

November 2022



Subscription

COMMERCE CONVERSION INDEX

SUBSCRIBERS SEEK
AFFORDABILITY AND CONVENIENCE

The Subscription Commerce Conversion Index: Subscribers Seek Affordability And Convenience, a PYMNTS and sticky.io collaboration, reviews how economic shifts and changes in the retail marketplace have impacted consumers' subscription preferences and expectations. The report is based on a census-balanced survey of 2,163 U.S. consumers carried out between August 24 and September 19 and reveals key features that drive consumer loyalty. PYMNTS also researched the online subscription sign-up processes of 201 retail merchants between August 8 and August 21.

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ACKNOWLEDGMENT

The Subscription Commerce Conversion Index was produced in collaboration with sticky.io, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.



About The Index

The Subscription Commerce Conversion Index is based on an analysis of 56 features relating to:



- Shopping convenience: Features that enhance the shopping experience, such as product recommendations and free shipping



- Comfort and trust: Features that make the site more secure and appealing to customers, such as guarantees, refunds and password restrictions



- Relationship building: Features that enable ongoing relationships with the site, including marketing opt-ins



- Recurring variables: Features related to the recurring nature of the subscription relationship, such as plan options, pause features or free trials



- Payment types: Variety of payment options accepted, including buy buttons and buy now, pay later (BNPL)

We use linear regression analysis to determine Index scores ranging from zero to 100 for the aforementioned features. A higher score indicates better user experiences and less friction.

Merchant performance, as measured by the Subscription Commerce Conversion Index, stalled in September as merchants reduced discounts and free shipping offers. The Subscription Commerce Conversion Index averaged 48.7 in September 2022, virtually unchanged from 49.0 in July. Free shipping dropped by 4.1 percentage points, and subscription discounts declined by 3.1 percentage points, the most significant drops across all instances tracked. Buy button adoption rose to 53% of surveyed sites while BNPL adoption inched up to 7%, the most positive developments relative to our last edition of the Index.

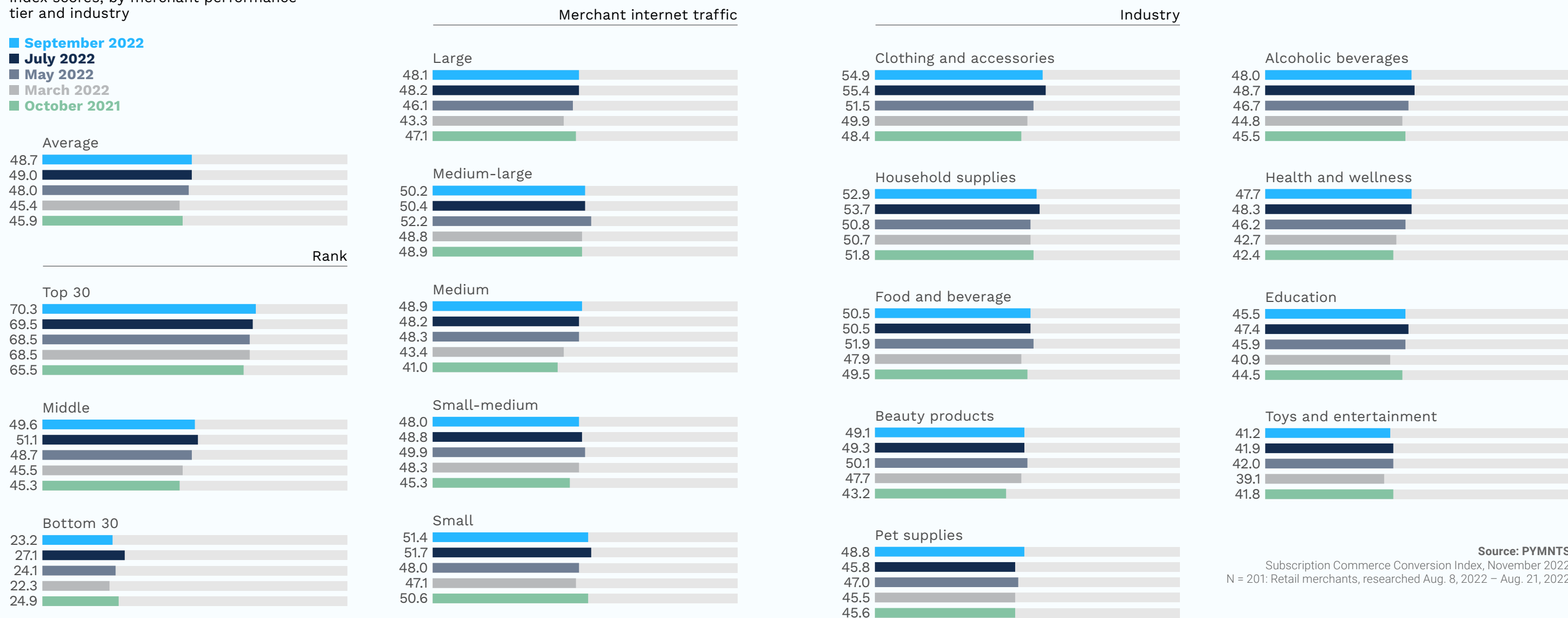
Although eight out of nine segments saw a performance drop, pet supply merchants saw a 6.7% Index score increase, rising two places to become the fifth top-rated sector. Two retailers were standouts in the segment: PupJoy rose 13% and Chewy saw a 3% lift. Educational subscriptions, which ranked second in October 2021, now stand in eighth place out of nine segments.

FIGURE 1:

