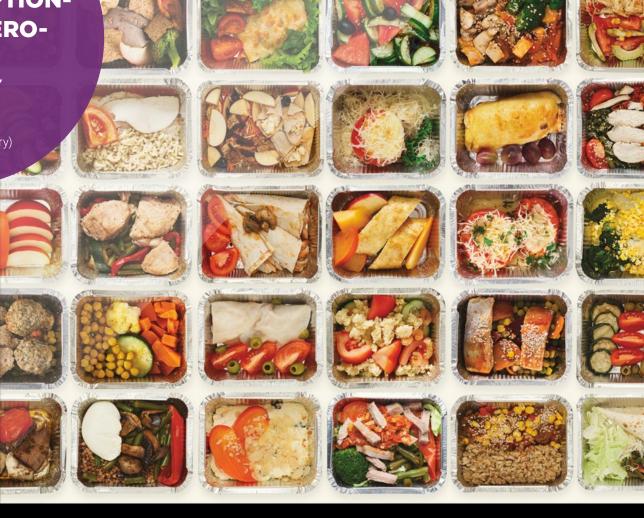
SUBSCRIPTION

MARCH 2019

COMMERCE TRACKER™

Behind
DoorDash's
SUBSCRIPTIONBASED ZERODOLLAR
DELIVERY
SERVICE

- Page 6 (Feature Story)



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Google, Rovio Entertainment propose subscription gaming platforms

- Page 10 (News and Trends)

Telecom companies turn to video streaming to beat rivals

- Page 15 (Deep Dive)



TABLE OF **CONTENTS**

03 What's Inside

Subscriptions are firmly taking hold in the technology sector, with many now available in news content, ad-free internet, transportation, navigation, gadgets, gaming and more

06 Feature Story

Jack Ruth, head of subscriptions for food delivery platform DoorDash, talks about the company's DashPass subscription service and how it's been profitable

10 News and Trends

The latest subscription commerce headlines, including Apple's upcoming news service, GroverGo's monthly eScooter rental offering, Rovio Entertainment's call for Hatch platform investors and J.C. Penney's decision to refocus its business efforts

15 Deep Dive

Telecom giants like AT&T and Sprint are competing for user loyalty and new customers by sweetening their deals, with many turning to partnerships that bundle video subscription services with their monthly plans

17 About

Information on PYMNTS.com and Recurly

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The Subscription Commerce Tracker™ is done in collaboration with Recurly, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the findings presented, as well as the methodology and data analysis.

INSIDE

TODAY'S SUBSCRIPTION-FOCUSED ECONOMY OFFERS SOMETHING FOR EVERYONE,

with services catering to everything from news content to transportation to gaming.

Tech giant Apple is looking to capitalize on the concept, announcing it will soon roll out its much-anticipated News+ subscription service, which offers access to premium news and magazines for a set monthly price.

Other firms are turning to subscription services to make transportation easier. U.K.-based transit navigation solutions provider Citymapper recently <u>unveiled</u> an app that helps public transportation users consolidate their subscriptions for subways, buses, trains and ridesharing onto one swipe card, removing the hassle of utilizing multiple cards or apps. German startup Grover <u>unveiled</u> a transit development, too, with a new service that allows users to purchase subscriptions and rent eScooters for unlimited monthly rides.

News and transportation aren't the only subscription sectors with recent developments, however. The entertainment and apparel markets are also experiencing big releases and shakeups.

News from around the subscription commerce space

Internet giant Google is getting in on the subscription action by rolling out an online gaming platform. The service, Google Stadia, provides original and third-party gaming content via the cloud, and, according to <u>reports</u>, games can be streamed to any device that can connect to the internet.

Meanwhile, telecommunications provider Verizon has unveiled a gadget subscription that enables tech enthusiasts to test new



products for up to two weeks before deciding if they want to pay for and keep them. The monthly deliveries are curated based on customers' onboarding survey answers and items range in value from \$40 to \$180.

