



# THE IMPACT OF SUBSCRIPTION MODELS ON CONSUMER CHOICE

September 2023 Report

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# THE IMPACT OF SUBSCRIPTION MODELS ON CONSUMER CHOICE

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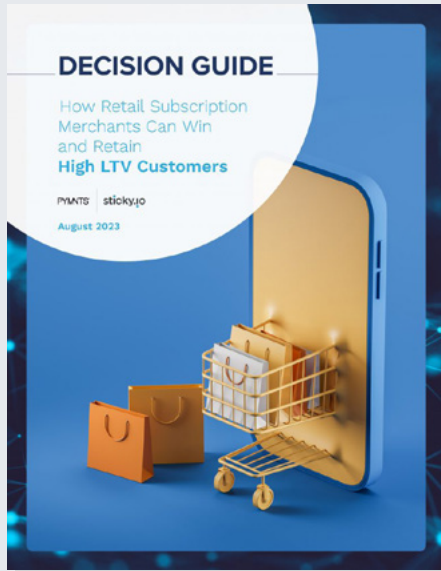
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■ August 2023

**Decision Guide**  
How Retail Subscription Merchants Can Win and Retain High LTV Customers



The Impact of Subscription Models on Consumer Choice 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.

# WHAT'S AT STAKE

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**R**etail product subscriptions have become an everyday feature of the consumer landscape. As the industry has grown, providers have widened the scope and sophistication of their core product offerings and subscription models, offering combinations of frequency, flexibility, discounting and special access. Common subscription types include discount price refills, “surprise” box subscriptions and VIP memberships. Understanding consumer behavior surrounding subscription models is critical for providers aiming to stay ahead in a tightening market.

PYMNTS’ research shows that consumers prioritize subscription experiences and widely view cost as a secondary concern. Just 18% of subscribers cite cost as their top concern, while 61% point to enjoyment or convenience. Consumers, moreover, tend to stick with what they know and like. Those who already prefer one subscription model gravitate toward additional subscriptions of the same type, with particularly strong demand among VIP membership subscribers for more of the same.



18%

of retail subscribers cite **cost as the most important reason** for subscribing.

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The most lucrative subscribers of all, however, buck this trend. Our data highlights the rise of multi-model subscribers — those with multiple subscriptions for whom no one model accounts for more than half. These consumers account for 38% of subscribers and have the highest total lifetime value (LTV) across retail subscriptions: \$3,021 on average.

These are just some of the findings detailed in The Impact of Subscription Models on Consumer Choice, a PYMNTS and sticky.io collaboration. This report examines the motivations driving different subscriber personas to subscribe, trends in subscriber longevity and value and the importance of user experience in retaining subscribers. It draws on insights from a survey of 2,145 consumers conducted from June 20 to July 6.

**This is what we learned.**

“

Multi-model subscribers have an average total retail subscription LTV of \$3,021 — higher than any other subscriber type.

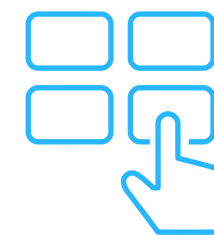
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# KEY FINDINGS

# 01

## MULTI-MODEL SUBSCRIBERS

**The most valuable subscribers enjoy multiple subscriptions of more than one type.**



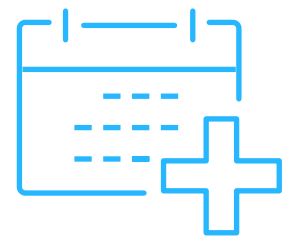
# \$3,021

Average LTV of multi-model subscribers

02

## SUBSCRIPTION PREFERENCES

Subscribers lean toward more of the same subscription type they already prefer.



# 61%

Share of VIP subscribers highly likely to add another VIP membership, among those very or extremely interested in additional subscriptions

03

## COST AGNOSTIC

Few consumers name cost as the deciding factor for retail product subscriptions.



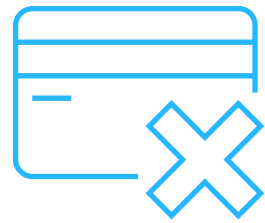
# 18%

Share of subscribers who cite cost as the most important reason for choosing a subscription

## 04

**FRICITION AVERSE**

**VIP subscribers are much more likely than others to churn due to problems with payments or other inconveniences**



# 18%

Percentage greater the likelihood than the sample average that friction with updating payment information will cause a VIP subscriber to cancel

## SUBSCRIPTION TYPES AND SUBSCRIBER PERSONAS

### Standard retail subscription

Held by **48%** of subscribers

Regular shipments at the same price

### Box subscription

Held by **40%** of subscribers

A surprise mix of products that varies with each recurring delivery with a price that may also vary

