THE MARKETING SOCIETY

BEYOND TRANSACTIONS

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We now expect our brands to be more than the end product or services.

We care about the means by which they get to us - so brands now need to embed better "Environmental, Social and Governance" (ESG) standards. But how do brands fund these, often more expensive, requirements, particularly in an online world where purchasing so often starts with a price comparison? Digging in the data we can see the green shoots of a business model that uses the online medium more effectively than even Amazon: subscriptions, reinvented for the age of data.

Subscriptions provide for a longer term, more trusted, more secure relationship. Typically they involve a continuous exchange of rich customer data in return for a hyper personalised product. It's a bit like the apocryphal shopkeepers of old who knew what their regular customers liked and curated inventory accordingly. Subscription businesses bypass both online and offline retail to create a better direct relationship between brand and consumer. In this model the high friction of continual financial transactions disappears; payment friction is limited only to an initial sign up and an email notification each month. With transacting now taken care of, and, coupled with cost effective doorstep or digital delivery, brand focus can return to product relevance, customer delight and, yes, ESG: in 2021 subscriptions feel like a business model whose time has come.

There are signs in the data, that the market agrees.

In a survey last year, Barclaycard found a Britain in love with subscriptions, each of us now spending on average £46 a month on subscriptions aside from financial services and utilities. And that spend that is going up, by nearly 40% year on year. (Generation Subscription: The UK is now a nation of 'super subscribers'). A taste for subscriptions is skewed towards a younger demographic too: a recent GLOW report found that 30% of under 35s said they signed up to a new food or drink subscription delivery service during the first lockdown last year.

E-commerce expert, Alex Murray of Thistle Digital, explains this particular trend: *"Food and drink subscription services spiked sharply during lockdown for two main reasons"* he says, *"firstly, the* *poor availability of grocery delivery slots and second, a surplus of food and drink in the wholesale and hospitality industries. Many businesses have had to pivot to a D2C (Direct to Consumer) model in order to survive, but in doing so they have discovered a hungry market and a new ready stream of income."*

His views are echoed by those online businesses already focused on serving the subscription economy. Michaël Maarek CEO of AllSubscriptionBoxes.co.uk saw traffic to his site more than double in November 2020 compared to the previous year. He notes that while beauty boxes are his most popular category, during lockdown he saw interest surge in food boxes that provide the ingredients and the recipes to cook at home. Tom Bryant, CEO of Veneficus, a subscription-focused media network, notes *"there has been a real boom for new subscription offerings from brands - Disney, Pret and Gilette have all launched services in the past year."*

For businesses running on a subscription model already this is no surprise. Gosia Kalicka started beans&sparks personalised children's books with

Pret's new coffee subscription

a subscription model from the beginning, she explains why: *"a subscription model allowed us to create an irresistible offer for parents of a personalised book for their child for just £1.99 P&P for the first month. For us, the media spend is instead 'handed over' to customers who can experience their first book free and then decide if to continue."*

For brands running subscriptions there's an opportunity to gain a much deeper understanding of their customers, Kalicka notes *"parents who regularly buy personalised books for their children prefer that the avatar stays the same each month"* - an insight that has allowed beans&sparks subscription model to thrive.

Murray agrees *"the benefit for brands is data, especially customer behaviour and customer feedback. The brand is one step closer to the customers that actually use their product or service. Even with the best intentions, when a retailer is the intermediary between a brand and a consumer, some data is inevitably 'lost in translation'."*

For customers the benefits of subscriptions range from the ability to get exclusive products, sheer convenience, avoiding having to go shopping and personalisation. Each product though will tap into different needs and find its own audience. Murray notes for example that wine subscriptions typically *"over index with men over 55."* Plus ça change!

Over and above traditional transactions, subscriptions promise a 'joint venture' between brand and consumer. The brand gets the security of loyal customers with a lifetime value which allows them to plan accordingly. Customers get a personalised, reliable service that optimises to meet their needs more precisely over time.

This joint venture, just like any deeper relationship, includes the need to cover more bases, especially ESG. For instance, Riverford organic sign up consumers to a weekly subscription to deliver organic and seasonal vegetables to their door. Riverford's ESG mission is embedded in the product and its marketing, a repeat subscription is the price consumers must pay to join in this mission. In a similar way, podcast 'Old Fox Young Fox' is funding its mission for independent journalism by evolving a Patreon-based subscription model for listeners. Here the basic podcast is provided free to everyone while subscriber donations allow the show to monetise without compromising editorial balance. Subscribers show their support and for those that want it there is deeper engagement such as interacting with the hosts in the forum - "the foxes den".

It seems that consumers expect more from those brands they repeat purchase from - in exchange for their loyalty they expect higher standards in return. For brands that use subscriptions to embed social good and sustainability into their product provenance, this can be the cement for a customer relationship that lasts. With the rise in subscriptions there has been a rise in companies offering support for subscription models. While payment providers like PayPal and Stripe have

long offered recurring payments, online shop fronts now do too: Shopify for example, provides a subscription option for customers. In advertising this is true too, Veneficus offer a performance-only model where subscription businesses, instead of paying for display advertising, pay only for the new triallers they get to their service.

So with all this subscription activity - what's stopping brands investing in their own subscription proposition? Murray urges caution *"Consider whether your product or service actually suits a subscription model."* he says, *"then ask how willing are you to invest in being a direct seller? You are in essence becoming your own retailer."*

So, what are the key takeaways for CMOs?

- Subscriptions are a growing part of the online economy.
- Subscriptions offer a way to fund environmental and social governance changes as business models can be based on lifetime value instead of one off transactions.
- Subscriptions extend online shopping beyond a basic catalogue by using ongoing data collection to personalise the buyer experience.

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