

SUBSCRIPTION RETAIL

How the trends of tomorrow are turning more and more retailers toward subscriptions

AT A GLANCE

Over the past five years, subscriptions have been a booming megatrend, impossible to overlook. It has transcended most industries whether it being beauty products subscriptions (*Birchbox*), endless binging of series on Netflix or car subscriptions (*Zipcar*).



For businesses, the subscription-based model has helped increase customers' basket size, increase customer loyalty and created a more steady and predictable cash flow.

In retail and e-commerce specifically, we have seen the subscriptions become one of the preferred business models. For instance, the subscription e-commerce market has grown by more than 100 percent a year over the past five years. And subscription-based businesses in retail are six times more valuable than those, who operate a more traditional business model.

More and more retailers are breaking with the traditional transactional-based business model and turning to subscriptions as these offer a *win-win* solution for businesses and consumers. For the latter, subscriptions offer consumers value by tapping into several consumer trends, such as convenience, flexibility, personalisation, experiences, as well as saving time and money. It is no longer enough to have a great product. Companies must rethink their ecosystems in order to provide consumers with meaningful value – otherwise they will turn to other options.

For businesses, the subscription-based model has helped increase customers' basket size, increase customer loyalty and created a more steady and predictable cash flow.

In this report, we elaborate on how Amazon Prime, Graze, Aarstiderne, Dollar Shave Club, Bark Box and several other companies have created successful subscription-based businesses. These all rely on different subscription-models which are typically seen in the retail industry.

This enables a deeper understanding of how and why subscriptions can potentially be applied in your field of business.

Enjoy.

ABOUT THIS REPORT

In this report, you'll learn about the mechanics and links between the emerging consumer trends and a series of different subscription models within retail.

Firstly, we will go through five consumer trends, that the subscription model taps into as well as why and how they do so.

Secondly, we discuss 'the tyranny of the margin', which many retailers are currently caught in. Currently, most retailers focus on single transactions instead of focusing on each customer, which can become destructive in the long run.

Next, we go through four different subscription-based models that are typically seen in retail and e-commerce, namely the Green Fee Model, the Consumption Model, the Tailor-made Model and the Surprise Box Model.

Subsequently, we discuss some of the key considerations regarding a transition from traditional retail model to a subscription model and you will be introduced to a framework, that can help you find the best subscription model for your company.

DID YOU KNOW...



60% of subscribers to products are women



42% of male subscribers have 3 or more subscriptions; 18% have 6 or more.

Source: McKinsey & Company, 2018

MEET THE AUTHORS

This report is the result of dedicated teamwork – and it would not have seen the light of day without these three subscribers:



Morten Suhr Hansen

CEO, Founder and Partner



Benedicte Larsen

Consultant



Peter Jakobsen

Senior Consultant

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01 WHY SUBSCRIPTION?

Today's retail landscape has gradually become more and more turbulent because of the abundance of material goods, the rise of e-commerce and fierce competition. As a consequence, numerous retailers have been looking into alternative methods of generating revenue and customer traffic – both online and offline. The subscription-based business model is one of these alternative methods.

Several retailers have broken with the traditional transactional business model and shifted to the subscription-based business model. The purpose of this shift is to enable companies to create higher customer loyalty and increase customer lifetime value – and many have succeeded in doing so. Not only is the subscription-based model beneficial for businesses - as it creates a steadier cash flow and higher customer loyalty - but subscriptions are also advantageous for customers. Why? Because the subscription-based business model taps into several consumer trends, which are currently transforming the way all consumer-facing businesses must approach their customers.

The subscription e-commerce market has grown by more than 100 percent a year over the past five years. The largest such retailers generated more than \$2.6 billion in

sales in 2016, up from a mere \$57.0 million in 2011 (McKinsey&Company, 2018).