### Discount refill subscription

Held by **40%** of subscribers

Specific consumable items used and replaced regularly at discounted prices

### Same-price refill subscription

Held by **24%** of subscribers

Specific consumable items used and replaced regularly at regular prices

### VIP membership

Held by **27%** of subscribers

An upgraded membership designed to reward loyalty, granting early or special access to products or other loyalty perks unavailable to other members; subscribers often earn this by holding a subscription for a set duration of time or by paying more than other members

### Access membership

Held by **6.7%** of subscribers

A membership that is open to all that grants subscribers the ability to purchase exclusive products or offers

# PYMNTS IN DEPTH

**Subscription models are central to understanding subscriber preferences and increasing their LTV.**

## **Multi-model and VIP subscribers average far higher LTVs than other subscribers.**

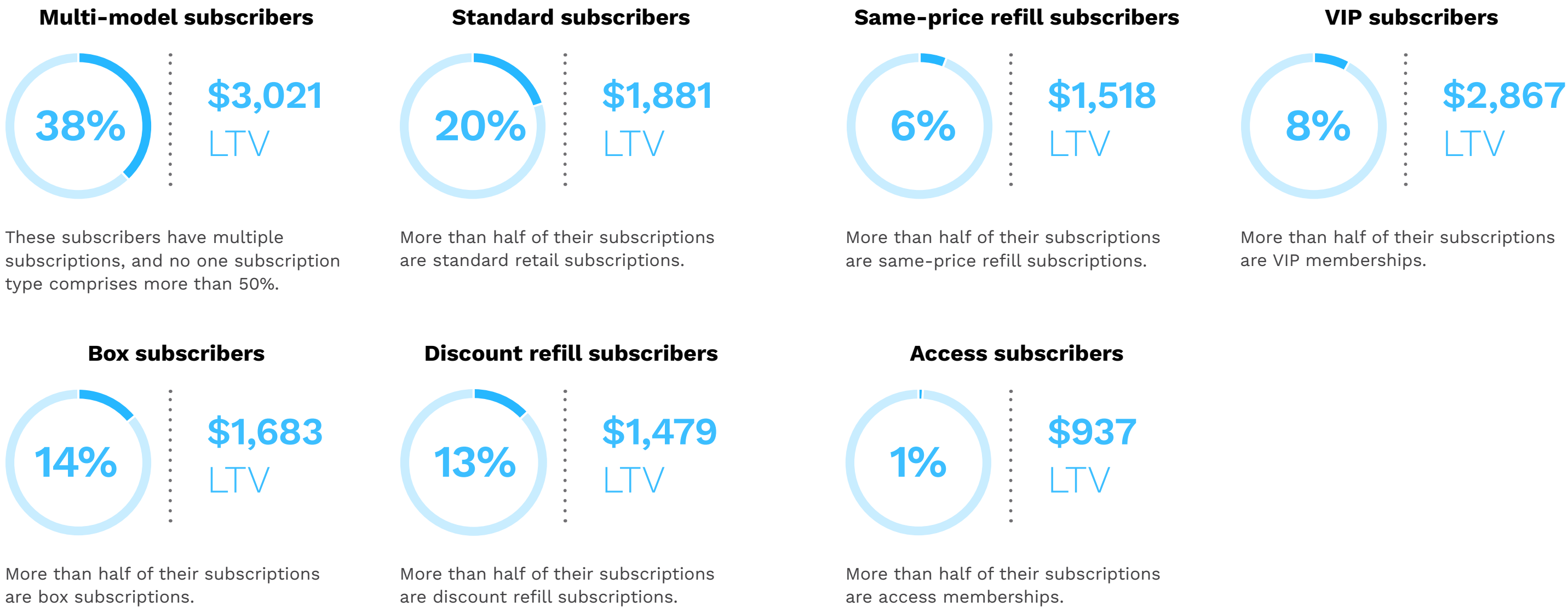
Retail product subscribers vary widely in terms of their average spending and demographics, and understanding these dynamics can help providers reduce churn and target the most valuable customers. PYMNTS' research divides subscribers into seven personas based on their subscriptions. Not including multi-model subscribers, consumers are assigned a persona because more than half of their subscriptions are of a single type. Multi-model subscribers prefer to have multiple subscriptions spread over different types, with no single model comprising more than half of their portfolio.

Multi-model subscribers are the most common and valuable persona. This group comprises 38% of subscribers and boasts an average LTV of \$3,021. In terms of LTV, they are followed closely by VIP subscribers, who focus on special, higher-tier memberships that provide elite benefits; this persona averages \$2,867 LTV but accounts for just 8% of subscribers. Leaving aside access subscribers, who comprise just 1% of the total pool, the other groups trail far behind, with lifetime values ranging between \$1,479 and \$1,881.

