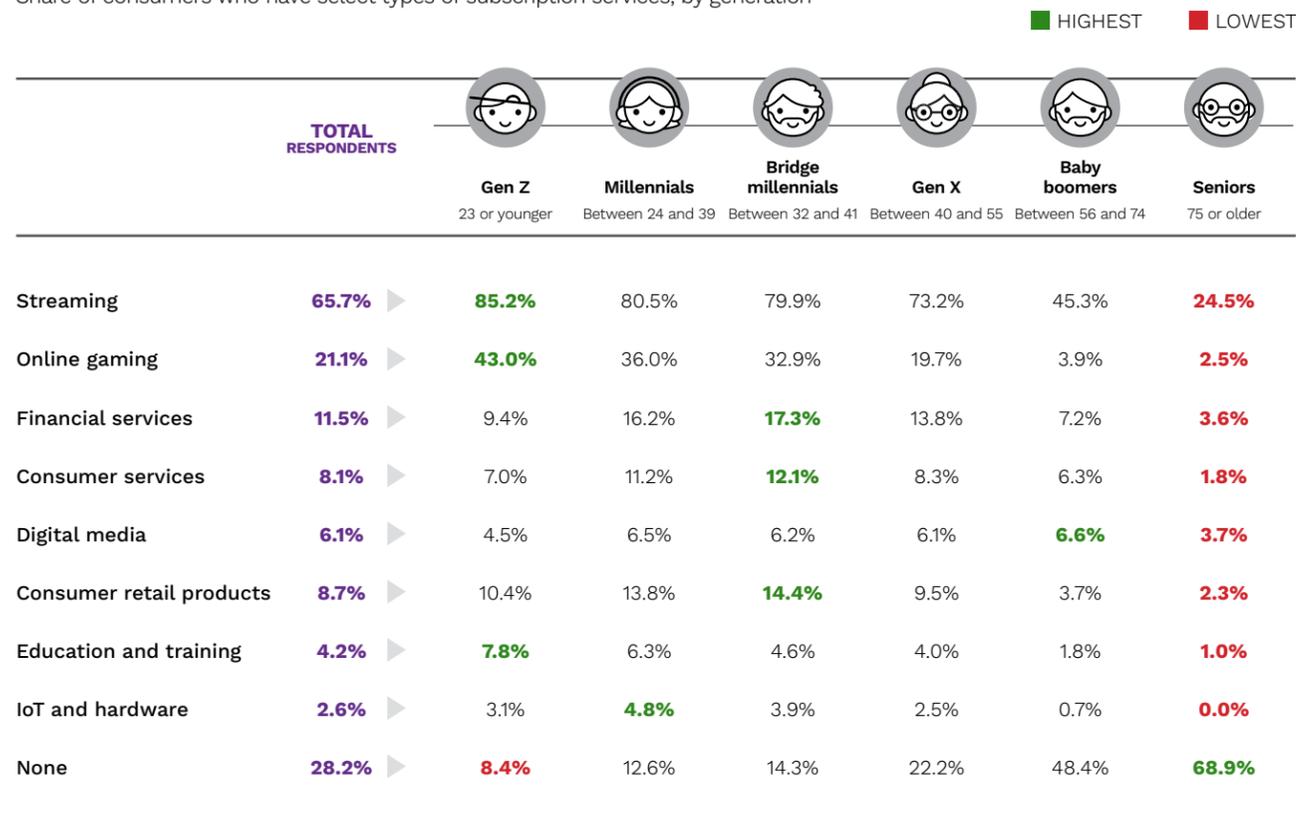


MEET THE BRIDGE MILLENNIALS

Bridge millennials are a powerful cohort of consumers composed of both older millennials and younger Gen X members between the ages of 32 and 41. They have grown up around computers, smartphones and tablets, meaning they are knowledgeable about digital technology and comfortable using it to browse, shop and pay. Bridge millennials tend to be more professionally established than their younger millennial and Gen Z counterparts and typically possess more disposable income. The average bridge millennial takes 18.3 shopping trips each year to buy apparel and accessories and spends \$2,225 annually doing so. These stats contrast sharply with the equivalent measures for baby boomers, who spend just \$1,389 over their eight comparable shopping trips annually.³

³ Connected consumer: How consumers shop and buy clothes. PYMNTS.com, 2018. <https://www.pymnts.com/study/connected-consumer-playbook-study/>. Accessed March 2020.

TABLE 1:
The popularity of various subscription services across generations
 Share of consumers who have select types of subscription services, by generation



Source: PYMNTS.com

The consumers who subscribe to these services come from wildly different generational backgrounds, however. Streaming and gaming subscription services are especially popular among members of Generation Z, for example. Our research shows that 85.2 percent of Gen Z subscribe to at least one streaming service, while 43 percent subscribe to at least one gaming service.

The likelihood of subscribing to these two types of services decreases among older age groups. Many millennials and bridge millennials have streaming subscriptions, for example — 80.5 percent and 79.9 percent, respectively — but only 45.3 percent of baby boomers do.

Bridge millennials are also a standout group in our sample. Gen Z may be the generation that is most likely to sub-

scribe for streaming and gaming services, but bridge millennials show the strongest affinity for financial services, consumer services and consumer retail subscription products. We find that 17.3 percent of bridge millennials report having financial service subscriptions and 14.4 percent say they use consumer retail subscriptions. Baby boomers subscribe to those services at far lower rates: 7.2 percent and 3.7 percent, respectively.

Consumers' likelihood of using various subscription products also varies by educational background and income level. College-educated consumers make up

the majority of the approximately 15.2 million digital media subscribers and the 10.5 million education and training subscribers, for example, and 53.5 percent of those who use digital media subscriptions and 50.5 percent of consumers who use education and training subscriptions have college degrees. These portions are far larger than the average 35 percent of college graduates among subscribers, on average.

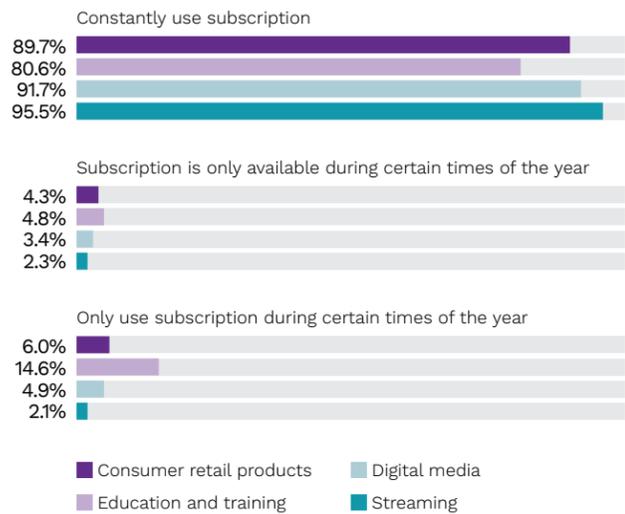
We also see a strong connection between how much consumers earn in annual income and their likelihood of using subscription services. Higher annual incomes

