

SUMMARY SLIDES

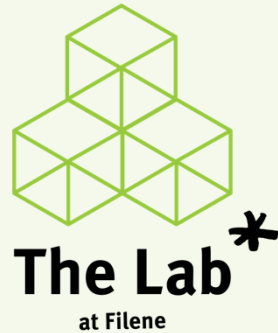
Year Two Lab Results: Subscription-Based Pricing Models 2.0

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THE LAB* AT FILENE



The lab* at Filene seeks out innovative solutions and creates capacity for credit unions to rapidly test and implement promising concepts in the marketplace. By leveraging Filene’s cutting-edge research and engaging the market to identify emerging innovations, Filene’s lab* provides an efficient platform for exploring new products and strategies and implementing solutions to the challenges that matter most.

Each year, the lab* engages key partners in selecting and executing four to six innovation tests that drive change for credit unions.

During this time, credit unions participate in a testing approach that answers questions about potential solutions while receiving tools and support to test a unique hypothesis and assess a concept’s desirability, viability, and scalability.

In its second year, the lab* at Filene introduced Subscription-Based Packaging 2.0 as one of seven solutions for the 2024 testing phase.

In this exploration, credit unions collaborated with the lab* at Filene to gather comprehensive qualitative feedback from members about the desirability of subscription-based packaging models in financial services.

CONDUCTIV

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The Challenge and a Possible Solution

THE GROWTH OF THE SUBSCRIPTION ECONOMY

The subscription economy is reshaping the financial landscape.

Despite a 10% decline in active U.S subscribers since 2023, the subscription, member, and loyalty sector surged 50%, reaching a \$3 trillion valuation in 2024.

Fintech firms and challenger banks are already capitalizing on this trend, demonstrating that consumers are willing to pay for added value and convenience over traditional fees. Research shows that that **40% of consumers between 21 and 55 pay for fintech services monthly, with half spending \$10 or more.**

For credit unions, this signals a critical opportunity to evolve with consumer preferences. By adopting subscription-based products credit unions can not only diversify revenue streams but also stand out as **innovative, forward-thinking institutions** ready to meet members' evolving needs.



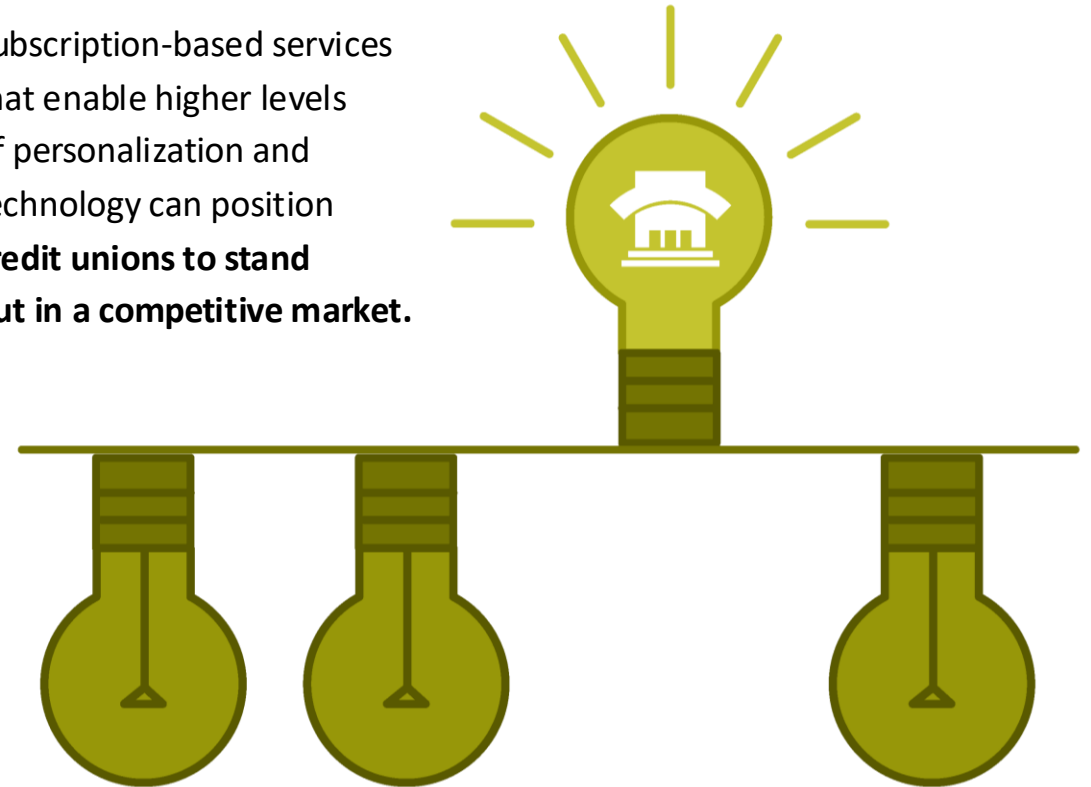
Source: subta.com/2024-state-of-subscription-commerce-comprehensive-insights-and-trends/, forbes.com/sites/ronshevlin/2022/05/23/the-us-fintech-subscription-economy-13-billion-arr-and-growing/