**FIGURE 1:**

**Subscription personas and their LTVs**

Share of subscribers and average LTV, by subscription persona



Source: PYMNTS  
 The Impact of Subscription Models on Consumer Choice, September 2023  
 N = 2,145: Complete responses, fielded June 20, 2023 – July 6, 2023



# Millennials and Generation Z consumers dominate the multi-model and VIP personas — the two most lucrative subscriber groups.

Age plays a strong factor in how consumers fall into different subscriber personas. Younger consumers dominate the largest and most lucrative group, with 45% of millennials, 44% of bridge millennials and 42% of Gen Z consumers preferring the multi-model approach, compared to just 34% of Generation X consumers and 24% of baby boomers and seniors.<sup>1</sup> We noted a similar pattern among VIP subscribers, particularly for millennials and bridge millennials. Conversely, older consumers gravitate more toward standard subscriptions, discount refills and same-price refills.

<sup>1</sup> PYMNTS defines baby boomers and seniors as consumers born before 1967; Gen X as those born between 1967 and 1982; bridge millennials, which includes younger members of Gen X and older millennials, as those born between 1980 and 1990; millennials as those born between 1983 and 1998; and Gen Z as those born between 1999 and 2005, which only includes the adult members of this generation.

FIGURE 2:

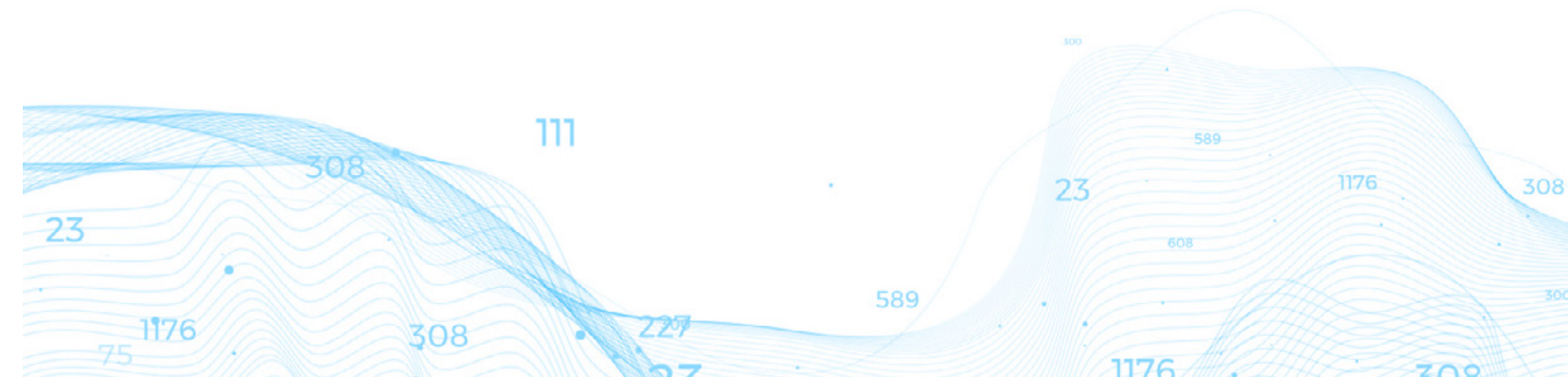
### Subscription preference variance

Share of consumers in each subscription model persona, by generation

	Generation Z	Millennials	Bridge millennials	Generation X	Baby boomers and seniors
• Multi-model	41.6%	45.1%	43.8%	33.7%	23.5%
• Standard	15.8%	16.7%	16.7%	22.7%	28.5%
• Box	21.4%	12.9%	11.7%	13.7%	10.4%
• Discount refill	9.2%	10.1%	10.4%	16.1%	23.8%
• VIP	7.6%	10.3%	12.2%	7.1%	1.6%
• Same-price refill	4.0%	4.4%	4.1%	5.7%	11.6%
• Access	0.3%	0.5%	1.1%	1.0%	0.7%

Source: PYMNTS

The Impact of Subscription Models on Consumer Choice, September 2023  
 N = 2,145: Complete responses, fielded June 20, 2023 – July 6, 2023



