



The Rise of the Subscription Model

**Whistl provides an overview of subscription services and
how to maximise your business model**

Research and Insights, from Whistl

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The Evolution of Subscription Services



Subscriptions have been around since the 17th Century, first introduced by newspaper and magazine publishers. Now businesses from Netflix to Hello Fresh use the model to provide services and products on an ongoing basis to build brand loyalty and focus on customer retention.

Subscription boxes made an appearance a decade ago with the launch of Birchbox, a beauty box, leading the trend and inspiring hundreds to start their service and now you can subscribe to almost anything.

“the global market for physical goods subscriptions is set to surpass digital subscriptions in 2022”

Juniper Research

With advancements of technology, exposure to social media and, in more recent years, the pandemic and lockdowns have fuelled the massive growth resulting in a surge of boxes landing on our doorsteps. The regularity of the boxes offers buyers convenience, potential savings and personalisation.

£395m
Market value
in 2021

The subscription market was valued at £395m in 2021 versus £332m in 2020, a 18.9% year on year increase and set to be worth £1.8b by 2025.

£1.8b
Est. market value
in 2025

Whistl has examined the current research into subscription box services in the UK, providing key insights for businesses already operating in the market or for those who are looking to do so in the future.

Subscription Model Statistics

With 81% of households signed up to subscriptions in 2021 subscription boxes are here to stay. They are no longer a short term treat as research found that shoppers stay signed up to a subscription for an average of 9 months.



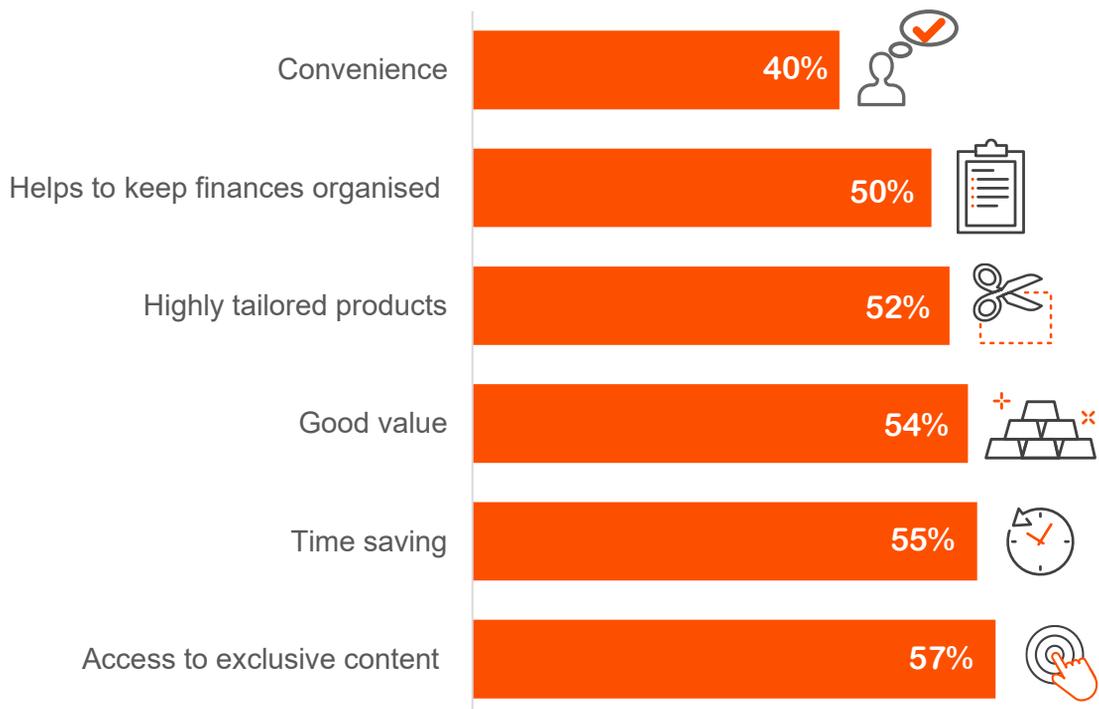
81% signed up to at least one subscription in 2021 versus 65% in 2020.