EVOLVING CONSUMER EXPECTATIONS

As consumer expectations continue to shift, personalization and seamless technology are becoming critical drivers of engagement in financial services. **Consumers are 80% more likely to engage with brands that tailor their offerings to individual needs.** This extends to the subscription market, where 74% expect personalized options and 83% seek flexibility to modify their plans as circumstances evolve.

With 72% of consumers preferring digital-first interactions, strategic applications of technology can enable credit unions to successfully meet member expectations of seamless service. Incorporating AI is an especially important strategy, as nearly two-thirds of Americans want its assistance to manage daily tasks like lowering bills, managing subscriptions, and providing personalized financial advice.

Subscription-based services that enable higher levels of personalization and technology can position **credit unions to stand out in a competitive market.**



Source: cxtoday.com/voice-of-the-customer/customer-expectation-lessons-from-subscription-services/, mckinsey.com/industries/retail/our-insights/personalizing-the-customer-experience-driving-differentiation-in-retail, mx.com/research/consumer-research-digital-and-mobile-banking/, plaid.com/blog/consumer-insights-reshaping-finance/#

DECLINING FEE-BASED REVENUE

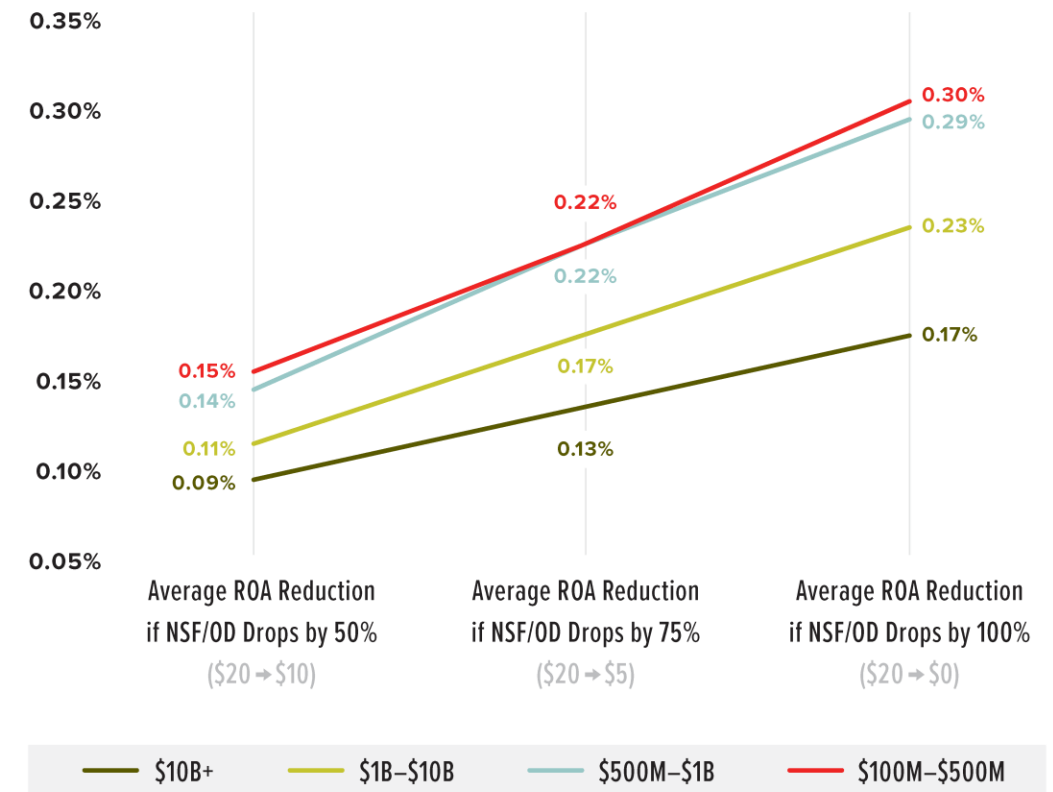
The financial landscape is also rapidly evolving, and traditional revenue streams like overdraft and nonsufficient fund (NSF) fees face increasing pressure. Regulatory bodies, including the CFPB and CDFI Fund, aim to reduce or eliminate these fees, **which could lead to an average of 14 to 28 basis point reduction in ROA for credit unions**—translating to a revenue loss of \$2.69 to \$9.57 per member per month.

