SUBSCRIPTION COMMERCE TRACKER®

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eCommerce Goods And Direct-To-Consumer Edition

HOW THE PANDEMIC IS **DRIVING SUBSCRIBERS' HUNGER FOR MEAL KITS**

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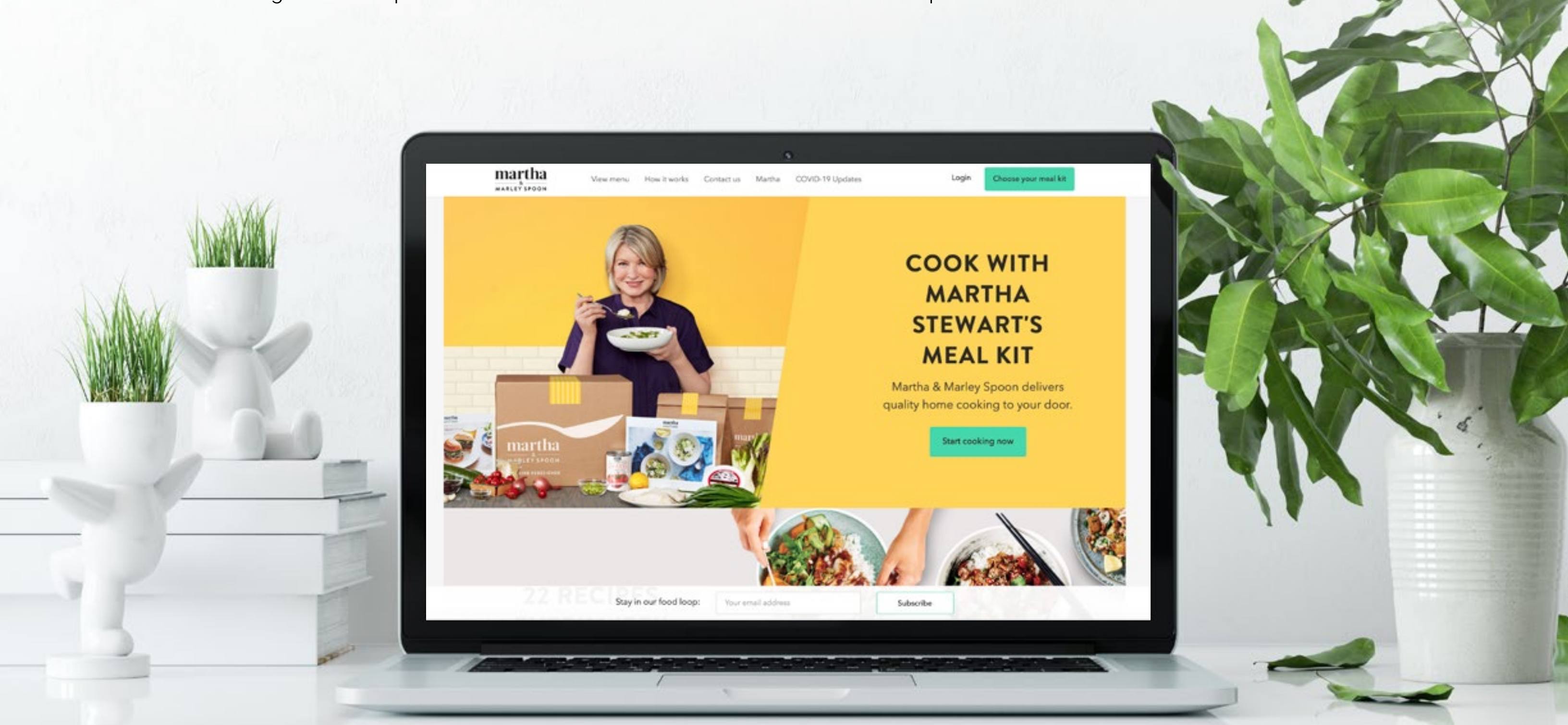
ACKNOWLEDGMENT
The Subscription Commerce Tracker® is done in collaboration with Recurly, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

WHAT'S INSIDE

The COVID-19 pandemic is altering how consumers shop as well as how they interact with companies, with many staying home when possible and avoiding restaurants and brick-and-mortar stores to lower the risk of transmission. A multitude of professionals have also switched to remote work, leading them to seek new ways to obtain services and products that they would normally have purchased en route to the office or during breaks. These factors appear to be driving many shoppers' recent decisions to sign up for subscriptions that offer staple items like coffee and pet food, for example. Such services' regular delivery schedules could also tempt customers, reassuring them that they will be able to continue receiving essential products with minimal effort.

