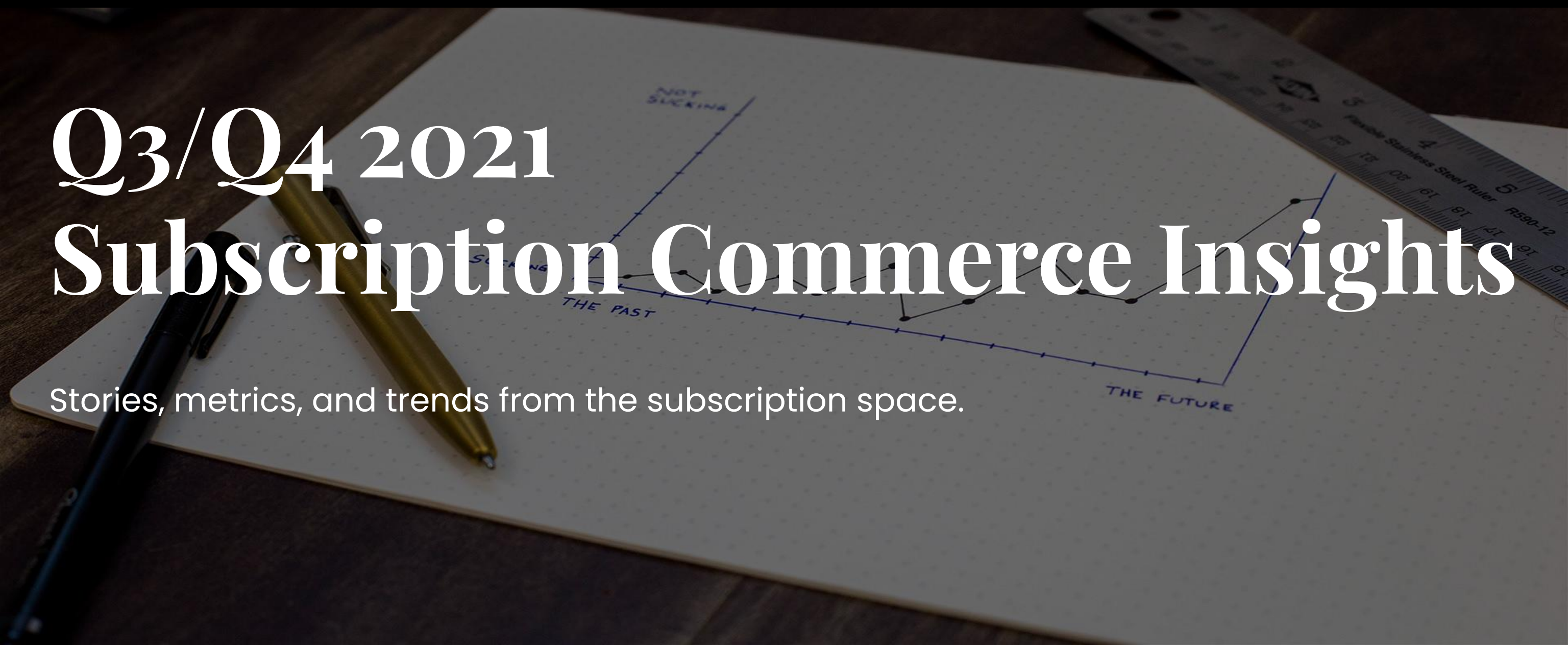


Q3/Q4 2021 Subscription Commerce Insights

Stories, metrics, and trends from the subscription space.



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Executive Summary

Momentum in subscription commerce continues, accelerated by a pandemic driven shift to 'digital', and the desire by companies to establish deeper customer loyalty.

The Dow Jones Internet Commerce Index (which tracks the 15 largest and most actively traded internet commerce stocks) showed a bottoming out at the onset of the pandemic (3/2020), followed by a 183% increase.

In tandem, UBS published its forecast for the global subscription market back in March of 2021. Valued at approximately \$650B today, the market is expected to grow to \$1.5 Trillion by 2025 (an annual growth rate of ~18%).

What does this mean for businesses globally?

We expect companies to continue to change course, attempting to capitalize on the growth of eCommerce. As firms think about establishing greater customer lifetime value, more will launch new subscription/ membership models.

While Netflix, Spotify, Ipsy, and Amazon charted this path early, new subscription pioneers such as DoorDash, Instacart, Roblox and Peloton are seeing their respective revenue numbers grow exponentially as a result of increases in the number of paying subscribers.