TABLE 2:
The popularity of various subscription services across generations
 Share of consumers in select demographic groups who access subscriptions, by sector

	DEMOGRAPHICS				POPULATION
	College or more education	Income less than \$50K	Income between \$50K to \$100K	Income more than \$100K	
SUBSCRIBERS	35.0%	28.1%	31.7%	40.2%	167.1M
Streaming	34.6%	28.1%	31.8%	40.2%	163.7M
Digital media	53.5%	21.4%	25.9%	52.7%	15.2M
Education and training	50.5%	13.6%	31.1%	55.3%	10.5M
Consumer retail products	41.6%	16.0%	30.3%	53.8%	21.7M

Source: PYMNTS.com

FIGURE 4:
How often consumers use their subscription services
Share of consumers who use their subscriptions with select frequencies, by type of subscription



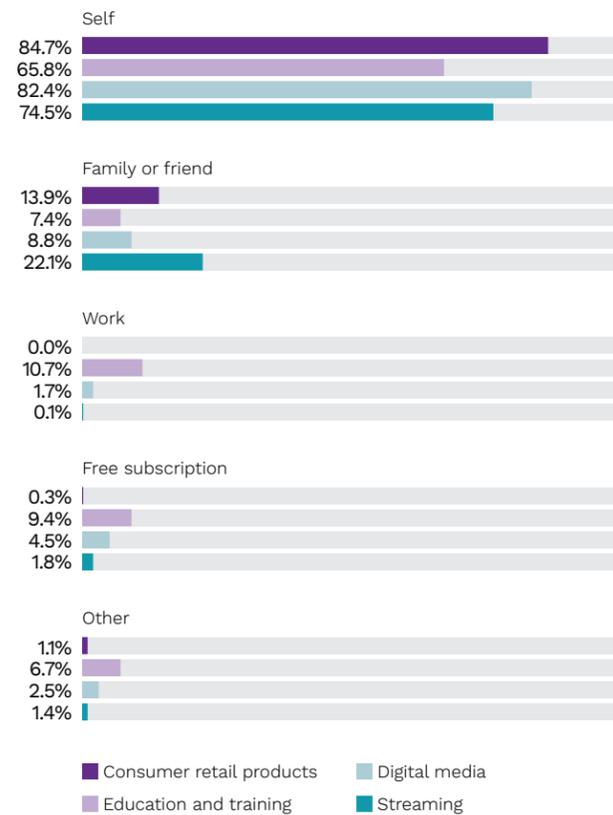
Source: PYMNTS.com

22.1%
OF STREAMING
CONSUMERS WHO
USE SUBSCRIPTION
SERVICES RELY ON
SOMEONE ELSE
TO PAY FOR THEM.

suggest higher odds of subscription use. Our research discovers that 40.2 percent of consumers who use at least one subscription service earn more than \$100,000 in annual income.

Consumers also tend to use their subscriptions in divergent ways that depend on the type of service. Services that pertain to education or professional training, for example, tend to be more seasonal than others, perhaps only being needed during the times of the year when school is in session or when employees are being hired and trained. This results in a far greater share of education and training subscription service users reporting that their subscription plans are only available during certain times of the year (4.8 percent), or that they only use those services during certain times of the year (14.6 percent). Smaller shares of consumer retail product subscription users — 4.3 percent and 6 percent — say the same. The majority of subscription services are still used throughout the year, however, even within the education and training sector.

FIGURE 5:
Who pays for subscription services
Share of subscribers who fund select subscriptions, by payor



Source: PYMNTS.com

It is also important to distinguish between users and subscribers, as not all consumers who use subscription services actually pay for them. In fact, 23.8 percent of all consumers who use subscription services say they either piggyback off of the accounts of friends or family members, receive the subscriptions through their employers or exclusively use free subscriptions.

Piggybacking is an especially common way to access streaming services, as 22.2 percent of all consumers who use streaming services say their access comes via an account paid for by a family member or friend. The phenomenon is less common among consumers who use education services, where 7.4 percent piggyback, or digital media subscription services, where 8.8 percent use other people’s accounts.

Education and training subscription users are the most likely to say either that their employer pays for their subscriptions (at 10.7 percent), that their subscriptions are free (9.4 percent) or that they obtain their services through another route (6.7 percent).



QUANTIFYING

THE CANCELLATION PROBLEM

A firm comprehension of who uses which subscription services is important, but it is also vital to understand that usage is in a constant state of flux. Subscribers sign up and opt out of subscription plans with what can be a surprising frequency, and providers are locked in a perpetual battle to keep sign-up rates high and cancellation rates low.

This is often an uphill battle. Our research shows that approximately 58.3 million U.S. consumers — 23.4 percent of the population — canceled at least one subscription during the past six months.

The grand majority of those cancellations affected streaming services, as 83.8 percent of all consumers who have canceled a service ended one of that type, mean-

ing 48.9 million consumers canceled streaming subscription plans in the last half year. The second-most commonly canceled subscription service was consumer retail, as a far lower 13.9 percent of all respondents who have canceled at least one service ended one of that type. This means that 8.1 million consumers canceled at least one consumer retail subscription during the past six months.

A disproportionate number of those cancellations — 43.5 percent, to be precise — were initiated by millennials, who make up only 29 percent of the population. The second-most and third-most likely generations to have canceled subscriptions within the past six months were Gen X and bridge millennials. Cancellations initiated by these two age groups accounted

58.3M
U.S. CONSUMERS CANCELED
AT LEAST ONE SUBSCRIPTION
DURING THE PAST SIX MONTHS.

for 25.1 percent and 24.9 percent of all cancellations, respectively. Baby boomers and seniors were the last likely to have canceled subscription services, as the groups initiated only 14.4 percent and 0.7 percent of all cancellations.

TABLE 3:
Who cancels their subscription service plans
Share of consumers who report canceling select types of subscriptions during the past six months, by demographic

	SUBSCRIPTIONS CANCELED					"SOMEWHAT," "VERY" OR "EXTREMELY" LIKELY TO END THE SUBSCRIPTION				
	AVERAGE	Streaming	Digital media	Education and training	Consumer retail products	AVERAGE	Streaming	Digital media	Education and training	Consumer retail products
TOTAL RESPONDENTS	23.4%	19.6%	2.0%	1.3%	3.2%	16.4%	11.8%	23.0%	25.2%	24.1%
GENERATION										
Generation Z	16.3%	16.1%	14.2%	18.7%	17.9%	17.0%	15.2%	11.4%	25.1%	19.1%
Millennials	43.5%	43.4%	50.2%	48.8%	42.5%	41.0%	42.5%	40.5%	47.2%	45.8%
Bridge millennials	24.9%	25.7%	29.3%	10.9%	20.3%	22.3%	24.1%	21.9%	10.7%	20.2%
Generation X	25.1%	25.6%	20.0%	21.7%	24.4%	26.8%	27.1%	20.4%	18.5%	25.7%
Baby boomers	14.4%	14.0%	15.5%	10.8%	15.1%	14.3%	14.2%	24.5%	9.1%	9.4%
Seniors	0.7%	0.8%	0.0%	0.0%	0.0%	1.0%	0.8%	3.1%	0.0%	0.0%
EDUCATION										
College	31.5%	30.5%	49.6%	43.4%	34.7%	42.5%	42.2%	59.1%	46.3%	33.0%
INCOME										
Less than \$50K	29.2%	31.8%	13.9%	12.0%	20.2%	29.3%	33.7%	18.2%	11.4%	17.5%
\$50K to \$100K	30.5%	30.2%	33.1%	28.4%	28.3%	26.7%	25.5%	33.1%	47.2%	31.4%
More than \$100K	40.2%	37.9%	53.0%	59.5%	51.5%	43.9%	40.7%	48.7%	41.2%	51.0%
POPULATION 249M in total	58.3M	48.9M	5.0M	3.2M	8.1M	27.4M	19.2M	3.5M	2.6M	5.3M