As large financial institutions begin to phase out these fees- often with significant marketing efforts- consumer resistance to fees is also intensifying. Recent studies indicate that **57% of consumers believe reducing or eliminating overdraft fees would improve their perception of their financial institution.**

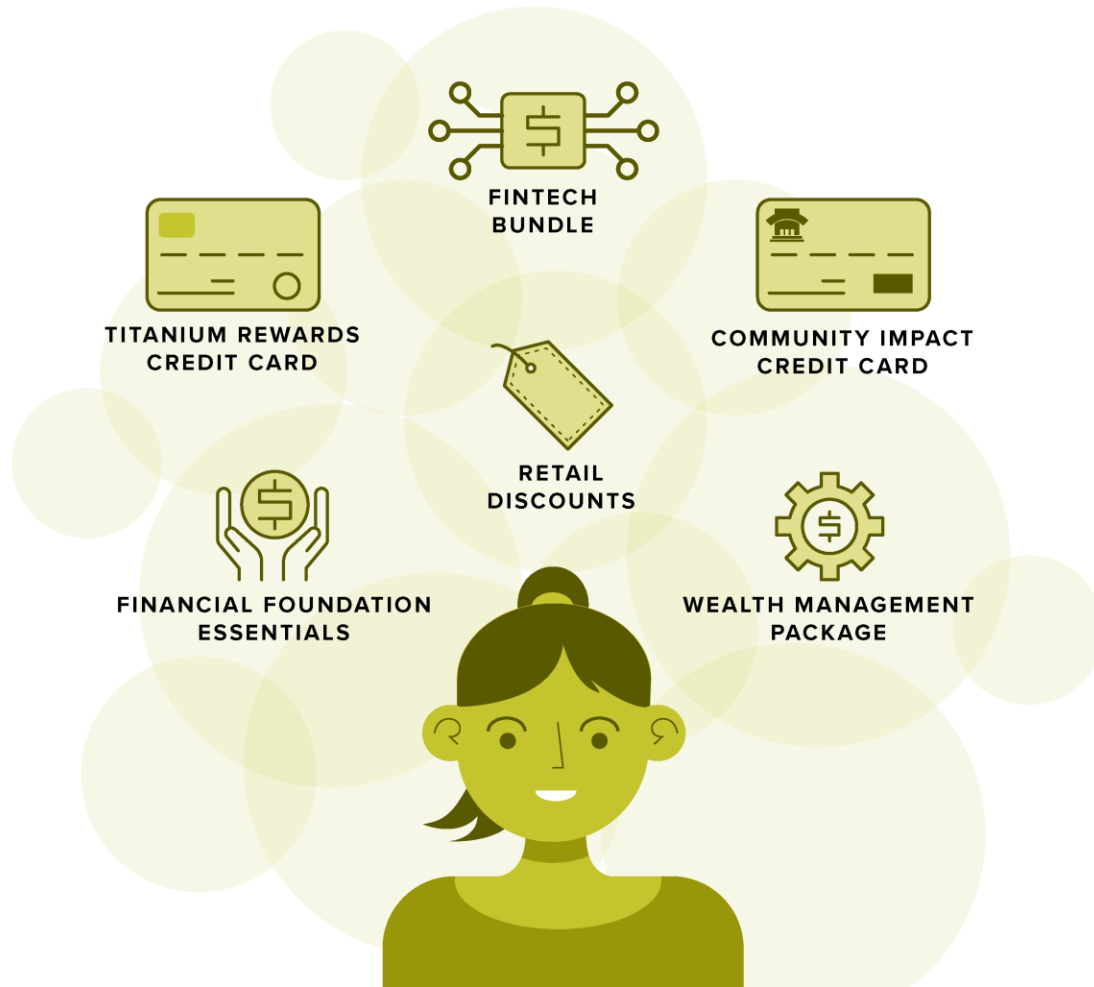
In this context, subscription-based products offer credit unions a way to offset declining fee income with stable, predictable revenue, while meeting consumer demand for transparent, fee-free services.

