

BEYOND THE FREE TRIAL

# The Subscription Economy Grows Up as Consumers Cut Back



# As consumers face unprecedented cost-of-living challenges, the future of the subscription economy hangs in the balance

From Netflix and Spotify to HelloFresh and Bumble, subscription services have become an indispensable part of many consumers' lives.

As inflation soars to levels not seen in decades, however, people have been forced to make hard choices about their spending. That includes cutting back on subscriptions.

During the 2008 crash, the last seismic U.S. financial crisis, the subscription economy was in its infancy. Today, more than half (51%) of consumers

say subscriptions make up a "significant" portion of their monthly spending.

That makes the current cost-of-living crisis the first major stress test for the subscription economy.

This report examines how the industry might weather the storm, as well as urgent questions such as: *Have we finally reached subscription saturation? Are these services well-positioned to hold onto their users? And what's the long-term outlook for the subscription economy?*



## IN THIS REPORT, YOU'LL FIND...

- 1 How Americans feel about the **state of their country's economy**.
- 2 The **lifestyle and spending changes** consumers have had to make in response to the cost-of-living crisis.
- 3 The **role that subscription-based spending** now plays in consumers' daily lives.
- 4 How users of subscription services **feel towards these services**.
- 5 The factors that make consumers **more likely to try out a new subscription service** or retain an existing one.
- 6 **How and where consumers plan to make cutbacks** within their portfolios of subscription-based spending.

## at a glance THREE KEY TAKEAWAYS

### THE IMPACT OF INFLATION

A clear majority of Americans have had to make cutbacks in their regular spending in response to this current period of high inflation—and most expect that further cutbacks will be necessary over the coming months.

### THE STICKINESS OF SUBSCRIPTIONS

Consumers are generally less likely to cancel subscription-based services (and streaming subscriptions in particular) than they are to look for savings in other areas. But even so, the severity of the cost-of-living crisis has forced many to start reducing or consolidating their number of subscriptions.

### THE FUTURE OF THE SUBSCRIPTION ECONOMY

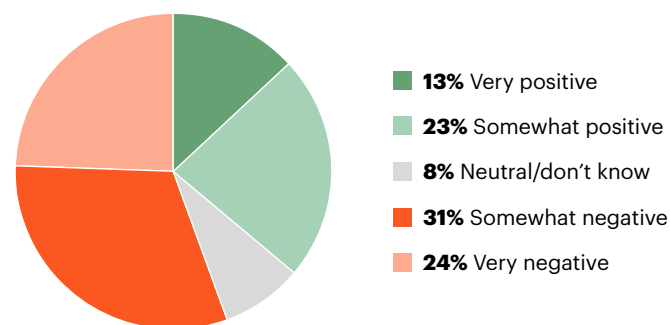
As the subscription economy matures, we enter a new era for the business model. In order to keep consumers committed to their value offer, particularly amid broader socio-economic stressors, providers will find fresh ways of engaging and delighting their existing user-bases.



# Overall, Americans are pessimistic when it comes to the economic outlook for the country

Unsurprisingly, Americans have a broadly gloomy outlook when it comes to the state of the economy. Personal experience, combined with ongoing debate in the media about the dangers of unchecked inflation and the possibility of a looming recession, has contributed to a situation in which **a clear majority—55%—of consumers are pessimistic about the nation’s economic fortunes**. And almost a quarter describe the outlook for the country as “very negative”.

**Q: How do you feel about the economic outlook for the US?**

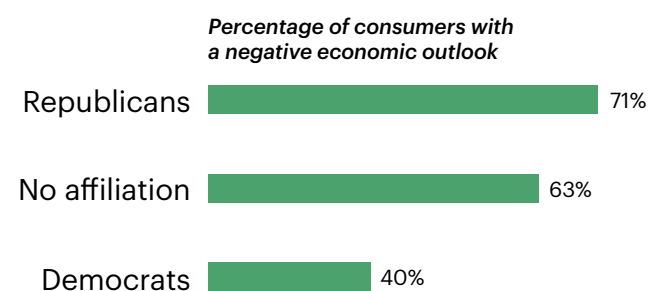


This sense of pessimism is particularly pronounced among women, 64% of whom describe prospects for the US economy as “somewhat negative” or “very negative” (compared to just 47% of men). Similarly, consumers from households earning under \$50,000 a year (62%) and the over 50s (64%) are also more likely than most to be concerned about the economic direction of the country.

But perhaps the starkest divide when it comes to the economy is a political one. Republicans and self-identified conservatives are overwhelmingly more likely to have a negative view of the direction the country is headed in. Conversely, **Democrats are one of the few demographics more likely than not to feel optimistic about the state of the economy—with 54% describing the economic outlook for the country as “somewhat” or “very” positive**.

This divide reflects the degree to which economic and political issues have become intertwined in the public consciousness. As President Biden and his allies have sought to advance a narrative of financial competency in the lead-up to the midterm elections, how consumers feel about the economy has become a proxy for their views on the President’s job performance. The differing tenor in coverage of the economy across conservative and liberal media outlets has undoubtedly played a role in shaping this divide as well.