Not all subscription offerings are lucrative, though — something legacy department store retailer J.C. Penney <u>learned</u> just over a year into its try-before-you-buy apparel subscription program. The company has shuttered the offering and will instead focus on its lucrative apparel and appliances sales.

For more on these stories and other subscription commerce industry news, check out the Tracker's News and Trends section (p. 10).

How DoorDash offers sustainable zero-dollar delivery

The meal delivery market is growing more saturated than ever as an increasing number of consumers turn to mobile channels for their food and grocery needs. While customers want their items delivered as quickly as possible, the majority aren't keen on paying additional delivery fees.

When food delivery service <u>DoorDash</u> unveiled its DashPass subscription service six months ago, fees were the first thing to go. Jack Ruth, head of subscriptions for the company, said its offering relies on zero-dollar delivery to boost customer loyalty and retention.

For more on DashPass and how DoorDash is navigating the subscription commerce ecosystem, read this month's Feature Story (p. 6).

Deep Dive: Telecom companies bank on video streaming

As subscriptions take hold in industries like gaming and digital media, players from various sectors are hoping to harness the popularity of such services and use it to their advantage. Telecom giants, for instance, are turning to video streaming partnerships to differentiate themselves from competitors and add unique incentives.

For more on how telecommunications providers are using video subscriptions to entice and retain users, read the Tracker's Deep Dive (p. 15).





FIVE FAST FACTS

£1B

Projected value of the U.K. subscription box market by 2022

80%

Share of Americans aged 14 to 21 who subscribed to internet-based video services in 2018

20%

Portion of surveyed consumers subscribing to a media service

146 SEC

Average time it took to sign up for a subscription in Q4 2018

5.3

Average number of payment options accepted by subscription platforms as of Q4 2018



BEHIND DOORDASH'S SUBSCRIPTION-BASED ZERO-DOLLAR DELIVERY SERVICE

Fees have long plagued meal delivery service users, and lowering or eliminating these costs has become a sticking point for players like Postmates and Seamless as they compete to gain and keep customers. As competition heats up, though, some companies are turning to subscription models and offering zero-dollar delivery options.

In order for delivery services to leverage subscriptions and keep their services competitive, they must offer models that benefit both the customers and the merchants, said Jack Ruth, head of subscription for DoorDash.

The main challenge that DoorDash faced with its subscription service, DashPass, was building a loyal consumer base that regularly taps into the service, especially as it sought to enter a market that already featured established providers. To gain a robust user base and drive immediate daily usage, DoorDash married zero-dollar delivery, a vast selection of participating restaurants and low monthly prices.

"With DashPass, [consumers] know that every time that they open up the DoorDash app, they're going to get a zero-dollar delivery," Ruth said. "So, that combination of making a thing more affordable and more predictable was the best way we found to make this a daily habit."

The service is available via mobile app, costs \$9.99 per month, offers zero-dollar delivery from a broad selection of restaurants and comes with other perks. Ruth said Dash-Pass users save an average of \$4 every time they place an order through the service.





We spent about eight months testing DashPass to make sure that this was a sustainable model

Jack Ruth, head of subscription for <u>DoorDash</u>



DashPass users tend to order more items from a larger variety of restaurants rather than sticking to their favorites, Ruth explained. This further adds to the service's profitability by driving customer retention and making the subscription partnership more profitable for restaurants.

Working with more restaurants also gives DashPass an edge over similar programs in the delivery space, which are eager to capitalize on zero-dollar delivery options of their

own. Rival firm Postmates, for example, is testing its Postmates Unlimited subscription program, which offers zero-dollar delivery on orders over \$15.

DoorDash currently works with more than 310,000 restaurants across all 50 U.S. states. On the other hand, Postmates claims that it works with 350,000 restaurants, but the service is only available in select states. Ruth said this focus on availability has directly affected DashPass' growth, with approximately 30,000 new users joining every week.

The math behind DoorDash's subscription service

Building out an economically viable subscription service presented a number of hurdles, however, and Ruth said making DashPass sustainable and profitable was tricky.

