



Why Product Subscriptions Work

Article by Roxanne Hawn

Subscriptions to newspapers and magazines may be dying, but subscriptions for retail products are alive and well.

Getting the latest thing via subscription isn't new. One of the original music clubs through Columbia Records started sending members new music back in the 1950s. Subscription boxes and subscribe-and-save options through various e-commerce outlets stand simply as the newest incarnation of an old idea that's growing like crazy. Subscription industry online visits reached a record of 18.5 million Americans in first quarter 2018, up 24 percent year over year.¹

As more subscription products hit the market, some early winners such as Blue Apron (meal kits) and Ipsy (beauty products) now fight against market share losses.

Other niche interests, including pet products, now outpace food, beauty and kids categories in growth. For example, sites selling subscription boxes for pets saw 12 percent more online traffic in 2018 versus a 1 percent decline for sites in the beauty market.² However, pet subscription products have not yet cracked the top 10 most popular.³

Typical subscription boxes sell for \$25 to \$40 per month. Some that provide small product samples may be as little as \$10, and others that provide bigger quarterly boxes or full-size products monthly for certain niche interests may cost as much as \$150 per box.

Why people like subscriptions

Convenience makes consumers, especially younger ones, gravitate toward subscriptions for certain categories of products. Dollar Shave Club, as an example, ensures people always have fresh razors. It's practical, and it is often cheaper to buy online than in a traditional store.

"I get air filters on subscribe and save because I don't have to worry that I'm going to forget to buy an air filter. It comes every month, and I put it in every month," says Dorian Wagner, founder of Cat Lady Box (catladybox.com). "It's one less thing I have to think about."

It's like how veterinary practices often handle fulfillment of pet-care products and preventives. Rather than expecting veterinary clients to order, pick up and give regular treatments or pills, the profession sets them up for success with a season or a whole year's worth of products.

The convenience factor is important even beyond supporting client compliance. It also can build loyalty. In a study of 75,000 consumers published by the Harvard Business Review, researchers found that reducing customer effort is a stronger predictor of customer loyalty than traditional ideas about customer satisfaction. In other words, they found that businesses can mitigate disloyalty by reducing customer effort.⁴

Wagner is a good example. She gets automatic refills from online orders for prescription cat food and prescription medications. She also orders groceries and has them delivered to her home. As a busy entrepreneur, she wants any free time to be truly time off.

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For other kinds of products that people also choose to receive via subscription boxes and such, Wagner explains, “People like getting packages, and people like surprises. They don’t know what’s inside, which is fun.”

Why subscriptions matter

Subscriptions also tap into deeper consumer needs.

In competitive spaces, such as pet care, where consumers enjoy many options for where to buy products and medications, the power of consistent contact with pet owners is immense.

“Vets can capitalize on the subscription mentality by finding new ways to talk to their clients every single month, be it through product delivery or helpful informational content that is engaging and useful,” says Allison Stadd, vice president of reach and affinity for BARK (the creators of BarkBox, barkbox.com). “At BARK, our toys and treats are designed and tested by us for our own dogs. We will never give our customers something that we’re not comfortable giving our pups. That personal, intentional approach builds real, lifelong relationships.”

Many successful online influencers and subscription box forward-thinkers tap into consumers’ desire to be in the know and to have early or exclusive access to great products.

Through studies done and published by the Harvard Business Review, researchers named the top 10 consumer emotional motivators, from the 300 total they found, with the highest impact across all kinds of businesses that are associated with a higher customer long-term value and loyalty. The number one motivator was to stand out from the crowd, and number six was to feel a sense of belonging.⁵ Subscription boxes fulfill those needs.

While some subscription products essentially curate groupings of new products made by other companies, others partially include or only include niche products of their own creation. Cat Lady Box, for example, delivers all original products relating to each month’s theme. “I make everything. Everything is branded. Everything starts with some scribble on a piece of paper with an idea I had,” Wagner explains. “It’s the only place you can get these things. People like that, too, because they know they cannot get it anywhere else.”

In other words, the goal is essentially to help people feel special and that what they are receiving via subscription is either less of a hassle (and potentially less expensive) or truly gives them the inside track on great new pet stuff.

Are subscriptions doable for practices?

“I’m a huge fan of big ideas,” says Wagner. “I think everybody can do 50 more things than they are currently doing. Do I think veterinarians could have a subscription? The short answer is yes, they can do that, but they would need to commit the resources to actually doing it.”

Creating a subscription product or service for veterinary clients could easily become a major undertaking with issues around how to:

- Allow only active clients access to things like medication ordering
- Handle shipping logistics and costs
- Get the critical mass of participation to make the effort worth it
- Cover possible issues with potentially additional insurance riders

“It would be nice to keep some of that income that people so easily give to others,” Wagner says, but she points out that veterinary practices would also need to consider where outside competition simply does it better, faster and cheaper. While some clients want to support your business and buy prescription foods from you, others know that sites like Chewy now sell prescription foods and offer free shipping.

So what kinds of products could veterinary practices put into a subscription model, if they haven’t already?

- Wellness plans, which are a version of subscription pet care, with monthly payments and regular visits and services
- Auto-refill and drop shipments on certain prescription foods used over longer time spans
- Auto-refill and drop shipments on certain preventives such as flea/tick products or heartworm preventives.
- Auto-refill of dental care or skincare products

Where might practices be able to add some love and attention to clients and patients through a monthly or quarterly subscription model?

- Smaller, local subscription box that features only local pet products
- One toy to subscription clients as an extra point of connection
- One pet-related book to book club clients, maybe with a live online discussion event

Discuss the growth and consumer motivations for subscriptions with your team and think about ways you might be able to leverage this mentality as part of your marketing, client relationships and veterinary services model.

“Subscriptions are good for business,” Wagner sums up. “It’s automatic, recurring revenue. You don’t always have to go get a new customer. You have customers that are built in.”

References:

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Subscription Economy Insights

People who buy subscription boxes typically have these demographic characteristics and attitudes:

- Younger Millennials
- 55 percent female
- Household income over \$100K
- College degrees
- Centered in college towns and “hipster enclaves” such as Austin, Texas, and Portland, Ore.
- Pay attention to online reviews and sometimes write reviews
- Agree with the statement “All things being equal, I buy online more than instore.”⁶

While subscription consumers are more likely to shop online through big-name retailers such as Target, Wal-Mart and eBay, they also have a propensity to buy from Etsy and Zulily three times more than average, which suggests that they gravitate toward unique products.⁷

% of Respondents Who Received a Subscription Box

Source: Digital Activities Conducted by US Internet Users by Age, April 2018, eMarketer.com