Source: [filene.org/614](https://www.filene.org/614)

ROA IMPACT FOR CREDIT UNIONS OVER \$1M, BY ASSET SIZE



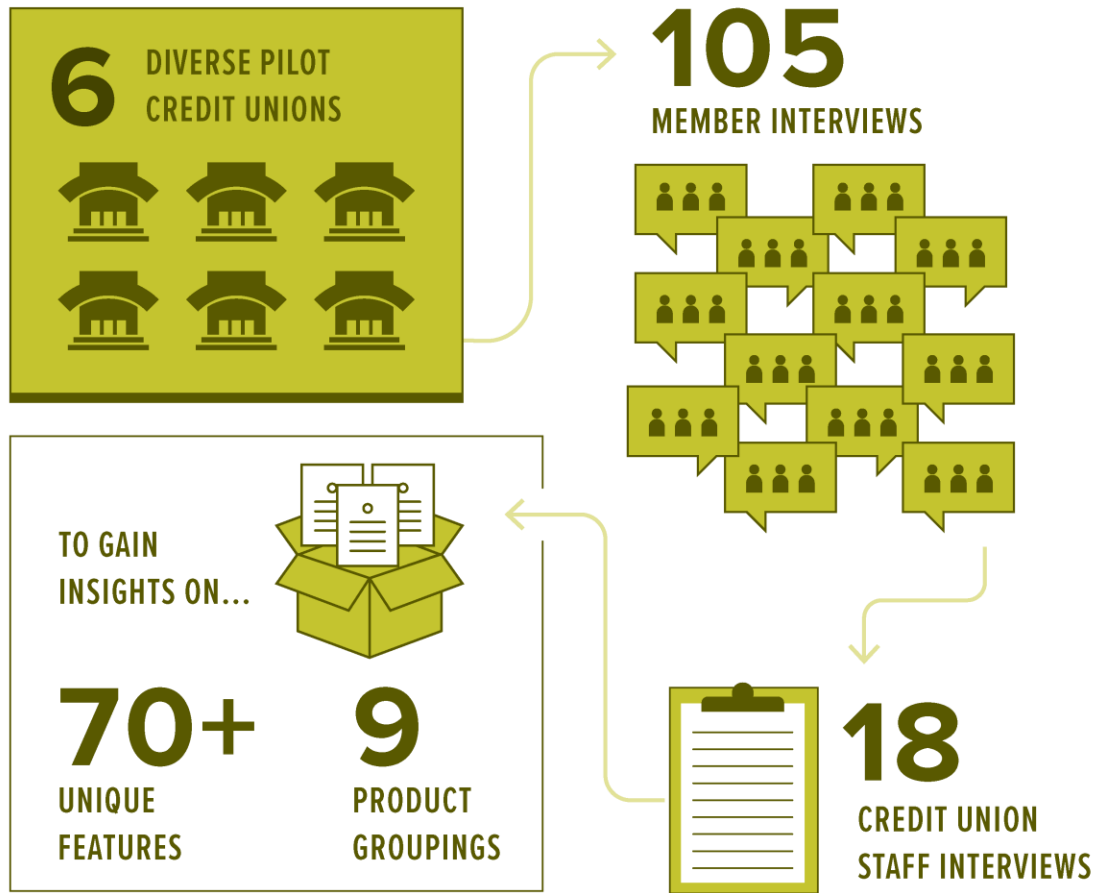
SUBSCRIPTION-BASED PRICING MODELS



By embracing subscription services, credit unions have an opportunity to **elevate member experiences** and foster deeper engagement. Subscription-based pricing offers members an appealing alternative, consolidating various products and services into **manageable, predictable monthly fees**.

As consumer preferences shift toward **personalization and convenience**, credit unions can craft subscription models that bundle tailored solutions, meeting growing demands for transparency and control. This approach not only aligns with the desire for more holistic services but also positions credit unions to deliver customized, value-driven experiences that **resonate with members and strengthen loyalty**.

DIVING DEEPER INTO SUBSCRIPTION-BASED PRICING MODELS 1.0



Given these important market themes, in its first year of testing, the lab* at Filene examined the potential for subscription-based services that credit unions could offer in the future. After engaging with over one hundred members and nearly twenty employees across six diverse credit unions, the lab* identified three key insights to advance future product concepts.