Merchants' Index scores

Index scores, by merchant performance tier and industry

- September 2022
- July 2022
- May 2022
- March 2022
- October 2021



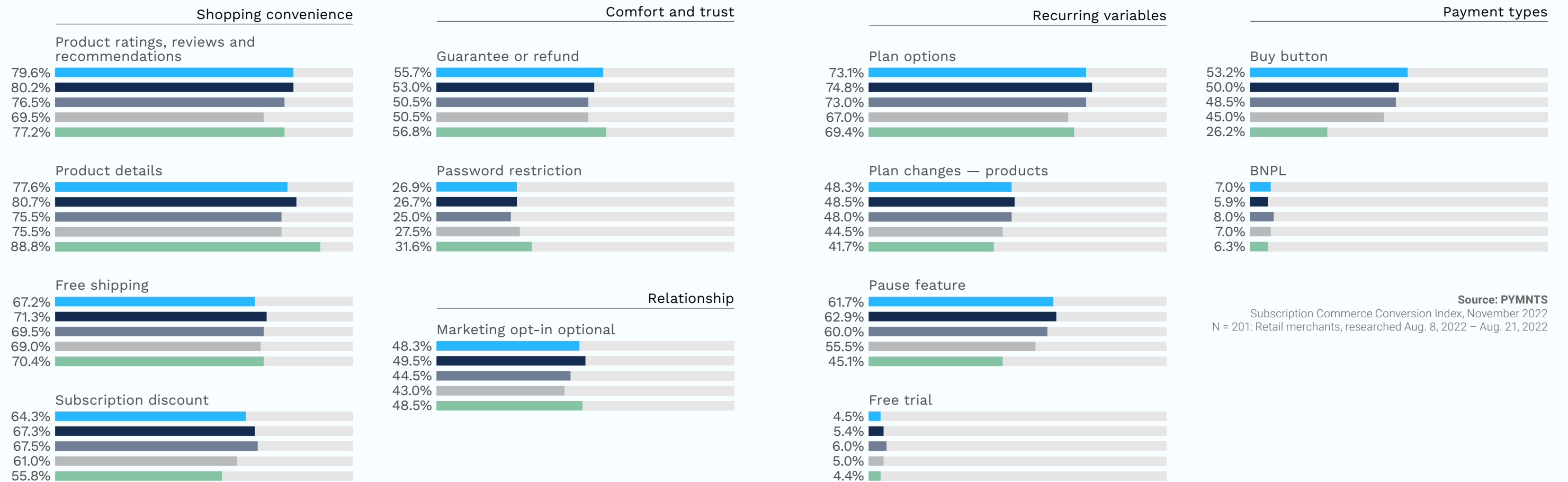
Source: PYMNTS
 Subscription Commerce Conversion Index, November 2022
 N = 201: Retail merchants, researched Aug. 8, 2022 – Aug. 21, 2022

FIGURE 2:

Features offered

Share of merchants that offer select features

- September 2022
- July 2022
- May 2022
- March 2022
- October 2021



Source: PYMNTS
 Subscription Commerce Conversion Index, November 2022
 N = 201: Retail merchants, researched Aug. 8, 2022 – Aug. 21, 2022

Executive Summary

A woman with dark hair, wearing a white blazer over a white shirt, is looking at her smartphone. She is standing in a dimly lit area at night, with blurred lights in the background. The image is partially obscured by a dark blue banner at the top of the page.

Economic uncertainty tends to refocus consumers' priorities. Our research found that inflation is inspiring consumers to be frugal and think more about the big picture. They are less inclined to surrender a portion of their budgets to things that might have been relatively inexpensive impulse purchases a few years ago and are more focused on saving money and covering the basics.

For many consumers, this means taking another look at subscriptions that could be seen as nonessential. We found that 53% of consumers paying for a streaming subscription and 48% of those paying for a membership would cancel the service if unable to pay other essential bills. The key determinant of what constitutes a valuable subscription is often tied to its ability to fulfill its original purpose as consumers consider their options.

Consumers may abandon retail subscriptions meant to provide convenience and cost savings amid competition from services such as Amazon Subscribe & Save, which allows subscribers to manage

routine shopping tasks at a discount. User experience is also critical, as consumers may be willing to pay for a service that offers a high level of convenience.

The digital features important to consumers who are considering adding a subscription are numerous — an average of 8.7. This is the highest number of features cited by subscribers, perhaps indicating that a broader range of conveniences is more important to potential subscribers than to those not considering ending a subscription.



This means a merchant seeking to grow its subscriber base should focus on optimizing the quality and range of digital conveniences. Despite this, our Index saw a reduction in the number of merchants offering two key features that are important to subscribers: free shipping and discounts.

This quarter, consumers with the highest disposable incomes are the most likely to abandon a subscription and take on a new one when they find the right mix of features and convenience. Merchants that shift away from consumers' most desired user experience features may be vulnerable to long-term subscriber churn, particularly if inflation continues to rise.

In the Subscription Commerce Conversion Index: Subscribers Seek Affordability And Convenience, a PYMNTS and sticky.io collaboration, we analyze the outlook for subscription commerce in the context of increasing inflation and declining consumer confidence in the economy. We examine how recent developments have impacted consumers' subscription preferences and expectations. Based on a census-balanced survey of 2,163 U.S. consumers, this edition details the features subscription providers must support to convert curious consumers into long-term subscribers. The survey was carried out between Aug. 24 and Sept. 19. In addition, we researched the sign-up processes of 201 subscription providers across nine industries from Aug. 8 to Aug. 21, and contacted their customer service departments to learn about post-subscription features.

This is what we learned.

Inflation is shifting consumer spending away from “nice-to-have” products and toward essentials.

The pace and intensity of inflation have become a catalyst for more conservative consumer spending habits. As the country enters its 19th month of elevated inflation, \$1 buys 11% less than it did in February 2021. Also, 87% of consumers say their incomes have not increased fast enough to compensate for price increases. This disparity between the rising cost of living and slow wage increases is unlikely to change soon: Global economic growth is expected to contract from 3.2% to 2.7% in 2023.¹ According to our research, the average consumer expects the inflation crisis to continue until April 2024, which has led consumers to cut back their spending.

This sentiment likely impacts consumers' engagement with retail subscriptions, as they are more focused on practical essentials. Our survey showed that the share of consumers holding retail subscriptions in September dropped for the second quarter in a row to 22%, its lowest level of 2022 — a nearly 2 percentage point decrease from July. Two-thirds of retail shoppers said they are spending less on “nice-to-have” products than they did a year ago, and 59% of

grocery shoppers said the same. Just one-quarter of retail subscribers said they would prioritize those payments over others (i.e., cable TV, mobile phone, credit cards) if they could not make all their monthly payments.

Forty-three percent of existing retail subscribers are uncertain about renewing their plans, forcing subscription merchants to reassess the importance of digital features.

As inflationary pressures transform consumers' budgeting priorities, they are sifting through their existing subscriptions to determine which are most valuable. We found that 22% of subscribers think it is very or extremely likely they will drop one or more subscriptions in the next year, while an additional 21% think it is somewhat likely they will do so. Despite this, some consumers may expand their subscriptions: 28% of existing retail subscribers say they are highly likely to add a subscription, and another 29% say they are somewhat likely to do so.

1. Author unknown. Latest Global Growth Forecasts Show Challenges Facing Economies. International Monetary Fund. 2022. <https://www.imf.org/en/Blogs/Articles/2022/10/19/latest-global-growth-forecasts-show-challenges-facing-economies>. Accessed October 2022.

