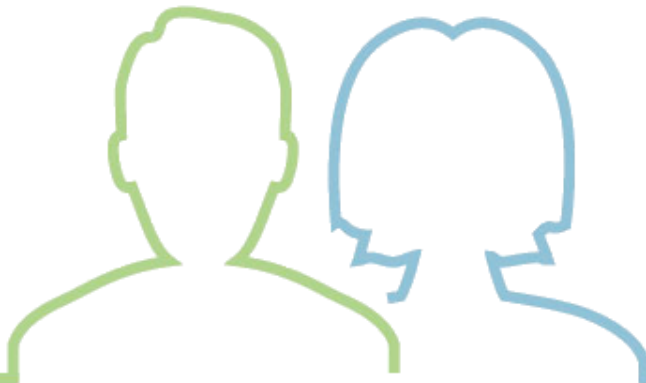


GUTCHECK MARKETING

Monthly Subscription Boxes

July 2015



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PROJECT BACKGROUND

The marketing team is looking to understand the behaviors and attitudes around monthly subscription boxes. It seems more and more people are turning to these boxes for gifts and/or are trying them out for themselves, but they'd like to know more about this category in general. They'd also like to understand which boxes are the most popular or well known.

This research will also help us to understand what the category might look like in the near future.

KEY QUESTION

 What are the advantages and disadvantages to subscription services and what are the behaviors around how they're found and used?

RESEARCH OBJECTIVES



1. How do people go about finding information about the different subscription options out there?
2. What are the subscriptions that are most top of mind / most popular?
3. Uncover whether or not people think it's a fad or if subscription services are here to stay and how successful they think they'll be down the road.

METHODOLOGY

| Research Method | # of Groups | Total Respondents | Days in Field | Recruit to Report (in days) |
|------------------------|-------------|-------------------|---------------|-----------------------------|
| Instant Research Group | 1 | 22 | 2 | 10 |

This study was conducted via an online Instant Research Group™ where respondents answered open-ended questions and follow-ups posted by a trained moderator. This technology fosters a dynamic qualitative discussion where respondents are easily able to interact with others in the group.

AUDIENCE

| | |
|-----------------------------------|---|
| Age | 18-40 (Millennials-ish) |
| Gender | Male/Female |
| HHI | \$40K+ |
| Monthly subscription box behavior | Have purchased a subscription for themselves or someone else, or have used a subscription (as a present or as a purchase) |

KEY FINDINGS

Subscription services are here to stay and are yet to reach their peak

- Current subscribers believe that the demand for monthly subscription boxes will continue to increase, given their observations/expectations that many people are not yet aware of subscription boxes, the number and type of subscription boxes will increase in future, and the larger retailers (e.g. Walmart) will start to offer subscription boxes as part of their e-commerce strategies.
- As a result of these factors, respondents feel that as long as there is an interest in online shopping (for the benefits of convenience, excitement and sourcing products) there will be demand for subscription boxes.

The most popular and well known monthly subscription box is Birchbox

- Birchbox contains beauty, grooming and lifestyle samples tailored to the individual. Users like Birchbox for its value, its products and the enjoyment of trying samples. Some users sample Birchbox products in order to decide which full size products they will buy - this avoids the risk of buying a full-size product that they don't use/like.

Users like monthly subscription boxes for the 'excitement' (of receiving the box and finding out what is inside)

- Monthly subscription boxes also provide the benefits of convenience, good value (mostly), as well as a great way to trial products, have a variety of products, have the latest/trendy products, and/or receive high quality products at home.

KEY FINDINGS

Monthly subscription boxes can be disappointing when they contain items the subscriber does not like and/or will not use

- In response to this, subscribers suggest that the subscription box companies should find ways to improve the personalization of boxes, for example, by collecting more information, allowing subscribers to opt out of certain products, allowing subscribers more choice in what they receive, or allowing free/easy return of items they don't like or won't use.

Potential subscribers discover and get details on monthly subscription boxes mostly via the Internet and/or via word of mouth

- Some only use the Internet to make their choice of subscription box.
- Whereas others will purchase a subscription solely based on the recommendation of a friend.
- Online sources of information include Google searches, advertisements, friends' 'Likes' on Facebook, as well as the subscription box's website.
- Online user reviews of a monthly subscription box play a major role in the final decision process.

Most respondents purchase boxes for themselves rather than others

- Furthermore, no one had yet received a gift box as a gift.
- Some respondents were planning to send monthly subscription boxes as a gift to friends and family in the future. This is likely to further increase the demand for subscription boxes.
- Subscribers use most of the items they receive in their subscription boxes - but are disappointed when they receive items they do not like or will not use. If they cannot send the item back, they tend to donate/gift the item to friends, family or charity.

KEY FINDINGS

The ideal subscription box is personalized, always exciting to receive, and has a lot of flexibility

In order to maintain their subscription, people need their box to remain exciting, provide new 'surprises' each month, and limit items they do not like, need or want.

To avoid receiving items they don't want or need:

- People are looking for boxes that are able to be quite tightly personalized - either through the sign-up questionnaire or manual selection.
- People want a lot of flexibility in their box subscription e.g. they want to choose from a range of sizes, price points, levels of quality, and the ability to easily start/pause/stop their subscription.

IMPLICATIONS

Subscribers predict that monthly subscription boxes are in demand, on the rise, here to stay and yet to reach their peak.

- To take advantage of this rising trend, companies should consider and evaluate monthly subscription boxes as part of their e-commerce strategy, as a new sales avenue.