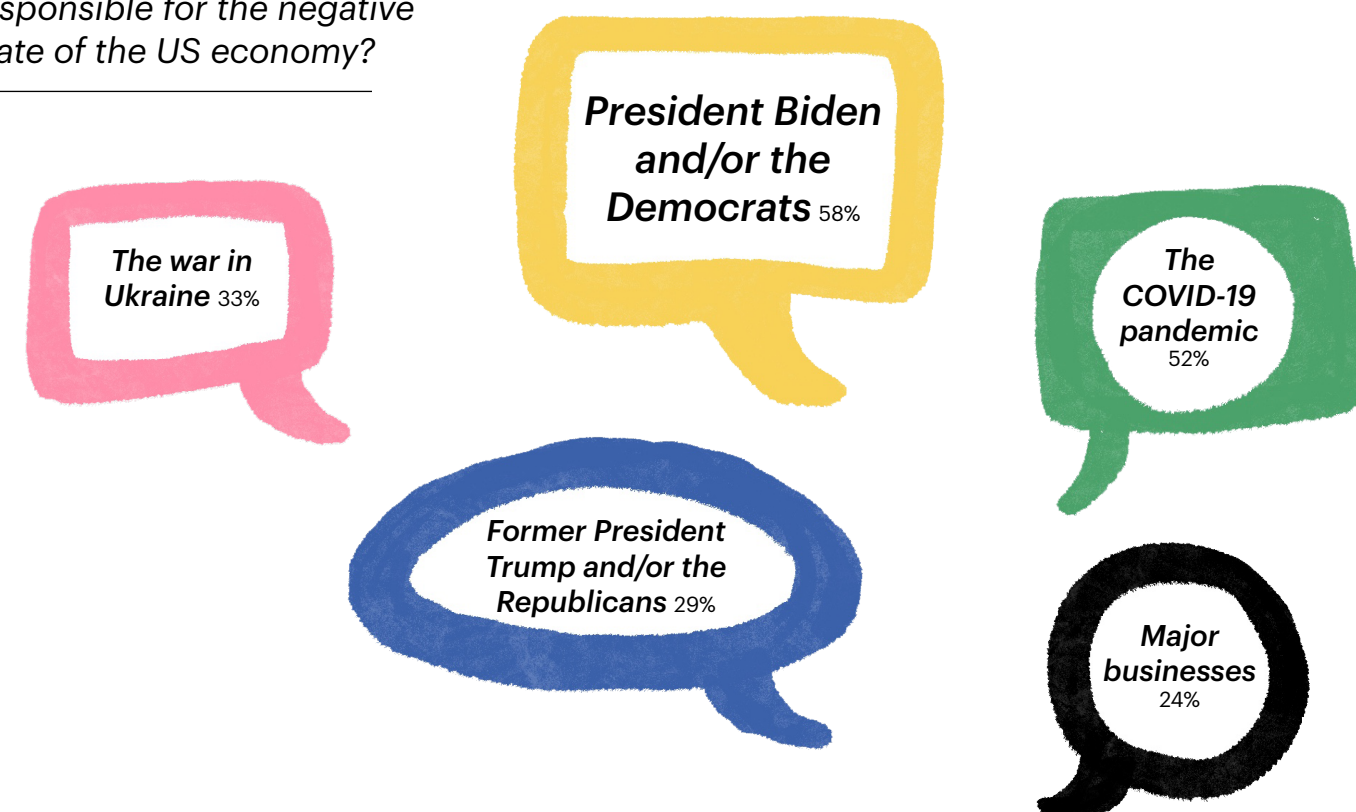
## THE STARK POLITICAL DIVIDES IN ATTITUDES TOWARDS THE ECONOMY



The upshot of this is that almost 6 out of 10 Americans who are feeling pessimistic about the state of the country’s economy hold the President and his party personally responsible for the situation. At the same time, many are also

willing to acknowledge the role that the economic aftershocks of COVID-19 (and its impact on global supply chains), along with the geopolitical fallout from the conflict in Ukraine, have played in bringing the country to this point.

**Q: Who do you feel is responsible for the negative state of the US economy?**



*at a glance*

While there are many factors that can explain this discrepancy, one of them is undoubtedly the energy crisis set to hit the continent this winter. Russian gas producers have harshly limited their exports of natural gas in response to the sanctions imposed on the country after the invasion of Ukraine, leading to runaway inflation in energy wholesale prices. In the UK—one of the countries most affected by this crisis—household energy prices are expected to increase by as much as 80% this year, with further increases likely on the horizon<sup>2</sup>.

Country	Percentage
U.K.	74%
Germany	64%
France	63%
U.S.	55%
Canada	51%
Brazil	50%
Australia	45%

2. Alex Lawson, Ofgem raises energy price cap by 80% to £3,549 from October, The Guardian. Published 26th August 2022. Available [here](#).

# Recession

# Scary

## Chaotic

## Expensive

**Great**

# Broke

# Horrible

## Stressful

# Good

## Biden

# Unstable

# Crap

## Depression

## Money

# Poor

## Negative

# Sucks

# Sad

## Improving

## Hopeful

# Terrible

## Troubled

## Failure

# Broken

## Screwed

## Progressive

## Struggling

## Better

## Mess

# Disaster

## Unemployment

## Okay

# Bad

## Worried

## Uncertainty

## Decline

When it comes to their own economic fortunes, however, consumers are feeling marginally more optimistic. In fact, a slim majority of Americans (51%) describe their personal financial situation as, on balance, more positive than negative. This “optimism gap” between how consumers feel about their own personal situation and how they feel about the national economy writ large is one that has been independently identified by a number of analysts in recent years.

Some have suggested that this phenomenon may be a by-product of the rise of social media and online news; as more and more of us are exposed to negative stories about the economy on a daily basis, even consumers who are not facing any personal financial hardships start to worry about the national economic outlook<sup>3</sup>. The saturation of recession-related news stories and social media content may also help to explain why **55% of consumers believe that the US economy is already in a recession**—even though one has yet to be formally declared by the National Bureau of Economic Research.

But while it's true that most Americans aren't—yet—particularly worried about their personal financial situation, there are some major warning signs that things are trending in the wrong direction for consumers. Most notably, **35% of them report feeling worse off, financially speaking, today than they did twelve months ago; while just 22% say that their financial situation has improved over the same time period.**

•



# This sense of economic anxiety is largely a by-product of soaring inflation and the ongoing cost-of-living crisis

So why is it, exactly, that so many consumers are feeling anxious about the state of the economy—and over a third report that their financial wellbeing has taken a hit over the past year?

It certainly isn't because of job insecurity. US job growth has continued to outperform expectations in recent months, bringing the national unemployment rate down to just 3.5%. And this strong performance is reflected in the attitudes of consumers. **Only 12% of Americans think that it's currently a bad time to be looking for a job;** and fewer than a quarter (22%) are worried about themselves or an immediate family member being laid off within the next 6 months.

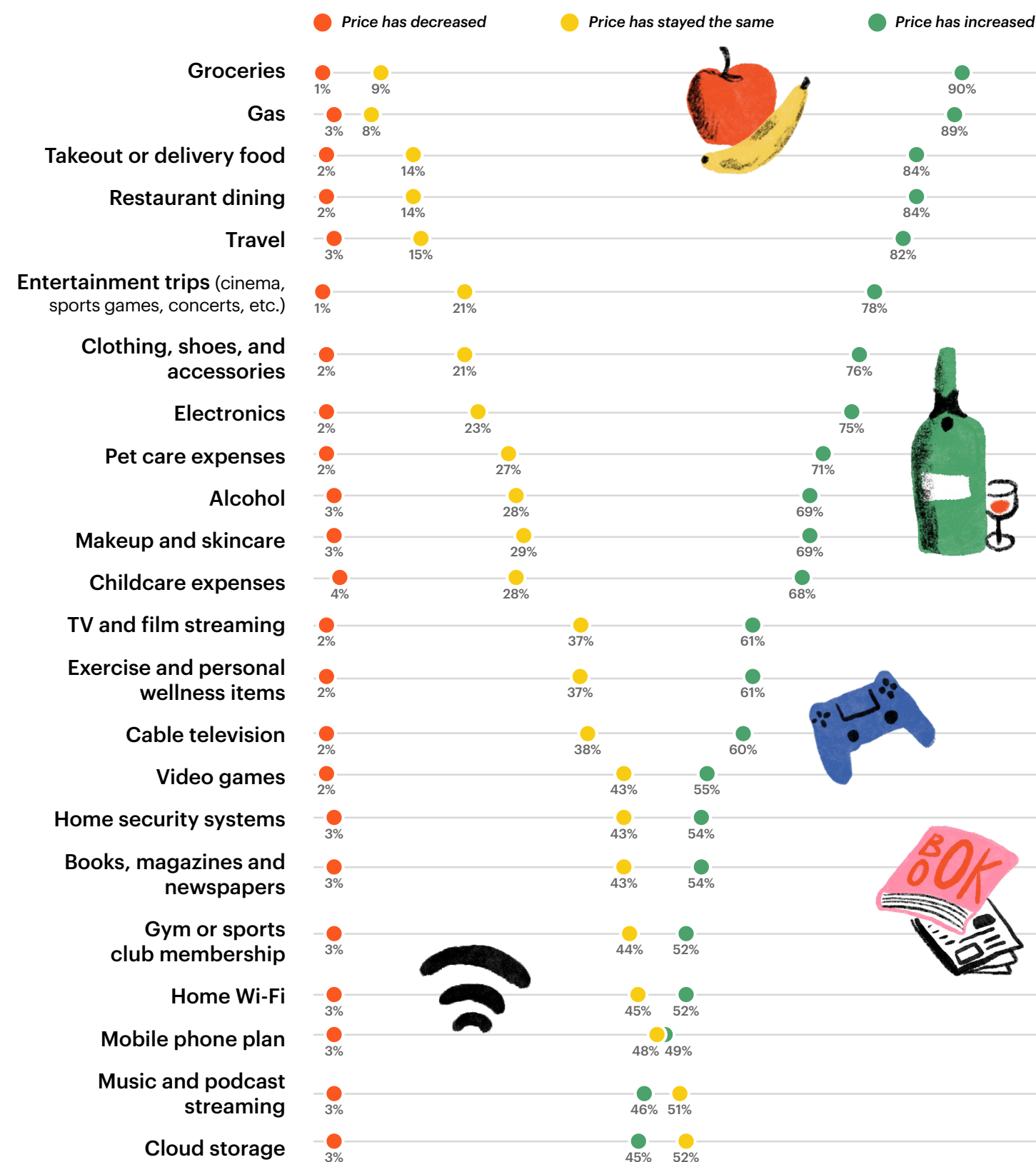
Instead, consumers' economic anxieties are—more than any other factor—the result of spiraling inflation and the impact this had on the cost of living. As of

August 2022, the annualized rate of inflation in the US had surged to 8.5%; up from just 1.4% in 2020 and 2.3% in the year preceding the pandemic. And these price increases have been severely felt by most consumers.