Our research showed that digital features play a significant role in consumer choice: Consumers who are considering dropping or adding subscriptions are more likely to assign importance to a wide range of digital features. On average, those considering dropping or adding subscriptions identify 15% to 30% more features as very or extremely important than those who are not considering changing their subscription status.

The average subscriber selected seven digital features as very or extremely important, with those considering adding subscriptions averaging 8.7 features and those expecting to drop subscriptions averaging eight features. Free shipping remains the most important feature to subscription consumers: As many as 90% of subscribers who are considering adding subscriptions think free shipping is very or extremely important.

Consumers appear to be consolidating their subscription activity through Amazon Subscribe & Save as they shed other subscriptions.



Amazon Subscribe & Save allows consumers to arrange for the future delivery of groceries and other products in exchange for substantial discounts. This offering experienced a modest decline in subscribers in September 2022, but data suggests its wide product range led subscribers to prioritize this membership even when cutting back on subscriptions. Consumers with an Amazon Subscribe & Save membership were found to have canceled more subscriptions than other subscribers. The average member possesses 3.4 retail subscriptions on average, down 1.4 from July. Retail subscribers who are not Subscribe & Save members average 2.6 subscriptions, down just 0.8 services from July.

A decline in the overall share of subscribers for beauty products, clothing and accessories is likely responsible for most of the drop in Amazon Subscribe & Save members. Just less than 50% of Amazon Subscribe & Save members now hold an additional beauty or cosmetics subscription, though 65% had held a non-Amazon beauty or cosmetics subscription in July. This likely contributed to the overall decline of beauty and cosmetic subscriptions, from 12% of consumers in July to 9.6% in September.

High-income subscribers are most likely to temporarily take on a subscription, abandon it or add a new one according to their in-the-moment needs.

Three in 10 subscribers planning to cancel a service say it is because they intended the membership to be temporary. Slightly more than one in 10 consumers who have canceled a service say the same, signaling that at least some of those members are persuaded to maintain the membership because of seamless, feature-rich digital experiences. This “sign up to leave” behavior is particularly common among higher-income consumers, who are the most likely to disengage from a subscription service.

Subscription rates have fallen more among higher-income consumers than among other income groups throughout 2022. Just 22% held a retail subscription in September, whereas 27% were subscribed back in March. Nonetheless, affluent consumers are more willing to try or

add a new subscription. Approximately 22% of high-income nonsubscribers consider it likely that they will enroll in a subscription in the next 12 months, compared to just 10% of nonsubscribers in the lowest-income bracket. In addition, 42% of existing subscribers with higher incomes are considering adding more subscriptions, while just 15% of current subscribers with lower incomes are thinking of adding subscriptions.





The new loyalty: Consumers commit to their wallets

Slightly more than 80% of American households have a subscription — but this belies key trends that reflect a shift in consumer sentiment. In every category except streaming entertainment, subscription rates are down. There may be multiple reasons for this shift, but the most pressing issue is likely inflation and consumers' drive to get the most value out of their budgets.

The average subscription per retail subscriber dropped to the lowest level since early 2021. The average consumer dropped at least one retail subscription, holding an average of 2.9 in September, down from 4.1 in July. Middle-income and Generation Z are the consumers who most reduced their average number of subscriptions this quarter.

Consumer services — often considered a bellwether of consumer confidence and economic health — have become more costly in the last quarter.² Here, we saw the

2. Author unknown. Consumer Price Index Summary. U.S. Bureau of Labor Statistics. 2022. <https://www.bls.gov/news.release/cpi.nr0.htm>. Accessed October 2022.



highest reduction in subscription levels — from 16% to 12%. The sole bright spot was streaming entertainment, which gained 6.5 percentage points. For the first time in a year, consumers were more likely to hold digital media subscriptions than retail-related subscriptions.

TABLE 1:

Current subscribers

Share of consumers currently subscribed to select subscription services, by quarter

	February 2021	May 2021	July 2021	October 2021	March 2022	May 2022	July 2022	September 2022
Streaming	67.1%	66.4%	67.5%	64.8%	69.8%	69.7%	62.6%	69.1%
Online gaming	28.1%	29.7%	31.8%	33.0%	32.0%	33.3%	32.3%	32.0%
Consumer retail products	19.7%	20.3%	23.9%	31.3%	23.8%	24.5%	23.2%	21.5%
Digital media	19.0%	21.2%	23.6%	26.6%	22.0%	23.5%	21.9%	21.8%
Financial services	15.9%	20.3%	21.9%	24.3%	20.7%	21.9%	19.7%	19.2%
Consumer services	9.4%	12.8%	15.2%	21.5%	14.3%	14.7%	16.2%	11.9%
Education and training	12.2%	15.9%	17.0%	18.7%	14.4%	16.1%	15.5%	15.8%
IoT and hardware	7.5%	9.5%	10.3%	15.5%	9.4%	9.5%	11.6%	8.5%
No subscriptions	19.5%	20.1%	19.2%	21.2%	18.5%	18.8%	22.4%	19.8%

