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TRUST IN THE BALANCE

THE FUTURE OF SUBSCRIPTION MANAGEMENT IN MEXICO

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EXECUTIVE SUMMARY

The rise of digital subscription services in Mexico has been met with increasing complexity for consumers managing multiple subscriptions, driven by a gradual shift from primarily cash payments through convenience stores like Oxxo to an emerging FinTech market, a new generation more trusting of credit and debit cards than their predecessors, and a strong desire for mobile and internet-based entertainment services.

Carlton Research, led by Carisa Carlton in collaboration with Cristian Garcia, conducted a comprehensive nationwide (Mexico) study to explore the viability of a centralized subscription management application. The research specifically explored how payment issues influence the likelihood of consumers adopting a subscription management app, along with other behavioral and demographic factors. While we were aiming for a higher response rate, the 230 responses we received offer valuable insights and lay a strong foundation for more extensive studies in the future.

Our study reveals that a significant 61.4% of users who experienced payment problems are likely to use a subscription management app, while 52% of respondents overall have experienced issues with their payments.

These findings offer a profound opportunity for multinational companies with subscription services to enhance customer retention, satisfaction, and improve payment processes. Developing a subscription management app that consolidates all major subscription service payments could address these challenges, providing users with greater control and reducing payment-related issues, ultimately fostering trust and loyalty.

This white paper explores the findings in detail, offering insights into user behavior and key recommendations for stakeholders to capitalize on this growing market.

INTRODUCTION

Overview of the Subscription Market in Mexico

The subscription market in Mexico is experiencing significant growth, driven by technological advancements and a consumer desire for greater convenience. It's projected that the local e-commerce market will have a 31% annual compound growth rate from 2022 to 2026, outpacing the regional average of 25%. This shift is fueled by increased adoption of subscription models across various sectors, including media, software, retail, gaming, and health.

Subscription services are becoming more sophisticated as companies aim to provide recurring purchases, personalized pricing options, and manage payment complexities (Stripe, 2024).

Importance of Subscription Management Tools

Subscription management tools have become increasingly important in Mexico's expanding subscription market due to the need for managing recurring payments, preventing churn, and ensuring payment acceptance. The complexity of handling multiple charge rules, different payment intervals, and various pricing models requires robust tools to streamline the process. Effective subscription management can help companies better understand customer behavior, optimize payment processes, and minimize disruptions caused by outdated card information or failed transactions (Stripe, 2024).

These trends highlight a critical opportunity for multinational companies to capitalize on Mexico's rapidly evolving subscription market. As consumers increasingly embrace digital services, the ability to manage subscription payments efficiently will become a key factor in customer retention and satisfaction. This white paper explores how subscription management tools can address common payment challenges faced by users, such as overdrawn accounts, retained funds, and rejected transactions, ultimately building trust and fostering long-term loyalty in this dynamic market.

DETAILED ANALYSIS OF THE PROBLEM

OVERDRAWN BANK ACCOUNTS

01.

Subscription services often trigger unexpected charges that lead to overdrawn accounts, catching subscribers off guard. .

This results in hesitation to maintain or sign up for subscriptions due to financial strain.

RETENTION OF FUNDS THAT PREVENT OTHER PURCHASES

02.

Pending subscription payments frequently retain funds for up to 30 days, leaving users unable to make essential purchases.

This creates frustration and a sense of lost financial control.

TRANSACTIONS REJECTED

03.

Insufficient funds often cause subscription transactions to be rejected, disrupting access to services.
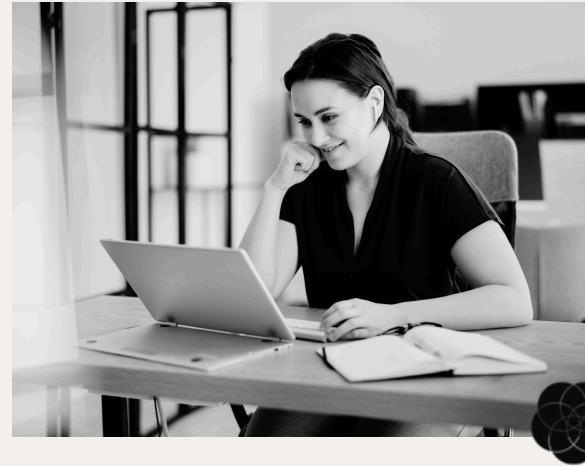
This makes subscribers view these payments as unreliable and too rigid.