Across almost every category of consumer spending, a sizable majority of Americans say that they've noticed price increases. Worryingly, consumers generally feel that these price increases have been most dramatic in essential spending categories like gas and groceries. While the US may not be experiencing an energy crisis quite as severe as that seen in Europe, surging gas prices have become a major issue. 80% of consumers consider gas to be an essential part of their regular spending—which means that these price increases have left them with less money to spend on discretionary and entertainment purchases.



## HOW THE PRICE OF COMMON CONSUMER PRODUCTS AND SERVICES HAVE CHANGED OVER THE PAST YEAR, ACCORDING TO AMERICANS<sup>4</sup>



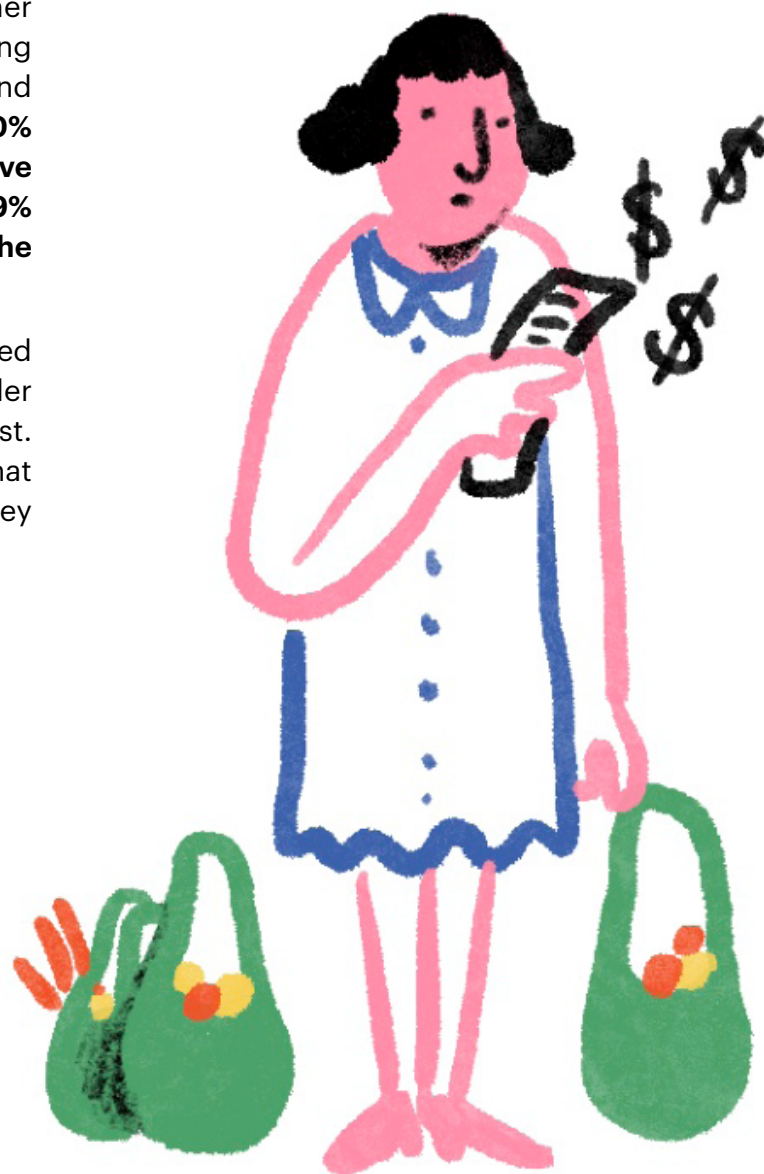
4. Excludes consumers who do not purchase these products or services

In total, 81% of consumers say that they've had to make some cutbacks to their regular household spending over the past year. And 30% describe these cutbacks as "significant". Restaurant dining is the most common area where consumers report scaling back their regular spending, closely followed by groceries, takeout or delivery food, and clothing, shoes and accessories.

But despite doing their best to reduce their outgoings, a majority of Americans say that their monthly household expenses are higher today than they were a year ago—leaving them with a reduced financial safety net and less money to put away into savings. **60% say that their total monthly expenses have increased over the past year; while only 9% say their expenses have decreased over the same time period.**

While the cost-of-living crisis has impacted consumers across the nation, it's older Americans who have been hit the hardest. 73% of consumers over the age of 50 say that they're having to spend more now than they were a year ago.

**22%**  
fewer goods and services the average consumer is buying due to inflation

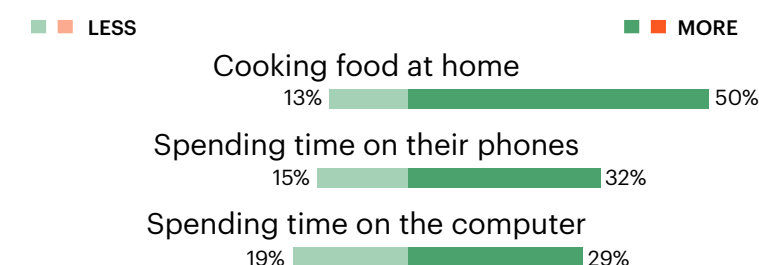


**13%**  
average increase in monthly household expenses (estimated by consumers)

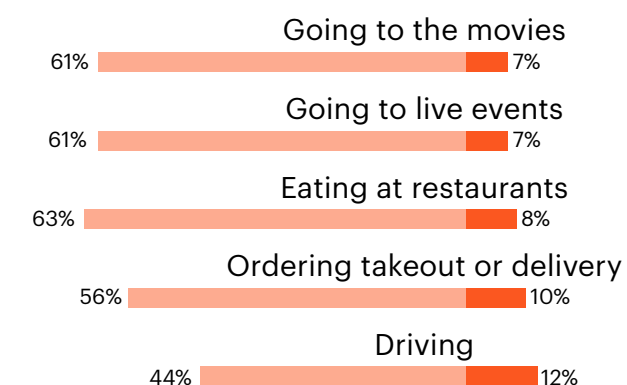
Aside from driving a general sense of pessimism about the state of the economy, this period of high inflation has had a noticeable impact on consumers' daily habits and routines. Many, for example, are turning to home-cooked meals as an alternative to spending money on restaurant-dining or takeout. At the same time, they're trying to limit their spending on gas by reducing the amount they drive and taking fewer entertainment excursions (such as going to the movies or attending concerts or sporting events). This has created a situation in which the average consumer is now spending more time at home than they were six months ago—which in turn has led to an increase in screen time across both desktop and mobile devices.

