



GLOBALDATA CONSULTING

THE UK SUBSCRIPTION BOX BOOM REPORT

FEBRUARY 2019

PREPARED FOR ROYAL MAIL





THE UK SUBSCRIPTION BOX BOOM REPORT

FEBRUARY 2019

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Summary and conclusions

In this section, we draw together the findings from each of the sections of the research



THE MARKET

£1 billion

Forecast value of the subscription box market in 2022, up 72% vs. 2017

Spurred on by the growth of mobile devices, subscription commerce has moved on from a past focus on magazines and newspapers, to embrace everything from recipe food kits, to shaving gear and self-care. The US market has seen tremendous growth over the past few years, moving from a very niche industry, to one which has made mainstream retailers sit up and take notice. In the UK, the subscription market is still in relative infancy, but with major global brands, such as HelloFresh, Harry's, Birchbox and Dollar Shave Club increasing their efforts at expansion, the market is now in a phase of rapid growth.

UK consumers have embraced subscription brands, with homegrown startups like Cornerstone greatly exceeding their own expectations for their subscriber base, while established subscription brands such as Graze, have also found favour overseas. GlobalData forecasts that by 2022, the UK market will have almost doubled in size to £1bn, with beauty boxes and male grooming enjoying a particularly significant surge in popularity.



CONSUMER

27.4%

Proportion of shoppers currently signed up to a subscription service

27.4% of UK consumers are currently signed up to a subscription box service, either for themselves or on behalf of somebody else. Such schemes have gained strong traction among younger demographics, with over half of 25-34s (52.1%) signed up to at least one, compared to just 11.7% of 55-64s and 7.6% of those over 65s. There is also a slight male skew, with 30.6% of males signed up, compared to 24.3% of females, reflecting the strong traction that male-focussed boxes, such as shaving and beer subscriptions have gained.

Inevitably, given the greater penetration among younger shoppers, London is where subscription boxes are most popular, with 50.7% being signed up. In addition to the younger, more affluent population of the city, London has also been a popular go-to destination for start-up subscription companies due to its size and population density.



RETAILERS

58.6%

Of subscription box businesses in our survey intend to invest in new or existing subscription services in the next year

Driving greater brand loyalty is a key motivation for launching a subscription service – cited by 44.8% of those operating such a service. Other important reasons for starting a subscription box service include the desire for greater control, in particular control of distribution (34.5%), control of marketing and promotion (24.1%) and lower start-up costs (24.1%).

Perhaps spurred on by growing competition (with 75.9% agreeing that the subscription box market is becoming highly competitive), 58.6% of subscription box businesses intend to invest in new or existing subscription services in the next 12 months and 72.4% intend to add new products to their service. Positively, in terms of the likely longevity of this type of business model, 51.7% agree that subscription is set to be a major focus of their company in the future, though 44.8% admit to concerns that larger retailers/brands will invest more strongly in this segment of the market.



THE 2017 MARKET IN FIGURES

£583.3 million

Estimated spend on subscription services in 2017

MARKET GROWTH

72.0 %

Forecast growth in the subscription market (2017-2022)

THE FORECAST 2022 MARKET IN FIGURES

£1,003.4 million

Forecast value of the subscription market in 2022



40.1 million

Deliveries made



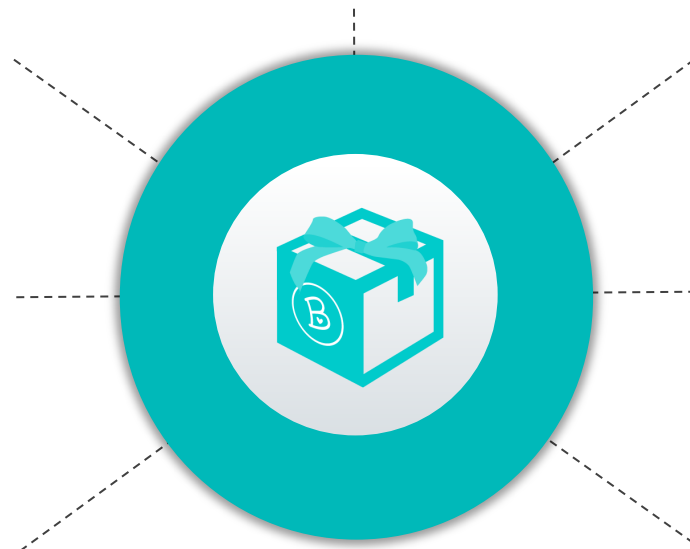
£159.9 million

Spent on gifting subscription services



£420.2 million

Spent on food & drink subscriptions and recipe boxes (the largest gifting category)



65.3 million

Deliveries made



328.6 %

Growth in spending on male grooming subscriptions over 2017-22

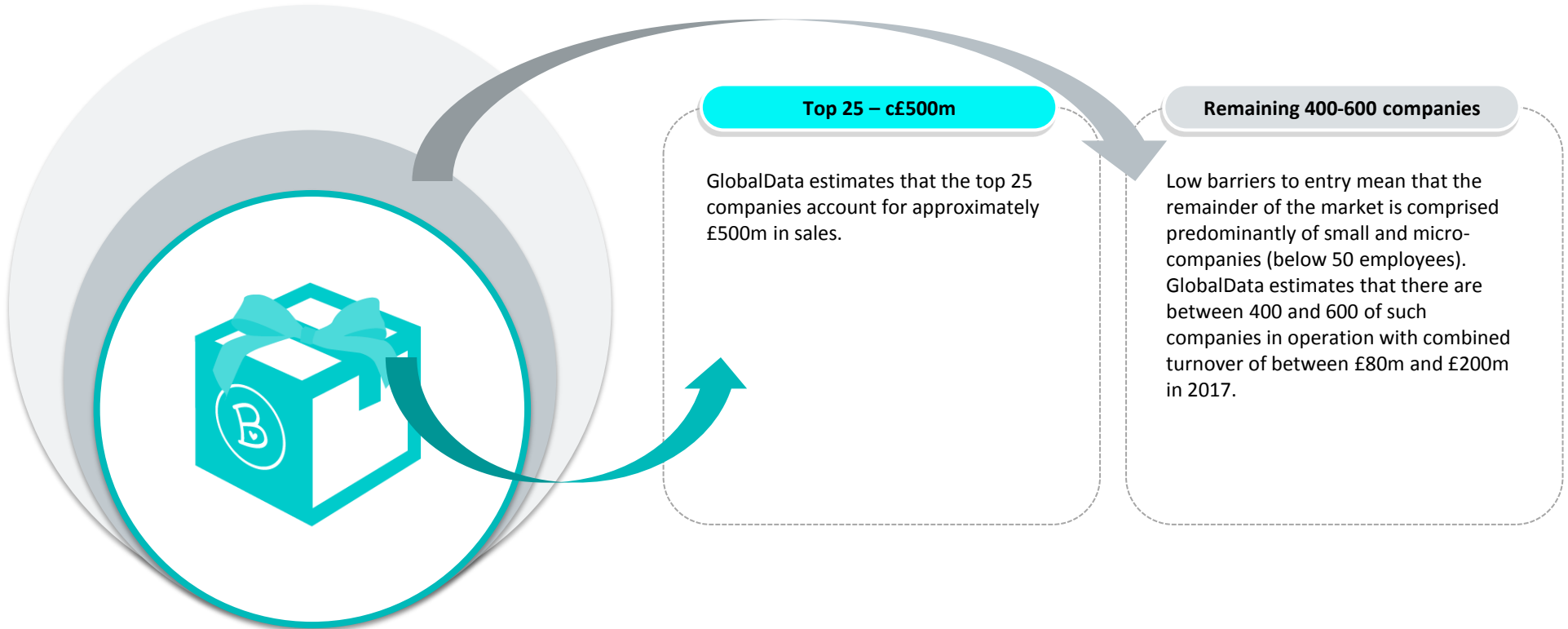


203.3 %

Growth in spending on other health & beauty subscriptions over 2017-22



The volume of small operators in the market makes it challenging to measure, meaning the total value of the market in 2017 could be as much as £700 million




i Only a handful of companies in this market meet the thresholds for which they are required to report turnover to Companies House.




Overcoming the key barriers to take-up of subscription services requires the delivery of a highly convenient and flexible service, that is easy to cancel and offers something shoppers cannot easily get in conventional retailers – be that price, unique products, a tailored, curated selection or just the sheer joy of the element of surprise


Three reasons to try DSC



IT'S CONVENIENT.
We ship your bathroom stuff right to your door. That means time saved and the fun of opening mail!



IT'S FLEXIBLE.
Deliveries arrive on your schedule. Pause, skip, or cancel any time with just a few clicks. That's level 9 yogi flexibility.



IT'S LOW RISK & HIGH REWARD.
There are no Membership fees, no long-term commitments, and we have a 100% money-back guarantee. C'mon. Do it.



Flexibility, convenience and a USP – the keys to a successful subscription box

The subscription model does not sit comfortably with all shoppers – 58.1% of those who are not currently signed up do not like the idea of being locked into recurring deliveries, and flexibility and ease of cancelling are the top reasons which could persuade shoppers to sign up. This makes it imperative for subscription brands to emphasise how flexible they can be and how straightforward it is for shoppers to quit when they want to.

Another key element is delivering a convenient experience from start to finish, which makes convenience in the delivery aspect key. Letterbox delivery is highly sought after and brands, such as Garçon Wines, with its pioneering, flat wine bottle are seeking innovative ways to respond to this need.

The final piece of the jigsaw lies in delivering a USP, something new, different or surprising, which helps the brand stand out from the crowd.

HOW IT WORKS





When it comes to functional, replenishment services, price and convenience are key, while boxes geared towards excitement should play on the potential for gifting, personalisation, tailored selections, new and unique products

A fair price, no nonsense

We've found a way to give you high-end quality for a fair price.

- Our blades cost about half the price of the leading 5-blade razor.*
- We own our factory in Germany, and sell directly to you on the Internet. We pass those savings on to you.
- Our pared-down design delivers high performance, and looks great in your bathroom.

* Average price per replacement cartridge, as of 30 June, 2017, across Fusion, ProGlide, and ProShield at "find retailers" pages on gillette.co.uk.



Harry's

THE MOST BEAUTY-FULL GIFT

GLOSSYBOX is an original and beautiful gift that will make someone feel extra special – every month! Each box is hand-tied with our iconic black ribbon and delivery is included - perfect for Bridesmaids, Birthdays or to say Thank You!

[SHOP NOW](#)

Reinforcing a USP helps subscription brands stand out from the crowd

Price is an important differentiator for subscription services, particularly those which specialise in functional, replenishment products such as razors. Men's razor brands like Harry's for example, emphasise the price differential with conventional competitors and are clear about how they achieve those savings by cutting out the middleman rather than compromising on quality.

For brands that are more geared towards excitement, there is the potential to emphasise the appeal of the products as a gift. Meanwhile, a truly personalised experience is something conventional retailers struggle to achieve, but by clever use of data gathering and allowing shoppers to lead the process, subscription brands can offer shoppers a truly unique and personalised box in the mail each delivery.



SELECT SOME CATEGORIES TO HELP US RECOMMEND GIFTS



LADIES



FOR THE WALL



OUTDOORS



APOTHECARY



HOMEWARES



ART



FOR YOUR DESK



KITCHEN



STATIONERY



GENTLEMEN



JEWELLERY



NOSTALGIC



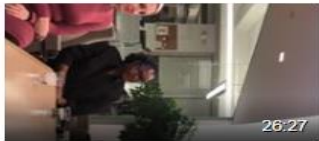
As well as spreading the core messages of the brand and reaching potential new customers, marketing is also a key way for brands to keep shoppers engaged and ensure customer retention, with social media at the heart of many subscription brands' marketing strategies

SHARE YOUR UNBOXINGS WITH #GLOSSYBOXUK



Birchbox Live

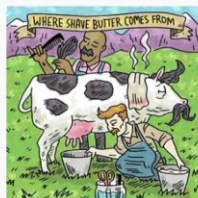
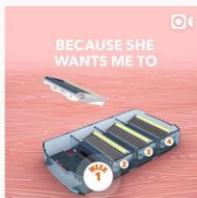
68 videos - Updated about 6 months ago



We're LIVE with our first FB live of Black History Month. This week, ...
5.5K views - 12 February



How to Use Benefit BADgal BANG! Mascara
17K views - 20 February



Interactive

Keeping shoppers engaged is vital to customer retention. Beauty brands do this by encouraging shopper interaction and participation on social media. Birchbox does this through extensive use of video content on sites such as Facebook Live, where the marketing is very much in a Q&A format. Brands like Birchbox and rival, Glossybox, also value their customers as marketers themselves, encouraging them to share their "unboxings" with the wider social media community.

Educational

Added value is another key way for subscription boxes to keep shoppers interested. One way in which they can do this is by helping them to learn a new skill or improve upon an existing one. Recipe boxes, like Goŕsto for example, know that one of their key markets is novice cooks and so much of their marketing is tailored towards helping to educate shoppers on cooking techniques.

Humour

Humour is one of the most effective ways to encourage shoppers to return to and share content. It is a tool that has always been a central tenet of Dollar Shave Club's marketing strategy. Its social media pages reflect the irreverent image the brand has cultivated, with plenty of humorous content and advice and tips framed in a light-hearted way, helping to connect with its core customers.





Pact Coffee looked to capitalise on UK coffee consumption trends

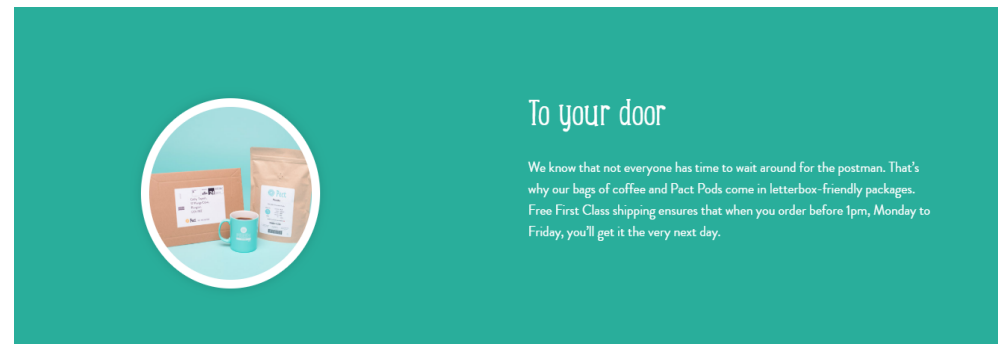
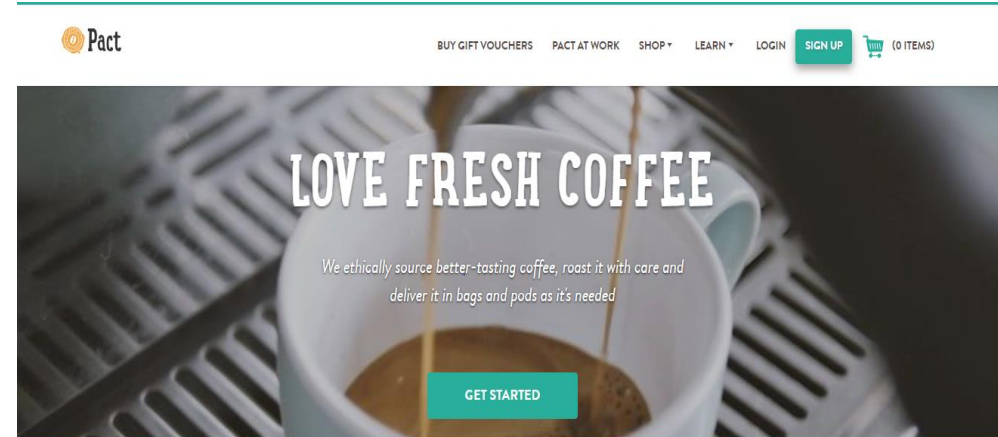
Founded by Stephen Rapoport in his kitchen in 2012, Pact Coffee is a subscription-based coffee delivery company. Pact Coffee has been well placed to capitalise both on the rise of subscription retail and the advantages of such a model for products such as coffee, where demand for replenishment is frequent and consistent. Indeed, the company sees the subscription model as being particularly well suited to coffee, with the product offering it a predictable revenue stream, allowing it to more effectively manage demand. Another key driver for Pact Coffee has been the significant growth in out-of-home coffee consumption over the past decade and the subsequent rise in consumer quality demands, which has meant that the company's quality positioning has resonated strongly.

Customer acquisition was the biggest initial challenge

Pact Coffee found that getting consumers to initially trial the product was the biggest barrier it faced in its early days, particularly as its price points were higher than typical supermarket coffees. In addition to emphasising the quality of its products, it sought to overcome traditional barriers around subscription retail by providing flexibility; customers are able to pause or cancel at anytime, and a no-quibble refund policy is offered. Pact Coffee utilises a variety of channels to attract new customers, including social media, PPC advertising and partners and affiliates. However, it believes that the most useful source of advertising is word-of-mouth.

Letterbox delivery is a key component of the Pact Coffee proposition

In addition to its quality credentials, Pact Coffee also seeks to emphasise both the speed and convenience of its delivery options. Coffee is roasted and delivered within seven days, which helps the company to emphasise the freshness of its products. Elsewhere, deliveries are made via letterbox packaging, with next day delivery offered over Monday-Friday if orders are placed before 1pm, helping the company to offer strong convenience.





Managing its growing scale has been the most pressing demand more recently

Pact Coffee has faced growing pains, as it has increased its sales across both the consumer and B2B marketplace parts of its business. Such growing pains are particularly prevalent across food & beverage companies that are responsible for manufacturing of the products that they sell. In Pact Coffee's case, it had to ensure it had the right infrastructure to roast, grind and ship a growing number of orders. As a result of its growing scale – and the significant growth potential it sees in the coming years, particularly on the B2B side – it has been forced to move its roastery out of London to a bigger facility.

High quality customer service is important when it comes to delivery partners

Pact Coffee has found that one of the key benefits of partnering with Royal Mail on delivery is that it has a dedicated account manager that has helped it develop its delivery proposition alongside the growing scale of the company. The company believes that it is important for subscription companies to keep a close relationship with account managers and ensure both parties are always informed about future plans that may impact service. More specifically, support around integration of new systems to bespoke software is seen as important to SMEs such as Pact Coffee, given their resource constraints.