"We spent about eight months testing DashPass to make sure that this was a sustainable model," he noted. "We wanted to make sure that the economics worked — that we were profitable on every single delivery. What really makes that model work is that users are ordering so much more after they subscribe."

Subscriptions' future as online food delivery expands

Ruth said DoorDash plans to bring DashPass to all 50 states by the end of 2019, and its ultimate goal is to provide the service across all of its current markets. He said it's also likely that subscriptions will become crucial to the company's success as competition heats up in the food delivery services market.

"For a while, it was a question of if restaurants would offer takeout through third-party providers," he explained. "Now it's just a question of when."

As more and more meal delivery platforms consider ditching their fees, subscriptions could the ticket to helping them expand their services and cater to more customers.





TRENDS

New media subscription ventures

Apple launches subscription news service

Technology provider Apple recently <u>announced</u> that it will soon launch its News+ subscription service. The subscription will join the company's existing Apple Music platform and will include premium news and magazine offerings.

Reports indicated that Apple had issues bringing in publishing partners, however, due to revenue distribution disputes. The tech firm is reportedly demanding 50 percent of earned revenues and intends to divvy up the rest among participating publishers by readership. The service will cost subscribers \$9.99 per month.

Mozilla, Scroll partner on news offering

Internet services provider Mozilla is also taking a bite out of the subscription market. The company recently announced a collaboration with news subscription service Scroll that will offer users ad-free access to their favorite current events sites. While the effort is in its early stages, Mozilla has <u>partnered</u> with some big-name news firms like Buzzfeed, Gizmodo Media Group and Vox Media on the venture.

Mozilla has previously taken stands against digital ads. The company <u>announced</u> in August 2018 that its browser would begin blocking ad-tracking software by default, a proactive move made to protect consumers' data and privacy. Additional details about the joint subscription offering — including when it will launch and how much it will cost — are expected

in the coming months. Scroll purchased trending news app Nuzzel in February and more recently announced a separate partnership with Mozilla to test some of its concepts on the company's Firefox browser.

MultiVu unveils all-in-one strategic solution

Multimedia content production and strategic distributions company MultiVu also recently launched a new subscription content service: MultiVu Subscription. The offering provides subscribers with enhanced access to its creative, media, strategy and executive teams to help them better manage their corporate communications. The platform "intends to expand customers' scopes and reach their campaigns by leveraging an all-access pass" to the company's Strategic Solutions suite, according to a press release. This includes access to the company's blog and industry insights writers, best practices workshops, creative content and program assessments, discounts on recommended content marketing tactics, earned and paid media assessments, exploratory sessions, red-carpet access to industry panels and subscription program content, among other perks.

Telia to provide Paramount+ as standalone offering in Finland

While some companies are using subscriptions to bundle their products, others are relying on them to deliver separate options. Viacom International Media Networks, a subsidiary of media giant Viacom, recently announced the <u>launch</u> of its Paramount+ subscription-video-on-demand (SVOD) platform as a standalone service in Finland. The offering is available

through a partnership with mobile, broadband and television firm Telia Finland

The Paramount+ service includes access to Paramount Pictures' new movies, classic films and TV shows, in addition to parent company Viacom's networks such as Bellator MMA, Comedy Central, MTV and Nickelodeon, among others. The service's viewers originally required a TV Everywhere application and set-top box. The Telia pairing, however, will offer the company's Finnish platform users a "standalone branded destination," a press release noted. Viacom also recently launched a Nick+ offering with German telecommunications company Deutsche Telekom AG that includes 900 episodes of animated Nickelodeon shows.

Payments firm unveils subscription to combat rivals

India's Paytm, which is backed by Ant Financial and Softbank, has released a subscription venture of its own. The company recently <u>launched</u> its Paytm First program to stay competitive with Amazon Prime, Flipkart and other eCommerce rivals. The service will offer customers exclusive discounts on movies, payments and travel in addition to offerings from external partners. Paytm hopes to onboard approximately 3 million subscribers and cut its user attrition rate in half

during the first year. An annual subscription starts at 750 rupees (\$11 USD).