Source: PYMNTS

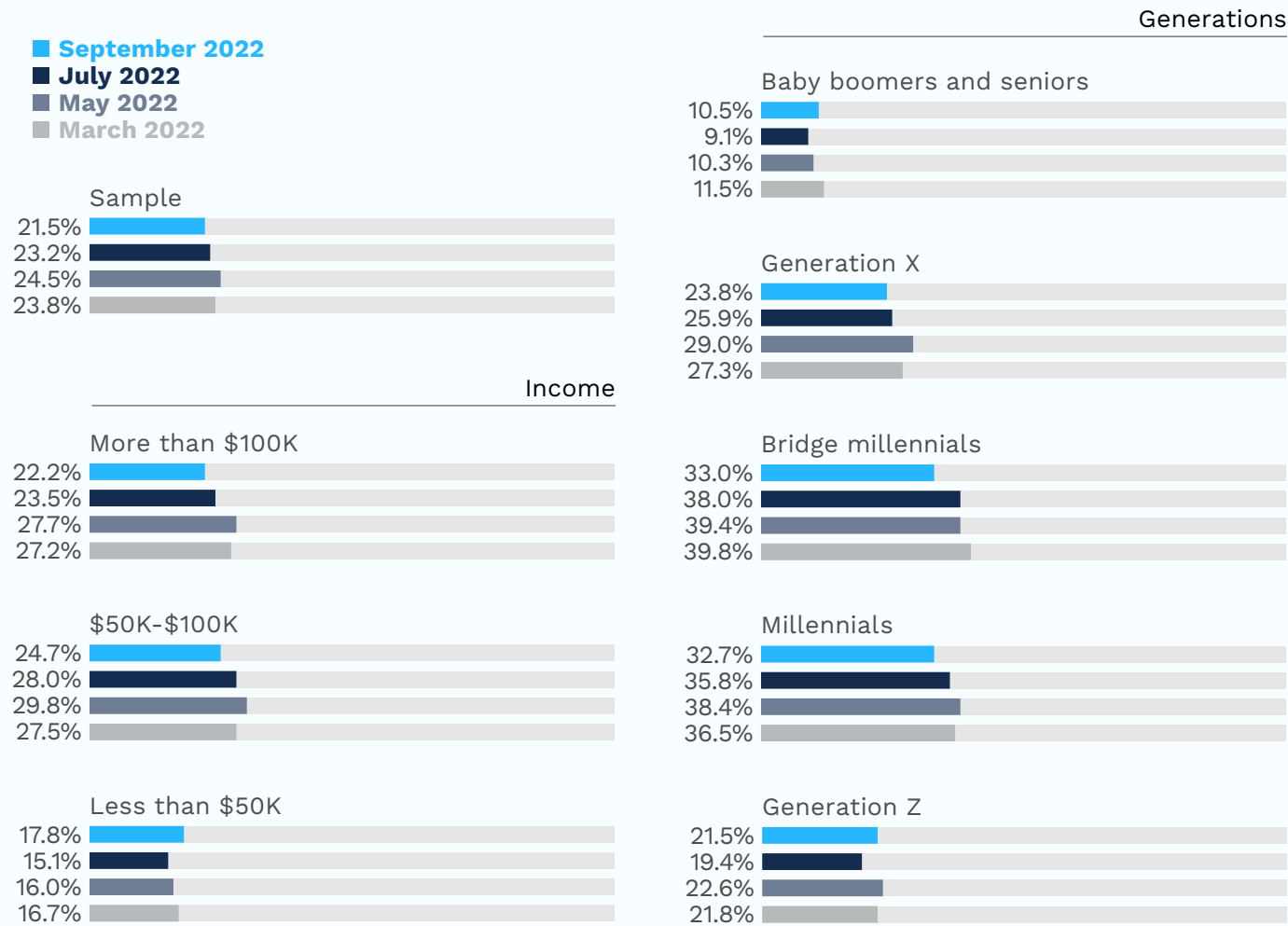
Subscription Commerce Conversion Index, November 2022
N = 14,686: Whole sample, fielded Aug. 24, 2022 – Sept. 19, 2022

FIGURE 3:

Share of consumers with retail subscriptions

Share of subscribers with at least one retail subscription, by demographic

■ September 2022
 ■ July 2022
 ■ May 2022
 ■ March 2022



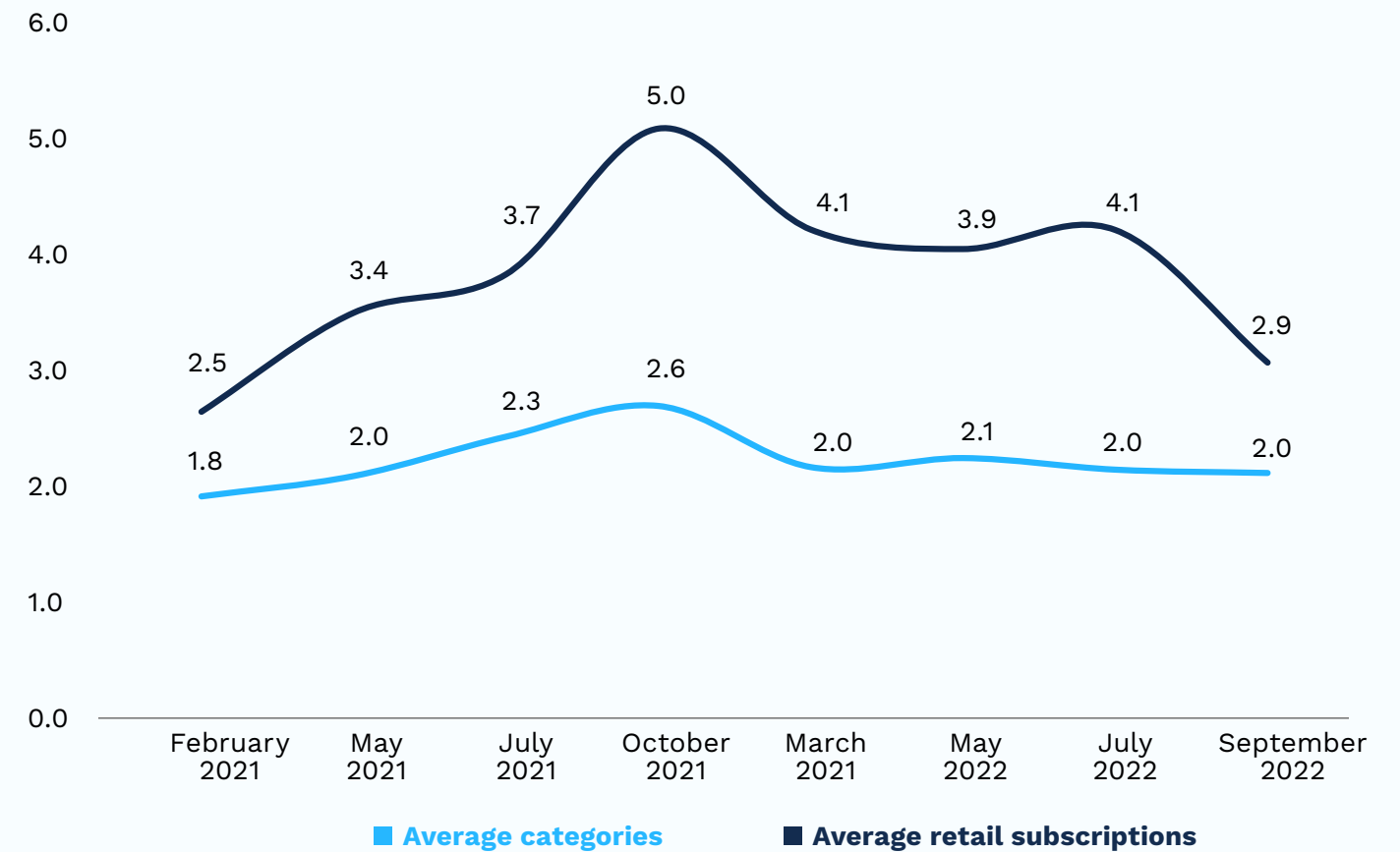
Source: PYMNTS

Subscription Commerce Conversion Index, November 2022
 N = 14,686: Whole sample, fielded Aug. 24, 2022 – Sept. 19, 2022