1. Members expressed clear interest in subscription-based services their credit unions could offer.
2. Members suggested numerous product ideas, spanning across premium banking, financial advising, savings bundling, and other programs.
3. Prioritizing research to assess and implement these concepts will position credit unions to make well-informed decisions regarding the best solutions to further explore.

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Test Overview

WHAT WE TESTED



TEST APPROACH

To explore these questions, this test utilized member surveys, concept prototyping, collaborative member feedback and design sessions, and credit union leadership discussions to assess the potential of subscription-based packaging models.

FOUR RESEARCH QUESTIONS

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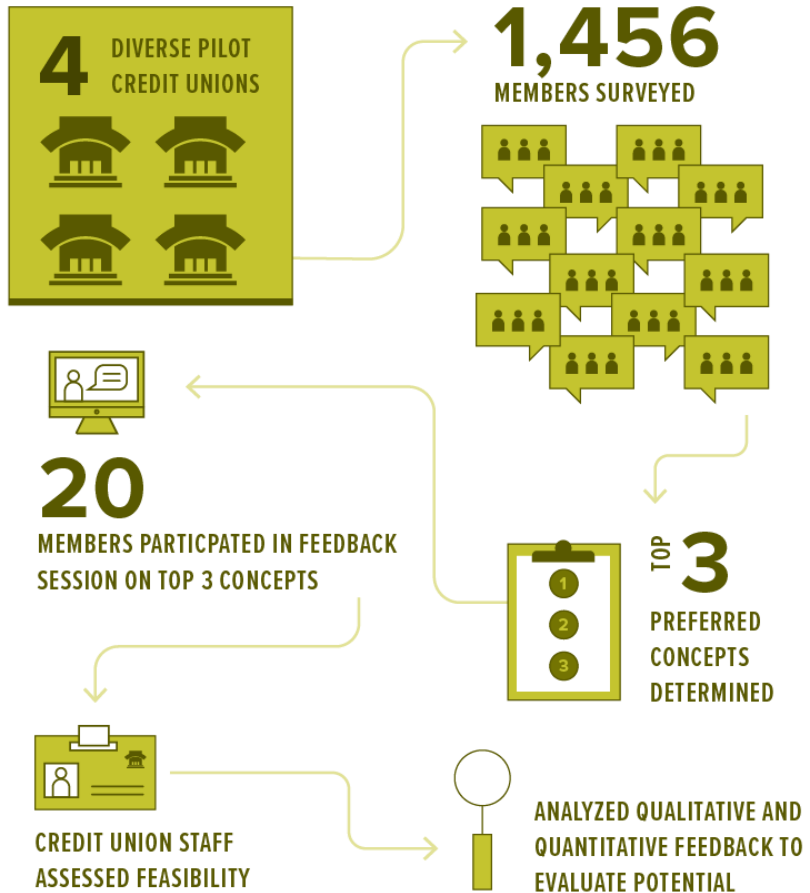
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- Could subscription-based packaging of **banking products and value-added services** increase **engagement** with existing and prospective credit union members?
- What subscription-based **products and features** **resonate most with members**, and how can these preferences shape potential offerings?
- What is **the potential adoption rate** for subscription products, and what **pricing models** would members find most appealing?
- Which subscription concepts offer the biggest opportunities for credit unions in terms of **feasibility, scalability, and member impact?**

HOW WE TESTED



RESEARCH DESIGN FLOWCHART

- Filene collaborated with leaders from **four geographically diverse credit unions** of varying asset sizes to identify and prototype subscription product concepts for member evaluation.
- **1,456 members completed surveys** ranking their top three preferred concepts for potential sign up if offered by their credit union.
- The top 3 concepts were examined further through **collaborative feedback sessions with 20 members**, providing insights into key features and pricing preferences.
- **Credit union staff** from key operational roles at four credit unions assessed the feasibility and opportunity of each concept.
- Filene analyzed **qualitative and quantitative feedback** to evaluate the potential of these product concepts.

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Key Insights

BUILDING UPON PRIOR LEARNING

In the first year of exploring subscription-based products, the lab* at Filene uncovered crucial insights to guide the second year's testing approach:

- **Subscription Familiarity:** Most members are already engaged with one or more subscription services, indicating a strong familiarity with the concept.
- **Trust in Credit Unions:** Members are open to trying subscription offerings, trusting their credit unions to act in their best interests.
- **Product Concepts:** Members contributed over 70 feature ideas across eight product bundles, which were prioritized and refined for further exploration in year two.



