

Subscription 

Subscriptions Report

# Exploring Recurring Revenue, Growth & Customers

2024

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# Introduction



Financial prudence is often (wisely) touted as the antidote to economic uncertainty, the rise of the subscription economy is something of a paradox. While consumers might be tightening their belts in some ways, they're signing

up to monthly commitments with abandon. Is it simply down to the dopamine of the regular retail hit? Or is there a more primal survivalist need (who doesn't find the idea of toilet rolls being delivered like clockwork well into the apocalypse) being met?

From feline-friendly subscription boxes to curated culinary experiences delivered straight to the doorstep, the subscription economy has permeated nearly every aspect of modern living.

For the retailer, a subscription model is a no-brainer. Who wouldn't want 12 months' orders locked up front? But what's in it for the consumer?

In this, our second subscriptions report, we aim to unravel some of the nuances that shape our consumption patterns and provide ways for retailers to add value.

We hope you find this useful and, as ever, we welcome your feedback.

**Ian Jindal, CEO, RetailX**

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# Market context

**Subs are on the rise, with North America leading the way in digital subscriptions and software dominating recurring payments**

Consumers have embraced the concept of recurring memberships, whether for necessities or indulgences. And the opportunities continue to arrive, in neatly packaged boxes. While a subscription might once have been restricted to a milk deliveries or magazines, we can now subscribe to everything from fitness routines to remote office solutions. Our inability to go anywhere during lockdown sealed the deal and many of us simply forgot to cancel. The commercial appeal – to the provider at least – is clear.

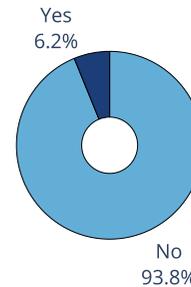
The market is growing. The market size of the digital subscription economy worldwide amounted to US\$ 650bn in 2020. That year, subscriptions to cloud services accounted for around 45% of the market. In 2020 the market size of the ecommerce segment was forecast to reach US\$ 687bn by 2025.

This is good news for the tech enabling the programmes. At the back end of 2023, Barcelona-based traveltech firm Caravelo raised €3.5mn for its airline subscription solutions for firms such as Volaris, Wizz Air and Alaska Airlines.

Subscriptions are, naturally, having an impact on ordinary shopping. Research from PYMNTS Intelligence in 2023 [1] found that 42% of consumers

## Only 6% of Elite retailers offer a subscription programme

Retailers offering a subscription programme, 2024



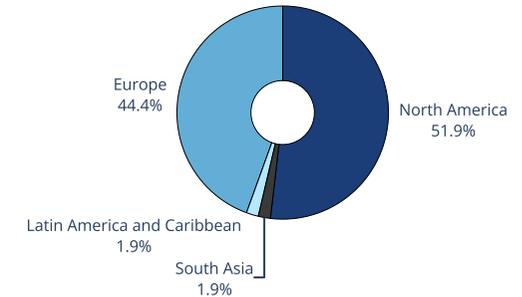
Based on the study of 1000 retailers in the RetailX Global Elite Retailers list

Source: RetailX

RetailX 2024  
RXMSB24RP-1-v10

## The majority of retailers offering a subscription programme are based in North America

Retailers offering a subscription programme, by headquarters region, 2024



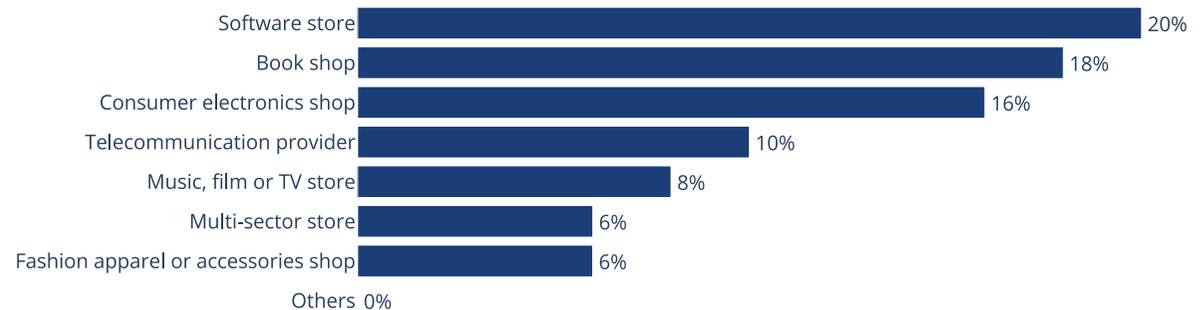
Based on the study of 62 retailers in the RetailX Global Elite Retailers list, which offer a subscription programme

Source: RetailX

RetailX 2024  
RXMSB24RP-2-v9

## The majority of retailers offering a subscription are either software, books or consumer electronics shops

Retailers offering a subscription programme, by sector, 2024



Based on the study of 62 retailers in the RetailX Global Elite Retailers list, which offer a subscription programme

Source: RetailX

RetailX 2024  
RXMSB24RP-3-v9

with retail subscriptions shop less often at physical stores, with Amazon Subscribe & Save and Hello Fresh among the most likely to say so (at 48% and 47%).

Despite this, just 6% of the retailers in the RetailX Global Elite Retailers list [2] offer a subscription programme and of those who do, the majority (48%) are in North America. The majority of retailers who offer subscriptions offer between two and four options, giving us just enough choice to make it look like we're getting a good deal but not so many we get overloaded.

The majority of those retailers offering a subscription are in software or consumer electronics. Not surprising, as the income generated by subscription models is an easy way for manufacturers to integrate software into previously non-digital products.

However, not all consumers are so happy to roll over and add another direct debit. Considerable backlash last year saw BMW press reverse on its controversial subscription service that forced drivers to pay a fee to activate their own heated seats.

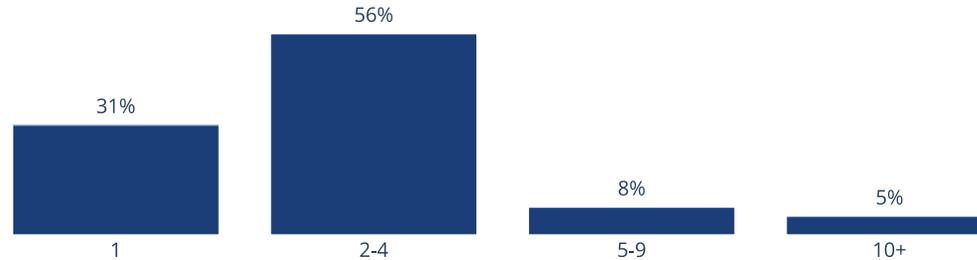
Geographically, consumer preference differs. In the US, digital content is still king (thanks to Netflix, et al) but Europe leads the way in access to experiences or services. In the fourth quarter of 2023, Netflix generated total revenue of nearly US\$ 8.83bn, up from around US\$ 7.9bn in the last quarter of 2022. These streaming services have all but transformed how we consume media, away from physical purchases to continuous access.

[1] <https://www.pymnts.com/subscription-commerce/2023/42-percent-of-consumers-with-retail-subscriptions-shop-less-often-at-physical-stores/>

[2] <https://internetretailing.net/report-hub/global-elite-top1000-report-2023/>

## The majority of retailers offer between two and four standard subscription plans

Number of different standard subscription plans offered, 2024



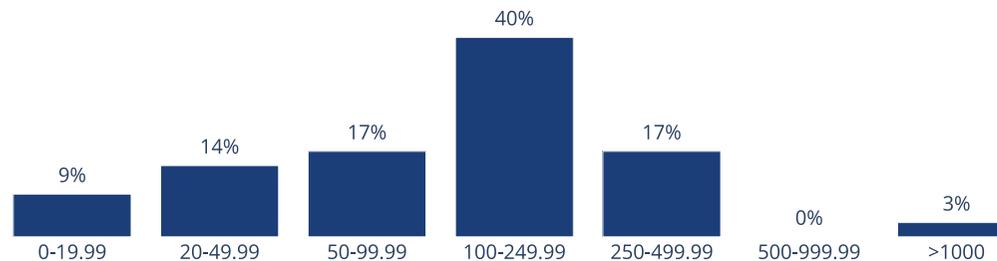
Based on the study of 39 retailers in the RetailX Global Elite Retailers list, which offer a standard subscription programme

Source: RetailX

RetailX 2024  
RXMSB24RP-8-v6

## The highest share of retailers offered subscription plans in the range of 100-249.99 USD per year

Average cost of annual subscription (in USD), 2024



Based on the study of 39 retailers in the RetailX Global Elite Retailers list, which offer a standard subscription programme. Currency conversion to USD applied using 2024 yearly conversion rates

Source: RetailX

RetailX 2024  
RXMSB24RP-11-v9

# Consumers

**People on higher incomes are more likely to pay for premium online retail subscriptions, but value for money and convenience are a key factor for all**

While subscriptions are popular for many consumers, those on higher incomes are more likely to have paid subscriptions to online shopping premium services, our research shows.

