

# **Thinking inside the box: an empirical exploration of Subscription retailing**

## **Abstract**

Subscription retailing is rapidly growing. However, existing understanding of this sector is limited. Through a large-scale survey of 1,356 UK consumers this paper develops a typology of subscription types and provides insight into the profile of consumers most likely to engage. The motives and barriers to subscription are assessed, providing clear guidance to retailers on the optimal positioning and marketing of their offers. This is the first empirical study in Europe, increasing our knowledge of consumers profiles, motives and barriers. Our findings have clear managerial implications for subscription service providers and a robust starting point for further academic research.

**Keywords:** Subscription Retailing; Innovation Adoption; On-Line Subscription; Subscription

## **1. Introduction**

The retail sector is characterised by rapid change, however, fuelled by economic pressures, new technologies and changing consumer habits, the evolution of the sector in the past 10 years has been particularly dramatic. The rise of on-line, multi and omni-channel retailing has been well researched and accounted, however, new and significant structural changes to the market continue (Grewal, et al. 2017). One such change is the advent and notable growth of subscription retailing (Gupta, et al. 2020).

Subscription retailing delivers products directly to the consumer on a regular schedule, often on a monthly or weekly basis. This is not an entirely new concept, with the model being applied to some product categories for many decades, notably print media (Saavedra and González,

2015) and fresh food (such as dairy) (Sharp, et al. 2002). However, the application of this business model to a wider range of household goods and services has gained traction in recent years and is rapidly growing. The first of these ‘new’ subscription retail offers is deemed to have been Birchbox, a beauty subscription retailer that delivers monthly samples to customers (Schifrin, 2016). Since this, a proliferation of subscription services can be observed in a variety of categories disrupting more established purchase practices. By 2016, the largest listed companies dedicated to the subscription business model generated more than \$2.6 billion in annual sales, up from just \$57 million in 2011 (Chen, et al. 2018).

Despite the rapid growth, market size and potential of subscription retailing, the sector is not without its challenges. The costs of attracting new customers are significant and churn rates of up to 70% are reported due to increased competition (Becker, et al. 2015). Surprisingly, few studies have been undertaken to identify consumers’ motives and barriers related to subscription adoption. Furthermore, while studies have highlighted the diversity that exists between different subscription retailing offers (Bischof, et al. 2020; Chen, et al. 2018), there is limited knowledge of whether consumers’ behaviour differs across different types of subscription services. Little is also known about which consumers are most likely to engage with subscription retailing or their preferences in this regard. Existing theories of Consumer Behaviour may be ill-equipped to help understand this nascent retail channel underscoring the need for further empirical consumer research.

To address this critical gap, this paper probes the attitudes, opinions, and behaviours through a survey of 1,356 consumers in the United Kingdom. Empirical evidence presented here assesses existing subscription retailing behaviours and identifies the demographic and situational characteristics of consumers that are most receptive to these offers. Furthermore, an

understanding of the motives and barriers for consumer subscription adoption is sought both for the sector as a whole, and for different subscription types.

## **2. Literature review**

Despite the significant growth of subscriptions, including consumer goods subscriptions in recent years, research in the area remains nascent. Related academic work has adopted a managerial perspective examining the attractiveness of subscription-like business models such as leasing in the computing software sector (Rappa, 2004; Zhang and Seidmann, 2014). A number of studies have considered the consumers perspective; however, the vast majority have focused on intangible product offerings such as telecommunications and entertainment (Dover and Murthi, 2006; Pauwels and Weiss, 2008) or print media (Saavedra and González, 2015). From a marketing perspective, subscription retailing has been examined as a means to generate repeat custom, nurture loyal consumers and thus increase a customer's lifetime value (Reinartz and Kumar, 2000; Sharp, et al. 2002).

Previous research provides only limited insight into the contemporary subscription retailing market of material goods (Bischof, et al. 2020). It is only in the last decade that studies have started to account consumer behaviours toward subscription retailing and acknowledge the diversity of different product offers that exist in this realm. Bischof et al. (2000) usefully offer a typology of existing subscription product offers proposing that there are three different but overlapping groups; access subscriptions – offering full access to a product in the exchange of small regular payments; replenishment – providing regular deliveries of frequently used products and discovery subscriptions – delivering trial sizes or 'surprise' packs of usually luxury products (Bischof, et al. 2020) (see appendix A for further detail on this typology).

