Subscription Boxes in 2018
US Market

Online Industry and Consumer Trends

hitwise

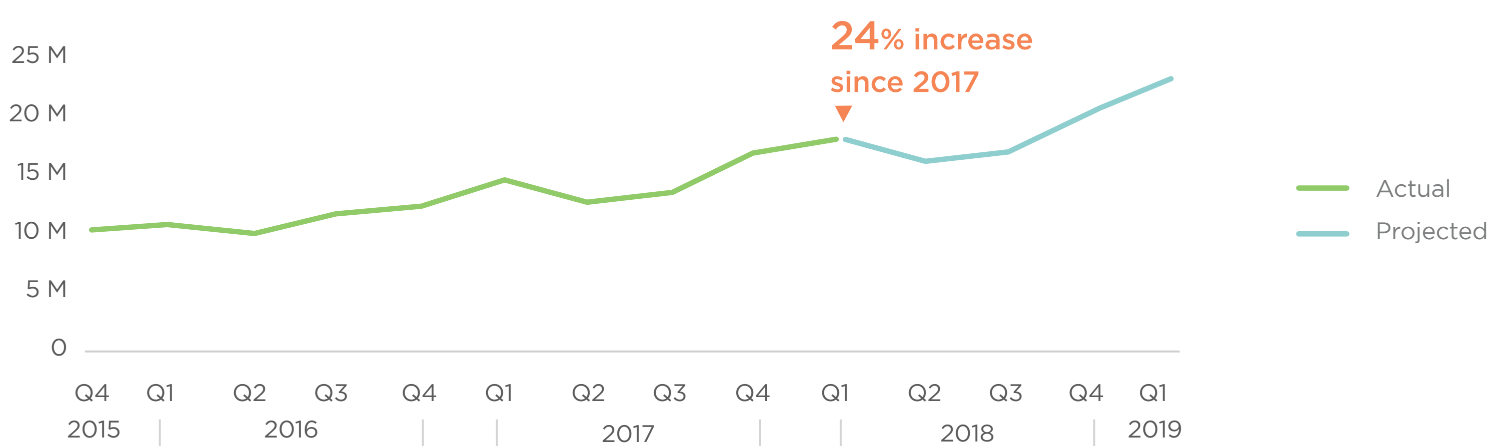
OVERVIEW

The past few years has seen an explosive growth of subscription boxes in the US. Online visits to pure players have **risen almost nine-fold**, from 4.7 million visits in April 2014 to 41.7 million in April 2018. This growth rate has since slowed down, with the first four months of the year seeing only a 3% increase YoY.

But subscription boxes are by no means fading away; the industry is just **maturing**. In Q1 2018, a **record 18.5 million Americans** visited at least one subscription site, which is up 24% YoY. In this report, we uncover what has happened and why. Using examples from **Blue Apron, Graze, FabFitFun and Kiwi Co**, we look at:

- The categories and brands driving growth
- What the sub box subscriber looks like
- Recommendations and tactics to acquire new customers

Unique Visitors to the Subscription Industry



hitwise

Hitwise provides marketers with unique insights based on the largest sample of internet behavior and consumer attitudes — revealing audiences, search terms, and traffic sources to get a competitive edge.