SIX SELECTED SUBSCRIPTION BUNDLE THEMES

Based on strategic goals and existing offerings, leaders from each of the four credit unions selected and refined product bundles for testing, leveraging member insights gathered from the prior test's focus groups. The solutions considered in this second-year test are outlined below.



TITANIUM REWARDS CREDIT CARD

Premium subscription credit card service with cash-back rewards, travel perks, discounts, and other exclusive benefits



FINANCIAL FOUNDATION ESSENTIALS

Subscription service focused on enhancing financial stability through personalized planning, expert coaching, flexible banking options, digital tools, and 'money makeovers' if needed



COMMUNITY IMPACT CREDIT CARD

Premium credit card enables everyday purchases to support charitable causes of choice, in addition to offering discounts at local businesses



FINTECH BUNDLE

Integrated bundles of fintech app solutions offered at discounted rates, designed to help achieve goals, manage money effectively, and meet personalized financial needs



WEALTH MANAGEMENT PACKAGE

Personalized financial advising and wealth management subscription service, with unlimited access to financial experts and no fees for trades or assets under management



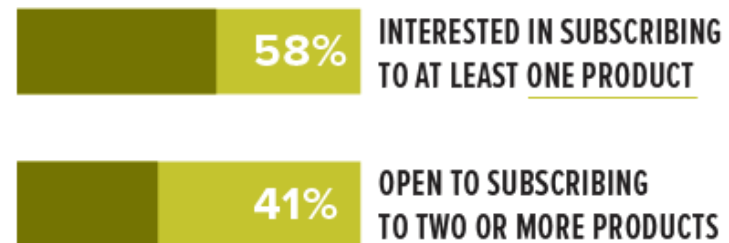
RETAIL DISCOUNT SUBSCRIPTION

Subscription package providing discounts and savings on everyday essentials and major purchases across diverse categories

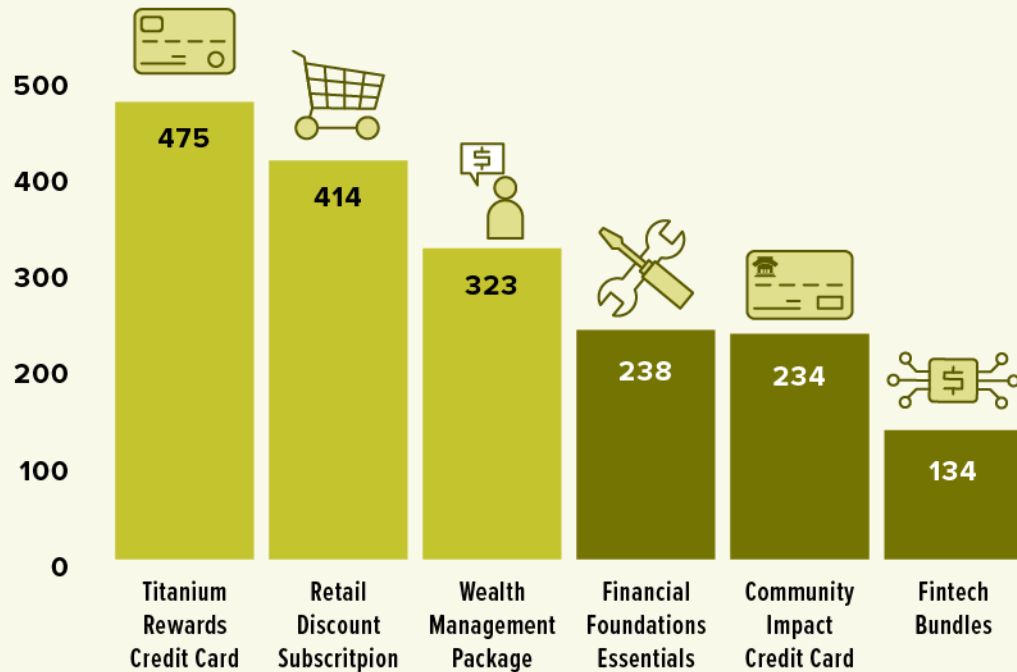
SUBSCRIPTION OFFERINGS CAN DEEPEN MEMBER ENGAGEMENT

After analyzing survey responses from more than 1,400 members, we are confident subscription-based services offer substantial potential for deepening member engagement.