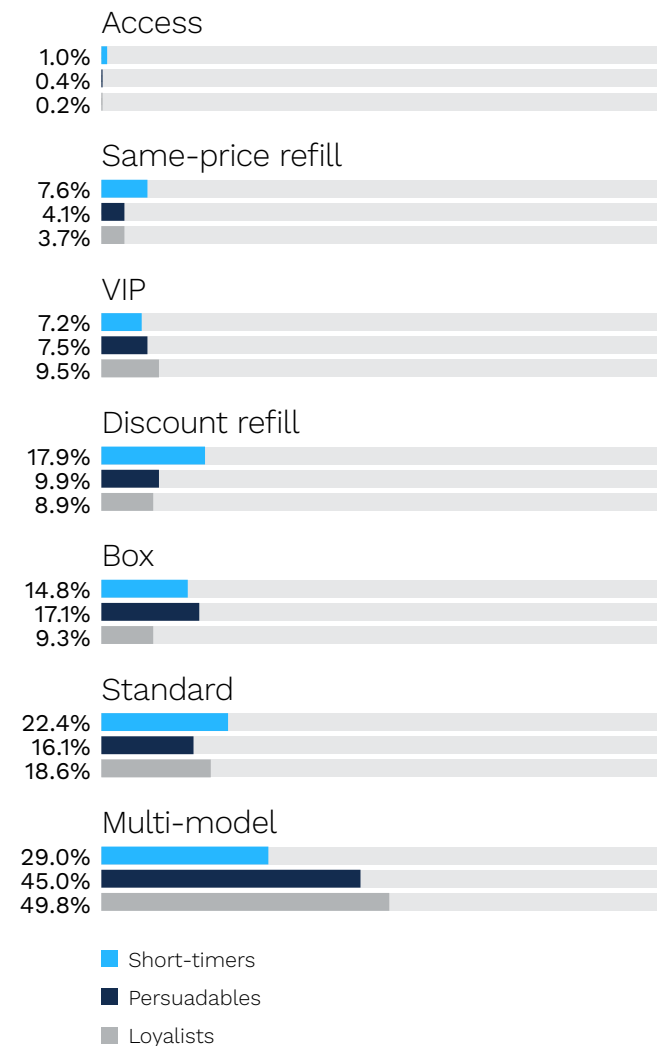
We also identified key differences in how LTV personas — a framework developed for an earlier study in this series — vary across subscription groups.<sup>2</sup> Most notably, multi-model subscribers comprise 50% of loyalists, the highest LTV consumers, who average more than \$2,500 in LTV and keep their subscriptions the longest. VIP subscribers also disproportionately fall into the lucrative loyalist category. Meanwhile, discount and same-price refill subscribers have the strongest tendency to be short-timers, with a group average LTV of less than \$1,000 and shorter subscription terms.

<sup>2</sup> Subscription Commerce Readiness Report: The Loyalty Factor. PYMNTS. 2023. <https://www.pymnts.com/study/subscription-commerce-readiness-customer-loyalty-retail-spend/>. Accessed August 2023.

**FIGURE 3:**

**Subscription models**

Share of consumers with select subscription models, by subscription model persona



Multi-model subscribers comprise **50%** of the lucrative loyalist group, which averages over \$2,500 LTV.

**Source: PYMNTS**

The Impact of Subscription Models on Consumer Choice, September 2023  
 N = 2,145: Complete responses, fielded June 20, 2023 – July 6, 2023

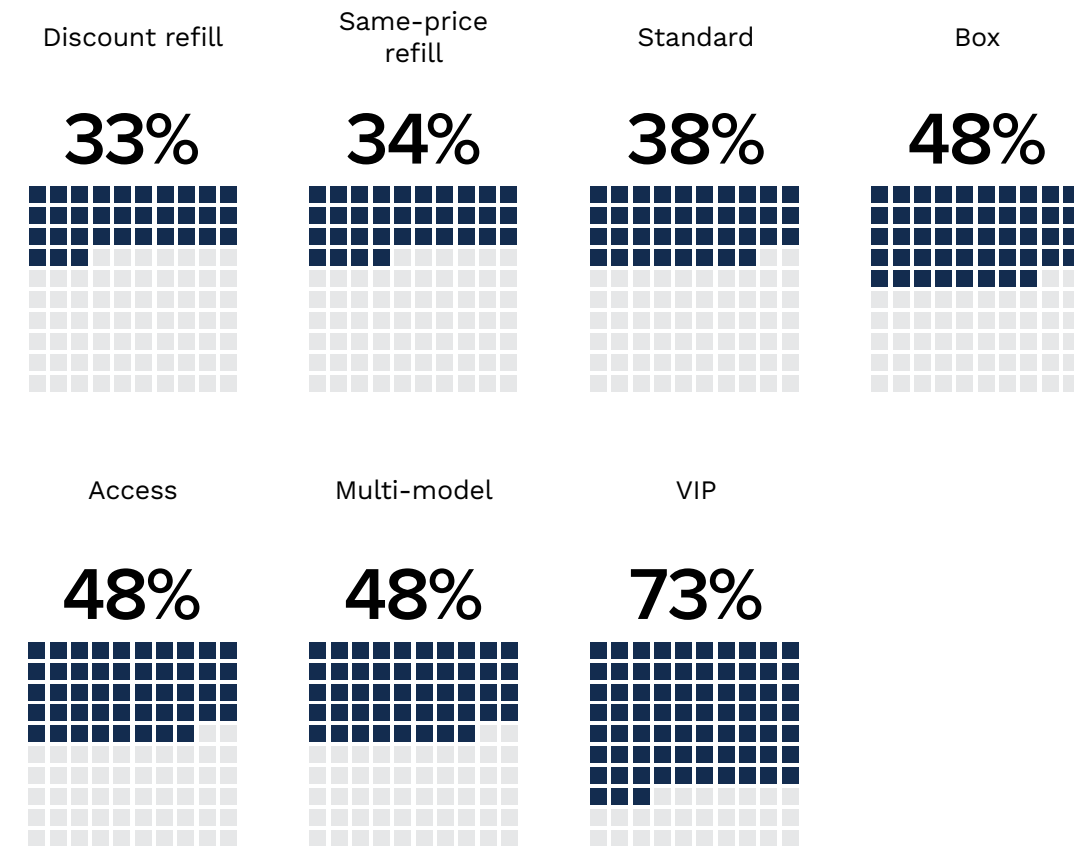
## Retail subscribers gravitate more toward additional subscriptions of the same type than branching out across types, particularly lucrative VIP subscribers.