Sample size
8+ M online panelists
3.5+ M mobile devices

Data depth
500 M keywords
60 K audience characteristics

Data frequency
Hourly insights
to yearly trends

WHAT'S INSIDE

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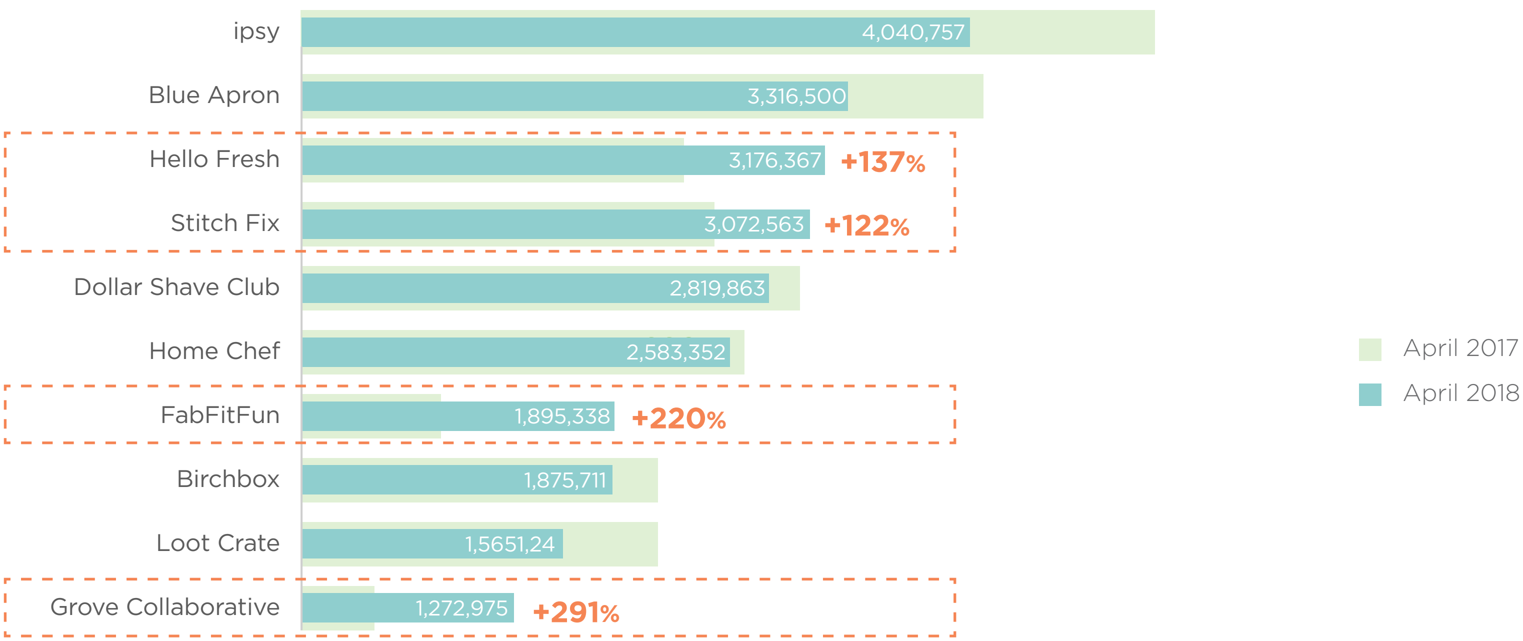
CHAPTER ONE

Industry Overview

TOP TEN SITES DOMINATE, BUT SHARE HAS DROPPED

The top ten sub box sites accounted for **61% of the industry's online visits** in April 2018. However, their dominance is **dropping** - visit share has declined from 70% last April, suggesting that competition is rising from below. Additionally, only four of the top ten sites have grown over this period.