Fuelled by venture-capital investments, start-ups have launched these businesses in a wide range of categories, including beer and wine, child and baby items, contact lenses, cosmetics, feminine products, meal boxes, pet food, razors, and much more. However, the strong growth in the recent years has attracted established consumer brand manufacturers and retailers, such as P&G, Sephora, and Walmart, have all launched new subscription businesses.

DID YOU KNOW...

The subscription e-commerce market has grown by more than 100% a year over the past five years.

Source: McKinsey & Company, 2018

02 THE TRENDS OF TOMORROW

Subscription services tap into several major consumer trends. In this section, five consumer trends are introduced, which should be taken into consideration, when trying to meet your customer's needs and demands; namely convenience, flexibility, personalization, experiences as well as saving time and money.

CONVENIENCE

Convenience has been a hot-topic the past few years and has become essential in creating the best customer experiences. But why? Where did this trend come from? Technology and innovative design have made many products and services more predictable and efficient. In crafting customer experiences, the perception of convenience is as important as the actual benefits of saved time and effort. This type of convenience has to do with reduction of physical effort for undesirable tasks. This can come in a variety of forms, such as frozen meals that eliminate the need to cook, or online shopping that removes the need to go shopping in physical shops. Modern technology has provided a variety of tools for bringing goods and services closer to the customer. However, modern technology has also created a culture of impatient and anxious customers who constantly long for instant gratification.

Have you ever yelled at your phone when the screen freezes? Or become frustrated over a package arriving a few days later than anticipated? These are signs of impatience and consumer anxiety.

Especially young consumers, Generation Y (also known as Millennials, born 1980-1995) and Generation Z (born 1996-2009), have become increasingly impatient in many ways (MarketWatch, 2016). Their way of viewing the world has shifted drastically, due to globalization, technology, etc.



In crafting customer experiences, the perception of convenience is as important as the actual benefits of saved time and effort.

For instance, younger generations have become accustomed to immediate feedback and instant gratification, which has eroded their patience. Some companies are capitalizing on that desire and taking consumer anxiety and sprinting with it, by offering same-day delivery services and providing the ability to stream full seasons of TV (Taubenfeld, 2017). People will pay big bucks to avoid the wait. Today, almost anything can be delivered to your doorstep and some even the same day as you order them, for instance: food, flowers, clean laundry, groceries, vitamin pills and so on.

FLEXIBILITY

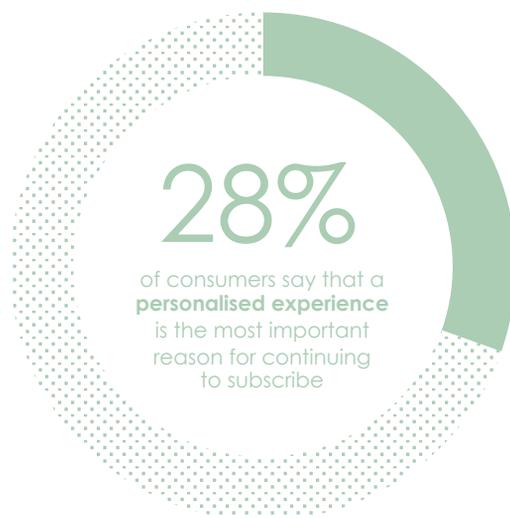
Today, superior user experience is a must. Otherwise, consumers do not hesitate to cancel services that do not deliver on this, for instance if the product quality is poor, if a customer is dissatisfied with the assortment, or if the consumer does not see the perceived value. As such, it is important that subscription businesses do not aim to tie in customers with long cancellation periods or make it difficult for customers to cancel their subscriptions. Instead, make it as easy and flexible as possible for customers to enter, leave and come back to you, so to say. If you make it difficult for them to cancel their subscriptions, you may lose them forever, even if they just needed a little break. According to McKinsey and Company (2018), consumers are much more likely to cancel when products pile up or they can't customize order volumes to match their actual requirements (for example, if they are going on vacation or need less product in a given week or month). Therefore, today's customers want flexibility to pick and choose between products and services, that fit into their everyday lives and lifestyle.