Consumers who have curtailed their brick-and-mortar shopping excursions are also trying to determine how best to find and buy items online. Many have been bypassing third parties like eCommerce marketplaces and turning instead to direct-to-consumer (D2C) channels. A recent survey of 2,200 U.S. consumers found that half of them used online D2C purchasing to buy consumer packaged goods, for example, and many shoppers believe these options allow them to better find their desired items. These purchasing habits are likely to be long-lasting, too, with 73.2 percent of respondents who have adopted new shopping habits saying they expected to continue engaging in these activities after the pandemic ends.



D2C subscription providers may thus be well-positioned to cater to consumers' new shopping needs and preferences. Recent trends further establish that consumers are turning to these services not just for novelty and niche goods, but also for valuable household staples.

Around the consumer goods and D2C subscription landscape

Many shoppers are looking to subscriptions to receive steady supplies of the essential goods on which they depend while avoiding trips to physical stores. This kind of need has driven increased business for pet supply subscriptions, with customers seeking the dual benefits of avoiding public spaces and avoiding having to lug heavy dog food bags. Super Chewer — D2C dog chew toy brand under parent company Bark — reported a rise in enrollment early in the pandemic, for example. Apparel box subscription companies may have more reason to worry, however, with consumers showing reduced demand for office wear and new clothing in general as they continue to work from home and avoid going out for social occasions.

Consumers who are staying home are also expressing increased interest in meal kit and prepared meal box subscriptions, with a recent survey of U.S. consumers finding that these two subscription types were among the most popular. Respondents were investing more in these product categories than they were in other subscription types, paying an average of $74 per box, for example.

Some D2C brands are finding it challenging to stand out from the pack online and draw attention to their offerings. Opening brick-and-mortar storefronts was previously a popular solution for these retailers, as doing so could help put their brands in front of passersby and create more touchpoints with potential customers. Stay-at-home orders and consumers' efforts to avoid entering shops are making many D2C companies think twice about the effectiveness of investing in physical locations, however. Some companies are instead opting to host pop-ups to gain visibility without committing to real estate investments.

For more on these stories and consumer goods and direct-to-consumer commerce headlines, check out the Tracker's News and Trends section (p. 13).

How the pandemic is driving consumers' demand for meal kits

Consumers are flocking to meal kit subscriptions to help them receive interesting, convenient meals while they continue to dine at home to reduce the risk of COVID-19 transmission at grocery stores or restaurants, and companies think this new buying behavior could be here to stay. Brands like Martha & Marley Spoon and Dinnerly are seeing not just increased enrollment of new subscribers but also an uptick in the frequency and size of deliveries, according to CEO Julie Marchant-Houle. In this month's Feature Story (p. 8), Marchant-Houle discussed how the pandemic could help drive the meal kit subscription market to reach a estimated $20 billion by 2027.

How subscription companies are leveraging pause options to retain customer loyalty

The subscription commerce market has been spared much of the economic turmoil facing brick-and-mortar retailers, but many customers are having second thoughts about their subscriptions as the financial uncertainty resulting from the pandemic continues to impact them. Numerous subscription companies are responding to this by promoting pause options as alternatives to outright cancellations. This month's Deep Dive (p. 19) explores how the pandemic is affecting customer demand for subscriptions as well as how pause options can retain subscribers and prevent churn.

EXECUTIVE INSIGHT

Dan Burkhart,
CEO and co-founder of Recurly

HOW ARE YOU SEEING THE COVID-19 PANDEMIC IMPACT CONSUMERS' DEMANDS FOR SUBSCRIPTION SERVICES AS WELL AS THEIR CHOICES REGARDING THE TYPES OF PRODUCTS THEY WANT TO RECEIVE THIS WAY?