FIGURE 4:

Consumer retail subscriptions


Average number of retail subscriptions per subscriber and number of categories per consumer



Source: PYMNTS

Subscription Commerce Conversion Index, November 2022
 N for average categories = 14,686: Whole sample; N for average retail subscriptions = 2,163: Complete responses, fielded Aug. 24, 2022 – Sept. 19, 2022

Customer experience still matters: Subscribers may stay put for digital features



According to our survey, fewer consumers are expecting to add subscriptions than those who are planning to cancel, a trend that may continue until inflation slows. Millions of consumers have canceled their subscriptions, citing cost as the most common reason: 34% said they wanted to reduce their expenses, and 14% cited an increase in subscription costs. Reducing expenses is an important reason to cancel for 61% of low-income and 48% of high-income consumers.

While all digital features decreased in importance as rising inflation further reduced Americans' buying power, consumers most likely to cancel cited several key features as important to their decision-making process. Among those very or extremely likely to cancel, 88% cited free shipping, 80% valued product details, 81% mentioned coupons and discounts, 75% cited product reviews and 72% named inventory status access. While some of these features are related to saving money, others

involve simplifying shopping and saving time. Not surprisingly, the same digital features ranked highly among those likely to add a subscription, with the top five mirroring those of consumers considering abandoning their subscriptions.

One digital feature stands out because it reflects consumers' interest in saving money and shows the Amazon effect: Among those extremely or very likely to subscribe, 84% are interested in seeing subscription price benefits compared to outright purchase costs, as are 76% of those very or extremely likely to cancel.

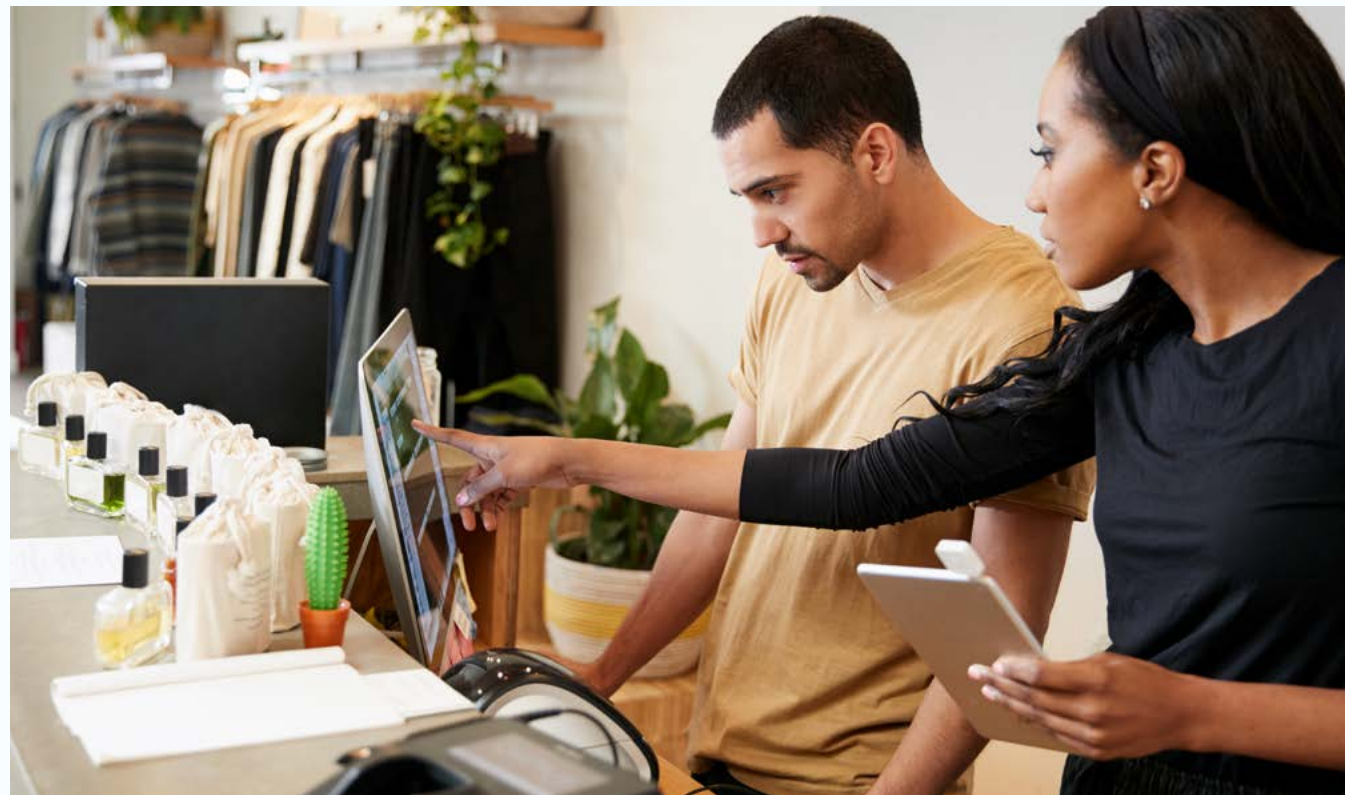
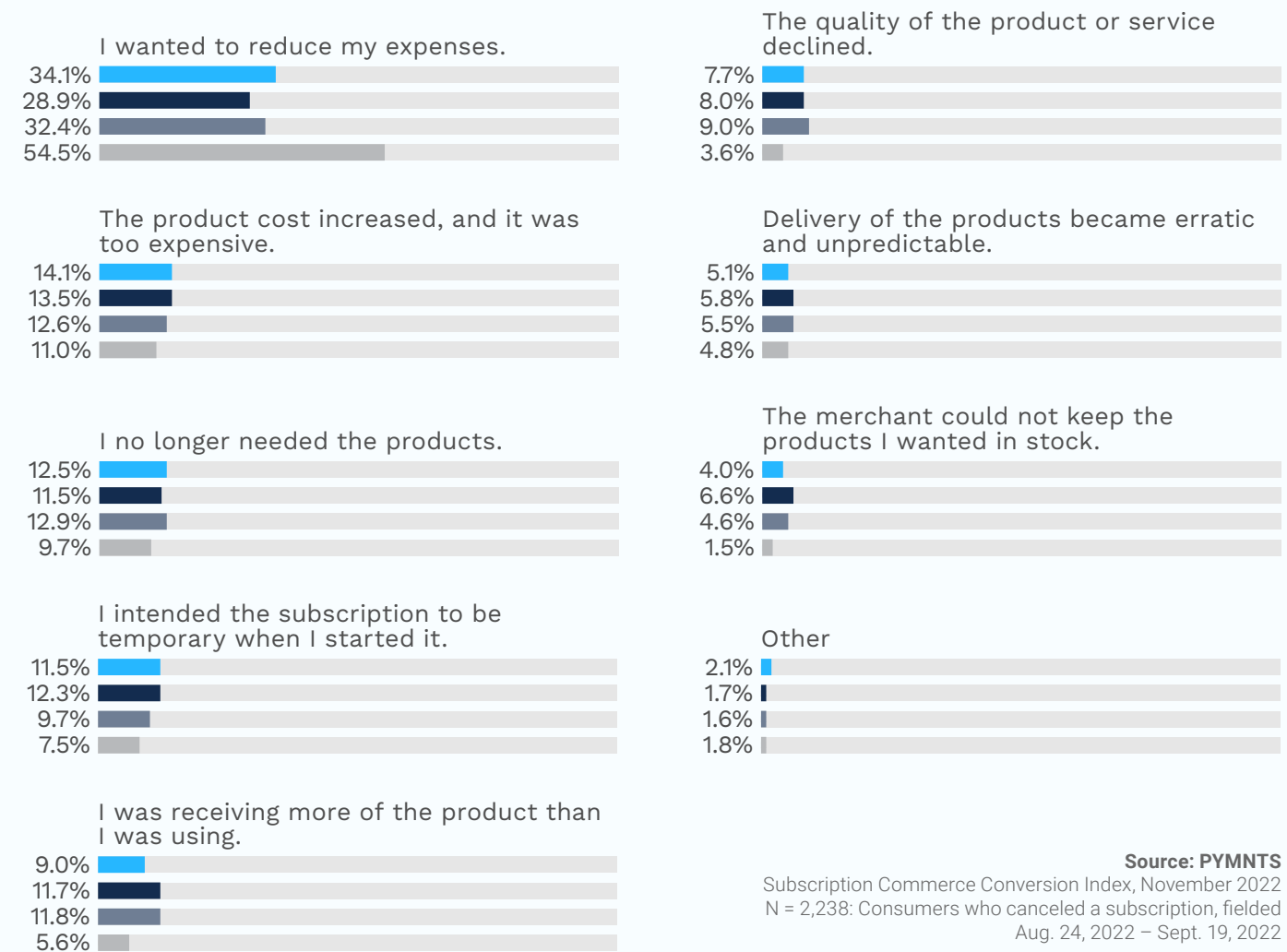


