

# Growing Pains in the Subscription Box Sector

Personalization, focus on customers are key

## ARTICLE |

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**I**s the once-hot subscription box model cooling down, or just slowing due to oversaturation?

One of the pioneering subscription commerce companies, Birchbox, has had trouble finding a buyer since last summer. The retailer was in talks with [Walmart](#) and more recently [QVC](#), but ultimately ended up with Viking Global Investors—already an investor—buying a majority stake.

Consumers' likelihood of trying a subscription service is tied to age, according to "The eMarketer Ecommerce Insights Report," conducted in April 2018 by [Bizrate Insights](#). Less than 10% of US internet users had received a subscription box in the past month, but one-fourth of those ages 18 to 29 had. For respondents 30 to 49, the figure was in the teens.

## Digital Activities Conducted by US Female Internet Users\*, by Age, April 2018

% of respondents in each group

	18-29	30-39	40-49	50-59	60+	Total
Purchased a product on Amazon.com or Amazon app using Amazon Prime	61.6%	60.1%	58.4%	50.6%	45.4%	52.1%
Researched a product digitally before purchasing in-store	58.0%	53.6%	54.2%	46.3%	38.6%	46.6%
Purchased via an online marketplace (e.g., Amazon independent sellers, Etsy, Wish)	57.1%	59.5%	47.6%	39.8%	36.6%	44.2%
Purchased via a smartphone	66.1%	65.4%	44.6%	29.0%	15.3%	34.7%
Purchased a product through a retailer's rewards program (e.g., Amazon Prime, Sephora, Ulta)	53.6%	43.1%	39.8%	31.6%	26.4%	34.6%
Purchased digitally and picked up in-store	33.0%	35.3%	34.3%	28.6%	21.9%	28.1%
Purchased a travel product/service (e.g., airline tickets, hotel, rental car)	37.5%	28.1%	33.1%	26.4%	19.9%	26.2%
Looked at a product in-store before purchasing it digitally	35.7%	34.0%	36.1%	25.1%	16.7%	25.7%
Heard about a product via social media, then purchased it	48.2%	34.0%	17.5%	17.3%	11.3%	20.4%
Used a shared economy service (e.g., Airbnb, Lyft, Uber)	38.4%	19.0%	22.9%	11.3%	3.8%	13.9%
Purchased from a website based outside of the US	17.0%	14.4%	12.7%	11.3%	8.1%	11.2%
Received a subscription box (e.g., Blue Apron, Birchbox, etsy, Stitch Fix)	25.0%	15.7%	12.1%	6.9%	4.5%	9.8%
Bought using smart speaker (e.g., via Alexa, Amazon Echo, Google Home)	5.4%	3.9%	3.6%	3.5%	3.4%	3.7%
None of these	1.8%	0.7%	4.8%	6.1%	8.6%	5.7%

Note: in the past month/30 days; \*at least 65% of respondents were female and at least 50% were ages 50+

Source: "The eMarketer Ecommerce Insights Report" conducted in April 2018 by Bizrate Insights, April 6, 2018

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Birchbox's core business is centered around a monthly \$10 box containing a handful of beauty product samples, which can later be bought in full sizes. In 2017, 35% of the company's revenues came from sales of full-size items.

The concept was unique, but the brands are not. Shoppers can just as easily purchase a full-size lipstick or shampoo at [Ulta Beauty](#) or Sephora. And now there is competition from Sephora's own beauty box, as well as rivals like Glossybox and etsy.

Meanwhile, meal-kit delivery service Blue Apron reported Q1 earnings on Thursday, and though the company experienced year-over-year decreases in revenues and customer numbers, both metrics rose by 5% on a sequential basis over Q4 2017. The year-over-year declines reflect

the company's widely reported decision to reduce marketing spending, which has led to reduced customer acquisition.

Blue Apron said its own research indicates that 68% of consumers would be more likely to use a meal kit if it didn't require a subscription, and 69% said availability in grocery stores would increase their likelihood of trying.

Those factors were not a part of its original model. So now Blue Apron is venturing into standalone prepackaged kits, as well as kits consumers can pick up in retail locations. The company has experimented with a pop-up space in New York City, mobile pop-ups and selling ad hoc meals in select West Coast Costco locations.

Blue Apron recognizes that some consumers "want to interact more on an on-demand basis as they want the product," CEO Brad Dickerson said in the Q1 earnings call. "So this is less about trying to get customers in Costco to come online, [and more] about trying to meet the customers on their terms."

The focus on consumer preferences echoes the model of fashion service Stitch Fix, which has relied on troves of data to send personalized offerings to its subscribers, and [Amazon](#), which has asked a group of consumers to come to its office periodically for body scans so it can better understand how clothing fits over time. In 2017, the online retailer introduced Prime Wardrobe, its own answer to subscription boxes, which lets shoppers try on a box of clothing for free and ship back items they don't want for no cost. Amazon also introduced a "Style Check" feature, using the Echo Look device, where users take full-body photos of outfits for it to rate based on a mysterious algorithm.