"New paid subscriptions for consumer goods dipped early in the pandemic. After that, we saw a steady increase at the end of March and early April, and in mid-April, we saw the peak of new subscribers, which, through mid-May, show[ed] an increase of 108 percent to 148 percent. Interestingly, the pandemic didn't cause consumers to want or need fewer things. If anything, it heightened their needs — to be entertained, for essential household goods, food and beverages — and their desire to discover new products to brighten their days. Most brick-and-mortar retailers, service providers and entertainment venues were shut down. Those that stayed open weren't patronized as frequently as people didn't feel comfortable going out, standing in long lines [and] hunting for essentials across town only to encounter empty shelves and [put] themselves and their loved ones at risk. Millions of consumers opted to procure the items they needed and wanted online.

In many ways, COVID-19 has accelerated us into the future. As a result of consumers reconsidering the true cost of going to the store or the mall [and] browsing aisles and racks to find things they like, the convenience and entertainment value of subscriptions has become much more apparent to a broader set of consumers. [This is] causing a shift in how subscription products and services are consumed and delivered."

WHAT ARE SOME OF THE FEATURES THAT D2C SUBSCRIPTION PROVIDERS MUST FOCUS ON TO GROW THEIR CUSTOMER BASES?

"It's up to retailers and D2C brands to adapt and evolve to stay competitive in one of the toughest economic environments in history. As more and more competitors enter the arena, D2C brands must find a way to stand out from the competition — through their product assortment and offerings, collaborations and partnerships or [by bringing] something new to the market.

Subscribers demand three essential features for any D2C offering: flexibility, cost savings and convenience.

To accelerate growth through subscriptions, D2C [companies] need to develop acquisition strategies that highlight the value of becoming a subscriber. Additionally, they must develop subscriber-retention strategies to ensure that the entire subscriber experience — every touchpoint, from promotions and product [user experience] to customer support and billing — is delightful every time. Adding subscriptions to the mix can help D2C [companies] expand their customer pools, retain existing ones and increase key metrics critical to growth, including customer lifetime value and increased revenue per customer."

MANY CONSUMERS ARE NOW TURNING TO D2C CHANNELS FOR THEIR DAY-TO-DAY NEEDS. TO WHAT EXTENT DO YOU EXPECT THIS BEHAVIOR TO PERSIST POST-PANDEMIC?

"In response to the pandemic, Amazon pushed out its Amazon Prime Day to October 5, which in 2019 sold $7.16 billion worth of goods — up 71 percent from $4.19 billion in 2018. Amazon said this was more than its sales for the past Black Friday and Cyber Monday combined. Many big-box stores have also announced they'll be closed on Thanksgiving this year. [This marks] a shift from the recent trend [of] being open to allow consumers to line up to shop for 'doorbuster' deals and start shopping early.

These factors — coupled with the fact that many parts of the country are still under some form of quarantine and most consumers are practicing an abundance of caution — are highly likely to motivate more people to shop online this holiday season. Even boomers are jumping onboard. [Prepandemic], boomers typically made less than half of their purchases online. Now two-thirds of them [have] adopted technology-enabled shopping, including buying things online, picking up in-store and using curbside pickup, which has improved their shopping experiences.

Subscription commerce companies and D2C [firms] are likely to see the effects of this well beyond a positive short-term bump. Because of the prolonged term of the pandemic, consumers have come to depend on the convenience of subscriptions. That trend is likely to continue through the holidays and beyond as we predict that subscriptions and subscription gift-giving will see a marked increase."

5 FIVE FAST FACTS

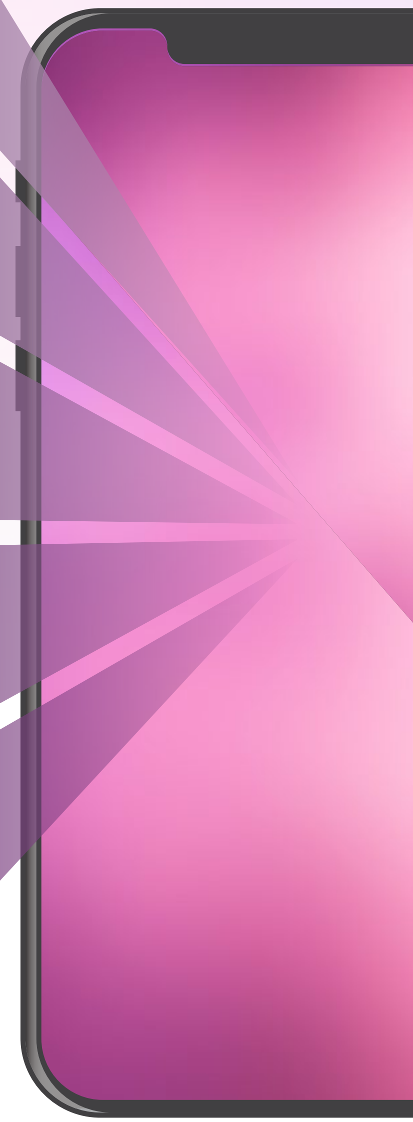
43%
Year-over-year increase in D2C subscription sign-ups from March through June 2020