PERSONALISATION

To continue subscribing, many consumers expect personalised subscriptions to become more tailored over time: 28% of consumers say that a personalized experience is the most important reason for continuing to subscribe (McKinsey & Company, 2018). Consumers have become increasingly demanding, and it is the company's job to keep up. Many companies have spent years interacting with their consumers, tracking their behaviour and asking for their feedback, but have perhaps not been good enough at translating the

feedback into valuable actions. This creates frustration and negative experiences for consumers. Consumers have become more and more accustomed to getting exactly what they want, when they want it and how they want it. Companies must, therefore, stay agile in regard to market demands and customer preferences, and adapt these, in order to be successful.

Later in this report, we will get back to how Graze, a snacks company, have successfully managed to personalize their subscription. What's interesting about Graze is that complex algorithms have allowed them to create custom-picked and personalized snack boxes. They have brought a whole new twist on the old marketing cliché: "handpicked for you", as the items are individualised and picked, just not by hand (Graze, 2018).



Source: McKinsey & Company, 2018

EXPERIENCES

The subscription boxes appeal to consumers on a number of emotional and behavioural levels – anticipation, curiosity, surprise, joy, delight, satisfaction, and sometimes disappointment (Barstow, 2016). The excitement of trying out new things, which subscriptions allow consumers to do.

As mentioned earlier, the excitement of ripping open a present or receiving a package in the post relates to the feelings, that subscription services are looking to reach. In fact, in a survey conducted by McKinsey & Company (2018), 18% of respondents signed up for a subscription to try something new. In the same survey, 25% responded that the main reason why they cancel a subscription is because they were dissatisfied. This further underscores the importance of delivering an excellent customer experience on an ongoing basis. Otherwise, churn rates will be sky high. All of the above-mentioned trends help subscription companies to create great customer experiences, in each their way.

THE FIVE CONSUMER TRENDS



Convenience



Flexibility



Personalisation



Experiences



Saving time and money

Convenience minimises hassle, flexibility allows customers to interact with companies how, when and where they want, and personalisation creates a closer relation - between customer and company - and thus better experience.

SAVING TIME AND MONEY

Subscriptions are appealing to customers due to the fact that subscribers are offered discounts as well as easy rescheduling of delivery dates and free returns. However, many subscriptions also offer a lower-cost, convenient and easy way for customers to buy what they want and need (McKinsey & Company, 2018).

This resonates well with young consumers, especially. They want to optimise their time as much as possible, and eliminate dull tasks, such as grocery shopping. Here, subscriptions offer an easy way of getting routine purchases done.

For instance, one of the most popular subscriptions in the world, Amazon Subscribe and Save, allows customers to receive a discount of up to 15% on certain Amazon products (Amazon, 2018). Consumers get free shipping on auto-deliveries, and the convenience of regularly scheduled deliveries. There are no commitments, obligations or fees, and subscribers can cancel their subscription at any time.

As such, we have highlighted five major consumer trends, that influence subscription services; convenience, flexibility, personalisation, experiences as well as saving time and money.

In the next section, we go through the transformation of traditional retail business models to becoming more customer-centric with subscriptions.

03 CUSTOMER-CENTRIC RETAILING

Rent the Runway was founded in 2009 by Jennifer Hyman and Jenny Fleiss. The whole thing began like many other entertaining stories; with a wedding. However, this wedding did not exactly turn out as well as Jennifer's younger sister, Becky, had hoped. When the party was over, she was left with a \$2000 bill for the dress she bought, and her bank account wasn't in for a marriage - to say the least. With this in mind, the idea of subscribing to designer items emerged in Jennifer's mind.