While this typology appears intuitive, there are presently few studies on consumer attitudes and behaviours toward each type of subscription. Given their diverse nature, it is likely that consumer attitudes and behaviours differ depending on the type of subscription service being considered. Greater understanding is needed to ensure these consumer behaviours are well understood and can thus be targeted appropriately by providers. A small number of recent studies have started to examine consumer views on subscription offers, notably seeking to account the motives for engagement (Bhatt and Kim, 2018; Ramkumar and Woo, 2018; Tao and Xu, 2018a, 2018b) however, these studies all focus on one particular type of subscription offer and thus do not account any differences that may exist between types. Further, previous studies have all thus far focused on the fashion sector and do not have salience to other subscription types.

Ramkumar and Woo (2018) in their study of Fashion and Beauty Subscription Retailing highlight utilitarian and hedonic consumer motives that may act in accordance or in conflict in influencing consumers overall attitude formation. They highlight that the subscription retailer minimises or even replaces consumers' effort in search, evaluation and choice, offering a respite from the 'Decision Fatigue' that is often cited in contemporary Consumer Behaviour Literature (Polman and Vohs, 2016). It is posited that in contemporary society where variety and choice is present in many settings, consumers can find frequent decision making psychologically aversive (Yoon, et al. 2012). Decision Fatigue is one of the cited reasons for the growth of consumer voluntary simplicity (Shaw and Newholm, 2002) where, for example, a 'capsule wardrobe' (Lim and Bedford, 2019) may be adopted to reduce decision burden; simple colour coding of complex choice information holds efficacy (Bray, et al. 2019); and bundling of offers from a variety of providers is appealing to consumers (Smith, et al. 2018). As Polman and Vohs (2016) identify, it is possible that Subscription retail offers, which supply

goods regularly without the need for consumer thought or intervention, and even, in some cases, select which goods are sent may chime with this broader trend towards simplicity. This ‘intervention’ into the traditional consumer behaviour processes is likely to be valued more by time-poor consumers and those seeking ‘surprise’ in their consumption.

Tao and Xu (2018a) examine the influences on Fashion Subscription adoption, highlighting the influence of convenience, economic benefit, perceived enjoyment and the consumers’ likelihood to experiment with their appearance. Bhatt and Kim (2018) and Tao and Xu (2018b) also focus on Fashion Subscription, using qualitative samples of semi-structured interviews and focus groups, respectively. Bhatt and Kim (2018) identify Utilitarian subscription motives including convenience and value, Experiential shopping motives including adventure and gratification while Tao and Xu (2018b) highlight negative aspects of missing social shopping experiences and perceived hassle in cancelling subscriptions. These studies all provide some, limited insight into the motives and barriers for Subscription Services Retailing and comment on the consumers who are more likely to adopt such offers. The key findings are discussed in the subsequent sections.

### ***Adoption of New Technologies***

Given the on-line nature of contemporary Subscription Services Retailing, it is surprising that previous studies have not examined the topic from a technological perspective. Indeed, it is only Tao and Xu (2018b) who have introduced this perspective and related their qualitative findings to the diffusion of innovation.

The diffusion of innovation and consumer adoption of new technology has received considerable attention in consumer and marketing literature (e.g. Kaur, et al. 2020; Pantano

and Vanucci, 2020) and has clear linkage to the adoption of Online Subscription Retailing. The Diffusion of Innovation Theory (Rogers, 1995) proposes the actor passes through the five key stages of Knowledge; Persuasion, Decision, Implementation and Confirmation of the innovation decision. The readiness of an individual consumer to adopt an innovation earlier than other members in the social system is of interest to marketers since these ‘early adopters’ can prove powerful ‘influencers’ on the normalisation of the innovation to other consumers. The Diffusion of Innovation Theory goes further to identify five characteristics of innovations that affect consumers’ adoption decisions: 1) relative advantage vis-à-vis the more traditional options; 2) compatibility of the innovation with existing values, beliefs and experiences; 3) complexity; how easy or difficult is the new innovation perceived to be; 4) trialability; how easy or difficult it is to try the new innovation before it is fully adopted; 5) observability; how visible the innovation is to others. This framework provides insights into the factors likely to influence adoption of a new shopping method like Subscription Retailing. Indeed, Tao and Xu’s (2018b) study provides commentary of these elements drawn from their sample of two focus groups.

