Industry growth of 3000%

Dollar Shave Club's $1 billion move

JustFab looks to rebound

Hubble Contacts raises $7.2 million

Learn more at scriberbase.com

2016: The Year in Review

Stories, metrics, and trends from the emerging sub-commerce space.

Year in Review

2016 was a breakout year for subscription commerce and the momentum shows no signs of slowing.

What a year it's been for the subscription commerce space. Snack boxes like Urthbox, move progressively forward, JustFab stirs up controversy over checkout tactics, and of course, Dollar Shave Club sells to Unilever for a cool $1 Billion[1] – all signs pointing to an emerging space with more positive momentum than traditional e-commerce.

According to an in-depth report published on Internet Retailer[2], subscription commerce has boomed in recent years, growing over 3,000%. As of January 2016, visits to sub-commerce sites exceeded 21 million per month, as compared to just 722,000 from 36 months prior. With sales peaking, big brands now have sub-com in their sights. Major players like Sephora and Starbucks are already on the bandwagon, with plenty more to follow. The model has been proven in other service-sector segments, too, with Netflix, Spotify, and Audible demonstrating that digital subscriptions are the new norm.

As 2016 comes to an end, it's clear that subscription commerce has officially carved out its own place in the e-commerce space. At the core is a recurring revenue model attracting both start-ups and mature businesses with "sub-com" typically seeing healthier profit margins, more predictable inventory, and higher customer lifetime values than traditional e-commerce. In terms of demographics, subscription commerce attracts a younger crowd, boosted by 25-34 year-olds who drive popularity in the category by way of social media engagement.

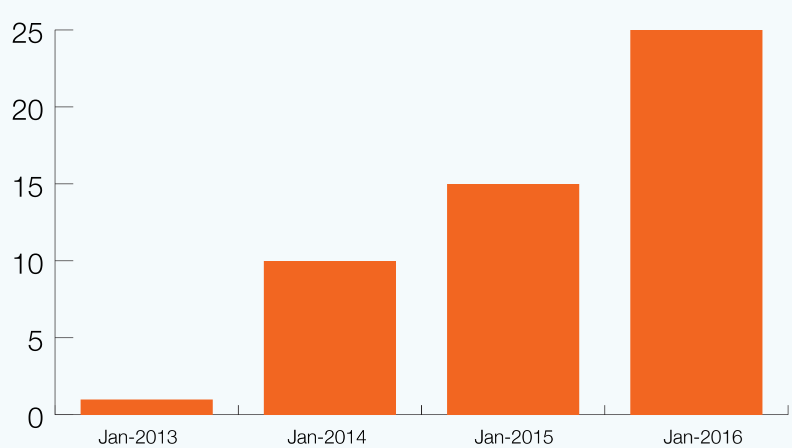
Despite tremendous growth, challenges still ensue.

Yet, while the industry trucks forward, it's certainly not immune to major challenges – as we saw with larger players like JustFab, and BeachMint. The struggles hit small sub-box operators too however, with many of them facing hiccups in 2016. High customer acquisition costs, broken fulfillment structures, rebilling complications, and customer service woes forced many to close their doors. That said, momentum continues to be encouraging.

With industry growth %'s beyond comprehension, we at Scriberbase expect new subscription box players to enter the market, raise capital, garner media attention, and of course, come up with brilliant marketing strategies. Remember, a short video launched Dollar Shave Club into the revenue stratosphere in 2012, when the company's video posted on YouTube spurred more than 12,000 orders in 24 hours. The ad went on to get over 23 million views and rocket Dollar Shave Club to over $240 million in revenue . The company was subsequently sold in 2016 for $1 Billion (think we mentioned that already ;-0).

Overall, 2016 was an awesome year. And as a service provider helping sub-box companies grow in this already booming space, we're honoured to be a part of the ride. Cheers to a great year, and see you all in 2017!

Visits to Subscription Commerce Sites



Figures shown in millions of website visits

Roundup

A curated selection of subscription commerce stories from 2016.

Unilever pays $1 Billion for Dollar Shave Club

Unilever pays $1 billion for Dollar Shave Club, a five-year-old start-up that sells razors and other personal products for men[3].

JustFab looks to shake bad press, angry customers

The company faced accusations from customers and consumer watchdog groups claiming it deceives shoppers with monthly subscriptions that are hard to cancel. More than a thousand customer complaints about the company have been submitted to the Better Business Bureau and the Federal Trade Commission[4].

Hubble Contacts raises $7.2 million to deliver disposable lenses direct to consumers

Following in the footsteps of these "vertically integrated ecommerce" start-ups, Hubble has been able to raise $7.2 million in early stage venture funding to-date (in a seed round and extension). Hubble's backers include Founders Fund, Greycroft Partners, Wildcat Capital Management, Two River, and two individual angels[5].

Bark & Co Raises $60 Million in New Funding Round

Bark & Co, the company behind BarkBox, announced $60 million in new funding to grow and expand its offerings for dogs and their people. The round was led by August Capital and included funding from return investors RRE and Resolute Ventures. Bark & Co launched in 2012 and already surpassed a $100 million revenue run rate, while raising only $17 million in prior funding[6].

"Money, marketing, and technology are poised to get bigger, better, and stronger in 2017."

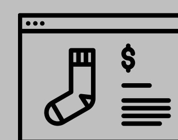
MEL Science raises $2.5 million to put a VR twist on chemistry sets

Remember those old school chemistry sets that came in a cardboard box with a bunch of vials, plastic beakers, safety glasses and a booklet full of instructions for different experiments? London startup MEL Science is putting a high-tech twist on them, with virtual reality and augmented reality content that takes kids on a virtual tour inside a chemical reaction, right after they conduct an experiment in the real world. The startup raised $2.5 million in Series A funding from Sistema Venture Capital to grow their subscription commerce and VR content business[7].

Top Five Online Subscription Sites in the U.S., by Visits

1. Birchbox
2. Dollar Shave Club
3. Loot Crate
4. Blue Apron
5. Graze

Source: Hitwise (http://connexity.com/blog/2016/03/analysis-shows-visits-subscription-box-sites-3000/)



References

[1] http://www.nytimes.com/2016/07/27/business/dealbook/1-billion-for-dollar-shave-club-why-every-company-should-worry.html?_r=0
[2] https://www.internetretailer.com/2016/03/22/online-retailers-think-inside-subscription-box
[3] http://www.nytimes.com/2016/07/27/business/dealbook/1-billion-for-dollar-shave-club-why-every-company-should-worry.html?_r=1
[4] http://www.retaildive.com/news/justfab-looks-to-shake-bad-press-angry-customers/420136/
[5] https://techcrunch.com/2016/11/01/hubble-contacts-raises-7-2-million-to-deliver-disposable-lenses-direct-to-consumers/
[6] http://www.prnewswire.com/news-releases/bark--co-raises-60-million-in-new-funding-round-300269861.html
[7] https://techcrunch.com/2016/10/12/mel-science-raises-2-5-million-to-put-a-vr-twist-on-chemistry-sets/

This report was written by Scriberbase founder, Adam Levinter. Please visit http://scriberbase.com or send us a note at: info@scriberbase.com
follow us @scriberbase

scriberbase