57%
Share of U.K. consumers who pay for subscriptions

68%
Projected CAGR of the subscription commerce industry through 2025

11.4%
Share of subscription companies that have been losing customers during the pandemic

110%
Year-over-year increase in news subscriptions between March and May 2020



FEATURE STORY

HOW THE PANDEMIC IS **DRIVING SUBSCRIBERS' HUNGER FOR MEAL KITS**

Consumers are showing an increased appetite for meal kit subscription services as public health risks have made them think twice about grocery shopping. Restaurant dining spaces have largely remained closed and remote work policies have led many to eat meals they otherwise would have gotten at or near their workplaces at home. The COVID-19 pandemic is helping drive the meal kit subscription market to reach a predicted $20 billion by 2027, a compound annual growth rate (CAGR) of 13 percent.

Meal kit businesses, such as Martha Stewart's partnership Martha & Marley Spoon and affordable family-targeted Dinnerly, have seen sharp increases in new subscriber enrollments and observed existing customers scheduling more frequent deliveries and larger ticket sizes, according to the brands' U.S. CEO, Julie Marchant-Houle.

"It really did a hockey stick on both brands. … [We're seeing] quite dramatic growth," Marchant-Houle said in a recent PYMNTS interview. "Customers in lockdown are not necessarily able to go ... or comfortable going to grocery stores."

This rise in subscriptions is likely no flash-in-the-pan event, either. She predicted that consumers who try meal subscriptions during the pandemic will become accustomed to them and largely maintain these habits even after a vaccine becomes available, building long-lasting behaviors.

"My expectation is we've created a habit," she said. "The pandemic has lasted longer than any of us anticipated. After a number of weeks, this [purchasing behavior] just starts to stick."

Thinking outside the box

The early days of the pandemic saw customers panic-buying as they sought to stock their pantries and some items became harder to find. Virus outbreaks at meatpacking factories forced shutdowns, making protein more difficult to secure. Farmers struggled to redirect supply chains that had once gone to restaurants and concern grew that issues impacting migrant workers would reduce the ability to sufficiently harvest crops.

The impact has been mixed but not dramatic on Martha & Marley Spoon's and Dinnerly's operations,

Marchant-Houle said. Though its supply chains are largely intact, the company experienced some disruptions that necessitated quick adjustments to recipes, swapping one type of produce for another, for example. It has been able to leverage this stability to expand services, such as by offering customers hard-to-obtain items to which the company has access through existing vendor relationships.

"In the early days of [the pandemic], a lot of customers were having difficulty getting meat — the protein industry was heavily impacted and so the supply chain was quite constrained. We didn't have that [limitation]," Marchant-Houle explained. "We were able to offer protein packs of two chicken breasts, two sausages, two steaks, whatever — we have a number of different combinations."

In addition to adding extra side items to their meal boxes, subscribers are also now selecting boxes that include more servings. Martha & Marley Spoon and Dinnerly meal boxes are often purchased by two-person households, but the brands have seen their customers' families grow in size. Many adult children who were living on their own returned to their parents' homes to better care for them, avoid the isolation of one-person apartments or decamp from cities to more spacious suburbs. This has driven many subscribers to switch from boxes designed to feed two people to those that serve four or more, increasing the average ticket size. Consumers who used to turn to meal subscriptions once or twice a week to spice up their home cooking routines are upgrading plans to receive delivery more often, too. These trends have been significant enough to spur the business to develop a new, higher-frequency subscription plan that provides six weekly meals.