There is demand for monthly subscription boxes from a wide range of goods categories, for example, for mainstream everyday items (e.g. snacks, beverages, clothing), luxury items (e.g. high quality chocolate, desserts) as well as lifestyle items (e.g. fitness, toys and home wares).

- Although beauty boxes are currently one of the most widely known and used monthly subscription box services, any company could consider providing a monthly subscription box as there is demand for a wide range of box product category options.

IMPLICATIONS

People are looking for subscription boxes that provide great flexibility, on-going excitement and a personalized experience. A good online presence, good online reviews and positive word-of-mouth are key influencers in the purchase decision process. Opportunities exist to increase demand for the monthly subscription box category through growing awareness of monthly subscription boxes and increasing gifting behavior.

- Companies entering the subscription box space, should consider these elements in the design of their offer in order to increase their chances of success.

DETAILED FINDINGS



Advantages and disadvantages: the ‘surprise’ element is one of the main advantages but can also be a disadvantage

Advantages

Surprise/excitement/fun: It’s a surprise every month, fun to get new things each month, love getting mail, a nice pick me up.

Convenient: not having to go to a store to get recurring items, don’t have to remember, get items that are not at local stores, saves time, paid automatically.

Trial: Get things you might not otherwise purchase/try, learn about new products, being the first to get new products.

Variety: like trying/having a range of things, easy/quick way to stay up-to-date with latest trends.

Save money: cheaper prices compared to going to store, great deals, introductory deals, especially for makeup.

Get good quality products: high-end products.

Disadvantages

Disliked/unexpected items: sometimes you get things you don’t like/expect/use, especially in food boxes.

Lack of choice: boxes are tailored but there are still limited choices and the choice is not in your hands.

Risk involved: might get things you don’t like, you pay for the unknown products before you receive them, stuck with items you don’t like or is a hassle to send things back.

Risk: of damaged/late package.

Waiting: Have to wait for the monthly package instead of buying the products when you want it.

Sizes too small: run out too quickly.

High cost: a few felt the boxes are too expensive or you have to keep paying when you don’t want to spend anymore.

Availability: A few find it hard to find products that they really like e.g. on Amazon’s box service



Being a monthly member of subscription box services means GETTING MAIL! It's a rush haha. I love opening my mailbox and seeing a package and knowing there is a variety of mystery goods waiting to be explored. Another advantage is... accessible items that might not be as accessible to the average person. (Female, 26, Tampa)



One problem is that with certain subscriptions, you may not like what you get. Unless they have a very user-friendly return policy, you could end up paying a monthly fee and receiving products that you don't like or won't use. (Female, 27, Washington DC)

The dominant 'pain point' and 'key suggestion area' was the need for more personalized boxes

Pain points

Getting items you don't like/want: not being able to choose the items, trying to use things you don't like, waste of money, disappointment.

Having to call to cancel.

Packages arriving damaged, missing items or late (e.g. snack box arrives two days late and don't have a backup).

Sometimes products run out early, before next box arrives. Some of the beauty products are too small ('skimpy').

Not knowing the quality of the products in advance: receiving cheap products.

Liking a product in the box and then not being able to find/buy the product elsewhere.

Websites which provide too little or too much information.

Having to return items is a hassle.

Too much packaging.



After awhile, the novelty wears off and you find yourself just getting things you don't want, already have, or don't need. Keeping the boxes fresh and fun is a challenge.
(Male, 36, LA)

Suggestions

More personalized boxes: Get a better and more detailed understanding of individuals' needs/wants - to better tailor boxes. Provide the option to not receive a particular item. (NatureBox does this well with their manual selection.)

Should be able to cancel online.

Provide more reasonably priced items (i.e. for Stitch Fix).

Being able to send back items you don't want at no cost.

Make the website more user interactive e.g. for customers to post pictures, share feedback/stories, vote on upcoming box items (to determine selection), to make friends.

Some of the beauty product sizes are too small ('skimpy').

Keep the boxes exciting: Provide more new products or mystery items.

Give people a sense of appreciation for being a member: so they don't lose interest.



I would like for the people who put them together to put a little more thought into the personalization of my box. They always send what I ask for, but sometimes the style is way off from what I described. (Female, 32, AR)

Regarding the structure of box offers: subscribers want more options, loyalty benefits and flexibility

Suggestions (for structure of box offers)

Provide 3 tiers of boxes based on 'level of surprise':

- Option 1: provides items that people have pre-selected.
- Option 2: includes 'surprises' for those who like to experiment.
- Option 3: has half pre-selected and half 'surprise.'



For example, for my beer idea, how about one which only gives the person a type of beer like like lagers, another could be stouts, lagers or pilsners or any other type of beer. (Female, 37, NJ)

Provide boxes in a range of price and/or quality tiers e.g:

- Option 1: low price box
- Option 2: high price box
- Option 3: high price/ high quality box



For example, someone looking for chocolates for valentines day, one person might want to spend under 25, while some other consumer would want something 100.00 or more. Offering a price conscious as well as an elite/high quality option. (Male, 29, Salt Lake City)

Provide boxes in a range of sizes: e.g. provide a larger box option for snack boxes as they can run out too soon.