- **Subscription Interest:** Over half (58%) of surveyed members showed interest in subscribing to at least one product, with 41% open to two or more.
- **Personalized Value:** Members saw subscription services as an opportunity to access more tailored offerings that better align with their financial needs.
- **Modernized Services:** Many members viewed subscriptions as an effective way for their credit union to enhance services and offer more competitive benefits.



SUBSCRIPTION OFFERINGS CAN DEEPEN MEMBER ENGAGEMENT



(1,456 Total Survey Responses)

In this year’s test, members surveyed expressed the most interest in the following product concepts:



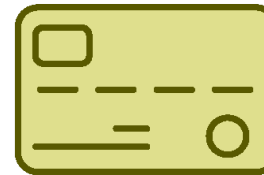
- Titanium Rewards Credit Card:**
 33% are inclined to sign up for a premium credit card, with competitive rewards and exclusive perks.
- Retail Discount Subscription:**
 28% showed interest in a subscription offering discounts on everyday essentials, providing valuable savings.
- Wealth Management Package:**
 22% would consider personalized financial advising and wealth management services tailored to their needs.

KEY INSIGHTS

PREMIUM CREDIT CARD FINDINGS

Members express a strong desire for premium credit cards that offer leading **cash back rewards** (2%) and enticing sign-on bonuses. For cards to break through a crowded market of free, rewards, and travel cards, they must deliver a **compelling value proposition**. While security measures and modern payment technologies, such as digital wallet integration, are essential, they are now largely viewed as basic requirements rather than differentiators.

Members prioritize competitive rewards but also appreciate unique benefits that can distinguish a card, such as no interest category options, free checked bags on airlines, and complimentary access to everyday perks like gym memberships and streaming services. This combination of features leads members to view an **annual fee of \$100** as reasonable for a premium offering, making it essential for credit unions to align their products with these preferences.



Ideal Premium Card Profile

Must Haves:

- Competitive rewards (2% cash back preferred)
- Strong security (although table stakes)

Preferred:

- Unique perks (no interest categories, free checked bags on all airline flights, streaming services)
- Cash sign-on bonus

Willingness to Pay:

- \$100/year

Member Idea: Have the sign-on bonus equal the annual premium, so the first year is perceived as free.

KEY INSIGHTS

DISCOUNT SUBSCRIPTION FINDINGS

Members conveyed notable interest in leveraging their credit union's collective purchasing power to save on everyday expenses. They emphasized the need for **seamless, automatic discounts** at checkout and resisted any complications, such as downloading additional apps.

Personalized savings reports were appealing, with preferences for essential categories, like groceries, gas, and streaming services, rather than periodic expenses, like home goods. Demonstrating tangible savings in **recurring expenses** would drive interest in this concept.

Members were willing to **pay up to \$10 per month**, expecting a return of 1-2 times that amount in savings. However, skepticism emerged about the value of paying to save. To enhance interest, members suggested a free trial period to showcase savings or linking the monthly fee to a percentage of the savings achieved.



Ideal Retail Discount Subscription Profile

Must Haves:

- Automatic savings access
- Savings on staple categories
- 1-2x monthly payback

Preferred:

- Personalized savings reports
- Recommendations for future savings

Willingness to Pay:

- \$10/month

“It would have to be a pretty good savings in order for me to pay to save” – Member

KEY INSIGHTS

WEALTH MANAGEMENT PACKAGE FINDINGS

Wealth management packages that blend human and digital tools also greatly appealed to members. They valued having a **dedicated advisor** as a single point of contact who knows their financial history, provides **baseline assessments**, supports **goal setting**, and consults additional experts for tailored advice. Members sought a **hands-on approach**, preferring face-to-face or video meetings and participating in preparatory tasks ahead of time, such as organizing financial data and setting goals.

Key areas of interest included **retirement planning**, **tax strategies**, and **estate planning**. Advisor monitoring offered essential peace of mind, though members had mixed reviews on proactive recommendations versus self-serve options.

Members felt a **\$25 monthly fee** reflected the value of this service and emphasized the opportunity for credit unions to differentiate by **democratizing financial planning** for the middle class, traditionally viewed as a service for the wealthy.



