



Subscription Service Expectations

Date: July 2021

Publisher: AIMM

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Target Audience: Phone-paid services value chain

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About this whitepaper

As the future of phone-paid services evolve to support blue-chip brands, charity donations, app stores and other types of subscription services, regulation must effectively protect people using subscription services.

With the advent of Code 15, this whitepaper explores people’s expectations around subscription services. This research has input from over 1,000 people, allowing us to analyse the views of those who are happily enjoying a service they have subscribed to.

1. Introduction and Background

In November 2019, [new regulation placed phone-paid subscription services and recurring donations under Special Conditions](#). Under these conditions, services are required to gain robust consent to charge from a person, before placing charges on their mobile bill, using a two-stage authentication process.

Since the introduction of this regulation, consumer complaints have fallen dramatically, with the Phone-paid Services Authority (“PSA”) data showing a significant reduction in complaints.

The PSA announced a consultation into a new code of practice (Code 15) in April 2021, which included a requirement to re-subscribe every 12 months.

“3.3.11 For all subscription services, the consent required to be established through an authentication method set out under paragraphs 3.3.8 and 3.3.9 above must be obtained by the merchant provider every 12 months.”

In practice, this means a subscriber would:

- Sign up through a robust 2-stage authentication process, such as entering a pin code;
- Get a monthly reminder message with information about how to unsubscribe;
- After 12 months, they would need to subscribe again, using a similar 2-stage process.

It is worth mentioning this proposal is unique to phone-paid subscriptions and not applied to other payment mechanics like direct debit and card-based subscriptions. Also, unique to phone-paid subscriptions, a person can unsubscribe any time by replying to their receipt text message, which will immediately cancel their subscription and any contract period.

Service providers are aware of the disruption this would cause to content services like Netflix and Spotify, along with regular charity donations. This proposal disproportionately targets people with a passive happiness with a service, as they are unlikely to believe that they must take the additional steps to continue with a phone-paid subscription, especially given public guidance to be suspicious of messages asking them to click on links.

People who are unhappy with a subscription service are more likely to opt-out in the early stages of their subscription, meaning they would not encounter this need to re-subscribe.

Whilst there are concerns with the difficulty of convincing people to understand why they would need to re-subscribe to a service every 12 months, we also wanted to understand expectations in this area. This includes exploring topics such as who has the perceived right to cancel a subscription, along with the frequency of sending subscription information.

Whilst we recognise there have been challenges with phone-paid subscriptions in the past, these have now largely been resolved. This whitepaper is intended to address the experiences of those with a passive happiness with their subscription; the silent majority of people now using phone-paid subscriptions without concern.

2. Methodology

Research was commissioned via [Mobile Squared](#) during June 2021. This research asked a panel of 1,000 unbiased people about their experiences, with the expectation that this would provide a meaningful insight into the world of those with a passive happiness with the service they receive. The panel was evenly split by age group, gender and location, to ensure a fair cross-representation of society.

3. Findings

Subscriptions have become normalised

Our research found that subscriptions have become normalised, with 75% of people now subscribed to Netflix. This compares to 15% of people subscribed to a magazine and 10% of people for a newspaper. Even Spotify in the complex world of music subscriptions garnered a 33% subscription rate whilst competing with the likes of Apple Music, YouTube, Tidal, Amazon, Deezer etc.

This suggests subscription services have become normalised and are an accepted and appreciated way of paying for services or content. There is a clear demand around the opportunity to pay in this way and they have become successful due to their convenience and ease of use.

It should also be noted that there are now many different types of subscriptions, frequency options and fulfilment types, meaning no single concept can span all subscription variants.

Subscriptions are long-term

Our next insight is that subscriptions are viewed as long term, not in timeframes of one year. Of the 1,000 respondents, 70% have subscribed to Netflix for longer than 12 months, for Spotify, this figure was 52% and for charity donations, a staggering 75%. People are comfortable – and in fact have an expectation – that their subscription would be ongoing, with no end date, until they choose to cancel it.

This suggests that stakeholders should qualify their thinking around subscriptions to view them as a multi-year product. Whilst we acknowledge that some people may choose to end a subscription after a relatively short period of time, the normal expectations of people now are to consider a subscription as a multi-year commitment.

People are not subscribed to services they do not want

When considering the premise to this suggestion in Code 15, we considered the notion that many people may be subscribed to a service or charity donation which they no longer want. Reasons for not cancelling could include subscription inertia (e.g., not getting around to it yet) or being unsure of how to do so.

Our research found just 1.5% of people are subscribed to a service they do not want.

This indicates the PSA Special Conditions for subscriptions protect consumers from phone-paid services they do not want, especially as areas like inertia have become a non-issue.

This would also suggest the PSA has got the two-stage authentication process to a suitable standard that means further regulation intervention is unnecessary.