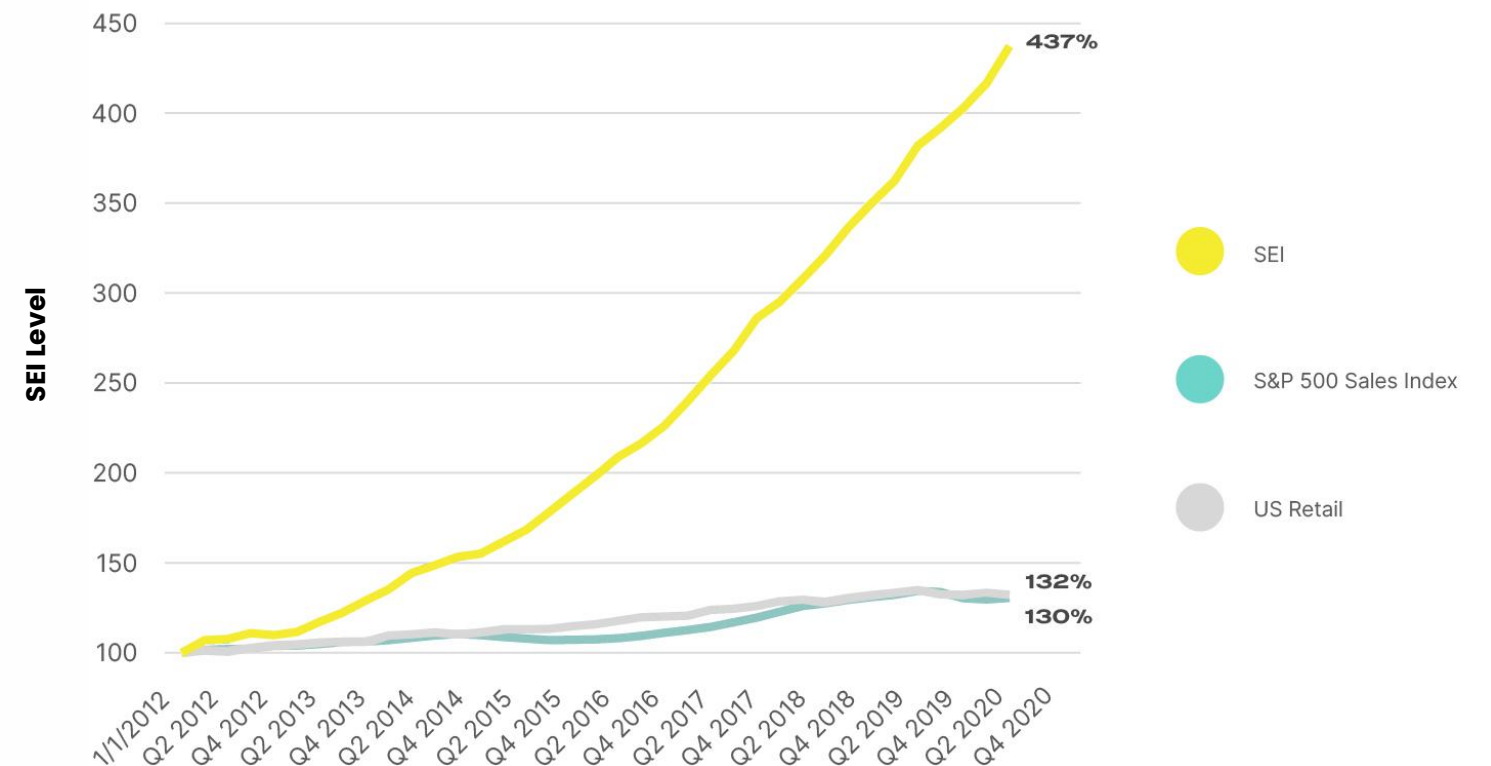
Subscription commerce has entered the mainstream. The companies noted above—and others, like BarkBox, Apple, Dropbox, Chewy and more— are using subscription as the anchoring business model. Further growth is still ahead. >>



Subscription Economy Report

- The SEI (see figure ->) tracks the health and growth of subscription businesses in a variety of industries, including SaaS, IoT, Manufacturing, Publishing, Media, Telecommunications, Healthcare, and Corporate Services.
- According to the SEI, the Subscription Economy has grown more than 435% over the last 9 years.
- Moreover, subscription businesses have consistently grown 5 to 8x faster than traditional businesses.
- In 2020, subscription businesses in the SEI saw average revenue growth of 11.6%, while its one-time transactional peers saw declines of 1.6%.
- The subscription box market, which according to Forbes was estimated at \$15 billion back in 2019, has now reached ~\$19 billion.

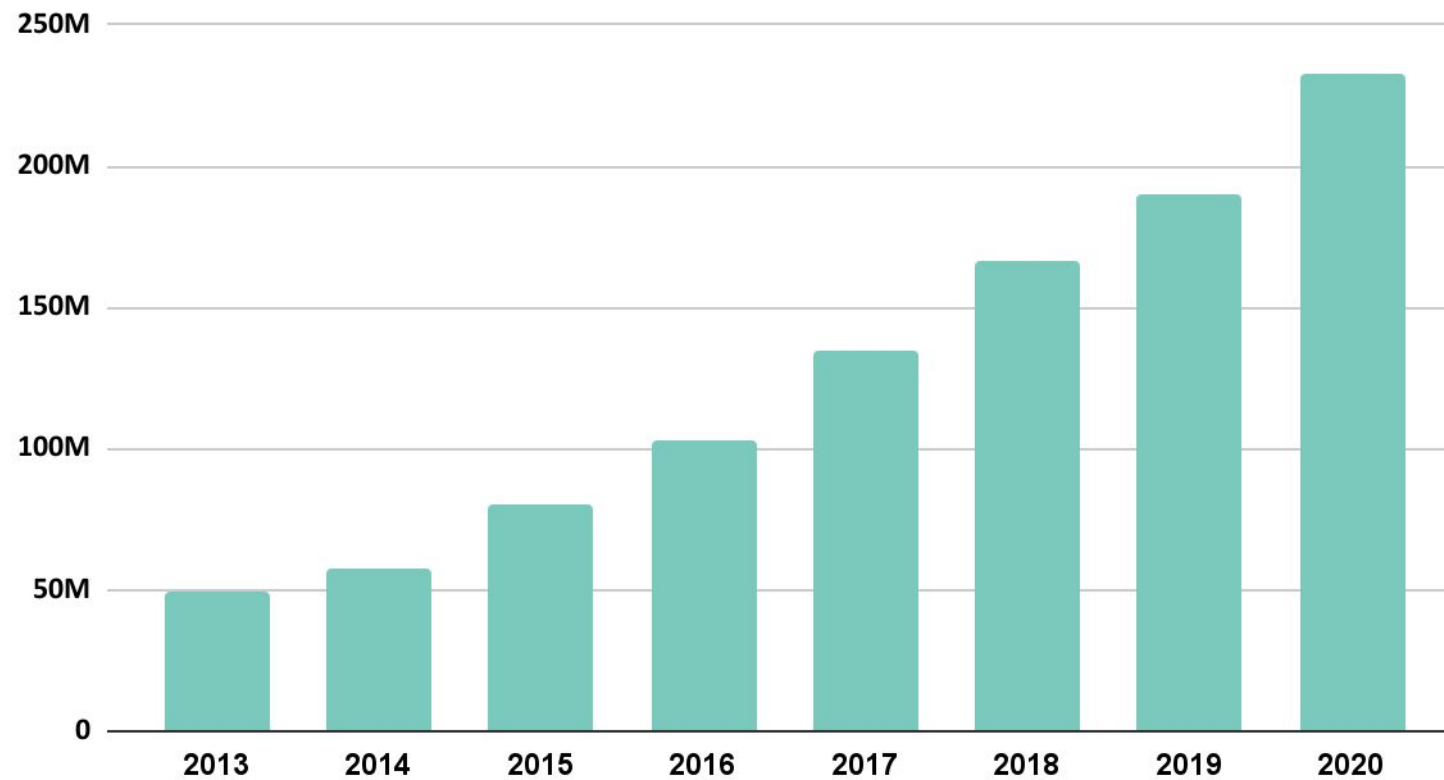
Subscription Economy Index Level vs. S&P 500 and Retail Sales Growth



Netflix, NYT, & Adobe see increases

Subscription model behemoths Netflix, The New York Times, and Adobe continue to see big increases in paid subscribers

Rapid Surge in Subscribers



Source: Investing in digital subscriptions - Tech disruption by UBS MAR 2021

NETFLIX



The New York Times

Adobe





Subscription Search & Social

Facebook and Google are under pressure.