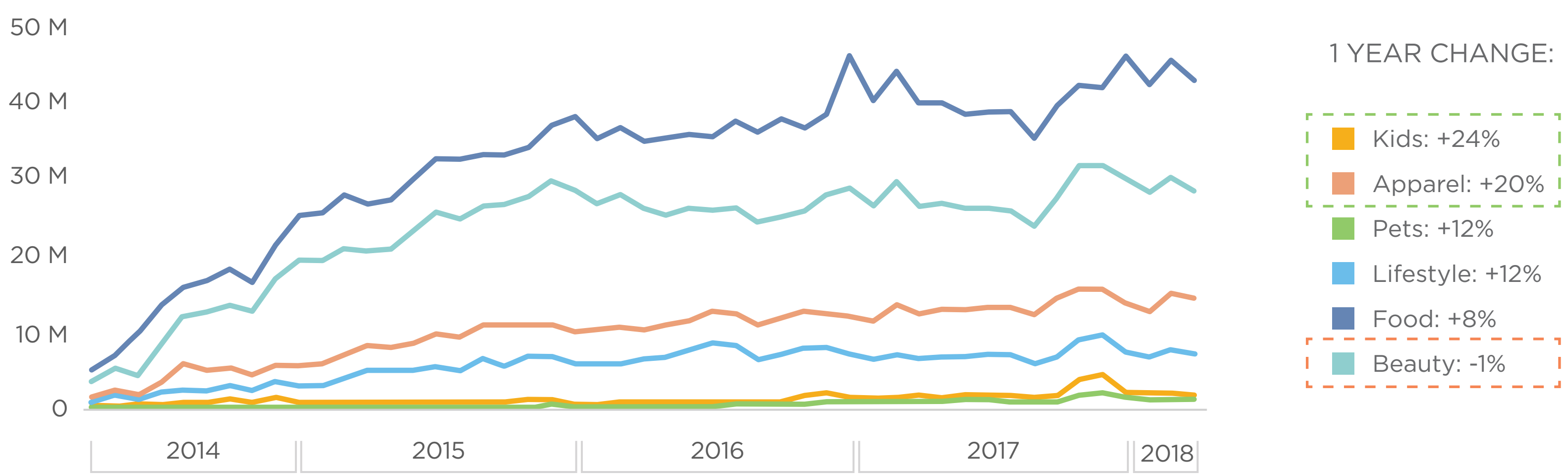
Most Visited Sub Box Sites



TRADITIONAL CATEGORIES SLOWED, NICHE CATEGORIES ON THE RISE

As categories enter maturity, online visits have slowed over the past year. In particular, visits to **Beauty** sub box players declined by 1% in April YoY. But not all verticals have followed this same pattern. Smaller, niche categories, such as **Kids** (+24%) and **Apparel** (+20%), continue to rise.

Sub Box Visits by Categories



MIXED RESULTS FOR TOP PLAYERS IN FOOD AND BEAUTY, GROWTH FOR KIDS

Which players drove this growth or decline?

For **Food**, the largest category, visits rose by 8% in April YoY. Blue Apron remained the leader but lost 20% of its traffic, with Hello Fresh at their heels with a 37% rise.

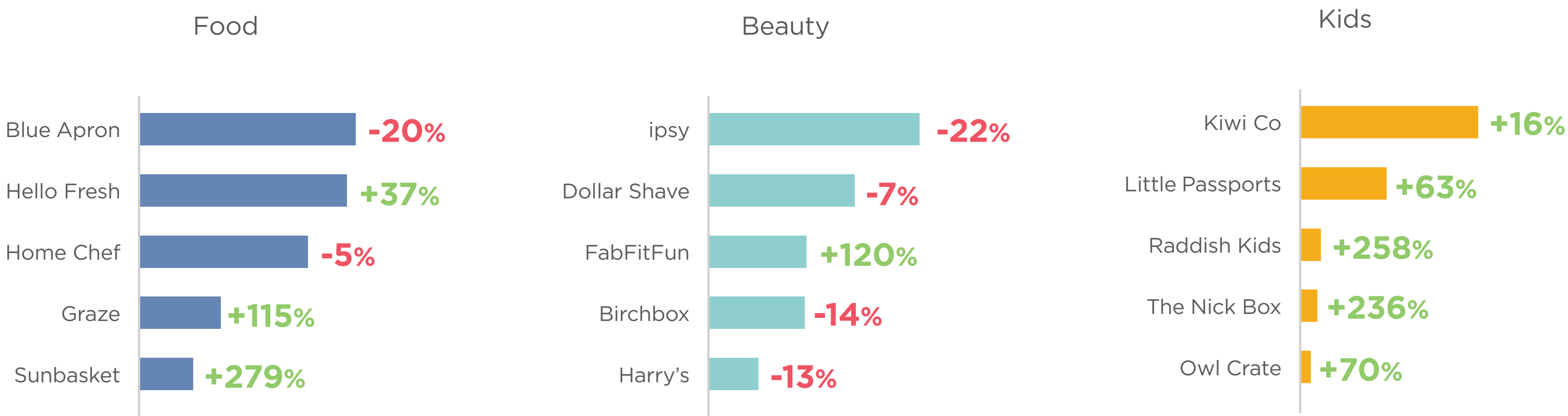
As the second largest category, **Beauty** was the only vertical to see a drop of -1% in April YoY.

This was reflected across the top five players, except for FabFitFun which grew by 120%.

As the smallest category, **Kids** is still in expansion mode, rising by 24% in April YoY.

Kiwi Co had a significant lead but others are catching up, suggesting there is opportunity for new players to enter this category.

Top Sub Boxes By Category
April 2018 YoY



Audience Profile

SUB BOXES SOUGHT BY YOUNG MILLENNIAL HIPSTERS

The sub box audience tends to be **younger** (aged 18-24), more likely to be female and commonly found in college towns like Gainsville, FL and Tucson, AZ, and hipster enclaves like Austin, TX and Portland, OR. They like to **try new things,** and are interested in the arts. They prefer the convenience of online shopping, and **value online product suggestions and reviews**.