Source: PYMNTS.com

Consumers earning more than \$100,000 in annual income (high-income consumers) are also far more likely than average to have canceled a subscription service during the past six months. Our research shows that 40.2 percent of consumers who canceled at least one service within the past six months were in this income bracket, compared to the 30.5 percent who were mid-income consumers and the 29.2 percent from the lowest income bracket. Millennials and high-income consumers thus represent the two most likely demographic groups to cancel subscription plans overall.

These two groups are also the most likely to say they are "very" or "extremely" likely to cancel more subscriptions in the near future. Our research shows that 16.4 percent of surveyed consumers intend to cancel at least one subscription during the next six months. Millennials and high-income consumers make up 41 percent and 44 percent of prospective cancelers, respectively.

These numbers pose a question: What can subscription service providers do to slow these cancellations?

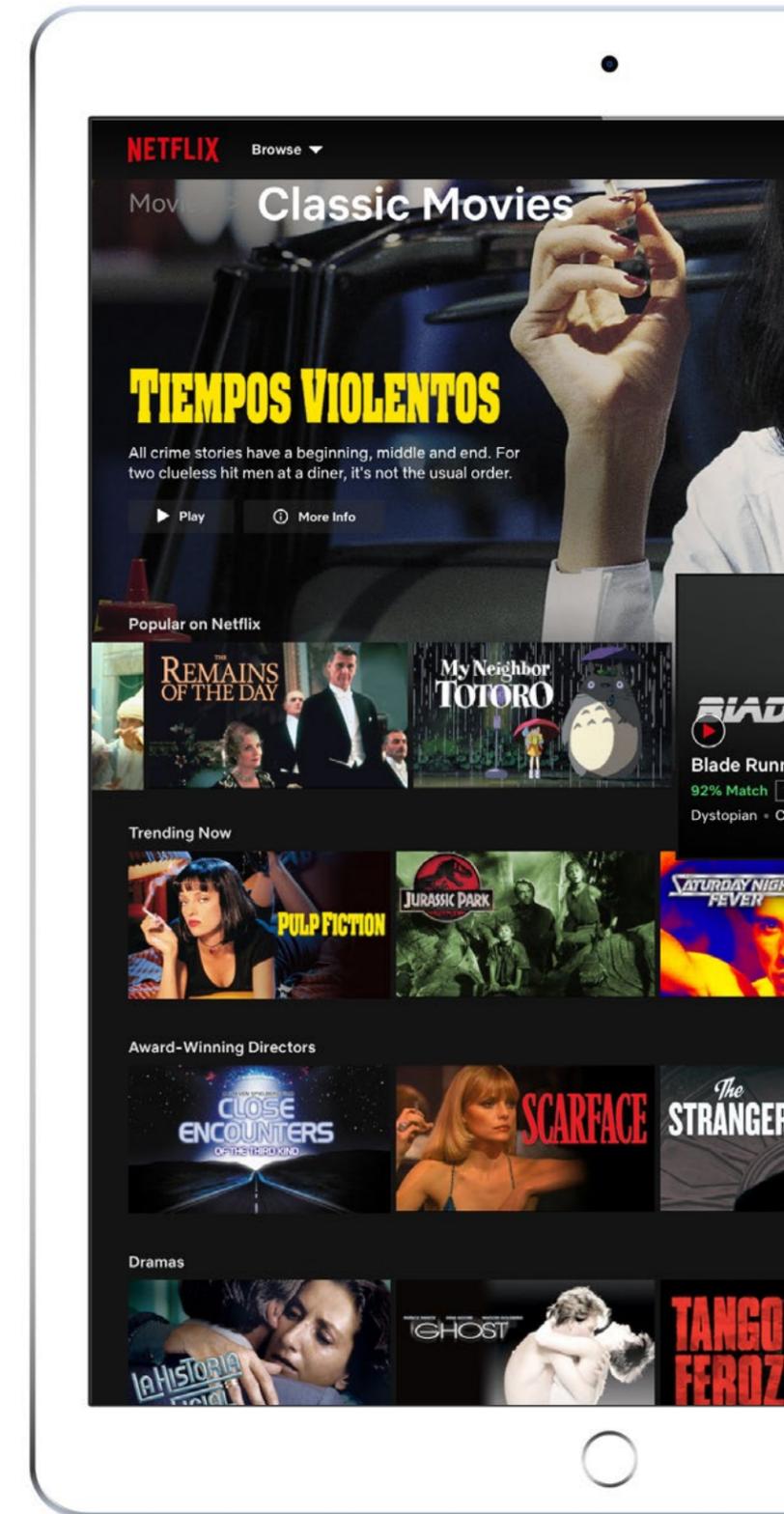
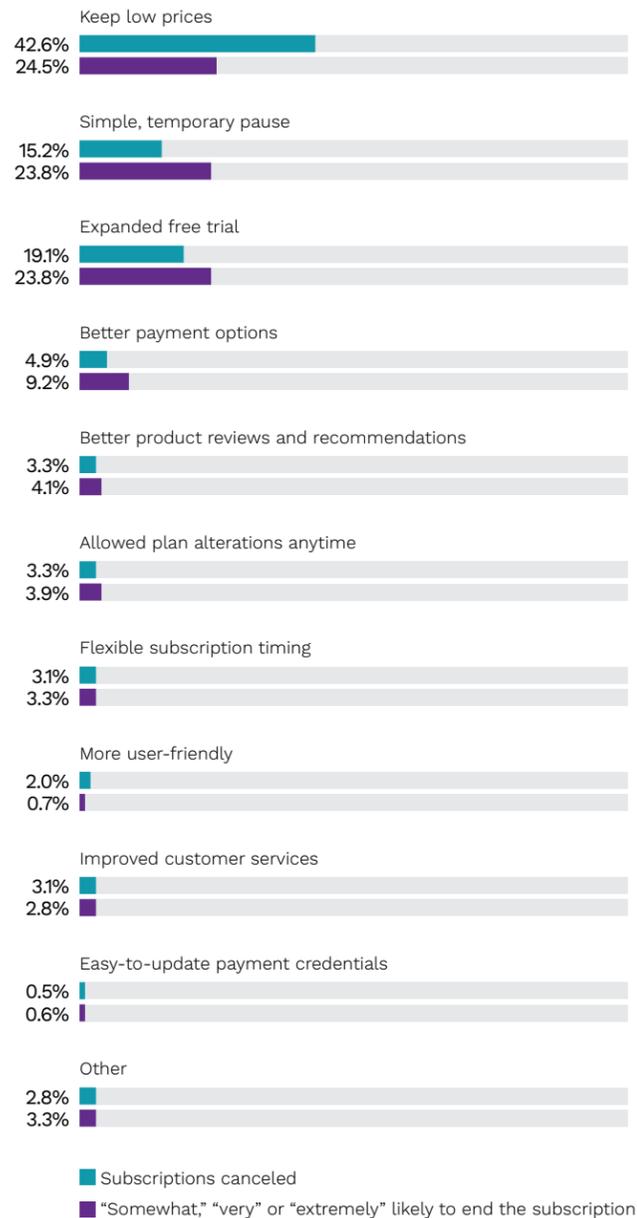