These platforms sell user data to advertisers. However, privacy quandaries are quickly surfacing.

In general, these business models built on garnering (and keeping) consumer attention, lead to divisive content because that's what the algorithms favor; plain and simple.

Subscription is a solution to this version of consumer exploitation.

Subscription models allow companies to own the relationship with the customer and earn revenue via monthly subscribers rather than advertisers.

While Google and Facebook aren't likely to introduce a subscription model, Twitter has moved in this direction with the launch of 'Twitter Blue'. Neeva, an ad-free subscription-based search engine, is aiming to put a dent in Google's model.

Neeva's model is intriguing. Free for 3 months, the California-based company bills \$4.95/month thereafter. Its users opt to pay to avoid ads, privacy issues, and other problems that come with selling one's data. Of note, Neeva has raised nearly \$80 Million in venture funding to date.

While the ad model isn't going away, we expect progressive players like Clubhouse, TikTok, and Reddit to test versions of paid subscriptions in 2022.

SUBSCRIPTION SOCIAL

Twitter Blue

- Launched in June 2021, **Twitter Blue** layers on extra features, such as set time delays before posts, enabling one to edit and correct content before it's made public.
- The cost of Twitter Blue ranges, but is typically <\$5/month, depending on the user's location.
- While Canada and Australia are early test markets for the service, the company expects to roll-out Twitter Blue in the US and the UK in the near term.
- A 1% conversion rate of Twitter's 182 million mDAU (monetizable daily active users) to Blue subscribers, results in ~1.8 million paying users.



... it's going to be a pretty meaningful addition to our subscription work as we continue to look to build and shape our future subscription service on Twitter ... we're really excited about the potential here.

—Jack Dorsey, Twitter Co-Founder, CEO & Director

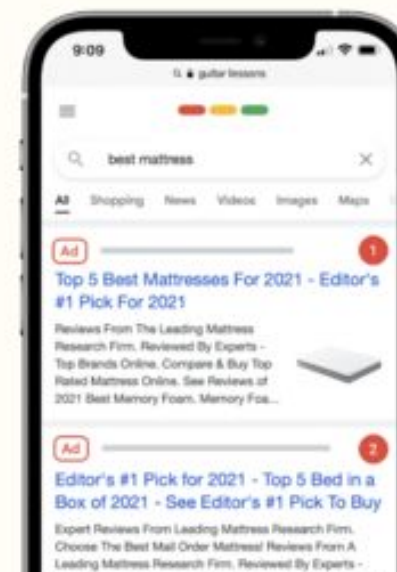


Neeva

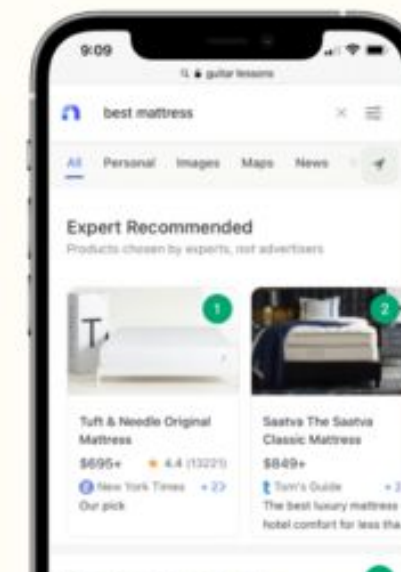
SEARCH START-UP FACTS:

- Launched this summer, Neeva is attempting to shake Google from the tree. The company is built on the premise that people's information should be protected. In turn, Neeva generates revenue from user subscription fees, rather than advertisers.
- Users opt to pay to avoid ads, privacy issues, and other problems that come with selling one's data.
- Since its inception, Neeva has raised close to \$80 million in funding from some of the biggest names in the venture capital (ex: Greylock and Sequoia).
- Neeva was founded by Sridhar Ramaswamy (ex-SVP of Ads at Google) and Vivek Raghunathan (ex-VP of Monetization at YouTube).