Vegan Tuck Box aims to make it easier to buy vegan snacks

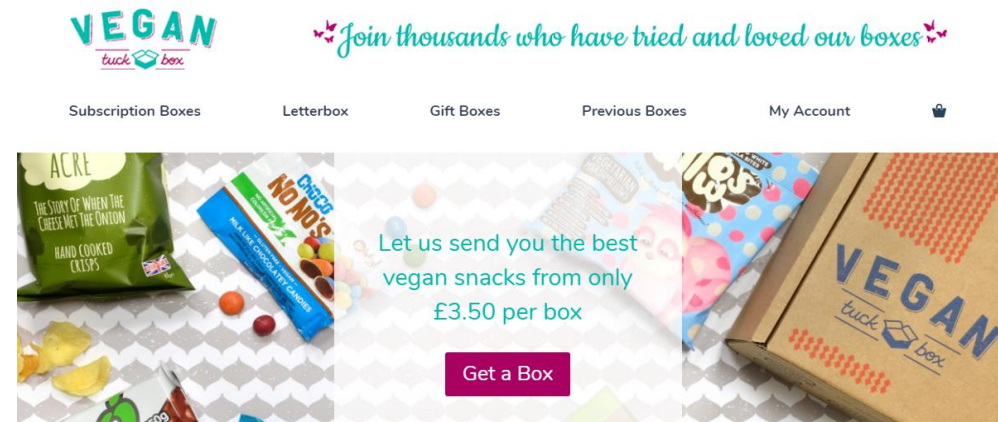
Founded by Kelly Slade and Chrissy Leyland in October 2013, Vegan Tuck Box is a subscription-based vegan snacks company. Both of the company's founders are from a background in the vegan community; regularly running events, and saw that a lack of easily available vegan snack products represented a key barrier to more people turning to veganism. Vegan Tuck Box was set up with the aim of making it easier to be vegan, with the founders inspired by similar vegan subscription box concepts, based on North America.

Vegan Tuck Box faced operational challenges early on...

Given the backgrounds of the company's founders, in addition to the inevitable teething problems faced by most business start-ups, Vegan Tuck Box faced a number of operational challenges. While getting the business off the ground wasn't difficult – the business initially started in the living room of one of the founder's – issues such as finding where the company was going to source its products from had to be overcome. Another issue was finance, with a lack of significant third party investment meaning that everything had to be developed in a cost-effective way. Despite research into the competitive landscape, Vegan Tuck Box also faced the challenge of a better financed competitor launching at around the same time.

...but gradually benefitted from its growing scale

Within a year of operating, Vegan Tuck Box had grown to a sufficient enough scale to move into a warehouse, allowing it to both take a higher volume of supplier deliveries and to distribute more boxes to customers. It was also able to negotiate better prices for its boxes, while a greater ability to spend more upfront has allowed it to benefit from cheaper prices when sourcing its products. Nonetheless, similar to other start-ups, the company has faced a difficult balancing act between offering a price competitive service with its aspirations to achieve profitability, particularly given that margins are generally lower in food & beverages compared to segments such as health & beauty. In the long term, it hopes that its increasing scale will help it to make further savings on wholesale prices.





Vegan Tuck Box has looked to differentiate through its product assortment

While the last five years has seen a significant growth in veganism across the UK, this has represented both a blessing and curse for Vegan Tuck Box. In response to this growing trend, vegan snacks have become more readily available in mainstream supermarkets and food service outlets. In response, the company has doubled-down on its aim to provide unique products that aren't easily available in shops – such as new vegan brands from other countries. This has brought its own challenges, with the Brexit vote having an adverse impact on the value of sterling, forcing it to stop sourcing products from North America.

Minimising churn rate is one of the key challenges for Vegan Tuck Box

While the subscription model has the advantage of providing a stream of regular and consistent income, the risk of shoppers being able to cancel at any time is an element that Vegan Tuck Box attempts to minimise as much as possible. While the company has subscribers that have been signed up for most of the five years of its operation, the average is 3-6 months. It has looked to strengthen loyalty via competitions, and the launch of a loyalty points scheme, which can be used towards single boxes.

The company has had to respond to customer delivery demands

As with many companies operating in the burgeoning subscription segment, Vegan Tuck Box has had to evolve its proposition in accordance with consumer demands. Traditionally selling via monthly boxes, gift boxes and an online shop for specific products, it launched a weekly/fortnightly letterbox service in January 2018, representing a cheaper and more convenient alternative to its other options. Given the importance of curating its product selection for consumers, and against the backdrop of growing availability of vegan snack products at mainstream retailers, the company also ceased offering individual products in early 2018, to focus on its subscription and gifting streams.

Choose Your Letterbox



Healthy Letterbox

4 healthy vegan snacks plus a free tea bag - perfect desk snacking

£3.70

Weekly or fortnightly
(£1.80 UK shipping)

Subscribe



Letterbox Snacks

5 artisan snacks including one chocolate bar and a free tea bag – give yourself a treat

£4.50

Weekly or fortnightly
(£1.80 UK shipping)

Subscribe



Chocolate Letterbox

4 luxury chocolate bars plus a free tea bag – every day is special

£6.50

Weekly or fortnightly
(£1.80 UK shipping)

Subscribe



The company has pursued a varied marketing strategy

Given its lack of significant third party investment, Vegan Tuck Box's approach to marketing has been to supplement word-of-mouth and advertising via Google, with cross-platform social media activity. With the latter, it has benefitted from a growing profile on Facebook and Instagram, which has represented a good way of showing off its unique products. Elsewhere, a refer-a-friend scheme has also further encouraged promotion via word-of-mouth.

Having access to a good support system has been an advantage of working with Royal Mail

Vegan Tuck Box has found that one of the key advantages of its partnership with Royal Mail has been the support system that the company has in place, including access to a dedicated account manager. For example, Royal Mail recently changed its computer system, with Vegan Tuck Box's account manager helping the company through the changes.

Our Instagram



Latest Tweets

Tue Aug 21

Treat time! It has to be the @mummymeagz rocky road from August's Ultimate box 🥰 ... #vegantreat #vegan #veganecake...
<https://t.co/qH3B7LB6XW>

Tue Aug 21

The sun is out ☀️ so it's time for a Smooze from August's Ultimate box 😎 ... #sunshine #veganicecream #icecream...
<https://t.co/Ao9HGWcJ4S>

Section 1

The market

In this section, we take a look at some of the key issues and trends in the subscription market



1. RAZORS AND BEAUTY OFFER THE BIGGEST GROWTH OPPORTUNITIES

Convenient replenishment of everyday, functional products and the excitement of getting to try something new and different in the mail each month are two of the key benefits of subscription box schemes. A growing array of men's grooming brands are busily capitalising on the potential of the former, bolstered by the price advantages they offer compared to traditional competitors thanks to their direct to consumer business model. Harry's and Dollar Shave Club command an estimated combined subscriber base of six million across the globe. Both are now aggressively seeking to make headway in the UK market, where home-grown brand Cornerstone is estimated to grow its customer base to 250,000 and turnover £10 million in 2018. With take-up of such services estimated at approximately 500,000 in 2017, a growth trajectory similar to that witnessed in the US could see male grooming subscriptions attracting almost two million members by 2022, making them the fastest growing subscription category. Beauty box services also cater to the replenishment needs of their subscribers, but additionally offer the excitement of getting to try out new products. Such services are already more established in the UK than their counterparts in male grooming, but there remains significant growth potential, with GlobalData forecasting health & beauty revenue to grow by 210% between 2017 and 2022.

2. NICHE PRODUCTS REPRESENT A STRONG GROWTH OPPORTUNITY WITHIN FOOD & DRINK

While some of the more established food & drink box brands, including Graze, Abel & Cole and Riverford have found growth more difficult to come by in recent years, there is a growing opportunity for smaller companies with more niche product assortments to carve out a slice of the market. In particular, there are plenty of opportunities to cater for specialised diets, with shoppers often appreciating a helping hand when it comes to deciding what to eat. More unusual products that are not easily available in shops, such as Japanese candy, French gourmet specialities and spice blends, also offer up an opportunity to service needs not currently being met by mainstream retailers. Many of these categories are particularly well suited to small companies, given that demand is unlikely to be sufficiently widespread to attract the attention of more established competitors.

3. FINE DINING, BREAKFAST AND SPECIALIST DIETS OFFER FURTHER GROWTH OPPORTUNITIES IN THE RECIPE BOX MARKET

The recipe box or meal kit market is perhaps the archetypal example of the meteoric rise of subscription box schemes. Barely registering on the radar five years' ago, the market was worth an estimated £129.2 million in the UK in 2017. Despite some signs of gradual maturation, growth in the market continues to far outstrip the performance of the wider food and grocery sector. With fast growing rivals like Gousto beginning to show signs of threatening market leader HelloFresh's dominance, plenty of opportunities exist for entrepreneurs looking to take advantage of the rising popularity of these schemes. In particular, boxes which cater to particular dietary requirements, or simply help customers plan healthier meals, offer further growth opportunities, while the leading players are extending their offers to include fine dining with gourmet ingredients and other meals such as breakfast.



INNOVATION IN DELIVERY

As the subscription market becomes increasingly competitive, brands are having to find innovative new ways to gain an edge on the competition. One of the ways that they can do this is by making delivery as convenient as possible. In particular, there is a clear demand from busy shoppers to have items delivered hassle-free without them having to wait in at home.

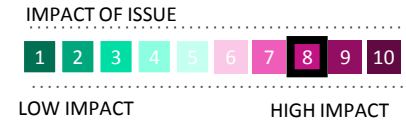


It is a scenario familiar to online shoppers everywhere: arriving home from work excited for the arrival of the product that was ordered so conveniently with the click of a mouse button, only to discover a “sorry you were out” card. One way to limit the chance of this frustrating event from occurring is the use of letterbox delivery. This has led to brands finding clever ways to ensure that even products which are not obviously suited to this kind of delivery to fit through the letterbox. A good example of this is the growing trend for letterbox flowers, led by brands such as Bloom & Wild, which provide high quality, fresh flowers, packed flat to fit through the letterbox.

Food & drink is another category which does not obviously lend itself to letterbox delivery, but the success of market leading brands, such as Graze in managing to provide a convenient letterbox service for its popular snacks, is prompting other brands to follow suit. Taking this one step further, Garçon Wines has even pioneered a flattened 750ml wine bottle that can fit through a letterbox, potentially revolutionising wine delivery and opening it up to new audiences.

BIG BRANDS SEEK A SLICE OF THE ACTION

The rapid rise of subscription boxes has in the main been driven by innovative start-ups, often with limited resources. Their success has prompted bigger brands to take note, with Gillette, Sephora, Walmart and Amazon among the big names to have launched their own subscription schemes.



The low barriers to entry in the subscription market have meant that with even limited capital and resources, budding entrepreneurs have the ability to set up and quickly build a successful business. Their success is starting to breed competition with brands like Gillette and Sephora hoping to emulate the performance of subscription companies, like Dollar Shave Club and Birchbox.

That said, subscription box companies have not always found that big retailers and brands are intent on becoming their competition. In some cases, major companies have adopted a “if you can’t beat them join them” approach. This has led to brands like Graze and HelloFresh stocking their products in conventional retail stores, while Unilever went one step further by acquiring Dollar Shave Club for \$1 billion in 2016. Brands like Estee Lauder have also made use of the wealth of data subscription brands have on their shoppers to find new ways to target shoppers with their latest products.



HUGE EXPANSION OPPORTUNITIES

Subscription remains a relatively niche market when compared with conventional retail sales, offering huge potential for growth. The business model also presents significant opportunities for international expansion, with our survey revealing that nearly 90% of subscription businesses make at least some of their sales overseas.



IMPACT OF ISSUE



LOW IMPACT

HIGH IMPACT

Moves by overseas brands, including Birchbox, HelloFresh, Harry's and Dollar Shave Club, to enter the UK market have been mirrored by the efforts of domestic brands to conquer territories overseas. Snacking business, Graze, managed to garner over 150,000 US subscribers within just three months of its launch in the USA in 2014 and is now a major presence on the US snacking scene. Popular markets for international sales among businesses in our survey include Ireland and France (where 46.2% of subscription businesses with an overseas presence make at least some of their sales), Germany (38.5%) and Spain (30.8%).

Meal kit business, HelloFresh, demonstrated what can be achieved through an ambitious international expansion strategy, growing its global revenues by 52% to €904.9 million in 2017. It operates in a number of European countries, including its home market of Germany, the Netherlands and Switzerland, as well as Australia, Canada and the USA. The latter of which accounts for about 60% of its revenue.

PERSONALISATION IS THE NEW FRONTIER

The ability to offer a personalised experience is a key draw for subscription boxes and many websites allow shoppers to tailor their boxes according to individual preferences.



MAKE YOUR SELECTION

OUR OPTIONS: Relax and let us surprise you with 5 personalized samples in your August box -OR- Select 4 of the samples below for your August box (the others will be personalized to you) -OR- Replace your August box with the Featured Box, filled with 5 editor-selected samples.



IMPACT OF ISSUE



LOW IMPACT

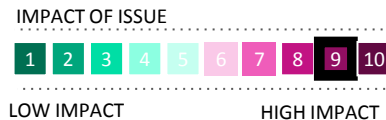
HIGH IMPACT

The path to personalisation often begins at the initial signing up phase. For example, beauty subscription service, Birchbox, begins the process by asking customers to fill out a beauty profile, gathering details such as hair type, skin type and individual style. Using this data, Birchbox is able to tailor its products and recommendations to individuals. As well as being beneficial to Birchbox's customers, Birchbox has also been able to market this data to leading beauty brands, such as Estee Lauder. This has enabled brands to encourage shoppers to consider products that were perhaps not otherwise on their radar and to more effectively tailor their marketing strategy to specific target groups.



MALE GROOMING TAKES OFF

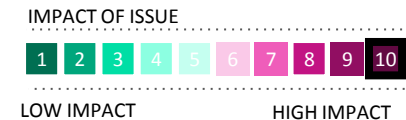
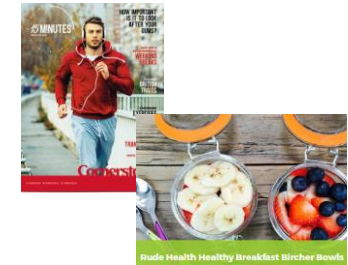
GlobalData estimates that the market for subscription shaving products was worth £20.1 million in 2017 and is forecast to rise by over 300% to £86 million by 2022 as major US brands, Harry's and Dollar Shave Club begin a concerted marketing push to challenge the success of homegrown favourites, such as Cornerstone.



One of the big success stories of the burgeoning subscription market, is male grooming. Led by Dollar Shave Club, whose three million subscribers spent a reported \$160 million worldwide in 2016, the industry has experienced phenomenal growth across the Atlantic and a number of the leading brands have begun targeting the UK market. UK market leader, Cornerstone, perfectly exemplifies the ability for motivated entrepreneurs to launch subscription businesses with limited resources. From a £5,000 start-up loan and working at his kitchen table, Oliver Bridge has turned cornerstone into a business with 140,000 subscribers and a projected turnover of £10 million in 2018. Such rapid success does breed competition. In the US, Gillette has launched an on-demand subscription service in response to the meteoric rise of Dollar Shave Club and Harry's, while Unilever spent \$1 billion acquiring Dollar Shave Club in 2016. In the UK, the success of home grown brands, such as Cornerstone, is increasingly under threat from the major US brands, with both Harry's and Dollar Shave Club making a concerted play for UK market share in 2017.

COMBATting "CHURN"

"Churn" – or the proportion of customers who decide to cancel – is one of the biggest challenges facing subscription businesses. Keeping customers engaged is key and a number of subscription businesses have developed innovative ways to do this, from diversifying their business model to reduce their reliance on subscriptions, to launching new products and features.

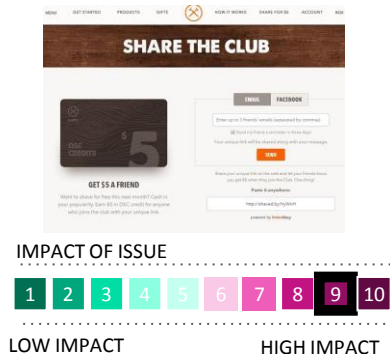


Retaining customers is key for any subscription business as even a small percentage of shoppers cancelling each month can have a dramatic impact on the subscriber base. For this reason, subscription brands have had to be innovative in their approach to combatting churn. Innovation can be something as simple as keeping customers engaged using a magazine. Shaving subscription business, Cornerstone, for example, credits the launch of its "15 minutes" magazine with a major reduction in its churn rate. It now claims to boast a readership of 130,000, exceeding the circulation of GQ. Among beauty box retailers, there has been an increasing trend towards personalisation, with Birchbox trialing Birchbox Select, which allows customers to pick out specific items or tailor the box to their specific requirements – e.g. dry skin, coloured hair etc. In the food & drink sector, leading meal kit supplier, Hello Fresh, expanded its repertoire beyond dinner to include breakfasts and has also launched its meal kits in Sainsbury's, tapping into the market for shoppers who don't tend to plan their meals in advance. Meanwhile, popular snack business, Graze, now sells its products in stores, including Sainsbury's, Tesco, Asda and Boots.



THE IMPORTANCE OF WORD OF MOUTH

Word of mouth is one of the most important ways that subscription businesses expand their subscriber base. In our survey, it was the most common way for subscription box subscribers to hear about the service they signed up to. Subscription brands have taken advantage of this through referral schemes and encouraging social media participation.



The most obvious way for subscription businesses to capitalise on personal recommendations, is by offering incentives. HelloFresh, for example, provides users with an unlimited referral code which they can use to obtain credit and freebies, while Dollar Shave Club gives a £5 credit for referrals.

Other brands, such as Birchbox, work to create an interactive social media experience, with a focus on encouraging user generated-content. One of the ways that it does this is by Q&A style videos on Facebook Live.

GIFTING IS A KEY DRIVER

In addition to the near one third of subscription buyers who have signed up to a subscription service as a gift, 42.1% of those who signed up for themselves did so as a treat, reflecting the importance of both gifting and self-gifting in this market. Subscription brands have encouraged this trend with a focus on the element of surprise, as well as innovative and unique products.



The gifting market is a key avenue for subscription businesses, including both shoppers gifting to their friends and family and the growing trend for self-gifting. There are even subscription boxes, such as Not-Another-Bill, which cater specifically for the gifting market. The inspiration behind this particular service was the idea that *'No-one gets anything good in the post anymore apart from bills and a few pizza menus.'* Customers receive one present each month, ranging from homewares to jewellery and stationery.