FIGURE 6:
What providers can do to curb cancellation rates
 Share of subscription commerce consumers who say select features would convince them to keep their subscriptions, by likelihood of cancellation



Source: PYMNTS.com

The most impactful thing providers can do to keep their subscribers from canceling is simply to keep their prices low, as cited by 24.5 percent of consumers who are “very” or “extremely” likely to cancel subscriptions within the next six months. That opinion is shared by 42.6 percent of consumers who have already canceled subscriptions during the past six months as something that might keep them from dropping subscriptions going forward.

Longer free trials could also help reduce cancellation rates. Our research finds that 23.8 percent of consumers who are “very” or “extremely” likely to cancel their subscriptions within the next six months say extended free trial periods would help entice them to keep their subscriptions. We also learn that 19.1 percent of consumers who have already canceled subscriptions report that extended free trials would help keep them from canceling more subscriptions in the future.

Another option would allow service providers to meet their customers’ desire to save their hard-earned income without pushing them off their platforms for good. This is the subscription pause feature, which allow users to temporarily suspend

24.5%
 OF CONSUMERS WHO ARE LIKELY TO CANCEL THEIR SUBSCRIPTIONS WITHIN THE NEXT SIX MONTHS **WOULD KEEP THEIR SUBSCRIPTIONS IF THEIR PRICES WERE KEPT LOW.**

their accounts without canceling them outright. Paused accounts could then be reactivated at will, saving consumers the time and frustration of having to reenter all of their personal details and payment information as required if they canceled plans completely.

It follows that many consumers would want to use pause features to make their subscription user experience more manageable, and the ability could help convince them to keep subscriptions. This implication that pause features would make consumers more likely to keep their

plans intact is cited by 23.8 percent of consumers who are “very” or “extremely” likely to cancel their plans within the next six months. Agreeing are 15.2 percent of consumers who have already canceled a subscription within the last six months.

With so many consumers saying that the ability to pause their subscriptions would help keep them from canceling them altogether, the topic is worth exploring. Just how much of an impact could more widely available pause features have on the subscription commerce sector?



THE PAUSE POTENTIAL

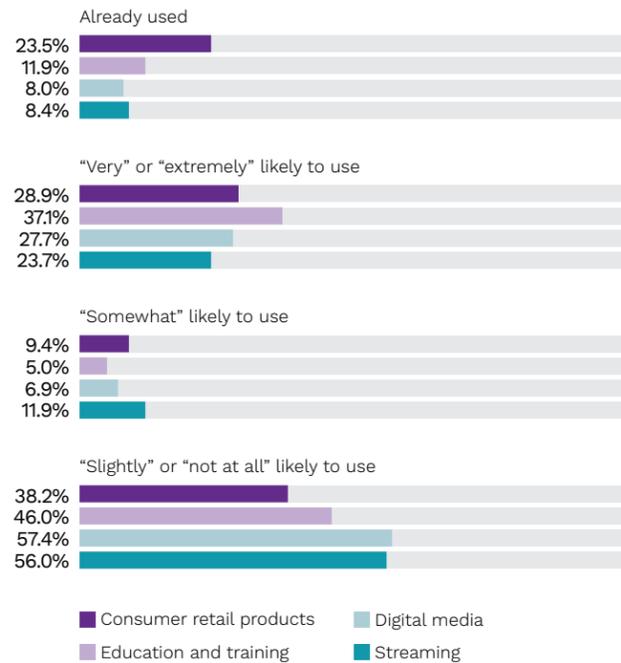
The retail subscription service business model pressures providers to curb cancellation and reduce subscriber churn. It is easy to see why some subscription retailers might feel compelled to make cancellation more difficult than necessary. Subscription pause features are a more user-friendly approach to keeping cancellation rates low.

Our research finds that 16.4 percent of all consumers who use one of the four subscription services we analyze in this report — approximately 27.4 million people — will likely cancel at least one of their services in the near future. Among the 167 million users of subscription services, 51.8 percent of those who are very or extremely likely to cancel their subscriptions within the next six months say they would also be “very” or “extremely” likely to use pause features if they were available. The math means approximately 14.2 million consumers might keep their subscriptions if they had the chance to suspend them temporarily.

Despite this enormous market demand, only a small portion of subscription consumers actually use them. Our research shows that just 10 percent of users take

27.4M
U.S. CONSUMERS
ARE **AT RISK**
OF CANCELING
AT LEAST ONE
SUBSCRIPTION
IN THE NEXT
SIX MONTHS.

FIGURE 7:
Consumer interest in using subscription pause features
 Share of consumers who currently use pause features with their subscription services, by sector



Source: PYMNTS.com

advantage of features that allow them to temporarily pause their subscriptions. This gap also suggests that many subscription commerce consumers have or use subscription plans that do not offer such features.

Consumers who use education and training subscriptions represent the biggest area for future growth, with 37.1 percent of this group saying they would be very or extremely likely to use pause abilities. This is far more than the 28.8 percent of consumer retail subscription users who say the same.

We also see room for an increase in pause feature adoption among consumers who use digital media and streaming products. Our research shows that 27.7 percent and 23.7 percent of consumers who use these subscription products would like to use pause features, respectively. This may not present quite the opportunity that we see among consumer retail and education and training subscription users, but the findings still suggest that a considerable portion of the population would like to use the features.

Access to the pause features consumers want to use could yield considerably eco-

nomie benefits to willing providers. Our research finds that, in total, 6.9 million subscribers who are at least “somewhat” likely to terminate their subscriptions already use pause features, and 14.2 million consumers who would otherwise terminate their subscriptions are interested in using pause features.

Education and training subscription providers stand to benefit the most from

implementing pause features. Our research shows that approximately 300,000 of their customers currently use pause features, while 2.4 million would be interested in using them and would cancel their subscriptions without them. In total, there are 1.8 million education and training subscription users — 16.8 percent of all those who use this type of service — whose subscriptions would be salvaged through providing pause features.