Typical Search Engine



Real Results With Neeva



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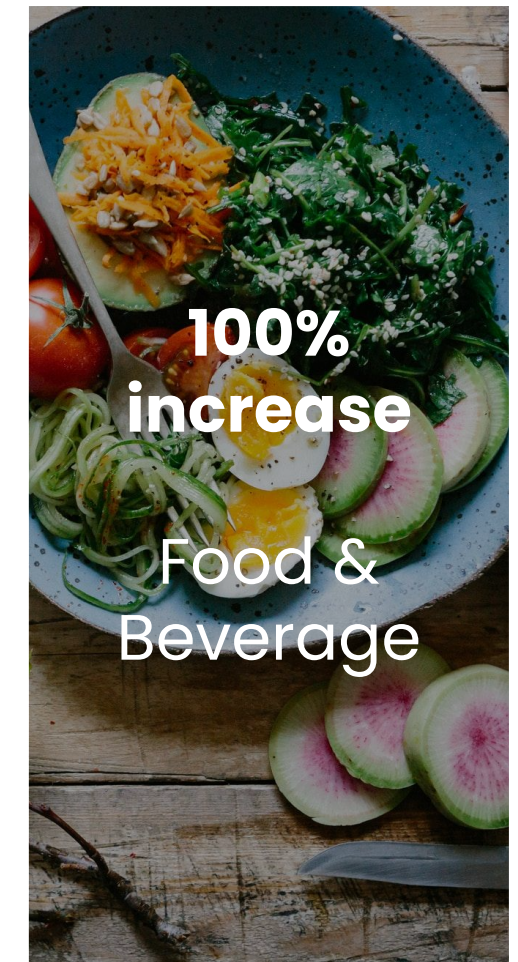
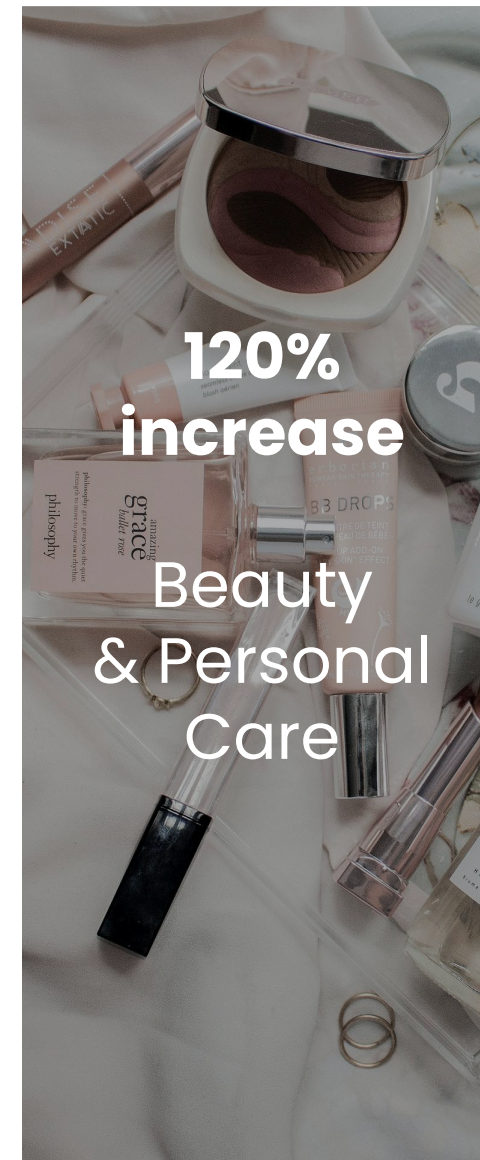
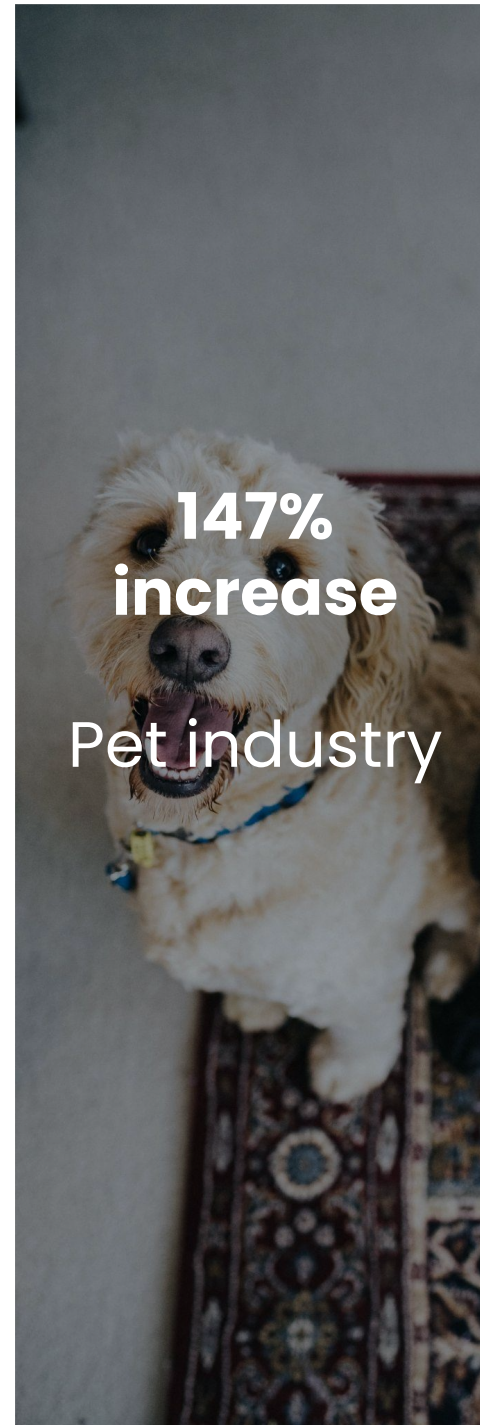
Pet Shift to Subscription

Subscription model trailblazers Chewy and Bark & Co. continue to pave the way forward

- The pet industry saw the highest rate of subscriber growth between 2019–2020 within subscription commerce (a 147% increase).
- Other fast growing categories include Beauty & Personal Care (up 120%), and Food & Beverage (up 100%).
- According to the American Pet Products Association (APPA), pet ownership in US households has increased from 65% (2015) to 70% (2020).
- We expect further growth ahead, as subscription giants Bark & Co., and Chewy continue attract new entrants who will attempt to capitalize on industry growth.

