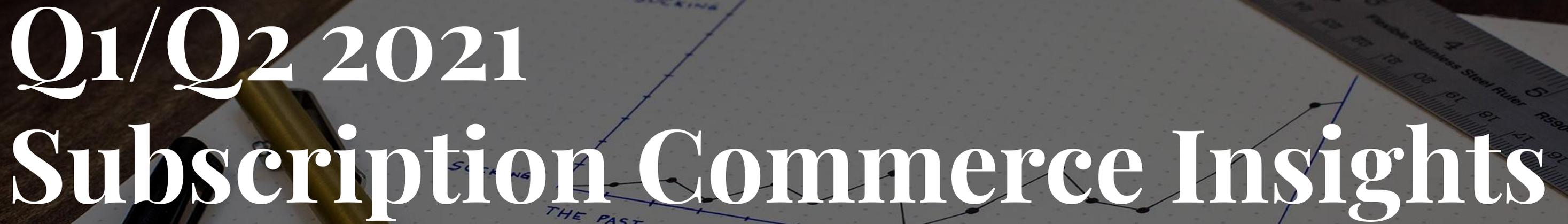


# Q1/Q2 2021 Subscription Commerce Insights



Stories, metrics, and trends from the subscription space.

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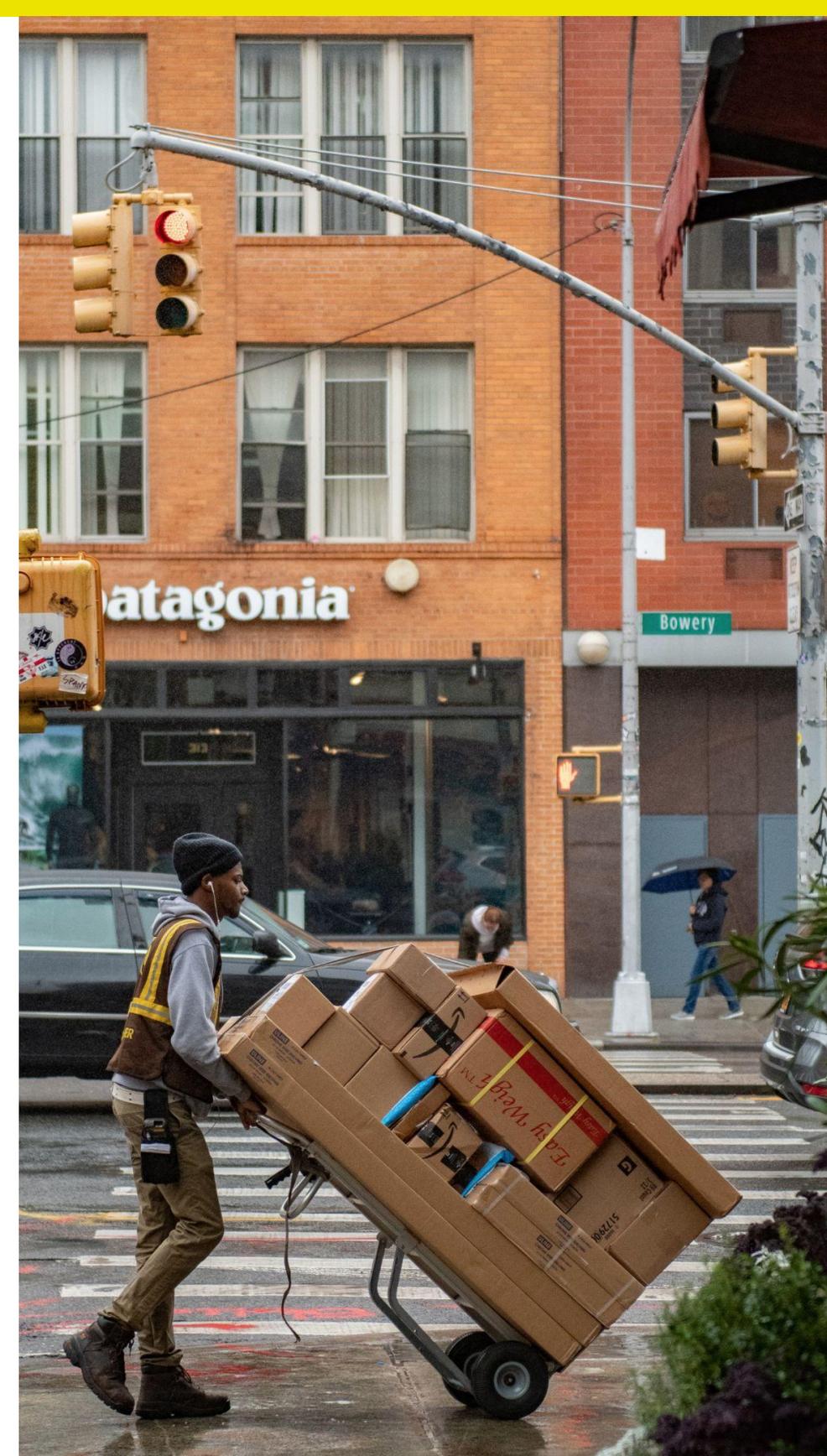
# Subscription Economy Report