## HOW CONSUMER HABITS HAVE CHANGED OVER THE PAST SIX MONTHS DUE TO INFLATION

What are consumers doing more of?



And what are they doing less of?







# For most consumers, subscriptions are now an integral part of their regular spending

As consumers are forced to reassess their regular spending habits, this will inevitably start to impact their usage of subscription-based services. After all, the explosive growth of consumer subscriptions over the past decade and a half has put many of us in a situation where we rely on these services for a sizable portion of our regular needs—from food to entertainment to even our personal security.

On average, consumers with at least one subscription estimated that they spend 17.8% of their household budgets on these services; with men, younger consumers, and those on higher incomes claiming to spend the highest percentage of their income on subscriptions.

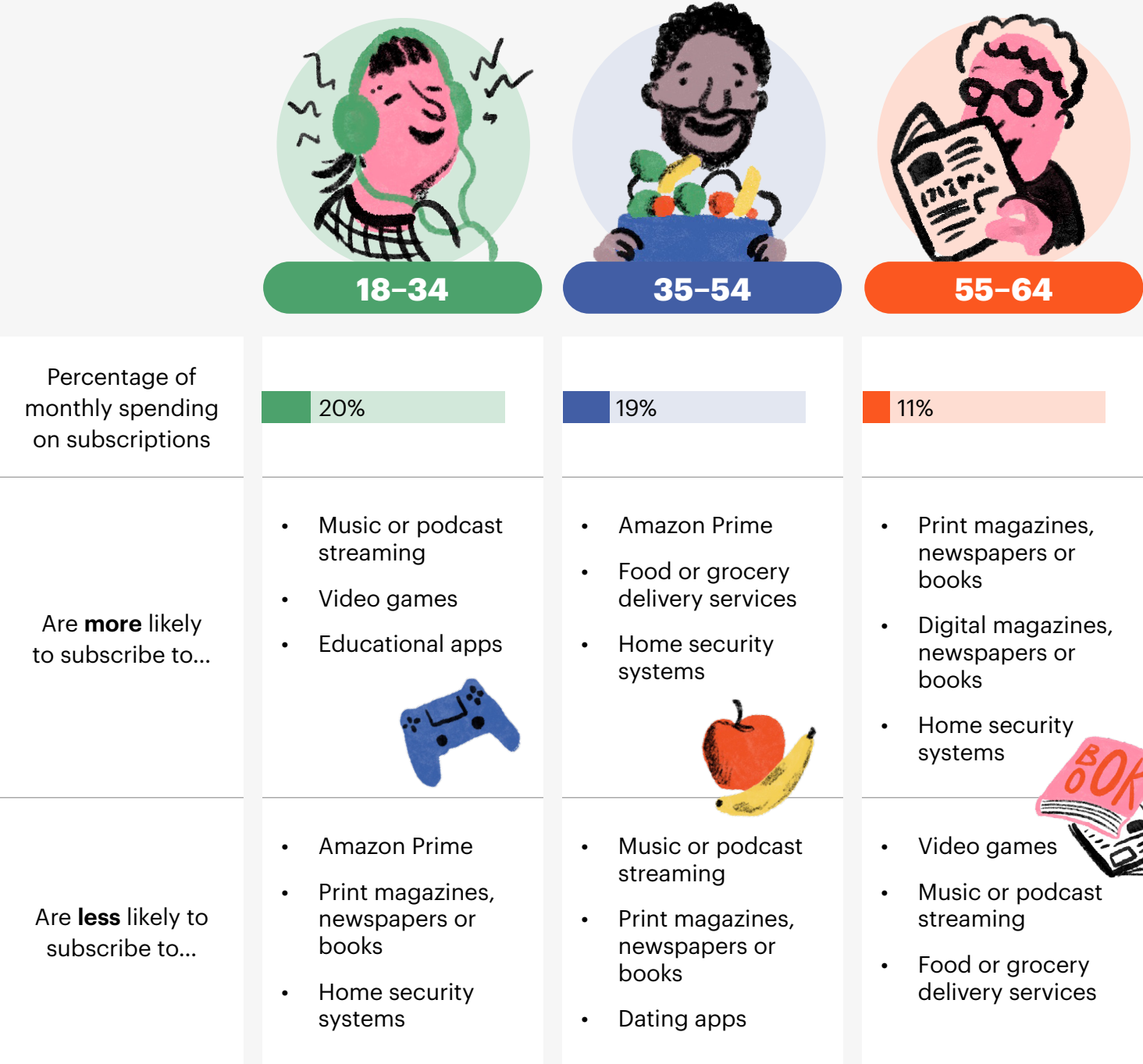


## WHAT BRANDS DO CONSUMERS MOST ASSOCIATE WITH SUBSCRIPTION SERVICES?



**51%**  
of consumers say that subscriptions now make up a “significant” portion of their regular monthly spending.

## HOW DIFFERENT GENERATIONS USE SUBSCRIPTIONS



In general, Millennials and Gen Z—in other words, consumers who came of age during and after the advent of the subscription economy—have been the most enthusiastic embracers of subscription services. However, there are also some more subtle differences in the approach that different generations take to managing their subscription-based spending.

Americans in their twenties and early thirties tend to gravitate towards media streaming services and app-based subscription programs, including dating apps such as Tinder as well as educational services like Duolingo. Whereas consumers in their late

thirties and forties are more likely to be interested in what could broadly be described as “quality of life” subscriptions, including premium delivery services as well as personal shopper programs such as Instacart+.

Older Americans are among the most hesitant to take out new subscriptions, spending about half as much as other generations on subscription-based services. However, consumers in this demographic are also disproportionately likely to have at least one subscription to a newspaper or magazine—whether in physical or digital form, or both.