The widely applied Technology Acceptance Model TAM model (Davis, 1989) asserts that there are two key constructs influencing consumers’ attitudes towards using a new technology, namely Perceived Usefulness and Perceived Ease-of-Use. These two constructs are acted upon by external variables such as individual characteristics and situations. Since its original conception in 1989, many authors have proposed that additional constructs are needed. These proposals are varied, however, the most widely accepted additional constructs consider the effect of Trust, Perceived Risk and Experience level (Venkatesh and Bala, 2008), all of which may have salience with the adoption of Subscription Retailing. While existing literature provides many criticisms of the TAM model (Benbasat and Barki, 2007), it remains the most

widely cited model of technology adoption, possibly due to its conceptual parsimony. Its broad application across a wide range of technological contexts suggests that it may have a useful contribution to understanding subscription retailing, in conjunction with the other approaches outlined here.

Given the paucity of knowledge into Subscription Retail behaviours, seeking to simply apply the existing theoretical frameworks discussed here is not considered appropriate. Rather, this review of theoretical work serves to identify some of the key considerations and constructs that this study will consider alongside other aspects that may emerge inductively.

### ***Barriers and Motives to Subscription Retail Adoption***

Very little is known about the factors that motivate consumers to adopt subscription offers or the barriers to engagement. Some lessons might be drawn from general e-commerce and on-line shopping literature which highlight utilitarian and hedonic motives (Chiu, et al. 2014) and risk related concerns to be the most prominent barriers (Lian and Yen, 2014). Only very recently, two studies on subscription retailing have identified barriers to using these services. Tao and Xu (2018a) identified ‘missing social shopping experiences’ and ‘anticipated difficulties in cancelling subscriptions’ as barriers to engagement while Bischof et al. (2020) highlighted the ‘risk of receiving unappealing products’, discussing how free returns could ameliorate this barrier. However, considering the commercial impact of on-line returns, this might not always be viable (Oghazi et al. 2018). Moreover, poor product quality, dissatisfaction with the assortment and lack of perceived value are highlighted as key triggers to terminate subscriptions (Chen, et al. 2018).

A small number of studies have examined consumer motives to engage with subscription retailing, categorised as utilitarian and hedonic (Table 1). Convenience and value for money are commonly identified as utilitarian motives, while excitement and surprise are highlighted as key hedonic motives. It is noteworthy, however, that most existing studies have focused on Fashion or Fashion and Beauty subscription offers, with just one study being outside of this area examining e-books subscription. Given the diversity of subscription retail offers, there is only limited general understanding that can be drawn from current work (Bischof, et al. 2020). Additionally, the findings reported in Table 1 have all been drawn from small study samples, further limiting the confidence to which they can be generalised and reinforcing the need for additional research in this area.

<b>Study</b>	<b>Method</b>	<b>Context</b>	<b>Utilitarian Motives</b>	<b>Hedonic Motives</b>	<b>Other</b>
Bhatt and Kim, 2018	Semi-structured interviews (USA)	Fashion	Convenience; Value	Adventure; Self-Gratification; Excitement; Style experimentation	
Bischof, et al. 2020	Surveys (n=181, 194, 134; USA)	Fashion and Beauty		Surprise	
Hsiao and Chen, 2017	Survey (n=202; Taiwan)	e-books	Quality of content; Infrastructure; Price		Environmental concerns; Habit
Ramkumar and Woo, 2018	Survey (n=385; USA)	Fashion & Beauty	Cost saving; Convenience; Wide range; Information availability; Lack of sociality; Personalisation	Desire for unique products; Adventure/explore; Status.	
Tao and Xu, (2018a)	Survey (n=256; USA)	Fashion	Perceived usefulness; Convenience; Economic benefit;	Perceived enjoyment	
Tao and Xu, (2018b)	Focus groups (USA)	Fashion	Convenience; Opportunity to better manage apparel budget.	Consumer excitement, opportunities to try new styles,	Personalisation

Table 1: Motives for Subscribing to Retail Services



Apart from academic work, commercial research, such as a study by McKinsey & Company, provides some additional insight. Their online study of 5,093 US consumers found that recommendations, on-line reviews and word of mouth are key to consumers signing up for a subscription service (Chen, et al. 2018). Seeking newness is key to adoption of Discovery Subscriptions, while financial incentives such as discounts are strong motives for Replenishment subscriptions. For consumers to maintain their Subscription, value for money and personalisation of offer are reported as common considerations while convenience and being surprised and delighted exert positive effects on Replenishment and Discovery Subscriptions, respectively (Chen, et al. 2018). Surprise as a motive for subscription could prove to be highly powerful both when there is an anticipation of reward (a subscription box delivery) and when the reward is actually delivered (Grimmer and Mortimer, 2017). Although these findings are interesting, there is no similar study for Europe, further underscoring a clear gap in knowledge that this paper seeks to address.