Merchants are facing unforeseen challenges, as the global pandemic continues to pressure on a variety of sectors, specifically companies with subpar eCommerce capabilities.

Competition remains fierce, and customer loyalty comes at a premium. It's tougher than ever to make a business model viable through one-time purchases. To generate traction, companies are increasingly focused on attracting repeat purchases using subscriptions.

As we enter the next phase of commerce, pioneers like Amazon, Netflix, Spotify, Peloton, Roblox, and Doordash are leveraging the power of subscription to bolster recurring revenue, customer loyalty, and predictable cash flow.

The pandemic has accelerated the shift from a transactional economy to a relationship-driven one, in which subscription business models are anchoring the most powerful companies in commerce. The stage is set for a global *Subscription Boom*. >>



# Subscription Economy Report

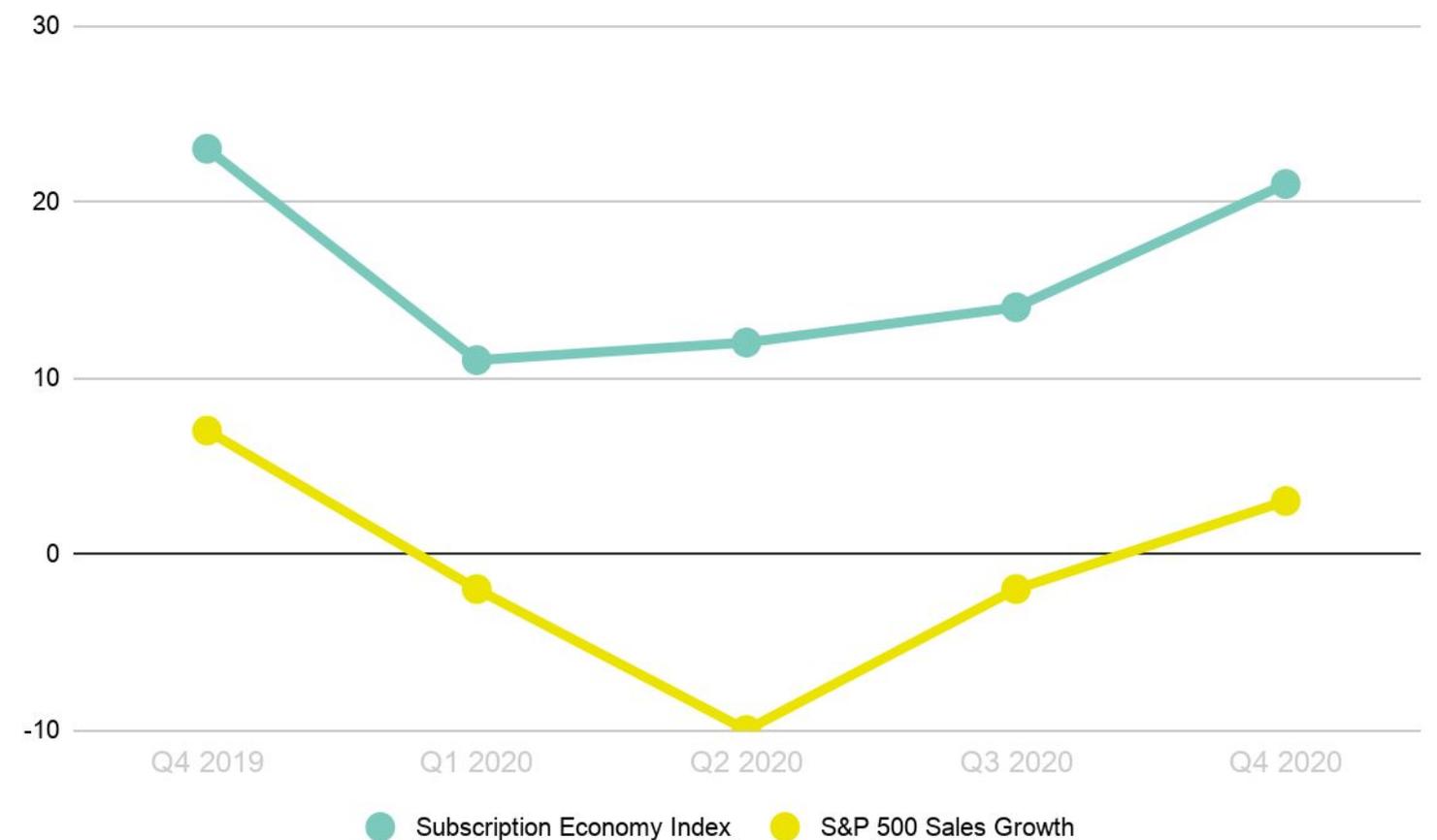
## A New Subscription Economy

The global subscription e-commerce market is anticipated to reach \$478 (USD) billion by 2025 expanding at an astonishing CAGR of 68% over the course of the forecasted period (2019-2025). The market size is currently estimated at \$15 billion.

The average subscription billing vendor is growing 30%–50% annually with certain industry categories leading the way, including, beauty and personal care, clothing and fashion, entertainment, health and fitness, and food and beverage. Beauty and personal care alone is, anticipated to grow at a 67% CAGR during the period.

Overall, the growth rates of subscription companies are outpacing those of traditional corporations listed on the S&P 500.

### SEI Revenue Growth Rate (Annualized)



# EdTech Explosion

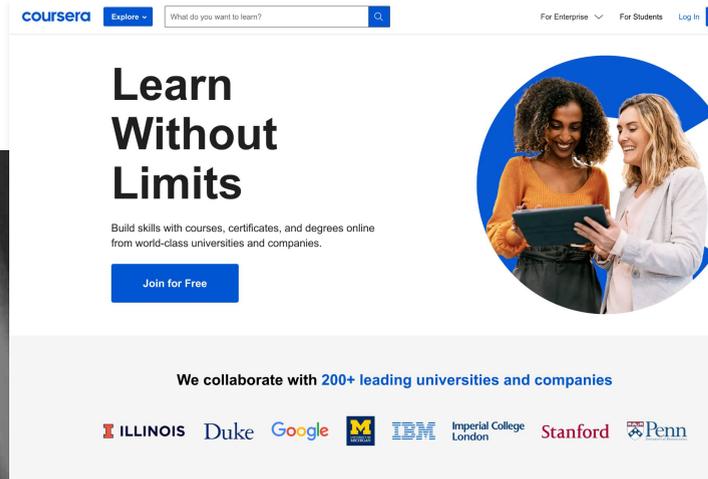
## How we learn has changed

Higher education has benefitted from decades of tuition increases, with very little change to its overall value proposition. The pandemic is now shining a spotlight on these institutions, bringing to light a number of questions related to what learning might look like beyond the virus. As in-person learning remains “on pause” in most markets around the globe, a new era of education is emerging.

About 1.6 billion students have moved to online education – and many will stay there. On the educator side, the tidal wave to “remote” has meant hobbyists, coaches, trainers, teachers and freelancers alike have moved their content and educational expertise behind a paywall. All this on top of the Massive Open Online Courses (MOOCs) put forth by Coursera, Udacity, Udemy, LinkedIn Learning, and others. Of note, Coursera went public at over a \$4 billion valuation at the end of Q1 '21, just one of the companies to benefit from a surge in demand for online learning throughout the COVID-19 pandemic. We are now experiencing an ed-tech explosion. >>