> **The pandemic has lasted longer than any of us anticipated. After a number of weeks, this [purchasing behavior] just starts to stick.**

Designing meal kits that stay exciting and fight subscription fatigue — especially for customers who are now receiving them more often — requires an emphasis on variety, Marchant-Houle said. This has to be done without going too far afield, however. A wide range of recipes keeps meals appealing, but a business will not stay cost-effective if too many dishes appeal only to the palates of niche diners. This balance requires staying within certain core cuisine categories and innovating within them, such as by providing several recipe options each based around chicken, pasta and beef, for example.

A fresh look at meal kits

More time spent at home is not the pandemic's only major impact on consumers as the accompanying job losses and economic downturn have left many customers hurting financially. Meal kit providers that want broad appeal need to be able to make the case that they deserve a spot in consumers' budgets. These services are more expensive than visits to the grocery store by nature because they include the costs of shipping, recipe curation and packaging.

"[Meal kits] tend to be a bit more of a premium product and less inclusive," Marchant-Houle said.

The pandemic has caused many consumers to reprioritize how they want to spend their money, and meal subscriptions looking to keep budget-wary customers loyal may need to rethink their strategies. This could include leaving garnishes like fresh parsley off of menus to lower price points, which may be more appealing to increasingly cost-conscious customers.

Meal subscription providers are taking fresh looks at consumers' needs during the pandemic, and many are well-positioned for serving housebound consumers who are avoiding public spaces like grocery stores and wanting more convenient or interesting meals. Designing product offerings with an eye toward consumers' shifting tastes could help these subscription plans win a permanent spot on U.S. households' dinner tables.

NEWS AND TRENDS

Food and beverage

Grocery subscriptions see 45 percent year-over-year growth in new sign-ups

The COVID-19 pandemic is spurring more consumers to abandon their routine trips to supermarkets and other brick-and-mortar retailers, and many are instead receiving groceries and other essential products via subscription services. This shift is prompting a surge in growth among D2C subscription companies, which marked a 43 percent year-over-year increase in customer sign-ups from March through June 2020.

Grocery subscriptions are proving especially popular, with the sector experiencing a 45 percent year-over-year rise in enrollment. Such services also evidently appeal to a similar demographic this year compared to last. Today's average new customer is 46 years old and earns $129,000 annually, for example, while the average new subscriber in 2019 was age 44 and earned $118,000 per year. New and existing subscribers are now spending more through these services, however, with the average food and beverage ticket size rising 28 percent from March through June 2020.

Uber expands into food delivery service subscriptions

Such subscription providers' strong growth is even catching the attention of companies that typically operate outside the ecosystem, including rideshare giant Uber. The company recently announced a new monthly subscription solution that offers members

free deliveries for grocery purchases above $40 or meal order purchases above $15. The delivery subscription service, which has already been rolled out in New York City, Seattle and St. Louis, is part of a larger membership bundle that also gives customers ride discounts.

Uber's push into the space comes as it experiences a decline in rideshare bookings and revenues. Many customers are working from home during the COVID-19 pandemic and are no longer commuting to their offices, while others are concerned that traveling in ridesharing vehicles will increase their risk of exposure. Such trends are pushing the company to expand its offerings and Uber CEO Dara Khosrowshahi has predicted that there is major growth potential for companies offering delivery services to customers who are staying home.

Walmart's long-promised same-day delivery subscription service launches

Major retailer Walmart has also been eyeing the grocery and home goods subscription space, but its plans to enter the sector were long delayed. The company initially planned to begin piloting a $98 annual service in March that would give subscribers discounts, deals and same-day purchase deliveries. Walmart later announced that it would debut the service in July, but the offering ultimately debuted on Sept. 1 after being delayed due to the pandemic. The new subscription service, which is intended to help the retailer compete with Amazon Prime, is called Walmart+ and offers customers free same-day deliveries on orders over $35 as well as 5-cent discounts on gas purchases at Walmart, Murphy USA and Murphy Express locations. Subscribers can also use the company's app to scan in-store items as they are removed from shelves and pay in-app using Walmart Pay.