Regarding consumer characteristics, only three studies have provided analysis of the consumers that are most likely to engage with Subscription services. For online media subscriptions in the US, Punj (2015) found spending to be related to income and education while willingness to pay was more strongly related to age and gender. Woo and Ramkumar (2018), focusing on the Fashion and Beauty sector, report that subscribers are more likely to be female and with a higher level of fashion consciousness. They found that high level of e-tailer trust was a predictor of subscription, but that age was not related to likelihood to subscribe. In contrast, Chen et al. (2018) in their larger survey did find age to be a significant predictor of subscription engagement, with those aged 25-44 being more likely to adopt a subscription offer. Furthermore, their study highlighted urban residents and those with higher incomes to be more likely to subscribe. Regarding product types, they found that women are

more likely to subscribe to beauty and apparel services while men are more likely to gravitate to razors, gaming and meal-kit subscriptions.

Although these studies provide some interesting insight into the topic, their findings are fragmented. In particular, the studies introduced here draw on narrow sample sizes, which limit their ability to effectively apply sub-group analysis. Furthermore, the majority of existing work have focused on Fashion and Beauty Subscription offers which are likely to be characterised by strong hedonic motivations and fall within the ‘Discovery Subscription’ classification. It is thereby unlikely that the findings of these studies would translate to Replenishment (such as the regular delivery of pet food) and Access Subscription (such as Video on Demand) types. Thus, there is a clear need for additional research on consumer attitudes and perceptions to Subscription Retailing, as well as for empirical work to enable a comparative analysis between Subscription types and consumer profiles.

### **3. Methodology**

#### *3.1 Research design and data*

Given the nascent nature of knowledge in this area, an inductive research design was considered mostly appropriate. Fragmented research on the topic and the lack of a consistent frame for consumers’ drivers suggested that the salient dimensions of subscription retail behaviour were largely masked and thus, an inductive approach would allow factors of importance to emerge dynamically during the study. To address this gap, inductive exploratory focus groups ( $n=3$ ) were used to inform the design of the questionnaire survey ( $n=1,356$ ). Since the purpose of focus groups was to inform survey design, the data are not reported here for paper economy but are available upon request.

The survey was hosted on a commercial platform and administered on-line. Dynamic routing and skip logic were used through the questionnaire to ensure that each respondent was only asked questions that were relevant to them based upon their prior responses. This helped to reduce questioning fatigue and drop-out. A link to the questionnaire was distributed by e-mail to a panel of 9,852 consumers. The consumer panel that was used was sourced through loyalty card data from a large Department Store Retailer in the United Kingdom and included strong representation of all key demographic groupings. Notably, some consumers included in the panel did not subscribe to any retail offers, while others subscribed to different kinds of offers, allowing perspectives to be considered from a range of knowledge and experience levels.

The survey adopted a mix of closed category and open-ended questions, enabling consumers to elaborate their views and provide responses that could not be anticipated by the researchers. Survey questions revolved around the factors that motivate or dissuade consumers to subscribe, their preferences and behaviour toward Subscription Retailing. More specifically, the survey comprised three parts: Part A asked respondents about their current subscription shopping habits using open questioning to supplement a list of 108 common subscription offers in the UK, identified through industry statistics and an on-line search. This enabled results to be distinguished between the various subscription types. Part 2 assessed respondents' attitudes toward subscription offers, their preferences and what would motivate or demotivate them to subscribe. Finally, Part 3 collected respondents' demographic information (age, gender, household composition, presence of children, income and employment) to observe differences between consumer sub-groups.

Key survey variables and groupings can be seen in Appendix B.

Full ethical approval and informed participant consent was gained prior to data collection.

### **3.2 Method of Analysis**

All close category (quantitative) data were cleaned and processed in SPSS version 26 while open-ended (qualitative) data were coded by emergent themes. Coding was conducted by two researchers independently and the degree of concordance was considered to ensure greatest rigour. The resultant themes were integrated with the data set to enable analysis by sub-group. A range of inferential statistical approaches, including Binary Logistics Regression, were used to probe the data set.

## **4. Results**

### **4.1 Sample overview**

Our usable sample included 1,356 valid responses. A response rate of 13.8% compares favourably against the average of 11% for online questionnaires (Fan and Yan, 2010). Table 2 summarises the characteristics of our sample.