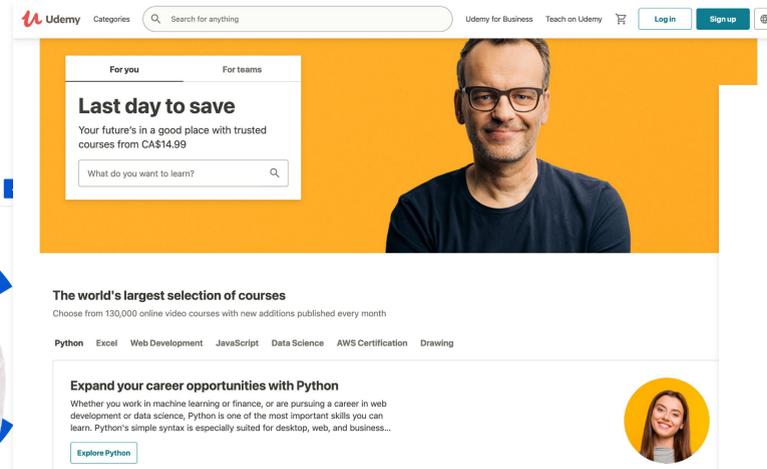


# EdTech Explosion



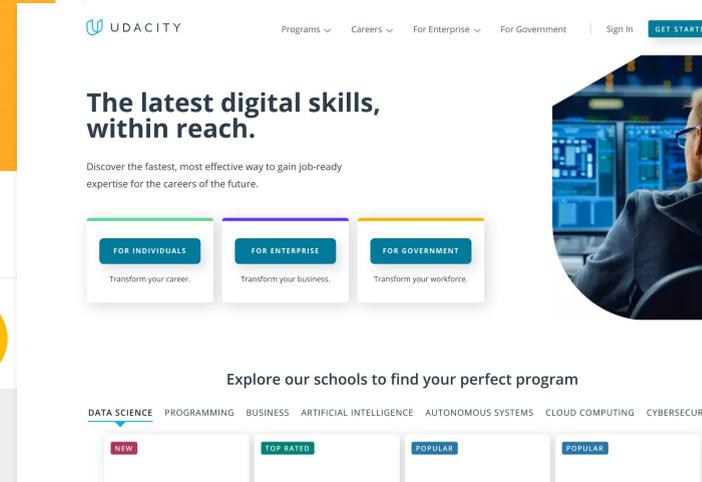
**coursera**

**\$39 – 79 / mo**



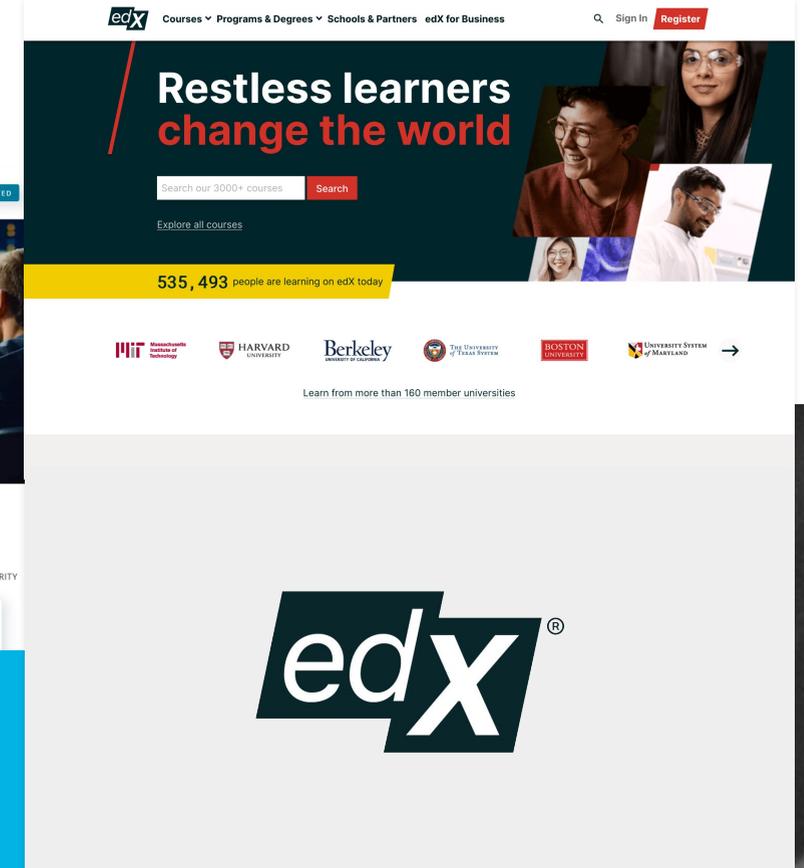
**Udemy**

**\$19.99 – 199.99 / mo**



UDACITY

**From \$200 / mo**



**Non-Profit**



## Luxury Brands Move into Subscriptions

Since the pandemic began, we've seen a crazy run-up in the equity markets, where stocks plunged back in March 2020 only to come roaring back. Interestingly, the pandemic has also given other asset classes their moment in time, including the luxury watch market.

In early March, luxury watch brand BREITLING announced its new move into the subscription space, showcasing how luxury goods companies are rethinking their business models - turning to subscriptions as a viable way to allow people to access a brand in a more affordable way.

The company's program, called Breitling Select, offers subscribers the opportunity to try up to 3 watches consecutively within a 12-month period. The customer will then have the opportunity to purchase 1 of the 3 watches they've tried.

