Subscription Boxes in 2018
US Market

Online Industry and Consumer Trends
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

24% increase since 2017
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.

WHAT’S INSIDE

CHAPTER ONE
Industry Overview
Online trends and top brands by sub box category

CHAPTER TWO
Audience Profile
Demographics and interests of the sub box shopper

CHAPTER THREE
Acquisition Tactics
Recommendations to acquire and engage customers

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
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.
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

1 YEAR CHANGE:
- **Kids**: +24%
- **Apparel**: +20%
- **Pets**: +12%
- **Lifestyle**: +12%
- **Food**: +8%
- **Beauty**: -1%
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](chart)

**Food**

- Blue Apron: -20%
- Hello Fresh: +37%
- Home Chef: -5%
- Graze: +115%
- Sunbasket: +279%

**Beauty**

- ipsy: -22%
- Dollar Shave: -7%
- FabFitFun: +120%
- Birchbox: -14%
- Harry’s: -13%

**Kids**

- Kiwi Co: +16%
- Little Passports: +63%
- Raddish Kids: +258%
- The Nick Box: +236%
- Owl Crate: +70%
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?

<table>
<thead>
<tr>
<th>Demographic/Attitude</th>
<th>% More Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Younger Millennials</td>
<td>+16%</td>
</tr>
<tr>
<td>55% Female</td>
<td>+7%</td>
</tr>
<tr>
<td>Household Income $100K+</td>
<td>+8%</td>
</tr>
<tr>
<td>College Degree / Students</td>
<td>+11% / +15%</td>
</tr>
<tr>
<td>College Town &amp; Hipster Enclaves</td>
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What do they care about?

<table>
<thead>
<tr>
<th>Preference</th>
<th>% More Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;I pay attention to online reviews&quot;</td>
<td>+18%</td>
</tr>
<tr>
<td>&quot;I sometimes post reviews online&quot;</td>
<td>+17%</td>
</tr>
<tr>
<td>&quot;All things equal, I buy online than instore&quot;</td>
<td>+12%</td>
</tr>
<tr>
<td>&quot;I consider myself interested in the arts&quot;</td>
<td>+10%</td>
</tr>
<tr>
<td>&quot;I spend long periods of time browsing instore&quot;</td>
<td>+7%</td>
</tr>
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</table>
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
- Zulily: +3x
- Etsy: +3x
- eBay: +1.7x

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)

<table>
<thead>
<tr>
<th>Who is the Blue Apron Audience?</th>
<th>Younger Millennials (+32%)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Enjoys eating foreign food (+10%)</td>
</tr>
<tr>
<td></td>
<td>Likes trying new drinks (+9%)</td>
</tr>
<tr>
<td></td>
<td>“Innovators” Index (+10%)</td>
</tr>
<tr>
<td></td>
<td>“Weight Reformers” Index (+14%)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>What does the Blue Apron audience search for?</th>
<th>“Whole 30” (+391%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>“Risotto” (+221%)</td>
</tr>
<tr>
<td></td>
<td>“Easy vegetarian” (+184%)</td>
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</table>

<table>
<thead>
<tr>
<th>What does the Hello Fresh audience search for?</th>
<th>“Tofu” (+234%)</th>
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<tbody>
<tr>
<td></td>
<td>“Quiche” (+129%)</td>
</tr>
<tr>
<td></td>
<td>“Sous vide” (+127%)</td>
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Feed into product offer to retain customers

Target to acquire new customers
1. LINE UP YOUR CHANNELS: AFFILIATES AND EMAILS ARE GROWING

Traffic Sources to Sub Boxes vs. Retail 500

**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.

**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.

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

**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.

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**PINCHme** has grown astronomically, with Graze receiving 10% of their clicks from this affiliate.
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

<table>
<thead>
<tr>
<th>Fabletics</th>
<th>ModCloth</th>
<th>Madewell</th>
<th>Anthropologie</th>
</tr>
</thead>
<tbody>
<tr>
<td>+3.7X</td>
<td>+4X</td>
<td>+4X</td>
<td>+3.7X</td>
</tr>
<tr>
<td>Sephora</td>
<td>Kate Spade</td>
<td>Uncommon Goods</td>
<td>Warby Parker</td>
</tr>
<tr>
<td>+3.6X</td>
<td>+3.6X</td>
<td>+3.5X</td>
<td>+3.5X</td>
</tr>
</tbody>
</table>
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 bass lures
- best beauty boxes
- best subscription boxes
- best shaving club
- best monthly subscription boxes
- best plus size clothing
- best makeup subscription boxes
- best way to make coffee

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
- le tote reviews
- home chef reviews
- butcher box reviews
- plated reviews
- mystery tackle box reviews
- dia and co reviews
- trunk club review

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5. TAKE INTO ACCOUNT SEARCH SEASONALITY

Consumers seek a variety of 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

- “Best meal delivery boxes”
- “Best beauty boxes”

Forth of July  | Back to School  | Winter Holidays
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.
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.