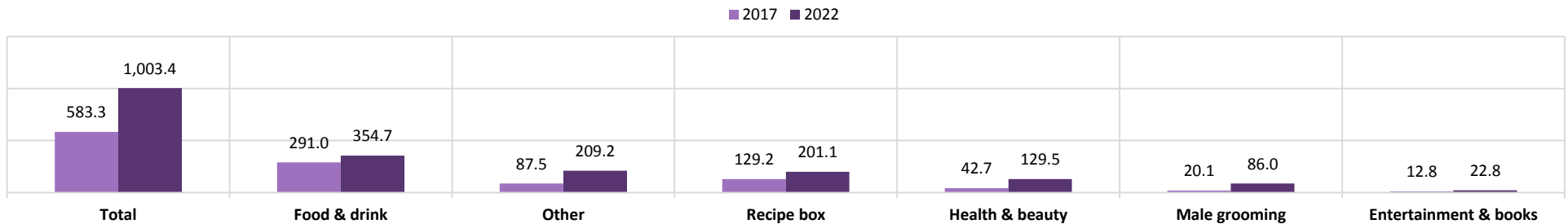
The element of surprise, having someone else curate a selection based on your profile and getting to try out exciting new products are just some of the reasons subscription boxes are well suited to gifting and self-gifting. These factors have all been key to the rapid rise of beauty boxes, such as Look Fantastic, GlossyBox and Birchbox. In a market in which the choice of products can be overwhelming, these boxes also help to take some of the hassle out of the decision making process – a key factor given the increasingly stressful and time-pressured lives of today's shoppers.



Male grooming and health & beauty boxes are forecast to be the biggest growers over the next five years, with growth at more established food & drink operators stabilising and the rapid growth of recipe boxes beginning to show signs of a loss in momentum

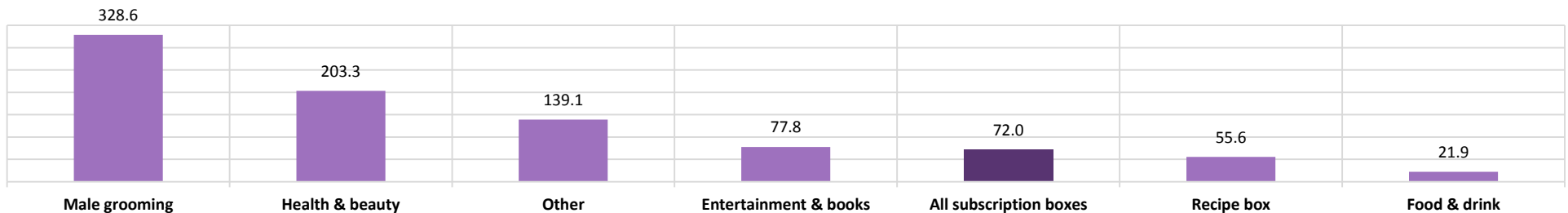
Current and forecast value of the subscription box market

Figures on the chart are £millions



Forecast growth in the subscription box market (2017-2022)

Figures on the chart are percentages

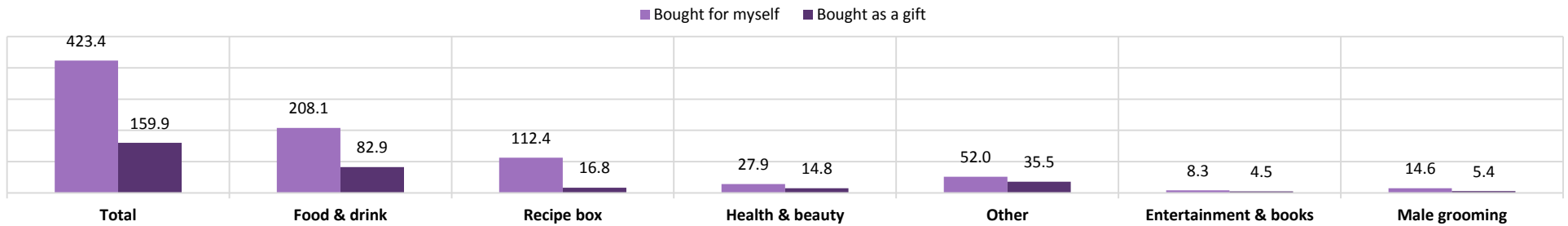




Giftng is responsible for over a quarter of spending on subscription products, equating to £159.9 million

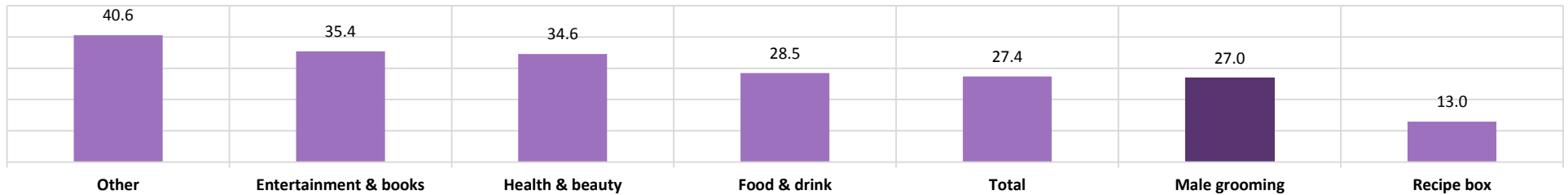
Spend on gifting vs. spend for myself by category 2017

Figures on the chart are £millions



Proportion of spend on gifting by category 2017

Figures on the chart are percentages



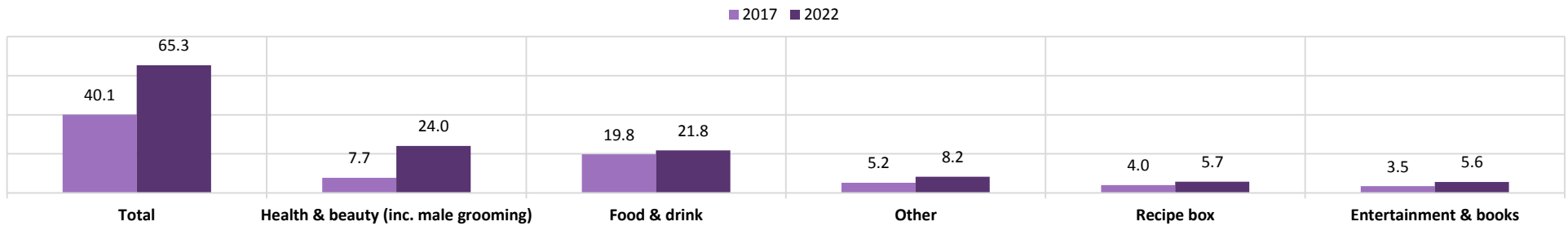
DELIVERY VOLUMES AND SPENDING ON DELIVERY



Shoppers spent over £13 million on over 35 million deliveries in 2017, with delivery volumes forecast to rise to over 60 million by 2022

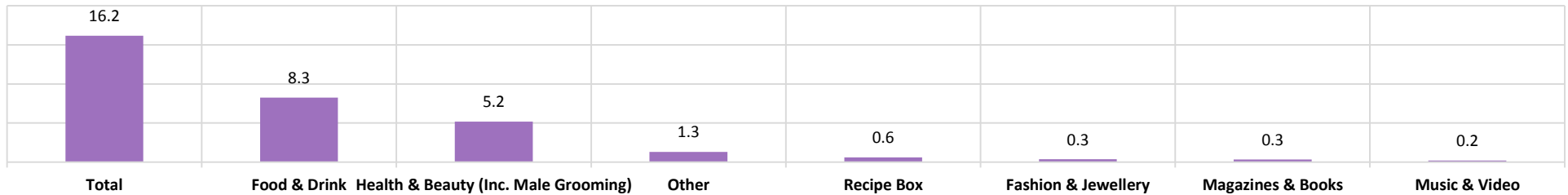
Delivery volumes per year

Figures on the chart are millions of deliveries



Spend on the delivery element in 2017

Figures on the chart are £millions

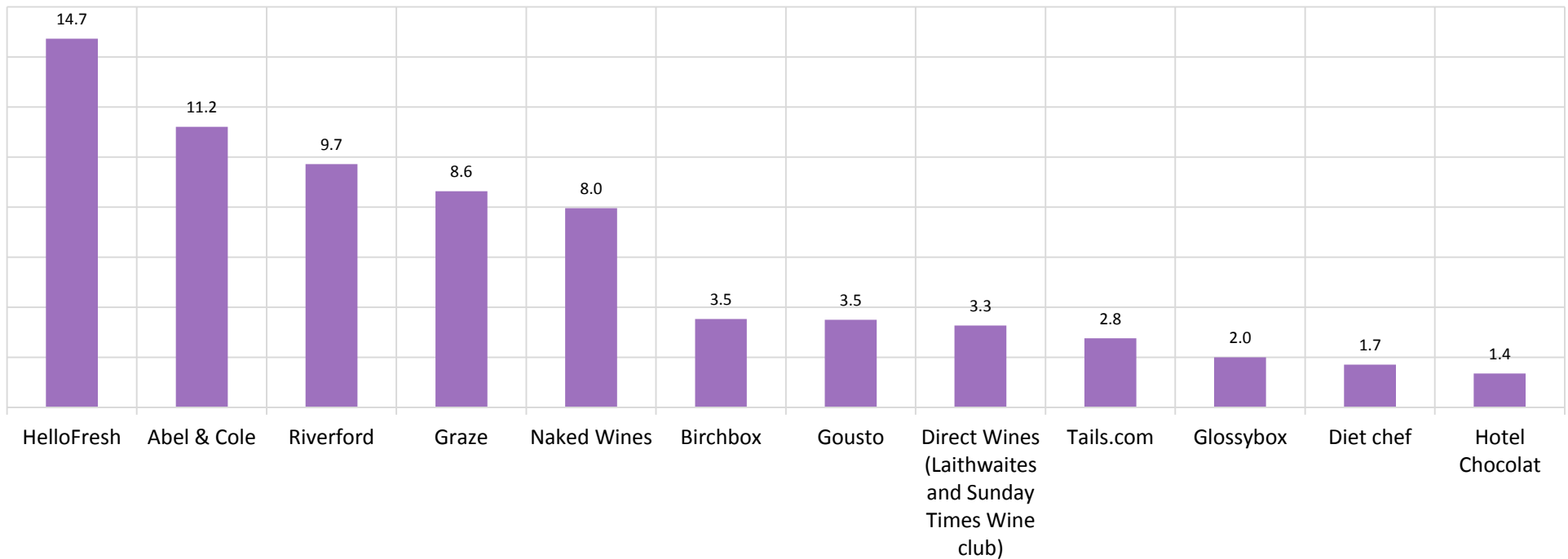




- Food & drink brands dominate the market, with HelloFresh on top
- Beauty services like Birchbox are also rapidly gaining traction, while we expect male grooming services, like Cornerstone to soon make their mark on the top ten

Market share of leading subscription brands 2017

Figures on the chart are percentages



Section 2

The consumer

In this section, the focus is on consumer take-up, views and attitudes towards subscription box services



1. OVER A QUARTER OF UK CONSUMERS ARE SIGNED UP TO A SUBSCRIPTION BOX

27.4% of UK consumers are currently signed up to a subscription box service, either for themselves or on behalf of somebody else. Such schemes have gained strong traction among younger demographics, with over half of 25-34s (52.1%) signed up to at least one, compared to just 11.7% of 55-64s and 7.6% of over 65s. There is also a slight male skew, with 30.6% of males signed up, compared to 24.3% of females, reflecting the strong traction that male-focussed boxes, such as shaving and beer subscriptions have gained. Inevitably, given the greater penetration among younger shoppers, London is where subscription boxes are most popular, with 50.7% being signed up. In addition to the younger, more affluent population of the city, London has also been a popular go-to destination for start-up subscription companies due to its size and population density.

2. FOOD & DRINK ARE MOST POPULAR SUBSCRIPTION SCHEMES

The most popular type of subscription boxes are snack and sweets services, such as Graze, SourcedBox, Sweets in the City (7.4% of the UK population signed up to these services), followed by recipe box services, such as Hello Fresh, Gousto, Mindful Chef (6.5% of the UK population signed up to these services). Indeed, 73.9% of those consumers signed up to subscription schemes buy into a type of Food & drinks service. These schemes benefit from a consistent usage and need – for boxes such as meal kits and snacks – or their appeal as gifts – such as beer subscriptions. The most bought into subscription brand is Graze (15.6%), followed by Abel & Cole (14.6%), with the latter being particularly popular with 25-34s (25.7%).

Elsewhere, 3.3% sign up to a shaving and/or grooming box service, such as The Personal Barber, Cornerstone, and King of Shaves. Male grooming has been a key growth area in subscription, with these companies marketing heavily and benefitting from positioning themselves as a more convenient, higher quality and price competitive alternative to major brands for products that require frequent replenishment.

3. ALMOST A THIRD ARE SIGNED UP TO SUBSCRIPTION SCHEMES ON BEHALF OF SOMEBODY ELSE

Of those that are signed up to subscription schemes, the average number of different schemes signed up to is 3.3, with most receiving deliveries either every couple of weeks or monthly. While 90.2% of subscription shoppers bought for themselves, almost a third (30.2%) bought on behalf of somebody else, with 44.6% of 18-24s buying into such boxes as a gift. With the rise of online retail – and particularly media streaming – driving a decline in demand in some key traditional gifting categories, subscription boxes – and particularly those that deliver interesting products that the recipient potentially hasn't tried before – are helping to partially fill the void.



4. THE OPPORTUNITY TO TRY SOMETHING NEW IS THE MAIN DRIVER WHEN IT COMES TO SIGNING UP

Of those that have signed up to subscription schemes for themselves, the most important driver was the opportunity to try something new, cited by 45.2% of subscription shoppers. Encouragingly for brands, 35.7% said the ability to try samples before purchasing is another key driver. Another factor is the desire for shoppers to treat themselves, reflecting the strong element of self-gifting involved with many subscription purchases. When it comes to purchasing on behalf of somebody else, there is a strong element of refer and recommendation as being key when it comes to discovery, with 53.9% purchasing after being recommended by someone, and 43.8% after reading good reviews. The growing influence of subscription boxes as gifts is reflected by the 36.1% who felt their purchase was a thoughtful gift to buy someone.

5. FLEXIBILITY AROUND ORDERING AND RETURNS IS KEY

When it comes to the key factors that would encourage shoppers to sign-up to subscription schemes the key driver would be the flexibility to cancel whenever, which was cited by 61.9%. When it comes to subscription of any form – whether it be a gym membership, mobile phone subscription or retail subscription – there has been a shift away from long term contracts, with consumers being increasingly wary of being tied into recurring costs. On the factors that are most important for those signing up to subscription schemes, 85.2% mentioned the ability to return damaged items easily, while 83.7% believe being able to get products delivered without having to wait in is important. Ensuring delivery is as hassle-free as possible is key for subscription brands, with many opting for letterbox delivery where possible and, where not possible, allowing for flexibility in delivery days/times.

6. MORE THAN THREE-QUARTERS ARE SET TO EITHER MAINTAIN OR INCREASE THEIR USE OF SUBSCRIPTION SCHEMES IN THE FUTURE

39.2% of respondents said that they will join more delivery subscription schemes in the future, with 43.8% suggesting that they will maintain a similar number of schemes. Of those that are most likely to increase their subscription spending, the highest proportion is among 25-34s (56.7%), males (42.4%) and ABs (46.0%).

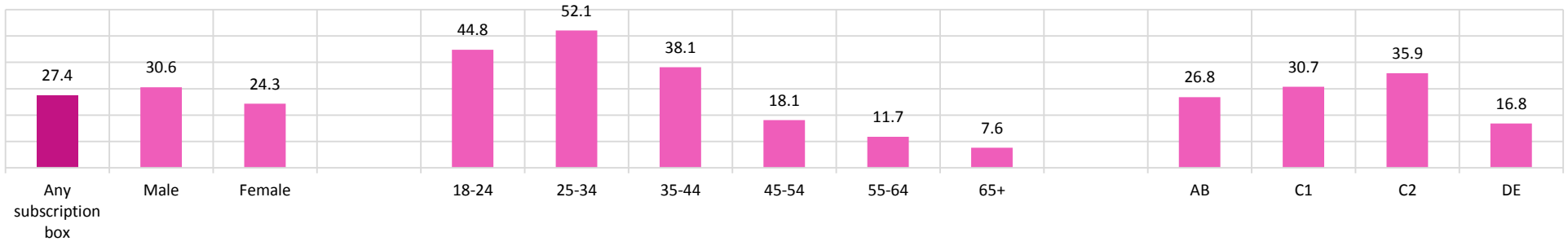
PENETRATION OF SUBSCRIPTION SERVICES



- Over a quarter of shoppers are currently signed up to a subscription service
- Popularity is highest among under 35s, peaking at 52.1% among 25-34s

Proportion of shoppers signed up to subscription services by age, gender and social grade

Figures on the chart are percentages



Proportion of shoppers signed up to subscription services by UK region

Figures on the chart are percentages



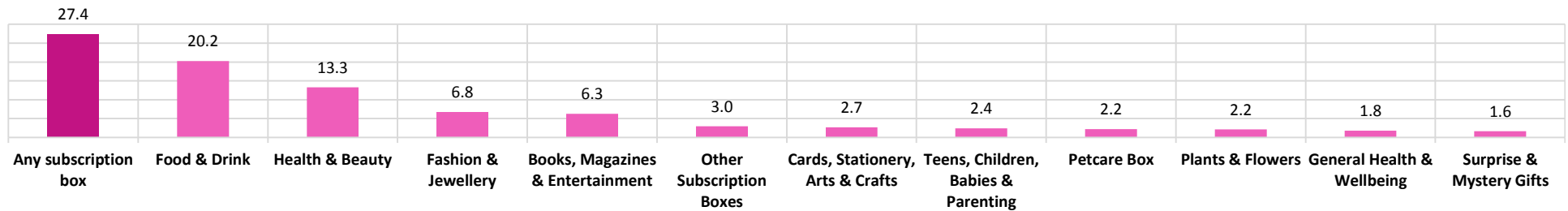
Top chart shows the proportion of shoppers in each demographic group who are currently signed up to a subscription box service. Bottom chart shows the same by UK region.



Food & drink are the most popular subscription schemes, followed by health & beauty, which includes fast growing segments, such as male grooming

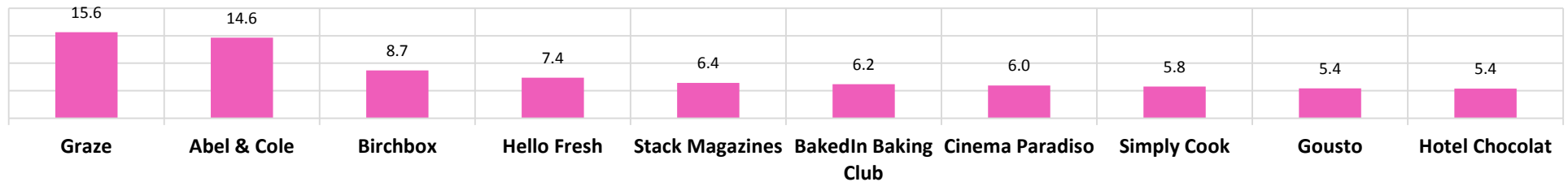
Proportion of shoppers currently signed up to each type of subscription box service

Figures on the chart are percentages



Most popular subscription box brands

Figures on the chart are percentages



Top chart shows the proportion of all shoppers signed up to each type of subscription box service. Chart at the bottom shows the top brands subscription box shoppers are signed up to.