RESEARCH METHOD

SURVEY DISTRIBUTION

he survey was distributed **nationwide in Mexico** through a professional Mexican network and a university student network, reaching over 3,000 Mexican nationals. This ensured a **diverse sample representing various demographics and regions..**

INTERVIEW FOUNDATION

Preliminary **in-depth interviews** were conducted remotely to inform and design the survey questions. These interviews helped identify key issues and shaped the survey's focus.

DATA COLLECTION & ANALYSIS

Responses were collected and **analyzed quantitatively**, identifying trends and pain points in **subscription payment experiences**. This analysis highlighted opportunities for improving subscription management.

DATA ANALYSIS & INSIGHTS

$$P(use\_app = 1 \mid payment\_problems = 1)P(use\backslash\_app = 1 \mid payment\backslash\_problems = 1)P(use\_app=1 \mid pa$$

DATA PREPARATION

The survey responses were organized into a dataset with **two key variables: whether respondents experienced payment problems and their likelihood of using a subscription management app.**

This binary categorization allowed for a clear analysis of the relationship between these variables.

LOGISTIC REGRESSION ANALYSIS

A step-by-step **logistic regression model** was applied to understand how payment problems impacted the likelihood of app usage. This statistical method helped **predict the probability of respondents using the app** based on their payment experiences.

If a respondent had problems with their subscription payments, they are 61.4% likely to use an app to manage all their subscriptions in one place.
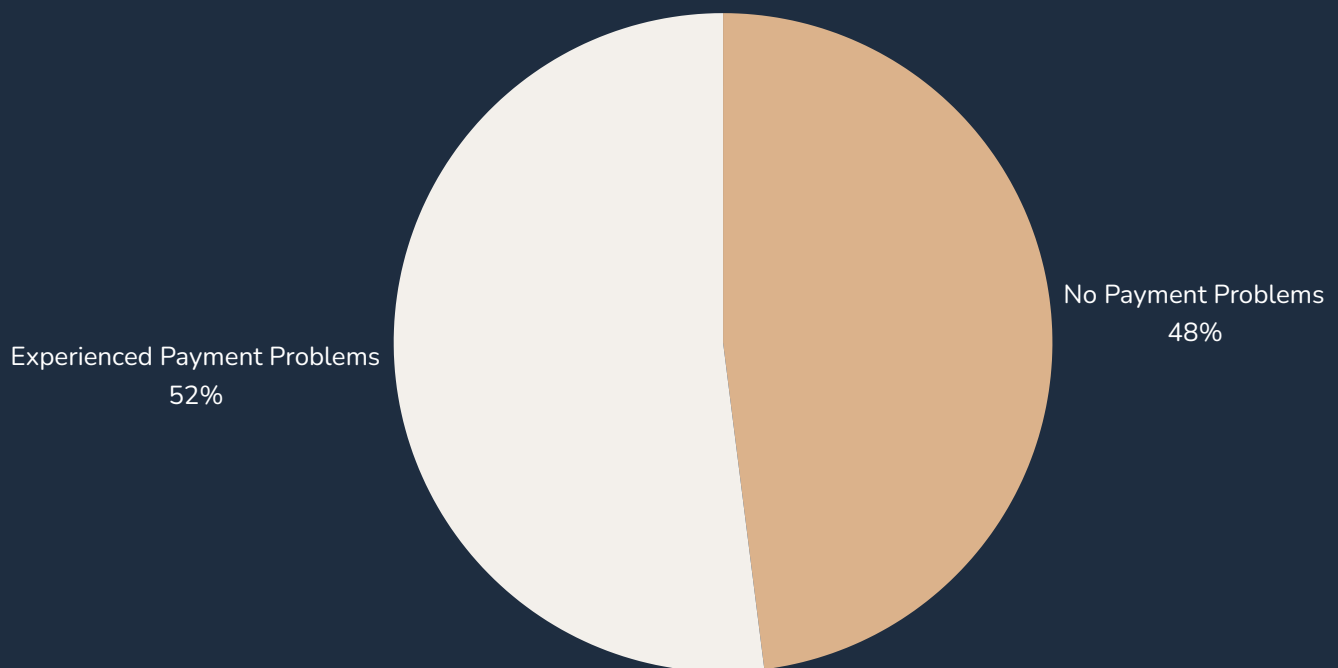
KEY FINDINGS

The logistic regression revealed that **respondents who experienced payment issues had a 61.4% likelihood of using a subscription management app.** (52% of respondents had experienced payment problems).

This indicates that payment difficulties significantly increase the chances of users adopting such a tool.

KEY FINDINGS in MEXICO 01.