Who is the Sub Box Audience?
Demographics & Attitudes (% more likely)

Who are they?	What do they care about?
Younger Millenials (+16%)	"I pay attention to online reviews" (+18%)
55% Female (+7%)	"I sometimes post reviews online" (+17%)
Household Income $100K+ (+8%)	"All things equal, I buy online than instore" (+12%)
College Degree / Students (+11% / +15%)	"I consider myself interested in the arts" (+10%)
College Town & Hipster Enclaves	"I spend long periods of time browsing instore" (+7%)

SUB BOX SHOPPERS 2X MORE LIKELY TO BUY ON AMAZON

Being big retail shoppers already, it's no surprise the subscription audience is likely to purchase from big box stores like Walmart, Target, and eBay. However, their propensity to buy from **Etsy and Zulily is almost 3X greater** than average, suggesting they gravitate towards unique products.

58% of sub box shoppers **purchased on Amazon** in Q1 vs. 33% of average Americans, making them nearly 2X more likely to be Amazon customers. This group is 3X more likely to buy from **Amazon Smile,** suggesting they pair social responsibility with consumption.

Where else do the Sub Box Audience Buy From?
Likelihood to Buy

Walmart
+2X

TARGET
+2.9X

ebay
+1.7X

zulily
+3X

Etsy
+3X

2X more likely than average to purchase on amazon

SPOTLIGHT: BLUE APRON

Let's imagine Blue Apron wants to better understand their customers.

Blue Apron's audience is **younger** than the average sub box shopper. They like to be the first to try new things. They eat healthy, but are also adventurous and enjoy new foods and drinks.

Blue Apron could identify **recipes and foods** their audience is searching for and feed these into the product. For example, Blue Apron might offer a special 30-day Whole 30 diet box.

To grow their audience, Blue Apron could also see what their **competitor's audience, Hello Fresh,** is interested in. Blue Apron could, for instance, offer a Sous Vide special with a fun "how to" guide.

The Blue Apron Audience
Profile and Search Behavior (% more likely)

Who is the Blue Apron Audience?	Younger Millennials (+32%) Enjoys eating foreign food (+10%) Likes trying new drinks (+9%) "Innovators" Index (+10%) "Weight Reformers" Index (+14%)	
What does the **Blue Apron audience** search for?	"Whole 30" (+391%) "Risotto" (+221%) "Easy vegetarian" (+184%)	**Feed into product offer to retain customers**
What does the **Hello Fresh audience** search for?	"Tofu" (+234%) "Quiche" (+129%) "Sous vide" (+127%)	**Target to acquire new customers**

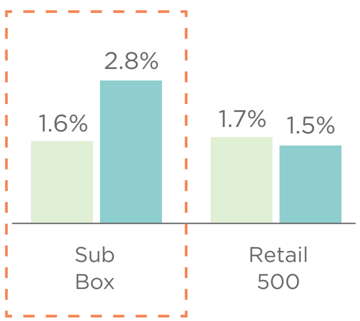
CHAPTER THREE

Acquisition Tactics for Sub Boxes

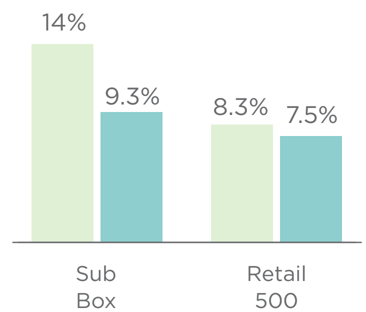
1. LINE UP YOUR CHANNELS: AFFILIATES AND EMAILS ARE GROWING

Traffic Sources to Sub Boxes vs. Retail 500

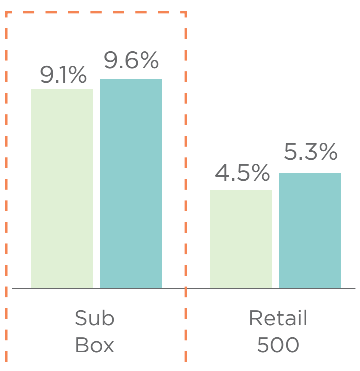
April 2017 April 2018



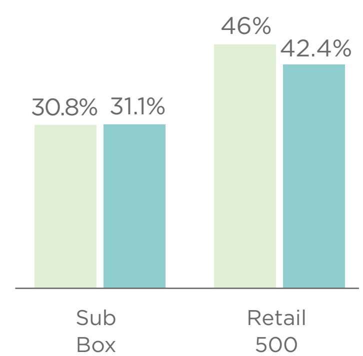
Affiliates
Affiliates is the fastest growing traffic source for sub boxes, and key to customer acquisition. This reliance was almost double that of the Hitwise Retail 500.



