

SUBSCRIPTION COMMERCE

TRACKER®

FEBRUARY 2022



■ FEATURE STORY

How FabFitFun works to drive subscriber and brand loyalty

PAGE 06

■ PYMNTS INTELLIGENCE

How subscriber-controlled plan options can drive customer satisfaction and engagement

PAGE 10



SUBSCRIPTION COMMERCE TRACKER®

Read the previous edition



■ DECEMBER 2021
Subscription Commerce

PYMNTS.com



ACKNOWLEDGMENT

Subscription Commerce Tracker® was produced in collaboration with Vindicia, 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.

TABLE OF CONTENTS



04 EDITOR'S LETTER

The PYMNTS Thought Leadership Team on how subscription services are becoming more competitive and how providers can personalize service to keep customers from canceling



06 FEATURE STORY

An interview with Michael Broukhim, co-founder and co-CEO of lifestyle membership FabFitFun, on how the company aims to build subscription box loyalty with personalized products and community-driven experiences



10 PYMNTS INTELLIGENCE

An in-depth look at how subscription services are proliferating and why giving subscribers more control over their plan options and features can keep them satisfied and renewing



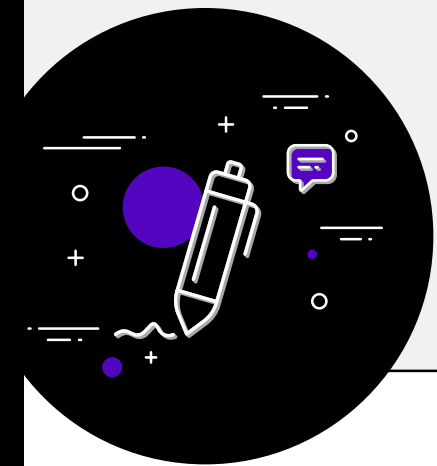
14 NEWS AND TRENDS

The latest headlines from the subscription commerce space, including why age is a significant factor in consumer loyalty to specific streaming service platforms and why consumers are becoming frustrated with their subscription experiences



20 ABOUT

Information on PYMNTS.com and Vindicia



EDITOR'S LETTER

SUBSCRIPTION COMMERCE TRACKER®

Subscription eCommerce seemed tailor-made for both consumers and businesses when the pandemic shuttered storefronts. Subscriptions served homebound consumers' needs on a remote, recurring basis while offering businesses growing revenue streams that were otherwise hard to come by. The subscription space continues to set records well into reopening, with the global subscription and billing management market [projected](#) to rise at a compound annual growth rate (CAGR) of 8.9% to reach \$7.43 billion in 2027.

Despite this growth, not all subscriptions have stood the test of time. A recent [study](#) noted that 44% of streaming customers find it challenging to find something they wish to watch, and 60% feel the content they are paying for is not relevant to them. One-third said they may cut their media and entertainment budgets as a result. More than half would like to curate their content by taking their profiles from one service to another.

With so many options in the subscription services market, consumers can afford to be choosy, and the digital shift is prompting them to seek higher levels of personalization in all aspects of their lives. Although cost is an issue, it does not appear to be the main one: Another [survey](#) indicated that consumers are willing to pay more for the “perfect bundle” of curated subscription content.

As “subscription fatigue” sets in and subscribers look to cancel or move on, subscription providers must be ready to adopt the next-gen challenge: sharing their customers with other services through the strategy of super-aggregation. This approach aims to [give](#) consumers greater control over their streaming experiences with smart content aggregators that span multiple platforms. Aggregators make it easier for consumers to discover, use and pay just for the services they choose. Examples such as Amazon Fire TV and Sky are leading this strategy, providing personalized content from several sources on one device.

This edition of the Subscription Commerce Tracker®, a PYMNTS and Vindicia collaboration, examines how giving subscribers more control over their plan options and features can drive greater customer satisfaction and engagement. It also explores the tools and technologies that subscription providers can leverage to offer consumers exactly the content they crave.

Thought Leadership Team

PYMNTS.com

How FabFitFun Works To Drive **Subscriber And Brand Loyalty**

THE PANDEMIC HAS CAUSED MANY CONSUMERS TO RETHINK THEIR PERSONAL HEALTH AND WELL-BEING,

and many are becoming more willing to indulge in self-care, try new things and spend money to get on a healthier track. As it turns out, many of these consumers are in the same boat as others looking to be introduced to new products without the need for in-store contact. These factors have been the perfect recipe for lifestyle and wellness subscription services to thrive.