Percentage of Respondents with Payment Problems

A significant **52% of survey respondents reported encountering problems with their subscription payments.** These issues ranged from declined transactions to the retention of funds, highlighting a considerable pain point for consumers.

Experienced Payment Problems
52%

No Payment Problems
48%

N=230

Experienced Payment Problems included the folloiwng options:

- Yes, overdrawn accounts
- Yes, fund retention that prevents other purchases
- Yes, additional fees or penalties
- Yes, rejected transactions

KEY FINDINGS in MEXICO 02.

Likelihood of Using a Subscription Management App

The logistic regression analysis revealed that users who had experienced payment problems had a 61.4% likelihood of adopting a subscription management app.

Conversely, users who had never experienced payment problems had a 45.5% likelihood of adopting a subscription management app.

This suggests that payment challenges significantly increase the desire for a centralized management solution.

N=230
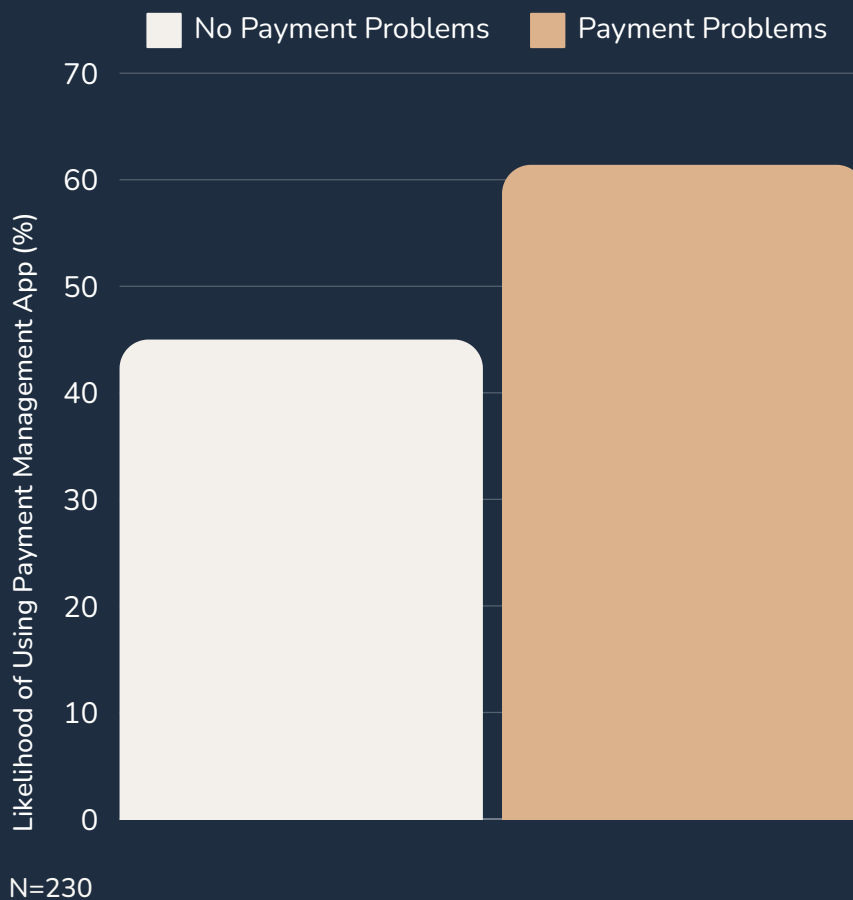
STRATEGIC RECOMMENDATIONS

LEVERAGING PAYMENT PROBLEMS TO DRIVE ENGAGEMENT

Develop Centralized Platforms: Develop and offer an app that consolidates all subscription services into a single, user-friendly interface, allowing customers to view, manage, and track all their subscriptions in one place.

Personalized Communication: Develop targeted marketing campaigns for users who have experienced payment problems, highlighting how a subscription management app can solve their issues.

Educational Content: Create tutorials and resources to educate users on managing subscriptions and handling payment issues, building trust and positioning your platform as a problem-solver.

Utilize WhatsApp Notifications: Implement a notification system that sends reminders via WhatsApp one or two days before a subscription charge is made. Given WhatsApp's widespread use in Mexico, this approach ensures timely and effective communication with users, helping them manage their finances and avoid unexpected charges. These notifications can include details, which can significantly enhance user experience and reduce the likelihood of overdrawn accounts or failed transactions.