Demographic	Categories	Frequency	Percentage (%)
Age	18-30	87	6.4%
	31-54	650	47.9%
	55+	398	29.4%
	Prefer not to say	215	15.9%
	Missing	6	0.4%
Gender	Male	238	17.6%
	Female	1,106	81.6%
	Prefer not to say	10	0.7%
	Missing	2	0.1%
Household Income	<£30,000	224	16.5%
	£30,000-£59,999	335	24.7%
	£60,000 +	375	27.7%
	Prefer not to say	421	31.0%
	Missing	1	0.1%

Table 2: Sample Characteristics n=1,356

### ***Current Behaviours***

Younger respondents (18-44) are more likely to subscribe to at least one offer (61.6% versus 42.3%  $\beta=-.41$ ;  $p=.001$ ) and to subscribe to more than one offer (24% versus 13.6%  $\beta=-.55$ ;  $p<.001$ ) compared to older respondents (45+). Respondents from households with higher incomes are more likely to subscribe to at least one or more than one offer than those from lower income households with a linear relationship with a variation from 41.7%  $<£20,000$  to 62.8%  $>£80,000$  ( $\beta=.20$ ;  $p=.015$ ) with respect to likelihood to subscribe to one offer and 12.6%  $<£20,000$  to 26.5%  $>£80,000$  ( $\beta=.23$ ;  $p=.023$ ) with respect to likelihood to subscribe to more than one offer. Respondents in full-time employment are more likely to subscribe to at least one offer (56.7%), compared to those employed part-time (47.1%) or unemployed (38.7%) ( $\beta=-.24$ ;  $p=.021$ ). In contrast to previous studies, which have notably focused on the Fashion and Beauty sector, more men (56.7%) reported having subscribed to at least one offer than women (48.8%), however, this difference is not significant. The presence or absence of children in the household, and household composition do not significantly alter behaviours with regard to likelihood to subscribing to one or more than one subscription service.

There are a number of significant behavioural differences between specific subscription retail types which are now presented.

### ***Home Entertainment***

Age has the strongest influence on subscription behaviour ( $\beta=-.64$ ;  $p<.001$ ) in this type of service with a linear decrease across age groups (59% of up 24-year olds to 18% of those 65+). Income has a positive linear influence ( $\beta=.28$ ;  $p=.001$ ; 22%  $<£20,000$  to 46%  $>£80,000$ ). Employment status is also influential ( $\beta=-.23$ ;  $p=.046$ ) where those in full-time employment (41%) are more likely to subscribe compared to those in part-time employment (31%) and

those unemployed (22%). Household composition and presence of children do not have a significant influence. Despite more men (42%) subscribing than women (32%), the association is not significant.

### ***Personal Care Services***

Subscription behaviour is influenced by presence of children ( $\beta=.25$ ;  $p=.022$ ; 24% of respondents with young children subscribe; 15% of those without children; 10% with adult children). Respondents with a household income of  $<£20,000$  are more likely to subscribe to Personal Care Services.

### ***Household/Housekeeping***

Presence of children exerts significant influence ( $\beta=.48$ ;  $p<.001$ ; 16% of respondents with young children, 7% of those without children, and 6% of those with adult children 6% subscribe).

### ***Hobbies***

No significant results were found for this category possibly due to the relatively small sample size in this area ( $n=46$ ).

### ***Luxury***

Household income positively influences adoption of Luxury Subscription Services ( $\beta=.46$ ;  $p<.001$ ), where a linear increase is evident, with 20% of respondents earning  $>£80,000$  subscribing compared to 5% earning  $<£20,000$ . Household composition also has a significant influence on consumers' behaviour ( $\beta=-.40$ ;  $p=.047$ ), where respondents who are single or live alone subscribe more (13%) than those co-habiting.

### *Motives for adopting Subscription Services*

‘Convenience’ and ‘Ease of use’ were the two most widely cited motives for adopting subscription services, reported by 22.3% and 20.9% of respondents, respectively, as key motivators in an open-ended question. Convenience was described by respondents as ‘*taking the hassle out of things*’. Through the ‘automation’ of the shopping process, time is saved, but furthermore, there is a cognitive release from not having to remember to order routine products, with respondents also commenting that ‘*dependability*’ and ‘*reliability*’ motivated them to undertake subscriptions. Some respondents commented on additional convenience elements including getting a ‘*bulk delivery*’ which reduced the need to lift heavy loads on a shopping trip. Ease of use is related to convenience but extends to factors such as ‘*simple sign up processes*’ and ‘*ease of cancelation*’ and as such relates more to the execution of the subscription service than the concept. Having the option to pause a subscription is more important to female shoppers ( $\beta=.51$ ;  $p=.006$ ), while convenience was more important to those with higher household incomes ( $\beta=.26$ ;  $p=.002$ ).