Retail subscription customers show robust appetites for adding more subscriptions, but this varies widely by subscriber persona. VIP subscribers stand out for their outsized enthusiasm, as 73% say they are very or extremely likely to expand their portfolio. This suggests a strong potential to increase sales and LTV among this lucrative group. Multi-model, access and box subscribers follow, each at 48%, with the others further behind.

**FIGURE 4:**

### Appetites for additional subscriptions

Share of subscribers very or extremely likely to add new subscriptions, by subscription model



Source: PYMNTS

The Impact of Subscription Models on Consumer Choice, September 2023

N = 2,145: Complete responses, fielded June 20, 2023 – July 6, 2023

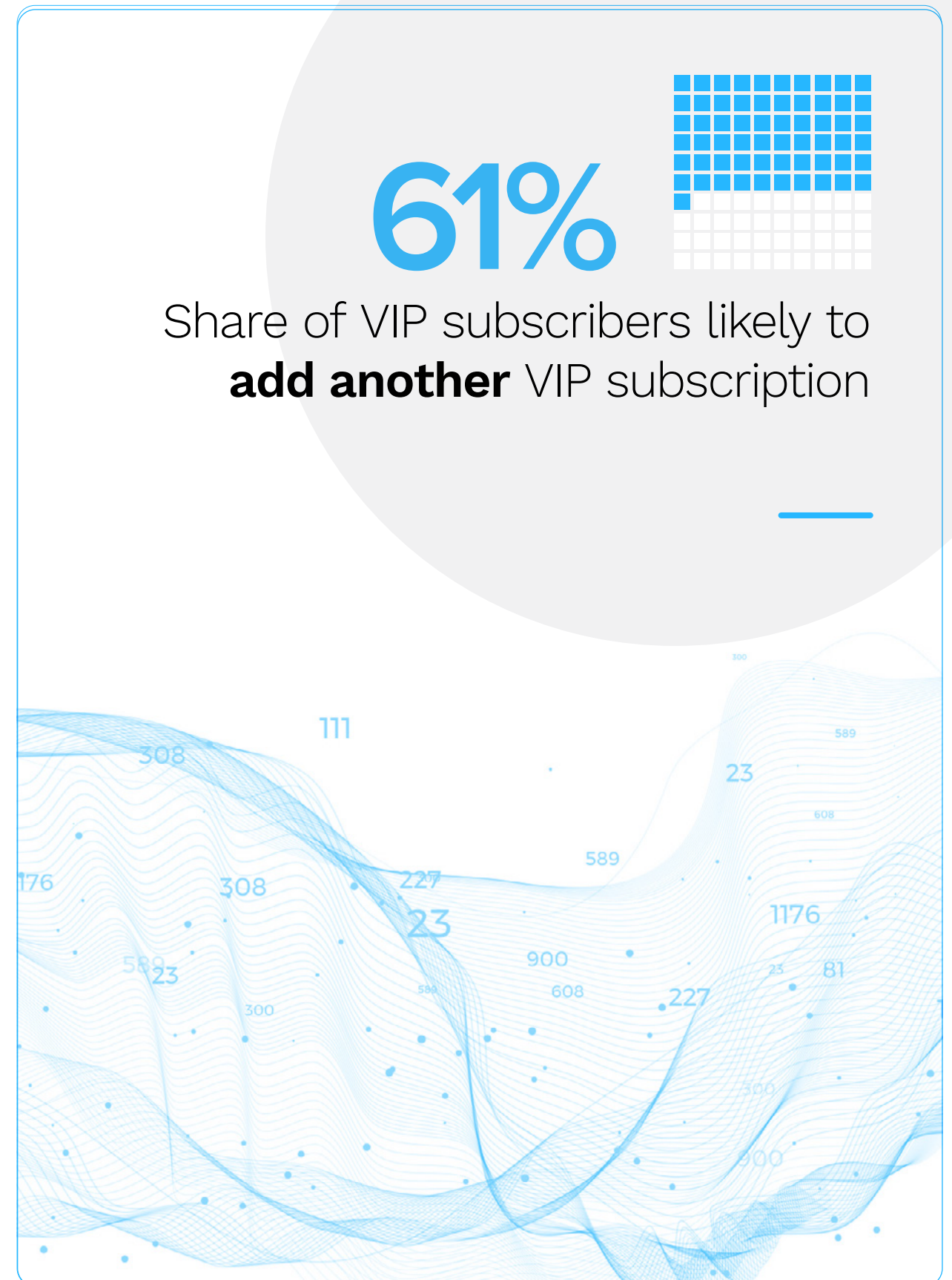
A closer look at the shares of customers with a strong interest in additional subscriptions reveals a key behavior: Subscribers tend to stick to the models they already know and like. For instance, among the VIP subscribers poised to add more subscriptions, 61% favor another VIP subscription. Similarly, 48% of the mystery box subscribers say they are highly interested in additional subscriptions and 37% lean toward more of the same types of subscriptions. Discount refill subscribers share a similar outlook, with 47% likely to add another discount refill to their roster — a recurring pattern that suggests subscription providers can leverage the tendency of subscribers to stick to familiar models.