FabFitFun is one such service that has branded itself as a lifestyle membership best known for its flagship product, the FabFitFun subscription box, which has a customer base made up mostly of women, according to co-founder and co-CEO Michael Broukhim. The FabFitFun box includes a selection of full-size products from the beauty, fashion, fitness, wellness, home and technology verticals and is delivered each month or each season, depending on which plan customers choose.

“People are looking for ways to take care of themselves, and self-care is high on people’s minds,” Broukhim said. “FabFitFun is a place where they think that they’re basically kind of treating themselves to that.”

For an annual subscription of \$199.99 per year or a seasonal subscription delivering a box four times a year for \$54.99 per box, members can receive items curated by a team of experts or customized boxes based on personal taste and preferences for health, beauty and wellness

products from both premium and emerging brands. Boxes include items such as bathrobes, hair and skin care products, purses and wine glasses. While the company has connected with customers and partnered with merchants to give their products visibility, it has also been a great way for FabFitFun customers to connect with each other, creating goodwill and customer satisfaction that will lead to a loyal customer base, Broukhim said.

“I think one of the things that we do that is super unique is that we create context for our members to speak directly among each other and with members of our team,” he said, adding that while the company provides traditional customer service, they also have social media platforms and member-only forums that create a community in which subscribers can participate.

“That drives all sorts of feedback loops that make us stronger over time, make our members feel heard and have helped us build the company we’ve built,” he said.



DELIVERING VALUE AND LASTING RELATIONSHIPS

One of the biggest attractions of subscriptions is the promise of a periodic delivery made just for subscribers and the repeated charge to their payment method with no further action required on the customer's part — a benefit to both users and the company. It gives the customer peace of mind and something to look forward to, while FabFitFun receives a more predictable revenue stream.

There is no shortage of similar subscription box competitors in the market, and with the continued demand for online, contactless shopping options, Broukhim said most retailers will need to pivot and change their offerings if they hope to succeed in the new normal of shopping behaviors.

“Broadly, on an industry level, subscription commerce is going to have to continue to proliferate, such that even describing it as a category loses some meaning any more than you’ll talk about retail or stores as a category within retail because stores are so many different manifestations of an experience you can create,” he said.

In other words, retailers have a channel to create long-lasting relationships that transcend the average brick-and-mortar experience, but it goes much further than finding new ways to deliver value to

consumers that are beyond today's standard models of commerce. With the growth of a connected economy and the power of brand exposure through online and social media channels, it behooves companies to work together and promote each other for mutual success. From there, word of mouth and shared experiences from customers can give partners the boost they need to become more successful.

“There’s just this tremendous amount of value for our brand partners, and we’ve seen it at a time where brands are increasingly challenged, in terms of how to stand out from the noise, that we could really cut through it and help them access consumers and tell their amazing stories,” he said.

Creating personalized, engaging customer experiences has helped FabFitFun grow from a newsletter business to a comprehensive membership community, not just offering subscription boxes but also access to year-round perks, including FabFitFunTV, a streaming video service that offers on-demand wellness content, the FabFitFun online community and members-only shopping experiences that help foster loyalty. That’s a business-growing incentive to which any company looking for success in today’s retail economy should subscribe.



How Subscriber-Controlled Plan Options Can Drive **Customer Satisfaction And Engagement**

SUBSCRIPTION ECOMMERCE SOLVED MANY A DILEMMA FOR BOTH CONSUMERS AND RETAILERS WHEN THE PANDEMIC SHUT DOWN IN-STORE SHOPPING,

and the trend shows few signs of slowing. The global subscription and billing management market is projected to reach \$7.43 billion by 2027, according to one [report](#) — up from \$3.97 billion in 2020 and representing a CAGR of 8.9%. These numbers [reflect](#) an increasing average monthly spend on subscription services for many consumers. The highest spend in 2021 went toward mobile phone services, Wi-Fi, streaming TV and movie services, Amazon Prime, music streaming and gaming services.

Despite this growth, not all consumers are happy with their subscriptions. Another [report](#) found that nearly two-thirds of global streaming-subscription customers find it frustrating to navigate different services, and an equal share feels that the content they pay for is not relevant to them. More than half would like to curate their content by taking their profiles from one service to another.