On November 30th 2008, Jennifer returned to Harvard Business School to discuss the idea with her friend, Jenny. The two actually set up a meeting with Diane von Fürstenberg – an iconic Belgian-American designer - who distributes her collections in over 70 countries, and pitched their idea. However, they were met with a common reaction; scepticism. Why? Because von Fürstenberg focused on the margin as the primary target. It seems logical – from a business perspective – to focus on increasing the profit margin. However, by focusing on the profit margin, the business ends up targeting each individual transaction. This is in direct conflict with the interests of our customer because transactional focus compromises the long-term perspective of the customer's experience with a given product or service.

In the book *Subscribed* (2018) the author, Tien Tzuo, describes this as 'the tyranny of the margin'. Tyranny of the margin happens when companies focus on the profit margin and aim to increase the margin. However, this often leads to frustrated customers as we are currently in 'The age of the customer'.

Today's customers are more powerful than ever, as most of them have researched, assessed, and categorised you before you can even say hello to them (Tzuo, 2018). In order to overcome this challenge, companies should instead turn their focus away from the individual transaction (margin tyranny) and towards the customer lifetime value.

TOP 3 REASONS TO SUBSCRIBE



"I wanted to try something new"



"Somebody recommended that I do so"



"I can save money or get more value for money" (e.g. convenience)

Source: McKinsey & Company, 2018

To do so, you will have to change the way you optimize profit. If your company focus on making every single transaction with a customer profitable, you will miss out on long term profits.

An example is the free delivery with Amazon Prime. A transactional profit focus would require a minimum basket size to get the free delivery, but since Amazon focuses on a profitable relation with the customer in the long run, they can allow losing profit on individual transaction.

In fact, Jennifer Hyman and Jenny Fleiss overcame the initial scepticism from more traditional-thinking retailers and went on to create a blooming business with Rent the Runway that now has millions of members subscribing to new clothes every month.

04 SUBSCRIPTION MODELS IN RETAIL

In the following section, we look at four specific subscription-based models that are most commonly seen in the retail landscape. ►

As each model is described, we will focus primarily on answering the following questions:

- What are the basic mechanics of the model?
- How does it benefit the company and customers?
- Which companies have succeeded with this model?

THE FOUR MOST COMMON SUBSCRIPTION MODELS IN RETAIL



Green Fee



Consumption



Tailor-made



Surprise box

Learn more about each of these on the following pages.



THE GREEN FEE MODEL

The Green Fee Model is a membership-based subscription model where consumers pay a monthly, quarterly or yearly fee in order to get access to certain products or value-adding services. In fact, the name is inspired by golf as the price for getting access to the range is called a 'Green Fee'.

The Green Fee subscription-model is especially effective at creating a hook that gets customers to come back again and again – and again. The interesting thing about the Green Fee is that it is a paid loyalty club. The big difference between free loyalty clubs and Green Fee loyalty clubs, is that when the customer pays a fee to be part of a club, they make an active decision of committing their loyalty. As such, customers actively (and consciously) dedicate themselves to one specific brand (or store, chain, etc.) and then do all their shopping – if possible – at the same place. Eventually, this leads to higher revenue per customer.

Amazon has been practicing the Green Fee Model since 2005 with its Amazon Prime subscription.

DID YOU KNOW...

Amazon Prime members who pay a Green Fee spend about \$600 more than non-Prime members, on average.

Source: CIRP, 2018

Amazon Prime is a membership service including certain offerings, such as free shipping, Prime Video (streaming), Prime Reading, among others. Since the launch of Amazon Prime, it has reached 100 million subscribers globally (The Wall Street Journal, 2018).

What's most interesting about Amazon Prime, is that Consumer Intelligence Research Partners (CIRP) conducted a survey in 2018 among 500 people to compare the buying behaviour of Prime and non-Prime Members.

The data showed that Prime members - who pay either \$99 a year or \$10.99 a month for the service - spend about \$1,300 a year on Amazon.com versus \$700 for non-Prime members (CIRP, 2017). So Prime members who pay a Green Fee spend about \$600 more than non-Prime members!