USAGE OF SUBSCRIPTION SERVICES



CURRENTLY SIGNED UP TO (%)

Snack and sweets service	7.4
Recipe box service	6.5
Beauty box service	5.3
Chocolate box	3.6
Shaving or grooming box service	3.3
Gym or supplements box	3.2
Vegetable box	2.8
Women's grooming	2.8
Coffee or tea box service	2.7
Meat or BBQ box service	2.6
Children's/babies clothing	2.5
Cheese box	2.5
Fish box	2.5
Beer or wine box service	2.4
Magazine box	2.2
Pet care subscription box	2.2
DVD subscription	2.0
Men's clothing	2.0
Women's clothing	2.0
Geek boxes	1.9
Baking or dessert boxes	1.8
Self-care box	1.8
Flower box	1.6
Others	9.5



CANCELLED OR NOT RENEWED (%)

Snack and sweets service	9.7
Recipe box service	4.3
Beer or wine box service	2.9
Chocolate box	2.8
Beauty box service	2.4
Vegetable box	2.3
Magazine box	2.1
Fish box	1.8
Cheese box	1.8
Shaving or grooming box service	1.7
Meat or BBQ box service	1.6
Gym or supplements box	1.5
Geek boxes	1.3
Coffee or tea box service	1.2
DVD subscription	1.1
Music box	1.1
Adult box	1.1
Women's health box	0.9
Book box	0.8
Baking or dessert boxes	0.8
Cards or stationery box	0.8
Others	6.1



CONSIDERING SIGNING UP TO (%)

Snack and sweets service	6.4
Recipe box service	6.1
Chocolate box	5.4
Vegetable box	4.6
Meat or BBQ box service	4.4
Beauty box service	3.9
Beer or wine box service	3.2
Fish box	3.0
Cheese box	3.0
Women's health box	2.7
Baking or dessert boxes	2.7
Self-care box	2.7
Coffee or tea box service	2.5
Shaving or grooming box service	2.5
Gym or supplements box	2.3
Adult box	2.3
Surprise or mystery gift box	2.3
Pet care subscription box	2.0
Women's grooming such as Nailbox etc	1.7
Lingerie box	1.7
Geek boxes	1.7
Arts and craft box such as Crafty Creatives	1.6
Box for children or babies	1.6
Others	12.1

USAGE OF SUBSCRIPTION SERVICES BY DEMOGRAPHICS



Younger shoppers – especially the under 35s – are notably more likely to be signed up

Proportion of shoppers in each demographic group who are currently signed up to each type of subscription box service

Figures on the chart are percentages

	Overall	Male	Female	18-24	25-34	35-44	45-54	55-64	65+	AB	C1	C2	DE
Food & drink	20.2	24.6	16.1	30.7	43.3	29.5	12.5	7.5	4.0	21.2	23.7	25.2	11.1
Health & beauty	13.3	13.9	12.7	27.3	27.0	18.3	7.0	3.6	1.8	11.8	16.0	19.8	6.3
Fashion & jewellery	6.8	8.3	5.3	11.9	18.4	10.3	1.0	1.0	0.6	6.5	8.1	9.6	3.2
Books, magazines & entertainment	6.3	7.6	5.0	14.9	12.6	9.1	1.0	0.7	1.9	5.5	7.1	10.7	2.3
Other subscription boxes	3.0	3.8	2.2	5.6	6.6	3.2	2.4	0.5	0.6	3.4	2.7	4.5	1.6
Cards, stationery, arts & crafts	2.7	3.2	2.3	3.7	7.2	5.0	0.7	0.4	0.2	3.0	3.3	3.5	1.0
Teens, children, babies & parenting	2.4	3.2	1.6	2.5	6.3	4.9	1.3			2.3	3.0	3.7	0.7
Petcare box	2.2	2.4	2.0	5.0	2.9	2.7	2.0	0.6	0.7	3.7	1.9	2.7	0.4
Plants & flowers	2.2	2.7	1.6	1.4	6.2	4.0	0.9	0.8	0.1	2.2	3.0	3.0	0.5
General health & wellbeing	1.8	2.2	1.4	3.6	4.7	2.6	0.3	0.3		3.2	1.5	2.0	0.4
Surprise & mystery gifts	1.6	1.5	1.7	3.9	4.3	1.9	0.6			1.5	1.8	2.7	0.7

i Table shows the proportion of shoppers in each demographic group who are signed up to each type of subscription box service.

Highest value
 Above average
 Average
 Below average
 Lowest value

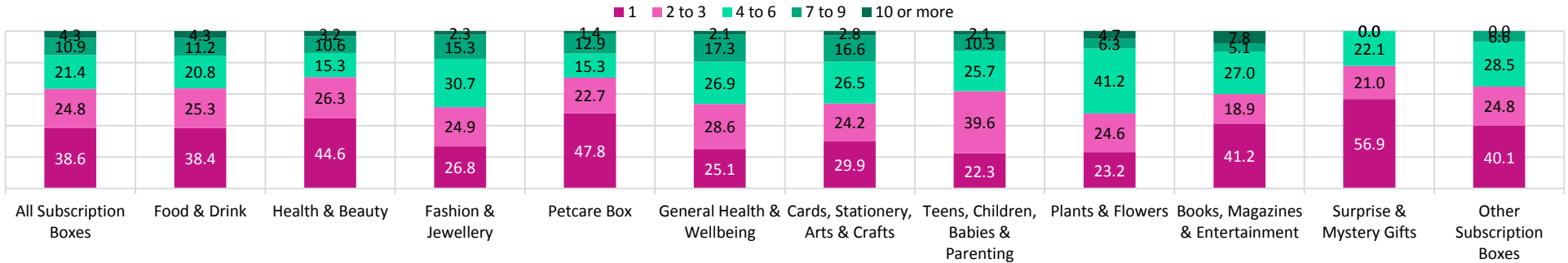
NUMBER OF SCHEMES SIGNED UP TO



61.4% of subscription box shoppers are signed up to more than one scheme and over a third (36.6%) are signed up to four or more schemes

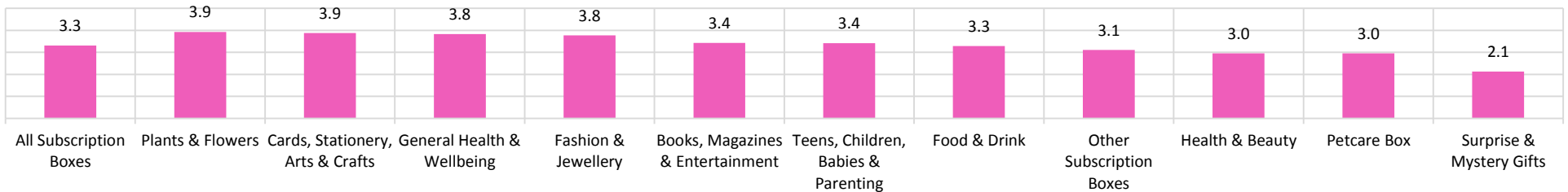
Number of subscription services signed up to

Figures on the chart are percentages



Average number of subscription services signed up to by category

Figures on the chart are percentages



i Top chart shows the proportion of subscription shoppers signed up to each number of services. Chart at the bottom shows the average number of services shoppers are signed up to by category. Only shoppers who are currently signed up to at least one subscription service are included in the sample.

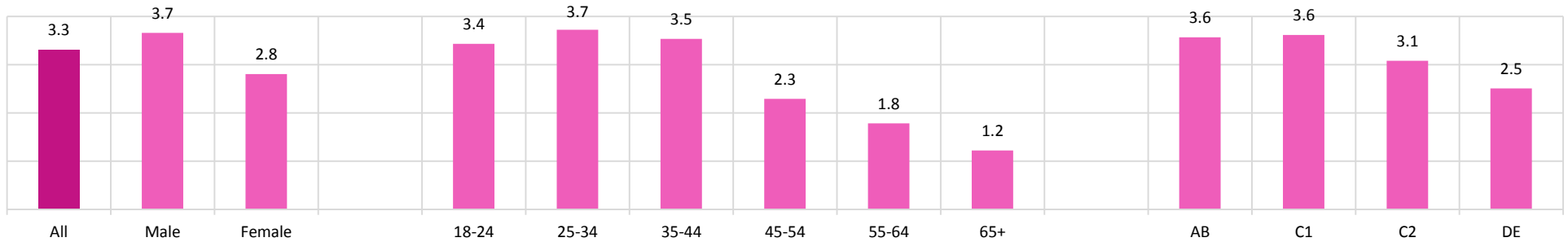
NUMBER OF SCHEMES SIGNED UP TO



25-34 year olds currently using subscription schemes are signed up to an average of 3.7 of such schemes

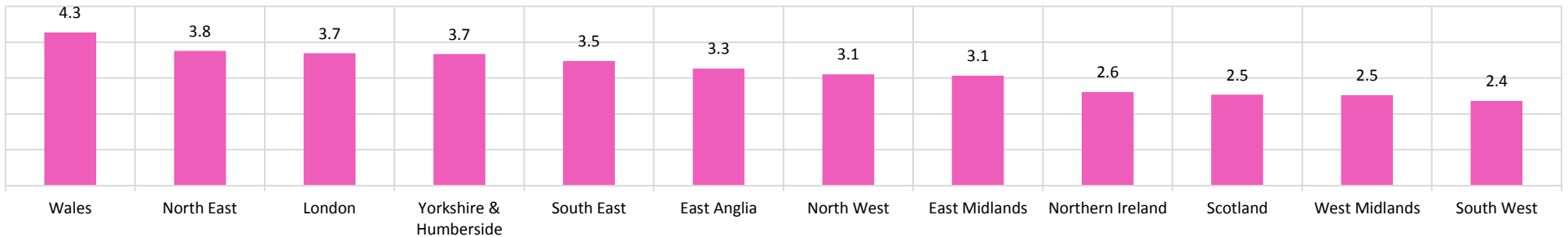
Average number of subscription services signed up to by age and social grade

Figures on the chart are percentages



Average number of subscription services signed up to by region

Figures on the chart are percentages



Top chart shows the average number of subscription box services shoppers in each demographic group are signed up to. Bottom chart shows the same by UK region. Only shoppers who are currently signed up to at least one subscription service are included in the sample.

PURPOSE OF PURCHASE BY DEMOGRAPHICS



Almost a third (32%) of shoppers bought subscription schemes as a gift for somebody else

Purpose of subscription service purchase by demographics

Figures on the chart are percentages

■ I bought for myself ■ I bought as a gift for somebody else ■ Somebody bought it for me as a gift

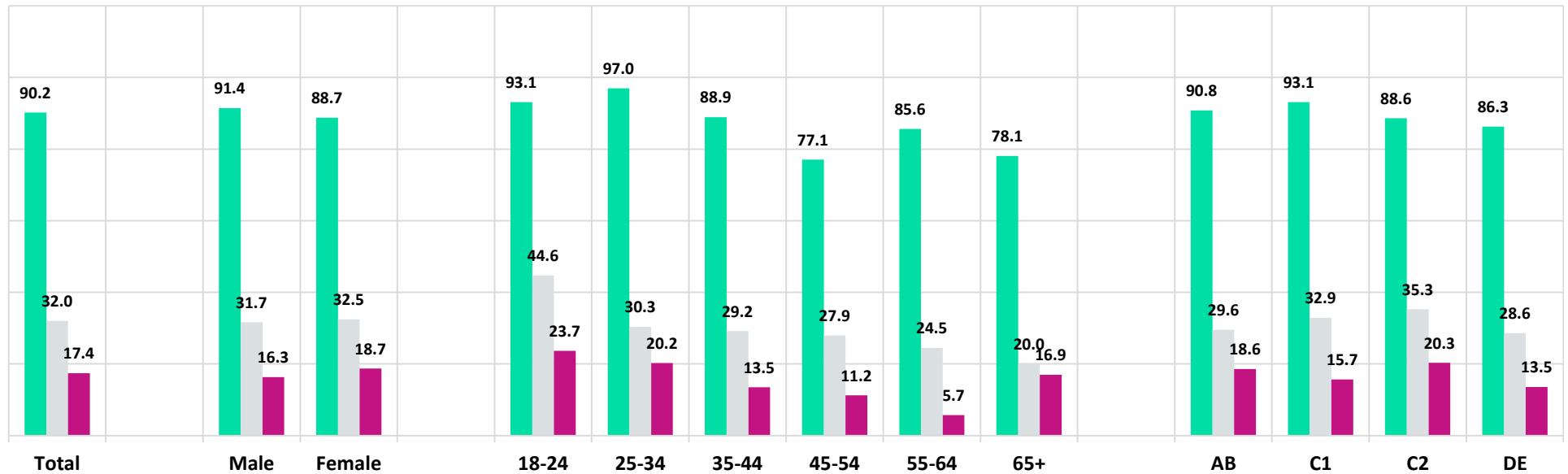


Chart shows the reasons shoppers in each group gave for why they are signed up to a subscription box service.

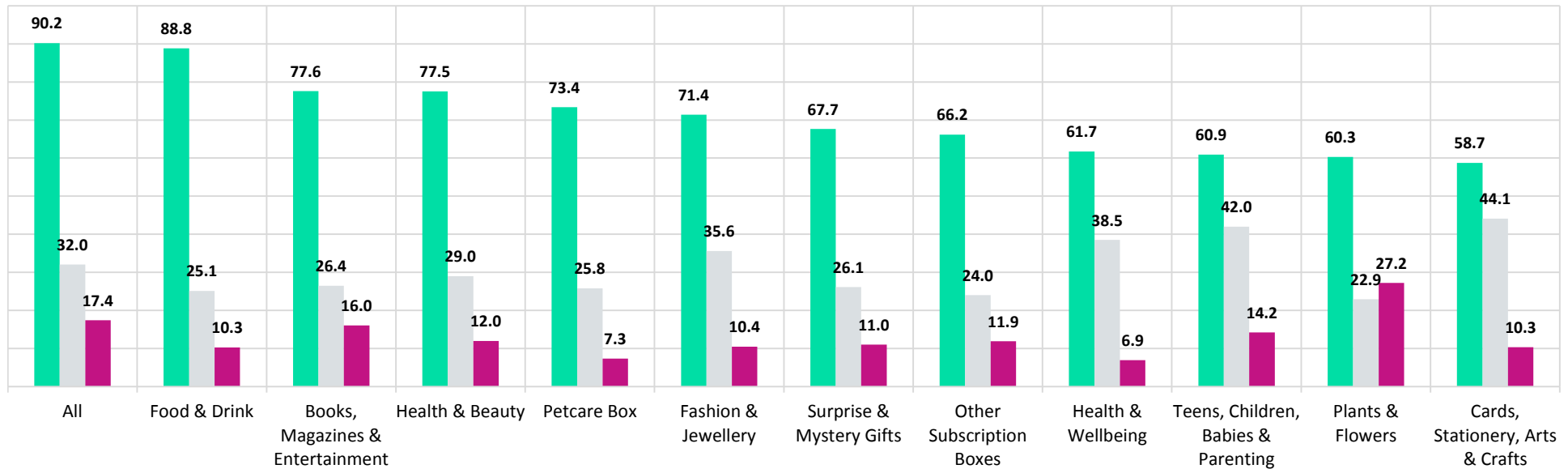


Gifting of subscription boxes is popular across categories

Purpose of subscription service purchase by type of subscription

Figures on the chart are percentages

■ I bought for myself ■ I bought as a gift for somebody else ■ Somebody bought it for me as a gift



i Chart shows the reasons shoppers gave for why they are signed up to each type of subscription box service.

Section 2.2

The consumer: drivers and barriers

In this section, we look at the drivers and barriers to using subscription box services



BOUGHT FOR THEMSELVES (%)

Try something new	45.2
Like the subscription model	44.9
To treat myself	42.1
Can try before I buy	35.7
Recommendation	30.7
Reviews	30.3
Convenience	28.1
Flexibility to cancel	21.9
I need this type of product	19.2
Financial incentive	18.9
To save money	17.8
Enjoy receiving gifts in the post	17.5
To save time	17.0
Like element of surprise	16.9
To experience different products	16.3
To get something I can't easily find in the shops	13.8
Access to exclusive/unique products	13.5
Personalised experience	10.6
To receive something exciting in the mail	7.6
Enjoy having someone else plan my purchases	4.6
Other	2.4



BOUGHT AS A GIFT (%)

Recommended by someone	53.9
Read good reviews	43.8
I thought this was a thoughtful gift	36.1
I thought this was a unique gift	35.9
I like the subscription model	33.6
Knew recipient would like this as a gift	28.8
I had previously been signed up to this service/a similar service	27.6
I thought this was a cost-effective gift	14.4
It was convenient to buy this as a gift	13.6
There was a promotion on – e.g. first month free	8.4
Other	1.1



GIFT RECIPIENTS (%)

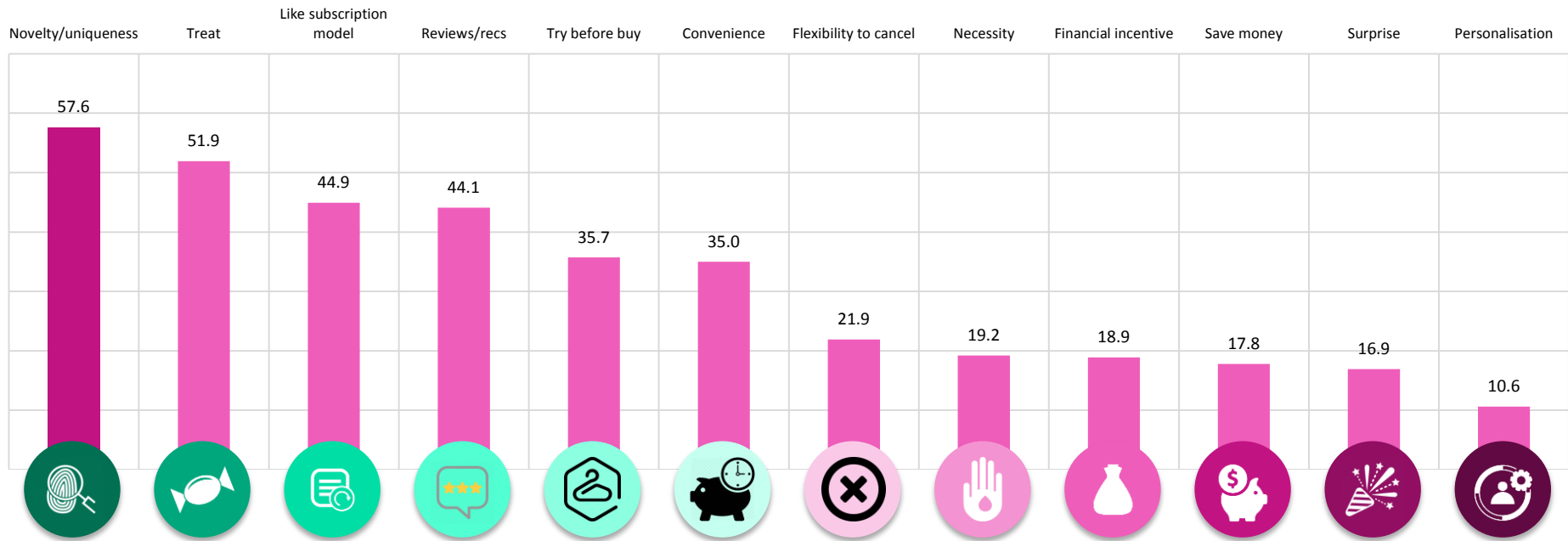
Good to try something new	32.2
I appreciated this as a gift	29.2
I like the subscription model	27.4
I enjoy being able to try samples before I buy	26.2
Would consider buying this type of subscription for others	20.8
Would recommend to other people	20.2
I plan to continue once the gift period runs out	19.1
I need this type of product	15.8
Likely to cancel/let the subscription expire once	15.8
I enjoy the element of surprise	14.9
Enjoy ability to experience a variety of different products	14.2
I look forward to receiving these items in the mail	14.2
None of the above	12.3
I enjoy having someone else plan my purchases	8.9
Nice as a gift but isn't something I need	8.3
I believe this subscription is convenient	8.1
Like to receive items that I can't find easily in the shops	7.8
This gift subscription is saving me money	6.9
This isn't something I would buy somebody else as a gift	1.8
I find having to plan for delivery quite annoying	0.0




Novelty and uniqueness are key drivers, but shoppers also like to treat themselves and 44.9% signed up because they like the subscription model

Reasons shoppers signed up to subscription box services for themselves

Figures on the chart are percentages



 Chart above shows the reasons why shoppers signed up to a subscription box service for themselves.