Furthermore, ‘value for money’ was highlighted as a key motive by 17.8% of respondents. The attraction of gaining products at a lower price was a key motive for many subscribers, but other aspects were evident, including receiving health and beauty product samples as part of a discovery subscription box to try before committing to a larger quantity. Additionally, respondents highlighted how subscriptions allowed them to ‘*spread the cost*’ and that they ‘*don’t miss a small monthly charge*’. Data suggests that value for money is a consistent motivator irrespective of the nature of the subscription service, although it influences younger consumers to a greater extent than older consumers ( $\beta=-.57$ ;  $p=.029$ ).

‘Gaining access to a wide variety of products’ was identified by 16.2% of respondents as being a key motivating factor. This factor was especially prevalent with regard to ‘home entertainment subscriptions’, such as Netflix, with the key motivating factor being the ability to ‘*access a wide range of programmes instantly*’, however, this factor is pertinent to all subscription types with respondents commenting on how subscriptions allowed them to ‘*try something new*’. This chimes with 16.1% of respondents who commented on being motivated to engage with subscription retail in order to stay updated and discover new things. Responses of this nature highlighted that for many subscribers, receiving a surprise created some excitement and felt like ‘*receiving a present*’.

### ***Barriers for adopting Subscription Services***

While ‘value for money’ was highlighted as a motive, it was also a prominent barrier, with 36.6% of respondents highlighting concerns. Specific concerns included ‘*you end up paying for something that you rarely use*’ and the thought that ‘*you pay for some products that you don’t want as part of the package*’. Other respondents identified price increases after an initial period as a barrier to adoption along with unclear notification of charges.

‘Commitment’ also emerged as a key barrier, with 30.2% identifying being ‘*tied-in*’ and difficulties in changing or cancelling subscriptions as major considerations for subscription adoption. Many respondents (16%) highlighted their preference to choose and discover products themselves when they needed them, avoiding subscriptions for this reason. ‘Perceived poor quality’ of products or subscription offer (15.7% respondents) and ‘ending up with too much or the wrong products’ (8.3%) were also prominent barriers to subscription adoption.



Table 3 outlines the percentage of existing subscribers to each subscription type identifying each of these key motives and barriers to adoption. While some commonality can be observed, notable differences exist.

		<b>Subscription Service</b>				
		Home Entertainment	Personal Care	Household/ Housekeeping	Hobbies	Luxury
<b>Motives</b>	Convenience	16%	14%	19%	22%	20%
	Ease of Use	19%	14%	21%	20%	19%
	Value for Money	12%	17%	18%	13%	17%
	Variety & Choice	14%	8%	5%	7%	10%
	Discover New Products	12%	17%	13%	17%	12%
<b>Barriers</b>	Poor Value for Money	24%	23%	19%	22%	28%
	Commitment	17%	16%	10%	11%	17%
	Quality Concerns	12%	9%	8%	11%	8%
	End up with too much	7%	4%	4%	4%	8%

Table 3: Motives and Barriers by type of Subscription Service.

## Discussion

Market data highlights how rapidly the Subscription Retailing sector is growing (Chen, et al. 2018). Our study finds that while consumers understand Subscription Retailing as a concept, they often lack awareness of the range of products and services available. Greater diffusion and adoption of subscription retailing depends on providers working effectively to generate awareness of their offers. These efforts can be undertaken in a more targeted manner given the profiling of the consumer types presented, for the first time, in this paper.

In common with the adoption of many technological innovations, younger consumers (18-44) are significantly more likely to subscribe to retail offers than older consumers. Our findings highlight increased propensity to subscribe also being linked with higher levels of household income and employment status. Those working longer hours; i.e. in full time employment are more likely to subscribe, indicating the time saving and convenience benefits. Key differences in subscription shopping habits have been assessed. For example, in contrast to the overall trends, consumers most likely to engage with Personal Care subscriptions are those with lower incomes and those parenting young children.