There are two types of Green Fee subscription models;

- A) Non-Profit Product,** and
- B) Low Coverage, High Frequency.**

A) Non-profit Product (NPP)

NPP is the type of Green Fee where the profit is generated from the fee that subscribers pay. This means that retailers have 0% coverage on the products that are sold. However, this gives the retailer an advantage over competitors in the market who are dependent on their profit margin, since prices are dropped to a level where competitors cannot compete.

For instance, NatureBox is a Green Fee where members pay a fee of \$30 a year in order to be able to purchase snacks at a reduced price and free delivery on all their purchases over \$25. They even promise to credit customers for the snacks that they dislike (NatureBox, 2018).

Another example is the Danish company, Winefamily. For approximately \$6 per month, Winefamily offers their members the ability to buy up to 24 bottles of wine at cost-price. Lately, Winefamily has expanded their product range into beer, spirits, coffee, chocolate and other luxury products to increase the incentive of paying the membership fee (Winefamily, 2018).

EXAMPLES OF GREEN FEE SUBSCRIPTIONS

- NatureBox (US)
- Winefamily (DK)
- Føtex ØKO+ (DK)
- Amazon Prime (US)
- MyBianco+ (DK)
- LuxPlus (DK)
- Saxo.com (DK)
- MUD Jeans (NL)



B) Low Coverage, High Frequency (LCHF)

LCHF, not to be confused with the Low Carb High Fat diet, is based on the idea of taking a hit on profit margins in order to increase the customer lifetime value. More specifically, CLV grows by increasing the customer's buying frequency.

The model focuses on giving members (subscribers) a discount, in order to bring up their shopping frequency and basket size. To succeed with the model, it is essential that the discount level is high enough to remove the decision process from the customer.

The main reason of using the LCHF subscription model is to offer products that are so cheap that customers do not even think about going to other competitors. As such, the cost of switching to a competitor is too expensive for customers. However, this requires that the product assortment satisfy the customer's needs in order to create a one-stop service.

For instance, customers do not want to go to three different supermarkets to shop for groceries. This would go against several of today's consumer trends – such as convenience or saving time.

Both Green Fee models have proven to be extremely potent in specific within businesses where the shopping frequency tends to be high. This goes for groceries, personal hygiene and mass beauty among others. A potential risk is that your customers have the ability of opting in and out of your subscription-service. This means that you will potentially lose revenue on your loyal customers and not gain enough from the rest.



THE CONSUMPTION MODEL

The Consumption Model focuses on providing customers with the products they want and need, as well as removing the hassle of constantly having to make choices about which products to buy. As such, this subscription relies heavily on the convenience consumer trend.

Consumption subscription-models typically have a fixed fee per month, which vary depending on the tier or product category customers choose to subscribe to.

The Danish company, Aarstiderne, runs a consumption subscription, which sends customers weekly meal-boxes. Aarstiderne means 'The Seasons' in Danish and focuses on delivering organic-, locally sourced-, seasonal greens, meats and groceries. Aarstiderne provides a small range of categories of meal-boxes such as Vegetarian, Low Carb, Favourites and World Foods where customers find different kinds of meals and inspiration.

Customers can choose between the different categories from week to week, however, the menu is set by Aarstiderne. The meal-box is delivered straight to customers' doorsteps. Perhaps this does not sound very revolutionary, but Aarstiderne has been delivering meal-boxes for almost 20 years and, as such, were first-movers within delivering products to consumers.

Today, Aarstiderne has yearly revenues of approx. 750 million DKK (approx. \$115,000,000) and owns about 50% of the market for food consumption subscriptions in Denmark (Mailand, 2018).