Stay-at-home orders produced rise in coffee subscription sign-ups, order size

Coffee drinkers facing stay-at-home orders are still looking to stay caffeinated, driving significant interest in coffee subscription services. Many professionals who were used to getting their java fixes at the office are now working from home, and those who once frequented cafes may find it more difficult or risky to do. Even consumers who were already subscribed to coffee services when the pandemic hit began abruptly upping their order sizes to continue fulfilling their typical needs as well as to stockpile additional supplies. Suyog Mody, co-founder of coffee subscription service Driftaway Coffee, said more than 15 percent of the company's subscribers increased the frequency and size of their orders when the pandemic was declared, for example. Consumers who had yet to try such services also began enrolling in droves, with Matthew Berk — CEO of coffee subscription provider Bean Box — saying his company has received more sign-ups than ever before.

Brick-and-mortar shops

D2C retailers weigh adding on-the-ground storefronts during the economic slump

Opening physical storefronts has long been considered a go-to move to help primarily online companies in the D2C space increase the visibility of their services. Such an approach can help clothing subscription providers allow shoppers to feel and try on the garments they would order, for example, thus creating opportunities for merchants to expand and deepen their customer relationships. Brick-and-mortar signs and displays can also expose passersby to various brands, which could be a boon for D2C companies that have struggled to stand out in the competitive online advertising space.

The prospect of opening brick-and-mortar stores has become more daunting than ever during the pandemic, however. Many nonessential businesses continue to face safety restrictions while consumers remain wary of physical interactions with employees and other customers, ultimately making storefronts less-dependable revenue drivers. Some D2C operations have therefore pulled back and postponed physical retail plans while others may look for lower-cost ways to generate on-the-ground attention, such as by operating short-term pop-up locations.

57 percent of UK consumers are now subscribers

United Kingdom consumers have been avoiding physical stores during the pandemic, with brick-and-mortar retailers' foot traffic reportedly down 37.6 percent year over year during the last week of July. Data suggests that such trends could be the result of customers actively avoiding in-person shopping as well as stores' weakened abilities to attract passersby as more consumers stay home. Some retailers are therefore focusing on meeting customers' redoubled interest in remote shopping options, especially subscriptions.

The U.K. subscription market was showing steady growth before the pandemic, with the local subscription box market anticipated to hit £1 billion ($1.3 billion USD) by 2022. The crisis may have accelerated this shift, with 57 percent of U.K. consumers currently reporting having subscriptions compared to the roughly 47 percent who said so in 2019. These trends are unlikely to abate, with Callum Saunders, head of planning for marketing agency ZEAL Creative, noting that many U.K. professionals are slated to continue working remotely until at least the end of 2020.

Subscription winners and losers

37 percent of customers utilize subscription boxes for convenience

Subscription companies are facing mixed prospects during the pandemic, according to a new survey of 1,000 U.S. consumers. Some shoppers have turned to such services to avoid the health risks associated with visiting physical stores and to ensure they remain stocked up on essential goods. Thirty-seven percent of consumers said they paid for subscription boxes to receive more convenient shopping experiences, for example, and meal kit services were especially popular with respondents. Twenty-one percent used HelloFresh and 19 percent utilized Blue Apron, for example, with respondents spending an average of $74 on each meal box.

Not all consumers can afford to maintain their subscription box services, however. The survey found that one in five intends to cope with newfound financial strains in part by canceling subscriptions. Thirty percent of respondents who planned to cancel at least one subscription said they would drop their technology services first, while 26 percent would put clothing subscription boxes on the chopping block.

Apparel boxes lose appeal during pandemic, while pet supply subscriptions grow

Many consumers who are experiencing financial hardship and leaving the house less often during the pandemic are no longer buying new clothing as frequently, causing many to forgo or rethink apparel box subscriptions. Provider Stitch Fix saw a 17 percent year-over-year enrollment increase in Q2 2020, for example, but its customer base reportedly grew by only 9 percent year over year in Q3 2020. The company also reported declines in "active" customers and revenues from Q2 2020 to Q3 2020.

Other product categories have fared better, with 88.6 percent of subscription businesses reporting in April that they had maintained or increased their subscriber bases. Enrollment appeared to be especially bright in the pet goods sector, with several pet food and supplies services reporting rising subscriber sign-ups at the start of the pandemic. This uptick could simply be a continuation of existing purchasing shifts, according to some observers, as many consumers saw the merits in receiving routine shipments of heavy or hard-to-carry pet-related items well before the pandemic's onset.