A personalized experience has always been important to subscription commerce, but it is becoming vital to customer engagement in an increasingly crowded market. As “subscription fatigue” begins to take hold and subscribers seek greater content customization, subscription providers that wish to keep subscribers must be willing to personalize their services in one of the most challenging ways possible: by sharing

their customers with other players. This month, PYMNTS Intelligence examines how giving subscribers more control over their plan options and features could drive greater customer satisfaction and engagement. It also looks at the tools and technologies that subscription providers can leverage to offer this level of curation.

IN SEARCH OF THE PERFECT BUNDLE

As high as the demand for video streaming continues to be, many consumers are finding their subscriptions increasingly expensive, unwieldy and impersonal. The problem, however, is less about payment and more about control over content — specifically, the plan options and features subscribers currently lack but would like to have. One [study](#) found that 60% of 6,000 global consumers said the content

they pay for has no relevance to them. It also revealed that navigating an increasing number of services is a problem, with 60% of consumers voicing this frustration as well. Nearly as many — 56% — explicitly named their solution: They would like to move their user profiles between services to better personalize content.

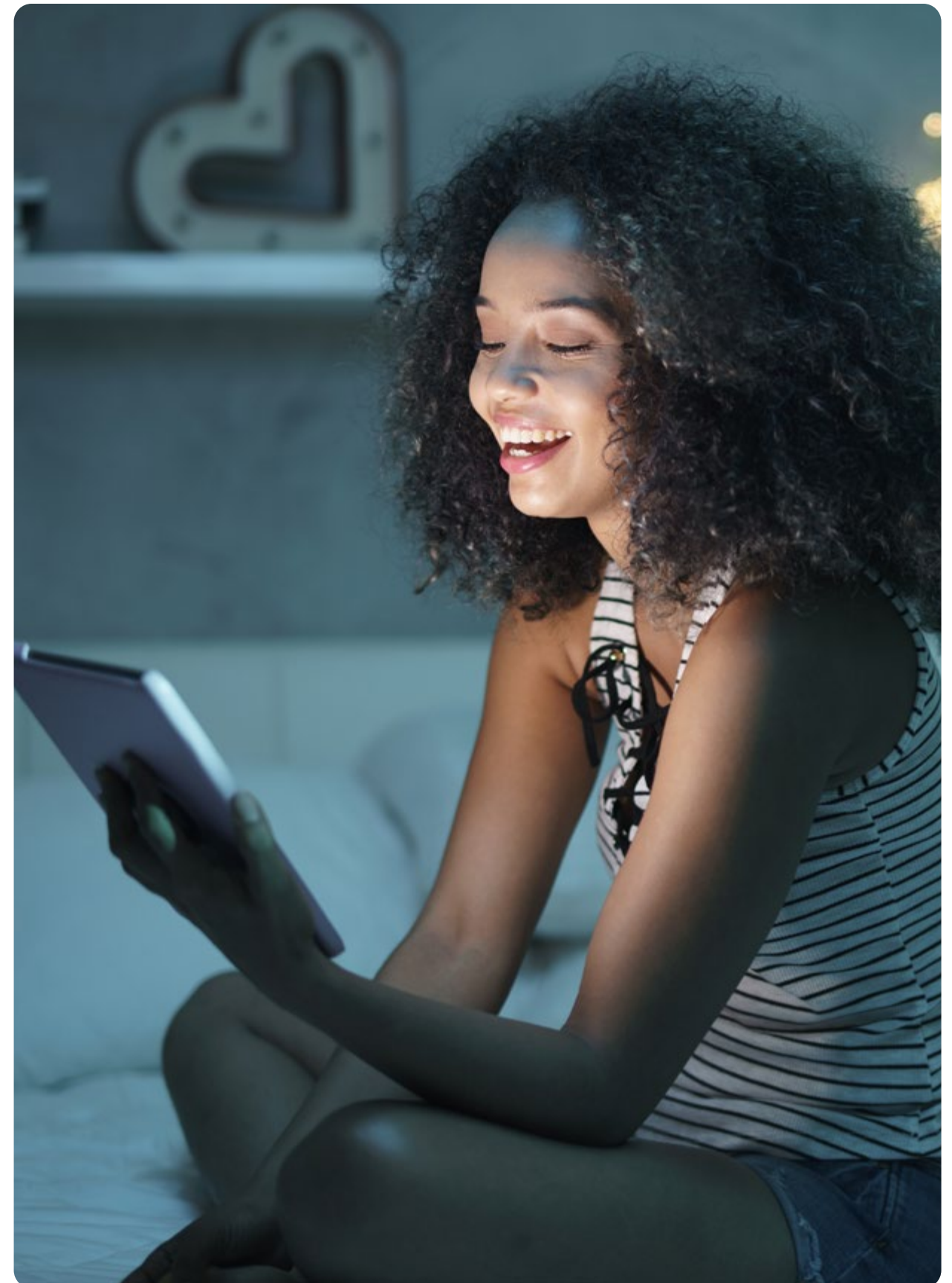
Consumers also seem willing to put their money where their mouths are regarding personalization. Another [survey](#) indicated that 72% of respondents would prefer to pay for satellite or cable service packages limited to content they are interested in, even if the subscription service picks the content they can access. Consumers also said they would be willing to pay more for the “perfect bundle” of curated content, with 36% willing to pay more for live games for a specific sporting team, while 33% each would pay more for on-demand “binge-worthy” TV series and on-demand virtual concerts, events or Broadway shows.