However, running Aarstiderne is not always a walk in the park. Søren Ejlersen, the founder, has mentioned that Aarstiderne constantly takes chances with the foods and ingredients in their meal-boxes. Most often, the customers appreciate the new types of food and ingredients. However, Ejlersen mentioned that the company experienced a 25% churn in one of their categories one week because there was smoked mackerel on the menu.

EXAMPLES OF CONSUMPTION SUBSCRIPTIONS

- Kaffedrengen (DK)
- TakeDaily (DK)
- Target (US)
- The Honest Company (US)
- Birchbox (US)
- Mothercare (UK)
- Dollar Shave Club (US)
- Blue Apron (US)
- HelloFlo (US)



Dollar Shave Club is another example of the Consumption model. Dollar Shave Club grew from zero subscribers to more than 3 million in five years. The company offers low-cost razor blades as a subscription service. Since launching the service, the company has extended its line of products and now offers a wide range of products for male grooming. In 2016, the start-up was acquired by the international giant, Unilever for a price of more than one billion USD (Unilever, 2016).

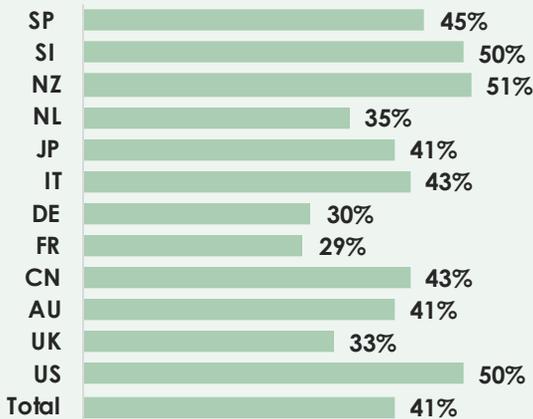
The Consumption Model has propagated into other product categories, such as fast-moving consumer goods, the beauty- and grooming industry and many others. This subscription-model is most often seen in industries (or businesses) where it is easy to predict the frequency needed for product refills as well as with homogeneous products.

Nonetheless, one of the most important things to consider when running a consumption business, is to sustain frequency and promote customer expansion. In order to do so, the company must give customers a good reason to buy additional products to their standard delivery. This can be done by combining the Consumption and the Green Fee models, giving your members a discount when buying products in your web-shop.

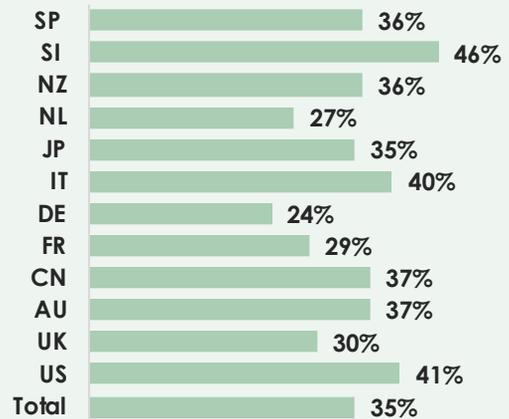
Another important note on the consumption model is that you have an advantage on shipping and logistics, since you can decide the shipping schedule for your members, which benefits your shipping costs and logistics management.

WHICH OF THE FOLLOWING DO YOU THINK ARE BENEFITS OF SUBSCRIBING TO A SERVICE INSTEAD OF OWNING IT?

CONVENIENCE



COST SAVINGS



Source: Zuora, 2019



THE TAILOR-MADE MODEL

The Tailor-Made Model appears to be similar to the Consumption Model. However, they have different value propositions. Where the Consumption Model mainly focuses on making life easier for customers (convenience as well as saving time and money), the Tailor-made subscription model focuses on providing a deeply personalised experience. For instance, when subscribing to Rent the Runway, customers pay a fixed amount per month and gets to decide exactly which styles she wants. Handpicked by her, for her. The same goes for TakeCareOf who provide vitamin pills that are personalised for each customer's needs and health.