Social Media
Sub boxes rely more on Social Media than the Retail 500, but this has largely declined over the last year.



Email
Email is also a key source of engagement for sub boxes and continues to grow. Sub boxes have almost double the reliance on email than the Retail 500.

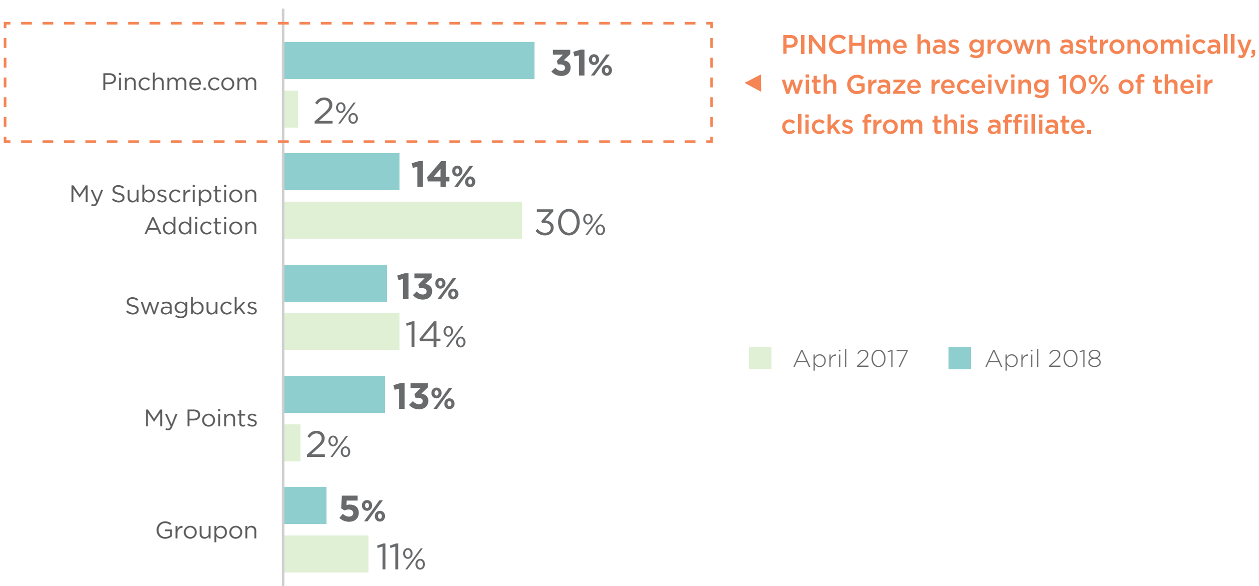


Search
Search is the top traffic source, but sub boxes have a lower reliance on it than the Retail 500.

2. USE AFFILIATES TO ACQUIRE NEW CUSTOMERS

PINCHme, a new free samples box service, was the top affiliate traffic driver in April, growing astronomically compared to last year. The biggest recipient of that traffic was **Graze**, which received 10% their clicks from PINCHme. Traffic data suggests this relationship began two months prior, and with great success. Graze saw a 115% YoY increase in online visits over April 2018.

Share of All Affiliate Traffic to Sub Box Sites



3. THINK PARTNERSHIPS TO OPEN UP YOUR BRAND

There is a natural relationship between brands, retailers and sub box providers, which opens each player to a new set of customers. Many retailers already have strong overlap with the sub box industry, and partnering can strengthen brand affinity. For instance, **Madewell** could provide a bonus knit scarf in a Stitch Fix box, with a label encouraging the consumer to check out the rest of their winter clothing line.