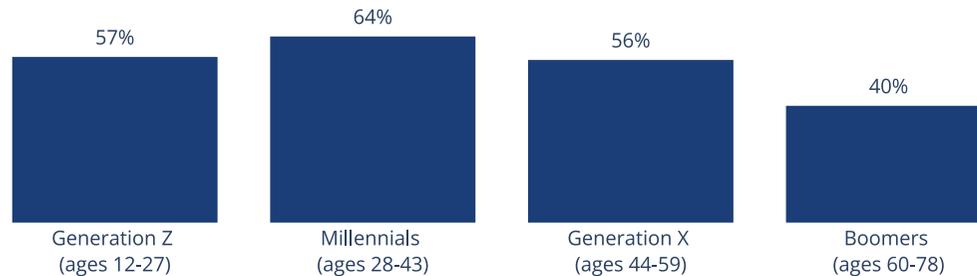
Some 68% of higher earners pay out regularly for free or cheap delivery or some other benefit, compared to just 56% of middle income consumers and 51% of people on lower wages – likely reflecting differences in disposable income and, in some parts of the world particularly, the impact of the cost-of-living crisis.

There are also generational differences between those paying subscriptions for online shopping premium services. Somewhat predictably given lower technological literacy associated with older age groups, only four in 10 Boomers (aged between 60-78 years old) pay regular subscriptions.

People aged 44-49, commonly referred to as Generation X, are more likely to regularly pay for premium perks – with over half (56%) having such subscriptions. The figure was similar for Generation Z at 57%, although as that group spans ages 12-27, many of those in the lower end of that age range would likely require sign-up authorisation from an adult.

## People who have paid subscriptions to online shopping premium services

By Generation, Worldwide



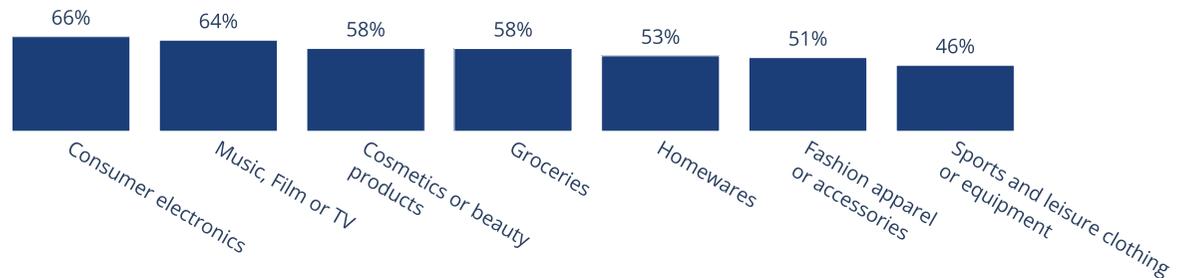
Based on 7,274 respondents who shop online at least once a year in 14 countries (aged 16-94), Aug 2023 - Mar 2024. Surveys conducted in seven languages. Question: 'Do you have any paid subscriptions to any online shopping premium services that provide free or cheap delivery or some other benefit from a specific retailer?-Yes'. Chart ID: 63085

Source: ConsumerX

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## People who have paid subscriptions to online shopping premium services

By People Who Shop Online For A Category, Worldwide



Based on 5,010 individuals who speak five languages in 12 countries (aged 23-94), Aug 2023. Question: 'Do you have any paid subscriptions to any online shopping premium services that provide free or cheap delivery or some other benefit from a specific retailer?-Yes'. Chart ID: 69580

Source: ConsumerX

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The most likely to have paid subscriptions to premium services for online shopping are arguably the most technically literate generation, Millennials, with nearly two-thirds (64%) paying out regularly for them.

**SUBSCRIPTION CATEGORIES**

Consumer electronics is the most popular category worldwide when it comes to paid subscriptions for online shopping premium services.

Some 66% of people surveyed have signed up to regular payments for premium shopping subscriptions, closely followed by 64% for music film or TV products or services.

The next two most popular online retail categories for subscriptions are cosmetics or beauty products and groceries, both accounting for 58% of sign-ups, followed by homewares (53%), fashion apparel or accessories (51%), and sports and leisure clothing or equipment (46%).

**REGIONAL VARIATIONS**

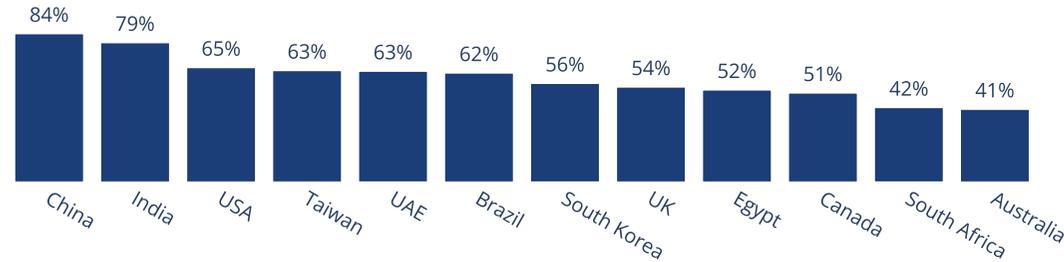
Our research also highlights geographical differences when it comes to taking out subscriptions for online shopping premium services.

More than eight in 10 (84%) of Chinese consumers surveyed say they have such a subscription service, closely followed by 79% of online shoppers in India. Over 60% of those polled in the United States, Taiwan, the United Arab Emirates and Brazil have also signed up to regular payments for shopping and delivery benefits.

Meanwhile, just over half of consumers have taken out online shopping premium service subscriptions

**People who have paid subscriptions to online shopping premium services**

By Country, Worldwide



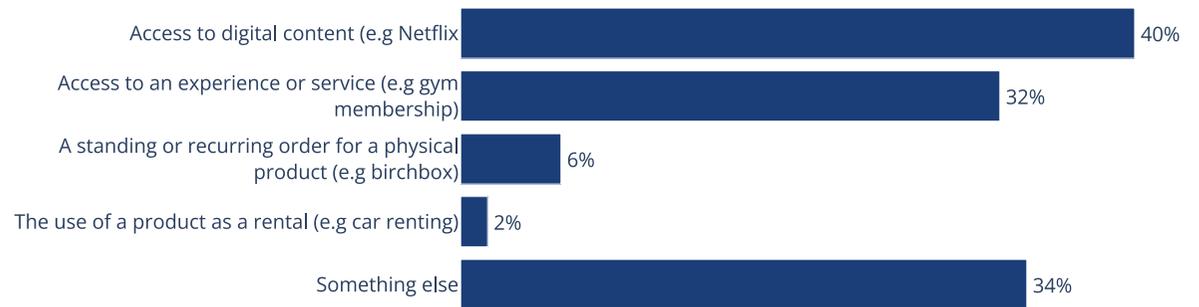
Based on 5,343 respondents who shop online at least once a year in 12 countries (aged 16-94), Aug 2023. Surveys conducted in five languages. Question: 'Do you have any paid subscriptions to any online shopping premium services that provide free or cheap delivery or some other benefit from a specific retailer?-Yes'. Chart ID: 70484

Source: ConsumerX

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RXMSB24RP-CX-8-v1

**The most popular service offered by subscription retailers is access to digital content**

Subscription value to the customer, 2024



Based on the study of 62 retailers in the RetailX Global Elite Retailers list, which offer a subscription programme

Source: RetailX

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RXMSB24RP-4-v6

in South Korea (56%), the United Kingdom (54%), Egypt (52%) and Canada (51%).