PURCHASE DRIVERS BY DEMOGRAPHICS



The subscription model is a more significant driver of take-up among male shoppers, reflecting the growing traction of male grooming services, which provide a regular supply of everyday essentials, such as shaving gear

Reasons shoppers signed up to subscription box services for themselves by demographics

Figures on the chart are percentages

	Overall	Male	Female	18-24	25-34	35-44	45-54	55-64	65+	AB	C1	C2	DE
Novelty/uniqueness	57.6	51.0	65.8	59.6	55.0	57.7	54.5	63.7	64.3	62.3	61.7	53.0	48.7
Treat	51.9	48.7	55.8	57.9	51.1	57.7	40.0	48.2	32.5	47.9	57.3	46.7	57.3
I like the subscription model	44.9	50.3	38.2	43.6	56.4	40.4	33.0	34.7	27.6	54.8	40.2	45.4	35.9
Reviews/recommendations	44.1	42.5	46.0	50.6	43.0	50.3	33.0	27.1	35.8	44.4	48.6	37.6	46.0
Ability to try samples before I buy	35.7	34.2	37.6	37.9	34.9	41.8	30.2	30.3	23.0	41.4	34.3	34.7	30.4
Convenience/time saving	35.0	33.3	37.2	26.6	34.8	42.4	36.9	37.1	38.1	34.7	35.0	36.8	32.4
Flexibility to cancel	21.9	20.9	23.0	17.7	25.0	18.5	18.3	30.5	30.5	24.3	21.7	20.2	21.0
Necessity	19.2	15.3	24.1	19.4	23.0	19.2	18.2	4.6	11.6	15.3	25.0	16.8	18.5
Financial incentive	18.9	17.7	20.3	13.0	24.3	23.2	7.7	17.1	14.6	16.3	26.9	17.4	9.1
To save money	17.8	16.8	18.9	12.6	17.6	20.7	20.4	21.4	20.9	19.6	20.9	11.5	19.4
Surprise	16.9	12.4	22.4	20.9	15.6	14.6	14.8	24.8	12.1	22.0	17.0	13.5	13.5
Personalised experience	10.6	9.5	12.0	9.3	13.6	11.4	2.9	5.5	14.0	16.3	11.1	7.5	5.1
Other reason – please specify	2.4	1.8	3.1		2.7	1.4	6.1	2.6	7.9	2.8	2.8	1.8	1.9
For no particular reason	1.8	2.0	1.5		1.7	1.8	2.3	3.4	7.4	2.6	0.4	1.1	4.6

Table above shows the reasons shoppers in each demographic group gave for why they are signed up to a subscription service.

Above average Average Below average

DEMAND DRIVERS BY TYPE OF SUBSCRIPTION BOX



Trying something new, different or unique is a particularly strong driver of food & drink subscription purchases

Reasons shoppers signed up to subscription box services for themselves by category

Figures on the chart are percentages

	Try something new, different or unique	Treat	I like the subscription model	Reviews/Recommendations	Ability to try samples before I buy	Convenience/time saving	Flexibility to cancel	Necessity	Financial incentive – e.g. first month free	To save money	Surprise	Personalised experience
All subscription boxes	57.6	51.9	44.9	44.1	35.7	35.0	21.9	19.2	18.9	17.8	16.9	10.6
Average	32.5	30.7	33.1	27.7	19.8	19.4	12.1	10.9	11.2	10.2	11.4	5.4
Food & drink	56.1	47.6	39.9	42.1	31.9	28.2	16.6	10.4	16.9	12.6	13.3	8.8
Health & beauty	40.4	40.6	36.9	35.3	26.2	28.8	14.9	24.5	11.0	14.0	11.0	5.3
Fashion & jewellery	26.3	28.2	27.5	41.1	27.7	25.3	10.1	6.3	18.6	8.0	4.5	5.5
Petcare box	35.5	26.6	27.3	8.8	34.9	20.7	5.3	16.5	3.8	16.5		1.9
General health & wellbeing	25.5	25.7	46.8	37.2	19.9	21.7	8.6	18.3	3.7	3.7	7.3	2.2
Cards, stationery, arts & crafts	22.4	28.6	26.1	23.5	9.4	20.8	6.5	4.9	20.9	10.7	8.2	
Teens, children, babies & parenting	25.6	26.7	33.0	28.9	9.4	14.7	12.8	5.0	5.6	8.0	3.0	6.8
Plants & flowers	29.4	22.2	16.4	27.3	17.4	20.1	10.2	8.5	9.0			5.8
Books, magazines & entertainment	29.3	24.6	31.7	33.3	21.2	19.1	13.9	8.1	9.9	9.1	2.9	5.7
Surprise & mystery gifts	31.3	38.8	51.9	3.7	10.3	7.2			12.3		36.2	4.6
Other subscription boxes	35.5	27.8	26.3	23.6	9.4	7.1	21.6	6.6		8.8	16.6	7.6

Table above shows the reasons shoppers gave for why they are signed up to each type of subscription service.

Above average Average Below average



Personal recommendations are the most common way for shoppers to find out about subscription services, with referral incentives proving a popular method for businesses to increase their subscriber base

Sources which led shoppers to find out the subscription services they signed up to

Figures on the chart are percentages

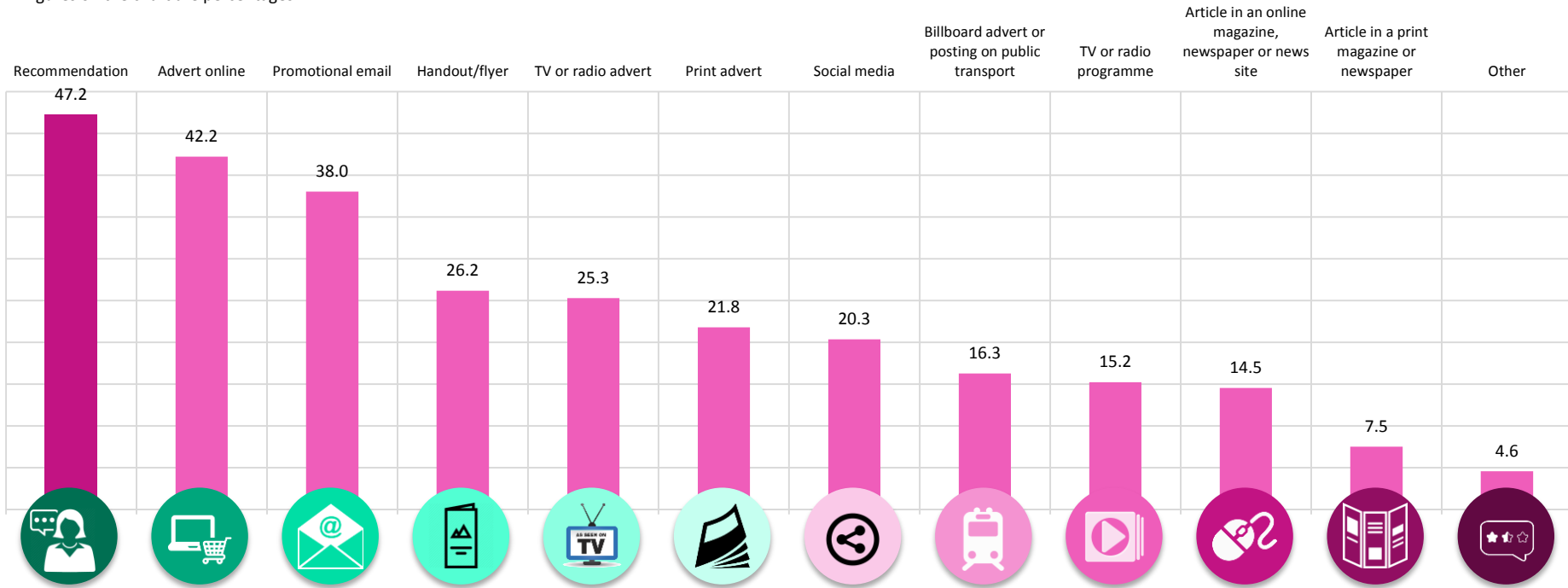


Chart shows the sources which alerted shoppers to the subscription services they signed up to.

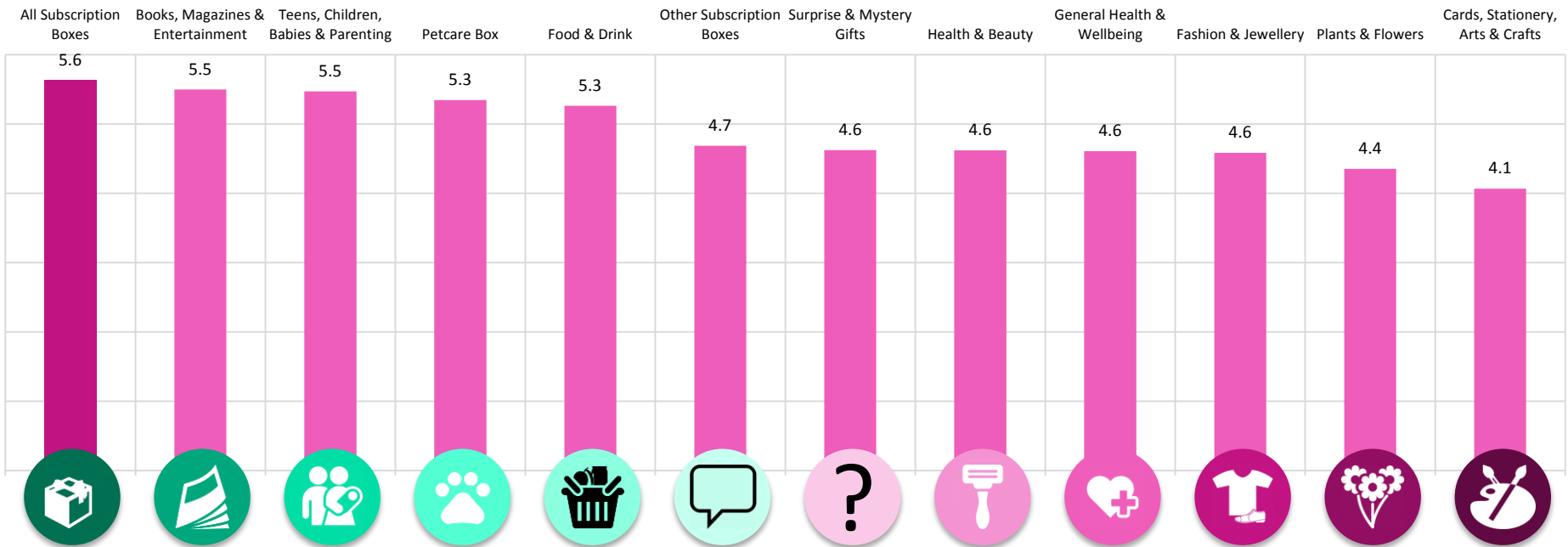
LENGTH OF TIME SHOPPERS HAVE BEEN SIGNED UP FOR




On average, shoppers in our survey had been signed up for subscription boxes for less than six months

Average number of months shoppers have been signed up to each subscription service for

Figures on the chart are number of months



 Chart shows the average number of months shoppers sign up to each subscription service.



Convincing shoppers of the merits of the subscription model is key, with 57.3% of those cancelling or not renewing their subscription citing the fact that they prefer to buy products when needed, while 57.6% have cancelled a subscription within the first three months

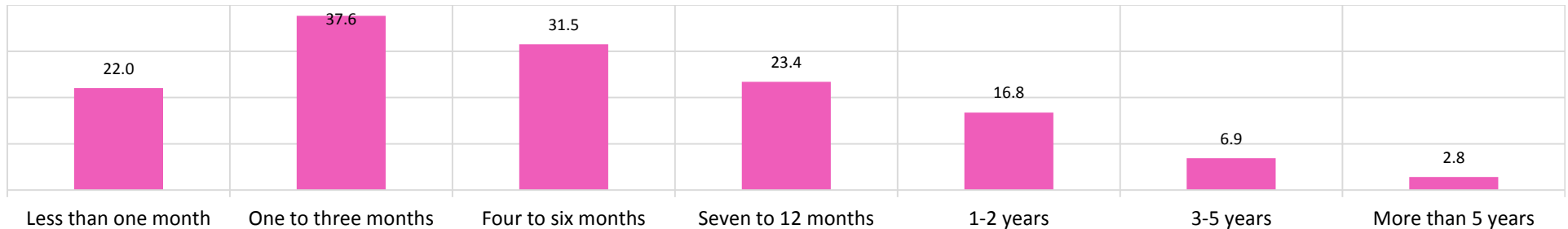
Reasons shoppers gave for cancelling or not renewing subscription services

Figures on the chart are percentages



Length of time shoppers were signed up for before cancelling or not renewing subscription services

Figures on the chart are percentages



i Top chart shows the reasons shoppers gave for why they decided to cancel or not renew certain subscription services. Bottom chart shows the proportion of shoppers who were signed up to subscription services for each time period before deciding to cancel or not renew.

REASONS SHOPPERS DECIDED TO CANCEL SUBSCRIPTIONS



In the majority of cases, shoppers cancel food & drink subscriptions because they prefer to buy when needed

Reasons shoppers gave for cancelling or not renewing subscription services

Figures are percentages

	Average	Food & drink	Health & Beauty	Fashion & jewellery	Petcare Box	General Health & Wellbeing	Cards, stationery, arts & crafts	Teens, children, babies & parenting	Plants & flowers	Books, magazines & entertainment	Surprise & mystery gifts	Other Subscription Boxes
I prefer to buy when needed	37.5	52.3	39.8	33.5	11.9	59.0	40.9	17.6	52.6	42.4	40.9	21.6
Too expensive	31.4	34.6	36.7	26.4	39.3	37.6	34.9	28.2	29.7	26.0	10.2	41.5
Poor value for money	28.0	26.8	23.9	24.5	16.1	31.2	23.9	29.6	36.8	17.7	52.9	24.5
I found a better subscription	17.6	15.2	11.2	14.7	7.1	8.3	5.3	24.3	42.3	13.9	37.3	14.1
I no longer needed the product	16.0	10.9	16.0	18.6	10.4	12.7	22.9	20.6	11.7	20.1	12.0	20.4
I was dissatisfied with the product(s)	16.0	17.7	12.0	21.8	29.3	12.7	15.2	14.3	5.5	12.8	22.2	12.9
Lack of flexibility	13.4	13.4	15.9	21.1	0.0	21.2	17.1	18.6	9.9	12.3	0.0	18.1
Deliveries were too regular	12.9	17.1	11.7	13.4	6.2	32.7	10.9	6.3	24.0	10.3	0.0	8.8
I was required to wait in for deliveries	10.2	6.7	10.6	18.6	0.0	0.0	14.0	10.9	18.1	7.6	12.0	14.0
Other reason	9.0	6.6	16.1	8.0	0.0	8.3	16.5	4.4	10.2	13.2	12.0	4.3

Table above shows the reasons shoppers gave for why they decided to cancel or not renew each type of subscription service.