This is the first time a subscription service is being offered by an independent watch brand. >>



# Luxury Brands Move into Subscriptions

## Access to luxury via subscription.

Ralph Lauren made a similar announcement, with its new subscription rental service. “The Lauren Look” is now available to North American consumers, with memberships starting at \$125 a month. This latest move into subscription means more luxury fashion brands will follow suit – here’s why:

New Pantone colors, new styles, and new trends—not to mention the human desire to consume—all contribute to sustainability issues surrounding the apparel industry; fast-fashion brands bear responsibility for enabling a wasteful cycle whereby consumers are perpetually buying new, and tossing out what’s not “on-trend.” Cotton, which accounts for about 30% of all textile fiber consumption, is grown using a lot of water, pesticides, and fertilizer. Since the countries with the largest fabric and apparel-making industries rely mainly on fossil fuels for energy production, making one kilogram of fabric generates an average of twenty-three kilograms of greenhouse gases.

With the fast-fashion industry generating massive carbon emissions, chemical runoff, and landfill gluts, other companies, like Gwynnie Bee, Rent The Runway, Stitch Fix and now Ralph Lauren are helping to change the culture of consumption. The future of fashion is smart, sustainable, and personal – with an option to subscribe. >>

# Luxury Brands Move into Subscriptions



## The Lauren Look

**\$125 / mo**



## SailTime

Lite  
**3 uses / mo**

Classic  
**7 uses / mo**

Premier  
**14 uses / mo**

# SURFAIR

## Surf Air

Access  
**\$199 / mo**

Advanced  
**\$999 / mo**

Unlimited  
**\$2,999 / mo**



## Porsche

Panama  
**\$2,800**

Cayenne  
**\$2,200 / mo**

911  
**\$2,950 / mo**



## Breitling

**\$450 + \$129 / mo**  
for 12 months

# The State of Co-Working

## Work from anywhere?

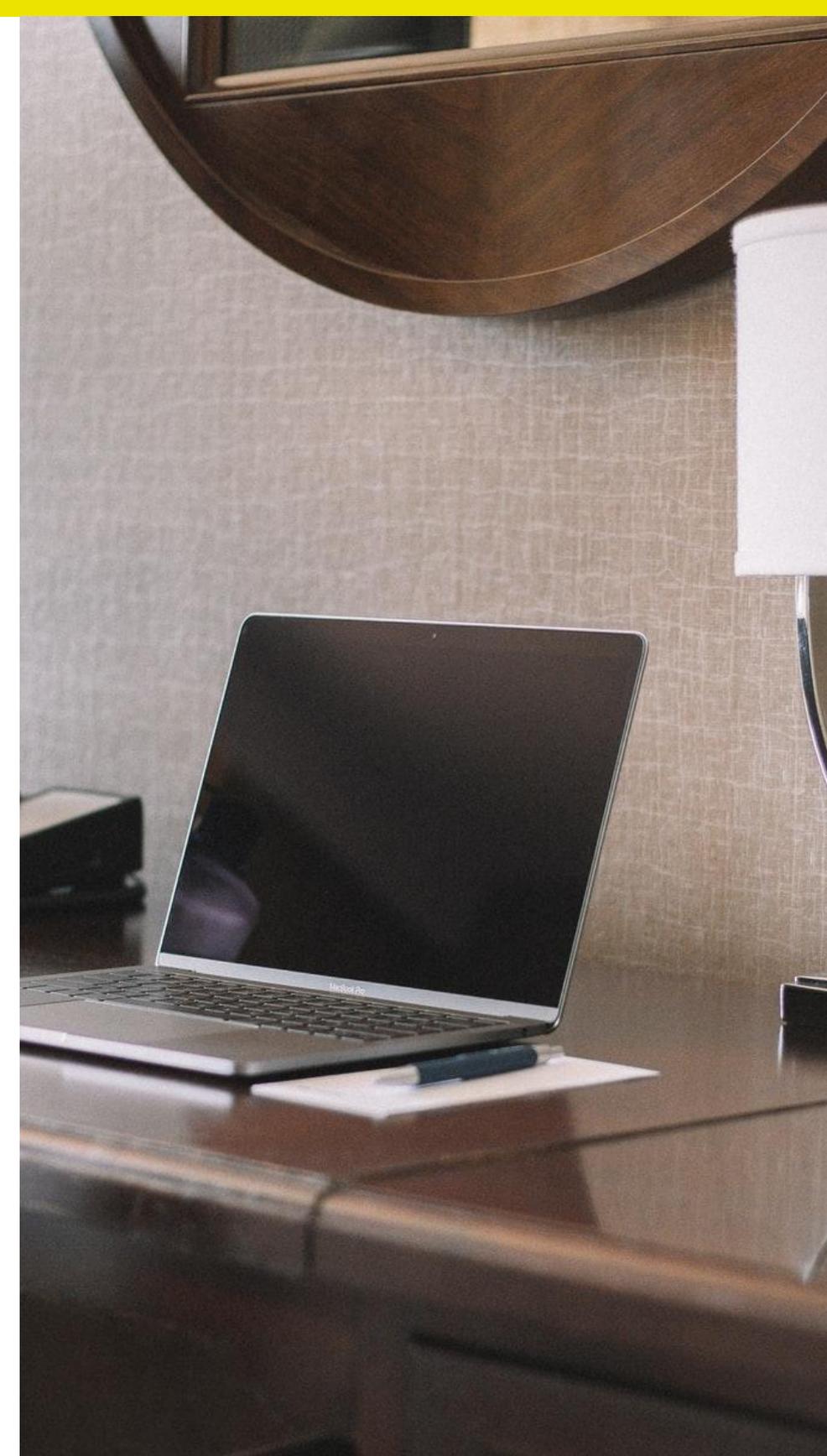
WeWork has reemerged from the rubble, and will finally go public. Other sectors are putting newfound pressure on the coworking industry; namely, the hospitality sector.