South Africa and Australia are comparative outliers in the countries polled, with just 42% of shoppers in South Africa and 41% in Australia keen on making regular payments for subscription benefits.

**DIGITAL CONTENT**

Access to digital content such as streaming services like Netflix is by far the most popular service offered by subscription retailers, with 40% of global consumers signed up.

Meanwhile, around a third (31%) value them for access to an experience or service like a gym membership, with 34% signed up for another service altogether.

Uptake for subscriptions for a standing and recurring order for a physical product like the Birchbox beauty box are comparatively unpopular at just 6%, with the use of a product as a rental like hiring a car at only 2%.

**SUBSCRIPTION PLANS**

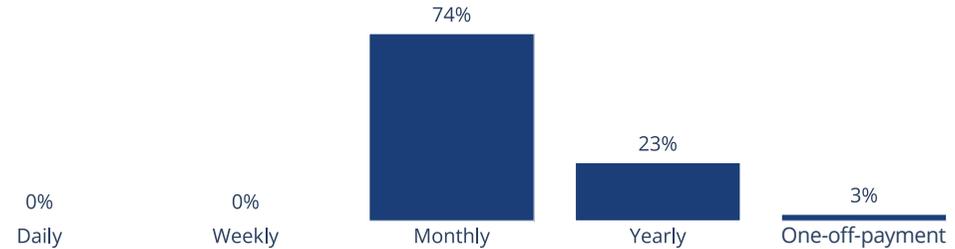
Monthly payments are overwhelmingly the most common form of payments for subscription plans, accounting for about three-quarters (74%) of standard subscription programmes.

Most of the remaining quarter (23%) of retailers with subscription programmes had yearly payments and just 3% a one-off yearly payment. None of the 39 retailers surveyed offered daily or weekly payments.

Accordingly, online retailers considering setting up such a subscription service should consider that monthly payments are clearly a popular and convenient option for shoppers.

**The majority of retailers offer subscription plans with monthly payments**

Frequency of subscription payment, 2024



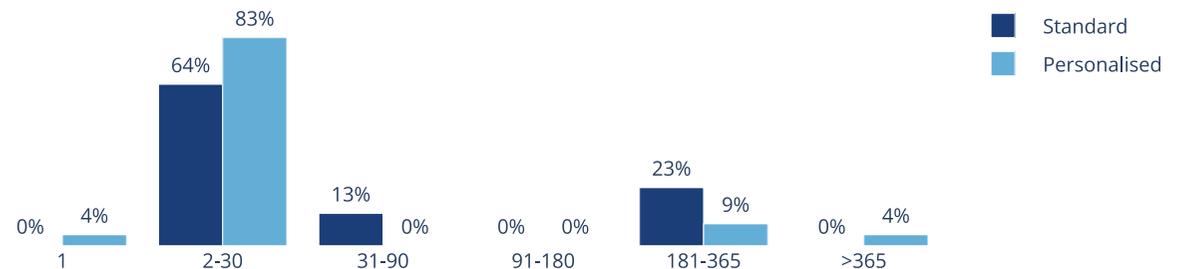
Based on the study of 39 retailers in the RetailX Global Elite Retailers list, which offer a standard subscription programme

Source: RetailX

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**Personalised subscription plans offer shorter subscription lengths**

Minimum length of the subscription, by type of subscription (in days), 2024



Based on the study of 62 retailers in the RetailX Global Elite Retailers list, which offer a subscription programme. Standard = Fixed price, Personalised = Offers personalised plans with variable pricing

Source: RetailX

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### PERSONALISED SUBSCRIPTIONS

Despite the potential benefits of personalised subscriptions – including opportunities for the retailer to build brand loyalty and the customer receiving a more bespoke service – one-size-fits-all plans still outweigh personalised ones.

Differences in terms and conditions between standard plans, which offer a fixed price, and personalised plans with variable pricing are also highlighted in our research.

A key variation between providers can be seen in the minimum length of subscription in terms of days. The vast majority (83%) of personalised plans have a minimum length of up to a month at 2-30 days, compared to just 64% of standard plans with fixed pricing.

Standard plans, conversely, are more likely to offer a minimum length of about six months to a year, with 23% requiring sign-ups of between 181 and 365 days – compared to just 9% of personalised subscriptions offering the same minimum period.

Meanwhile, over one in 10 (13%) standard subscriptions also offer a minimum length of between one and three months, a timeframe which was not available for personalised plans surveyed.

Personalised subscription plans are also more likely to target users of specific brands more often than standard subscriptions. Our research shows that standard plans tend to target customers of a particular retailer or a brand just 13% of the time, compared to 26% targeted by personalised plans.

### Subscription cancellation costs are less clear in personalised subscription plans

Presence of a subscription early cancellation fee, by type of subscription, 2024



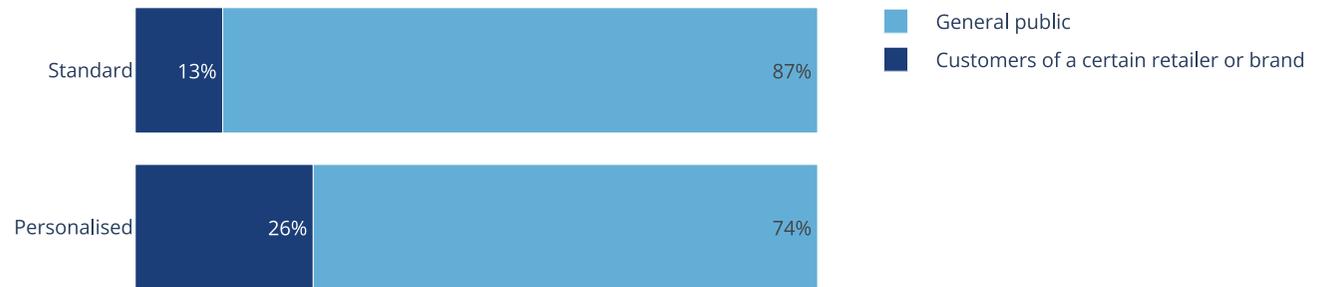
Based on the study of 62 retailers in the RetailX Global Elite Retailers list, which offer a subscription programme. Standard = Fixed price, Personalised = Offers personalised plans with variable pricing

Source: RetailX

RetailX 2024  
RXMSB24RP-13-v6

### Personalised subscription plans target users of specific brands more often

Target user, by type of subscription, 2024



Based on the study of 62 retailers in the RetailX Global Elite Retailers list, which offer a subscription programme. Standard = Fixed price, Personalised = Offers personalised plans with variable pricing

Source: RetailX

RetailX 2024  
RXMSB24RP-14-v7

Last but not least, another, somewhat significant, difference between standard and personalised subscription plans regards the clarity of cancellation costs. Some 95% of standard plans do not have an early cancellation, while 78% of personalised ones do.

**REASONS FOR SUBSCRIBING**

Value for money is a key driver for subscribing to most products and services, with about a quarter of people saying it was the main reason for signing up to everything from clothing to cosmetics or food subscription boxes and music or video streaming.

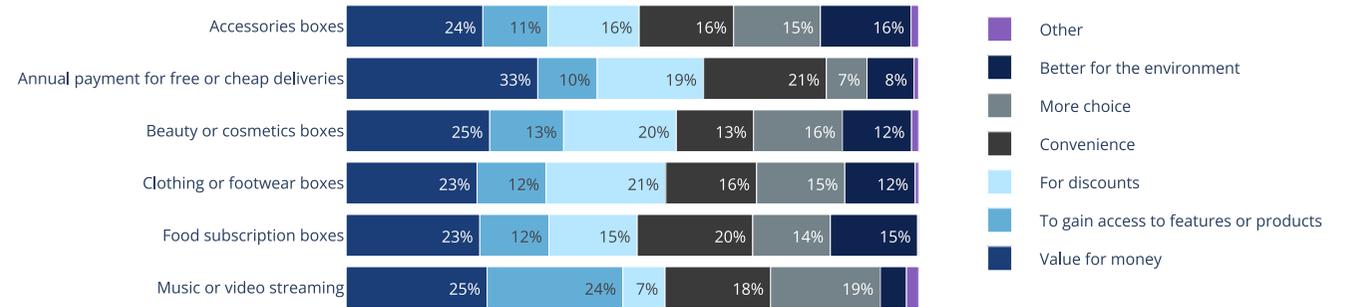
It is prized even more highly when it comes to annual payment for free or cheap deliveries, with a third citing value for money as the top reason for subscribing. Delivery perks were also a main reason for signing up to regularly receive a particular product or service, with about a quarter (26%) of consumers saying they had signed up to an annual payment for free or cheap deliveries.