Pricing strategies

Firm sees 714 percent month-over-month enrollment increase with discounted pricing

Some newly launched subscription companies are taking stock of the current financial climate and seeking to entice new customers with flexible pricing. Herbal supplement subscription company Mab & Stoke, which launched in January, offers one-off purchases and also sells subscription plans that enable subscribers to buy these items for lower prices. The company's standard subscription plan gives customers 10 percent discounts on their orders, and the company responded to the pandemic by allowing customers to also choose to subscribe with 30 percent off discounts or 80 percent off discounts. There are some limitations, with the company restricting how often a given customer can purchase items at the 80 percent discount level and how many items are made available at this price point.

The strategy appears to be drawing attention, too, with the firm reporting a 714 percent rise in month-over-month enrollments during the first month it began offering payment tiers. Shoppers also seem to be tailoring their price selections to their financial needs rather than seeking to nab the biggest savings possible. The company said that 64 percent of its customers have chosen the 10 percent discount while just 17 percent selected 30 percent discounts and 19 percent opted for 80 percent.

More than 80 percent of subscription services saw new sign-ups rise from March through May

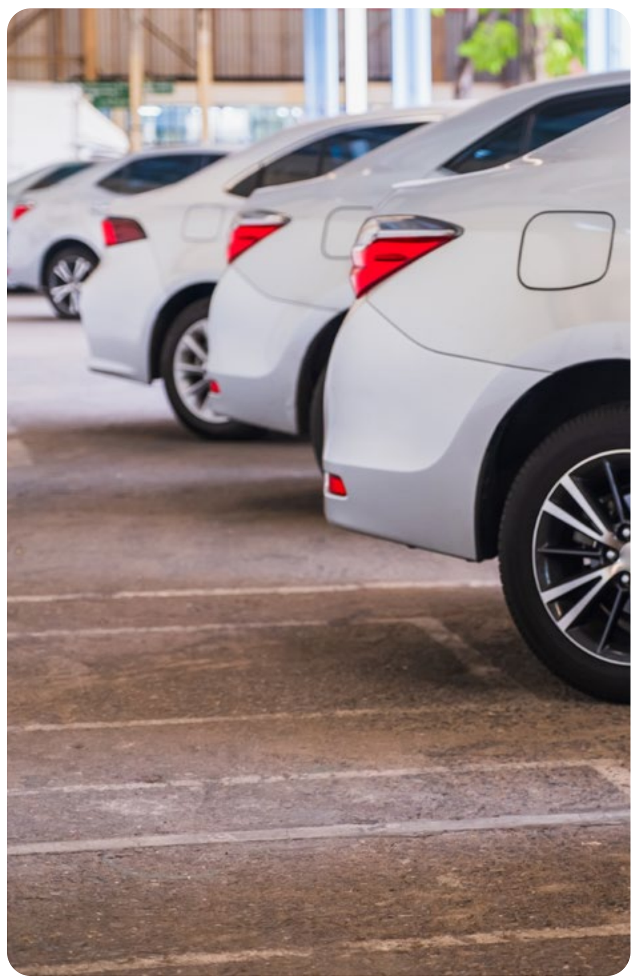
Companies across the subscription services sector are adjusting their prices and strategies to weather the economic disruptions their customers are facing. A recently released report reviewed the performances of companies that provide subscriptions for services such as IoT device data, media and software and found that four out of five gained new subscribers between March and May. This enrollment uptick came even as the pandemic was well underway, with 50 percent saying their sign-ups increased at a pace comparable to prepandemic rates and 18 percent seeing new subscriber sign-ups rising even more quickly than their prepandemic enrollment growth rates.

Companies have seen declines in the profit values for individual subscriptions, however, as more consumers stick with basic versions of services rather than opt for added features. Some existing customers also have paused subscriptions, even while new customers sign up. Subscription service providers reported that the number of paused member accounts had quadrupled and some found that offering free trials and pricing based on usage level were key to recruiting new subscribers.