TABLE 4:
Quantifying the benefits derived from pause features
 Number of consumers who would use subscription pause features if they were available

	TOTAL SUBSCRIBERS	TYPE OF SUBSCRIPTIONS			
		Streaming	Digital media	Education and training	Consumer retail products
Number that subscribe to a service	167.1M	163.7M	15.2M	10.5M	21.7M
“SOMEWHAT,” “VERY” OR “EXTREMELY” LIKELY TO CANCEL SELECTED SERVICES					
Total					
• Number	27.4M	19.2M	3.5M	2.6M	5.2M
• Share	16.4%	11.7%	23.0%	25.2%	24.2%
Already use pause feature	6.9M	4.9M	0.7M	0.3M	1.7M
Would terminate	21.0M	14.3M	2.8M	2.4M	3.5M
“Very” or “extremely” likely to pause subscription if available					
• Number	14.2M	9.5M	1.9M	1.8M	2.4M
• Share	51.8%	49.5%	55.3%	66.4%	45.8%
Share of subscription base that could be retained with pause feature	8.5%	5.8%	12.7%	16.8%	11.1%

Source: PYMNTS.com

WHY SUBSCRIBERS CANCEL, AND WHY PAUSE FEATURES CAN HELP

When we dug a little deeper, we began to understand why so many consumers find pause features appealing: cost.

Our research shows that cost is the single biggest factor that drives consumers to consider canceling subscription services. Pause features can help alleviate the strain of subscription costs by providing cash-strapped consumers a way to suspend the need to keep paying subscription fees without canceling their services for good. This added layer of plan flexibility helps consumers manage the cost of their services and also makes it easier to resume services later.

Respondents' most cited reasons to consider canceling subscriptions all relate to cost. Our analysis' weighted average over four select subscription types shows that 14.6 percent of consumers who are "very" or "extremely" likely to cancel select subscriptions say they can no longer afford the subscriptions, while 10.7 percent say recent price increases make the products less interesting. Another 10.9 percent, by weighted average, say their subscriptions are no longer worth the cost.

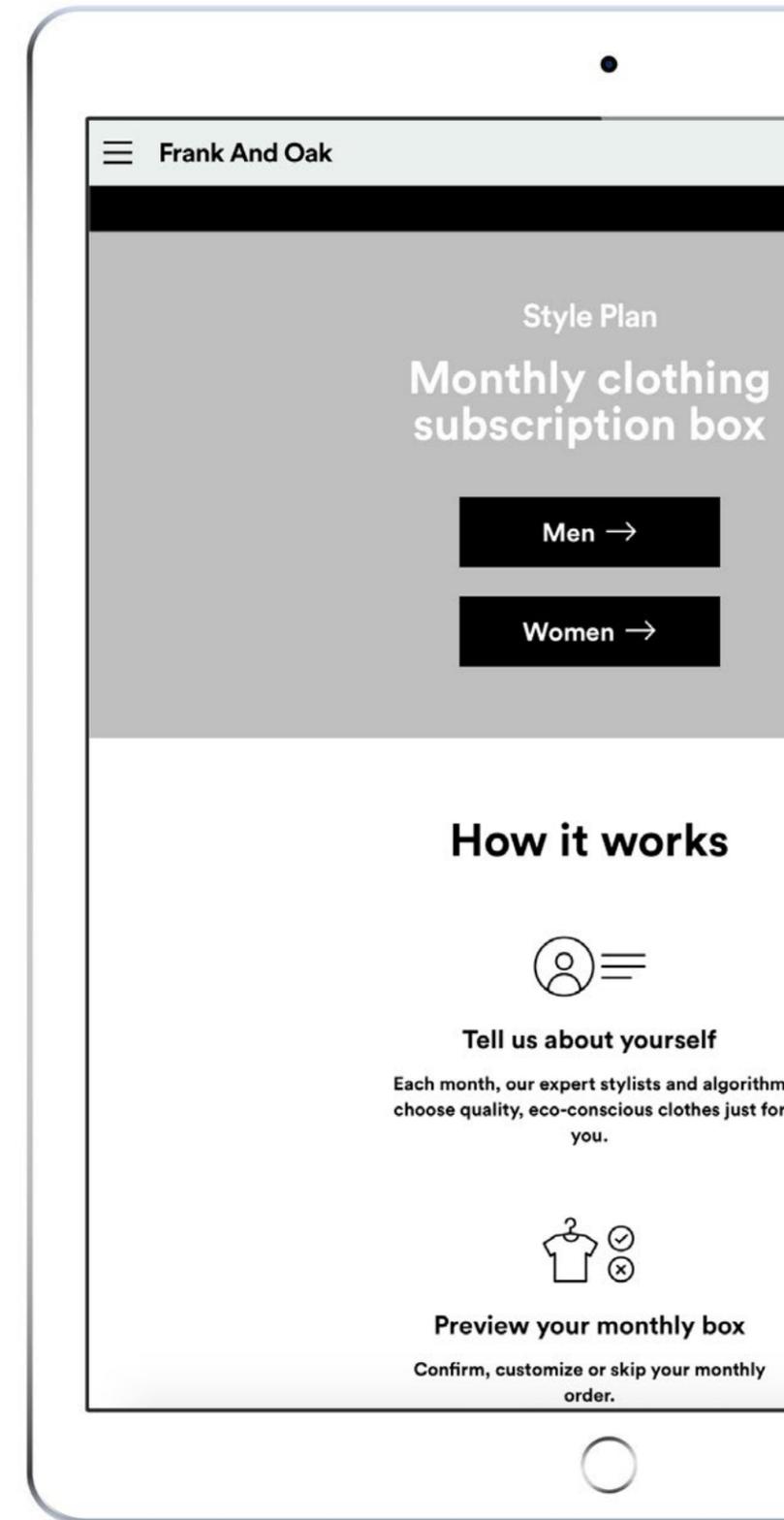


TABLE 5:
Why consumers cancel their subscription plans
 Share of consumers who are “very” or “extremely” likely to cancel select subscriptions, by reason