Source: ReCharge: Subscription of Commerce 2021

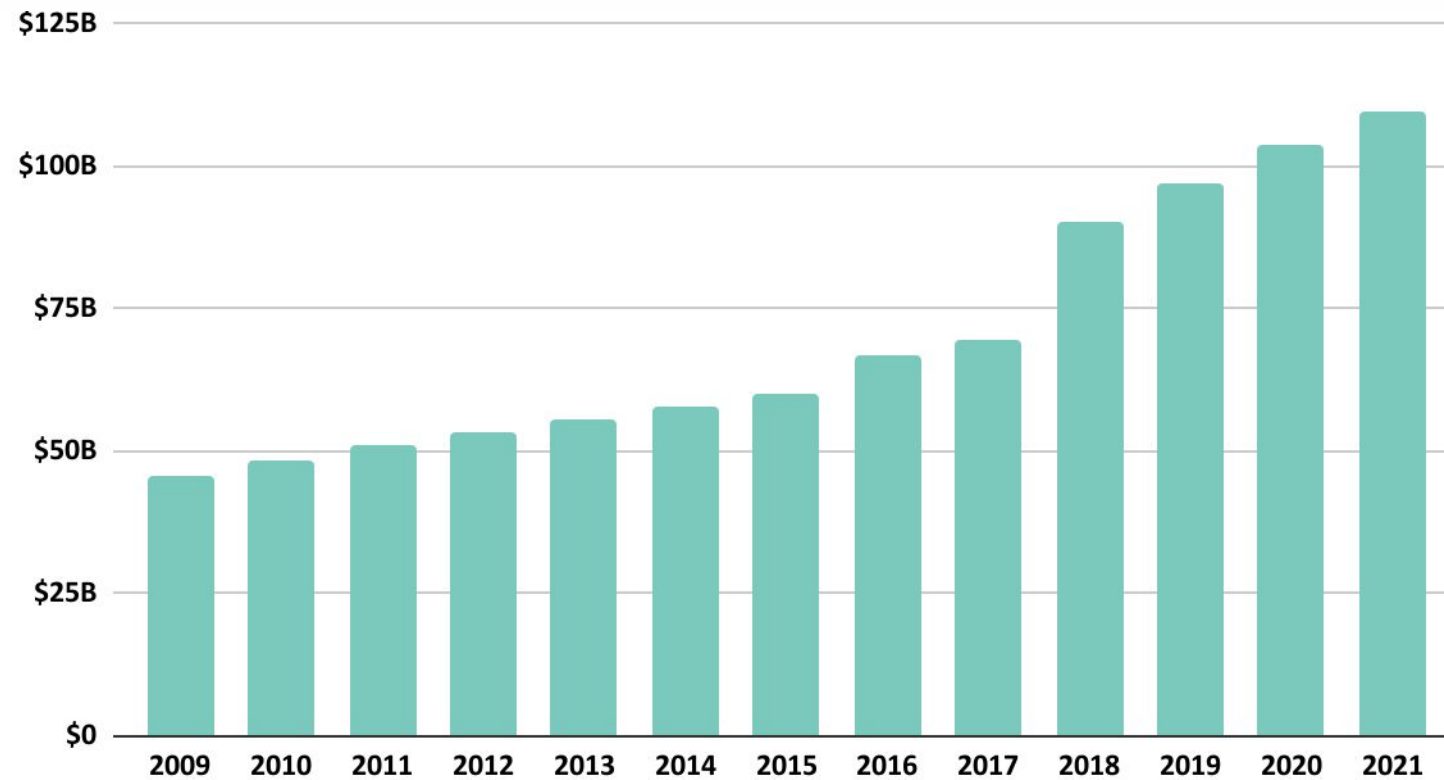
Subscriber Growth (by Industry)



Pet Industry Growth

Pet industry revenue is expected to reach nearly \$110 billion by the end of 2021.

U.S. Pet Industry Revenue



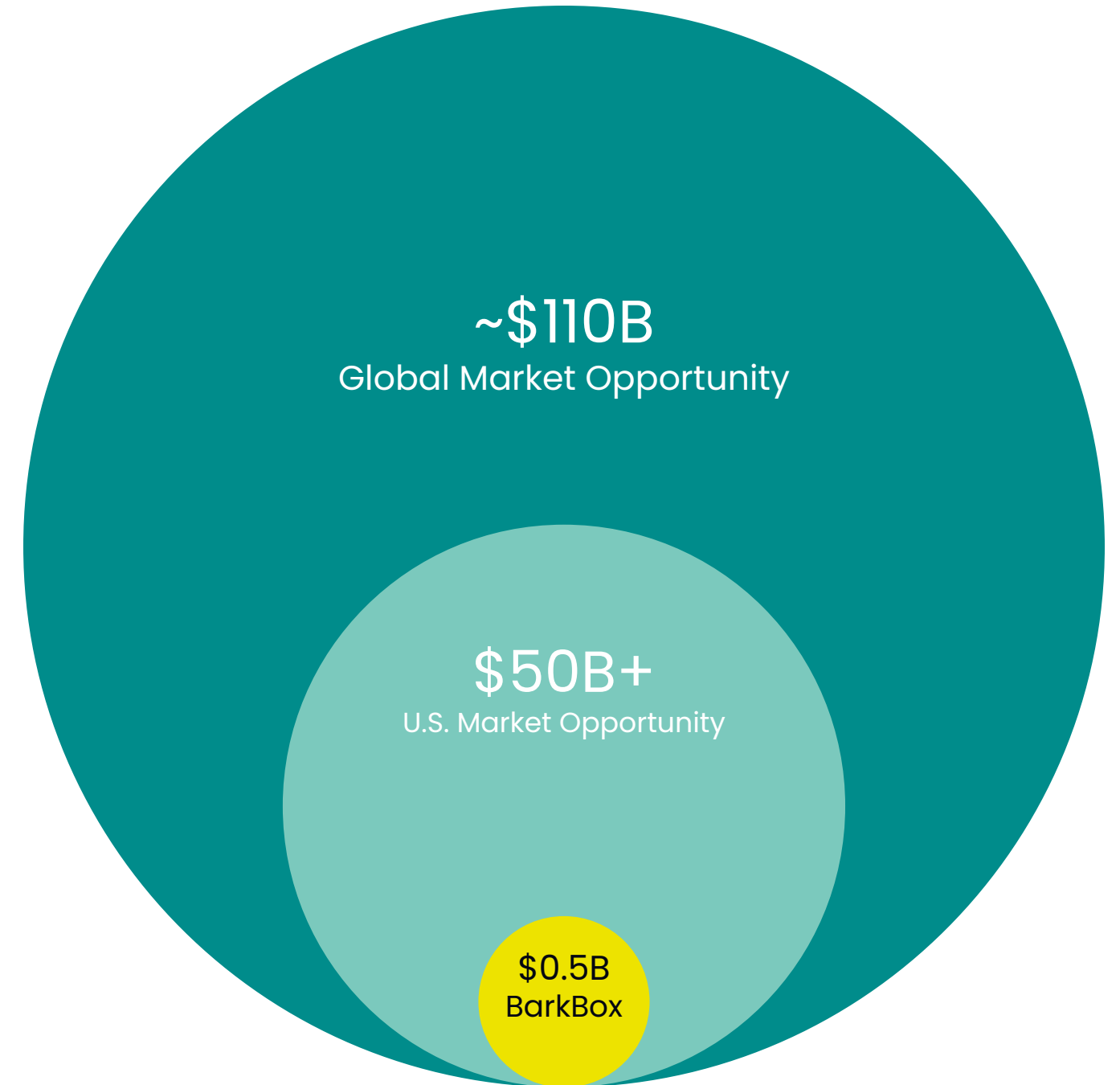
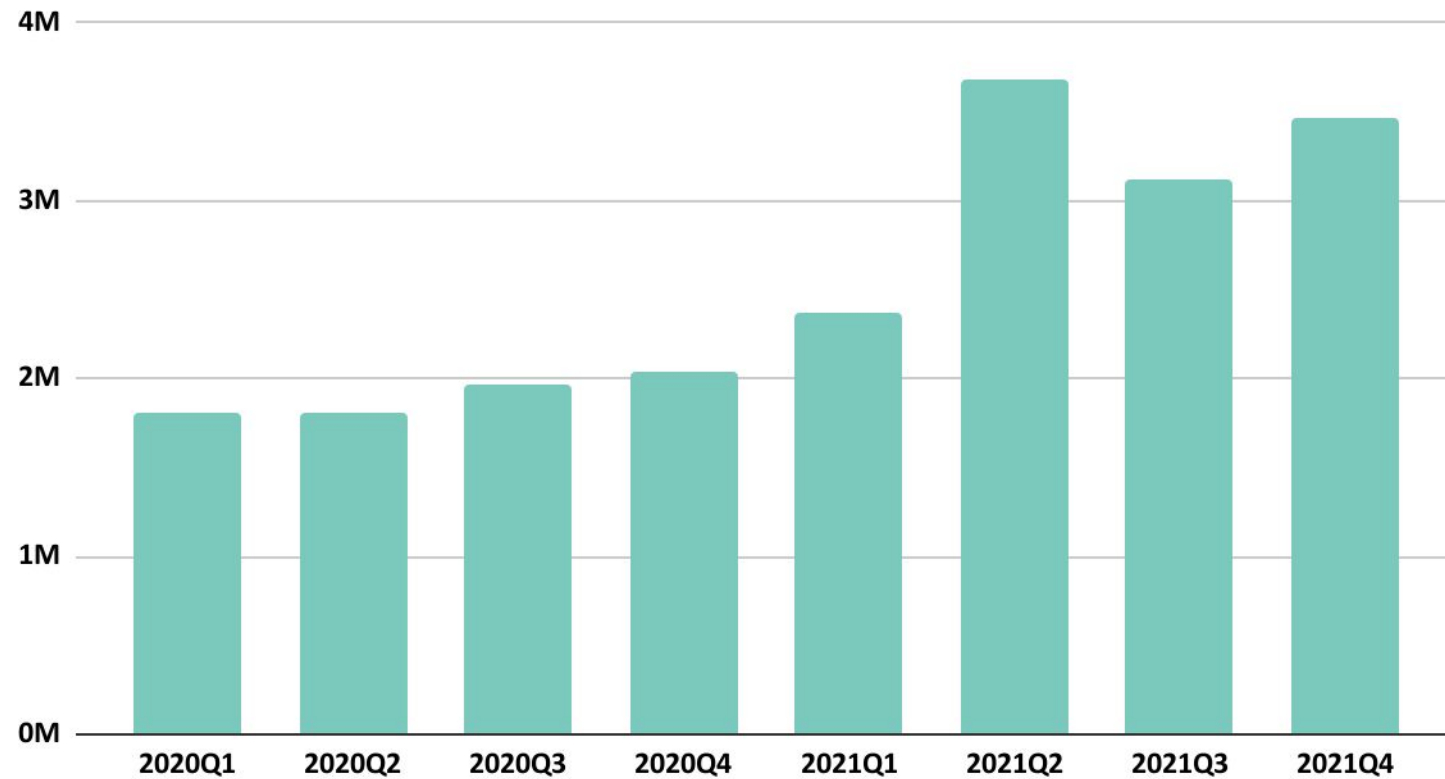
Source: APPA (American Pet Products Association)