LIKE

**Subscriptions are reliable** 64%

**Subscriptions are generally cost-effective** 55%

**The quality of products/services offered by subscriptions is generally high** 59%

**Subscriptions encourage me to try new things** 49%

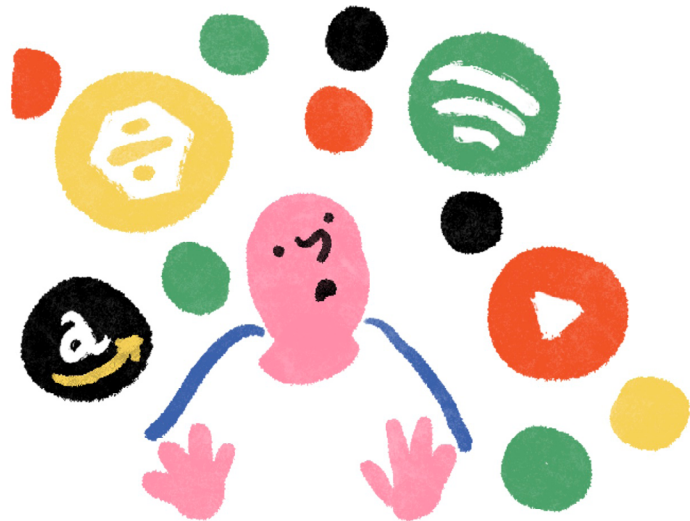
WHAT CONSUMERS LIKE/DISLIKE ABOUT SUBSCRIPTIONS

DISLIKE

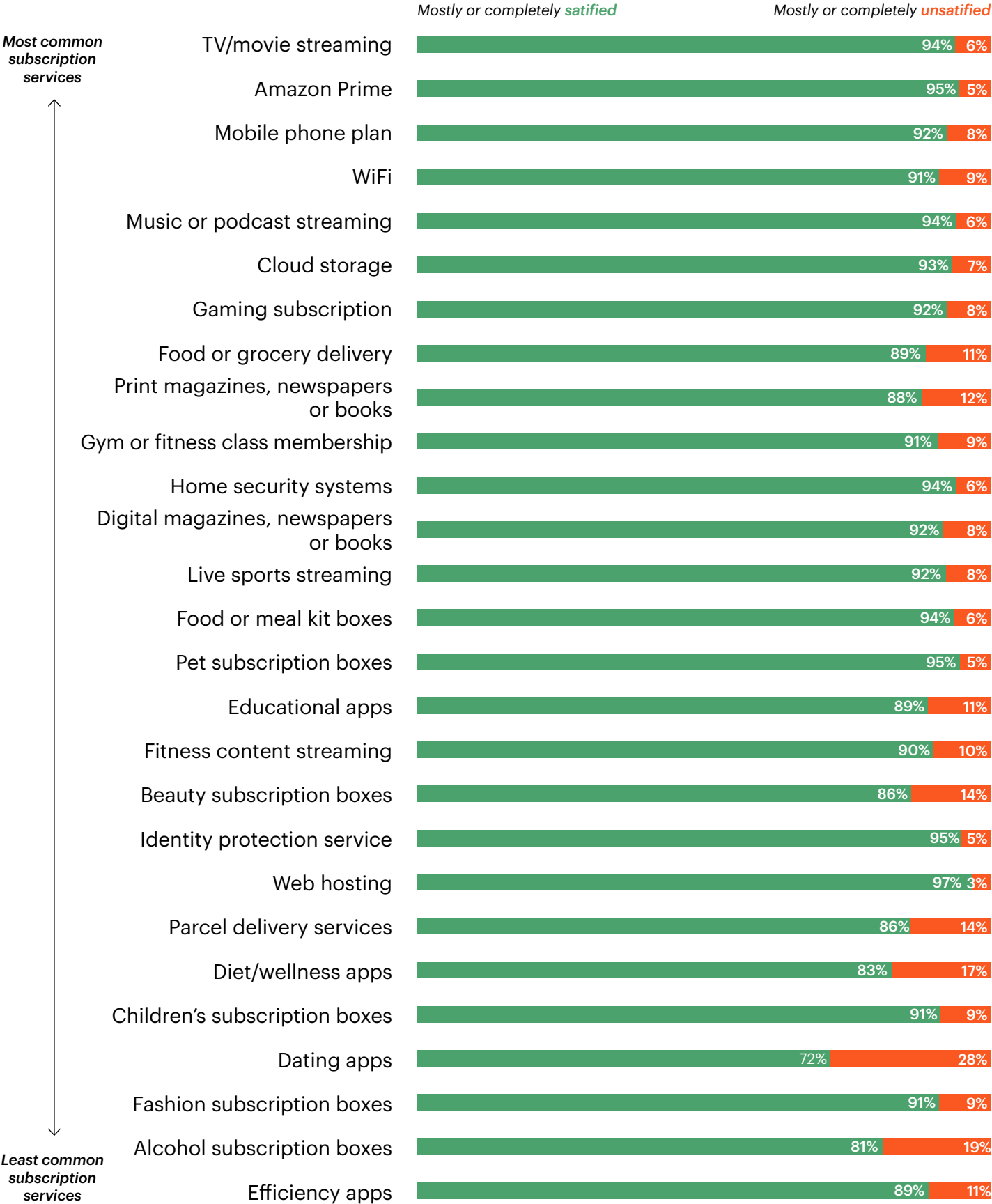
**Subscriptions can trap you into spending more money than you otherwise would** 60%

**Subscriptions can be hard to keep track of** 41%

**Subscriptions are often difficult to cancel** 35%



Q: How satisfied are you with the value for money you get from your subscriptions?





It’s easy to see why the subscription economy has been able to grow at such a rapid pace. Across both digital and streaming subscriptions as well as subscriptions to physical products, the vast majority of customers of subscription-based services are overwhelmingly satisfied with the value-for-money they get from these services. **Overall, 76% of Americans have a net positive attitude towards companies that provide subscription programs.** Predictably, the most popular subscription services also tend to be the ones consumers feel they get the most value from. Only a few of the more fringe services—such as paid dating app and diet app subscriptions—show notable levels of customer dissatisfaction; possibly a sign that some users of these services feel they don’t provide enough added value relative to the many free alternatives that are available.

Further, the subscriptions consumers deem to have the greatest value also operate within the categories that consumers view to be the most essential purchases in their daily lives. **At 94% mostly or completely satisfied, consumers are overwhelmingly content with the value for money they get from their streaming subscriptions** and other intangible products they name “necessities”, like music streaming (94%), home security (94%), or

**Q: What frustrations have you experienced with your subscriptions?**



cloud storage (93%). This reflects how, in the minds of consumers, subscriptions primarily represent a more cost-effective and convenient way of getting the products and services they would be buying on a recurring basis anyway.

The value consumers derive from subscription products in non-essential categories instead hinges on the nuance, quality, and excitement of their offering. Consumers appreciate the fact that subscription boxes, for example, facilitate the discovery of new products and experiences; however, when economic conditions force consumers to choose between need- and nice-to-haves, it’s proving harder to convince consumers that the added excitement is worth the added long-term expense.

While consumers may acknowledge that subscriptions tend to be cost-effective on a month-to-month basis, they are also aware of the fact that they can trap you into spending more money in the long-run—particularly when you get to the point where you have so many subscriptions it’s hard to keep track of them all. **55% of subscription customers report that, on at least one occasion, they’ve been charged for a subscription they forgot they still had access to.**

