

Lessons from Subscription Commerce Companies

Offline channels are growing in importance, and consumer feedback is key

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Despite ups and downs in the subscription commerce segment, it's still a subject of great interest in the retail industry. It's also evolving from the 1.0 version that had its heyday from 2012 to 2017.

Most brands that started online and direct to consumer (DTC) have expanded to retail channels, either through partnerships or acquisitions. According to a [McKinsey study released in February](#), subscription commerce retailers grew sales from \$57.0 million in 2011 to over \$2.6 billion in 2016.

That's thanks, in large part, to consumer interest. An August 2018 survey from GPSopper asked internet users in the US [how they feel about subscription boxes](#), and nearly a quarter said they liked the ability to sample products without actually purchasing them separately. Very few US internet users said they discovered a new favorite brand (8%) or became a repeat customer (7%) because of a subscription box.

How Do US Internet Users Feel About Subscription Boxes?

% of respondents, Aug 2018

The ability to sample products without actually purchasing them separately is appealing

21%

Have discovered a new favorite brand after receiving products in a subscription box

8%

Have become a repeat customer of a product after receiving it in a subscription box

7%

Going into physical stores less because I'm receiving products in the subscription box

5%

Subscription box replaces other purchases I would have made

5%

Note: ages 18+

Source: GPShopper, "Reality of Shopper Motivation" conducted by YouGov, Oct 4, 2018

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At this year's Groceryshop, the industry event focused on consumer packaged goods (CPG) and groceries, brands took to the stage to talk about their own subscription commerce efforts. Here are three examples that came out:

Plated

The meal kit company founded in 2012 **went the acquisition route** and was bought by Albertsons in 2017. Josh Hix, co-founder and CEO of Plated, **acknowledged one of the biggest problems in this space:** retention. He found that by month 23, only one in four customers stuck with the service because it "works really, really well for a certain customer," i.e., those with fixed routines.

The other 75% want something different. Many consumers aren't planners and don't know what they want for dinner until the last minute. "That's not a use case ecommerce is going to solve anytime soon," Hix said.

With Albertsons, the company can now provide meal kits on a nonsubscription basis and also gained access to "a treasure trove" of data to develop recipes and products based on customer feedback. Plated has been expanding into more meal occasions like breakfast and paying attention to ingredient origins and sourcing.

Harry's

Andy Katz-Mayfield, Harry's co-founder and CEO started selling at **Target** in 2016 after three years as a pureplay and cemented a similar partnership with **Walmart** in May 2018. The shave company now sells 50% through DTC and 50% through retail.

Katz-Mayfield revealed the company only recently became profitable but is on target to grow 50% this year. Interestingly, Harry's focused on a "modern view of masculinity" and originally saw a void in the market due to established brands like Dove tacking on the phrase "for men." It also recently launched a line for women called Flamingo.

Winc

Geoffrey McFarlane, co-founder and CEO at wine subscription company Winc, also cited the the importance of customer feedback and retail partnerships. The company offers an online palate profile tool to provide product recommendations. It also uses this data, as well as demographic info and consumption habits, to produce wine that customers want. The traditional release-to-feedback timeframe could be 14 to 16 months, whereas the company has now shortened the cycle to 90 days.

Based on data, Winc was able to develop a rosé called "Summer Water" that was the No.1 selling wine at **Whole Foods** in the Southern Pacific regions and the No. 3 rosé brand in earned media impressions. McFarlane predicts that offline could be a bigger channel than online in the next five to 10 years.