**FIGURE 5:**  
**More of the same, please**  
 Share of subscribers likely to add select subscription models, by subscription model persona

	Standard	Box	Same-price refill	Discount refill	VIP	Access	Multi-model	Sample
• Standard	35.1%	9.4%	22.8%	8.9%	10.2%	6.9%	13.5%	16.7%
• Box	15.0%	36.6%	10.3%	9.7%	3.0%	29.8%	17.3%	17.1%
• Same-price refill	7.8%	6.3%	12.1%	6.8%	7.7%	0.0%	9.8%	8.4%
• Discount refill	16.3%	17.7%	29.4%	47.4%	9.4%	0.0%	19.0%	21.6%
• Access	14.9%	12.8%	10.3%	13.5%	8.6%	21.7%	14.3%	13.5%
• VIP	10.9%	16.6%	14.2%	13.4%	61.1%	41.6%	26.1%	22.4%

Source: PYMNTS

The Impact of Subscription Models on Consumer Choice, September 2023  
 N = 1,108: Respondents very or extremely likely to add more subscriptions, fielded June 20, 2023 – July 6, 2023



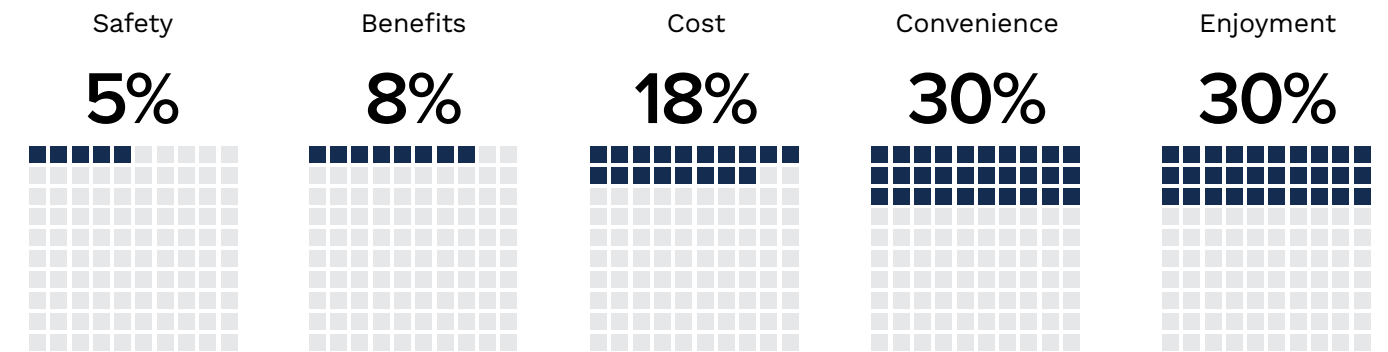
## Consumers cite enjoyment and convenience — not cost — as the primary factors in choosing a retail product subscription.

PYMNTS finds that consumers overwhelmingly seek an enjoyable and convenient experience when evaluating retail product subscriptions — cost plays a much smaller role. Equal shares of the subscribers we polled cited enjoyment and convenience as the top reasons for subscribing, at 30%. Cost comes significantly further behind, with 18% of respondents naming it the primary determinant. That said, PYMNTS' data shows that cost still leads as the biggest driver of churn, so providers must remain focused on delivering competitive value. Benefits and safety also made the list.