NEXT-GEN SUBSCRIPTION SERVICES

One way to address the problems of both content and navigation is by [giving](#) consumers greater control over the streaming experience with a smart content aggregator that spans multiple platforms. Content aggregators leverage application software, services and data sharing agreements to unify access across streaming platforms. Aggregators can also personalize subscribers’ services by offering them a single platform containing curated content from which they can select precisely what they wish to access.

This strategy, also called [super-aggregation](#), aims to make it easier for consumers to discover, utilize and pay for access to all the content they want using as few services as they wish. Services such as Amazon Fire TV and Sky, for example, are using aggregators on new TVs that provide personalized content from several sources on one device. These aggregators simplify transactions across services with unified subscriptions and single sign-on management while permitting users to keep existing subscriptions and bring them on board.

The subscription streaming space is becoming more competitive, and consumers are asking for easier ways to seek out and enjoy new content and services in a curated environment. Providers that want to keep their subscribers engaged and renewing will have to listen and deliver.





NEWS & TRENDS

RECENT SUBSCRIPTION TRENDS

VIDEO STREAMING PLATFORMS ARE THE MOST POPULAR SUBSCRIPTIONS AMONG CONSUMERS, STUDY FINDS

Loyalty to any particular streaming platform depends largely on the age of the consumer, according to a recent [survey](#) of more than 1,000 U.S. adults. Baby boomers chose Amazon Prime as their preferred streaming video service, while Generation X is a big fan of ESPN+. Millennials preferred Hulu and Gen Z opted to get their video content from Apple TV+. In terms of how much money users invest in their subscriptions, Gen Z spends the most, opening their wallets to the tune

of approximately \$377 a month. Meanwhile, respondents across all generations spend an average of approximately \$278 per month on streaming services. As for the types of subscriptions on which Americans spend their money, video streaming is by far the most popular, with 96% of respondents indicating they subscribe to such services. Music streaming services followed at 80% and food subscriptions came after at 57%.



SHARE OF CABLE AND SATELLITE TV USERS DROPS DRAMATICALLY BETWEEN 2015 AND 2021

In a finding that may indicate that American television viewers no longer prefer to pay for content they can find online, a recent [study](#) showed that the number of cable or satellite TV subscribers has dropped significantly since 2015. From 2015 to 2021, the number of Americans who watch television via cable or satellite dropped significantly, shifting from 76% to 56%. As for the reason behind the drop, 71% of U.S. adults said it is much easier to access the content they prefer online, while 69% said the cost of cable and satellite services is too expensive. An additional 45% said they simply do not watch TV.

Interestingly, 61% of those surveyed who did not currently have a subscription said they had a cable or satellite TV subscription in the past, which may point to a trend known as “cord cutting,” as the changing face of connectivity leads consumers to prefer internet streaming services over more traditional media subscriptions. The most dramatic change was among consumers 30 to 49 years old: Just 46% of consumers in that age group got their TV service through cable or satellite in 2021, as opposed to 73% who did so in 2015. That was followed by Americans aged 50 and older, as that group saw a 14 percentage-point drop in cable and satellite TV subscriptions.