PAYMENT ISSUES AS A MARKET OPPORTUNITY

- **The strong correlation between payment problems and the willingness to adopt a subscription management app presents a significant market opportunity. Addressing these payment challenges can lead to higher customer satisfaction and loyalty.**

MEXICO'S GROWING SUBSCRIPTION ECOSYSTEM

- **Mexico's digital landscape is rapidly evolving, with an increasing number of consumers subscribing to multiple services. The high percentage of users experiencing payment issues indicates a ripe market for solutions that simplify and secure subscription management.**

CONCLUSION

In conclusion, our research in Mexico reveals that 52% of respondents experienced payment problems with at least one of their subscription services, and 61.4% of those affected prefer a centralized management app.

Even among users without payment issues, 45.5% expressed interest in such a tool, indicating widespread demand.

To capitalize on this opportunity, companies should implement personalized marketing campaigns targeting those with payment problems, offer educational content to guide users on subscription management, and utilize WhatsApp notifications for timely payment reminders.

These strategies can enhance user experience, build trust, and improve overall engagement in Mexico's subscription market.

**CARLTON
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Carisa Carlton

Carisa Carlton, an American anthropologist and demographic analyst, founded Carlton Research with a vision to leverage her extensive UX expertise to provide insightful consulting services.

Driven by a passion for understanding human behavior and cultural dynamics, Carisa aims to help organizations navigate complex social landscapes and enhance their impact through informed, culturally sensitive strategies.

Her goal is to bridge the gap between academic research and practical application, ensuring that her clients benefit from the latest insights derived from methodically robust research.

CITATIONS

Carlton, C., & Garcia, C. (2024, August 01). Survey on subscription services and payment preferences. Project PasoPay, Guadalajara, Mexico.

Stripe. (2024, May 8). *Subscriptions are Transforming Businesses in Latin America: Stripe*. GlobeNewswire. https://www.globenewswire.com/news-release/2024/05/08/2878091/0/en/Subscriptions-are-Transforming-Businesses-in-Latin-America-Stripe.html

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Survey Questions

1. ¿A qué grupo de edad perteneces?
2. Tu ingreso mensual aproximado (en pesos mexicanos)
3. ¿Cuáles servicios de suscripción utilizas con mayor frecuencia? (Selecciona todos los que apliquen)
4. ¿Qué tan satisfecho estás con la aplicación de tu servicio de suscripción? (Escala: 1-5, donde 1 es muy insatisfecho y 5 es muy satisfecho)
5. ¿Qué características, si las hay, de la aplicación que usas con mayor frecuencia te gustaría mejorar? (Selecciona todas las que apliquen)
6. ¿Cómo sueles pagar tus compras en línea? (Marca todas las opciones que correspondan)
7. ¿Has experimentado cargos ocultos o inesperados con la aplicación de tu servicio de suscripción?
8. ¿Qué tanto confías en que las aplicaciones de tus servicios de suscripción manejen tus pagos de manera transparente? (Escala: 1-5, donde 1 es ninguna confianza y 5 es total confianza)
9. ¿Has tenido problemas con pagos (tarjeta de crédito, tarjeta de débito u otros métodos) para servicios de suscripción que hayan causado problemas en tu vida financiera? (Selecciona todas las que apliquen)
10. ¿Qué tan a menudo los problemas de pago afectan tu decisión de continuar suscribiéndote a un servicio? (Escala: 1-5, donde 1 es nunca y 5 es siempre)
11. ¿Qué tipos de incentivos prefieres de los servicios de suscripción? (Selecciona todos los que apliquen)
12. ¿Las opciones de pago más fáciles aumentarían la probabilidad de que compres productos en línea o te suscribas a servicios mensuales?
13. ¿Podemos contactarte por WhatsApp para dar seguimiento o aclarar alguna de tus respuestas? Si es así, por favor deja tu nombre y número de WhatsApp a continuación.
14. ¿Si pudiera, ¿utilizarías una aplicación para gestionar todas tus suscripciones en un solo lugar?
15. ¿Cuán importante es para ti tener servicios de suscripción en tu vida diaria? (Scale: 1-5, where 1 is "no importante en absoluto" and 5 is "muy importante")
16. ¿Estás dispuesto a gastar más dinero en servicios de suscripción si ofrecen [beneficios específicos, por ejemplo, contenido exclusivo, recomendaciones personalizadas o experiencia de usuario mejorada]?
17. ¿Cuánto estás dispuesto a gastar en servicios de suscripción al mes?" (Pregunta abierta o escala: 1-5, where 1 is "menos de 100 pesos" and 5 is "más de 500 pesos")
18. ¿Qué factores influyen en tu decisión de suscribirte a un servicio? Selecciona todos que apliquen
19. ¿Preferirías gastar tu dinero en servicios de suscripción o en otras formas de entretenimiento, como ir al cine o conciertos?