- Option 1: small size
- Option 2: large size

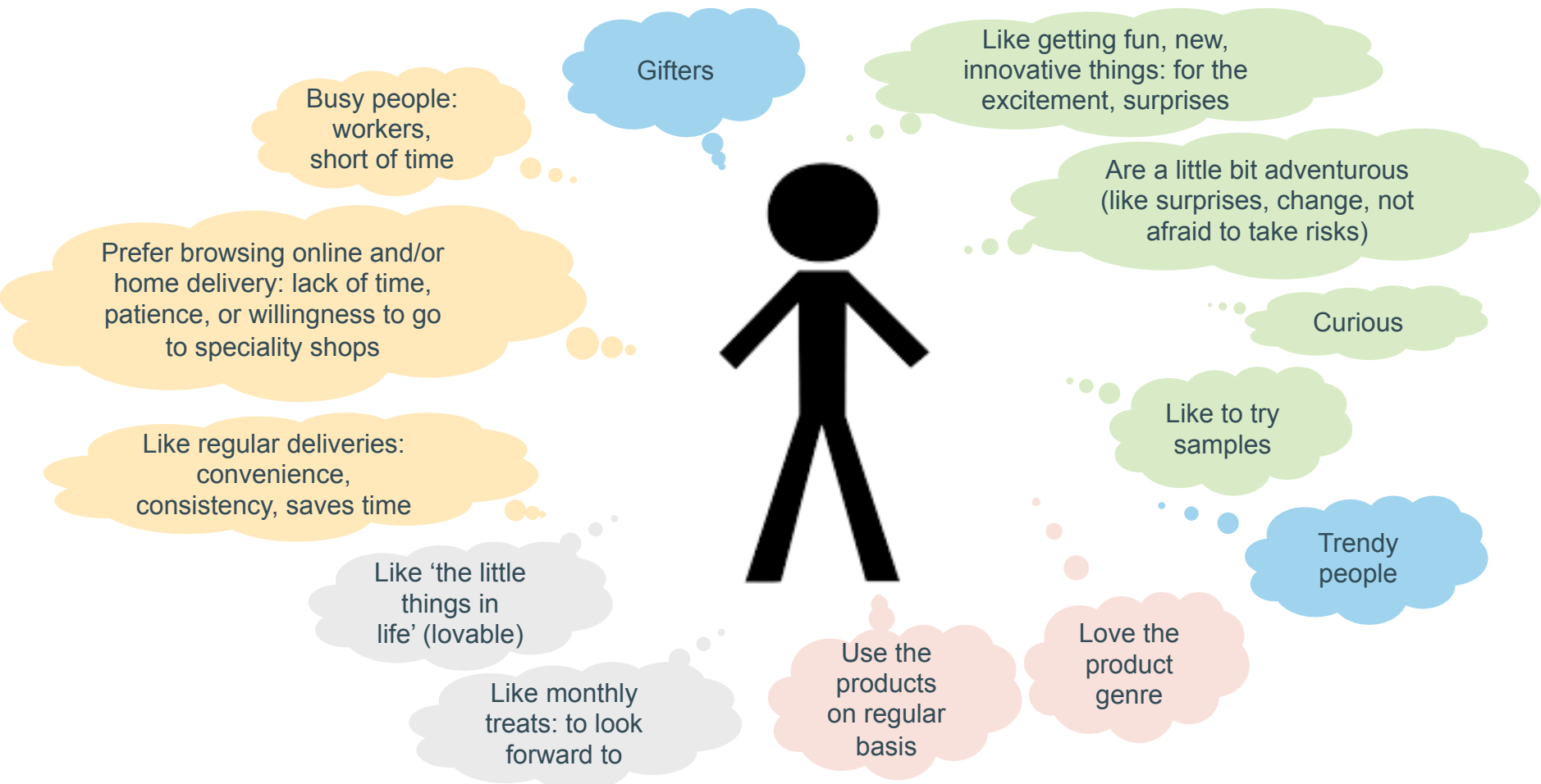
Provide loyalty benefits:

- By earning points to get rewards e.g. mystery gifts.
- Offer additional bonuses periodically i.e. loyalty bonuses for free or for a small fee.
- Ipsy provides points for writing rewards and sharing information via social, but the rewards are from a small selection of items - would instead prefer a free month as the reward.

Provide the option to skip a month:

- For when don't need/want a particular month, but don't want to unsubscribe.
- GlossyBox and Popsugar offer this option

User profile: adventurous, busy, passionate, fun-loving

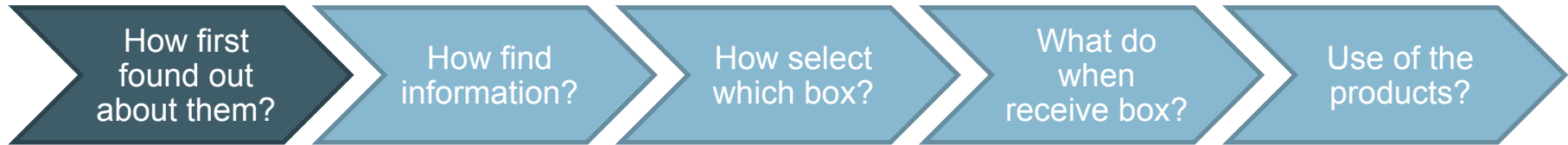


I think they're suited for people who like to experiment and who get joy out of little things in life. Really there seems to be a type out there for everyone, so I don't think there's one little niche. (Female, 35, Iowa)



I think they are best suited for someone who doesn't have a lot of time to shop around. I think that you have to love the product you are receiving - some people love beauty products, others love chocolates or fashion. What you subscribe to speaks to your interests. (Female, 33, Mishawaka)

Purchase process: Most first found out about monthly subscription boxes online and/or via word of mouth



Online – by:

- Browsing online: sounded like a good idea.
- Facebook advertisement: caught attention so clicked on the link.
- Shopping websites: Swagbucks, Ebay
- Blogs: Instagram blogs, online forum.
- Facebook posts: from friends who were doing it.