	WEIGHTED AVERAGE	TYPE OF SUBSCRIPTIONS			
		Streaming	Digital media	Education and training	Consumer retail products
No longer able to afford	14.6%	13.2%	22.1%	15.0%	14.8%
Less interest from price increases	10.7%	12.2%	8.0%	0.0%	11.1%
Costs more than it is worth	10.9%	11.4%	19.0%	0.0%	8.3%
Product quality has become poor	4.9%	6.2%	2.9%	0.0%	3.4%
No longer want these products	8.5%	6.4%	10.0%	18.1%	11.3%
Switched to another subscription service	3.9%	5.1%	3.3%	0.0%	0.8%
Free trial is over	4.2%	3.6%	6.7%	9.4%	2.6%
Service quality is not always good	3.2%	3.5%	0.0%	7.6%	2.2%
Only purchased one time when needed	4.7%	3.2%	1.2%	0.0%	15.4%
Product descriptions are not good	2.3%	2.8%	0.0%	0.0%	3.1%
Unable to use the service on preferred device	1.8%	2.4%	0.0%	0.0%	1.1%
Bad product reviews	2.3%	2.5%	1.9%	2.8%	1.1%
No need for subscription this time of the year	3.4%	2.2%	3.4%	13.4%	3.8%
Able to get access from a friend or family	2.2%	2.2%	3.4%	0.0%	2.3%
Able to get access from work	2.3%	2.1%	0.0%	10.2%	1.1%
Subscription service starts slowly	1.8%	1.9%	0.0%	2.4%	2.5%
Unclear when the account is charged	1.9%	1.7%	1.5%	0.0%	3.8%
Difficult to keep payment credentials up to date	1.1%	1.7%	0.0%	0.0%	0.0%
Too many emails from provider	1.7%	1.5%	1.7%	2.7%	2.2%
Unable to change plans	1.3%	1.7%	1.8%	0.0%	0.0%
The ease of use varies by own device	1.3%	1.4%	0.0%	2.8%	1.3%
Live help unavailable	1.0%	1.3%	1.7%	0.0%	0.0%
Difficult to use	0.9%	0.8%	0.0%	5.0%	0.0%
Other	9.1%	8.9%	11.4%	10.6%	7.6%

■ MOST CITED REASON

Source: PYMNTS.com

22.1%
 OF CONSUMERS WHO ARE
"VERY" OR "EXTREMELY" LIKELY TO
 CANCEL A DIGITAL MEDIA SUBSCRIPTION
 SAY THEY CAN NO LONGER AFFORD IT.



We see interesting differences between the reasons consumers say they are considering cancellation that depend on the subscription type. No longer being able to afford subscription services is the most common motivation for consumers to contemplate ending their services and is especially common among digital media users. Our research shows that 22.1 percent of consumers who are thinking of canceling digital media subscription services are most affected by an inability to afford it. A smaller portion of streaming service users — 13.2 percent — say the same.

It is one thing to consider canceling a subscription, but following through with that intent is quite another. Consumers who decide to cancel their subscriptions generally do so for one of five reasons. The most common factor driving cancellation is cost, as our weighted average over four analyzed industries finds that 15.5 percent of consumers who have canceled subscriptions in the past six months did so primarily because they could no longer afford it and that a weighted average of 14.5 percent did so primarily because they decided that their plans were no longer worth the price. We also find via the same weighted average of select sub-

scription types that 11.4 percent of former subscribers say the end of their free trial period was the biggest factor leading them to cancel their services.

A few standout reasons describe why subscription consumers decide to cancel their plans. No longer wanting the product was the reason for 32.2 percent of those who have canceled education and training services. Our research also finds that 23.6 percent of consumers who canceled consumer retail subscriptions reported they could no longer afford it. These were the two most-cited consumer reasons for canceling subscription services of any kind.

23.6%
OF CONSUMERS WHO CANCELED
AT LEAST ONE CONSUMER RETAIL
PRODUCT SUBSCRIPTION
IN THE PAST SIX MONTHS DID SO
**BECAUSE THEY WERE
NO LONGER ABLE TO AFFORD IT.**

TABLE 6:

Why consumers cancel their subscription plans

Share of consumers who cancel select subscriptions, by reason

	WEIGHTED AVERAGE	TYPE OF SUBSCRIPTIONS			
		Streaming	Digital media	Education and training	Consumer retail products
No longer able to afford	15.5%	14.5%	10.2%	17.9%	23.6%
No longer want these products	14.5%	12.7%	13.2%	32.2%	19.5%
Free trial is over	11.4%	12.6%	13.2%	13.9%	2.3%
Costs more than it is worth	12.1%	11.1%	16.1%	6.9%	17.7%
Switched to another subscription service	9.2%	11.0%	5.3%	2.7%	3.3%
No need for subscription now	5.5%	6.5%	1.4%	1.9%	3.5%
Able to get access from other sources	3.5%	3.5%	4.1%	5.7%	1.8%
Product quality has become poor	2.8%	3.3%	1.7%	0.0%	1.2%
Unavailable product in stock	2.6%	3.0%	3.4%	2.7%	0.0%
Difficult to keep payment credentials up to date	2.2%	2.3%	2.0%	0.0%	2.9%
Only purchased one time when needed	4.0%	2.3%	1.8%	7.7%	14.3%
Difficult to use	1.4%	1.7%	1.6%	0.0%	0.0%
Unable to use the service on preferred device	1.4%	1.8%	0.0%	0.0%	0.0%
Live help unavailable	1.5%	1.8%	1.7%	0.0%	0.0%
Product descriptions are not good	1.6%	1.3%	2.6%	0.0%	3.2%
Unable to change plans	0.9%	1.0%	1.6%	0.0%	0.0%
Too many emails from provider	1.2%	0.9%	7.1%	0.0%	0.0%
Unclear when the account is charged	0.7%	0.9%	0.0%	0.0%	0.0%
Bad product reviews	1.2%	0.6%	3.6%	6.0%	1.0%
Subscription service starts slowly	0.5%	0.5%	0.0%	2.4%	0.0%
Other	6.6%	6.8%	9.4%	0.0%	5.8%

■ MOST CITED REASON

Source: PYMNTS.com



THE SERIAL SUBSCRIBER **SLUMP**

One group of subscribers who can be particularly frustrating for service providers: those who subscribe to their services only so long as the free trial period lasts. Our research shows that free trial users make up somewhere between 0.5 and 2 percent of all subscription service users. The notable exception would be among education and training subscription services, for which 5.9 percent of all subscribers are currently using free trials. Those numbers may seem low, but our research suggests they represent a large portion of consumers who end up canceling.

The habits of these so-called “serial subscribers” affect every corner of the subscription commerce industry. The risk of cancellation is highest one month and six months after a consumer's initial sign-up date in part because so many consumers use subscriptions only so long as their free trials last. Our research finds that 20.6 percent of consumers who have had subscription services for one to six months are “very” or “extremely” likely to cancel within the next year. This compares to only 8.4 percent who have had subscriptions between six and twelve months.

THE RISK OF
CANCELLATION
IS HIGHEST
**ONE MONTH AND
SIX MONTHS**
AFTER
A CONSUMER'S
INITIAL
SIGN-UP DATE.

Serial subscribers find their way into all areas of the subscription retail industry, but they are particularly common among digital media subscription users. The rate of intended cancellation in this sector drops from 27.3 percent to 3.4 percent between the first-month mark and six-month mark of subscription — a total decrease of 23.9 percentage points. The share of consumers who intend to drop

their streaming services between the six-month mark and the 12-month mark of subscription drops just 7.5 percentage points, by comparison.

Many of the consumers who intend to unsubscribe after their free trials do, in fact, end up canceling. This creates a serial subscriber slump between the first and sixth months of consumers' subscription plans. Cancellation rates are so

high during this timeframe, in fact, that there are more subscribers who cancel during the first six months of signing up than anytime afterwards, regardless of the type of subscription service they use.