People are not misled into subscribing to a service

We also considered the notion that people could be confused into signing up for a charity donation or Netflix subscription. This would naturally lead to people unsubscribing from a service once it became clear what they had signed up for.

Our research found that just 7% of people did not consider the subscription authorisation process to be clear and transparent. This again points to the PSA achieving the right balance with the Special Conditions for subscriptions, which is borne out in the complaint numbers that are continuing to decrease.

A move to fixed-term subscriptions is unpopular

A fixed-term subscription is one that automatically cancels after a set time period (the PSA has suggested 12 months in Code 15). At this point, the consumer can lose all built up entitlements unless they renew on (sometimes) worse terms. We recognise these types of practices are common to insurance companies, mortgages and broadband providers, however we are not aware of these characteristics applying to phone-paid services.

There are also penalties applied to fixed term subscriptions, that kick in if a person wishes to leave before the term is up. This is an area which the CMA is reviewing, under the [Tackling the Loyalty Penalty](#) initiative. Phone-paid services can be stopped by a person at any time, with no penalty, by way of a simple opt out that is commonplace, and which people understand.

It is unsurprising then that, in our research, we found just 22% of people supported fixed-term subscriptions. This raises the question that, if the evidence demonstrates continuous-payment subscription services are well regulated by the PSA, why move to a new model with arguably more confusing practices that few people support?

Based on the evidence from our research, there is a logical argument for the CMA to look at phone-paid subscriptions as examples of best practice for fixed-term subscriptions.

Who should cancel a subscription?

A resounding 90% of people felt that ending a subscription should be their decision.

The panel stated they do not want an annual unsolicited forced opt in. When asked if it is good practice for the subscription provider to automatically cancel a subscription after 12 months, 74% felt it was not, or that it only applied to some limited scenarios.

This clearly shows that regulation should guide behaviour, but not impose it on people. As subscription acceptance becomes even further normalised, we consider this to be an important balance for the PSA and service providers to get right.

When should subscription reminders be sent?

Subscription reminders for phone-paid services are sent each time someone is charged, typically weekly, monthly or after £20 is spent, depending on the subscription configuration.

Our research showed that only 14% of people were satisfied with the current monthly reminder process, with 57% wanting to be told at some stage between quarterly and annually.

Annual reminders were deemed useful to receive information about a subscription, but not as a message to re-subscribe, as suggested in the draft Code 15.

When asked about the default position of draft Code 15 for a charity donation, i.e., a monthly reminder followed by an annual requirement to re-subscribe, only 3.7% of people agreed with automatically cancelling the donation after 12 months.

What is clear from the research is that the current regulations require service providers to send too many notifications to people who subscribed to a commercial service or make monthly charity donations.

If a person feels that they are in receipt of an overly onerous number of messages, they are effectively being trained to ignore those messages due to the frequency of sending.

As a result, requiring a person to then act every 12th message to continue a monthly subscription is counter intuitive and will result in automatic cancelling of services.

The process of re-subscribing, after receiving monthly subscription reminders is a difficult concept to explain to the general public. If this approach became a requirement for subscriptions, then regulators and service providers would need to consider how best to educate the wider public about responding to certain messages to continue a service.

Annual service reminder

Our research explored the theme of an informed choice and asked about the impact of an annual 'information only' summary about a subscription, which could be sent on the 12-month anniversary of creating a charity donation or subscribing to a service like Spotify.

44% of people felt this was a good idea, with another 38% considering it a good prompt to consider their on-going subscription with an overall 97% considering it beneficial in some way.

There would be no requirement for a person to re-subscribe with this summary message, meaning less confusion around the automatic cancellation of their service.

Recommendations

Recognising the danger that people become trained to ignore reminder messages, we suggest the frequency of sending subscription reminder messages is lowered, whilst the importance is better highlighted.

For a monthly service, this could mean a reminder message is sent each month for the first 3 months, then once a quarter after that, with an additional annual service summary sent every 12 months.

These messages should be sufficiently worded to relay their importance, whilst sent at a lesser frequency to ensure they are not ignored.

About aimm

The Association for Interactive Media and Micropayments (aimm) is the specialist UK-based trade organisation representing the commercial and regulatory interests of member companies involved in the interactive media and micropayment industries – where consumers interact or engage with services across converged media platforms and may pay for those services or content using a variety of micropayment technologies including premium rate. We are a not-for-profit organisation, funded by our members, run for our members. We create conditions for growth and protect the regulatory environment in which our members operate.

aimm promotes excellence in the world of interactive media and micropayments. The purpose of aimm is to create an environment of consumer confidence and trust within which our members' commerce can flourish. aimm promotes and abides by the philosophy that consumers who are accurately and openly informed of the nature, content and cost of participation in an interactive service experience should be perfectly placed to exercise their freedom of choice and thereby enjoy the most effective form of consumer protection.