BarkBox

Barkbox's annual revenue of \$516 million represents only a sliver of the total market share opportunity.

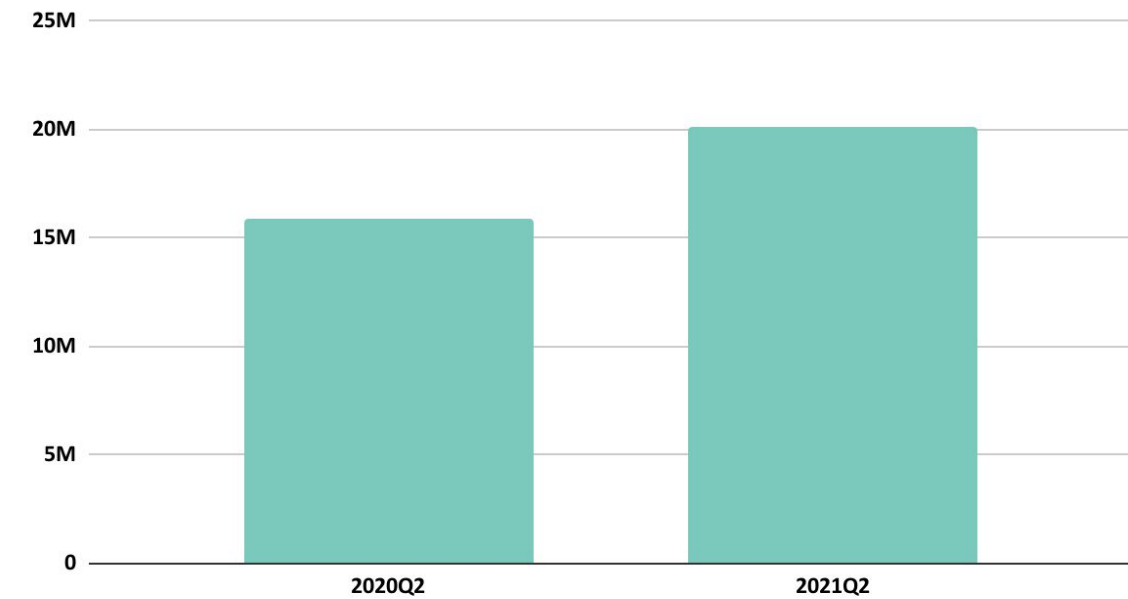
Barkbox Subscription Shipment Growth



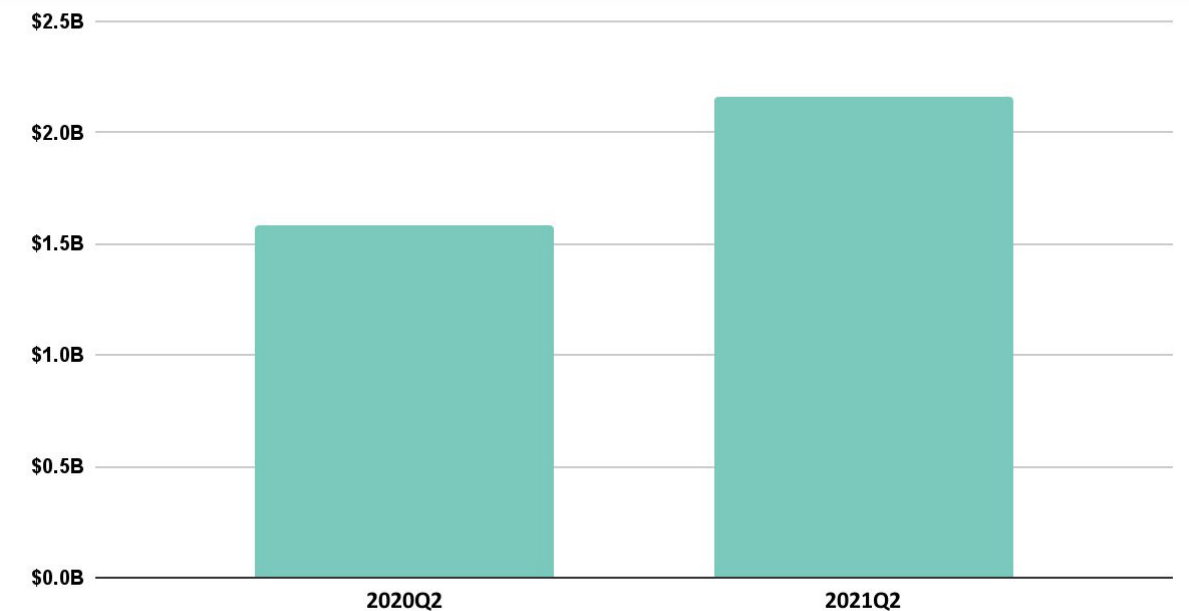
Chewy

- Chewy, a US based online pet food retailer reached 20 million active customers in 2021.
- Revenue growth increased nearly 27% to \$2.16 billion in the second quarter, while annual revenue hit \$7 billion in 2020.
- Chewy is prepared to capitalize on 3 trends, including the increased number of pet-owning households, the opportunity to expand in healthcare within the industry, and the continued e-commerce penetration for the pet supplies category.
- Chewy autoship customer sales account for nearly two-thirds of total revenue. Autoship customer sales have exploded in recent years.

Number of Active Customers



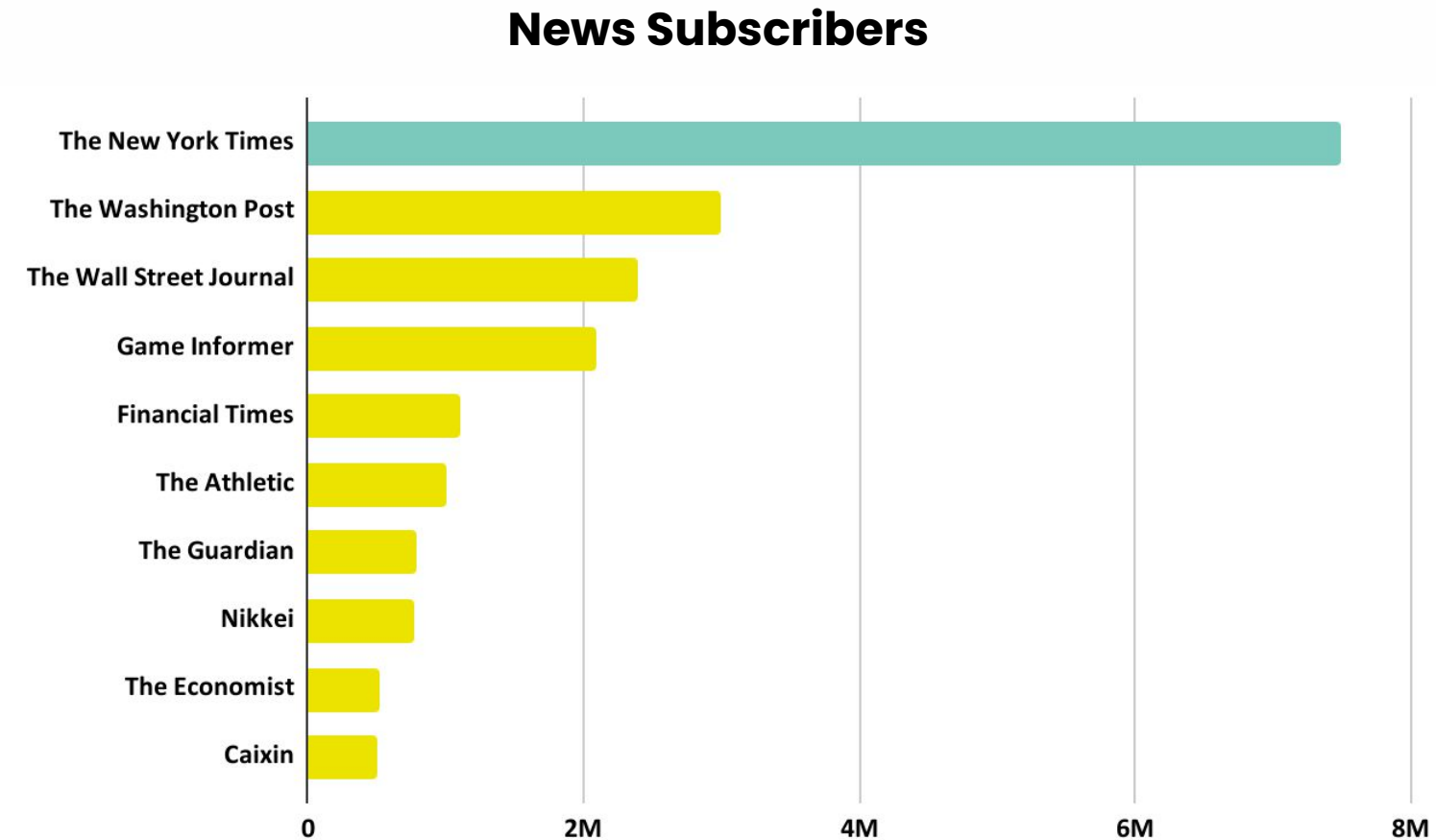
Chewy Net Revenue



Media moves to Subscription

- Despite the abundance of free news sources, and the ubiquity of online content, the market has displayed a readiness to pay for high integrity journalism in the form of subscription fees.
- According to the Wall Street Journal, The New York Times expects to end 2021 with over 8.5 million paying subscribers, and cash holdings of \$1 billion.
- Meredith Kopit Levien, the company's chief executive, said that the company's performance was "a testament to the success of our strategy of focusing on digital subscriptions."