Mobility subscriptions

Consumer demand for flexibility sees automobile subsidiary launch car subscriptions

Some merchants that have traditionally offered one-time purchases are now exploring subscription-based business models. Toyota's India-focused subsidiary, Toyota Kirloskar Motor (TKM), recently announced a subscription service that enables the nation's customers to rent cars for 24 months to 48 months, providing shorter-term alternatives to leasing. TKM's senior vice president of sales and services, Naveen Soni, said consumers' automobile needs are changing, requiring companies to shift their sales approaches as customers demand more flexibility. The subscription program is currently being rolled out to customers in several major cities. TKM also announced a separate leasing option that would allow consumers to pay in monthly installments over three to five years.



DEEP DIVE:

How Subscription Services Retain Customers By Hitting Pause

The ongoing COVID-19 pandemic has had a plethora of effects in addition to its devastating impact on public health, including setting in motion an economic freefall. Government-mandated social distancing and stay-at-home orders have slowed in-person retail sales in many regions and mass layoffs have hindered consumers' purchasing power. Experts predict that 25,000 retail stores could shut down by the end of this year — up from 9,832 closures in 2019 — and unemployment rates hovered between 10 percent and 15 percent through June.

Even the subscription commerce industry has not been immune to these economic ramifications. Many subscription services are digital and have not been affected by social distancing and stay-at-home orders to the same extent as brick-and-mortar retail, but they still face difficulties stemming from reduced consumer purchasing power. The following Deep Dive explores the pandemic's effects on the subscription industry as well as how subscription-based companies have introduced pause features to reduce churn and retain subscribers during the unprecedented economic downturn.

How the health crisis is affecting subscription commerce

Brick-and-mortar retail stores may be suffering from lack of business, but the subscription commerce industry's revenue remains strong thus far. A recent study found that 53.3 percent of companies have not witnessed measurable impacts on their subscription rates as a result of the pandemic. It showed that 22.5 percent are experiencing accelerated subscription growth rates while 12.8 percent are saying that their new subscriber rates have slowed but are still rising. Only 11.4 percent have seen more cancellations than new subscribers, resulting in falling revenues.

Certain subscription types have seen more success than others. The same study found that news media subscriptions have been particularly fruitful, with a growth rate of 110 percent between March and May compared to the same period in 2019. Americans seem eager for news regarding the pandemic, the upcoming presidential election and other current events, and this combined with more individuals staying home means consumers are reading more news than ever and are willing to pay for it. Bloomberg Media saw an 86 percent jump in new subscriptions in March, for example, with the last week in the month providing its single biggest increase in subscribers since the publication introduced its paywall in 2018.

Over-the-top streaming services like Netflix and Hulu as well as eLearning software and communication subscription services like Zoom or Skype — all of which can help or entertain consumers who are stuck at home — have also seen rising subscriptions rates. Social distancing and stay-at-home orders have greatly hampered travel and hospitality and sports-related subscription services while internet of things (IoT) subscriptions have seen their growth rates — but not their overall subscriber counts — slow.

The overall subscription market is expected to continue growing at a CAGR of 68 percent through 2025, according to PYMNTS' recent Subscription Commerce Conversion Index. This does not mean that subscription companies are growing complacent due to their strong market presence. Many are quite aware of their customers' economic hardships and are introducing pause features to allow them to temporarily cease their subscriptions without canceling them entirely.

Subscriptions hit pause

Subscription services continually face the issue of churn, which occurs when customer cancellations outpace new sign-ups. This problem could become especially acute during the pandemic as economic hardships set in and individuals look to cut back on their spending. There are currently 167.1 million subscription customers for streaming, education and training, digital media or consumer retail services, of whom 27.4 million report being

at least somewhat likely to cancel. This churn rate of 16.4 percent is much higher than the typical 7.7 percent rate of most consumer-facing subscription services, and though not all of these wavering customers will cancel, the number is high enough to give subscription companies pause.

Many subscription businesses are therefore introducing subscription pause features to reduce the likelihood that customers will cancel outright and never return. Such features enable customers to temporarily stop receiving companies' goods or services in exchange for temporarily halting their payment requirements. PYMNTS estimates that up to 8.5 percent of wavering customers could be convinced to stay if they were offered the option to pause their subscriptions. No company is eager to see its revenues reduced, but suffering temporary dips would be far more palatable than losing customers entirely.

The subscription commerce industry may be doing better than most during the pandemic, but subscription services must examine every option available to avoid precarious financial situations. Pressing pause may provide only temporary relief, but it could buy companies time until the pandemic recedes and business resumes as usual.

ABOUT

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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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