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INSIDE THE BOX:

What Drives Consumer Subscription Adoption



Introduction

The idea of subscriptions isn't new: print media has been offering subscriptions to magazines and newspapers for over a century and if you were alive during the 1990s, odds are you remember CD subscription clubs such as Columbia House. Fast-forward to today and we can now get virtually anything we want delivered to our front door.

As the world slowly adjusts to post-pandemic realities, subscription experiences are reaching an inflection point. While they were once a nice-to-have shopping experience, they're now a necessity to many consumers.

To better understand how brands can capture a share of this projected \$478 billion industry, Ordergroove conducted a survey to uncover consumer sentiment and behavior around subscription experiences — who subscribes, how often, and the types of products they receive. Our findings underscore a delicate balance that brands must meet between product, price, convenience, and necessity to succeed when offering products via subscriptions.

Results at a glance

DEMAND FOR
SUBSCRIPTIONS
IS HIGH

44%

**of consumers
subscribe**

to have physical goods delivered

MORE CONSUMERS
ARE SUBSCRIBING
TO MORE PRODUCTS

More than
half (52%) of
respondents
have

2 to 5

**products
delivered**

via subscription

MEN SUBSCRIBE
FOR CONVENIENCE

61%

**of men would
spend more**

on a product if it made
their life easier

DISCOUNTS
DRIVE
SUBSCRIPTIONS

38%

of consumers

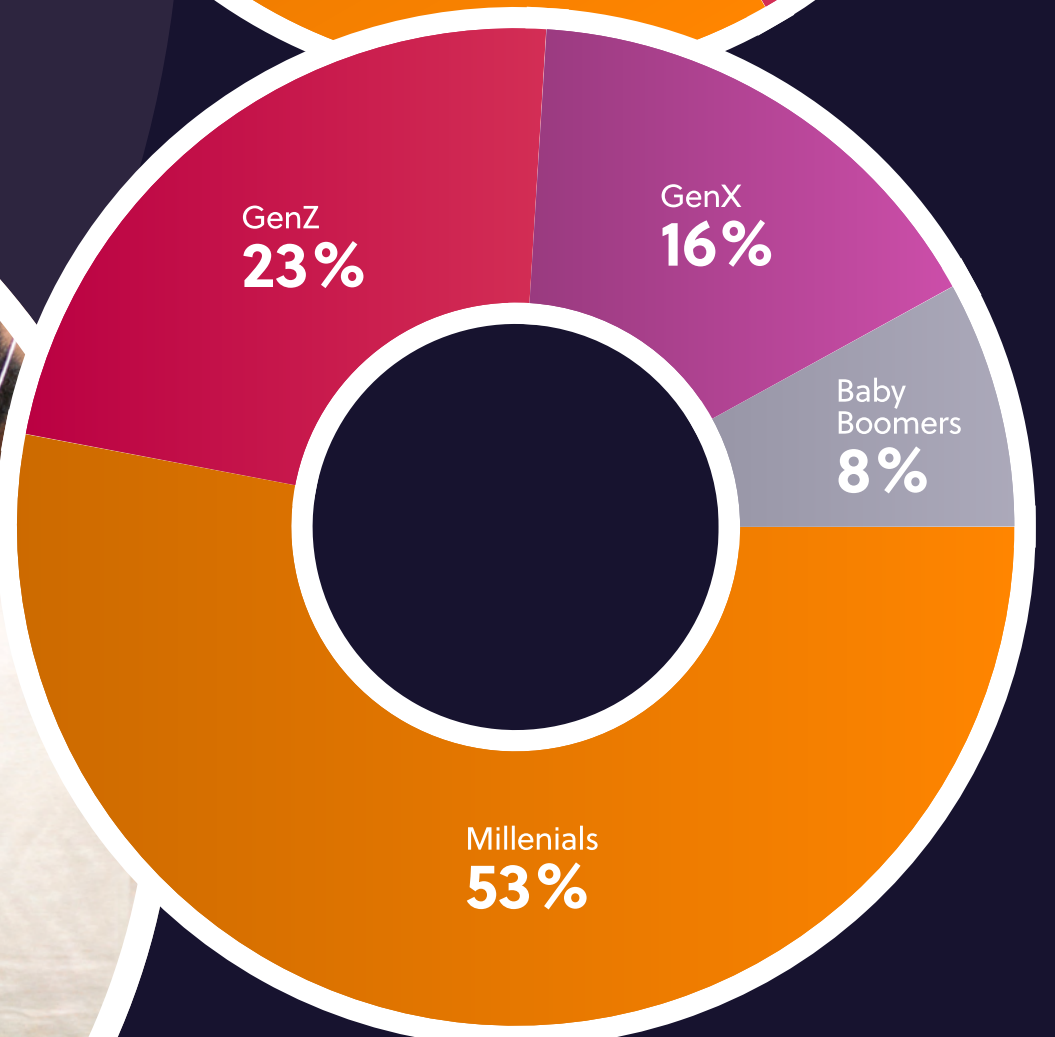
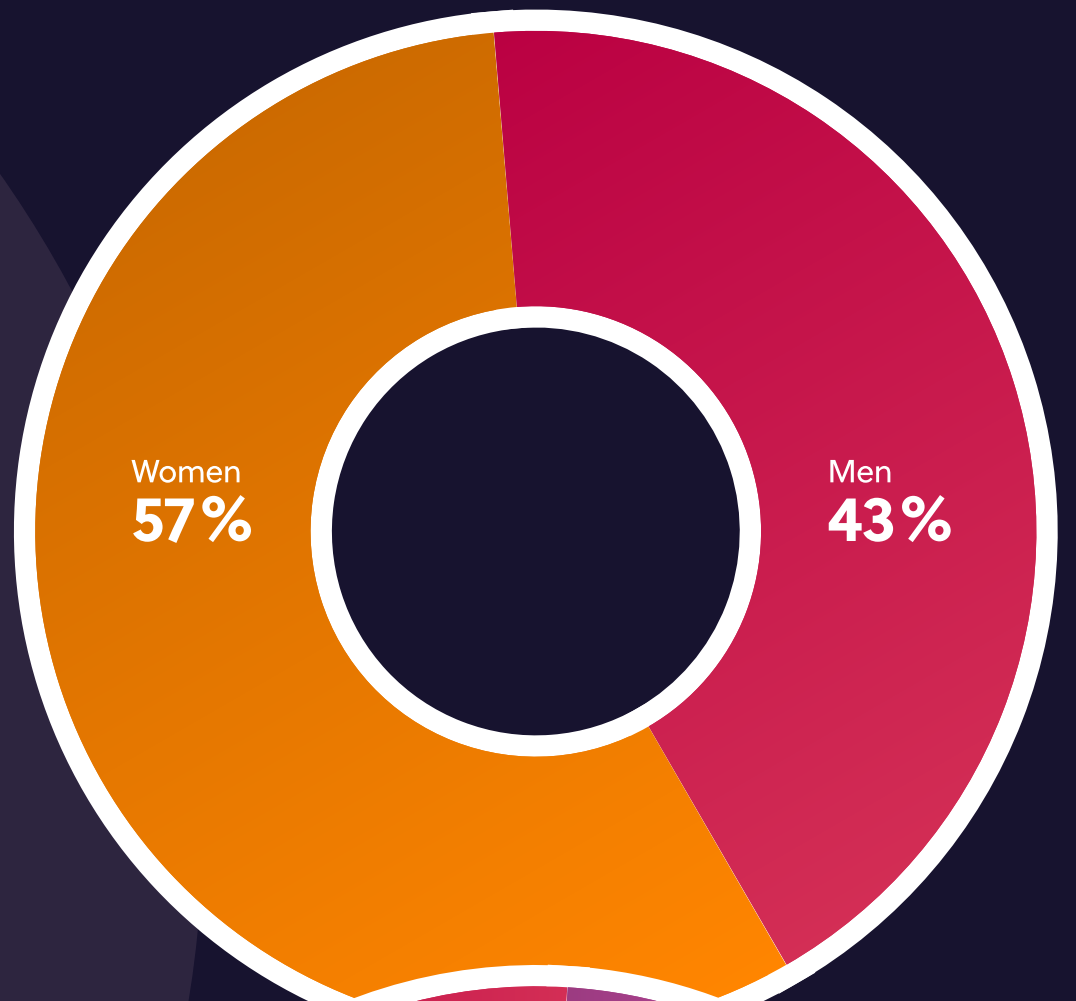
say offering a deeper discount
would lessen fears of signing up