Spend £620 a year signing up to new subscriptions averaging £52 a month.



Shoppers stay signed up for an average of 9 months versus 5.6 months in 2017.

Research conducted on behalf of Barclay Payments found that consumers are signing up to boxes to save time, benefit from value for money, and convenience.



Consumers are increasingly familiar with the subscription model and are subscribing to more and more boxes, staying subscribed for longer.

Subscription Model Strategy

Companies across all industries are making subscriptions a key part of their business strategy with 67% of UK retailers planning to launch a new subscription.



of UK retailers plan to launch a new subscription soon.



of UK retailers who had not previously provided any subscription services planned to launch a range of subscription services in time for Christmas in 2021.



growth for subscriptions over the next 12 months predicted by UK retailers.

Control and Flexibility is key for customers

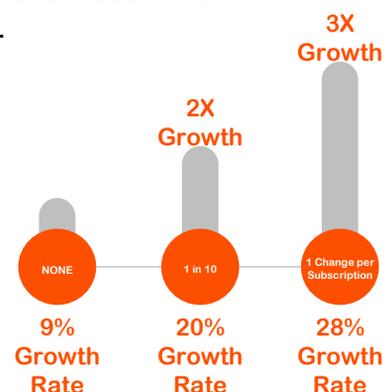
Self-management

74% of UK adults wish companies made it easier for them to self-manage their subscriptions.

Consumers want the option to change their subscriptions to match their needs at any moment. They want the freedom to make changes to their subscriptions to choose how they buy, when they buy, pause, and re-join at their own will.

The Subscribed Institute's Subscription Economy Benchmark Report analysed 90 million subscriptions and found that companies who allow customers to make more **changes to subscriptions** grow faster.

The report found that companies which average one change per subscription, have almost **three times** the growth rate of companies that don't, and see reduced churn.



Usage - based pricing

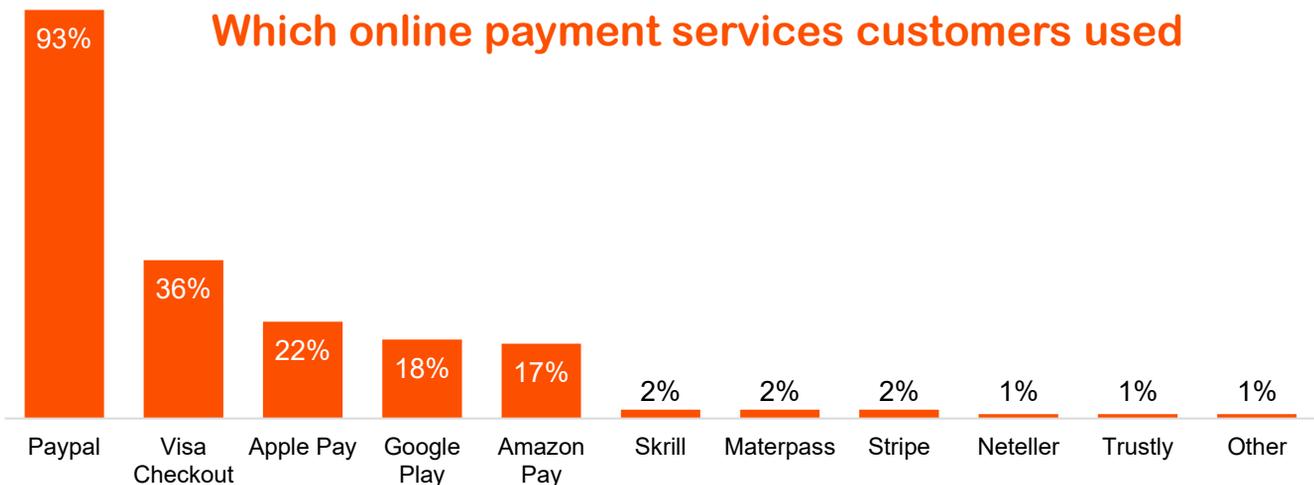
67% of consumers prefer a usage based pricing over a flat recurring fee.