**Q: What factors do you care about the most when deciding whether to purchase a new subscription?**

MEDIA STREAMING SUBSCRIPTIONS

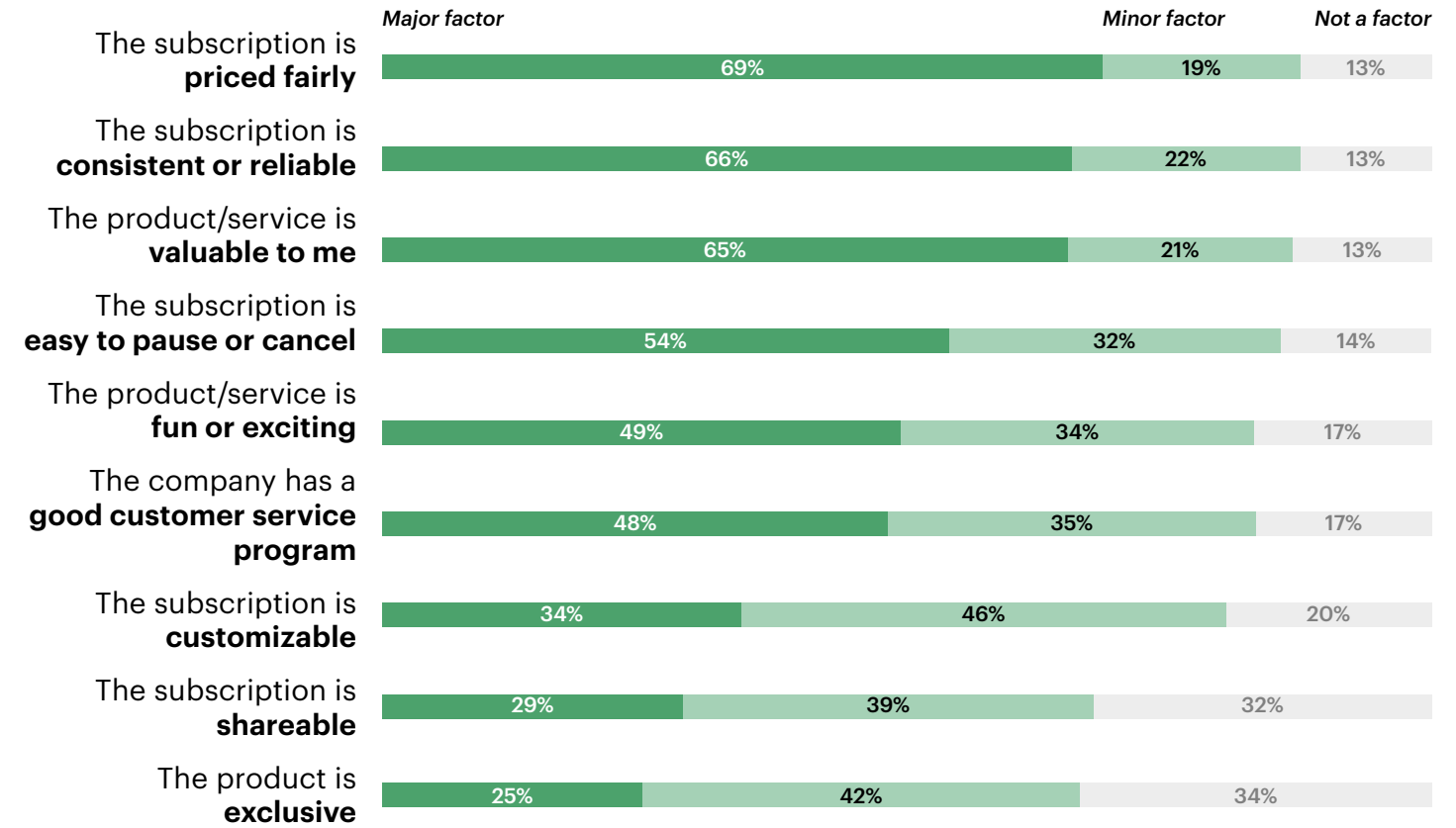
- Price 54%
- Quality of content 52%
- Amount of content 50%
- Range/diversity of content 48%
- Quality of original content 37%

NON-STREAMING SUBSCRIPTIONS

- Value I get from the product 56%
- Quality of the product / service 49%
- Whether it fulfills a regular need 47%
- Price 43%
- Online reviews 24%



THE FACTORS THAT INFLUENCE HOW CONSUMERS FEEL ABOUT THEIR EXISTING SUBSCRIPTIONS



# While subscriptions may be stickier than other forms of spending, consumers are still being forced to make cutbacks

**66%**  
of consumers expect that they will have to make further cutbacks to their regular spending due to inflation...

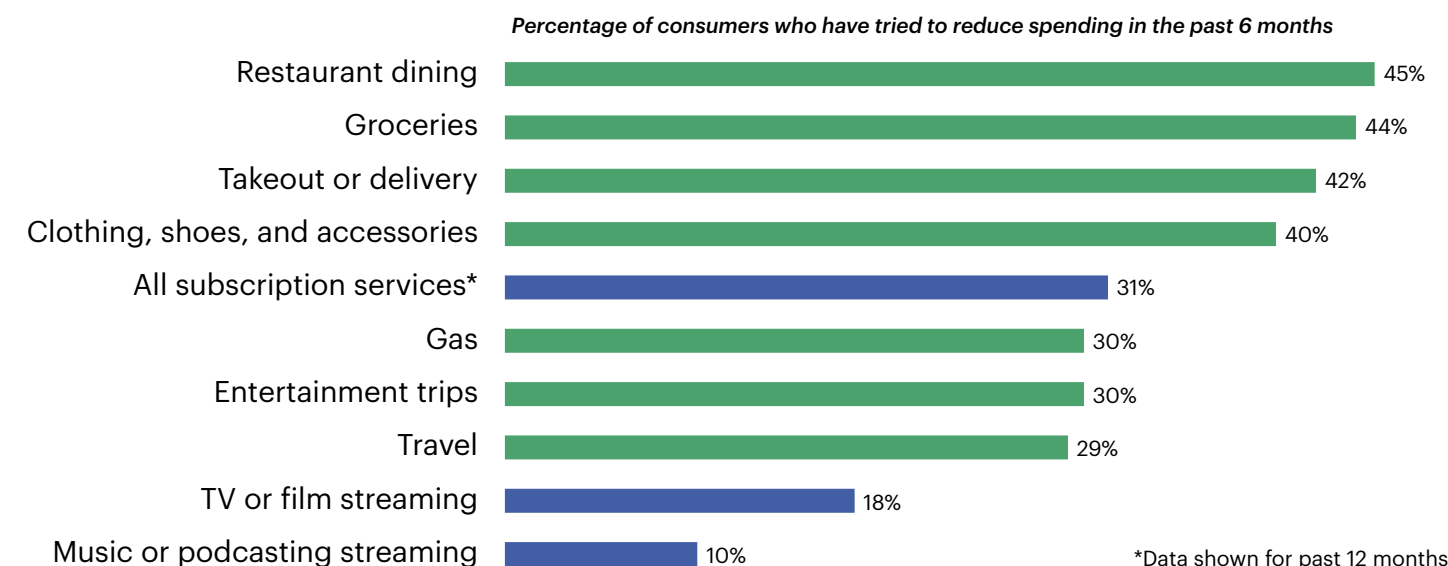
For businesses, one of the great advantages of the subscription model has always been its “stickiness”. Once you convert a potential customer into a subscriber—the theory goes—it becomes much easier to hold on to their business over the long-term. And while there’s been a great deal of research to substantiate that theory, it’s never been put to the test before in quite the way that we’re seeing right now. So, the question is: *As the cost-of-living crisis continues to bite, will we see a mass exodus from the subscription economy?*

...but only

**28%**  
of consumers plan to decrease their number of subscriptions over the next 6 months.

Fortunately for subscription-based businesses, the data suggests that they will have an easier time retaining customers over the next few months than many of their direct and indirect competitors. Even though almost two-thirds of consumers expect that they will soon need to make further cutbacks to their spending to cope with the pressures of inflation, fewer than 3 in 10 plan to decrease their overall number of subscriptions. Most people, it seems, are more likely to look for savings in other areas of their regular spending before they start canceling subscriptions—especially streaming subscriptions.

## WHERE PEOPLE HAVE BEEN CUTTING BACK TO COPE WITH INFLATION



### at a glance FREE TRIALS

**Q:** What offers or promotions would make you more likely to start a subscription to a new product or service?

**A free trial period** 51%

**A discount for subscribing for a longer period of time** 40%

**Loyalty rewards** 36%

**A discounted introductory period** 35%

**A voucher, coupon, or other kind of financial welcome gift** 29%

**A physical welcome gift** 23%

**A “refer a friend” offer** 19%



Free trials have proven to be arguably the most effective promotional tool for getting customers to sign-up for new subscriptions; but not all of these new customers plan to stick around.

59% of consumers (and 69% of those under the age of 35) have taken out a subscription with the intention of canceling before the end of the free trial period. Of these, 73% have been accidentally charged for a subscription because they forgot to cancel.