Word of mouth – by:

- Friend who subscribed and really liked it.
- Family members who started subscribing.

Television –by:

- Commercials for food boxes.

Some had seen monthly boxes online but it was friends/family involvement/ excitement that made them try it.

Respondents' current awareness of box brands was:

- Predominantly based on what they currently use, have used, or what friends use/recommend.
- Also due to advertisements. The channels mentioned include:
 - Magazines (e.g. for a jerky monthly box),
 - Facebook (e.g. for Birchbox and Dollar Shave Club) – a further characteristic of Facebook is users see who is subscribing to particular boxes via their friend's list.

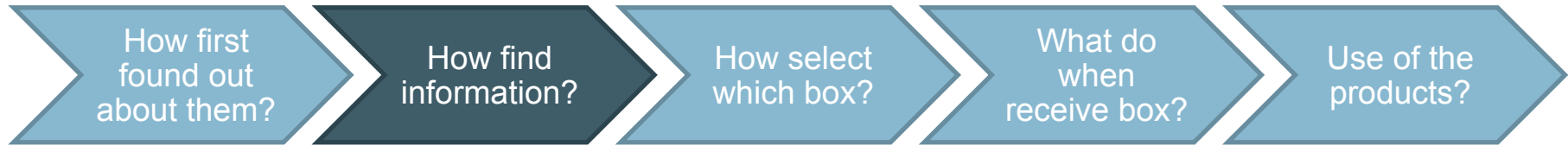


I found out about my first monthly subscription box from a friend. They were receiving a monthly box of beauty products to try, and they loved it so much that they were recommending it to everyone they knew. (Female, 27, Washington DC)



I first found out about Birchbox in 2012 when I was looking for beauty lots on eBay. Before that I had no idea such a thing existed. (Female, 35, CA)

Purchase process: Most would seek further information about their options either online and/or via word of mouth



Online (dominant source of initial information)

Initial information methods include:

1. **Online search**, find options, compare options, read reviews, evaluate.
 - Searches conducted: via Google, by product name, by subscription box name, “monthly subscription boxes,” “subscription boxes,” “[product seeking] subscription box,” “subscription gift box.”
2. **See online advertisement**: click through, read details (what’s provided, cost), read online reviews, evaluate.
3. **Go straight to website**: read details, evaluate.
4. **Use subscription portal** (e.g. mysubscriptionaddiction.com) – especially for reviews & deal alerts.
5. **Social media** suggestions from friends (e.g. on Facebook).

Word of mouth

- Friends and family: either provide information about subscriptions they are using or are sought out for feedback.
- Some respondents would only buy a box based on a referral from a trusted friend.
- Some only need a referral from a friend in order to purchase (i.e. no further information sought).

Magazine advertisements or coupons

- A few said they would initially find information on subscription boxes from magazine advertisements or coupons.

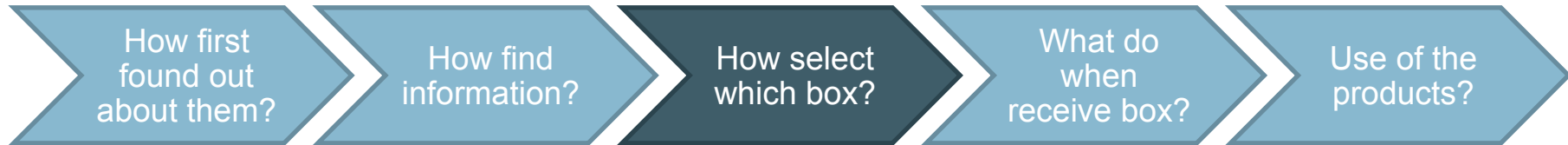


I usually first discover these monthly subscriptions through online advertising usually through popups on other sites. Once I see the ads I usually click on them and read though all the information about everything you get, how much and how often the items are shipped out. I also usually read online reviews from current customers to get an idea if the products are worth it. (Female, 32, Florida)



If I am interested in a monthly subscription boxes, I would simply go on Google and type "monthly subscription boxes". I am sure they will have many types of services according to category of products that is best suited for me. (Male, 22, NY)

Purchase process: In comparing their options, other users' experience plays an important role



Users experience plays a big role in comparing and evaluating subscription box options:

- **Via online**
 - Many read reviews from other users in evaluating their options – mostly to see if others are happy with the products and service provided.
 - Most look for reviews on the actual website, with some also looking on other websites (e.g. blogs).
 - Some also look up YouTube to see others home videos, to understand what the box is like/contains.
- **Via friends**
 - Friends and family's positive experiences can play a big role in box selection.

Comparison websites are also used by a few to compare different subscription options.

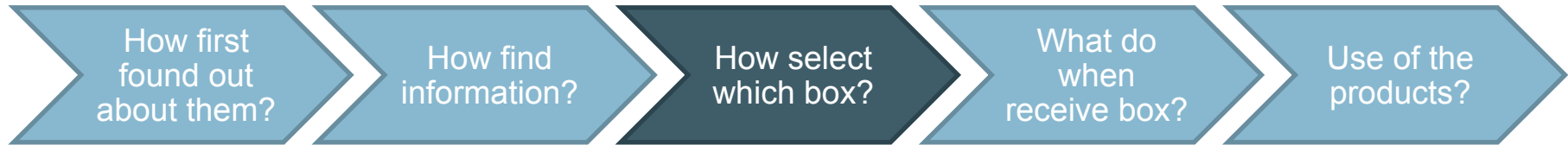


Usually I'll ask my friends/family if they have used the service. If they have I'll get their opinion on it. I also Google for peer reviews. I want to see what real people are saying about it. (Male, 32, Houston)