Companies with over 25% revenue from usage-based pricing grew 21% year-on-year. Successful businesses such as Oddbox, Splosh and The Cheeky Panda all offer usage-based pricing, by charging per delivery instead of a fixed recurring fee.

A range of payment methods

Payments are a key aspect for businesses, especially for subscriptions due to the recurring nature of payments. Failure to cater to customer payment preferences can result in losing customers. The majority of subscription businesses charge monthly or annually but what are the most popular methods of payment?

Statista conducted a survey in 2021 which revealed that debit cards (67%), direct debits (58%) and credit cards (45%) were amongst the most popular payment methods. Online payments (66%), which featured in the top three, are options to pay with out a card such as PayPal, Apple Pay and Visa Checkout.



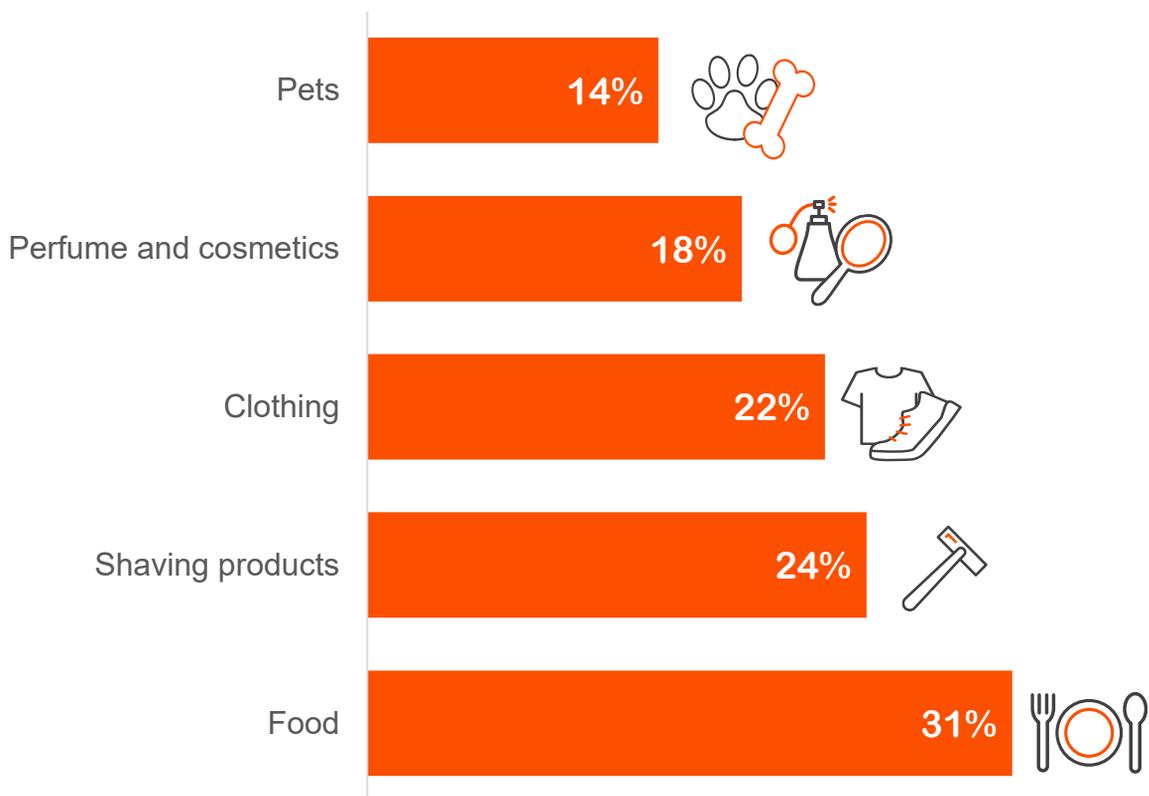
Offering customers a quality product is not enough. Retailers must offer an array of payment options and allow customers to make changes so they are in control. Focusing on the customer experience and continually monitoring performance will result in a successful plan.