InterContinental Hotels & Resorts, Marriott International, and Accor have launched (or are considering) monthly payment plans (i/e: membership offers) as part of their strategic plans.

For a monthly rate in some of its locations, InterContinental guests can get access to their workspaces, rooms, and facilities as part of a VIP access “work from hotel” offering.

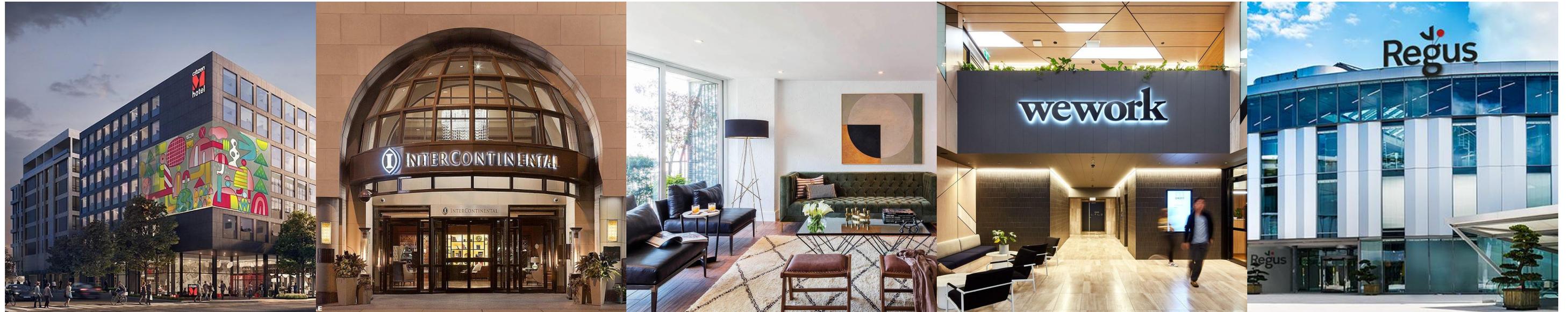
Others like Marriott, are looking at repurposing rooms into private gyms, private workspaces, and recording studios for monthly paying members. Boutique hotel brand CitizenM, has already launched 2 subscription services for its network of properties.

We anticipate coffee and restaurant chains to follow suit, whereby tables and chairs become workplace options for paying “members”. >>



# The State of Co-Working

Yet, as the world of coworking evolves, WeWork remains a viable force. The NY-based company will go public as part of the SPAC wave, seeking a listing after merging with BowX Acquisition. The subscription coworking giant's valuation will come in close to \$9 billion (i/e: its model is a monthly membership rather than a lease); a far cry from the near \$50 billion valuation it had earmarked in 2019.