Industry experts see subscription offerings as opportunities to leverage consumers who are more likely to spend on these platforms. Out of the roughly 80 million annual active users who make purchases online, between 20 million and 30 million are considered the most valuable because they will spend more. For example, for every three products sold on Amazon India, one is purchased by a Prime subscriber.

Transportation and navigation

Grover offers pay-as-you-go eScooter subscription

Berlin, Germany-based startup Grover is hoping to satisfy the rising demand for eScooter offerings by <u>providing</u> customers with a pay-as-you-go rental option that eliminates purchasing costs. The company's GroverGo program will allow users to rent their own foldable and rechargeable Xiaomi eScooter Mijia M365 models for €49.90 (\$56.96 USD) per month. The price covers an unlimited number of rides and includes damage coverage for the scooters, and subscriptions can be canceled at any time. By offering subscription-based eScooter



access, Grover is aiming to distinguish itself from rivals in the space, such as Bird and Lime.

London receives tiered Citymapper access

U.K.-based transit navigation solutions provider Citymapper is making strides with its latest development, <u>moving</u> from an app that offers route information on cities' bikeshares, buses, carshares, ferries, subways, taxis and trains to offering a prepaid card option for transit users. The tiered Citymapper Pass helps London-area users aggregate their various transportation subscriptions onto one swipe card for more convenient travels.

Citymapper will initially offer two tiered packages — one for £30 (\$39.58 USD) and the other for £40 (\$52.78 USD) — that will allow customers to use specific zones. The former rate grants users full monthly access to Transport for London zones 1 and 2, while the more expensive rate includes both zones as well as unlimited Santander bike rides and two Citymapper ridesharing rides. The company hopes to eventually include dockless bikes, eScooters and other transportation methods among its offerings.

Gaming and gadgets

Google launches digital subscription gaming platform Stadia

Internet giant Google <u>announced</u> its anticipated gaming subscription service at the Game Developer's Conference in San Francisco earlier this month. The service, Google Stadia, relies on streaming technology to ensure that subscribers can play games on almost any device with a screen.

The platform will offer at least three games, including Assassin's Creed Odyssey, which served as the company's test case for the project. Google has not yet released pricing information for the gaming subscription service, and there have been no additional details on what titles will be added once it is rolled out later this year.

Rovio Entertainment proposes Hatch platform

Rovio Entertainment, developer of the popular smartphone game Angry Birds, has its eyes set on creating its own subscription service, offering a "Netflix for games." The company's executives have <u>announced</u> discussions with investors about the Hatch subsidiary in partnership with Sprint, which the telecom provider could use when demonstrating its upcoming 5G handsets. So far, Rovio has spent \$19 million to build out its gaming library, which already includes installments from well-known developers like Sega and Ubisoft.

Attracting investors for Hatch could prove challenging, however, as Rovio has fallen to half of its value since its initial public offering in 2017. Being at the forefront of 5G technology could help the firm right its course, though, allowing the platform's mobile games to be streamed from the cloud after account setup. Partnerships with telecom operators like NTT Docomo Inc. in Japan and LG Uplus Corp. in South



Korea — in addition to Sprint in the U.S. — could also help boost adoption.

Verizon Tech Pack lets gadget users test new tech

Telecommunications provider Verizon has also unveiled a subscription offering — and it isn't for new cellphones or internet plans. The company's Tech Pack allows members to

test out various technological products before deciding to pay for the those they want to keep.

Subscribers fill out a survey during onboarding to help Verizon personnel curate the mystery gadgets they will receive each month. Users have two weeks to test the goods and send back what they don't want, but the venture could become pricy for those who keep everything they are sent. Products range from \$40 to \$180 and come with instructions, return labels, tech support and tutorials.



Rockets of Awesome gets new minority stakeholder

Children's clothing subscription startup Rockets of Awesome recently gained a new minority stakeholder. Athletic footwear company Foot Locker recently invested \$12.5 million in Launch Kids Inc. — Rockets of Awesome's legal name — as part of a Series C funding round that raised \$19.5 million in total.