I always go online to read reviews, but I have never subscribed to any of these monthly boxes without having a referral from a friend. It would seem to sketchy to sign up for something without having a recommendation you can trust. (Female, 27, Washington DC)

Purchase process: Final selection is either based solely on endorsements from friends/family or a wide range of factors



Final selection is based on evaluating:

- Quality/nature/variety of products included,
 - Best fit to needs/style (mine or my friend's),
 - Whether need/want the products (for an on-going period),
 - Whether will use (be useful) (e.g. some want boxes that contain items they already use),
 - Something can't get at local stores (something unique),
 - Price, best deal or value for money (some willing to pay for better products, some don't want to pay more than what they would pay for the items in-store, some want it cheaper than in-store),
 - Option to have a subscription for 3 months rather than a year,
 - Easy to order/stop/restart subscriptions,
 - Reports of good/reliable customer service,
 - Loyal customer incentives e.g. bonus gifts or free boxes after certain period of time,
 - Free trials, coupons or an introductory price: some would like to try before committing to monthly plan.
- And/or endorsement from friends/family.

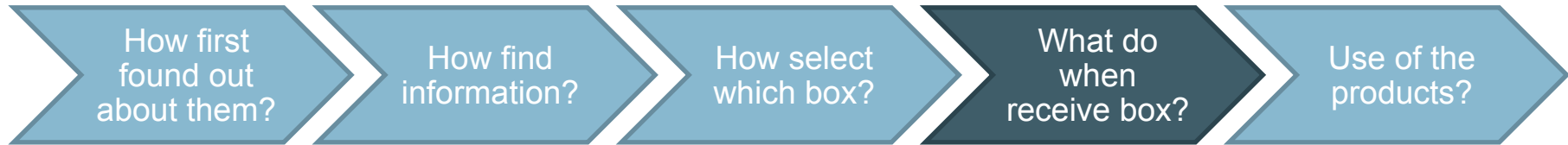


1. Cost - I don't want something that I'm going to pay a huge premium to going and buying the individual items
2. Need/want - it needs to be items that I typically use or want to use. 3. Reviews - I want to ask around and make sure its a good company/service. (Male, 32, Houston)



Popularity is a big factor. If a lot of friends or family have good things to say, I will usually go with that. Word of mouth is important. (Female, 32, AR)

Purchase process: Receiving the box is like the excitement of Christmas



- Open the box – some open the box right away, some put aside for when they have time, some call family members in order to open it together.
- Get excited – anticipating the surprise inside.
 - Some shake the box to see if there is something big or little inside.
 - It is like receiving a Christmas present.
 - On opening: some are surprised and some are disappointed at times.
- Look through the contents – sort the items – check all items are there – decide what will actually use.
- Read newsletter.
- Put it away.

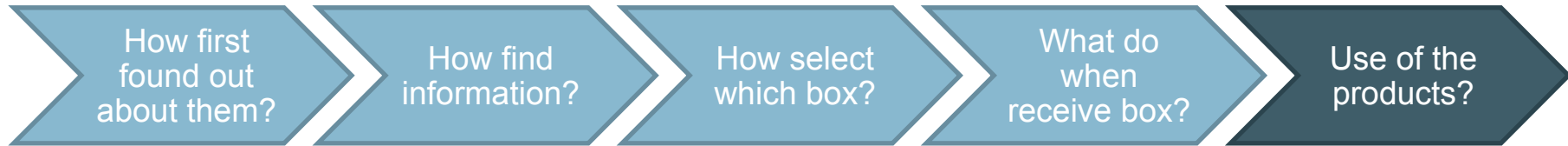


I go and open it to see what is in it. I am like a kid at Christmas excited to unwrap and get their favorite toy. Love the anticipation and getting things.
(Female, 39, MI)



The first thing I do is get very excited! I love the anticipation of waiting for the box as well as when I receive it and getting to open it. To me that is a great part of the reason to be part of a subscription - the surprises that you get. (Female, 33, Mishawaka)

Purchase process: Beauty boxes are least likely to have full use by the recipient, but what is not used is shared with others



- Some **use most** of the products they receive, but not all.
 - Especially those who receive beauty boxes.
 - Some expect that they will not use everything and that is okay as it is the trade-off for the surprise.
 - Some will try a product but not use it all and that is okay as it prevents them from buying it in future.
 - Some give away what they don't like to friends/family/charity – rather than throw it out (so not wasteful).
 - A few sell the items as lots on Ebay.
- Some **use all** the products sent to them:
 - Because they are exactly what they ordered i.e. not a surprise (e.g. Dollar Shave Club and Honest Company).
 - And/or those that receive food boxes don't like things going to waste and/or they are able to deselect items that they do not want (e.g. as for Graze).
- Some send back what they don't want (at no cost as part of the subscription deal): so they use what they keep (e.g. Stitch Fix).
- **Quality:** Most felt the products they receive are of high quality. For some if the products were of poor quality, they would cancel their subscriptions. A few commented that they had received cheap brands in one of the beauty boxes and from Dollar Shave Club.



I always use the products. That's why I ordered them. I usually use them up before next months box and am awaiting the next shipment.
(User of Graze Box, Male, 32, Houston)



With stitch fix you get to choose which ones you would like to keep and you send back the rest so that you only get charged for what you want. You do have to pay a \$20 minimum fee whether you keep anything or not so this usually encourages me to keep at least one item from the box. I have only had the subscription for two months and so far each time I have kept two items out of ten from the boxes. (Female, 33, Mishawaka)

Most popular types of boxes: beauty/grooming followed by food

Beauty/grooming boxes

1

Because:

- Get innovative products, seasonal products, new colors,
- Like to talk about with friends,
- People like to look good, use a lot of beauty products and lots of kinds,
- Save money, can try samples before investing in full-size products, some include full size products, good cost savings,
- Convenient (regular home delivery and pre-paid),
- Hear a lot about them; there seems to be a lot of them.