**FIGURE 6:**

### Top reasons for subscribing

Share of consumers citing the most important reason for subscribing



Source: PYMNTS

The Impact of Subscription Models on Consumer Choice, September 2023

N = 2,145: Complete responses,  
fielded June 20, 2023 – July 6, 2023

# 30%

Share of subscribers who cite **enjoyment as their most important reason** for subscribing

Further data analysis reveals important differences across subscriber personas. While enjoyment and convenience each rank either first or second for each group — except for discount subscribers — the most lucrative subscribers prioritize enjoyment. Thirty-two percent of multi-model subscribers cite enjoyment as the leading reason for subscribing, whereas 28% say the same for convenience. VIP subscribers lean more strongly, at 34% for enjoyment and 24% for convenience. Access and box subscribers follow suit, and only the discount and same-price refills personas put convenience on top. Not one group ranks cost as paramount — not even value-focused discount refill subscribers.

**FIGURE 7:**

**What subscribers prioritize**

Share of consumers citing the most important reason they subscribe, by subscription model

	Standard	Box	Same-price refill	Discount refill	VIP	Access	Multi-model
• Safety	3.9%	2.9%	3.8%	1.6%	10.4%	0.0%	5.7%
• Benefits	4.1%	8.2%	10.4%	7.8%	13.2%	0.0%	9.8%
• Cost	21.2%	17.9%	22.0%	29.0%	7.5%	6.9%	14.9%
• Convenience	37.8%	20.1%	37.1%	35.4%	23.7%	40.1%	28.1%
• Enjoyment	26.4%	44.4%	19.6%	18.9%	34.3%	33.4%	32.2%

Source: PYMNTS

The Impact of Subscription Models on Consumer Choice, September 2023  
 N = 1,108: Respondents very or extremely likely to add more subscriptions,  
 fielded June 20, 2023 – July 6, 2023

# DATA FOCUS

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**Savers versus VIPs: A closer look at the two most divergent subscriber personas reveals key insights about relatively untapped demographics and drivers of churn.**

**Retail subscription providers should understand the gaps between VIP and discount refill subscribers and ensure their strategies align with their target customer base.**

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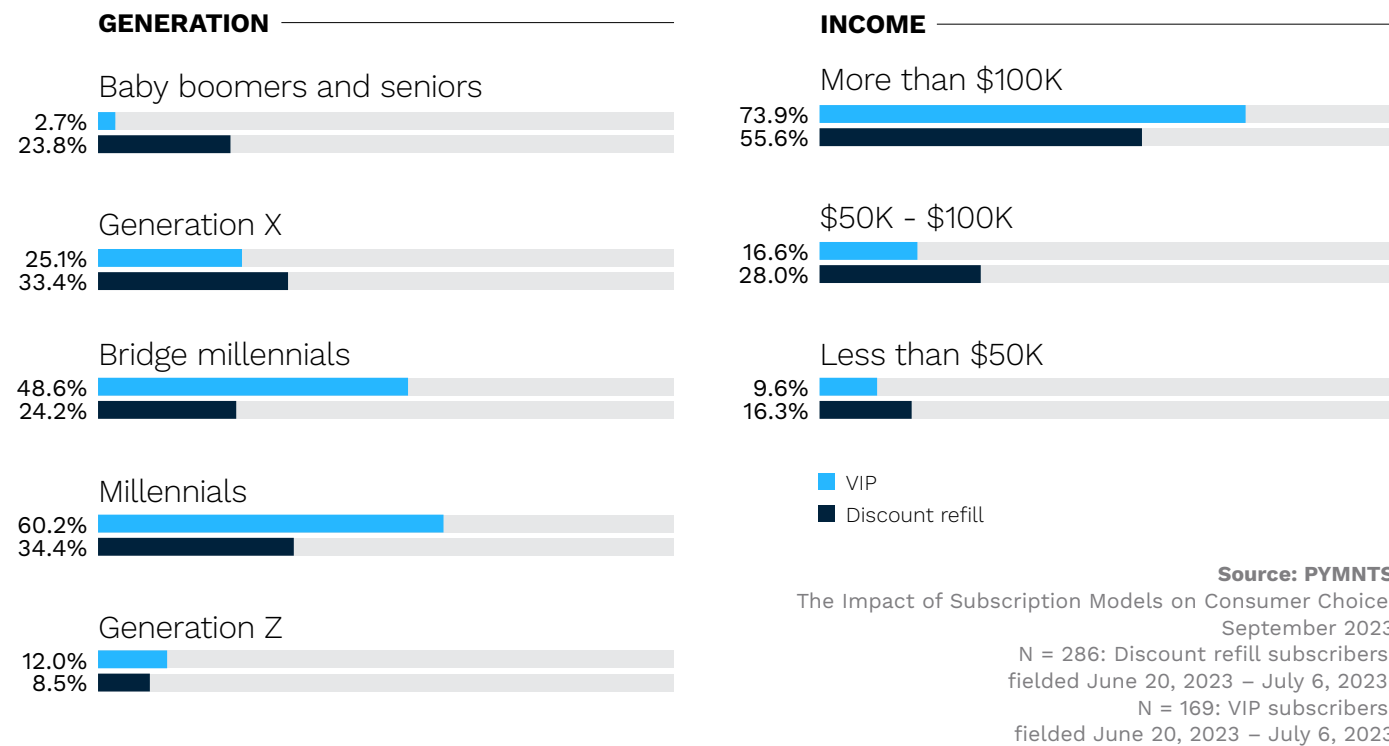
VIP subscribers are the gold standard for many subscription providers. These subscribers either pay a premium for special benefits or earn it through high spending or long-term subscription commitments. VIPs tend to be young and earn more than \$100,000 annually, while their peers in the discount refill group are largely older and have lower incomes. We note that very few baby boomers and seniors have VIP subscriptions, suggesting that this segment is relatively untapped; the same is true to a lesser extent for Gen X.