CONSUMER DEMANDS DRIVE SUBSCRIPTIONS

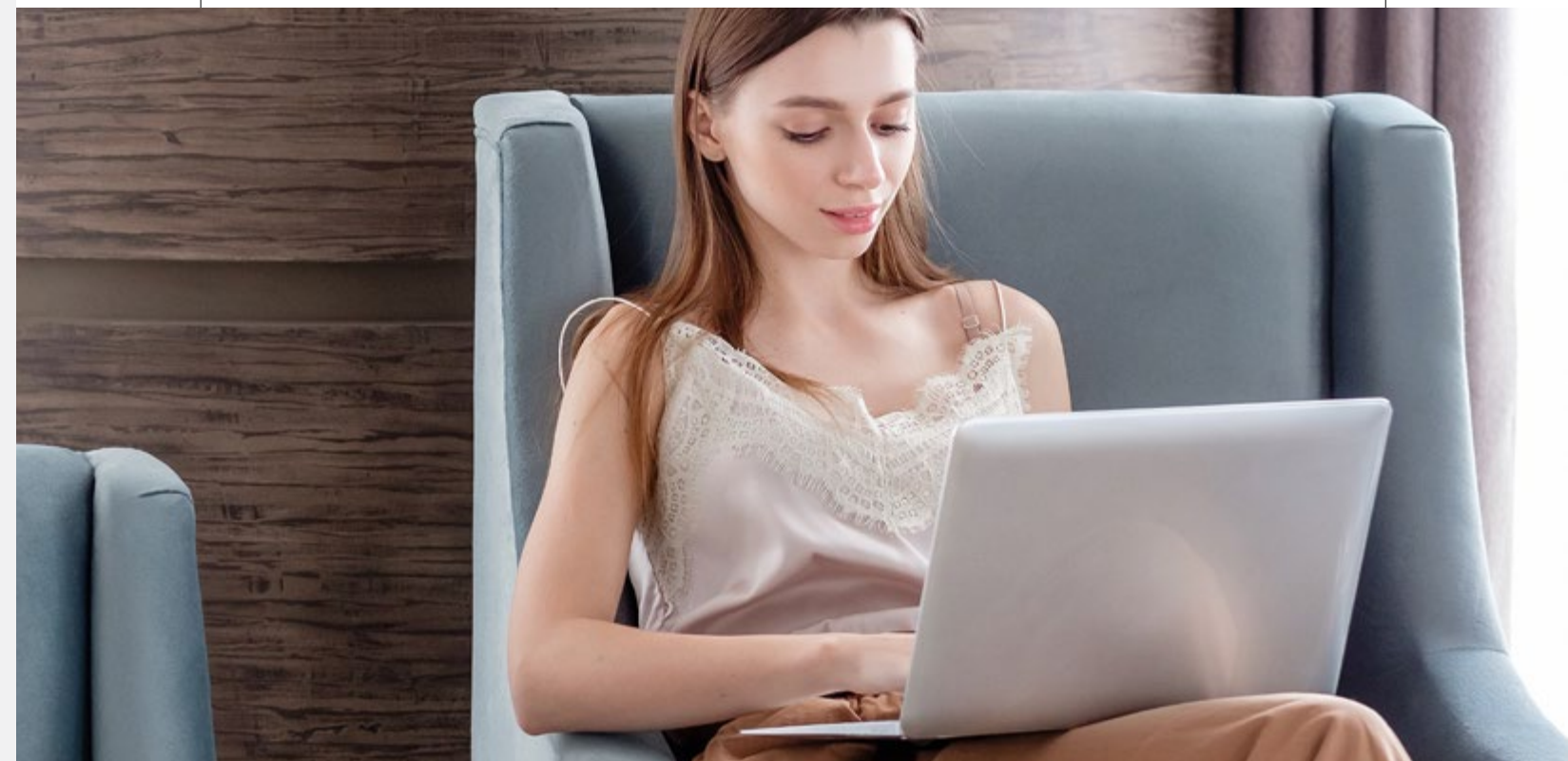
MOST CONSUMERS ARE FRUSTRATED BY NAVIGATING BETWEEN STREAMING SERVICES, STUDY FINDS

Too many subscriptions and too much content choice may not be such a good thing for video streaming subscribers, according to a recent [survey](#) of 6,000 global participants. The study, which examined preferences and behaviors related to video streaming experiences, found that 60% of respondents said navigating between different streaming services is a frustrating experience. Forty-four percent also have trouble finding something they'd like to watch and spend an average of more than six minutes searching for something they are interested in viewing.