Ideal Wealth Management Package Profile

Must Haves:

- Dedicated advisor + trusted relationship
- Appointment availability
- Team of expert specialists

Preferred:

- Ongoing monitoring
- Educational resources and workshops

Willingness to Pay:

- \$25/month

“I know there’s wealth management groups... I think it’d be really cool for people who don’t have those types of resources that these wealthy business owners that have the \$1 million homes [have]. The rest of us. We work every day just to make ends meet. It’d be nice to have something available to us, too.” – Member

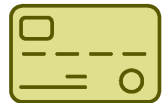
KEY INSIGHTS

CREDIT UNION LEADERSHIP ASSESSMENT

After reviewing member insights, credit union leaders from various operational roles provided feedback on the practicality of each concept and the opportunities they represent for credit unions.



TITANIUM REWARDS CREDIT CARD



This concept stands out for its **easy implementation**, as many credit unions already offer cards and are **enhancing their rewards offerings**. Effective communication is crucial to raise member awareness of these benefits. Additionally, this initiative aligns with strategies to increase payment **interchange revenue**, fueling future growth for credit unions.

RETAIL DISCOUNT SUBSCRIPTION



While fully automatic savings are appealing, credit unions may encounter challenges with data accuracy and availability. A strategic focus on **targeted retail packages**—like fintech solutions and telecommunications—could yield more practical results and enhance member satisfaction.

WEALTH MANAGEMENT PACKAGE



By prioritizing personalized financial planning, credit unions can **effectively differentiate** themselves and enhance member engagement, despite challenges related to **human capital** and the integration of **digital and personal support**. Establishing a single point of contact for nuanced advice necessitates specialists with distinct certifications, and credit unions must also assess their existing vendor relationships for certain services.

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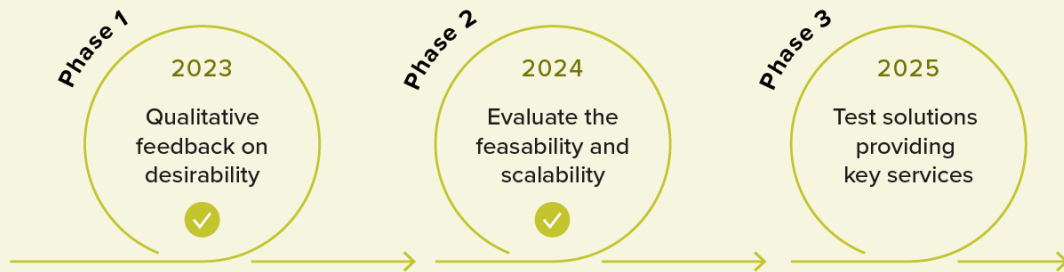
Conclusions

OPPORTUNITY TO EMBRACE SUBSCRIPTION TRENDS

As credit unions navigate an evolving financial landscape, embracing subscription models presents a compelling opportunity to enhance member engagement, personalize services for unique member needs, appeal to younger demographics, and generate new streams of revenue. To successfully develop subscription products, credit unions should consider the insights gathered from member feedback during this test:

- **Lean into Member Interests:** 3 in 5 members in our research showed interest in paid subscription services. Engage them early and often in development to align with their priorities.
- **Pricing Strategy:** Members are willing to pay \$10-25 per month for the right services, helping to offset potential \$6/member average monthly revenue loss from regulatory changes to ODP and NSF fees.
- **Demonstrable Impact:** Members value clear, upfront benefits and expect ongoing tracking of results, with cost savings as a top priority.
- **Personal Touch:** A blend of personal and digital support stands out to members as a differentiating factor. Personalized services help attract members who feel underserved by existing options.
- **Seamless Integration:** Offerings should integrate smoothly into existing systems when possible. Frictionless experiences are key, as any disruption may push members to alternatives.
- **Data Considerations:** Strong data security is expected. Use data to offer personalized experiences, while maintaining trust and security standards.

NEXT STEPS



Building on the insights gained during this second phase of exploration, the lab* at Filene, in collaboration with its key partners, will test **three innovative concepts** inspired by our member research.

These in-market solutions will provide critical data on their **effectiveness and potential impact** for credit unions.

This next phase of testing, set to kick off in January 2025, will measure the impact of these member-driven concepts:

- **Incentivized Financial Coaching:** Goal-oriented digital financial coaching that leverages credit unions' ability to provide personalized support.
- **Tailored Credit Card Solutions:** Customized communications and recommendations to help members select credit cards that optimize their benefits.
- **Retirement Planning Support:** Personalized financial education for members nearing retirement, helping them optimize government benefits like Social Security and Medicare and prepare financial plans.

THANK YOU

ACKNOWLEDGMENTS

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Credit Union 1



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