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Our process

In February 2022, Ordergroove polled 1,000 men and women between the ages of 18 and 65 in the U.S. The survey was conducted via the online consumer survey platform Pollfish between February 1 and 2, 2022.

Who responded?



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KEY TAKEAWAY

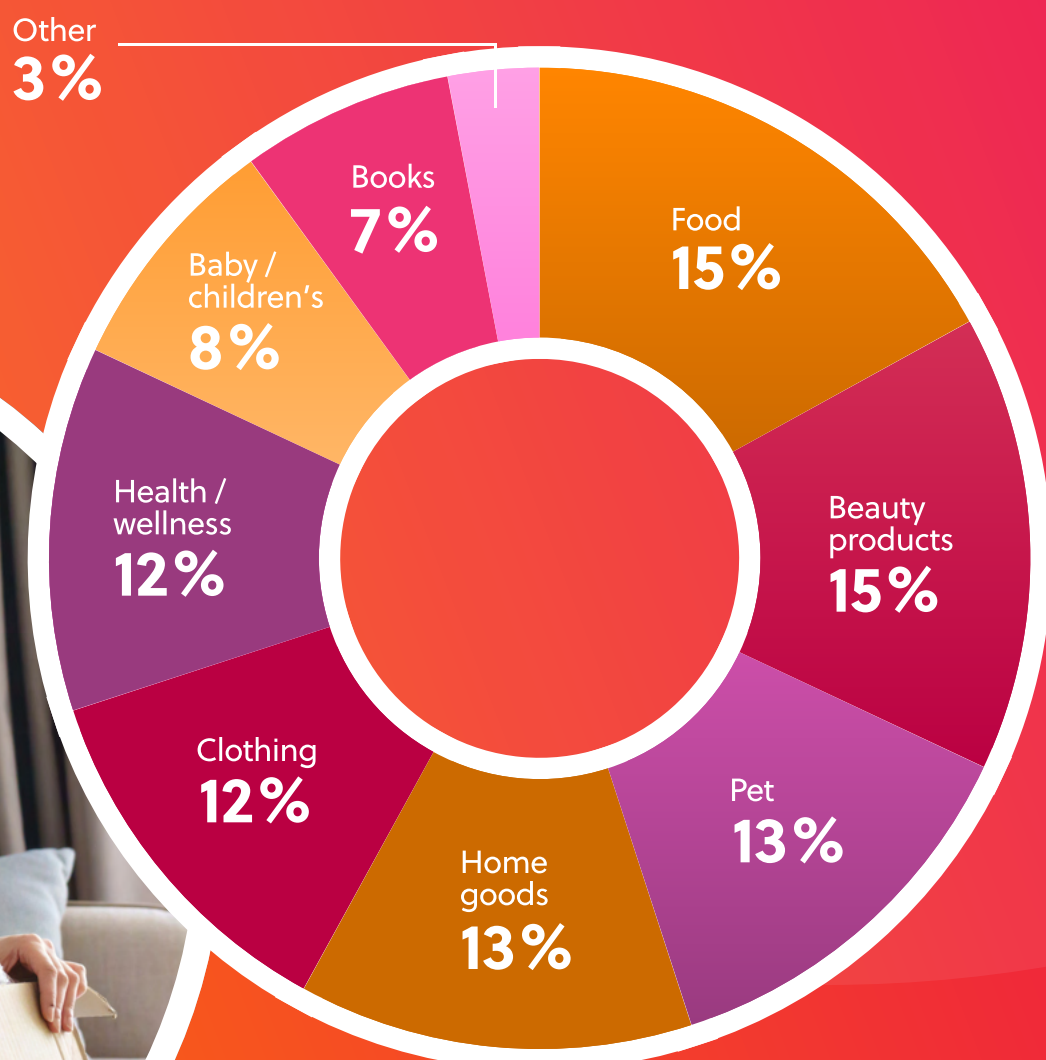
#1

Subscriptions are in high demand

According to our survey, consumer demand for subscriptions is high, with 44% of consumers subscribing to have physical goods delivered. Additionally, we found that more than half (52%) of respondents have between two to five products delivered via subscription. Furthermore, a third of men subscribe to six or more product deliveries, compared to just 20% of women.