While the Technology Adoption Model (Davis, 1989) identifies Perceived Usefulness and Perceived Ease-of-Use as key constructs influencing the adoption of innovations, our study has identified a wider range of Motives and Barriers to the adoption of subscription services as summarised in Figure i. While many studies relating to on-line shopping behaviours highlight trust as a key consideration (Venkatesh and Bala, 2008), this factor was absent from our responses; consumers appear to accept their virtual interactions such that trust is no longer a consideration. However, consumers are still seeking trialability of offers. Trialability was highlighted by Rogers (1995) as a key element in the Diffusion of Innovations: the ability to

and ease of cancellation has been highlighted as influential in encouraging adoption. Previous studies have identified the importance of returns policies, however, our qualitative findings identified that consumers are willing to try a new subscription service and accept some risk in doing so. They would not seek a strong returns policy but rather easy options to cancel their subscription. This ameliorates the high cost of on-line retail returns, however, stresses the importance to continually offer compelling products and services to reduce costly customer churn rates (Becker, et al. 2015).

While previous studies have identified hedonic motives such as surprise and excitement as being prominent (Bhatt and Kim, 2018), our data demonstrates how utilitarian motives exert greater influence. The motives of convenience and ease chime with the ability for subscriptions to reduce or even replace consumers' effort in search, evaluation and choice to simplify consumption habits and reduce decision fatigue (Polman and Vohs, 2016). This new perspective is likely due to the broader spectrum of subscription offers that were researched, extending knowledge from the Fashion and Beauty contexts that dominate in existing published works. Indeed, our data highlights the increased importance of hedonic motives such as the 'discovery of new items' in product categories such as Personal Care and Hobbies, but even in these categories, utilitarian motives such as 'value for money', 'convenience' and 'ease of use' are as strongly influential.

Figure i compiles these empirical findings to provide a holistic account of subscription influences and behaviours.

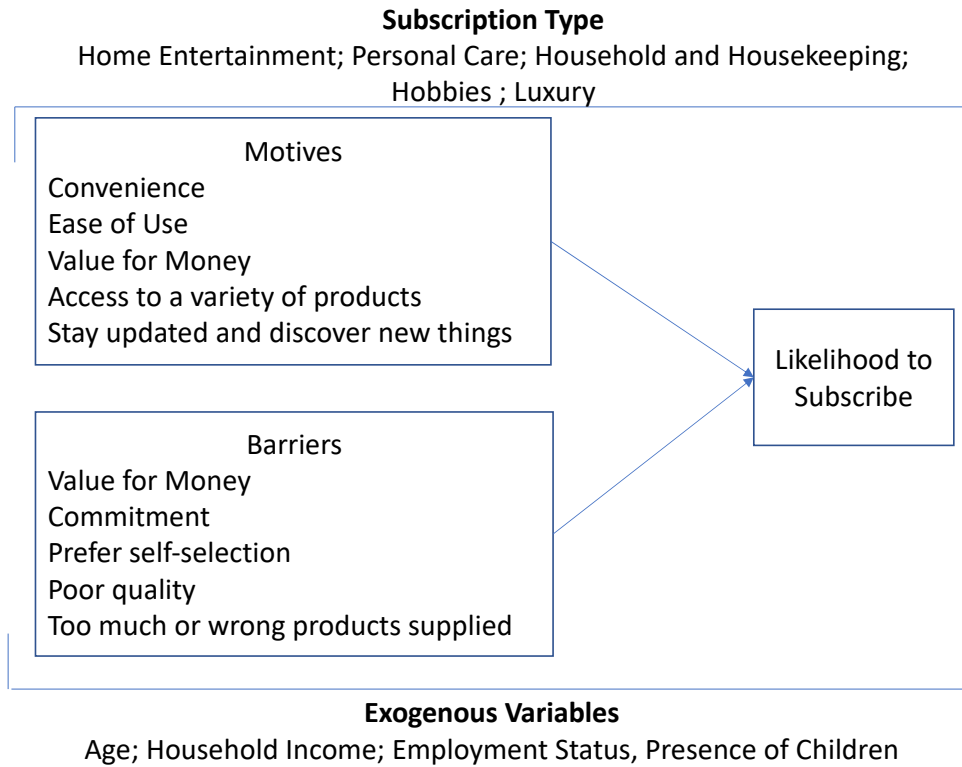


Figure i: Subscription Retailing Adoption

## Conclusions and Managerial Implications

Given the size and growth of Subscription Retailing, the dearth of empirical studies seeking to understand the phenomenon is surprising. Previous work was limited in terms of geographical focus (most studies set in the US), relatively small samples, and an emphasis on specific types of subscriptions; predominantly Fashion & Beauty. However, in this study we find that just 19% of all subscriptions are within the Fashion & Beauty sectors, highlighting the need for more complete analysis of the Subscription market. This study makes an important step to

address this gap, drawing on a large sample of consumers in the UK and exploring their attitudes towards different kinds of subscription offers.