Food boxes

2

Because:

- Are like a gift basket delivered regularly (a treat),
- For snacks, healthy snacks, sweet treats (e.g. chocolate), beverages,
- For food that is not in local stores,
- For new/latest snacks/food,
- For people who like a wide variety of foods,
- More people are looking for healthier options,
- To get high quality food at a good price, with an expert selecting the best items.

Children's items boxes

3

- Because: to discover new innovative baby products, kids toys, without having to go to stores, people like getting new things for their kids, as kids grow up they need changing things.

Clothes/accessory boxes

4

- Because: people like getting popular clothes items

Tech/geek boxes

5

- Because: exciting to try/get new things




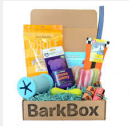



“

I definitely think beauty boxes are the most popular. There are a ton to choose from now and a lot of them offer an amazing value and some include full size products. You can spend \$25 on a subscription box and one of those items alone might retail for \$50. It's also exciting to get a surprise every month. (Female, 35, CA)





“

I think food subscription boxes are the most popular. Snacks specifically seem to be very popular. I think it's because everyone enjoys good snacks and want to try new ones. People also want a wide variety and don't want to have to go search for them. (Male, 32, Houston)

Brands: Birchbox is the most familiar and most used brand

| | | | AWARENESS | USAGE | REASONS FOR PURCHASE |
|--|-------------|---------|---|--|--|
|  | Birchbox | beauty | <ul style="list-style-type: none"> Most mentioned. | <ul style="list-style-type: none"> 4 respondents use Birchbox | <ul style="list-style-type: none"> Like trying new things, esp. before purchasing full sizes to avoid risk. Great value. Liked what friends were getting. |
|  | Graze | grocery | <ul style="list-style-type: none"> Mentioned by a few. | <ul style="list-style-type: none"> 3 respondents use Graze | <ul style="list-style-type: none"> A chance to try out new healthy snacks not tried before. High quality & delicious snacks. Great variety. |
|  | NatureBox | grocery | <ul style="list-style-type: none"> Mentioned by a few. | <ul style="list-style-type: none"> 2 respondents use Nature box | <ul style="list-style-type: none"> Want to change to a healthier lifestyle. To learn about healthy snacking. For healthy snacks that taste good. |
|  | BarkBox | dog | <ul style="list-style-type: none"> Mentioned by a few. | <ul style="list-style-type: none"> 2 respondents use Bark box | <ul style="list-style-type: none"> Love getting new items for dog to try every month. Products always practical. Special treat - to spoil dogs. |
|  | Ipsy | beauty | <ul style="list-style-type: none"> Mentioned by a few. | <ul style="list-style-type: none"> 3 respondents use Ipsy | <ul style="list-style-type: none"> Can customize what you receive. Affordable/ fair price/ great value. Great variety – love experimenting. Wanted what others received. |
|  | Julep Maven | beauty | <ul style="list-style-type: none"> Mentioned by a few. | <ul style="list-style-type: none"> 1 respondent uses Julep | <ul style="list-style-type: none"> Has great beauty products. <div data-bbox="1420 1225 1850 1318">  <p>I would be sad if it didn't exist. (Female, 39, MI)</p> </div> |

Brands: Beyond Birchbox, there are a wide range of other brands that people are familiar with and use

| | | | AWARENESS | USAGE | REASONS FOR PURCHASE |
|--|-------------------|-----------------------|---|--|--|
|  | Stitch Fix box | Clothing/ accessories | <ul style="list-style-type: none"> Mentioned by a few. | <ul style="list-style-type: none"> 3 respondents use | <ul style="list-style-type: none"> Friends use and like it. Enjoyable and beneficial. Great ways to get new, unique styles. |
|  | Dollar Shave Club | grooming | <ul style="list-style-type: none"> Mentioned by a few. | <ul style="list-style-type: none"> 3 respondents use | <ul style="list-style-type: none"> Cheaper way to buy razors. More convenient. |
|  | GlossyBox | beauty | <ul style="list-style-type: none"> Mentioned by a couple. | <ul style="list-style-type: none"> 1 respondent uses | <ul style="list-style-type: none"> Like trying new things. |
|  | Conscious Box | grocery | <ul style="list-style-type: none"> Mentioned by a couple. | <ul style="list-style-type: none"> 1 respondent uses | |
| OTHERS: | | | <p>Mentioned by 1 respondent each:</p> <ul style="list-style-type: none"> Pet boxes: Pet Patz, Pooch Perks Beauty: Beautyfix, Beauty Bar Baby: Bluum, Elmo's Learning Eco: Honest bundles box Grocery: Harry & David, The Cravory, BeerBoxer Miscellaneous: Fancy, Geekbox, Popsugar, Amazon subscribe & save | <p>Used by one respondent each:</p> <ul style="list-style-type: none"> Pooch Perks, MunchPak, Boxycharm, Honest, Cravory, Amazon, BeerBoxer, Beauty Fix | <ul style="list-style-type: none"> Honest box: Don't have to worry, items just get delivered each month. Beauty Fix: useful, healthy and qualified brands. |

All had bought their box/es for themselves, rather than receiving as a gift.