Consumer demand for subscriptions is high because increasingly shoppers are seeking easy and frictionless buying experiences. Subscriptions meet this demand by offering consumers a simple avenue to receive the products they desire delivered to their doorsteps, cutting down on both mental and physical shopping friction.

Which types of products are subscribed to most?



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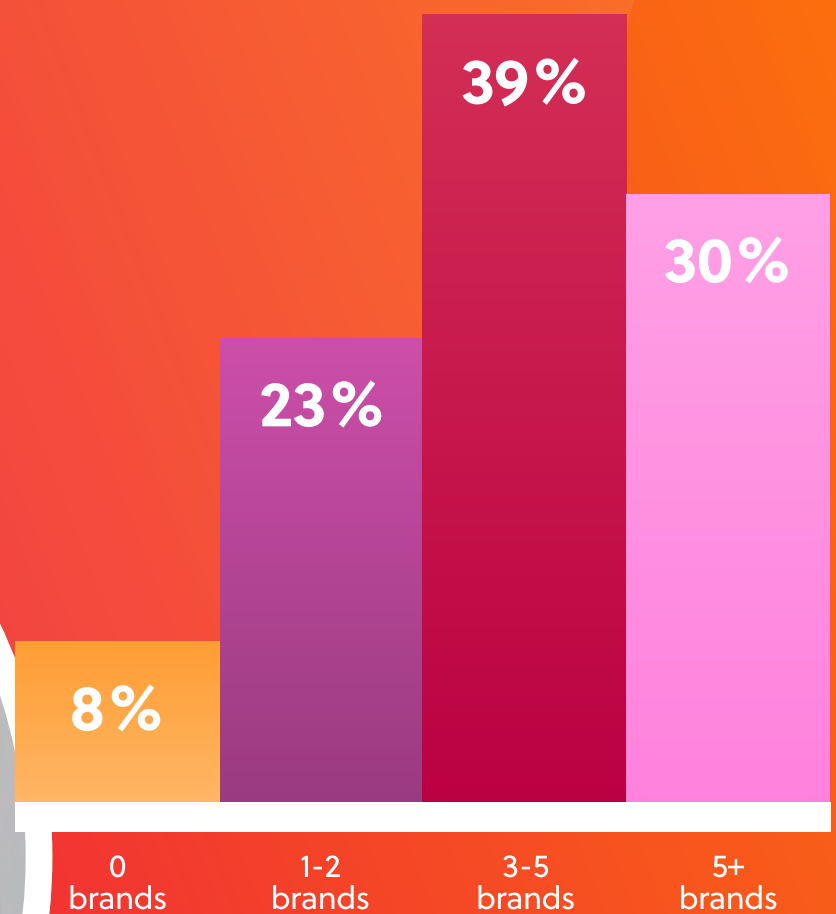
KEY TAKEAWAY

#2

Brand loyalty and subscriptions

More respondents make repeat purchases from the same brand than subscribe to recurring deliveries. More than two-thirds (69%) of respondents said they make regular purchases of three or more products, while less than half (44%) said they receive products through a subscription service. This represents an opportunity for brands to fill this gap by turning repeat purchases into subscribers; however, there are some obstacles brands can help consumers overcome.