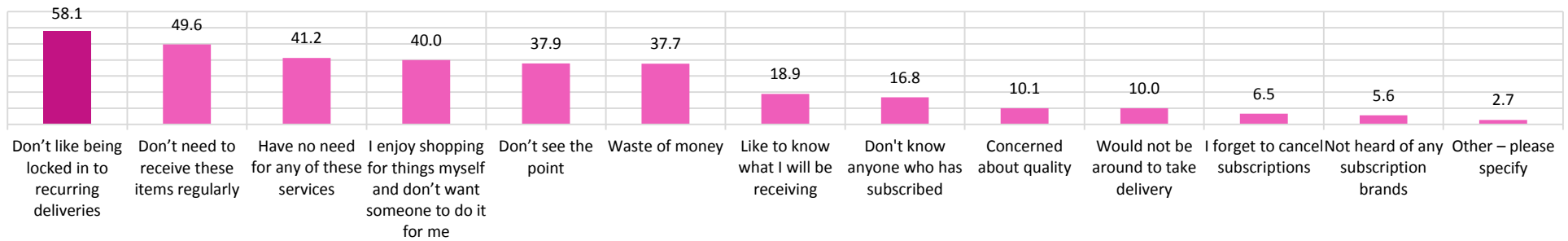
■ Highest value
 ■ Above average
 ■ Average
 ■ Below average
 ■ Lowest value



Being locked into regular deliveries is a key factor putting off many shoppers, making it key that retailers provide easy and flexible opportunities for cancellation

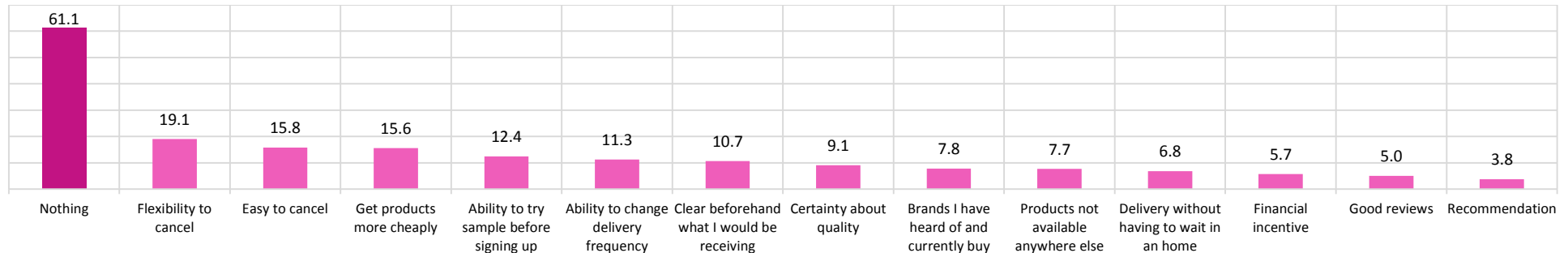
Barriers to using subscription box services

Figures on the chart are percentages



Factors which could persuade non-shoppers to sign up to subscription box services

Figures on the chart are percentages



i Top chart shows reasons shoppers gave for why they have never signed up to a subscription service. Bottom chart shows the factors which could persuade these shoppers to consider signing up to subscription services.

FACTORS WHICH COULD ENCOURAGE NON-SHOPPERS TO SIGN UP



While many shoppers in the 45+ age group are resistant to the idea of subscription services, there is potential to convert younger shoppers, though they need to see that it is easy for them to opt out

Factors which could persuade shoppers to consider signing up to subscription services

Figures are percentages

	Overall	Male	Female	18-24	25-34	35-44	45-54	55-64	65+	AB	C1	C2	DE
Nothing	61.1	65.1	57.3	19.4	39.4	41.4	63.1	64.8	76.3	67.5	50.6	53.8	65.9
Flexibility to cancel	19.1	17.8	20.3	59.4	30.7	31.3	15.6	17.2	9.1	13.0	26.4	24.5	17.0
Easy to cancel	15.8	14.2	17.2	28.9	20.1	22.0	17.5	14.6	10.2	12.3	26.0	12.9	14.2
Cheaper products	15.6	13.6	17.4	11.5	22.3	15.6	14.7	19.2	12.8	14.9	22.8	12.8	13.3
Try before I buy	12.4	9.9	14.8	17.9	15.4	14.8	11.8	12.0	10.7	8.2	19.3	13.4	11.5
Ability to change delivery frequency	11.3	9.9	12.6	12.3	14.6	14.4	11.1	13.9	7.7	9.6	15.4	8.6	11.7
Clear what comes in each delivery	10.7	10.3	11.1	20.7	11.5	14.9	8.1	11.5	8.6	10.0	15.7	7.9	9.9
Confidence in product quality	9.1	8.3	9.9	7.8	11.1	12.7	10.5	7.7	7.6	7.3	13.7	7.7	8.7
Brands I have heard of and buy	7.8	7.1	8.5	12.3	10.3	10.5	3.8	8.9	7.3	8.6	9.2	7.1	6.7
Unique products	7.7	6.5	8.8	8.4	6.9	15.3	8.1	5.0	6.3	5.8	11.1	7.9	7.1
Ability to get products delivered when I'm out	6.8	5.1	8.4	12.6	9.6	13.5	4.2	8.9	3.3	4.4	10.8	8.2	5.8
Financial incentive	5.7	4.8	6.6	22.5	2.8	9.7	7.4	2.3	3.6	3.2	13.2	2.9	5.1
Good reviews	5.0	4.4	5.7	28.2	9.0	3.6	4.4	2.5	3.0	4.0	7.1	4.5	5.0
Recommendations	3.8	3.8	3.8	12.7	3.2	2.8	4.0	4.8	2.4	4.0	8.1	0.8	2.8

Table shows the reasons shoppers in each demographic group gave for why they have never signed up to a subscription service.

Highest value
 Above average
 Average
 Below average
 Lowest value

Section 2.3

The consumer: delivery

In this section, we look at the key issues when it comes to the delivery of subscriptions

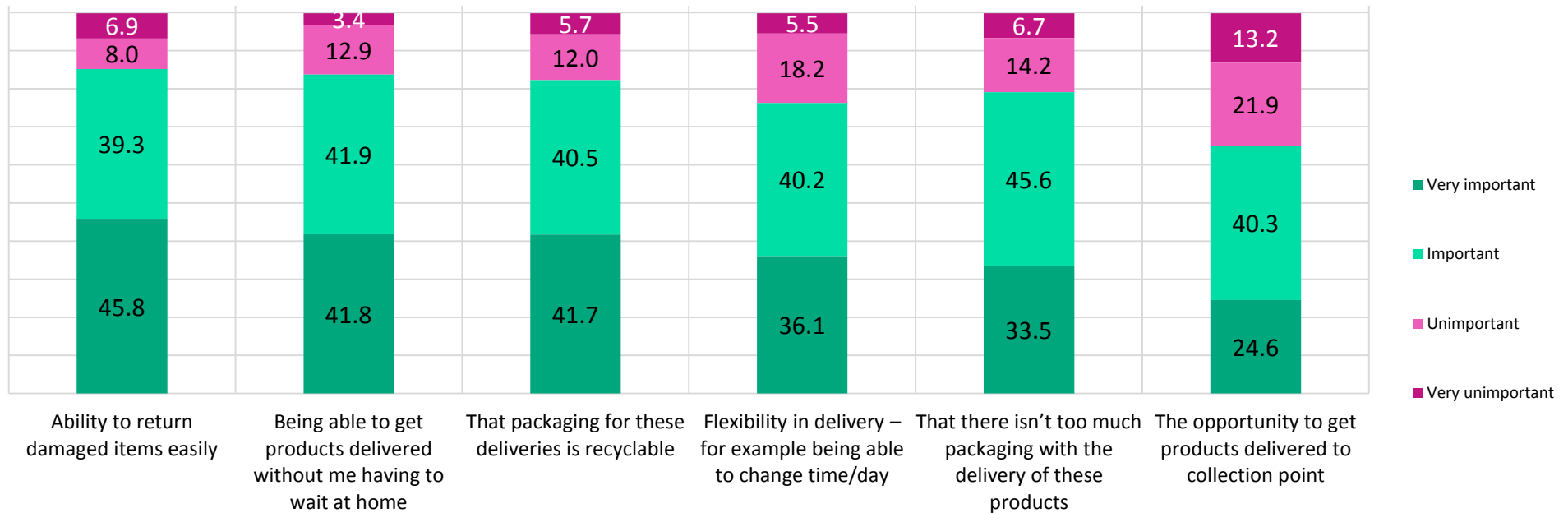
KEY CONSIDERATIONS FOR SUBSCRIPTION SERVICES



82.4% of shoppers say that it is important or very important that they can get products delivered without having to wait at home, highlighting the value of letterbox delivery

Importance of factors related to delivery

Figures on the chart are percentages



i Chart shows the importance shoppers attribute to different factors involved in the delivery element of subscription services

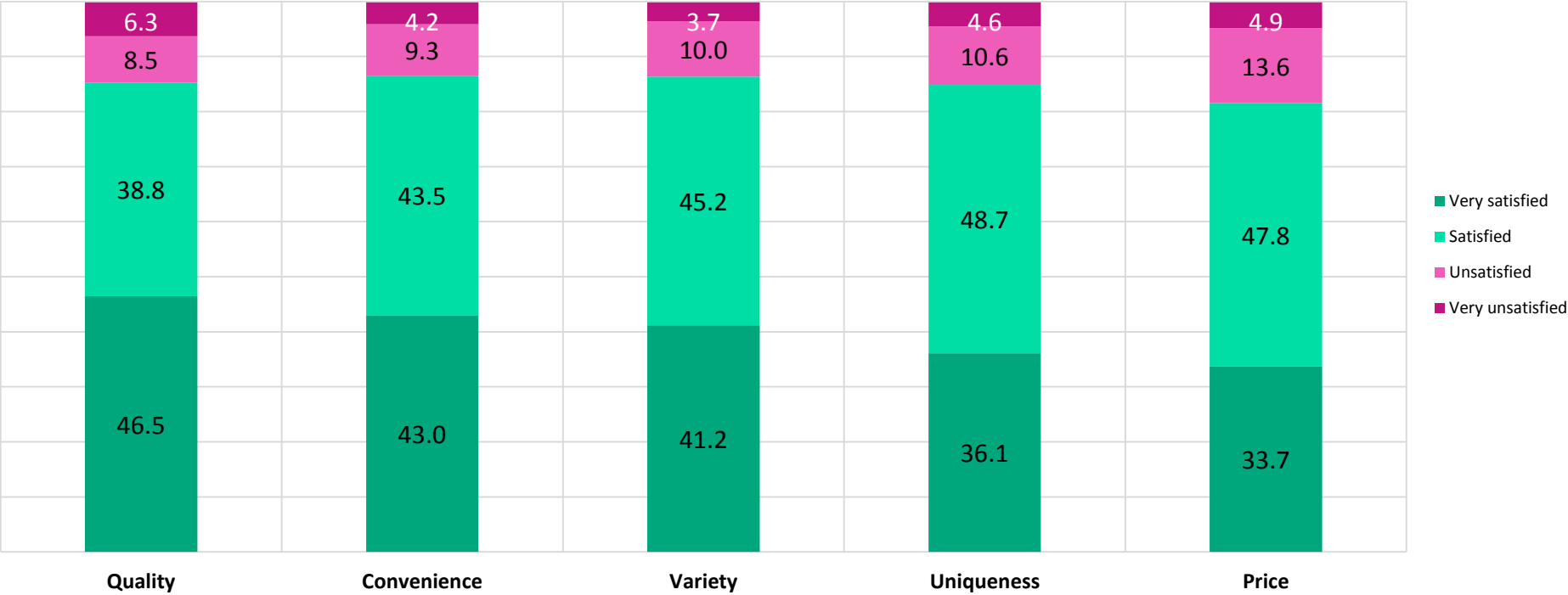
SATISFACTION WITH SUBSCRIPTION SERVICES



Shoppers are generally satisfied with the services they get as part of their subscriptions, but price does offer some room for improvement

Shopper satisfaction with different elements of subscription services

Figures on the chart are percentages



i Charts shows how satisfied shoppers are with different elements of the subscription services they are signed up to.



45.3% of subscriptions are normally delivered through the letterbox, rising to 53.4% of health & beauty boxes

How subscription boxes are normally delivered

Figures on the chart are percentages



i Chart shows how each type of subscription service is normally delivered.

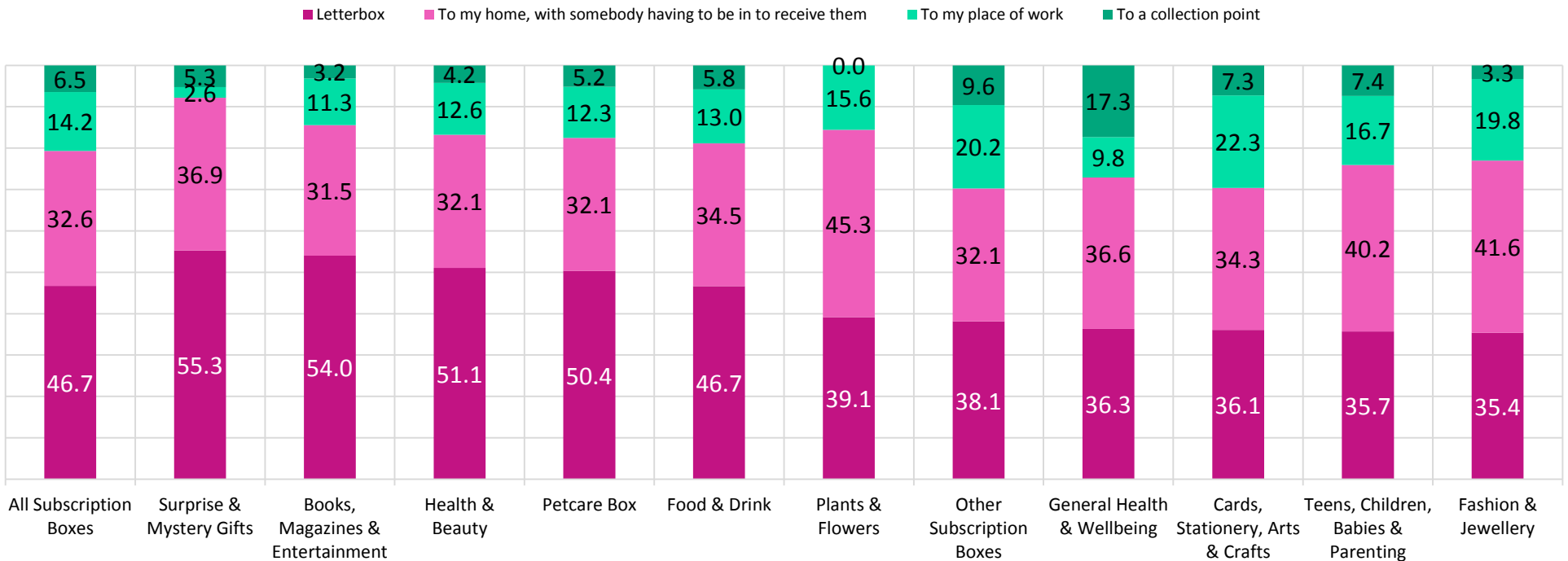
PREFERRED DELIVERY METHOD



Just under half (46.7%) of shoppers would prefer to have letterbox delivery

Preferred delivery method for subscription boxes

Figures on the chart are percentages



i Charts shows preferred delivery method for subscription boxes, by category.

FREQUENCY OF DELIVERY

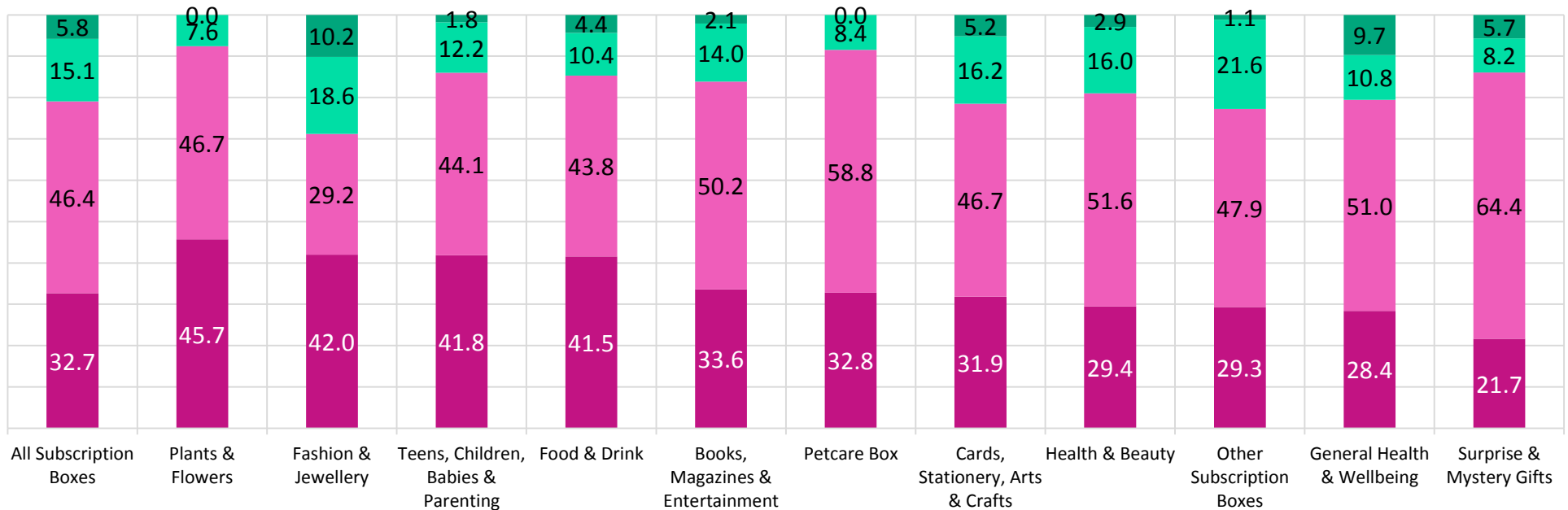


Just under a third of subscription boxes are delivered once a week or more

Frequency of delivery

Figures on the chart are percentages

■ Once a week or more
 ■ Once or twice a month
 ■ Four to six times a year
 ■ Fewer than four times a year



i Charts show the frequency with which each type of subscription box is delivered.