Retailer Overlap with Sub Box Industry

FABLETICS	ModCloth	Madewell	ANTHROPOLOGIE
+3.7X	+4X	+4X	+3.7X
SEPHORA	**kate spade**	**uncommongoods**	**WARBY PARKER**
+3.6X	+3.6X	+3.5X	+3.5X

4. USE SEARCH TO TAILOR CONTENT AND PPC

Approximately 1 in every 50 searches driving visits to the sub box industry include the terms **"best" (1.04% of searches) or "review" (0.95%)**. These keywords provide valuable clues on what questions consumers are asking in their research phase, and can help sub boxes tailor their keyword bidding and content strategy.

Gwynnie Bee, for example, would benefit for bidding on the "best plus size clothing" keyword — and seek strong relationships with bloggers and lifestyle sites who receive traffic from this search term.

Top "Best" Searches

best fishing days 2018
best beauty boxes
how to choose my best hair color
best bass lures
best vitamins for men
best vegetarian meal delivery
the best meal delivery service
what is the best subscription box
best subscription boxes
america's best contaces & eyelasses
best anti aging makeup
best clothing subscription boxes
best monthly subscription boxes
best shave club
best plus size clothing
best makeup subcription boxes
best fishing line for bass
best way to make coffee
best electric toothbrush

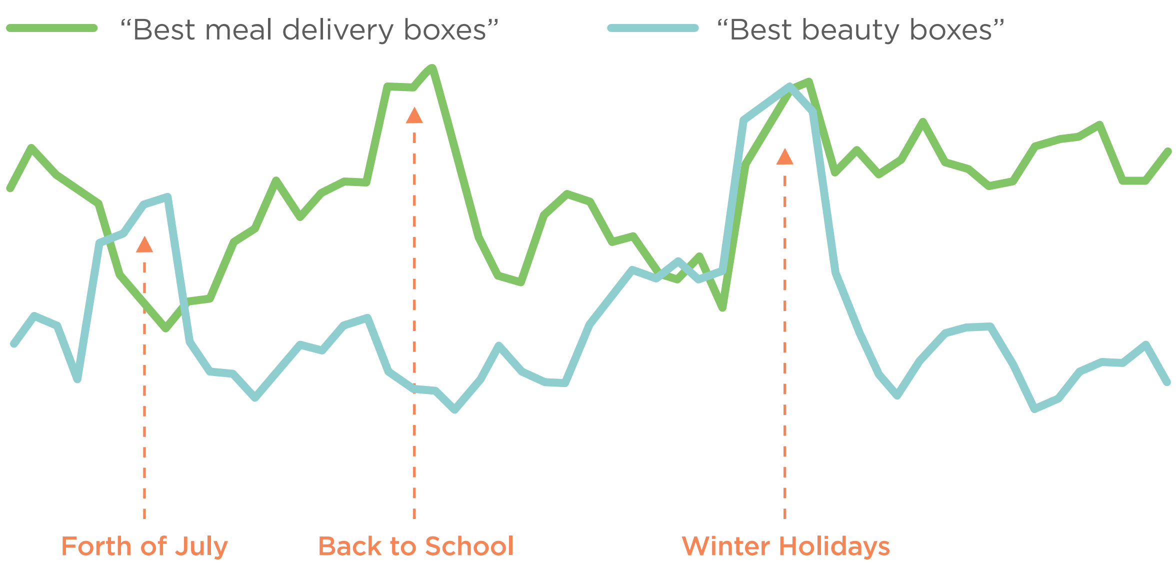
Top "Reviews" Searches

dollar shave club review
try little passports reviews
green chef reviews
quip toothbrush review
dollar shave club reviews
blue apron reviews
freshly reviews
hello fresh reviews
stitch fix reviews
e salon reviews
little passports review
le tote reviews
home chef reviews
quip toothbrush reviews
mystery tackle box reviews
dia and co reviews
trunk club review
butcher box reviews
plated reviews
barkbox reviews

5. TAKE INTO ACCOUNT SEARCH SEASONALITY

Consumers seek a variety products to meet their changing needs throughout the year, which results in a lot of seasonality in subscription demand. For example, the term **“best meal delivery boxes”** is searched more heavily during the Back to School season. During the winter holidays, **“best beauty boxes”** sees a surge.