How many brands do consumers make consistent repeat purchases from?



KEY TAKEAWAY

#3

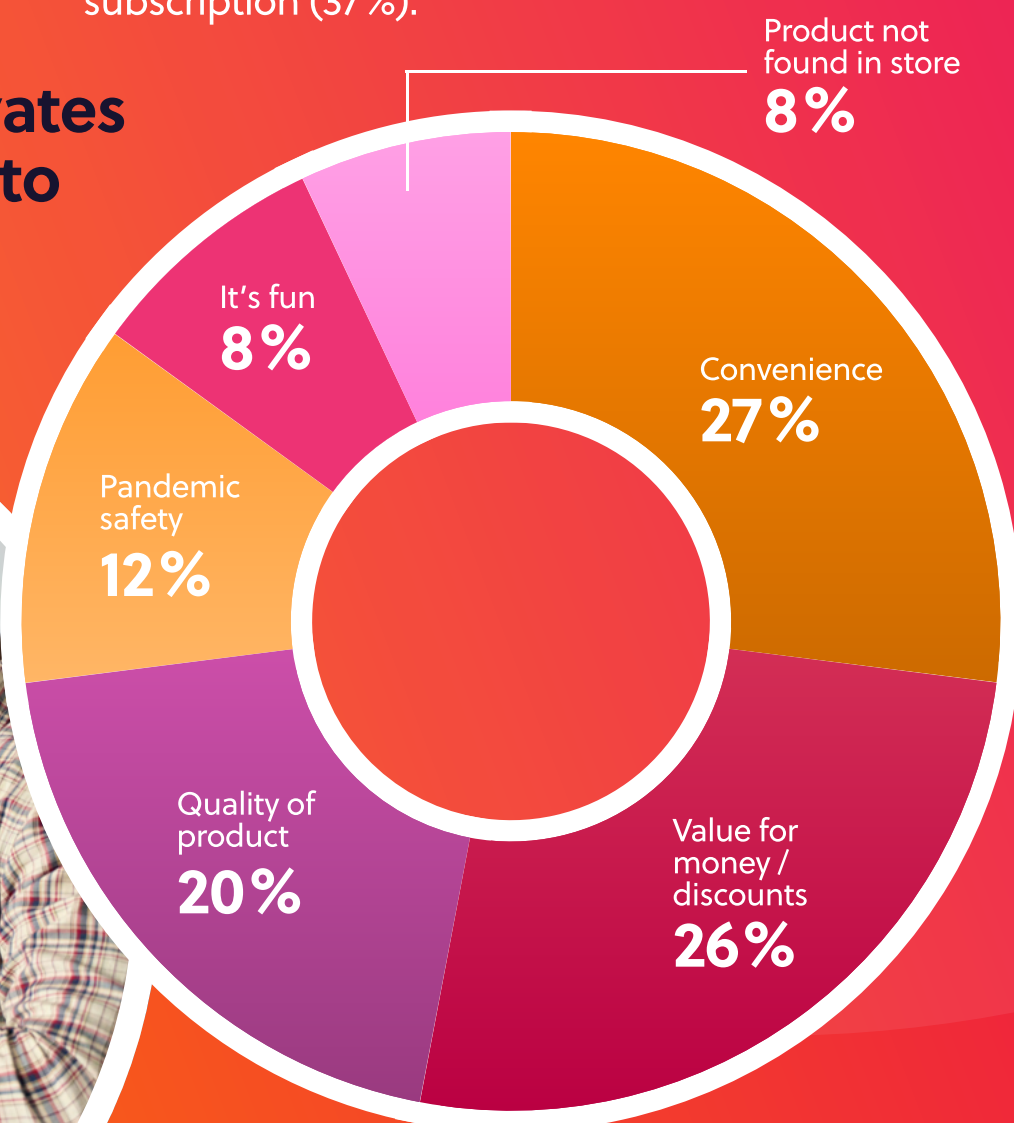
Discounts and convenience drive subscriptions