## Global Passport

**\$1,500 / mo**  
For 29 nights,  
7 night minimum

## InterContinental

**\$1,100 / mo**  
in Singapore

**\$1,970 / mo**  
in Indonesia

With new "work from hotel"  
packages

## Oasis Passport

**\$1,525 - 2,225 / mo**  
in Latin America

**\$2,150 - 2,950 / mo**  
in Barcelona, Madrid, Dallas

**\$3,100 - \$3,975 / mo**  
in Paris, London, Rome, Miami

## WeWork

**From \$260 / mo**

Note - Office rentals fell by as much  
as 25% over the course  
of the pandemic

## Regus

**\$37 / mo**  
personal address

**\$150 / mo**  
virtual office

**\$207 / mo**  
virtual office plus

# Subscription Hybrids

## Hardware + Software (paid via subscription revenue)

Brands are using subscription hybrid business models to drive exponential growth. Subscription hybrids are businesses that sell both hardware, along with software as part of their value proposition – where the latter is paid via a subscription plan. We've outlined some notable use cases from the fast-growing connected fitness space >>

### Peloton

#### 2019 Total Revenue

\$915 million, up from \$435 million in 2018 and \$218.6 million in 2017.

#### 2020 Total Revenue

\$1.8 billion, a 100% YOY increase.

#### Subscription Revenue

\$121.2 million, a 99% YOY increase



### Tonal

Tonal announced a \$250 million Series E round, valuing the company at \$1.6 B.

Like Peloton, Tonal's business model is a subscription hybrid:

The Tonal machine itself (\$ hardware = 1 time revenue)  
+ Tonal Classes accessible only with a membership