Detailed Statistical Analysis

1. Understanding the Data
We have two key variables:
1. Payment Problems (payment_problems): This is the independent variable (or predictor), which is binary:
    - 1 indicates the respondent had problems with their payments.
    - 0 indicates the respondent did not experience payment problems.
2. Use App (use_app): This is the dependent variable (or outcome), also binary:
    - 1 indicates the respondent is likely to use a subscription management app.
    - 0 indicates the respondent is unlikely to use such an app.
    -

2. Setting Up the Logistic Regression Model
- Objective: To calculate the likelihood that a respondent would use an app to manage subscriptions if they had payment problems.
- Model: Logistic regression fits a function to predict the probability of the outcome (use of app) given the independent variable (payment problems).

In logistic regression, the relationship between the predictor (payment problems) and the log-odds of the outcome (use of app) is modeled. The formula for logistic regression is:

$$\log \left(\frac{p}{1-p} \right) = \beta_0 + \beta_1 X$$

Where:
- p is the probability that the outcome is 1 (use of the app).
- $\frac{p}{1-p}$ is the odds of the outcome.
- $\log \left(\frac{p}{1-p} \right)$ is the log-odds (logit) of the outcome.
- β_0 is the intercept, representing the log-odds when the predictor is 0.
- β_1 is the coefficient of the predictor (payment problems), representing how much the log-odds change for each unit change in the predictor.

3. Data Input
I used a simplified dataset based on the responses from the survey. The independent variable (whether the respondent had payment problems) is binary (0 or 1). Similarly, the dependent variable (whether the respondent would use a subscription management app) is also binary.

Example of the dataset:

payment_problems	use_app
1	1
0	0
1	1
0	0
1	1
0	1
1	0
0	0
1	1
0	0

Here:
Row 1: A respondent had payment problems (1) and would use the app (1).
Row 2: A respondent had no payment problems (0) and would not use the app (0).
And so on.

4. Fitting the Logistic Regression Model
We used the logistic regression model from the sklearn library in Python. Here's a breakdown of what happens:
The model is trained using the data provided, where X is the independent variable (payment_problems), and y is the dependent variable (use_app).
The logistic regression model computes the coefficients that best fit the relationship between payment_problems and use_app.
Coefficients Interpretation:
Intercept (β_0\beta_0β_0): This is the log-odds of using the app when the respondent had no payment problems (i.e., $X=0$X = 0$X=0$).
Coefficient of Payment Problems (β_1\beta_1β_1): This coefficient tells us how the log-odds of using the app change when the respondent experiences payment problems (i.e., $X=1$X = 1$X=1$) compared to when they don't.
In our case, this coefficient indicates how much more or less likely someone is to use the app if they've had payment problems.

5. Predicting the Likelihood of Using the App Given Payment Problems
To predict the probability that a respondent would use the app if they had payment problems, we input X = 1 into the logistic regression model. The model computes the probability of the outcome (using the app):
$P(use\_app=1|payment\_problems=1)$P(use_app = 1 | payment_problems = 1)$P(use\_app=1|payment\_problems=1)$
In this case, the predicted probability is 61.4%. This means that, based on the data, there is a 61.4% chance that someone who experienced payment problems would use the app to manage all subscriptions in one place.

6. Interpreting the Logistic Regression Results
Likelihood of Using the App: If a respondent had problems with their subscription payments, they are 61.4% likely to use an app to manage all their subscriptions in one place.
Coefficient Interpretation: The positive probability suggests that payment problems increase the likelihood of using the app. This makes intuitive sense since people facing difficulties with payment might prefer a streamlined management tool to handle their subscriptions.

7. Calculating the Percentage of Respondents with Payment Problems
Aside from the logistic regression, we also calculated the percentage of respondents who reported having payment problems. Initially, this percentage was miscalculated at 50%, but after correction, we confirmed that 52% of the respondents reported experiencing problems with their payments.

8. Summary
Model Accuracy: The logistic regression model provides a reasonable fit for predicting whether someone will use the app based on their payment experience.

Actionable Insights: If you are developing a subscription management app, this model indicates that targeting users who have experienced payment problems may be an effective strategy, as they are more likely to adopt the app.

Percentage of Payment Problems: More than half (52%) of respondents have experienced issues with payments, indicating a potential market for improving subscription payment management.

*This analysis and summary was AI assisted