The Future: Most are looking to stay with their current box and/or purchase other box options for themselves or others

FUTURE PURCHASE INTENT of current box/es

Definitely yes:

- **Birchbox and Ipsy:** great value, cool/new products plus products you like, great deal, like having something to look forward to each month, a great gift option (as box looks high quality and like a pretty present)
- **NatureBox:** like the products, good quality, find out about new products that can continue buying at stores, like getting healthy snacks delivered every month.
- **Dollar Shave Club:** makes life easier, good price
- **Graze:** for variety of high quality goods and snacks, affordable, saves time, convenient.

Maybe not for:

- **Stitch Fix:** items seem expensive and maybe not a great deal.
- **Dollar Shave Club:** due to poor-quality products and does not advertise correct products.
- **BeerBoxer:** more expensive and questioning value.
- **Toys:** can't justify getting new toys every month.



Definitely! Overall, I'm extremely happy with Birchbox and Ipsy. They're a great deal and they'd be perfect gifts for anyone who likes beauty products. (Female, 35, CA)

FUTURE PURCHASE INTENT of other boxes/es

Some looking for additional boxes to subscribe to in future - to add to what they currently receive.

Some looking for better deal box options:

- For items they already purchase once a month.
- For clothing boxes (like Stitch Fix but more affordable)

Some looking for boxes with more personalized items (in the categories they like):

- E.g. for an alternative to Stitch Fix

Some looking to buy boxes for gifts in future and/or to suggest to others to receive as a gift.



I recently just cancelled the box. I actually want to check into similar clothing boxes to see if they are on par with the popular stitchfix. I've only kept about 5 pieces out of 8 shipments, so I want to see if another company can do a little better. (Female, 32, AR)



I would definitely buy subscription boxes again in the future, and definitely buy them as presents for other people! I think it's a fun gift that keeps on giving, and you don't need to do the shopping yourself! Finally the struggles for the perfect gift for husbands/fathers/brothers are over. (Female, 26, Tampa)

The Future: Expectations are that the market for monthly subscription box will continue to grow

Most expect monthly subscription boxes will be around for awhile (as long as internet shopping stays popular).

- Especially for items that are purchased regularly e.g. makeup, lotions, razors, coffee.
- Especially for boxes that offer great value e.g. beauty boxes.
- A few think, especially for high quality products (but others state they need to be affordable)

Some feel the number of subscription boxes **will increase in future** - coming from more companies in more categories.

Reasons:

- People like the **convenience**: For items that are purchased regularly, it is a convenient way to get them (delivered to home, auto-payment, auto-delivery). People are always looking for ways to do things easier, quicker and simpler, given lives are getting busier and busier.
- People like to get **new products**: subscription boxes are a great way to get new products regularly, without having to go hunting for them.
- People like **surprises**: 'an exciting habit'
- Mass market **still to be reached**: Many people have not heard of subscription boxes yet - so potential market still to be reached - yet to see how popular they may become.

A couple of **concerns** mentioned by a few were:

- A few are not sure if clothing boxes will last: unless they become more affordable.
- A few wonder if the companies will be able to provide enough incentive and value to keep customers, while still being profitable.
- A few felt that current subscription boxes may suffer when the large retailers (e.g. Walmart, Target) start providing monthly subscription boxes (at more affordable prices).



I think they will be around a while. I think it is a growing market. I think people like the convenience and possibly finding something they love without having to go out and hunt for it. (Female, 32, AR)