Despite its large sample study and rich empirical evidence, this paper is positioned as exploratory in nature. It presents, for the first time, a thorough audit of consumers' views and behaviours toward Subscription Retailing, considering differences across demographic groups. Our findings advance knowledge in this burgeoning area of retailing significantly and enable traditional retailers and subscription specialising firms alike to understand better consumers' motives and barriers when considering the adoption of such a service. The findings not only elucidate those consumer groups that are more likely to be receptive to subscription retail offers, but provides clear insight into the differing consumer attitudes, opinions and behaviours toward different types of subscription services. Taken together, these new insights provide clear managerial implications for retailers and retail marketers to enhance their subscription offers and adjust their marketing to more effectively target consumers in each of the different subscription retail types.

It is well reported how on-line and more recently subscription retail services have grown in scale and importance in recent years. The events of 2020 have accelerated this shift toward remote forms of consumption considerably further enhancing the value of research insights in this area.

### ***Directions for future research***

As the Subscription Services market continues to grow, there is a need for additional studies to be conducted, further probing the relationships between the factors identified by this study. While Fashion and Beauty Subscription Services have, thus far, been afforded greatest

attention by academic research, it is clear that these offers constitute just a small fraction of the total market: studies focusing on other subscription types such as Home Entertainment or Household offers could offer additional strong managerial implications.

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Appendix A – A typology of subscription service offers (Bischof et al. 2020)

**Access Subscriptions** are historically the most common form of subscription providing access to products, content, service or media (Chen et al. 2018), such as Netflix and Spotify. Chen et al. (2018) report that access subscriptions account for 13% of all subscriptions.

**Replenishment subscriptions** offer regular delivery of products in categories such as toiletries, beauty and pet food that are consumed consistently and on a regular basis (Weinswig 2018). Dedicated on-line providers and established retailers such as Amazon's Subscribe and Save scheme and large Fast Moving Consumer Goods manufacturers offer their products directly to consumers on a subscription basis (e.g. Gillette on Demand). Chen et al. (2018) report that replenishment subscriptions account for 32% of all subscriptions.

**Discovery subscriptions** (also called Curated subscriptions) bring new products and ideas to consumers. These subscriptions include children edutainment kits, beauty boxes where established brands supply samples to service providers and meal kits providing recipes and ingredients. Chen et al. (2018) report that discovery subscriptions account for 55% of all subscriptions.

#### Appendix B. List of variables and groupings

<i>VARIABLE</i>	<i>TYPE</i>	<i>GROUPING</i>
<b>SUBS</b>	Binary	Subscribers; non-subscribers
<b>SUBS&gt;1</b>	Binary	Subscribers to >1 type of service; Subscribers to 1 service
<b>CLUSTER</b>		
Home Entertainment (Cluster 1)	Binary	Subscribers to Video on Demand and/or Gaming services; Non-subscribers to such services
Personal care (Cluster 2)		Subscribers to Health and Fitness, Beauty and/or Clothing services; Non-subscribers to such services
Household (Cluster 3)		Subscribers to Food, Pet food and/or Kids services; Non- subscribers to such services
Hobbies (Cluster 4)		Subscribers to Arts and Crafts and/or Flowers services; Non- subscribers to such services
Luxury (Cluster 5)		Subscribers to Lifestyle, Alcohol and/or Global experiences; Non-subscribers to such services
<b>PRIORITY</b>		
Value for money	Ordinal	Very important; important; moderately important; slightly important; not important at all
Payment Options		
Quality of products		
Type of subscription		
Brand		
Delivery charges		
Length of subscription		
Option for gifting		
Option to pause		
Exclusive products		
Discovery of new products		
Convenience		
<b>MOTIVES</b>		
Pros	Categorical	Ease of use; Value for money; Special features
Cons		Commitment; Poor quality; Inconveniences
<b>BARRIERS</b>		
Reason for not being interested to subscribe	Categorical	Commitment; Independence of choice; Low value for money
Reason for not subscribing despite being interested	Categorical	Low awareness; Not tempting/suitable products; Cost
<b>DEMOGRAPHICS</b>		
Gender	Binary	Male; Female
Age	Ordinal	18–24; 25–44; 45–64; 65+
Children custody	Categorical	No children; Underaged children, Children over 18 yrs old
Household composition	Categorical	Alone; Friends/flatmates; Close family; Extended family
Income	Ordinal	<£19,999; <49,999; <79,999; >£80,000

Employment	Ordinal	Working FT; Working PT or FT education; Housewife/- husband or unemployed or retired
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