Our research shows that 59.7 percent of consumers who use retail subscriptions cancel less than six months into their plans. So do 57.9 percent of those who use digital media subscriptions and 58 percent of those who use streaming services.

Education and training service providers suffer the largest slump of all, however. Their subscribers are the most likely to cancel their plans before the six-month mark, as 68.3 percent who are likely to cancel their services have been subscribed for less than six months. This means that the average education and training subscription service provider will lose almost seven out of ten of their new subscribers within six months.

FIGURE 8:
Consumers' likelihood of terminating subscriptions
Share of subscribers who say they are likely to terminate subscriptions, by months since sign-up

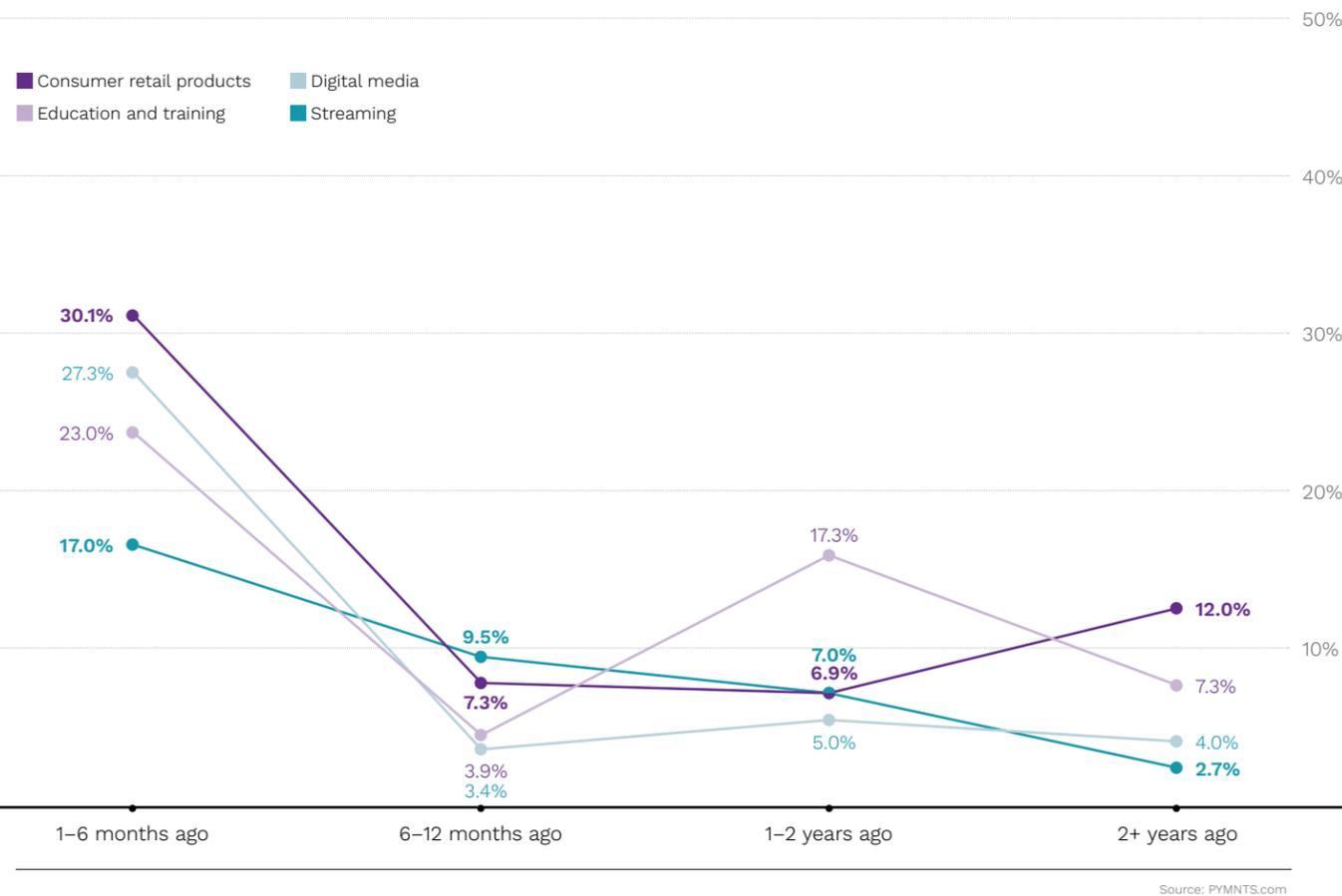


FIGURE 9:
Consumers' propensity to cancel subscriptions over time
Share of consumers who cancel after select time frames, by type of subscription



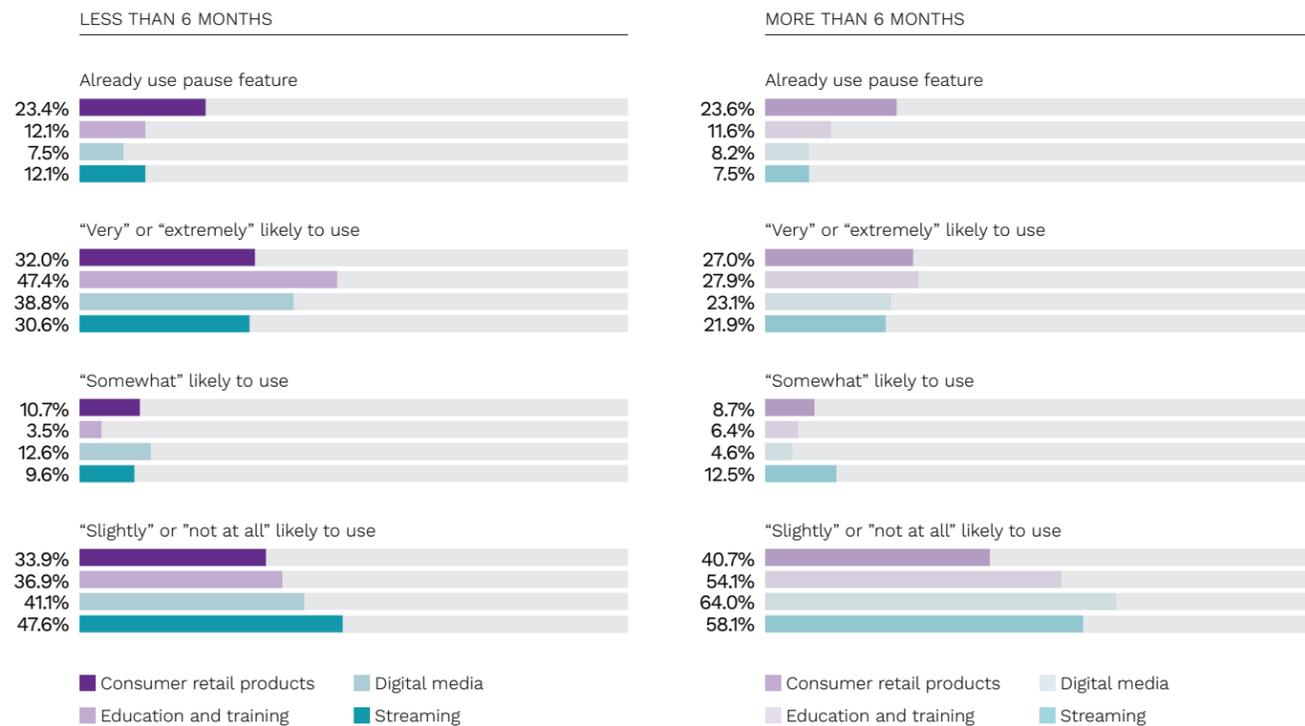
Source: PYMNTS.com

Our research suggests that providing pause features can help reduce the impact of this serial subscriber slump, though may seem counterintuitive. Consumers who are most likely to say they would use pause features if they were available are the very same consumers who are most likely to cancel their sub-

scriptions in the future: the ones who have been subscribed for less than six months.