Convenience is also a particularly relevant factor for people taking out annual payments for free or cheap deliveries, food subscription boxes and music or video streaming, although it is less of a factor for clothing and apparel or cosmetic boxes.

When it comes to music or video streaming, subscribers particularly value choice and access to features or products – this is unsurprising given the bespoke content now produced by streaming services such as Prime Video or Netflix, as well as convenience.

**Reasons for subscribing to various services**

Worldwide



Based on 5,007 respondents who shop online at least once a year in 14 countries (aged 16-82), Aug 2023 - Mar 2024. Surveys conducted in seven languages. Question: 'Why do you subscribe to the following subscriptions?'. Chart ID: 61193

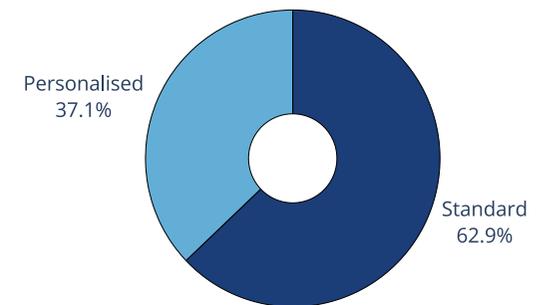
Source: ConsumerX

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Environmental considerations also matter for consumers but it is not their top concern when it comes to regular subscriptions to a particular product or service. About one in 10 say it is a reason they consider when they subscribe to most products or services, although it is slightly higher when it comes to food subscription boxes, at 15%.

**The majority of subscription are one-size-fits-all standard plans**

Type of subscription payment, 2024



Based on the study of 62 retailers in the RetailX Global Elite Retailers list, which offer a subscription programme. Standard = Fixed price, Personalised = Offers personalised plans with variable pricing

Source: RetailX

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# Segments

**Software stores are leading the way when it comes to offering subscriptions, with music and streaming services the most popular among consumers**

## SOFTWARE DOMINATES

Subscription service uptake is generally increasing across all segments, with some markets proving particularly popular.

The majority of global retailers offering a subscription programme are software stores, which account for one in five of those available. One reason for this is the move towards ongoing payments instead of one-off purchases when it comes to tech products and services, making them more affordable and ensuring access to the latest versions.

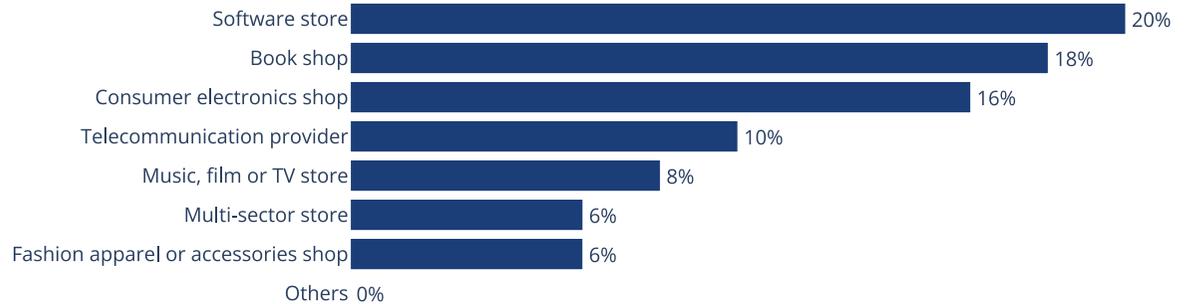
Bookshops closely follow with 18% of total subscription services and consumer electronics stores making up 16%. Telecommunication providers account for one in 10 subscription services available worldwide, while music, film or TV retailers make up 8% of the total.

Less common are subscription services offered by multi-sector stores and fashion apparel or accessories retailers, which each have 6% of the global market, indicating an ongoing preference for bricks and mortar stores in these areas.

Consumer benefits of signing up to subscription services can include free delivery, early access to

## The majority of retailers offering a subscription are either software, books or consumer electronics shops

Retailers offering a subscription programme, by sector, 2024



Based on the study of 62 retailers in the RetailX Global Elite Retailers list, which offer a subscription programme

Source: RetailX

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new products, special discounts or members-only events and it appears such perks are becoming increasingly popular.

Our research shows that more subscription plans now unlock additional retail-specific perks than in previous years. In 2024, 51.6% of surveyed retailers offered extra store-specific benefits – marking an increase on 42.5% the previous year.

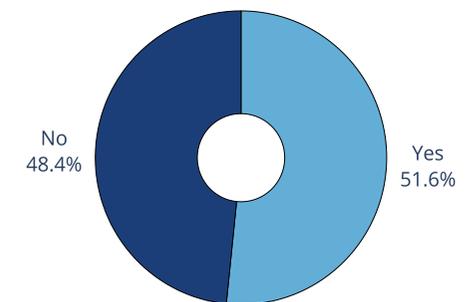
## LION'S SHARE FOR AMAZON

The rapidly increasing popularity of subscriptions is reflected in the annual global net revenue of the world's largest ecommerce retailer, Amazon.

Launched in 2005, the company's membership service Amazon Prime alone now has more than 200mn subscribers in at least 20 countries worldwide.

## More than 50% of subscription plans unlock additional retailer-specific perks

Subscription providing retailer-specific perks, 2024



Based on the study of 62 retailers in the RetailX Global Elite Retailers list, which offer a subscription programme

Source: RetailX

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It is, therefore, unsurprising that our research shows that subscriptions accounted for a 7.69% share of Amazon's total revenue in 2023, more than twice the 3.15% share reported in 2014.

However, the subscription share of Amazon's revenue has plateaued in recent years. While it doubled between 2014 and 2018, when it made up 6.36%, it has risen by just under 0.5 percentage points in the following five years.

Indeed, as our 2023 report also highlighted, while Amazon's subscription revenue is increasing – albeit slowly – it is not anywhere near as significant for the company's earnings as Amazon Web Services, online stores and retail third-party seller services.

**CONSTANT STREAMING**

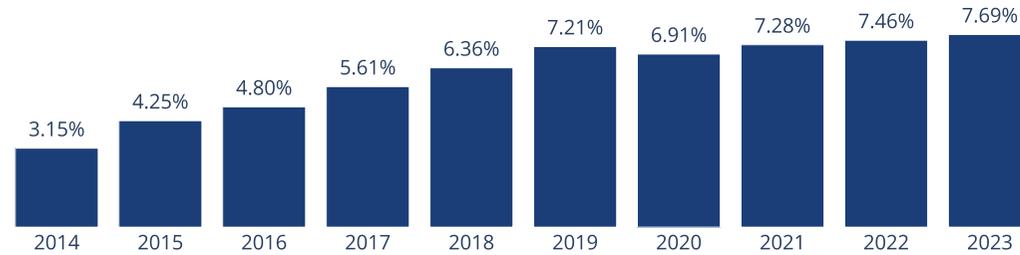
Music and video streaming are overwhelmingly the most popular usage of subscription service by type, with 43% of shoppers surveyed subscribing to such services.

Subscription boxes for various item types are also popular. Clothing or footwear boxes make up 18% of global subscription services, with beauty or cosmetics boxes making up 17% and food subscription boxes, 16%.

Accessories boxes made up one in 10 of subscriptions, while nearly a third (31%) of overall subscriptions were for other services entirely. Our research highlights a particular preference for services such as software, online books and TV and video streaming.