The consumers in these two segments also differ greatly in what causes them to cancel subscriptions. We identified the drivers of churn that have an outsized negative effect on VIPs

**FIGURE 8:**

**Savers versus VIPs**

Share of subscribers in each subgroup, by demographic



and discount refill subscribers. For VIPs, payment friction and inconvenience stand out the most. Compared with the overall sample, these subscribers are 18% more likely to cite issues updating payment information as prompting cancellation, 15% for lack of digital wallet payments and 8.7% for inconvenient billing options. Discount refill subscribers, meanwhile, focus on cost. They are 15% more likely than average to cancel if they cannot save money relative to making individual purchases and 9.9% more likely than average to cancel if the provider discontinues free shipping. They also focus on flexibility issues, such as the lack of options for changing shipment frequency or pausing or skipping shipments.

**FIGURE 9:**

**What subscribers prioritize**

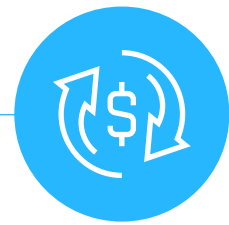
Share of consumers citing the most important reason they subscribe, difference in percentage from sample average, by subscription model

Ranking	Discount refill	VIP
1	The ability to make changes to the subscription frequency without the need to unsubscribe first (+11.8%)	A progress bar showing the checkout process (+13.6%)
2	The ability to sign up using an existing social media profiles (+8.7%)	The requirement to create a profile to make a purchase (+11.6%)
3	The ability to cancel the subscription at any time for no cost (+7.7%)	The requirement for passwords to have certain specifications (+10.6%)
4	Free shipping (+6.6%)	The need to verify my password to ensure its accuracy (+10.4%)
5	Availability of a wide variety of billing options in terms of frequency (+6.4%)	The ability to use the same shipping and billing address (+10.1%)

**Source: PYMNTS**  
The Impact of Subscription Models on Consumer Choice, September 2023  
N = 286: Discount refill subscribers;  
N = 169: VIP subscribers,  
fielded June 20, 2023 – July 6, 2023



# ACTIONABLE INSIGHTS



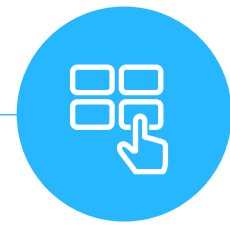
01

Retail subscription members fall into distinct personas, and providers can boost revenue and average customer LTV by understanding these dynamics. Two groups in particular stand out: multi-model subscribers, who buck the trend of focusing on a single subscription type, and VIP subscribers, who gravitate toward special membership tiers. Subscribers in other persona groups spend far less.



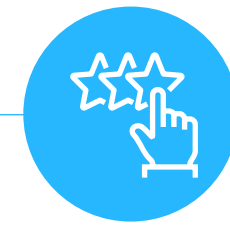
02

Retail subscription providers should apply the subscription model lens to demographics to better understand their targets and uncover relatively untapped segments. Younger consumers dominate the high-value subscription spaces, and the near absence of baby boomers and seniors in the VIP subscriber group highlights a missed — and potentially lucrative — opportunity. The same is true to a lesser extent for Gen X.



03

Subscribers show a marked preference for sticking with familiar subscription models. Among respondents with high levels of interest in acquiring more subscriptions, subscribers widely prefer adding more of the same types they already prefer. Providers should adjust their marketing and retention efforts accordingly.



04

Retail subscriptions offer a unique value proposition focused on convenience and enjoyment, and providers should redouble their efforts in these two areas. Consumers widely cite convenience or enjoyment as the top reason for subscribing, not cost. The highest-spending subscribers (multi-model, VIP and box) prioritize enjoyment over convenience.



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## METHODOLOGY

**T**he Impact of Subscription Models on Consumer Choice draws from a survey of a census-balanced panel of 2,145 adult U.S. consumers. Respondents to the survey were an average of 42 years old, 53% were female and 57% earned more than \$100,000 annually. The consumer survey is conducted quarterly, with the Q3 2023 survey having been conducted from June 20 to July 6.

# ABOUT

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