Our research finds that 66 percent of consumers who have been using consumer retail subscriptions for less than six months say they either already use pause features or would be at least somewhat

FIGURE 10:
Consumers' interest in using pause features over time
 Share of consumers who would use subscription pause features, by time subscribed



Source: PYMNTS.com

48.9%
 OF CONSUMERS USING EDUCATION AND TRAINING SERVICES EITHER USE OR WOULD BE **"VERY" OR "EXTREMELY"** INTERESTED IN USING PAUSE FEATURES.

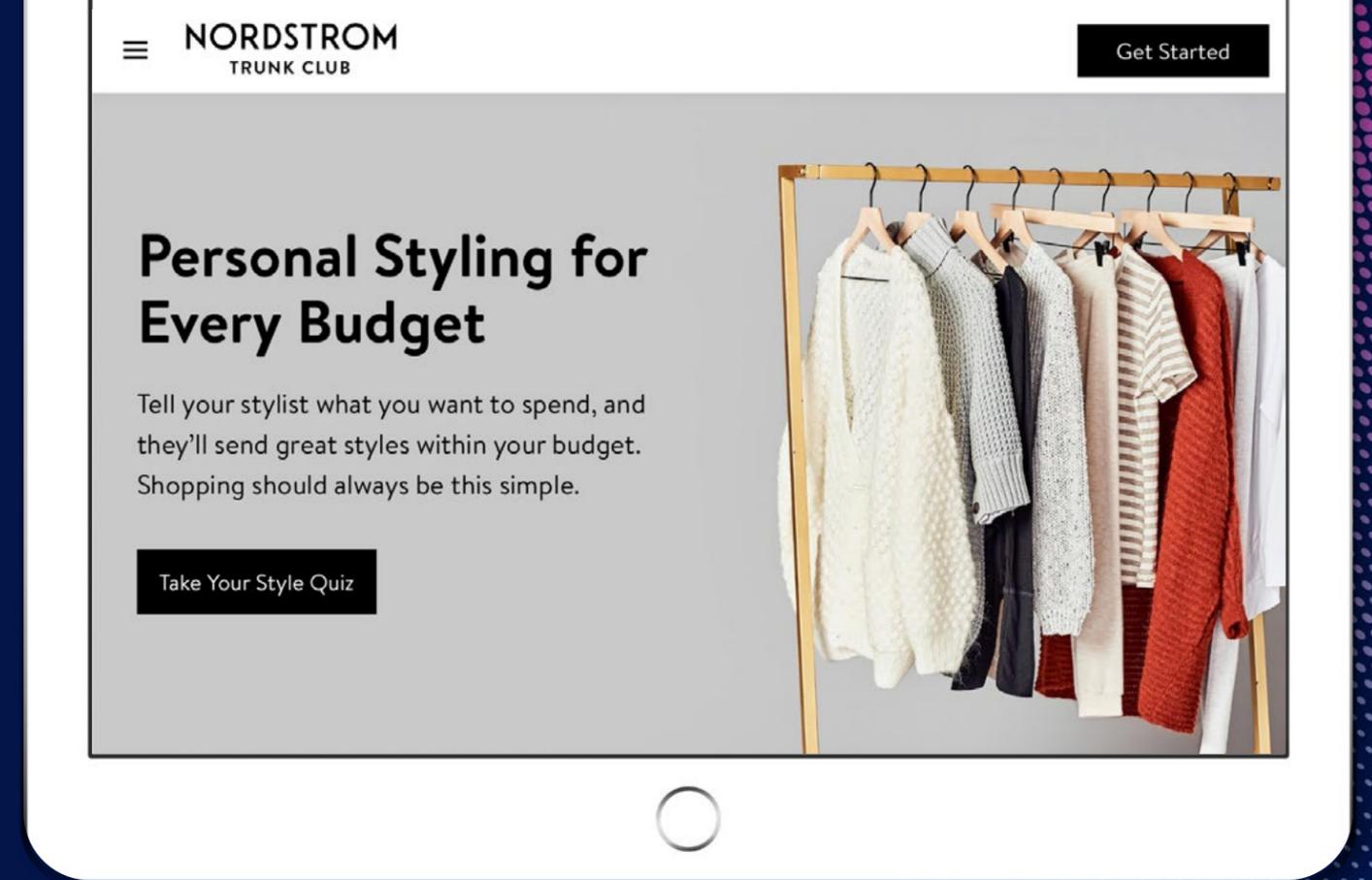
interested in using them. Consumers who use streaming services also show a strong interest in using pause features, with 44 percent saying they either already use them or would be at least somewhat interested in them. It is in the digital media subscription market where we see the smallest share of users expressing interest in features that can temporarily suspend their subscriptions, as 42.6 percent report they either use or would like to use pause features.

As much as 48.9 percent of consumers who use education and training services either use or would be "very" or "extremely" interested in using pause features. This speaks to the nature of seasonal subscription services: Consumers who use them demonstrate a strong desire to temporarily suspend them and resume plans when their services become applicable to their lives again.

CONSUMER
SUBSCRIPTION
RETAIL SERVICES REPORT

CONCLUSION

Subscription services can be a major investment in terms of both time and cost. Even a quarterly subscription service requires consumers to commit to a steady flow of payments over a three-month time frame, and current events remind us that a lot can transpire in three months. Consumers' personal and financial situations can change during that time and render them unwilling or unable to continue making their routine payments. Providers that do not take active measures to accommodate their changing financial and payment needs risk losing them to competitors who can.



METHODOLOGY

The Consumer Subscription Retail Services Report: Using Pause Features To Curb Subscription Cancellation edition draws from a survey of 3,674 U.S. consumers. Our sample was census-balanced in terms of age, income, gender and education levels. We eliminated 866 responses submitted by consumers who had never used a subscription service of any kind and 840 responses which were improperly completed. Our final analysis focused on data collected from the remaining 1,968 responses.

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We are interested in your feedback on this report and where we take it over time. Please send us your thoughts, comments or questions to SCCI@pymnts.com.

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