**Subscriptions now represent more than twice the share of Amazon's revenue than in 2014**

Subscriptions as share of Amazon total revenue, 2014-2024

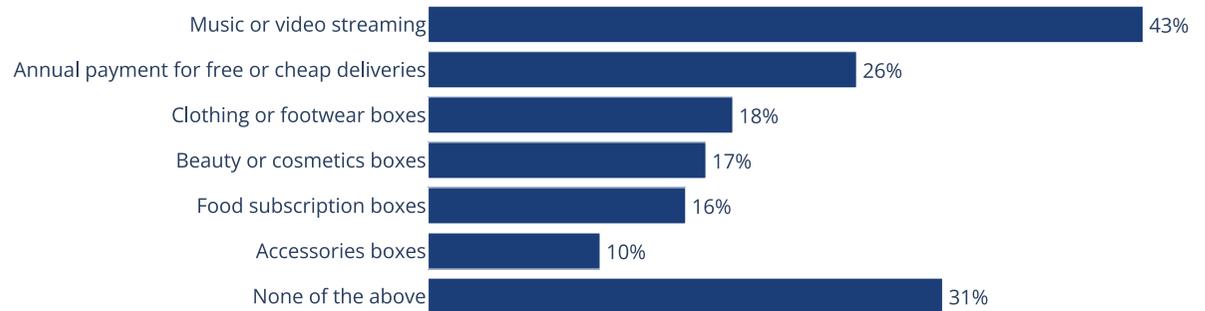


Source: Amazon

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**Usage of subscription services by type of subscription**

Worldwide



Based on 7,274 respondents who shop online at least once a year in 14 countries (aged 16-94), Aug 2023 - Mar 2024. Surveys conducted in seven languages. Question: 'Do you have any of the following subscriptions?'. Chart ID: 61192

Source: ConsumerX

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# Why trust in your logistics partner is key to subscriptions growth

Andy Underwood, managing director at Whistl Parcels, on how UK brands are breaking new ground with their subscription offerings, thanks to a logistics partnership that enables them to scale quicker and access new markets more easily.



Subscriptions have become embedded within the consumer landscape, with the global eCommerce subscription market expected to be worth \$904.2bn by 2026.

Underpinning the success of the subscription model is a mutually beneficial relationship.

As consumers, we enjoy an affordable and convenient way to access products, while online retailers reap the benefits of predictability and recurring revenue. And while established names have entered the fray, we've seen challengers and scale-ups shape this maturing market.

Homegrown UK brands have emerged across popular subscription segments, including food and beverage, personal care and household products. Some have even started to expand their horizons and reach new markets abroad. However, every success story has required support along the way.

In the beginning, getting a product to market, building a subscriber base and fulfilling customer orders is a hands-on, in-house activity. But rapid growth can soon lead to issues throughout the customer journey.

To grow a stellar subscription-based business you've got to address two fundamentals – how do you get more of your products out the door and how can you retain more customers? As a logistics consolidator, Whistl has a crucial role to play in helping aspirational eCommerce companies answer these questions.

The obvious place to begin is by highlighting the importance of an effective parcel delivery strategy. Delivering on-time and first-time, while offering value and flexibility, is now a given in eCommerce. Yet high delivery volumes and ever-changing customer demands can make shipping overly complex. By working with a consolidator, you can offer multi-carrier delivery options while dealing with only one collection, one point of contact and one invoice.

Meanwhile, as your business grows, stock control becomes more imperative. This is the point where you might consider outsourcing your fulfilment and when a consolidator with warehouse space and order management expertise is an invaluable ally. Not only can a trusted partner inspect, pick and pack, and deliver your goods, they will also manage returns and deal with customer enquiries while acting as a

representative of your brand. However, there are two other growth levers that can really turbocharge a subscriptions business – cross-border and advertising opportunities.

Being able to sell to international markets unlocks a true competitive advantage over companies that only trade domestically. Therefore, working alongside experts to overcome any knowledge gaps around exporting goods, including customs clearance and local tax laws, should be a priority.

Finally, direct mail, door drop media and sampling should also be weapons in a subscription businesses' armoury. Each has a unique role to play in enhancing new customer acquisition, building brand recognition and encouraging repeat purchases. All of which are crucial to sustainable growth.

Ultimately, offering a subscription model has many advantages. But without the necessary support to scale, your business could quickly struggle to meet customer expectations. Before reaching this tipping point it is worth seeking help and advice from a logistics partner that can positively impact all areas of the customer lifecycle.

Whistl is the ideal partner for subscription-based retailers as it has a unique capability that sits across the entire customer journey. Grow your subscription business with reliable and efficient logistics and communications solutions, powered by experts.

Find out more about how we help subscription businesses visit [whistl.co.uk/confidence](https://whistl.co.uk/confidence) or call 01628 879 667



# Grow your subscription business with support from a reliable and efficient logistics partner



Tailored &  
Scalable  
Solutions

Whistl provides tailored support for your business, from attracting new customers to picking and packing of customer orders and management of final mile delivery.

We are trusted by:



grüum.

graze

Wild

Lintbells<sup>®</sup>  
Home of  
YUMOVE<sup>™</sup>

To find out more,  
contact us today

01628 879 667



[whistl.co.uk/confidence](https://whistl.co.uk/confidence)

**whistl**



## Hotel Chocolat

Features in: Europe Brand Index Top500, Europe Top1000, UK Top500

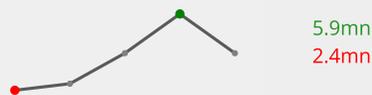
Retail website: hotelchocolat.com

Most significant retail market: UK

Retail HQ: United Kingdom

X (Twitter): @hotelchocolat

Hotel Chocolat web traffic:



Researched 11-11-2016 to 10-02-2024

Sources: RetailX, SimilarWeb (web traffic, Global visits included), Yahoo Finance (financial records). Green and red dots represent the highest and lowest recorded data point respectively.

Year end 2023

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©Hotel Chocolat

## Hotel Chocolat

The British chocolatier and cocoa grower has used its innovative subscription service to drive growth and enhance customer engagement.

Hotel Chocolat started selling chocolates online in 1993, launched its first store in 2004 and listed on the London Stock Exchange in 2021. The company has carved a sweet slice for itself in the chocolate industry by combining premium ingredients, innovative flavours and sustainable practices.

In recent years, the company has embraced subscription-based services as a key component of its business strategy, offering customers a convenient and personalised way to experience luxury chocolates on a recurring basis.

### SWEET SUCCESS

Hotel Chocolat now has 126 stores, as well as cafés, restaurants, outlets and factory stores. There are more than 40 stores in Japan, and a luxury eco-hotel on a working cacao farm in the Caribbean.

The company introduced its subscription programme, known as The Velvetiser Subscription, in November 2018. The subscription is designed for the Hotel Chocolat Velvetiser machine, an in-home barista-grade drinking chocolate machine, and comprises a range of subscription options, including monthly chocolate boxes, curated tasting experiences and seasonal collections. Hotel Chocolat allows subscribers to customise their orders based on flavour preferences, dietary restrictions and gifting needs. These flexible subscription plans ensure a frictionless experience for customers.

Other initiatives employed by the company include the Whoosh! Instant Gifts by Text scheme, allowing guests to order gifts using a mobile number, no address required (the recipient is free to organise delivery at a time and place to suit them) and, in 2023, the Chocolate Love Match, allowing customers to pair chocolates with different drinks, through specially curated tasting events, gift sets, or experiences.

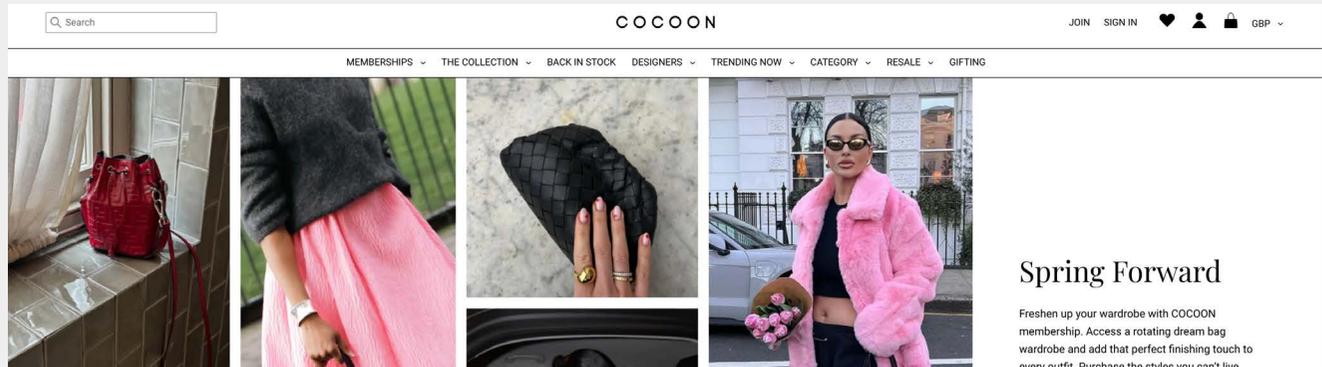
# COCOON

## Cocoon

Retail website: cocoon.club

Most significant retail market: UK

Retail HQ: United Kingdom



## Cocoon

Established in 2019, Cocoon is a London-based circular high-end bag subscription service.