EXAMPLES OF TAILOR-MADE SUBSCRIPTIONS

- TakeCareOf
- Graze (UK)
- HUEL
- Trunk Club
- Target Subscriptions (US)
- Hall Madden
- Stitch Fix



Therefore, the Tailor-made model is a slightly more complex model than consumption, because in theory, each subscriber has their own unique box. Fortunately, in many cases, it is possible to predict usage cycles and be in control of logistics, despite having to personalise subscriptions.

Graze was founded in 2008 in the UK by seven friends including Graham Boshier, the founder of LoveFilm (Graze, 2018). They wanted to create delicious snack boxes that people could get excited about. The first boxes were brought to customers by posting them one by one. Now, Graze is selling more than 400 different snack boxes and has expanded to the US.

The boxes contain four snacks, which are free from artificial colours, flavours and preservatives. Every snack is also having a health mark that shows, that is either low on calories, rich on fiber, high on protein and essentials vitamins and minerals. You can get the box delivered to you every month, weekly or biweekly.

The snack boxes are customised to the subscriber's preferences, which they enter on the site. The algorithm is called DARWIN (Decision Algorithm Rating What Ingredient's Next). Graze is constantly analysing the 15,000 customer ratings, they receive every hour (ibid). As such, Graze have managed to combine the two subscription-based models – Surprise Box and Tailor-made.

Another Tailor-made model example is the American retailer, Target. Target Subscriptions is a concept where customers can choose between thousands of everyday essentials that are delivered on a set schedule. As such, the customers never run out of their daily essentials like toilet paper, dishwashing liquid, diapers, etc.



THE SURPRISE BOX MODEL

Do you recognize the true feeling of excitement when unboxing a present? Or perhaps the anticipation before discovering what a package in the post contains? This rush of feelings is, in fact, very similar to what gamblers experience and it is the type of psychological effect that retailers are now banking on, with their surprise boxes.

Surprise boxes are recurring deliveries of niche products. However, the actual contents of the boxes remain a surprise for the customer, until they are delivered at their doorstep. The boxes cater to a variety of specific needs and interests.

Although the subscription box industry is still relatively small, there are more and more options available. Many retailers know that customers want to see, touch and “experience” products before they purchase them. Therefore, subscription boxes are often filled with sample sized products, which give customers a chance to try out the products before they buy them. Some new concepts, for instance Goodiebox or Birchbox, have emerged out of this exact trend.

An interesting surprise box is Barkbox. As the name suggest, Barkbox provides a monthly surprise for your dog containing food, snacks, toys etc. Barkbox has become very popular on YouTube and other video communities where dog owners share the reactions of their dogs and their unboxing experience.

Barkbox has served approximately 2 million dogs and has about 600,000 monthly subscribers! In addition, Barkbox have recently started thinking outside the (surprise) box and opened a BarkPark. BarkParks are member-only outdoor clubhouses for Barkbox dogs.

However, there are several challenges when operating with a Surprise Box subscription model. Here are some:

- With time, customers may find the product selection repetitive in niche categories (e.g. make-up)
- The thrill of opening the surprise box wears off
- Constantly having to change and renew the products and service can become tiring
- It can be very difficult to personalize boxes to different preferences, etc.
- Fragmented consumer tastes and preferences makes it difficult to please all types of consumers

EXAMPLES OF SURPRISE BOX SUBSCRIPTIONS

- Goodiebox (DK)
- Te-salonen (DK)
- Bark Box (US)
- Craft Coffee
- Kiwi Crate



In addition, when consumers receive more than one box – they are dating around, not looking for a long-term relationship. As such, these challenges emphasize how important (and difficult) it can be to retain customers. As such, some companies have started thinking outside the box in order to retain customers for longer and provide more value.

05 HOW TO GET STARTED

FIND THE RIGHT SUBSCRIPTION MODEL

Now that your company has decided to consider transitioning into a subscription-based business model, it is beneficial to take a good look at the company's offerings (products and services).