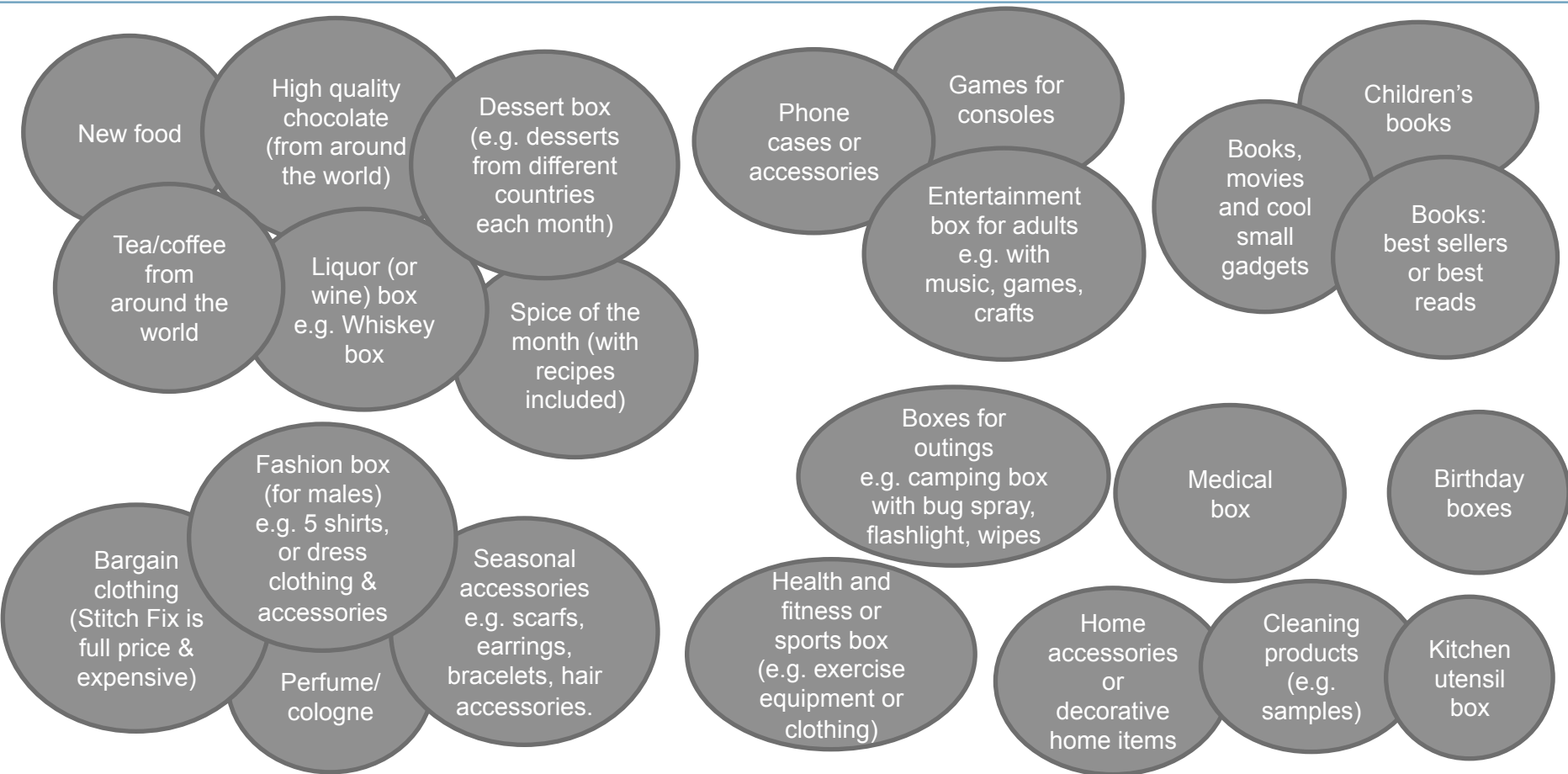


They will definitely be around. Number one advantage is convenience. My guess is big traditional companies will incorporate this into their business plans much like e-commerce sites. (Male, 36, LA)



I think there future is looking good! I think more companies will latch on to this and alot more boxes will be coming out. (Female, 27, Sacramento)

Innovation: When it comes to ideas for new types of boxes, there were a broad range of suggestions from respondents



“ Right now I think it would be really fun to get monthly subscription of children's books. Just a variety, every month. I know a lot of people are using e-books, but I prefer to have actual books, and I think it would be fun to see what you would receive every month. (Female, 27, Washington DC)

“ I'd like a dessert box! Trying new deserts around the world... having a new desert each month from a different country! Like one month you might get a box full of desserts from France or made like the ones in France and next month from Ireland or China make it exotic and fun. Having some fun facts about the desserts and about where they came from and recipes from that place that you could try at home. (Female, 27, Sacramento)

Innovation: The most popular ideas for new boxes include global food, high-end chocolate, spices, fitness & children's discovery

Most popular ideas

Boxes offering products from across the country or around the world (e.g. for coffee, chocolate, beer, snacks, desserts)

Fitness box: e.g. containing new clothes, exercise ideas, DVD, protein bar, running socks, food, coupons. To keep people excited about exercising.

High quality chocolate box (e.g. from Godiva)

Children's discovery box: including items/activities/online games based on a different educational theme each month e.g. oceans, safari, space.

Spice box: featuring a different spice per month and associated recipes. To be creative, learn and try new things.

Popular ideas – 2nd tier

Liquor boxes: featuring a different liquor each month with associated mixers, recipes and background information.

Toy box: that is tailored to interests, with toys can't get a regular stores – evolve as they get older.

Expand the Amazon Pantry box idea to other product categories e.g. soft goods, clothes, perishables. I.e. for a fixed monthly fee customers pick the items they want to fill up their box.

Top box: receive 4 tops per month in different styles based on personal preferences e.g. a graphic tee, a crop top, a dress shirt, a tank top.

Boxes offering mystery gifts

Other detailed ideas

“ I would make box for 0-4 year olds based on the month. For example now we are (almost) in July... have a swimsuit, some beach toys, a 4th July outfit, some summery snacks or coupons, sunscreen... essentials for the month! (Female, 26, Tampa)

“ A box every month that has one or two complete outfits. Maybe you get a dress, as well as jewellery and make up that all go together... Or a top with matching pants as well as a scarf and a pair of shoes. [All] reasonably priced items. (Female, 33, Mishawaka)

“ A monthly book service. You start out getting one free book to read. You fill out a profile to get books you like. If you write a review of the book, you earn points. You can earn more points for length and breadth of content. Once you earn enough points, you can enter the next tier - 2 books a month and so forth. (Female, 35, Iowa)

“ A "social" box that is also an app and bases your box on the most popular current items that are trending on social media. Or you could allow your members to interact with each other and post suggestions on the products they love and leave real time feedback on products. (Male, 29, Las Vegas)

APPENDIX



RESPONDENT PROFILE

| PARAMETER | TARGET AUDIENCE | ACTUAL AUDIENCE |
|--|---|---|
| Gender | Male and Female | 6 Male and 16 Female |
| Age | 18-40 years | 18-24 years: 2 25-34 years: 14 35-44 years: 6 |
| HH Income | \$40K+ | \$40K to \$69K: 10 \$70K to \$99K: 4 \$100K to \$149K: 6 \$150K to \$249K: 2 |
| Monthly subscription box purchase behavior | Have purchased a subscription of some sort either for themselves or for someone else. | 22 |
| Monthly subscription box usage behavior | Have used a subscription of some sort (as a present or as a purchase). | 22 |
| Monthly subscription box level of use | Have received more than one monthly subscription box. | Received 2-3 boxes: 6 Received 4-5 boxes: 3 Received 6 or more boxes: 13 |