Its membership options include monthly, quarterly, and flexible plans, allowing members the freedom to swap bags at their convenience, adjusting the frequency of swaps or deciding to retain a bag for a duration spanning from a week to three months. Membership fees are tailored to the value of different bags within their collection.

Cocoon's co-founder, Ceanne Fernandes-Wong, highlighted the company's emphasis on designer items during an interview on the RetailX podcast last year. "Designer handbags are durable, well made and designed to last," she said, "But how do you differentiate yourself when everything is increasing so much? For us, the focus is less on price point, but more on quality, and desirability. And so we have purposely focused on brands that we know will last." Cocoon's success, she says, stems from this steadfast focus.

Much of the appeal of services like Cocoon's comes down to the universality of handbags, across genders and body types. Central to the company's business model is the efficient turnaround time for rentals, with utilisation rate as a key performance indicator.

All bags in Cocoon's inventory are owned by the company and each bag undergoes a thorough inspection and cleaning upon return to ensure pristine condition for subsequent rentals.

Currently, Cocoon subscription plans are priced at £79 per month for premium membership and £99 for deluxe membership. Premium membership grants access to bags valued up to £1,500, while deluxe membership extends access to bags ranging from £1,500 to £3,500. There is also a flexi option for £19 plus bag passes (£45 per week for premium and £55 for deluxe).

Researched 10-05-2016 to 18-01-2024

Sources: RetailX, SimilarWeb (web traffic, Global visits included), Yahoo Finance (financial records). Green and red dots represent the highest and lowest recorded data point respectively.

Year end 2023

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### Graze

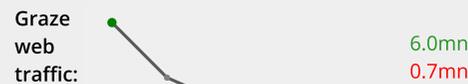
Features in: Europe Growth 3000, UK Growth 1000

Retail website: graze.com

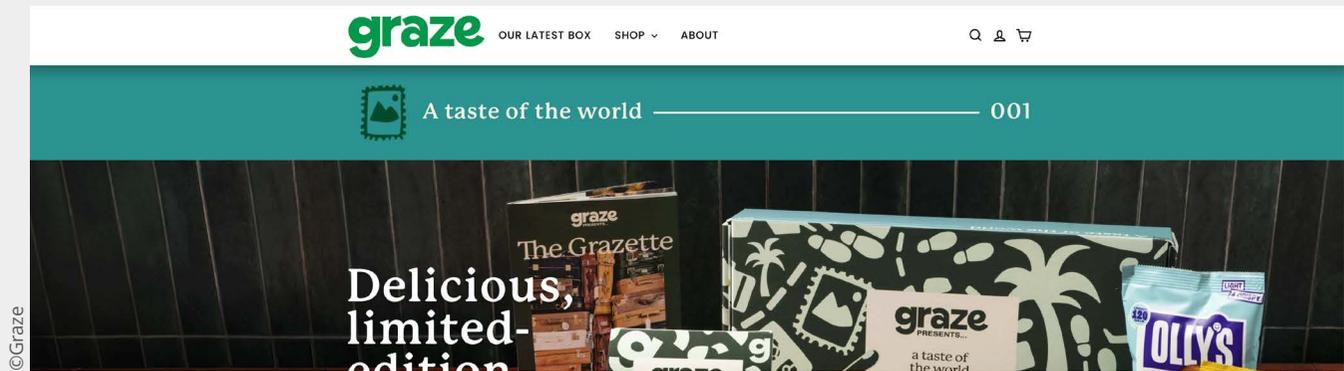
Most significant retail market: UK

Retail HQ: United Kingdom

X (Twitter): @graze\_snacks



Researched 02-09-2015 to 28-10-2023  
 Sources: RetailX, SimilarWeb (web traffic, Global visits included), Yahoo Finance (financial records). Green and red dots represent the highest and lowest recorded data point respectively.  
 Year end 2023  
 © RetailX 2023



## Graze continues to tickle its subscribers' tastebuds

British snack company Graze was founded in 2008 with the aim of providing healthier alternatives to traditional snacks.

In its early days, Graze operated with the simple idea of delivering nutritious snacks directly to customers' doors. However, in 2009 it introduced the idea of regular snack box subscriptions, tailored to customers' taste preferences.

As the subscription model gained traction, Graze experienced rapid growth, expanding into the US in 2012 with significant investment from prominent venture capital firms.

In 2019, Graze was acquired by consumer goods giant Unilever. The acquisition highlighted the success of Graze's simple business model and its appeal to a broader audience. "Nitin Paranjpe, president of Unilever's food and refreshment business, described

the company at the time as, "a truly multichannel brand, Graze offers personalisation, convenience and great nutrition, brilliantly meeting the needs of millennial consumers."

While Graze initially focused on its online subscription service, it later expanded its presence into traditional retail channels. By partnering with retailers across the UK and the US, the company has made its products more accessible to those consumers who still prefer to purchase snacks instore.

A Graze subscription entails a monthly curated collection of eight or more unique snacks for £14.99. Subscribers also get introductions to new snacking brands and access to the Graze's exclusive magazine, The Grazette. Flexibility is key and customers are given the option to skip a month when they need to.

In line with growing consumer demand for sustainable products, Graze has prioritised sustainability across its operations. The company has implemented eco-friendly packaging solutions and sources ingredients responsibly.

# NETFLIX

## Netflix

Retail website: netflix.com

Most significant retail markets: USA, UK, Brazil, Canada, Germany

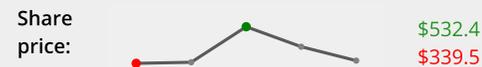
Retail HQ: United States of America

Corporation:Netflix Inc, NASDAQ: NFLX

X (Twitter): @netflix



## Netflix Inc.



Researched 15-01-2016 to 30-09-2023  
 Sources: RetailX, SimilarWeb (web traffic, Global visits included), Yahoo Finance (financial records). Green and red dots represent the highest and lowest recorded data point respectively.  
 Year end 2023  
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## Netflix

Netflix was founded in 1997 as a DVD rental service. It has since transformed into one of the world's leading streaming platforms. Over the years the company has continuously tweaked its subscription offers to meet changing needs and viewing habits.

Initially, Netflix introduced a DVD rental-by-mail subscription service, where customers could choose from a selection of DVDs online, receive them via mail and return them at their convenience with no late fees. This subscription model upturned the traditional instore video rental offer, providing convenience and huge choice.

Recognising the shift towards digital, Netflix launched its streaming service in 2007, allowing subscribers to instantly watch films and TV shows online. This was initially offered as a complementary feature to the DVD rental subscription, however, as streaming gained popularity, the company started investing in the expansion of its digital content library.

Netflix also began producing original content to differentiate itself from competitors and attract more subscribers.

As the company expanded its global presence to more than 190 countries, it introduced different pricing tiers. The basic plan offers standard definition streaming on one device, while the standard plan allows HD streaming on two devices simultaneously. The premium plan offers ultra HD streaming on up to four devices.

The company now invests heavily in original content creation and constantly experiments with new features, such as offline downloads and interactive storytelling, to enhance the user experience and retain subscribers. At the end of 2023 it announced its plans to create experience locations, known as Netflix Houses, where fans will be able to buy merchandise and eat food based on shows.