## THE SUBSCRIPTIONS CONSUMERS ARE MOST/ LEAST LIKELY TO CONSIDER CANCELING IN THE FUTURE<sup>6</sup>



MOST LIKELY

**Dating apps** 76%

**Personal efficiency apps** 66%

**Beauty subscription boxes** 61%

**Fashion subscription boxes** 60%

**Alcohol subscription boxes** 57%



LEAST LIKELY

**Amazon Prime** 20%

**TV / movie streaming** 23%

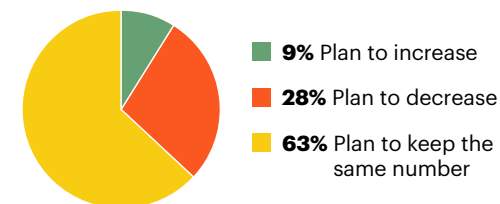
**Home security systems** 25%

**Cloud storage** 26%

**Music or podcast streaming** 26%

But even so, we are still likely to see a net reduction in the average number of subscriptions-per-consumer in the near-term future. Over the next 6 months, almost 3 times as many consumers plan to decrease their total number of subscriptions as plan to take out new ones. **And consumers who intend to reduce their total spending on subscription-services plan to do so by an average of 27%.**

**How consumers plan to change their number of subscriptions over the next 6 months**



And this comes on the heels of a year in which Americans have already started to consolidate their number of subscriptions—albeit gradually. 31% of consumers say they are currently subscribed to fewer services than they were a year ago, while just 24% have increased their total number of subscriptions. **And 46% of consumers have canceled at least one subscription within the past 6 months.** Moreover, this does not seem to be a uniquely American phenomenon; a recent YouGov study across 18 major markets found that, in nearly all of them, consumers were now canceling subscriptions faster than they were taking out new ones<sup>5</sup>.

The reasons for cancellations, however, varied considerably across different product and service categories. In the case of streaming services, cancellations were most often driven by a desire to save money. By contrast, consumers who had canceled subscriptions to physical products—such as subscription boxes or printed media—frequently did so because they felt they weren’t getting enough use out of the products in question; or, in some cases, because they never intended for the subscription to be a long-term commitment.

5. Kineree Shah, ‘Global: Consumers cancelling subscriptions almost twice as fast as they are taking on new ones’, YouGov, June 28th 2022. [Available here](#).

6. Percentage of consumers with subscription(s) in this category who say they are “very” or “somewhat” likely to cancel at least one of those subscriptions in the future

This speaks to a stark divide in terms of how consumers see subscriptions to physical products and how they view subscriptions to streaming services—one that is also reflected in the fact that, in general, customers of the former are much more likely to consider canceling their subscriptions in the future than customers of the latter.

Streaming subscriptions are seen by consumers as true “set it and forget it” services. Most streaming customers don’t plan to review and reassess their individual subscriptions on a regular basis; and when they do cancel a streaming subscription, it’s often because of a dramatic change in their financial situation or an external impetus like a price increase. For many, streaming subscriptions are simply a background part of their lives, on par with their phone or cable contracts (in fact, total streaming viewership recently surpassed cable TV for the first time<sup>7</sup>).

By contrast, other types of subscription services exist in a very different category in consumers’ minds. People who subscribe to physical subscription boxes or non-streaming apps tend to view these subscriptions as non-essential purchases, thus are more prone to reassessing and adjusting their spend on these products as their needs, tastes, and cash-flow change from month to month, as they would with other discretionary spending.

For that reason, subscription-services that revolve around physical products are the ones that are most likely to see a drop-off in user numbers as consumers seek to make cost-of-living savings. Conversely, streaming services are in a much better position to be able to maintain or even continue to grow their user-bases in spite of inflationary pressures.

at a glance

## THE POWER OF WORD-OF-MOUTH

Consumers tend to rely heavily on personal recommendations as a tool to discover new subscription services. And for the companies behind these services, it’s critical that they turn their early adopters into evangelists.

65% of consumers say they’re more likely to trust a subscription service if someone they personally know has used it. For comparison, only 27% are more likely to trust a service that’s been endorsed by a celebrity—and only 10% of subscription customers use a service that they found out about through a celebrity endorsement.

**Q:** How did you first hear about the subscription services you currently use?



**Recommendation from a friend or family member** 38%

**Online ads** 31%

**TV ads** 30%

**Searching online** 29%

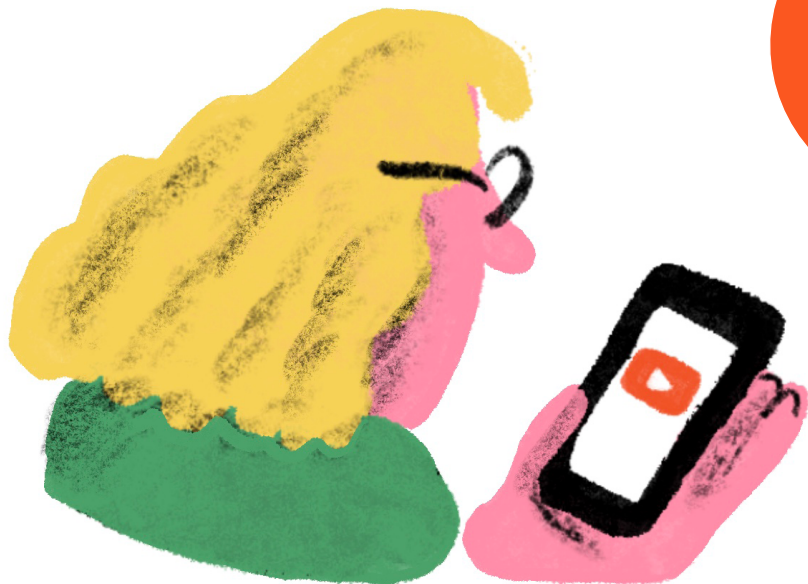
**Saw them talked about on social media** 21%

7. Lauren Forristal, ‘Streaming viewership surpassed cable TV for the first time, says Nielsen’, TechCrunch, 18th August 2022. [Available here](#).

# Consumers' cost-of-living concerns are leading to the rise of new business models within the subscription economy

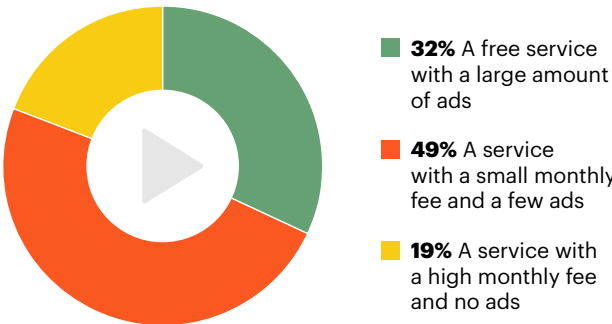
Even consumers who aren't planning to cancel some of their subscriptions are still interested in finding ways to save money on their overall spend in this space. And subscription-based businesses, for their part, seem increasingly willing to test out new business models and promotional strategies to accommodate this desire.

Bundling services, for example—where consumers get a discount in return for signing up to multiple streaming platforms, or streaming platforms and additional services, at once—have become increasingly common. **Among consumers with at least one subscription, 57% have taken advantage of a bundle deal**, with Disney+, Hulu & ESPN, T-Mobile & Netflix, and Hulu & HBO Max proving the most popular packages.



Perhaps an even more significant shift in the streaming market is the growing popularity of Advertising-Based Video on Demand (or AVOD) models—in which consumers are offered cheaper or even free access to streaming content in return for allowing the platform to show them ads. Earlier this year, both Netflix and Disney+ announced their intentions to start offering an AVOD subscription-tier; and there has been speculation that other major players in the streaming space may soon follow suit.

**Q:** Which type of streaming service would you be most likely to purchase?



**\$10.60**  
The maximum that the average consumer would be willing to consider spending per month on a streaming service that included ads.