Source: FIPP, The New York Times via Visual Capitalist

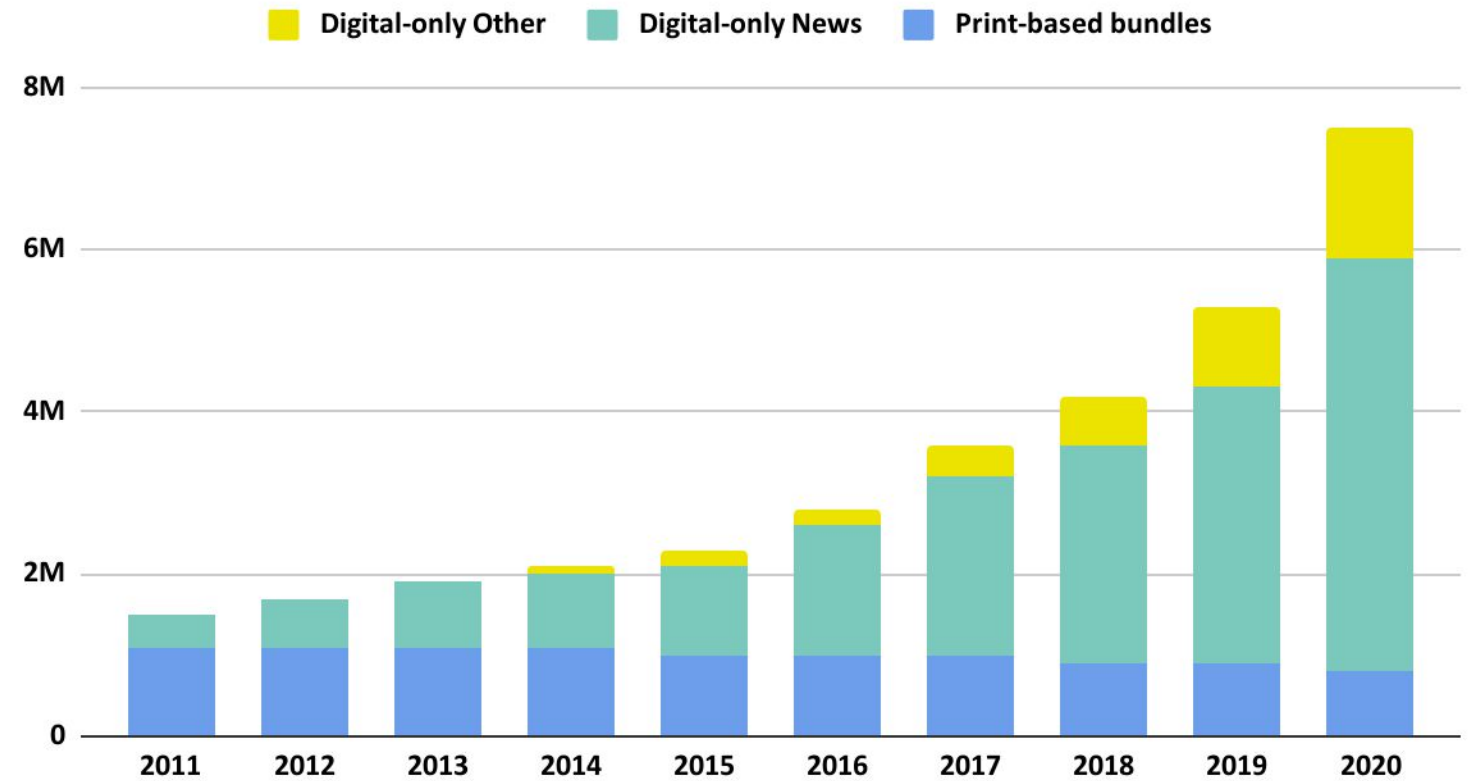


NY Times Sub-boom

- The New York Times announced its first paid digital subscription newsletter in 2011.
- Since 2011, subscriber count has increased from 400,000 to over 8M.
- The number represents 8X more subscribers than its print based cohort.



Number of NYT Subscriptions



The New York Times

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Celebrity Collaborations



FabFitFun

This popular subscription company selling boxes of goods, fashion, wellness, beauty and more has some notable Instagram influencer celebrity partners (Melissa Gorga, Khloe Kardashian, Kristin Cavallari, Jessica Alba and more).



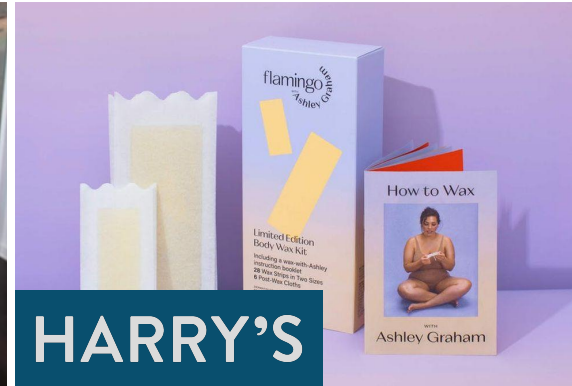
CURATEUR

CURATEUR (formerly Box of Style) is a luxury subscription service curated by designer Rachel Zoe. Each seasons box contains at least 5 statement staples (fashion, beauty and lifestyle) valued at over \$400, curated to a user's look.



Foodstirs

This American cooking and lifestyle company that sells unique baking kits and treats via subscription is co-founded by actress Sarah Michelle Gellar. The company has raised over \$6 million from some notable investors including Mucker Capital and Beechwood Capital.



Harry's

Harry's Inc. partnered with model Ashley Graham to create and sell a line of body hair removal kits. The revenue share collaboration The moves illustrates how companies are increasingly giving celebrities incentivized financial partnerships instead of a typical brand ambassador arrangement.



Ipsy

Beauty subscription brand Ipsy has launched a new partnership with a few celebrities, including Patrick Ta, Khloé Kardashian, and Halsey in an appeal to its core millennial base. The Kardashians are no strangers to subscription box promos, having linked up with Boxycharm in the past.

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

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