More than a quarter (26%) of respondents said that discounts motivated their subscription, with an additional 27% citing convenience. Women (60%) most often cited discounts as the reason for subscribing to product deliveries, while men (51%) cited convenience. Digging deeper, nearly three quarters (73%) of female respondents said a deeper discount would make them less wary of signing up for a subscription, with 70% stating that they would switch brands for a better or larger discount.

When those who did not subscribe to these services were asked what held them back, cost was cited by more than 20% of respondents, with an additional 14% stating they were afraid they would forget about the charge.

Brands can increase their subscriber base by helping consumers overcome their hesitation to commit to a recurring delivery of a product by offering subscription discounts, cited by 38% of respondents, and offering clear instructions on how to manage, suspend, or cancel the subscription (37%).

What motivates consumers to subscribe?



KEY TAKEAWAY

#4

Men and Millennials go for convenience

Millennials prefer brands that “are convenient” and “make life easier” (55%), with 59% enrolling in subscription services. Note that Gen Z comes in second (22%) and could well overtake Millennials as the cohort’s buying power grows.

Similarly, nearly two-thirds (61%) of men say they will select a brand if it makes their life easier and an additional 51% say they would spend more money to save time.

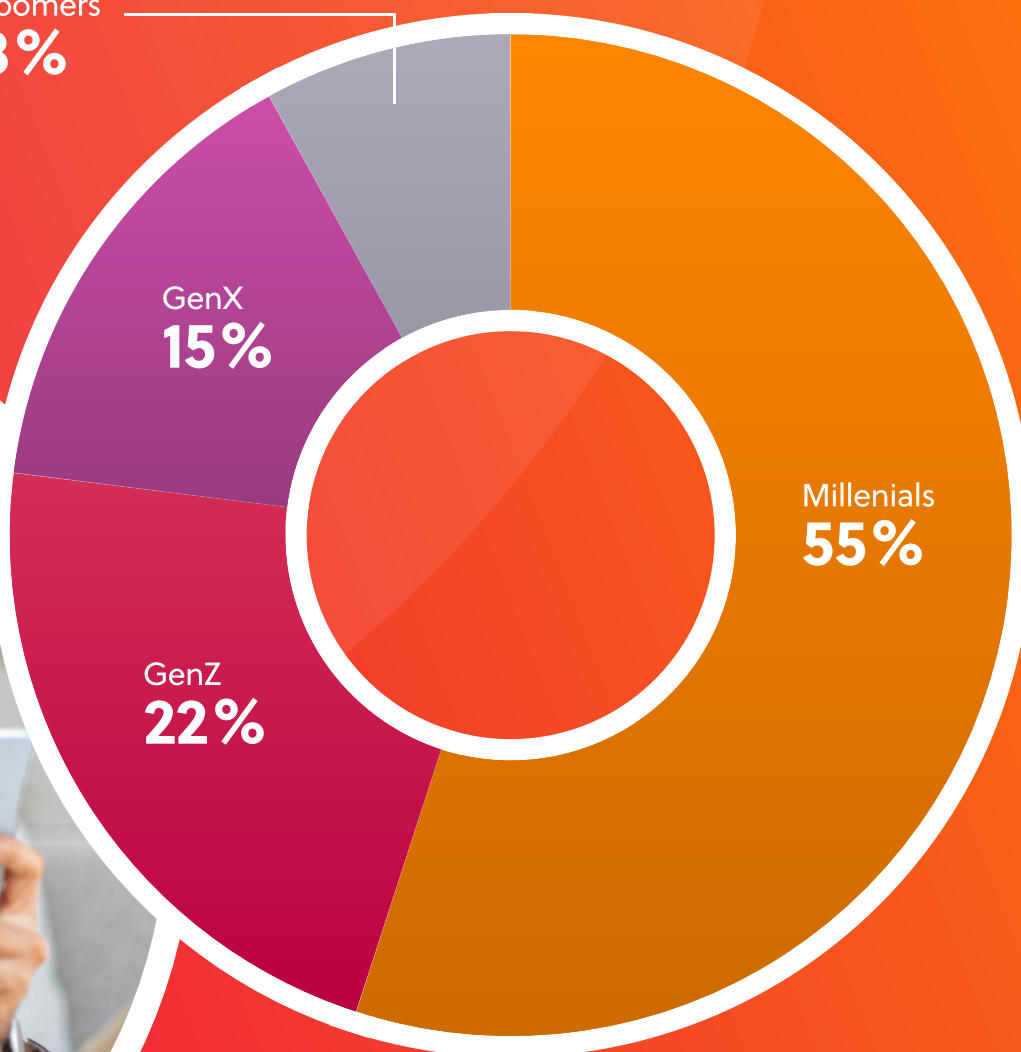
Which generation prefer convenience-focused brands?