Subscription Boxes by Sector



Subscription boxes have developed significantly in the last decade, with popularity being boosted in 2020 by the lockdown, and the demand shows no sign of slowing down. Boxes range from the same products that are needed on regular basis or surprise products which offers the customer something new.

Most popular subscription sectors



Food and Drink

Food is currently the most popular subscription box category in the UK and habits formed in lockdown are here to stay, as food and meal subscription boxes continue to be popular.

- 26% of UK shoppers are signed up to a food and drink subscription box.
- 28% of UK consumers said they have switched to buying food (excl. restaurant delivery) online more often.
- Of those that use food subscription boxes, over a quarter (27%) rely on them for at least half of their meals.

The food market continues to grow:

- Grocery retailers predict a further 35% increase in new sign-ups to subscriptions over the next 12 months.
- 40% of current food subscribers plan to take out more subscription services because of the convenience they offer.

Example of a Food and Drink Subscription

Leader in the healthy snacking market

The graze story began 2007, with flavour creations and the start of posting snack boxes. In 2011, only five years later, 100,000 subscribers were receiving graze boxes every week! Graze offer their subscribers convenience and control over what's delivered and how often.



Case Study: Whistl and Nature Delivered have collaboratively mailed out letters and packages to graze's subscribers. [Read the full case study here.](#)

Male grooming

Male grooming subscription boxes have seen massive growth, offering a convenient alternative to traditional purchasing of male grooming products, as products require regular replenishment.

- Subscriptions saw a growth of 108% between 2017 and 2020 to reach a value of £42 million.
- Male grooming is forecasted to rise to £86 million by 2022.

Toiletries and cosmetics

Toiletries and cosmetics are another popular subscription service. As the awareness of product sustainability increases so do the number of eco-friendly options.

- 16% of UK consumers said that when life completely returns to normal after COVID-19, they would continue to buy cosmetics online more regularly rather than switching back to physical stores.

Health and beauty

Health and beauty products are seeing strong growth.

- The sector has grown from £43 million in 2017 to £79 million in 2020.
- The sector is forecasted to grow to £92 million by 2025.
- 11% of UK shoppers are currently signed up to a health and beauty subscription box service.

Example of a Health and Beauty Subscription Service

Sustainable and natural deodorant brand

Wild offers a zero-plastic skincare solution that is natural and compostable. Customers can choose to refill their wild deodorant case with alternative fragrances and have the option to change or pause subscription dates.

Visit www.wearewild.com to find out more.

The logo for Wild, featuring the word "Wild" in a bold, red, sans-serif font.

Clothing rental

Growing sustainability concerns are a key factor for the growth of the clothing rental market and looks set to see further growth over the next decade.

We look at two well known high street retailers who have recently launched clothing rental subscriptions:

Example of Clothing Rental Subscription Services

L.K.Bennett
London

LK Bennett, a leading fashion brand launched a new subscription service in July 2021. The service offers subscribers the opportunity to rent some of their most popular clothing items. Consumers are allowed to rent two products for £79 a month and can swap items up to eight times (LK Bennett 2021). The appeal of this service is to offer a more sustainable way of shopping and enable customers to rotate their wardrobe regularly.

**MARKS &
SPENCER**

M&S launched their first clothing rental service in November 2021 with the UK's leading rental website, Hirestreet. It is made up of 40 womenswear pieces and customers can rent items for up to 4, 10, or 30 days (M&S 2021).

Other clothing brand that have launched clothing rental subscriptions include Jimmy Choo, Chanel, Gucci, and Ted Baker.

Pet food

16% of UK consumers said that when life completely returns to normal after COVID-19, they would continue to buy pet products online more regularly rather than switching back to physical stores (Statista 2021).

Household products

This category will always be popular, especially the household staples. There is also now an increasing trend towards eco-friendly products. The green movement is growing rapidly in the UK as customer awareness and habits change.