Section 2.4

The consumer: future intentions

In this section, we look at shoppers' future intentions when it comes to the use of subscriptions



More than three-quarters of shoppers are set to either maintain or increase their use of subscription services in the future, with 56.7% of 25-34 year olds planning to join more subscription schemes in the future

Intentions to use subscription services in the future

Figures on the chart are percentages

- It is likely that I will reduce the number of subscription schemes that I am signed up to
- It is likely that I will be signed up to a similar number of subscription schemes as I am at the moment
- It is likely I will join more subscription schemes

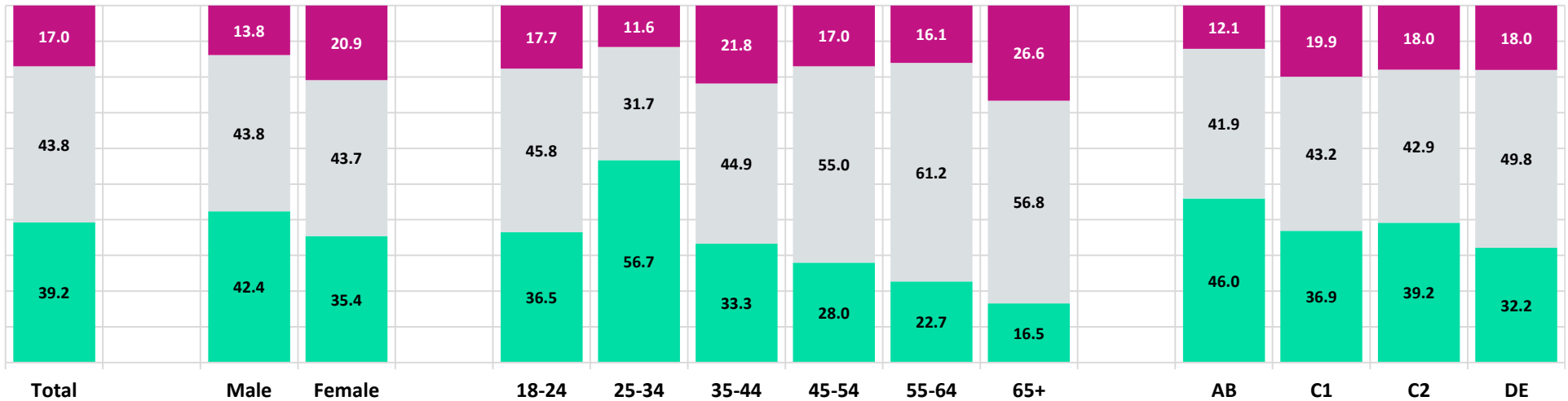


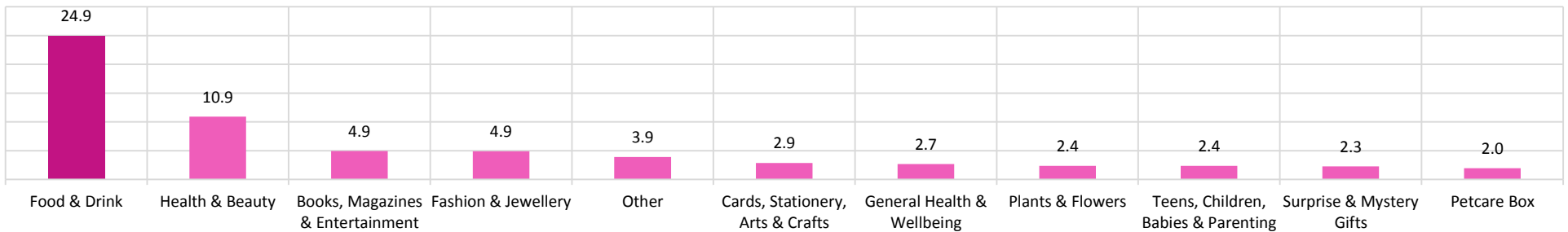
Chart shows whether shoppers intend to change their use of subscription services in the future.



24.9% of shoppers are considering or likely to consider signing up to a food & drink service in the future, with the ability to cancel when desired proving to be a key driver of consideration

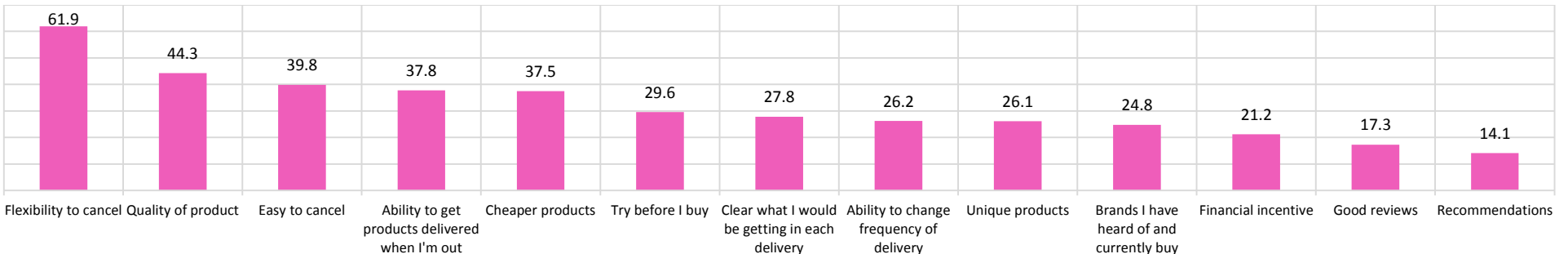
Subscription services which shoppers are considering or likely to consider signing up to

Figures on the chart are percentages



Factors persuading shoppers to consider signing up

Figures on the chart are percentages



i Top chart shows the proportion of shoppers who are considering or likely to consider signing up to each type of subscription service in the future. Bottom chart shows the factors which persuaded them to consider signing up.

FACTORS ENCOURAGING SHOPPERS TO CONSIDER SIGNING UP



Flexibility to cancel is the key factor that would encourage shoppers to sign up to more subscription schemes

Factors which have persuaded shoppers to consider signing up to subscription services

Figures on the chart are percentages

	Overall	Male	Female	18-24	25-34	35-44	45-54	55-64	65+	AB	C1	C2	DE
Flexibility to cancel	61.9	56.5	67.3	59.2	60.4	52.1	76.5	62.4	70.5	60.5	63.5	58.1	66.5
Quality of product	44.3	34.9	53.6	52.5	35.1	38.0	48.5	56.1	47.6	42.4	47.0	39.9	48.3
Easy to cancel	39.8	33.0	46.5	35.9	34.5	29.5	51.7	49.9	61.7	41.4	41.0	30.2	49.8
Ability to get products delivered when I'm out	37.8	33.9	41.6	44.0	36.2	41.3	34.8	35.1	24.8	39.3	39.0	35.6	36.2
Cheaper products	37.5	31.2	43.8	47.8	28.1	33.3	35.5	42.2	48.1	29.6	40.7	36.4	44.4
Try before I buy	29.6	20.6	38.5	35.9	20.1	22.3	37.6	35.6	40.5	22.5	27.5	28.8	46.3
Clear what I would be getting in each delivery	27.8	23.3	32.3	26.8	22.9	22.0	32.3	46.3	35.2	24.7	30.7	24.7	31.3
Ability to change frequency of delivery	26.2	21.0	31.4	30.4	19.3	25.2	29.4	30.7	30.8	23.7	25.2	27.0	31.4
Unique products	26.1	22.8	29.4	40.1	22.3	18.4	23.8	31.7	14.0	19.5	30.2	25.5	28.4
Brands I have heard of and currently buy	24.8	24.6	25.1	36.6	21.5	23.1	9.2	29.0	29.1	20.5	26.0	26.1	27.1
Financial incentive	21.2	15.2	27.1	28.6	18.0	17.7	21.5	15.7	22.5	17.3	22.8	17.0	30.3
Good reviews	17.3	11.4	23.2	26.1	11.9	12.5	15.3	18.9	22.8	15.9	16.8	17.4	20.4
Recommendations	14.1	12.0	16.3	18.7	9.1	13.8	18.5	17.8	8.1	14.5	16.4	13.1	10.2

Table shows the factors which have persuaded shoppers in each demographic group to consider signing up to subscription services.

■ Highest value
 ■ Above average
 ■ Average
 ■ Below average
 ■ Lowest value

Section 3

Retailer dynamics

In this section, we look at the retailer perspective on key issues, trends, drivers and barriers in the subscription market



1. DRIVING GREATER BRAND LOYALTY IS KEY

Driving greater brand loyalty is a key motivating factor behind the launch of many subscription schemes – cited by 44.8% of those operating such a service. Successive years of wage squeezes and an increasingly competitive retail environment have fostered the growth of more selective consumers, making it more challenging for retailers to rely on loyal customers. This in turn, has encouraged retailers to be more creative when it comes to generating loyalty, leading to ever more innovative loyalty schemes. In this regard, subscription offers an enticing option to lock consumers in to regular purchasing. Other important reasons for starting a subscription box service include the desire for greater control, in particular control of distribution (34.5%), control of marketing and promotion (24.1%) and lower start-up costs (24.1%).

2. SOURCING AND CUSTOMER RETENTION ARE THE MOST COMMONLY CITED CHALLENGES

Linked to the desire to drive greater loyalty, retaining customers is seen as one of the key challenges associated with operating a subscription box scheme (20.7%). This is brought into sharp focus when looking at the average amount of time shoppers stay signed up to subscription services, with the average retention rate of 58.6% of the businesses in our survey being three months or less and only 10.3% retaining customers for an average of one year or more. On a more positive note, subscription box businesses tend to see a return on investment relatively quickly, with 62.1% achieving this within three months of a customer being signed up to a service.

Allied to this, sourcing exciting, new and/or innovative products is inevitably a key part of ensuring customers remain interested and engaged. Sourcing new and exciting products and sourcing unique products were mentioned as key challenges by 20.7% of businesses.

3. SUBSCRIPTION RETAIL OFFERS SIGNIFICANT OPPORTUNITIES FOR INTERNATIONAL EXPANSION

89.7% of businesses in our survey make at least some of their subscription revenue from outside the UK and over a fifth (23.8%) make more than half of sales from abroad. Sustained low growth in UK retail sales and the growing attractiveness of UK prices thanks to the weakness of sterling, is making international expansion opportunities increasingly appealing. With relatively low start-up costs, subscription boxes are clearly an attractive option for businesses targeting markets overseas. Popular overseas markets include the Republic of Ireland and France - where 46.2% of subscription businesses which sell overseas make at least some of their sales – as well as Germany (38.5%) and Spain (30.5%).



4. WHEN IT COMES TO DELIVERY PARTNERS, COST IS KEY

72.3% of businesses offering a subscription service said that the cost of the service is an important factor when dealing with delivery and fulfilment partners and the vast majority of businesses (82.8%) are either satisfied or very satisfied with the cost of the service they receive.

When it comes to satisfaction with services, punctuality (in terms of delivery speed) and customer service (between the business and the fulfilment partner) offer room for improvement, with 24.1% of businesses reporting that they are unsatisfied with the service they receive in these areas. Overall, in spite of generally high levels of satisfaction with the service provided to them, 51.7% of businesses believe that delivery and fulfilment could do more to improve the services offered to them.

5. SUBSCRIPTION BOX BUSINESSES PLANNING FUTURE INVESTMENTS, BUT CONCEDE THE MARKET IS BECOMING HIGHLY COMPETITIVE

Perhaps spurred on by growing competition (with 75.9% agreeing that the subscription box market is becoming highly competitive), 58.6% of subscription box businesses intend to invest in new or existing subscription services in the next 12 months and 72.4% intend to add new products to their service. Positively in terms of the likely longevity of this type of business model, 51.7% agree that subscription is set to be a major focus of their company in the future, though 44.8% admit to concerns that larger retailers/brands will invest more strongly in this segment of the market.

6. SCEPTICISM OVER THE LONG TERM OPPORTUNITY REPRESENTS A BARRIER TO BUSINESSES LAUNCHING SUBSCRIPTION SERVICES

Perhaps influenced by the difficulties subscription box businesses have had in terms of customer retention and the increasingly competitive nature of the market, just over a fifth (20.8%) of businesses not currently operating a subscription box mentioned the lack of long term opportunities as a reason why they have not entered the market.



REASONS FOR LAUNCHING

Drive greater brand loyalty	44.8
Control of distribution	34.5
Lower start-up costs	24.1
Control of marketing and promotion	24.1
We believe subscriptions to be a good retail model	13.8
Rising consumer demand for subscription schemes	13.8
Barriers to selling via other means were higher	10.3
Unique product that lends itself to subscriptions	10.3
Fewer competitors in the subscription market for the products we sell	10.3
Good model to establish a consistent revenue stream	10.3
Lower operational costs	6.9
Our products lend themselves strongly to gifting in the form of subscriptions	6.9
Responding to competitors	3.4
Other	3.4



KEY CHALLENGES

Sourcing new and exciting products	20.7
Sourcing unique products	20.7
Customer retention	20.7
Customer acquisition	17.2
The fickleness of shoppers	17.2
Getting the price right	17.2
Keeping up with demand	17.2
Staying on top of the schedule of operations	17.2
Growing/scaling up the business	17.2
Reliance on own marketing	13.8
Finding a reliable delivery partner	13.8
Managing relationships with delivery partners	13.8
Maintaining high levels of customer service	13.8
Dealing with problems/complaints	13.8
Staying competitive on price	13.8
Ensuring that we remain front-of-mind among consumers	13.8
Ease of entry of competitors	10.3
High reliance on delivery partners	10.3
Danger that larger brands invest more strongly in this market	10.3
Finding a delivery partner which offers a high standard of service for a reasonable price	6.9
Managing sourcing costs	6.9
Greater exposure to own distribution operations	6.9
Growing competition	6.9
Other companies replicating our niche	6.9



BARRIERS

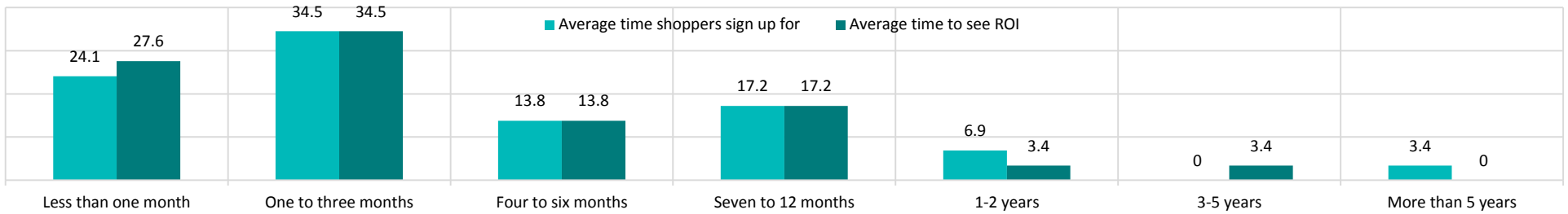
My company is focussed on other areas of priority	25.0
I just don't think that subscriptions offer strong long term opportunities	20.8
My company's products don't lend themselves well to subscription services	16.7
I just don't think subscriptions are a good retail/distribution model	8.3
We don't currently have the right systems in place to operate a subscription scheme	8.3
Other	8.3
Such services have too high a reliance on effectiveness of own marketing and promotion	4.2
The subscription market for the products my company sells is already crowded	4.2
There is too much reliance on the efficiency of delivery partners	4.2
There is growing competition in the subscription market	4.2
None of the above	29.2



58.6% of businesses retain customers for an average of three months or less

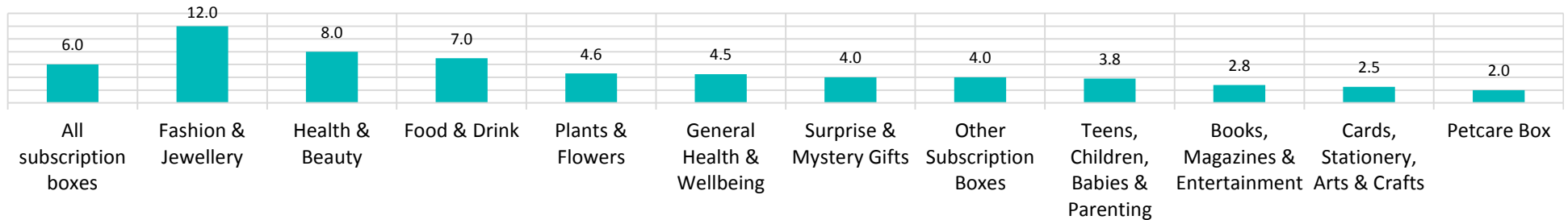
Average number of months shoppers stay signed up for

Figures on the chart are percentages



Average number of months consumers stay signed up for

Figures on the chart are months



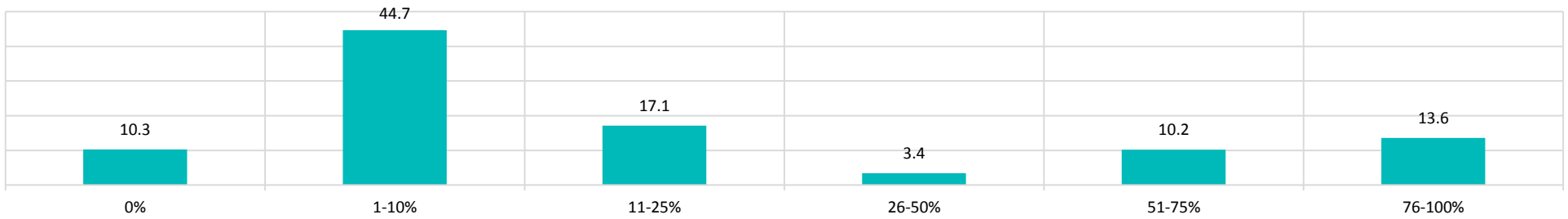
i Top chart shows the average number of months shoppers stay signed up for.



Almost 90% of businesses make at least some of their sales outside of the UK

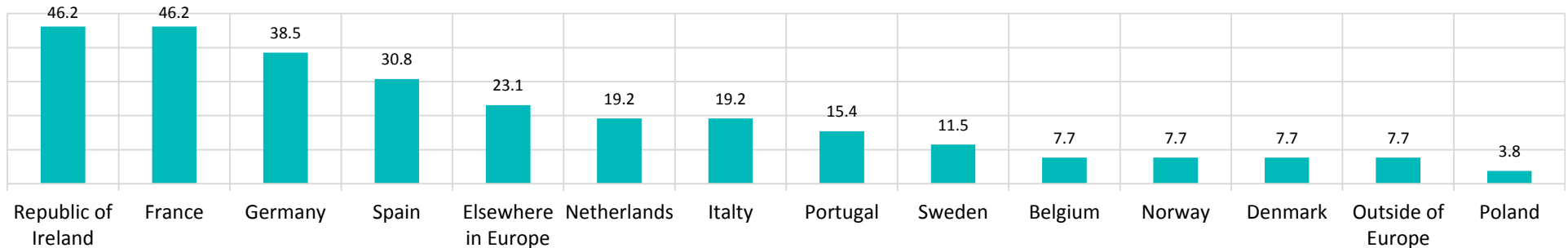
Proportion of sales made abroad

Figures on the chart are percentages



Countries subscription boxes are delivered to (of those companies which make at least some sales abroad)

Figures on the chart are percentages



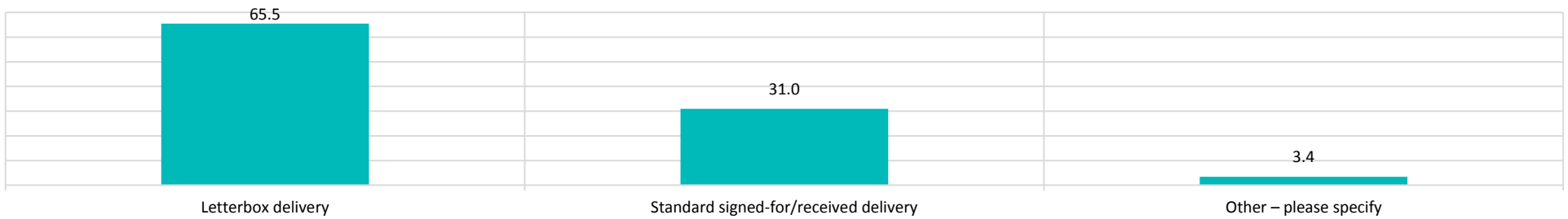
Top chart shows the proportion of sales made abroad among B2B respondents. The bottom chart shows the proportion of B2B respondents that sell in each country, among those that said that they make sales abroad.