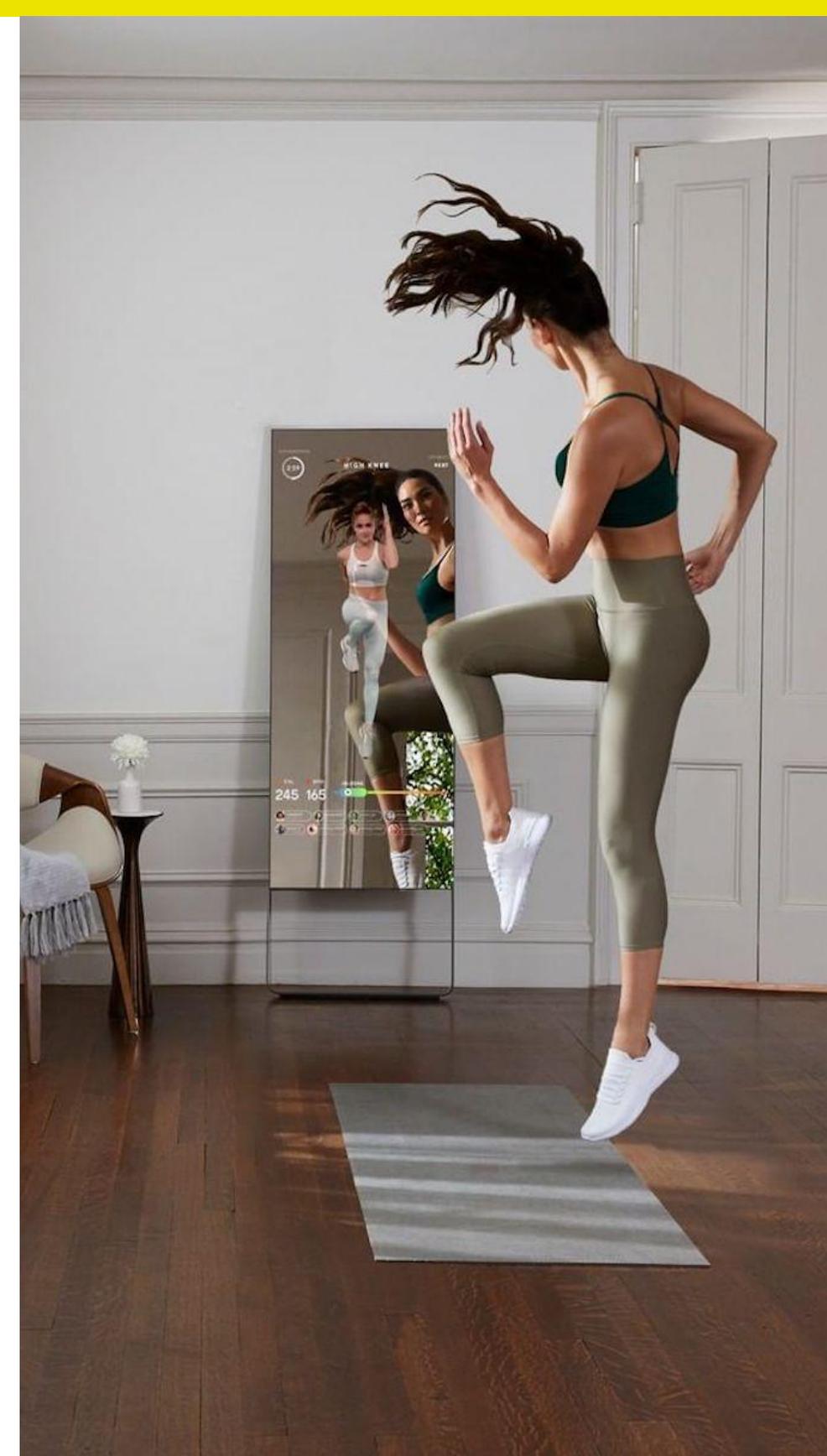


# Subscription Hybrids

## Mirror

The nearly invisible home gym that transforms less than two feet of wall space into a cardio class, a yoga studio, a boxing ring, and more. Users can get access to various types of workouts, with new Live Classes every week and thousands of on-demand classes in 5- to 60-minute sessions. Moreover, users can pick their own music, and sync to *Mirror* via Bluetooth to measure data and track results.

A good reason popular yoga retailer **Lululemon** acquired the company for \$500 million in 2020, is Mirror's powerful subscription hybrid model, whereby the hardware itself is sold for \$1500, in addition to the workouts only paying members can gain access to at a monthly rate of \$40.



# Subscription IPO Momentum



## Bumble

Dating app Bumble began trading on the Nasdaq back in February. In the company's S1, they site over 42 million users (a combination of one-time users, and paying subscribers). With a \$7 Billion market cap, the dating company's future hinges on its ability to push competition aside, while boosting ARPU (average revenue per user) on the back of a more aggressive subscription push.



## The Honest Company

Founded by popular actress Jessica Alba in 2012, the Honest Company plans to go public this spring. Trading under the ticker symbol 'HNST' on the Nasdaq, the consumer goods company that originally built early momentum using recurring revenue from its popular subscription diapers program, is now targeting a \$1.5 Billion valuation. While Alba's team faced controversy in 2016, the company is poised to offer investors solid upside.



## Coursera

Shares of Coursera went public in late March 2021, giving the company a near \$4 Billion valuation. The company is a massive open online course provider founded in 2012 by Stanford University computer science professors Andrew Ng and Daphne Koller. Coursera works with universities and other organizations to offer online courses, certifications, and degrees in a variety of subjects.



## Roblox

The NYSE approved the direct listing of Roblox Corporation's class A shares by February 2021. The shares began trading on March 10 and its market cap is approaching \$40 Billion. Roblox has multiple streams of revenue - licensing, royalty, ads, and, Roblox digital currency subscriptions via Roblox Premium. Roblox Premium users access exclusive discounts, increased trading features, and other benefits.