A sector to keep an eye on due to changes in consumers' shopping behaviours, and the convenience subscriptions provide, the trend of relying on subscription services to attain essential items will continue

Example of a Household Subscription Service

Toilet paper that makes the world a better place

Launched in 2012 after learning 2.4 billion people don't have access to a toilet, they began delivering environmentally products in 2013. Subscribers can control frequency of deliveries, amend products and receive shipment notifications. With 50% of profits donated to build toilets and improve sanitation in developing countries, customers can really feel-good about this purchase.



Award winners: Whistl Doordrop Media and Who Gives a Crap were bronze winners a the DMA Awards for best use of the unaddressed print category. [Read more here.](#)

Supporting Industry Sectors with Bespoke Services

Find out how Whistl's services are relevant to your industry through tailored support and a dedicated account management team by visiting www.whistl.co.uk/industries

Think Outside (& Inside) the Subscription Box



With subscriptions set to become ever more competitive in the future, insight into this market is important.

1. Optimise Customer Growth

The simple mathematical approach would be more customers = more revenue. The Subscription business growth is not always that simple! The focus should be on ease of sign-up and onboarding coupled with exceptional customer experience. This combination will ensure that customer growth is maintained, avoiding customer churn.

2. Understand your Audience

Regularly analyse, research, and understand your customer base. New subscribers might change the dynamics of your original target base. Regular reviews of your subscription customer base, will give insight into emerging personas and how to keep them engaged, their preferences and even your pricing strategies. By increasing your customers knowledge, you can start to build a stronger two-way relationship.

3. Continuous Customer Engagement

Customer loyalty requires continuous engagement, your subscription offering should have the consistency of service, quality of products and unrivalled customer experience. Keeping things interesting could be as simple as the ability to provide reviews and direct feedback, personalisation options or to change selections regularly. If your customers lose interest in the service and products, they are more likely to cancel their subscription.

4. Test and Learn

Monitor the performance of all elements to your subscription model from your acquisition channels, products, packaging and pricing, and operational costs. Be prepared to make adaptations when required. Reviews and business monitoring will ensure growth happens, with a relevant structured test and learn the strategy

5. Be Responsive

The subscription model business is likely to continue to evolve at a rapid pace. For example:

- New competitors may enter the market with a differentiated offering.
- External factors could impact your product, operational costs and even customer needs.

Your subscription model strategy must allow for growth in this dynamic environment.

Focus on the customer experience and continually monitoring performance will result in a successful plan

Whistl can Help Support Subscription Businesses with Tailored Services

When looking to scale your subscription business, it's critical to ensure you are working with the most appropriate partners to suit your business model and long-term goals.

At the Whistl Group, we offer a unique portfolio of solutions to support the end-to-end logistics process, helping with all aspects of the customer journey including the delivery management of orders, complete fulfilment solutions and even ongoing customer service.

Customer Acquisition

Increase your customer base with relevant and targeted advertising services. From postage solutions, advertising mail or the planning and delivery of promotional leaflets, brochures or magazines or even product sampling techniques.

Fulfilment Solutions

Multi-channel fulfilment supporting B2C/B2B orders and drop-shipping. A complete fulfilment solution, providing everything you need for a seamless experience for your customers, from the first click to delivery to the final delivery location.

Delivery Management

Managed middle-mile/ final-mile solutions for efficient customer deliveries. Our portfolio of fully managed domestic and international delivery solutions ensure your goods reach your customers, no matter where they reside.

Contact Centre Services

Outsource all of your businesses contact centre services, to Whistl. Tailored contact centre services, we manage all of your inbound customer contacts including calls, emails and social media platforms, with the same diligence as an in-house team.

Returns Management

Return management services, as customers sometimes change their minds. Improve customer retention with reverse logistics for parcel deliveries, or a fully managed returns fulfilment service, including product refurbishment for saleable inventory.

Get a bespoke quotation for your subscription business needs

Whistl can support your business providing a high-quality, seamless experience from the first click to the final delivery.

www.whistl.co.uk/enquiries

Thank You

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