The lower cost of letterbox delivery makes it attractive to subscription box companies

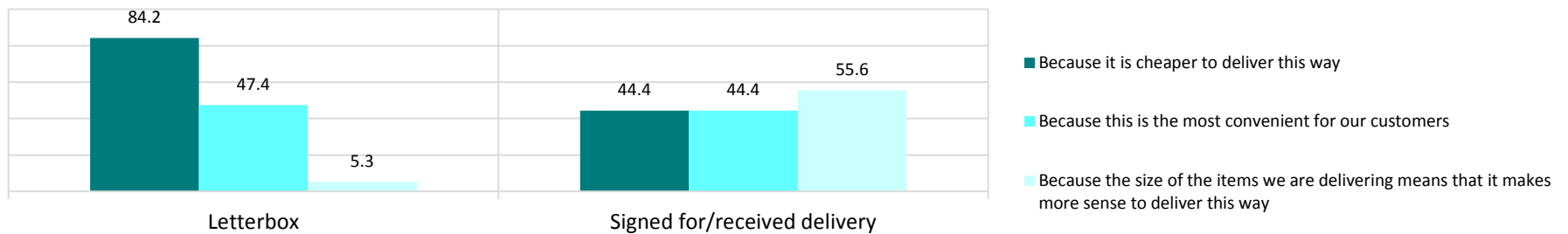
Delivery method normally used

Figures on the chart are percentages



Reasons for using each delivery method

Figures on the chart are percentages



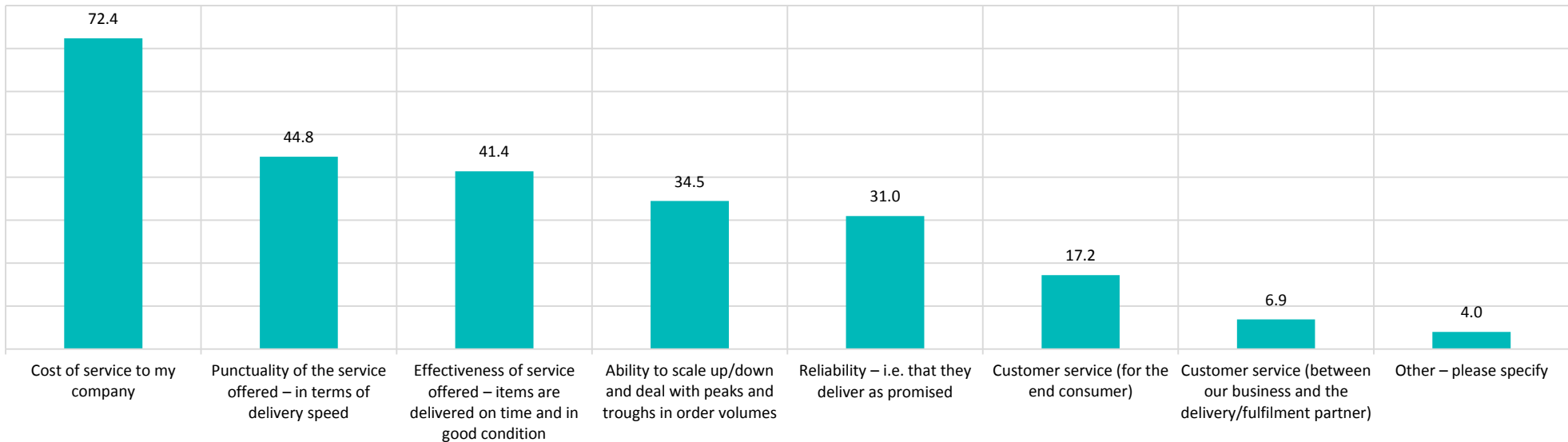
i Top chart shows the proportion of B2B respondents that use different types of delivery methods. The chart below shows the reasons why these delivery methods are used.




Cost is the key consideration when it comes to delivery partners

Which factors are important when it comes to delivery/fulfilment partners

Figures on the chart are months



 Chart above shows total agreement (i.e. the total percentage of shoppers who say that they either agree or strongly agree with each statement), split by demographics.

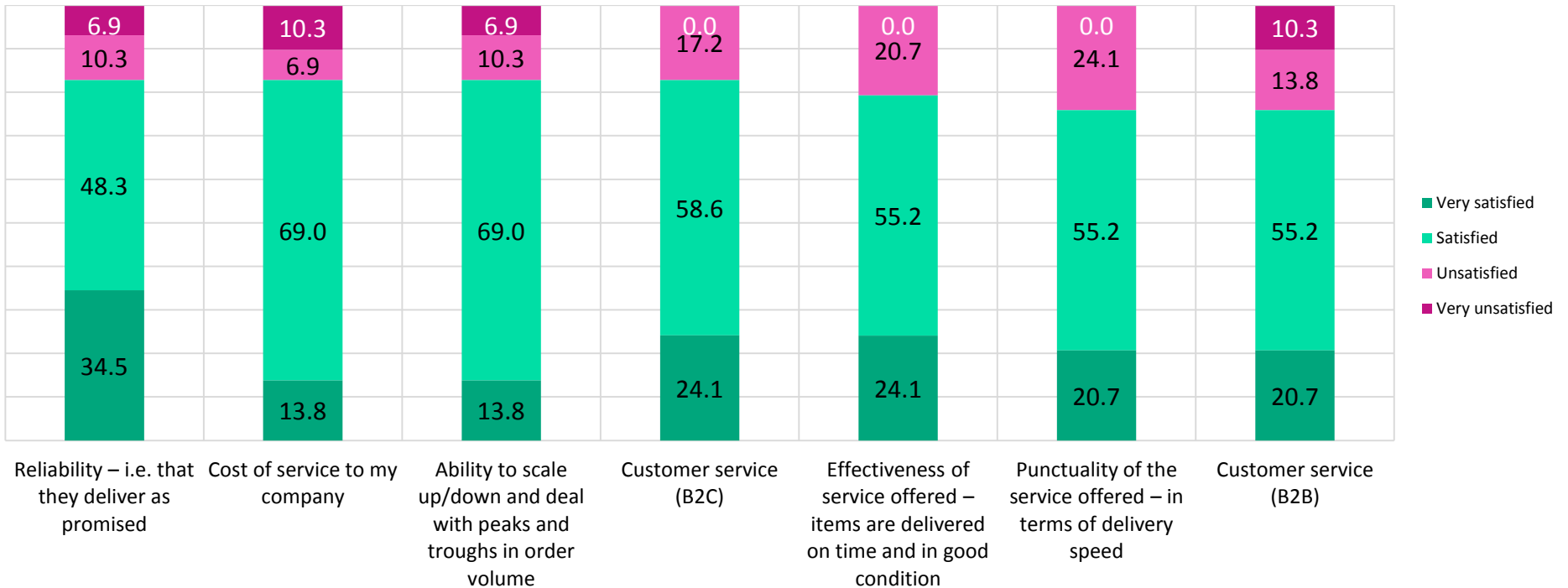
SATISFACTION WITH DELIVERY PARTNERS



Satisfaction is highest with reliability, with customer service (B2B) and punctuality offering room for improvement

Satisfaction with delivery/fulfilment partners

Figures on the chart are percentages



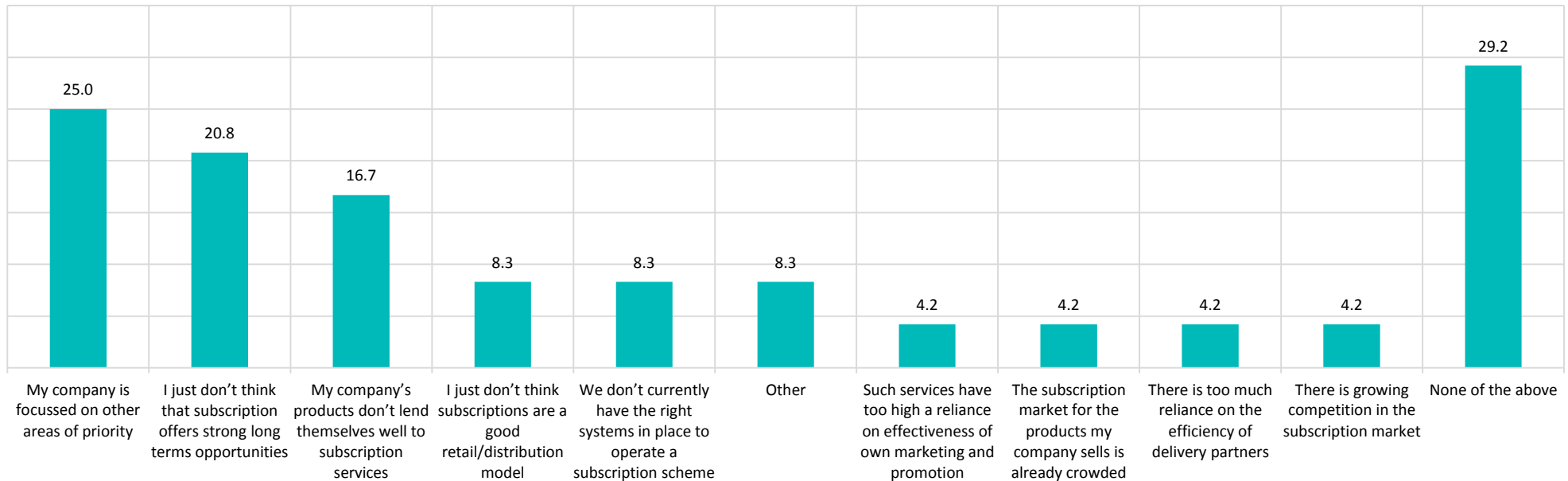
i Chart shows satisfaction with different elements of relationships with delivery partners.




Focussing on other areas is the number one reason businesses are not planning to launch a subscription service

Barriers to launching a subscription service

Figures on the chart are percentages



 Charts above show total agreement (i.e. the total percentage of shoppers who say that they either agree or strongly agree with each statement), split by demographics.



Subscription box businesses planning future investments, but concede the market is becoming highly competitive

Views on the subscription market

Figures on the chart are percentages

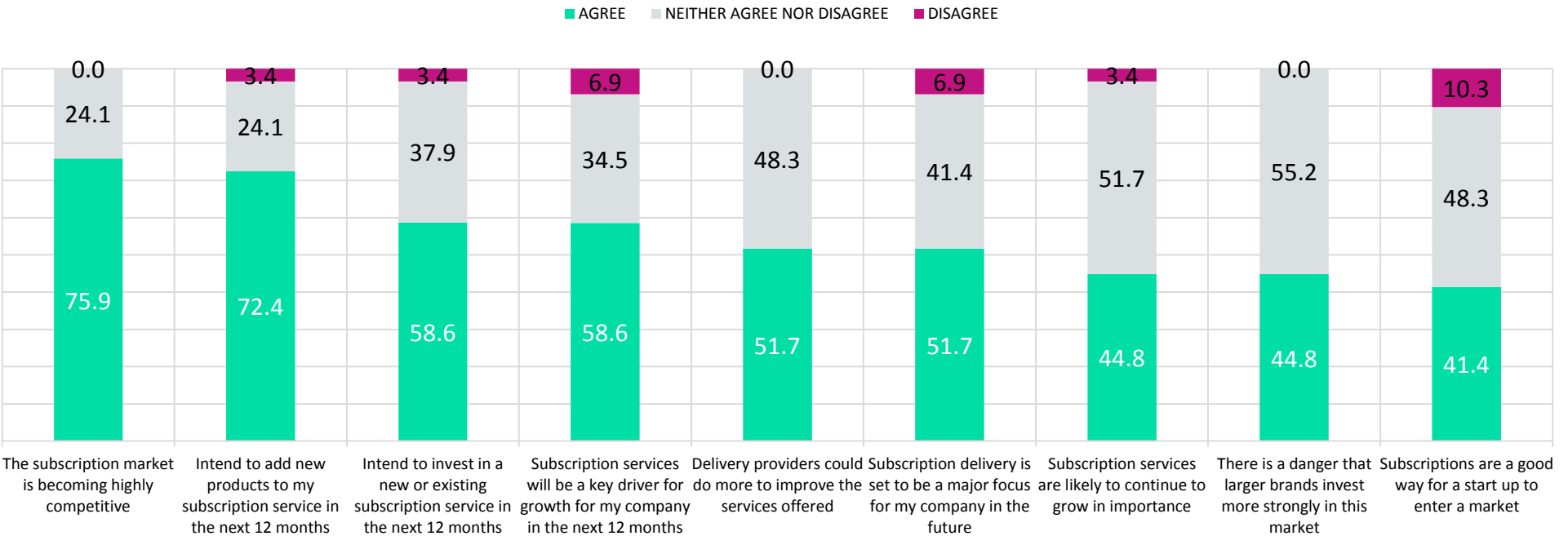


Chart shows agreement of various statements in relation to the subscription market.



Methodology

How the market is sized, researched, and its components



DEFINITION OF THE SUBSCRIPTION BOX MARKET

A subscription box is a recurring, physical delivery of products packaged as an experience and designed to offer additional value on top of the actual retail products contained in the box, such as through surprise, a saving on what is on offer in the shops, or by giving the user a chance to experiment with a tailored selection of products.





CONSUMER SURVEY WORK – BASIC METHODOLOGY

GlobalData undertook a bespoke, nationally-representative consumer survey of 2,000 consumers to understand penetration, attitudes and shopping habits in the subscription retail market.

B2B SURVEY WORK – BASIC METHODOLOGY

Separately, GlobalData also surveyed 53 businesses across the retail and healthcare sectors to understand more about their experience of and attitudes towards operating subscription retail services.



1: gathering

Information gathering is about bringing together all of the critical ingredients needed to model the data. We tend to gather from the following sources:

1. *Bespoke consumer research among a representative sample of consumers.*
2. *Official data from the ONS and other government sources.*
3. *Data direct from retailers, manufacturers and trade bodies.*
4. *Data and information already published, including by competitors.*
5. *Data on prices, sales mixes and space from in-store auditing.*



2: modelling

Once data information has been gathered the next step is to model it to come up with an initial estimate. Some of the techniques we use are:

1. *Building from bottom up: this usually involves taking insight on what consumers in our sample spend and marking it up to a total population level.*
2. *Building from top down: this usually involves taking a retailer's (or group of retailers') total sales and understanding how they break down into categories or products.*
3. *Price and volume estimations: estimating a total market size based on volume, turnover, space and price data.*



3: validation

Once a rough estimate has been produced, the next step is to validate, test and refine it so we can be sure of its robustness:

1. *Spend per head test: checking that spend per head values look reasonable and fit in with overall personal expenditure levels.*
2. *Retailer share test: testing that a market size balances with retailers' reported sales.*
3. *Sales balance test: testing whether the size of a category or sub-category fits optimally into total retail sales or total category sales and looks reasonable when set against other category values.*



4: finalisation

The final stage in the process is to finalise the data. This involves our expert analysts reviewing and critiquing the entire calculation process:

1. *Assumption testing: ensuring that any assumptions made are reasonable.*
2. *Accuracy testing: double checking all calculations to ensure accuracy.*
3. *Logical testing: ensuring that the numbers look logical and feel right based on the analyst's knowledge.*
4. *Peer review: seeking feedback from retailers and those in the market.*

OUR APPROACH TO MARKET SIZING



Gathering

From secondary research we find out that other firms have reported umbrella sales as £27m per year.

We undertake some primary research and find that in the past year 12% of all adults say they bought an umbrella; we also find that, on average, they spent £8 each.

The Royal Association of Umbrella Resellers says that total umbrella sales in the UK were £32m four years ago.

There are no official data on umbrella sales but we do know that consumers spent £98m on weather accessories, of which umbrellas are a part.

From price data collected in stores we find the average selling price of an umbrella is £12.50; in JL Retailer there are 300 umbrellas on display.

Modelling

We could take this estimate as gospel and say that sales are £27m per year; however, it needs further validation

There are c45m adults in the UK; 12% of this is 5.4m people. If all of these spend £8 per year then total umbrella spend would be £43.2m.

We know inflation in accessories has been running at around 3.1% p.a. for the past four years. As such, this would mean sales today were £34.7m.

Given what other products are within the weather accessories category, we calculate that umbrellas can't be more than around 45% share of this category.

JL has 30 stores and a 2.9% share of overall retail. It sells 300 umbrellas per store per month, which yields £1.35m a year for the chain. If it has a 2.9% share in brolys, the total market would be £46.5m.

Validation

We have a spread of values from £27m per year to £46.5m per year. So we know the ballpark.

We feel that a figure of £27m is too low. If our consumer figure of 5.4m people is correct, this would mean they spend £5 each on umbrellas; we know the average price is much higher than this.

It is possible our number of 5.4m consumers is too high; it could be that 3.4m shoppers buy umbrellas at an average of £8 each which would yield a value of £27m. However, this would still be out of kilter with other data we have gathered. We consider this and look back at weather records; when we conducted the survey the weather had been particularly wet and windy; so we consider that the data overestimates umbrella purchasing. We undertake some more research and reduce our first estimate by 14% to 4.7m people. At £8 each this yields a spend of £38.4m.

We explore other categories in the weather accessories sector and look at growth rates and estimated values. We calculate that umbrellas must have a share of category at around 39%. This would yield a total sales value of £38.2m.

We believe that JL Retailer is stronger in umbrellas than they are in general retail; as such their market share is likely to be higher. If we assume that their share in umbrellas is 3.3% (14% outperformance - which we estimate based on relative space allocations and selling prices) then the overall market value would be £40.9m.

We now have values which range from £38.4m to £40.9m, which is much narrower than our previous spread.

After further calculations and harmonising, we settle on a figure of £38.8m per year. The next stage is to finalise this number.

Finalisation

We first check over all our calculations and assumptions and verify that they way in which we have arrived at £38.8m is mathematically and logically valid.

We then run our numbers by a couple of trade bodies and retailers; they are unable to comment on the exact figure but say they are what they'd expect.

We look at the amount consumers spend on clothing and assess our umbrella spend in context to this, the relativity of the two numbers look reasonable.

A team of analysts runs final tests on the number to ensure that it stacks up against all of the evidence we have gathered.

Final number

£38.8m

The final number is checked once more against our database, source data and industry experts.



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