- Which problems are you trying to solve and what value are you trying to create for your customers?
- Is it easy to predict usage, which is the case with Dollar Shave Club, or is the usage more situational and unpredictable?
- Which subscription-model is your product or services best suited for?
- Should you combine subscription models?
- If you have a physical retail store, how can your customers benefit from visiting you, if they are subscribers?
- Which consumer trends are relevant for your company?
- Are there certain trends you are able to leverage, and others you are not?

There are many questions to ask on this topic and it's important to think it through carefully.

DEFINE YOUR COMPANY'S KPIS

Finding the company's value metrics is important. First of all, one should make sure to use metrics that benefit the company and its customers. The tyranny of the margin is a good example of a KPI-metric

that favours the business itself – not the customers. Having the right KPIs will help you understand where you can improve your service and leave no blind spots in your business.

SET YOUR COMPANY'S GOALS

When do you consider your subscription business a success? Sure, we'd all like to make a billion-dollar business and by all means, this could be your goal. The great thing about subscription businesses is that the knowledge of your customers can provide a significant advantage in monitoring the business and forecasting performance. Therefore, set milestones, develop your KPIs over time, and follow up on these targets frequently. The feedback and data from the customers will provide valuable insights that can be used to optimize the subscription-model.

WANT TO KNOW MORE?

If you are interested in learning even more on how to get started with subscriptions, make sure to pick up the book 'How to Build a Subscription Business' by our CEO and founder, Morten Suhr Hansen, or reach out to us.



Click [here](#) and get access to the e-book

FINAL REMARKS

A recent study showed that a majority of consumers are now subscribing to one or more physical products across different categories like food, beverages, toys, clothes, vitamins, contact lenses and many more (McKinsey & Company, 2018).

What is even more interesting is the fact that subscriptions are even more popular among younger consumers. Especially, the so called 'Millennials' that are between 21 and 39 years are inclined to subscribe. In fact, seven out of ten 'Millennials' currently subscribe to at least one physical product.

This is why retailers need to consider how to build subscriptions into their business; because of the consumers of tomorrow are demanding it. And as shown in this report, it is already happening.

The world's largest retailers and producers are rapidly engaging in the subscription economy. The Swiss food giant, Nestle, are already offering Nespresso capsules as a subscription service in a number of markets, and at the same time they are

testing both pet food and healthy beverages subscriptions in both the UK and Japan.

Additionally, both Unilever (who also bought Dollar Shave Club and Graze) and Procter & Gamble are building numerous new subscription concepts across different markets.

Even the tech-giant, Apple, sells more and more iPhones in the United States as subscriptions through the 'iPhone Upgrade Program'.

So, the key take away for from this report should be quite obvious if you or your company are either producing or selling products to consumers: What is your strategy for embracing the trends of tomorrow and building strong relationships with your consumers through innovative and profitable subscription services?

HUNGRY FOR MORE?

We appreciate feedback and live off relations. Literally. So, don't be shy. Give us a call or shoot us an e-mail, if you have any thoughts, reflections or questions:



Morten Suhr Hansen
CEO, Founder and Partner
mha@subscribe.com
+45 40 29 45 34

You are also welcome to drop by for a chat and a coffee, at any of our offices:

Copenhagen
Store Kongensgade 59B, 3.
DK-1264 København K

Aarhus
Østergade 46E
DK-8000 Aarhus C

Oslo
Henrik Ibsensgate 28
N-0255 Oslo

ABOUT SUBSCRIBE

Subscribe is a management consulting company that work with all-new and existing subscription businesses across industries like retail, foods, mobility, media, NGOs, and many more. We believe that subscription is the business model of the future and we want to be leading within consulting, innovation and business development of subscription-based companies. We help our customers in developing new subscription concepts, strengthening their subscription businesses and creating stronger customer relationships.

Find out more at subscribe.com.



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