The Rockets of Awesome clothing subscription box sends out personalized apparel selections for children. The six included items each range in price from \$16 to \$38, and purchasing the whole box costs \$150. Foot Locker's investment creates a partnership between the two firms that will include the distribution of Rockets of Awesome's clothing at Kids Foot Locker storefronts and online.

J.C. Penney ends its clothing subscription offering

As <u>noted</u> in PYMNTS' Subscription Commerce Conversion Index, effectively executed subscription offerings power business models that can attract and keep new customers. Knowing how to deploy these services and which features to implement provides unique challenges for each industry, though.



For subscription services to be successful, they must offer the right mix of features that help drive conversion and retention, such as messaging, plan changes, product reviews and free trials.

Unfortunately, not all subscription ventures strike the right balance. Department store J.C. Penney, for instance, recently <u>announced</u> it has terminated its apparel subscription service after a little more than a year, citing a decision to refocus on more profitable business elements like apparel sales and major appliances.

J.C. Penney's subscription option was offered in partnership with Bombfell.com and included curated, stylist-chosen selections from both private labels and national clothing brands. Customers could try five clothing items on at home, send back what didn't work and pay only for what they kept.







Telecommunications companies facing intensifying competition are doubling up to double down on rivals, and many are partnering with big-name video streaming service providers to stay in the game.

T-Mobile set the stage in 2017, becoming one of the first telecom companies to <u>offer</u> customers access to premium video streaming services as part of its Netflix on Us program. The carrier announced everyone on its T-Mobile One family plan would receive complementary subscriptions to the streaming platform. It did not take long for Sprint to catch on, <u>revealing</u> in September 2018 that its unlimited plan would include complimentary access to video content on Amazon Prime and Hulu.

Even telecom companies outside the U.S. have sought to entice potential customers by offering access to premium video streaming services. In India, Airtel and Vodafone have begun offering a host of bundling options that provide access to Amazon Prime, Netflix or even both services through customers' phone plans.

It's easy to see why these firms have taken so quickly to offering premium streaming services: Such options help them stay competitive and stand out among otherwise identical products. A few major players, like Verizon and AT&T, have historically dominated the market, relying on the high demand for cable, phone and internet services to turn profits. However, the market has <u>grown</u> more concentrated over time, with mergers and acquisitions rendering various services virtually indistinguishable from one another. Businesses operating in this environment are getting creative to gain an edge — and they're looking to video streaming services to make their offerings unique and appealing.

T-Mobile is betting on its Netflix on Us program, and intends to stick with it even though Netflix recently <u>hiked</u> its prices. T-Mobile CEO John Leger sought to ease consumers' worries by <u>announcing</u> via Twitter that those using the program will avoid the price increase, and that the carrier will cover the added costs.

"Today, Netflix let us know they're increasing prices," he tweeted. "Good news: #NetflixOnUs won't change for now. It's still on us!" Leger further clarified that T-Mobile would be

"working with Netflix to determine the impact" of footing the bill for its customers' subscriptions on their bottom line, adding, "We will know more by [May 1]."

Major telecom player AT&T has also decided to go all in on video streaming services, <u>announcing</u> this month that it will introduce its own offering allowing subscribers to view video content from WarnerMedia, which includes TBS, TNT and Warner Bros. After the telecom firm completed its merger with Time Warner earlier this year, it <u>issued</u> a statement that "the acquisition will give us the scale, resources and availability to deploy more video content more efficiently to more customers."

AT&T's acquisition shows how such firms intend to lure new customers by bundling video streaming subscription services with phone plans. It is unclear whether competitors will follow its lead and begin acquiring media production companies. One thing is certain, though — the telecom and streaming services industries are becoming intertwined, and there are no signs that this will change any time soon.







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We are interested in your feedback on this report and where we take it over time. Please send us your thoughts, comments or questions to SCCI@pymnts.com.

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