FIGURE 5:

Reasons consumers cancel their subscriptions

Share of consumers citing their most important reasons for canceling a subscription

- September 2022
- July 2022
- May 2022
- March 2022

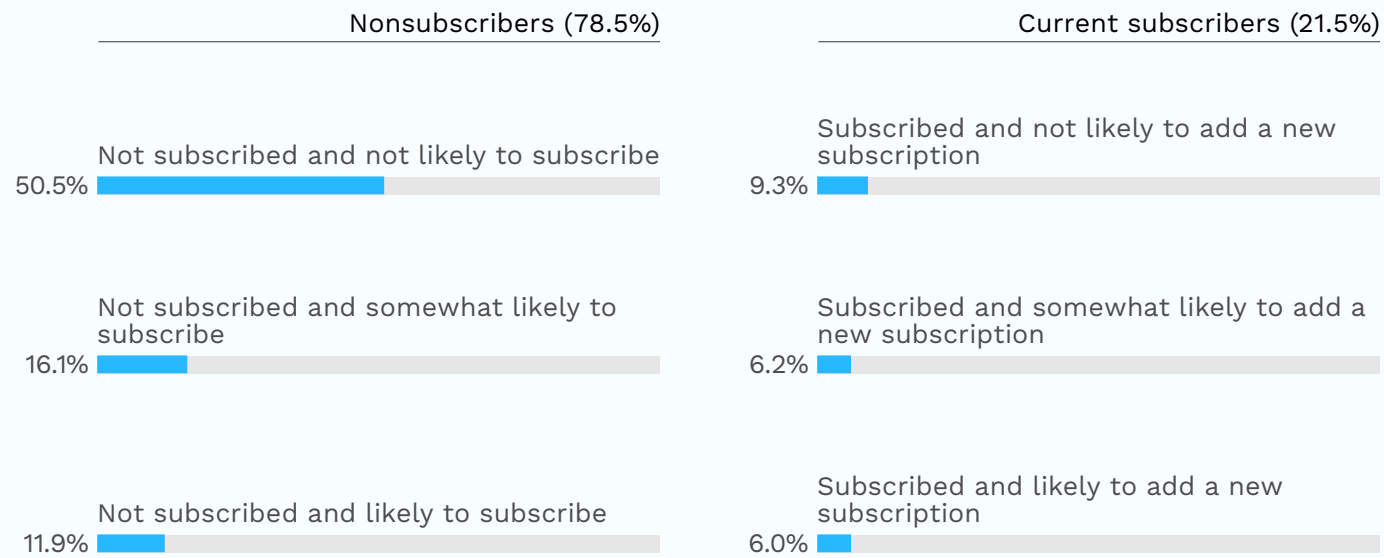


Source: PYMNTS
 Subscription Commerce Conversion Index, November 2022
 N = 2,238: Consumers who canceled a subscription, fielded
 Aug. 24, 2022 – Sept. 19, 2022

FIGURE 6:

Consumer subscription plans

Share of consumers citing their likelihood of starting or adding a new subscription service, by current subscription status