For platforms, an AVOD offering can aid in user retention while also dramatically expanding the pool of potential customers. And users, for their part, seem to appreciate the prospect of saving money on their streaming services while the rest of their bills continue to climb upwards. **53% of consumers describe themselves as generally willing to accept ads in return for a lower price, while only 28% say they are generally willing to pay more to avoid ads** (with the remainder having no preference either way). The demographics most likely to express a preference for AVOD models include women (59%), over-50s (63%), and those making less than \$50,000 per year (58%).

All signs suggest that AVOD models are about to become much more commonplace within the streaming landscape; and consumers seem primed to embrace that transition. And in the future, we may even see other parts of the subscription economy start to experiment with this kind of approach—using advertisements or branded partnerships to subsidize a portion of their costs and passing the savings on to users.

## at a glance PASSWORD SHARING



Password sharing has long been a tool consumers have used to keep their total spending on subscriptions in check—particularly in the case of subscriptions to streaming services.

**24%**  
of US consumers admit to using a streaming service that is not owned by themselves or someone else in their household.



Some streaming services (including Netflix) have recently announced plans to start legitimizing this practice through the use of “additional household fees”; bolt-ons that consumers can add to their subscriptions for a small additional charge, which allow friends or family members in other locations to use their account. 51% of password-sharers would be willing to pay this kind of fee; while 25% would prefer to take out their own subscriptions instead and 26% would stop using the service altogether.

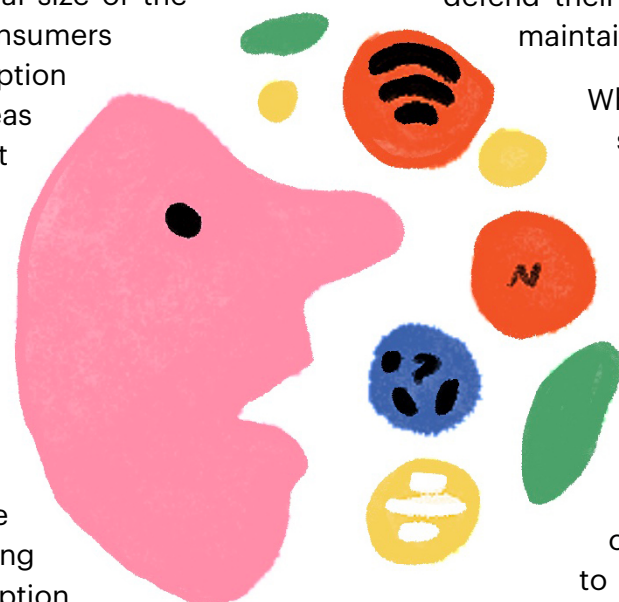


# In the “post-peak era”, subscription services will be forced to adopt new strategies to stand out from the crowd

The subscription economy’s era of rapid growth appears to be coming to an end. A mere 9% of consumers plan to increase their number of subscriptions in the coming months, and nearly 3 in 10 plan to make subscription cancellations to compensate for surging inflation. In the past, subscription-based businesses have been able to grow by expanding the total size of the market, encouraging consumers to embrace the subscription model in more and more areas of their lives. But now that this business model has grown commonplace and consumers are actively trying to keep their total spending under control, these businesses will instead find themselves competing more directly against one another for the same customers. Instead of growing the size of the pie, subscription providers will soon find themselves having to compete over a finite amount of slices. All of this suggests that we may have finally passed the point of “peak subscription” – at least until economic headwinds start to improve.

As we enter this new chapter in the subscription economy’s history, service providers will have

to adjust to a new set of market dynamics. If the previous decade was defined by the encroachment of the “as a service” business model into almost every aspect of daily life, the years ahead will be defined by diversification and innovation. As consumers begin to cut back more than they add on, companies will need to innovate their selling points in order to defend their unique value-propositions and maintain customer loyalty.



When it comes to streaming services—the areas where consumers are least likely to make cost-of-living related cutbacks—customer retention is most determined by price. As more and more streaming services arrive to a quickly saturating subscription market, and as the cost-of-living crisis continues, finding new ways to demonstrate high value for money will only become more important. For cash-strapped customers, providing AVOD tiers and content bundles might keep them from cancelation. And as economic conditions normalize, consumers with more pocket change may only be willing to fork it over for something truly innovative, like exclusive content, pre-releases, or immersive viewing experiences.

**66%**  
of consumers agree that it’s hard to keep track of all the streaming services that have launched within the last few years.

For companies operating in categories that are more prone to cut-backs, it will be increasingly important to innovate and experiment. Evidenced in part by the ever-popular free-trial-to-cancellation pipeline, it’s proven difficult to convince consumers to dedicate their disposable income to a singular product on a long-term basis. Thus, it’s important that these services engage and delight customers in ways that mimic both the flexibility and range of the a-la-carte purchases consumers would otherwise be allocating their discretionary spending to. Partnering with other services across categories

**68%**  
of consumers say that to get my attention, a subscription service has to offer something new and innovative.

and offering nuanced customizations are just the beginning of a slew of innovation for this sector of the subscription economy.

That said, the core value proposition for subscription-based services remains a strong one. Even under the ultimate test of sweeping economic uncertainty, subscriptions have proven remarkably resilient compared to other categories of spending. Consumers still see the value in using subscriptions across many different domains of their lives— if anything, they’re only demanding more from them: more content, more creativity, more choice, more customization.

## at a glance THE NEXT GENERATION OF SUBSCRIBERS

The range of child-focused subscription boxes has been expanding rapidly—with services like Letterbox Lab, Bookabees, Lovevery, and MEL Kids offering parents a stress-free way to provide their kids with a regular supply of educational yet stimulating play experiences.



On average, parents of young children estimate that 36% of their subscriptions are primarily for their kids rather than for themselves. And 72% of parents would be interested in purchasing a bundle of children’s subscriptions that included toys, books, and child-friendly streaming services.

## AHEAD OF THE CURVE:

# Ways subscription services are already innovating

1

### EXCLUSIVE, CROSS-CATEGORY CONTENT

Netflix partnered with new mobile app game *Poinpy* to offer free downloads for active Netflix subscription-holders—a smart and simple move that broadens and nurtures user-bases via exclusive offerings.

2

### INTEGRATING IN-PERSON

MoviePass has revived its monthly movie ticket subscription plan, this time with a tiered system ranging from \$10-\$30 per month. Offers that enable the kinds of in-person experiences consumers feel forced to forgo in times of economic stress will only become more exciting to consumers as they continue to spend more and more time at home.

3

### MAKING “NICHE” A NEED

On’s recyclable running shoe subscription is a perfect example of knowing what will convince your consumer their “want” is rather a “need”. Beyond habitual use, subscription services can find ways to appeal to their customers’ growing concern for social and environmental issues to add value and increase loyalty.

4

### MARRYING STREAMING AND PRODUCT

Paramount+ and Walmart+ have combined forces, becoming the next great challenger to the massively popular bundle-behemoth Amazon Prime. Combining streaming with physical products at both large scales and small will only become more appealing to cost-conscious consumers.

5

### TRIALS, TIERS AND MORE TIERS

While Netflix becomes the latest streaming provider to add AVOD, services from streaming to gaming and beyond are now offering discounted tiers and trials for both the long- and short-term. As the subscription economy and cost-of-living crisis both grow more complex, providers will only continue to find customizations that encourage consumers to add or subtract value rather than forgo it altogether.



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#### METHODOLOGY

Data used in this report comes from a study of 2,509 US consumers, ages 18 to 64, conducted in August 2022—weighted to be demographically representative of the national population in terms of age, gender, ethnicity, and income.

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