International Post Corporation

UK subscription box market to be worth Â£1.8 billion by 2025

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The market has more than doubled in size in the last three years as more and more Brits are beguiled by the curated delivery of treats, luxury and essential items.

The UK subscription box* market is set to be worth £1.8 billion by 2025, according to Royal Mail's new UK Subscription Box Market report. The forecast comes as the subscription box market has seen its value more than double in size (135%) since Royal Mail's last report on the industry, based on figures from 2017**. Consumers spent almost £1.4 billion on subscription box purchases in 2020 and delivery providers made just under 88 million subscription box deliveries to subscribers across the UK.

The popularity of subscription boxes has soared during the COVID-19 pandemic, amid more general acceleration in online retail growth. During the pandemic, 55% of subscription box consumers stated that they signed up for a subscription box service because they wanted to treat themselves. For many, subscription box services helped to ease 'lockdown blues' as shoppers could look forward to regular deliveries.

Almost a third (30%) of shoppers are now signed up to at least one subscription box service. This is up from 27% in 2017. Almost three-quarters (74%) of subscription box shoppers are signed up to more than one subscription scheme while the number of subscribers signed up to four or more schemes has risen to 56% (up from 37% in 2017). This increase in the average number of subscription boxes consumers are signed up to is reflective of strong innovation in the market.

The subscription model has become increasingly popular because of its focus on personalisation, convenience and flexibility. Companies are becoming increasingly skilled at capturing feedback from customers to mould product contents to fit individual consumer preferences.

The appeal of subscription boxes continues to be highest among younger shoppers, with 66% of 18-24 shoppers stating that they are signed up to at least one subscription box. Further to this, under 45s subscription box shoppers are signed up to the most subscription plans, with those aged 35-44 signing up to an average of 4.6 subscription

schemes. Improving appeal to older shoppers will be integral to further growth in the market over the coming years.

On average, shoppers said that had been signed up to subscription boxes for nine months; up from 5.6 months in Royal Mail's previous report**, as consumers are increasingly used to the subscription model.

Gifting appeal rises as many look to send thoughtful and regular presents to loved ones

UK consumers are increasingly seeking out alternative avenues to treat themselves and others during the pandemic. Between 2017 and 2020, spending on subscription boxes purchased as gifts for others increased by 121%. This segment of purchasing saw particular growth over 2020, driven by the greater difficulty in purchasing physical gifts, and the potential for subscription boxes to represent thoughtful gifts during lockdowns when many friends and family were apart. Almost 60% of shoppers who were surveyed said they had purchased a subscription box as a gift.

Subscription box services also gave customers the opportunity to 'self-gift' by trialing new products in categories such as health and beauty, at a time when physical browsing for non-essential categories was limited for large periods of the year. Elsewhere, demand from corporate firms for subscription services also rose as employers offered a 'thank you' to those who worked from home during the lockdown.

Reasons that shoppers signed up to subscription boxes themselves include: because they like the subscription model (24%), as a treat (23%), they were not able to visit physical stores due to COVID-19 (17%) and as a result of surplus income due to COVID-19 (15%).

More than a quarter (27%) of all subscription boxes are delivered through a letterbox making Royal Mail's combined letter and parcel delivery network ideally suited to this business model.

Nick Landon, Chief Commercial Officer at Royal Mail, said: "The subscription box market continues to grow very quickly and the pandemic has provided even more opportunities for businesses to explore new revenue streams or for entrepreneurs to put their ideas into practice. 2020 provided a huge boost to the market and accelerated demand and growth. At Royal Mail, we are perfectly placed to support subscription box businesses and their future growth, whatever stage their business is at.

"With the UK's largest "Feet on the Street" network of over 85,000 postmen and women, Royal Mail is playing a key role in keeping carbon emissions low. A large proportion of subscription items are sent in smaller boxes and so are ideally suited for low emission

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on-foot delivery by Royal Mail."

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