Many consumers indicated they were frustrated with the explosion in choices presented on video streaming services, making for complicated, hard-to-use experiences. The report also said that subscribers are looking for more control over their experiences, which may help drive more innovation in platforms to help users navigate the “rabbit hole” of content choices. To that end, 56% of respondents said they would like their customer profile from one service to be easily shared with another service that may offer them better, more personalized content. Streaming providers should pay attention to what will improve engagement, as 33% of global subscribers said they will “somewhat” or “greatly” decrease their media and entertainment subscriptions and one-time purchase expenses in the next 12 months.

HOTEL CHAINS TARGET REMOTE WORKERS FOR SUBSCRIPTION DEALS

As an increasingly remote workforce looks for safe ways to escape the confines of their homes while remaining productive, hotel chains and other travel suppliers are beginning to offer subscription deals to help gain the loyalty of high-spending workers with flexible travel schedules. A recent [report](#) showed that some remote workers are looking for new places to do their jobs while also taking a relaxing vacation. To meet the needs of these digital nomads, lifestyle hotel chains such as citizenM and Mandarin Oriental are introducing corporate subscriptions. These allow guests to work remotely in one of the hotel's lounges or business areas and include a three-night stay, use of meeting rooms and client entertainment opportunities at hotel bars and lounges, making the deal affordable for companies that need to find accommodations for teams of workers. Options such as these that cater to “laptop luggers” will continue to expand as remote work continues to become the norm.



LEVERAGING **SUBSCRIPTION** LOYALTY

RESTAURANTS LOOK TO OFFER SUBSCRIPTION DEALS TO GAIN LOYALTY, RECOVER REVENUES

Fast food restaurant chains are increasingly offering subscription deals to gain customer loyalty, according to one [report](#). It is becoming easier for chains to offer such deals in their apps as well, such as Taco Bell's in-app subscription, which allows subscribers to purchase one taco a day for 30 days for only \$10. Salad chain Sweetgreen also rolled out a subscription deal that costs \$10 for 30 days and offers subscribers a three-dollar credit for every day they place an order from the company's website, perhaps as an incentive to move away from aggregators.

The pandemic has hit restaurants hard, forcing chains to find ways to recover revenue from consumers who choose to stay in but still want a takeout dining experience. While the idea of loyalty programs is nothing new, some subscription programs look to attract those who would rather stay in than eat in a public dining room. Subscription deals can help recovery by providing revenue streams and an opportunity to strengthen customer loyalty and gain valuable marketing information. But just like gift cards that expire unused, some diners won't use the entire subscription. These unused subscriptions represent income that the restaurant has earned and will not lose because someone was not hungry, but also create an incentive for diners to come back another day and perhaps spend more money



PET RETAILERS LEVERAGE AUTOSHIP FOR REPEAT DELIVERIES AND STEADY REVENUE STREAMS

Autoship subscriptions are fast becoming how pet retailers can harness the power of the internet to gain customer loyalty and revenue. A new [report](#) highlights how pet store chains such as Chewy, Petco and PetSmart aim to save shoppers time and money while ensuring they never run out of essential pet supplies such as food, medication and litter. Shoppers are encouraged to join these subscription programs with perks such as free shipping, discounts on autoshipped products and automatic deliveries designed to get tasks off of pet owners' to-do lists. Petco, for example, offers a 5% Pals Rewards discount for "repeat delivery," and Amazon offers up to a 15% discount on automatic deliveries.

Other brands such as BarkBox will dangle premium amenities such as free toys and treats as a personalized add-on for pet owners in their subscription boxes. These subscriptions also offer a cross-marketing opportunity for brands to trial-run products with pet owners and gain brand recognition, much as they may have done by giving out free samples in brick-and-mortar stores.

SUBSCRIPTION COMMERCE TRACKER

TRACKER®

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



Vindicia offers comprehensive subscription management solutions that help businesses acquire more customers, retain them longer and grow. Providing much more than just a billing and payments system, the company’s SaaS-based subscription management platform combines subscription intelligence, strategic consulting and proprietary retention technology. Vindicia provides its clients with more recurring revenue, more customer data, better insights and greater value throughout the entire subscriber lifecycle. To learn more visit www.vindicia.com.

ABOUT

DISCLAIMER ■

Subscription Commerce Tracker® may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS.COM: MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED “AS IS” AND ON AN “AS AVAILABLE” BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS.COM SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS.COM RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS.COM SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS.COM HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS.COM AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS.COM is the property of PYMNTS.COM and cannot be reproduced without its prior written permission.

Subscription Commerce Tracker® is a registered trademark of What’s Next Media & Analytics, LLC (“PYMNTS.com”)

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.