## Gousto

Features in: UK Growth 1000

Retail HQ: United Kingdom

Retail website: gousto.co.uk

X (Twitter): @goustocooking

Researched 09-08-2018 to 30-06-2023

Sources: RetailX, SimilarWeb (web traffic, British visits shown), Yahoo Finance (financial records). Green and red dots represent the highest and lowest recorded data point respectively

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## Gousto

Gousto was founded in 2012 with a bold ambition to change the way people shop and eat. Having worked long hours in the finance industry, Timo Boldt saw a gap in the market for healthy, convenient and sustainable home cooking and the idea for Gousto was born. Off-the-shelf subscription technology didn't exist so the team decided to build its own, allowing it to scale significantly and start innovating the product into the offering we know today.

From performance marketing in the early days to now brand building activity, to refer a friend offers, marketing channels have always been key to growing the Gousto customer base. "Early on we realised if we can make customer satisfaction amazingly high, we create this virtuous circle of great product, super happy customers who refer more friends, greater loyalty, higher order rates, which led us to invest more and more into product experience," says Shaun Pearce, Chief Technology Officer.

Gousto has a highly personalised menu. "Almost three quarters (70%) of all recipes bought by customers come from our top 15 personalised recipe recommendations," says Pearce.

Gousto is the first recipe box to cater for one, two, three, four and five people, an update the company brought in in 2023. It has also just launched a four-person recipe box with five recipes. One key requirement for the Gousto menu planning tool is the ability to accurately forecast how many orders they get for each recipe.

The company runs a suite of models that forecast both the total number of boxes ordered per week and the recipes that will be contained in each box. "Our recommendations model is at the heart of our personalised customer experience, ranking our recipes so that we show customers the ones most relevant to them," says Pearce, "We use a transformer-based architecture to learn from customer ordering behaviour and from our rich library of recipe information."

# Driving acquisitions in a challenging climate

## How to engage when times are tough

While it is great news for many businesses that we have all gone subscriptions crazy, this does, of course, mean that there is more competition for the increasingly reduced capacity of our wallets. The challenge for most retailers is speaking to the precise needs of the subscriber – and keeping them engaged.

“Subscription interest is driven by convenience, which the Netflix/Spotify/Uber economy also ladders up into,” says Melissa Minkow, director of retail strategy at global digital consultancy CI&T, “Any service that makes our needs easier to meet is welcomed with open arms, especially in retail. The set-it-and-forget-it nature of subscription really speaks to our love of convenience.

“The key to cracking subscription services is intentionally deciding upon a target market: either a category-savvy explorer – someone passionate about innovative brands in the industry, or an uninterested autopilot – someone who regularly purchases within the category, but considers purchases in this space routine and would rather have the purchase decisions outsourced for them.”



Chargebee research shows that the subscription economy has entered something of a retention era, with a definitive 87% of subscription leaders saying that retaining customers is as important or more important than acquiring them. Yet, 96% acknowledge that cancellations occur for reasons that can be managed or resolved, highlighting the urgent need to proactively address and prevent customer churn.

For starters, there is the issue of one-off purchases versus commitment. When signing up to a subscription service, consumers are not only

parting ways with their cash but they are also signing up for a long-term commitment.

### COMMUNICATE THE SAVINGS

“With subscriptions businesses, financial incentives are not enough to drive customer acquisition and retention,” says Becki Francis, director of client strategy, retail at Movable Ink, “It’s essential to calculate and communicate these savings to the customer – brands need to do this work for them. This can be done by highlighting potential savings based on purchasing habits or predicted buying cadence. Additionally, highlighting the subscription

price of a merchandised product with a subscribe call-to-action, shows potential customers the value they would get if they subscribed to the brand.”

It is crucial to make the value of subscribing tangible to the customer. Asda’s hugely successful Year In Review demonstrated to its customers the value of opting in to its rewards programme by doing the maths for them and bringing that value to life in a year-end review email.

“Too often, brands become too complacent and treat their consumers as though the subscription is the same as a regular purchase,” says James Herridge Leng, head of CPG and retail for EMEA at Braze, which handles the customer engagement and customer loyalty programmes for some of the top subscription services in the world, “Customers should be rewarded for their commitment and loyalty.”

Successful subscription businesses prioritise customer engagement and retention strategies. This includes proactive data-led messaging, targeted promotions and community-building initiatives to foster a sense of belonging among their subscribers.

### **PERSONALISATION IS KEY**

The fact is that one size doesn’t fit all when it comes to subscriptions and, says Leng, “Direct-to-consumer subscription models typically harness lots of data about the consumer, including their preferences, zero-party data and transactional data. However, all too often, this data is not used in meaningful ways.” Personalisation is pivotal in

enhancing customer retention rates within the subscription industry. Leng adds: “Brands can create more meaningful customer interactions by tailoring messages, recommendations, and experiences to individual preferences and behaviours. In the subscription industry, we need to always be engaged to keep users away from the unsubscribe button. Customers are more likely to remain loyal and engaged when they feel valued and understood personally by the brand.”

### **ALLOW FOR FLEXIBILITY**

RetailX research has found a growing demand for flexibility in subscription plans. Customers want the ability to customise their subscriptions, adjust frequency, or pause/resume services according to their changing needs and circumstances. Says Leng, “Use customer feedback to gain insights into subscribers’ evolving needs, preferences and expectations. Understand why customers choose to subscribe, what features or benefits they value most, and what would compel them to continue their subscription long-term. Tailor retention strategies to meet these needs effectively.”

Technology, particularly AI and machine learning, plays a pivotal role in optimising customer engagement and loyalty initiatives for subscription brands. These advanced technologies enable brands to analyse vast amounts of data, predict customer behaviour, and deliver personalised experiences at scale. By leveraging AI-driven insights, brands can tailor communications, recommendations, and offers to individual preferences, thereby enhancing customer satisfaction, retention and loyalty. Additionally,

AI and machine learning empower brands to automate processes, streamline operations, and stay ahead of evolving consumer trends and demands.

AI and machine learning algorithms analyse vast customer data to understand individual preferences, behaviours, and purchase patterns. This enables subscription brands to deliver highly personalised experiences, such as tailored product recommendations, content suggestions, and offers, which increase relevance and engagement.

*The Braze Customer Engagement Report ER* report found that while 99% of marketers eagerly embrace AI, a staggering 53% identify the lack of data skills among marketing talent as a top-three issue when using data for customer engagement. Leng says: “It’s essential that we have AI-powered tools available to marketers to deliver great campaigns and grow loyalty without requiring intensive data skills.”

# Engagement and communities

## Beyond the sales funnel

Central to a subscription offer's success is the recognition of customers not merely as transactional entities but as valued members of a community. And from curated cheese to monthly lipsticks, there's definitely value in a crowd.

Back in 2020, global creative company Sid Lee released its Belong Report, which unveiled some surprising data, namely that millennials and Gen Zers are shaping their sense of self not through their families or local groups, but primarily through online communities. The report found that if a brand is connected to an individual's community, a majority (79%) of members would participate in an initiative by that brand, and 90% would try to get others to join.

These days, brands are striving to deliver not just products but memorable experiences, says Zsuzsa Kecsmar, customer loyalty expert and chief strategy officer at Antavo Loyalty Cloud, "BeautyPie is a good example of offering significant discounts, members-only products and more in exchange for a monthly or annual subscription. The company has built a solid community via social media and has developed strong brand recognition in its sector thanks to its unique model, early access perks and focus on deliverable benefits to the customer."



### A SENSE OF BELONGING

This sort of strategy not only boosts membership but also cultivates a sense of belonging among subscribers, as seen in the success of BeautyPie, which calls its subscribers "members" and GlossyBox, which has its very own online members' lounge.

Rent the Runway's curator programme is another testament to the power of community-driven initiatives. By encouraging users to become brand ambassadors and influencers, Rent the Runway not only expands its reach but also cultivates a loyal community of fashion enthusiasts. This collaborative approach drives engagement as well as highlighting a sense of exclusivity and belonging among its subscribers.

"Building a brand community amongst your subscribers is a sure-fire way to enable better engagement," says Juliette Aiken, global marketing director of Dotdigital, "At a time where online connections are as strong as offline ones, creating connections through shared interests can create a sense of solidarity among subscribers." Personalisation is key to ensuring this sense of community works, says Aiken.

### THE CUSTOMER IS ALWAYS RIGHT

Actively seeking out customer input and showcasing how their suggestions are implemented encourages a real sense of collaboration and is a great way to keep users engaged and resubscribing. Platforms such as Netflix take this approach seriously.