Baby Boomers
8%

GenX
15%

GenZ
22%

Millennials
55%



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Turning insight into action

For many consumers, subscriptions add value and convenience to their shopping experience and brands that prioritize these consumer demands will see higher subscriber acquisition and retention rates. Based on our experience partnering with hundreds of brands and retailers, including The Honest Company, Il Makiage, and KIND Snacks, here are four steps merchants can take to ensure their subscribers are satisfied.

Make it flexible

As the survey data demonstrates, consumers are hesitant to enroll in a subscription experience when the terms of the arrangement are unclear or the experience is difficult to navigate. To improve acquisition and prevent churn, give subscribers the ability to control all aspects of their subscription order. Offer subscribers the flexibility to update their order frequency, product quantity, and billing information. Two must-have subscriber experiences are enabling product swaps and offering the ability to skip an order. Without these capabilities, a subscriber's only option is to cancel.

Offer incentives

Survey respondents cited value for money and discounts as a key drivers of subscriptions. While discounts are powerful, they can take away from the bottom line. Get creative about other types of incentives to offer in response to a customer's loyalty. Free shipping is table stakes in today's eCommerce world, but there are other types of perks that can be offered. For example, retention rewards encourage repeat or recurring orders after a specific number of orders.

Surprise and delight

As subscriptions grow in popularity, brands must find ways to differentiate their experience from their competitors. Surprise and delight experiences build customer loyalty while driving retention. In our experience, merchants have seen success by offering surprise discounts and unexpected gifts with purchases. Both incentives reinforce value.

Give it a try

If you have a product that would make a good fit for a subscription, just try it out. The data shows that consumers want subscriptions, and there is money to be made if you give them this option. Until you do, you'll need to continually fight for mindshare, which is not the best use of resources.



Interested in learning more about launching a subscription experience and bringing the power of recurring revenue to your business? We'd love to chat.

Learn more at ordergroove.com

About Ordergroove

Ordergroove enables Relationship Commerce experiences for hundreds of brands and retailers, including The Honest Company, Stumptown Coffee, Il Makiage, KIND Snacks, and PetSmart, shifting consumer interactions from one-and-done transactions to frictionless and highly profitable recurring revenue relationships. The company's technology platform coupled with artificial intelligence, analytics, and unmatched consumer expertise helps top brands transform their commerce experiences while making their consumers' lives easier. Ordergroove is headquartered in the cloud. For information visit ordergroove.com.

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