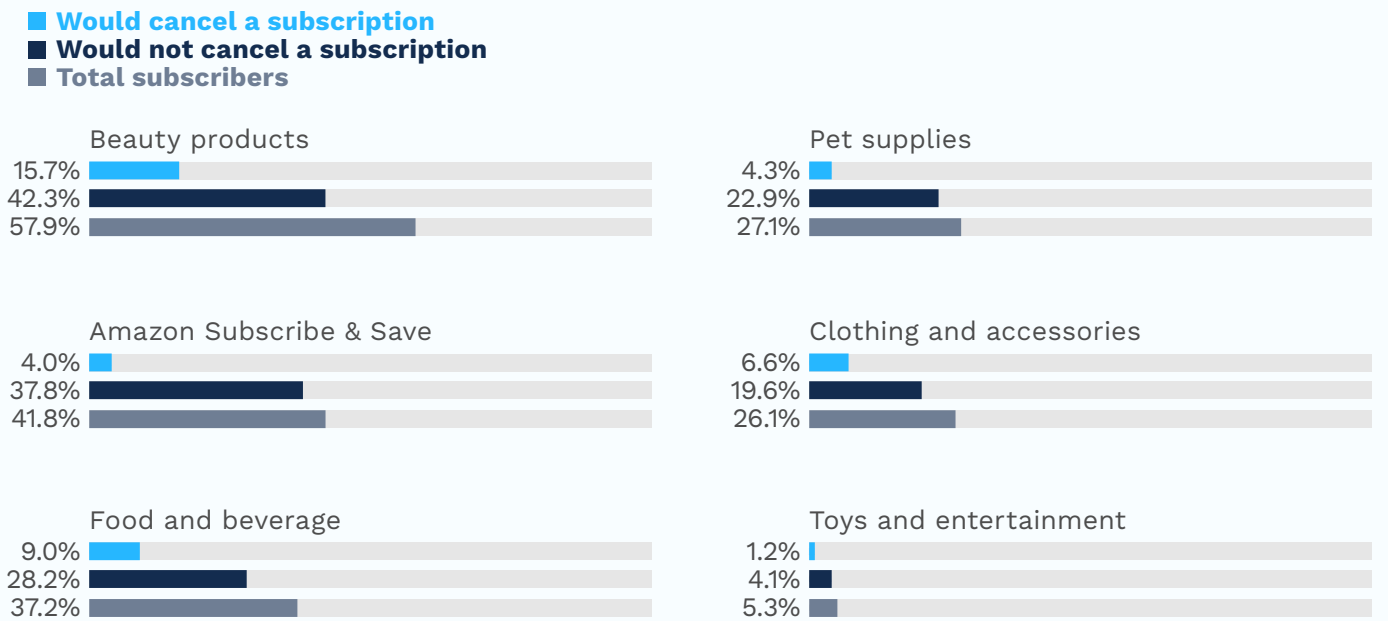
Source: PYMNTS

Subscription Commerce Conversion Index, November 2022
N = 14,686: Whole sample, fielded Aug. 24, 2022 – Sept. 19, 2022

FIGURE 7:

Subscriber cancellation intent

Share of subscribers versus those who would cancel service in the next 12 months



Source: PYMNTS

Subscription Commerce Conversion Index, November 2022
N = 2,163: Complete responses, fielded Aug. 24, 2022 – Sept. 19, 2022