## Instacart

The anticipated IPO of one of the most innovative grocery delivery companies on the planet may opt for a direct listing rather than a traditional IPO. On top of plans to go public, Instacart is busy building deeper engagement via its fee-4-VIP subscription-based Instacart Express program. Instacart Express customers, who pay \$99 a year for free deliveries, order twice as often, and spend twice as much as a standard Instacart user.

# Full Stack Subscription

The last 5 years, we've seen most subscription players fall into 1 of 3 business model categories – Access, Curation, or Replenishment.

The next 5 years will feature companies with **“full stack”** subscription offerings, providing customers with aspects of all 3 – every day consumables (i/e: replenishment), combined with curation, and access to exclusive discounts, perks, content, and community.

## Fee-4-VIP access

Access subscription models are driven by a paying base of members who pay a monthly fee to obtain access to an exclusive platform, club, offer, or business with members-only perks. Think Netflix and all things streaming, gym memberships, paid apps, online dating sites, education, or any of the Prime-like examples we shared earlier in this report. This model works well for service-based businesses with an exclusive value proposition.

## Themed Curation

Curation subscriptions seek to surprise customers by providing a themed delivery of novel samples, new items or highly personalized experiences in categories such as apparel, beauty, and food. Think Ipsy, Birchbox, Graze, Hello Fresh, Blue Apron, and Stitch Fix. This model works very well for novelty product companies, seasonal product businesses, and those looking to generate ROI from existing inventory surplus.

## Replenishment

Replenishment subscriptions allow consumers to automate the purchase and delivery cycle of household items, such as razors, detergent, or diapers. Think Dollar Shave Club, Amazon Subscribe & Save, or the Honest Company. This model works well for businesses with consumable products whereby the customer must re-purchase/replenish a product every 30-60 days at a point of sale (be it online, or in-store).

**Commerce is no longer about the transaction.  
It's about the relationship.**

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