



## Is a Subscription Model Right for Your CFI?

profitability business customers customer experience

**Summary:** Could a subscription model take the place of à la carte bank fees? We explain the pluses and minuses of that business strategy, as well as different options to bring the subscription model experience to your customers.

With companies like Netflix, which had 222MM subscribers at the end of 2021, there's a whole world of potential for companies who build successful subscription services. In today's world, almost anything you can dream of can be had with a subscription: film and television programming, music, food, makeup, clothing, software, education, and even eccentric consumer goods. One Etsy company offers a [Moss of the Month club](#), which delivers sandwich bags of different varieties of moss for just \$16 per month.

While not all subscriptions are practical, there's one sector just diving into the subscription business that could provide the ultimate in value and convenience for customers — financial services. Fintechs and neo-banks like [Capital](#), [Meed](#), [MoneyLion](#), [Cetera](#), and [Facet Wealth](#) all offer [subscription pricing](#). For example, Facet Wealth offers financial planning with a virtual advisor as part of their subscription service, even for customers who don't invest with them.

Data shows that these subscription offerings are becoming a successful approach to banking and are quite profitable. Schwab Intelligent Portfolios Premium, earned [\\$1B in new assets under management in the first month that it offered its services as a subscription](#).

### Using subscription models to attract young consumers

People from every demographic use subscriptions, but the model is especially popular with Millennials and Gen Zers. A Vantiv and Socratic Technologies survey found that 92% of Millennials use some kind of subscription service. Members of [Gen Z spend an average of about \\$377 a month on subscription services](#), according to a WeThrift survey. Gearing your subscription service toward this demographic, and using common subscription service models can help you capture this audience and maximize your ROI.

As if this weren't convincing enough, a Zuora report in March 2019 found that [revenue increased five times faster for companies using subscription models](#) than for firms listed on the S&P 500.

Here are some of the **benefits of offering a subscription model as a CFI**:

- **Familiarity.** Consumers are used to and comfortable with subscription models. They likely have subscriptions from companies seen as being cutting-edge, successful, and trustworthy. If your CFI also offers a subscription, consumers might see your CFI as being just as savvy and customer-centric as some of their favorite big brands.
- **Transparency.** Subscription models are transparent — customers pay a specific amount and then they receive the services they are subscribed to.
- **Flexibility.** Subscriptions are flexible — from multiple tiers to even free trials that serve as an onramp into subscription pricing, these models let subscribers change services easily. They can upgrade for new perks or downgrade when their budget gets tight.
- **Personalization.** By bundling services that are likely of interest to a particular demographic, subscriptions can provide a sense of personalization. Plus, combining all of a consumer's needs into a single product may

increase customer retention.

### Downsides to using a subscription model

A subscription model doesn't necessarily let a CFI establish a personal relationship with customers. Subscription financial services could be almost too responsive, letting customers make decisions about their accounts independently, without ever building a rapport with their CFI.

Another potential pitfall of launching a subscription service is that big tech is already making a dent in this market. This means your CFI may soon be competing against the likes of Apple, which has the advantage of having already mastered the digital experience for consumers, as well as having exceptional brand loyalty.

### Alternatives to launching your own subscription service

If you're not ready to make your own mark on this type of service, partnering with fintechs to bundle financial offerings is one way for a CFI to bring value to customers using a subscription model. CFIs could also consider bundling all of a customer's other subscriptions or monthly payments: online streaming, music, cell phone, insurance premiums and so forth, into a single fee that the customer pays every month.

All in all, a subscription model can offer your CFI's customers a modern solution that appeals to younger consumers, in particular. While there will be growing pains as you try to establish the best subscription services and options for your customer base, there are plenty of examples to learn from. If you do your research and offer a subscription model that fits your institution and addresses your customers' needs, the benefits will very quickly outweigh the risks.

## ASSESS CUSTOMER PROFITABILITY IN THIS MARKET

Profitability FIT is a [customer profitability solution](#) that measures performance not only at the account level, but also at the entire customer level. Win more deals.

## ECONOMY & RATES

Rates As Of: 09/01/2022 07:49AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.96	0.55	2.90
6M	3.32	0.41	3.13
1Y	3.52	0.01	3.13
2Y	3.53	0.04	2.79
5Y	3.42	0.06	2.15
10Y	3.28	0.08	1.76
30Y	3.40	0.10	1.49
FF Market	FF Disc	IORR	
2.33	2.50	2.40	
SOFR	Prime	ORER	
2.29	5.50	2.31	

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