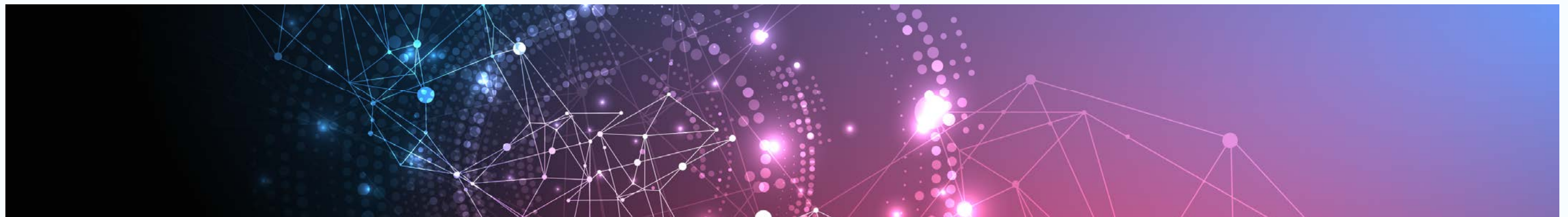


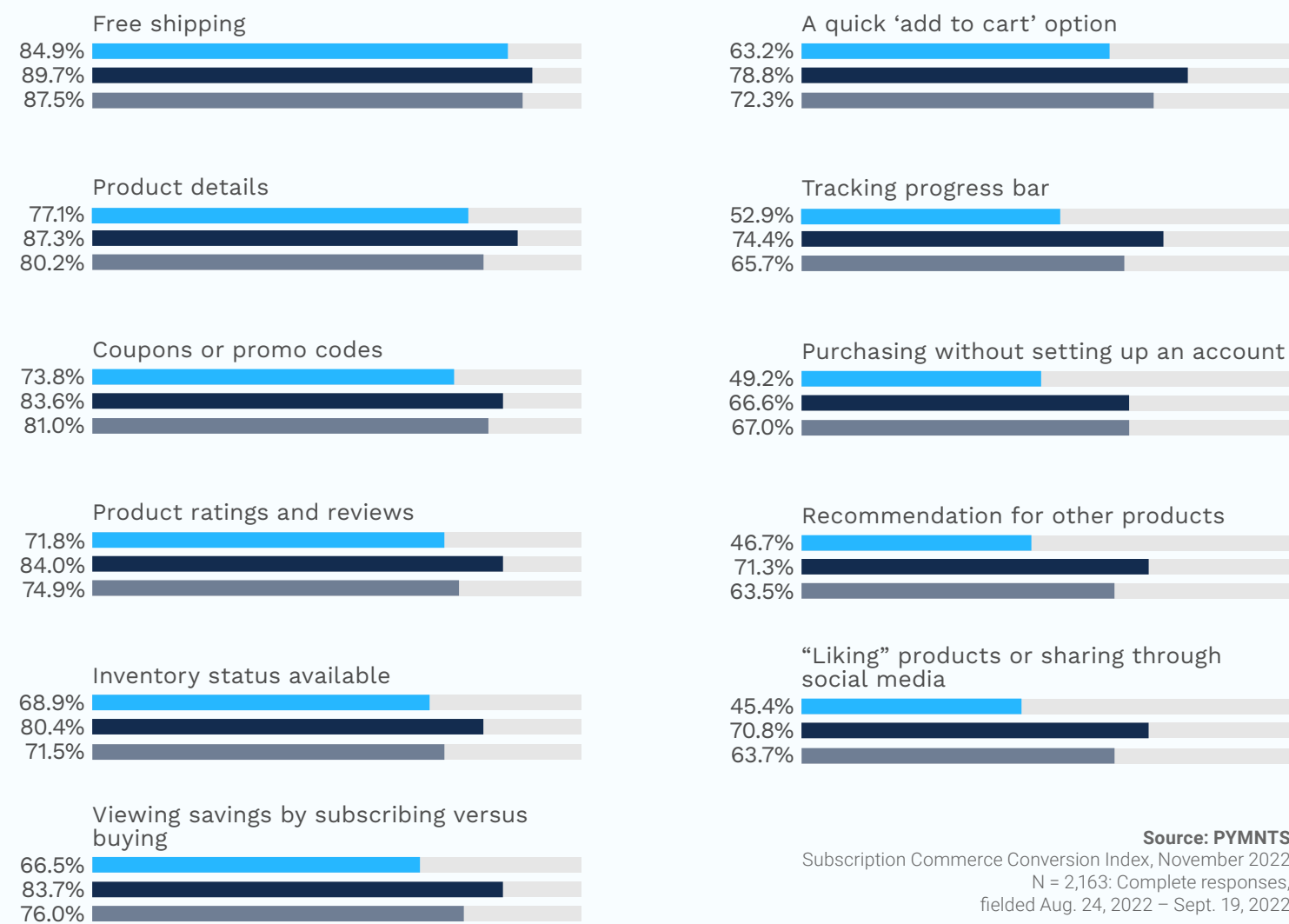


FIGURE 8:

Consumer attitude toward subscriptions

Share of subscribers who cite specific digital features as very or extremely important, by attitude toward subscriptions for the next 12 months

- Sample
- Very or extremely likely to subscribe
- Very or extremely likely to cancel



Source: PYMNTS
 Subscription Commerce Conversion Index, November 2022
 N = 2,163: Complete responses,
 fielded Aug. 24, 2022 – Sept. 19, 2022



90%

Share of consumers
 very or extremely
 likely to subscribe
 who see free
 subscriptions
 as very to
 extremely important

Amazon Subscribe & Save: Why some consumers are thinning subscriptions



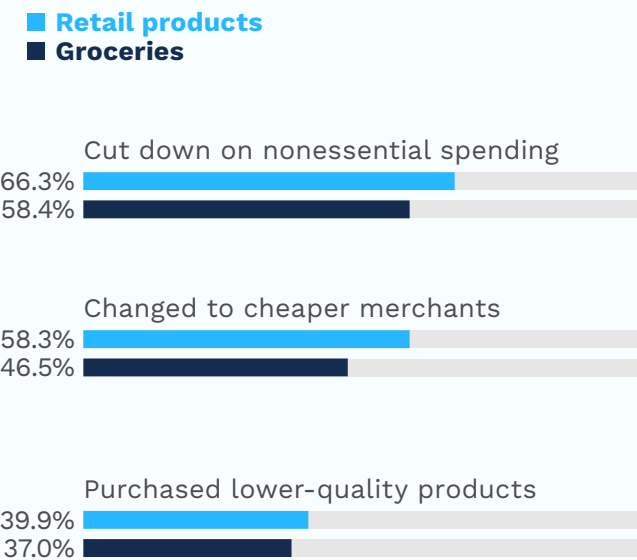
The “Amazon effect” has evolved: Subscribe-and-save options inspire consumers to shift their spend to get more for their money. Amazon Subscribe & Save is the one subscription category with the smallest share of subscribers planning to cancel in the future. Amazon subscribers also are more likely to have canceled more services than other consumers. This tracks with consumers’ top five digital features: free shipping, coupons and promos, product details, product ratings and reviews, and inventory checks — all features of Amazon Subscribe & Save.

Our research found that most consumers are proactively seeking better deals, but also want the same features that led them to subscribe to retail and other subscription services in the first place: convenience and time-saving digital tools that help them speed through checkout or avoid it altogether. For many consumers, Amazon Subscribe & Save ticks all the necessary boxes. This makes competition for consumer dollars even more dependent on great deals and seamless user experiences, especially for subscription services seeking to keep customers loyal.

FIGURE 9:

Consumer actions in response to inflation

Share of consumers who cite having taken select actions in response to price changes for products in September 2022, by type of purchase



Source: PYMNTS
 Consumer Inflation Sentiment, October 2022
 N = 2,255: Consumers who cited price changes when purchasing products, fielded Sept. 13, 2022 – Sept. 22, 2022



66%

Share of consumers who have cut down on nonessential retail spending



Conclusion

For many, subscriptions were a way for consumers to maintain their lifestyles and optimize their time, allowing them to automate areas of their lives that were time-consuming and tedious. Today, amid economic uncertainty, the appeal has shifted toward another purpose: helping consumers save money while helping them get more from fewer resources. While some merchants have reduced key features that are priorities for consumers — such as free shipping and discounts — Amazon has leaned in with Subscribe & Save offerings across grocery and most of its retail segments. Many consumers appear to have thinned their subscription roster, since Subscribe & Save offers many of the features that some retailers have discontinued. As the economy remains uncertain, consumers will be even more focused on value and user experience. To compete, merchants must redouble their efforts to court subscribers with the features they want.

METHODOLOGY

The Subscription Commerce Conversion Index: Subscribers Seek Affordability And Convenience draws from a survey of a census-balanced panel of 2,163 adult U.S. consumers and a complementary study in which PYMNTS researched the online subscription sign-up processes of 201 providers across more than nine industries. Respondents to the consumer survey were an average age of 40, 55% were female and 34% earned more than \$100,000 in annual income. The consumer survey is conducted quarterly. The fourth 2022 survey was conducted between Aug. 24 and Sept. 19.

For the Index calculation, we use linear regression analysis to determine Index scores that range from zero to 100 with reference to 56 features. In addition, we contacted merchants' customer service departments to ask them about post-subscription features. A higher score indicates better user experiences for consumers and less friction throughout the customer journey.

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.

sticky.io®

Headquartered in San Francisco, [sticky.io](https://www.sticky.io)® is a leading subscription commerce platform that helps brands build lasting bonds with customers. Consumers today expect authentic and personalized experiences when they interact with brands. Being able to deliver the right message at the right time can mean the difference between loyalty and churn. With 400+ partner integrations, supporting 71 million subscriptions and processing more than \$4 billion in transactions annually, sticky.io is a flexible, API-driven solution built to maximize recurring revenue. To learn more, visit www.sticky.io.

Subscription COMMERCE CONVERSION INDEX

SUBSCRIBERS SEEK
AFFORDABILITY AND CONVENIENCE

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