

## UK businesses buy into growth opportunity of subscription boxes

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Six in ten (59 per cent) subscription box\* businesses intend to invest in new or existing subscription services in the next year, according to a report commissioned by Royal Mail. Over half (52 per cent) of the businesses surveyed also agreed that subscriptions are set to be a major focus for their company in the future.

Driving greater brand loyalty is a key motivating factor behind the launch of many subscription schemes and is cited by almost half (45 per cent) of those operating such a service. In an increasingly competitive retail environment, subscription box services offer an enticing option to lock consumers in to regular purchasing. Other important reasons for starting a subscription box service include the desire for greater control, in particular control of distribution (35 per cent), control of marketing and promotion (24 per cent) and lower start-up costs (24 per cent).

Linked to the desire to drive greater loyalty, retaining customers is seen as one of the key challenges associated with operating a subscription box scheme (21 per cent). The average retention rate for almost six in ten (59 per cent) of the businesses surveyed is three months or less. On a positive note, subscription box businesses tend to see a return on investment relatively quickly, with 62 per cent achieving this within three months of a customer being signed up to a service.

### International opportunities

Nine in ten (90 per cent) businesses surveyed make at least some of their

subscription revenue from outside the UK and just under a quarter (24 per cent) make more than half of their sales from abroad. Low growth in UK retail sales and the growing attractiveness of UK prices is making international expansion opportunities increasingly appealing. With relatively low start-up costs, subscription boxes are an attractive option for businesses targeting overseas markets. Popular overseas markets include the Republic of Ireland and France - where 46 per cent of subscription businesses which export overseas make at least some of their sales – as well as Germany (39 per cent) and Spain (31 per cent).

A spokesperson from Royal Mail said “UK businesses are really buying into the growth opportunities that subscription services can deliver. Driving greater brand loyalty is a key motivation for launching subscription box services and we are also seeing lots of international opportunities for subscription businesses. We’re here to help these businesses along the way, wherever they are in the UK.

“With the UK’s biggest by far “Feet on the Street” network covering 90.000 postmen and women, Royal Mail is playing a key role in keeping carbon emissions low. The vast

majority of subscription items are letterbox-able and so are ideally suited for on-foot delivery by Royal Mail and do not require a van delivery.”

This is the third instalment of Royal Mail’s subscription box series, with a full report set to launch later in the year.

Source: [Royal Mail](#)