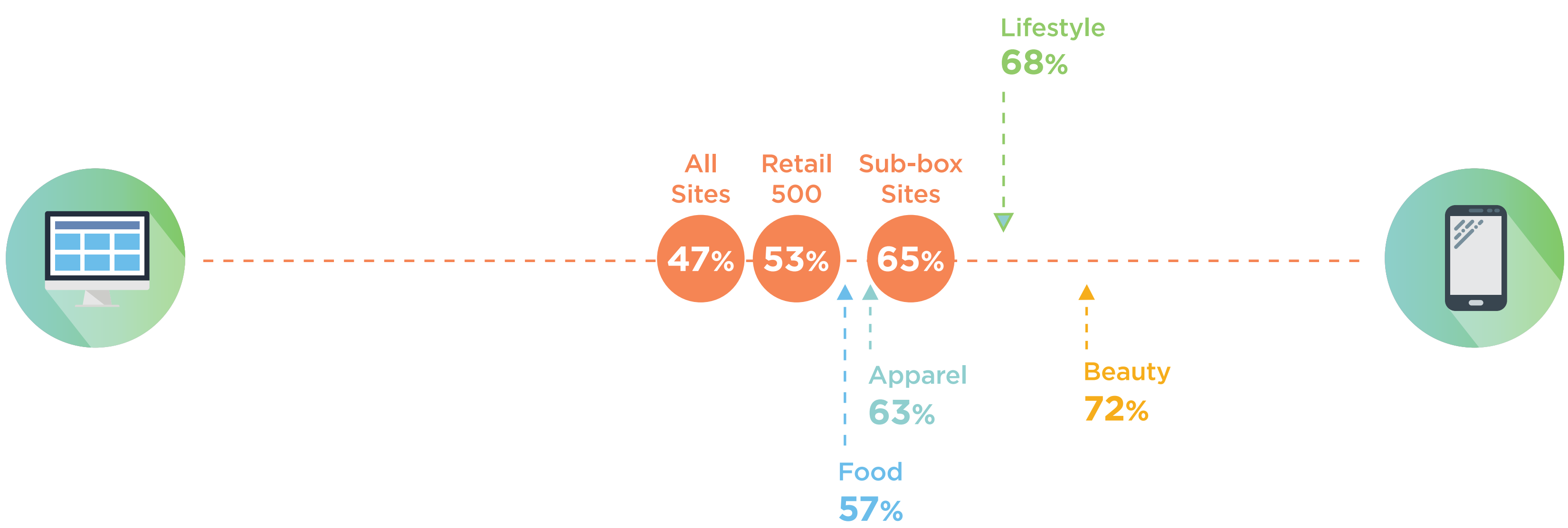
Search Seasonality



6. THINK MOBILE, BECAUSE YOUR CUSTOMERS ARE

Finally, 65% of traffic on sub boxes come from smartphones and tablets. This mobile share is considerably higher than both the average and the retail sector. Therefore, ensure all of your digital channels and tactics are **optimized on mobile.**

Desktop vs. Mobile Rate
(% Mobile)



KEY TAKEAWAYS

The industry is maturing, but has room for new players.
Keep an eye on growth categories, like Kid Boxes, where there's room for innovative brands to step in.

The sub box audience is young, hipster and adventurous.
Understand who they are and why they buy, to drive new customers to your brand.

Use email to drive ongoing engagement. Attract new customers with partnerships and affiliates.
Email drives retention, not net new growth. Partnerships and affiliate sites can reach new audiences.

Use search to identify seasonality.
This will answer consumer questions and keep track of changing demand.

Think mobile first.
Compared to the retail industry, consumers are highly mobile when visiting subscription box sites.

Ready to market to **your**

Subscription Box Consumers?

hitwise will help you uncover hidden opportunities and higher-ROI customers.

FIND OUT HOW

METHODOLOGY

Page 2 & 5: Hitwise, based on custom industry of over 300 leading subscription box brands on mobile and desktop devices.

Page 4 & 6: Hitwise April 2018, top players based on visit share per category.

Page 7: Hitwise Q1 2018, Audience = visitors to subscription box custom industry. Index compared to general online population.

Page 8: Hitwise Q1 2018, Custom Conversion Data

Page 9: Hitwise Q1 2018, Audience = visitors to Blue Apron's website. Index compared to general online population.

Page 10 & 11: Hitwise April 2018, top traffic sources to custom industry of subscription box brands.

Page 12 - 15: Hitwise Q1 2018.