“Netflix uses Twitter/X as a key part of its communication style by reposting and replying to fan theories surrounding different TV shows and films. Having a long-term customer focus, keeping your promises to them, and developing a culture of service are the key components for this marketing type,” says Aiken.

Creating a dedicated community space encourages engagement and demonstrates the commitment to meeting customer needs. By providing a platform for subscribers to share their experiences, companies are nurturing a sense of ownership.

### KEEP IT PERSONAL

Personalisation remains a key tenet of subscription marketing, with brands using data analytics to tailor recommendations and experiences. For example, Spotify’s dynamic playlists deliver curated content that adapts to individual listening habits. Spotify also has its Spotify Stars Program, which aims to unite “the most engaged and passionate community users”.

Spotify Stars get special community permissions and access to new product research, feedback and early testing opportunities as well as calls with Spotify teams, star-only events and the chance to get branded merchandise.

Community building in subscription offers is important. “The subscription economy is moving towards its most valuable but sometimes untapped resource: the customers,” says Aiken, “They are your real-life salespeople, so giving them a reason to promote you through your community is the next best marketing device.”

## Naked Wines



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Wine retailer Naked Wines has created its own niche in the wine industry by actively cultivating a vibrant community of wine enthusiasts.

Community group Naked Wines Angels are subscribers who support independent winemakers by investing £25 a month into their Naked Wines account, to spend whenever they want – in return for attractive discounts, freebies, exclusive wines and more. This money goes towards funding talented winemakers up front, in the words of Naked Wines: “Which means the winemaker gets a fair deal, and you get the best wine possible – all at mates’ rates.”

The company has achieved deep levels of brand devotion through its other strategic initiatives such as interactive online platforms and immersive tasting events.

Naked Wines’ online platforms allow wine enthusiasts to connect and seek advice from fellow Angels. Dedicated groups include Naked Novices, What I’m Drinking Tonight, Food and Wine Matching and Wine n Giggles.

The company’s Tasting Pack events offer loyal customers a chance to attend live wine masterclasses and sip along with experts, learn about different wines and gain insights into the winemaking process.

# Alternative payments and subscriptions

## All about the money

Customer satisfaction remains paramount in the constant quest for subscriber acquisition and retention. As financial preferences continue to change and technology reshapes the way we transact, businesses in the space must adapt and innovate to stay ahead of competitors.

Alternative payment methods offer businesses a diverse array of options to cater to the needs and preferences of their customers and they can play a key role in reducing customer churn.

“With the cross-border ecommerce market being expected to grow by 107 per cent over the next five years, it is becoming increasingly important for retailers to implement a well-thought-out, international sales strategy to meet the needs of the modern-day customer and tap into both local and growing global demand,” says Tony Preedy, managing director of online marketplace Fruugo,

“Knowing which payment systems are preferred in different markets is therefore important for businesses wanting to succeed or expand overseas, as some customers may stop doing business with a company over a certain period of time,” he adds.



According to Fruugo customer data, ‘buy now, pay later’ methods, such as Klarna are steadily becoming the preferred payment method, possibly due to the rising cost of living. These methods allow shoppers to buy an item but pay for it in instalments which enables them to spread out the costs of their purchases.

### CONVENIENCE AND SEAMLESSNESS

One of the primary drivers behind the rise of alternative payment methods is the quest for convenience. “It has really become incumbent on retailers to offer a wide choice of payment methods if they want to attract the maximum number of customers,” says Ralf Gladis, CEO at Computop.

However, optimising that choice means making sure that those methods allow customers to check out seamlessly and without friction to avoid churn. “One way of thinking about it is to consider three broad customer types for which at least one payment consideration should always be provided,” says Gladis, “The first type of customer prioritises convenience, so wallets storing the data of the customer’s bank or credit card will appeal and they like one-click methods such as Amazon Pay or Apple Pay or the new Click to Pay supported by major credit card companies. This lets them check out quickly. The second type of customer is more interested in having secure control until the transaction is complete. They are more likely

to select a BNPL option, delaying payment until the goods have arrived and they have been accepted by the customer.

Although this means retailers must pay in advance, it has the advantage of reducing fraud risk. And for the third type of customer, the priority is liquidity. By providing a later payment date or enabling them to pay in instalments, they are more likely to complete their purchase than to abandon it."

This flexibility is crucial for reaching unbanked or underbanked populations, who may not have access to traditional banking services but still participate in the digital economy.

### **A GLOBAL REACH**

The proliferation of alternative payment methods has opened up new opportunities for businesses to expand their reach and tap into global markets. "PayPal alone has around 148mn global users," says Tony Preedy, "By embracing diversity, innovation and customer-centricity, businesses can harness the power of alternative payment methods to drive growth, foster customer loyalty and unlock new opportunities in the digital economy."

Knowing the market on things like this is crucial. "Other markets opt for local, trusted brands or solutions when making purchases from overseas since the familiarity provides them with a sense of security," Preedy says, "For example, iDEAL, a Netherlands-based payment method, is often the most preferred method in that market. Whereas, in Portugal, Portuguese interbank network, Multibanco is the top choice."

### **MANAGING COSTS**

Alternative payment methods will play an increasingly central role in driving growth, enhancing customer experiences and shaping the future of successful subscription commerce. However, cost is always the main barrier, whether its implementing new technology or absorbing fees. "Offering alternative payment methods can create a more complex payment stack, but this is usually resolved for retailers by working with a payment service provider (PSP)," Gladis says.

The recurring revenue model is likely to remain dominant for services and products that use a subscription-based monetisation model, says Artur Zaremba, product owner at Ecommpay, "However, these businesses are increasingly threatened by deteriorating macroeconomic factors triggered by monetary responses to post-pandemic inflation and high interest rates."

Consequently, subscription churn rates may increase in the short to medium term. In this context, subscription-based businesses may find a subscription pause feature useful, where customers can put their subscriptions on hold. "This may be an effective tool for retaining customers until financial conditions improve while enabling them to seamlessly resume their subscriptions.

At the same time, recurring retry functionality, which enables automated retries for declined recurring transactions, may be another effective tool for combating churn rates."

### **AN OPEN FUTURE**

Another future development for subscriptions, Zaremba says, could be open banking subscriptions, as well as open banking-powered subscription management tools. "Such management tools should provide capabilities for customers to cancel, pause and resume their subscriptions, while also retrieving specific subscription details."

It is worth mentioning that Mastercard has already launched an open banking-powered subscriptions management tool in the US. However, Zaremba adds, "to ensure a successful and improved future for Account to Account (A2A) payments, including subscription payments, open banking providers still need to address the poor user experience highlighted by developers and customers."

# Conclusion

Subscription-based services are experiencing a shift, marked by a number of challenges such as subscriber fatigue, declining profits and increasing churn rates. However, despite this, we are still seeing evolution, not stagnation in the sector.

Perhaps the era of simply offering subscriptions as a one-size-fits-all solution is over and businesses are facing more innovative approaches to monetisation and creating value for customers.

Companies like The New York Times, Zoom, HubSpot and GoPro, for example, are recognising that successful monetisation goes beyond a singular pricing model and involves understanding customer needs, delivering value across various offerings and continuously tweaking to meet demand.

By redefining value propositions, addressing root questions about customer behaviour and offering flexible pricing structures, businesses in the sector can better cope with subscriber fatigue and ensure long-term sustainability.

## RESEARCH:

**Researcher** Anna Segarra Fas

For questions about our research and to send feedback, please email the team via:  
[research@retailx.net](mailto:research@retailx.net)

**Research Director** Martin Shaw

**CEO** Ian Jindal

## EDITORIAL:

**Editor** Hazel Davis

**Production Editor** Gary Tipp

**Managing Editor** Jonathan Wright

## DESIGN:

**Art Editor** Laura Ross

**Cover Design** Freny Antony

## MARKETING:

**Marketing and Circulation**

Addison Southam [marketing@retailx.net](mailto:marketing@retailx.net)

## SALES:

**Commercial Director** Andy James

[andy@retailx.net](mailto:andy@retailx.net)

**Group Creative Solutions Director**

Marvin Roberts [marvin@retailx.net](mailto:marvin@retailx.net)

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## SubscriptionX at InternetRetailing Media Services Ltd

27 Clements Lane

London, EC4N 7AE

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