

The State of the UK Subscriptions Market

How to
successfully
navigate a
competitive
landscape



Table of Contents

● Spotlight on the UK Subscriptions Market	3
● In Numbers: UK Consumer Appetite for Subscriptions	4
● Why Do People Use Subscriptions?	5
● Most Popular Subscriptions Categories	6
● What Do Subscribers Want?	7
● How To Maximise Subscriptions Growth	8
● How Parcelhub Can Help You Deliver	10

Spotlight on the UK Subscriptions Market

The UK subscriptions market finds itself at a crossroads. On the one hand, this fast-moving and lucrative segment continues to grow with Brits spending £20bn a year on subscription services.

However, factors such as the cost-of-living, increased competition, subscription fatigue, customer churn, and a demand for more flexibility weigh heavily on subscription-based retailers.



Cost-of-living crisis continues to cast a shadow

UK inflation fell below the Bank of England's 2% target in September 2024. However, economic headwinds remain. High energy prices, slow wage growth and the Government's ambition to tackle the public finances will have knock-on effects for both business and personal spending.



Red-hot competition piles pressure on retailers

Retention is the watchword right now. Yet research from Chargebee found that 96% of subscription leaders acknowledge that cancellations occur for reasons that can be managed or resolved.



Consumer demands will test subscription models

A 2023 report from Recurly found that "ease of cancellation" is attractive to 84% of new sign-ups. It also revealed that offering cheaper subscriptions with longer agreements could help reduce churn by 42%, showcasing the need for flexibility.

In Numbers: UK Consumer Appetite for Subscriptions

eCommerce retailers continue to reap the benefits of the UK consumers' love affair with subscriptions. From streaming to shoes, billions is spent each year by Brits on products and services.

In the UK alone...

£20bn

Amount spent each year on subscription services

4 in 5

UK adults signed-up to at least one subscription

£500

Average yearly spend on subscription services

£2bn

Amount spent by Brits each year on subscription boxes

Subscribers benefit from an affordable and convenient way to access their favourite products and discover something new.



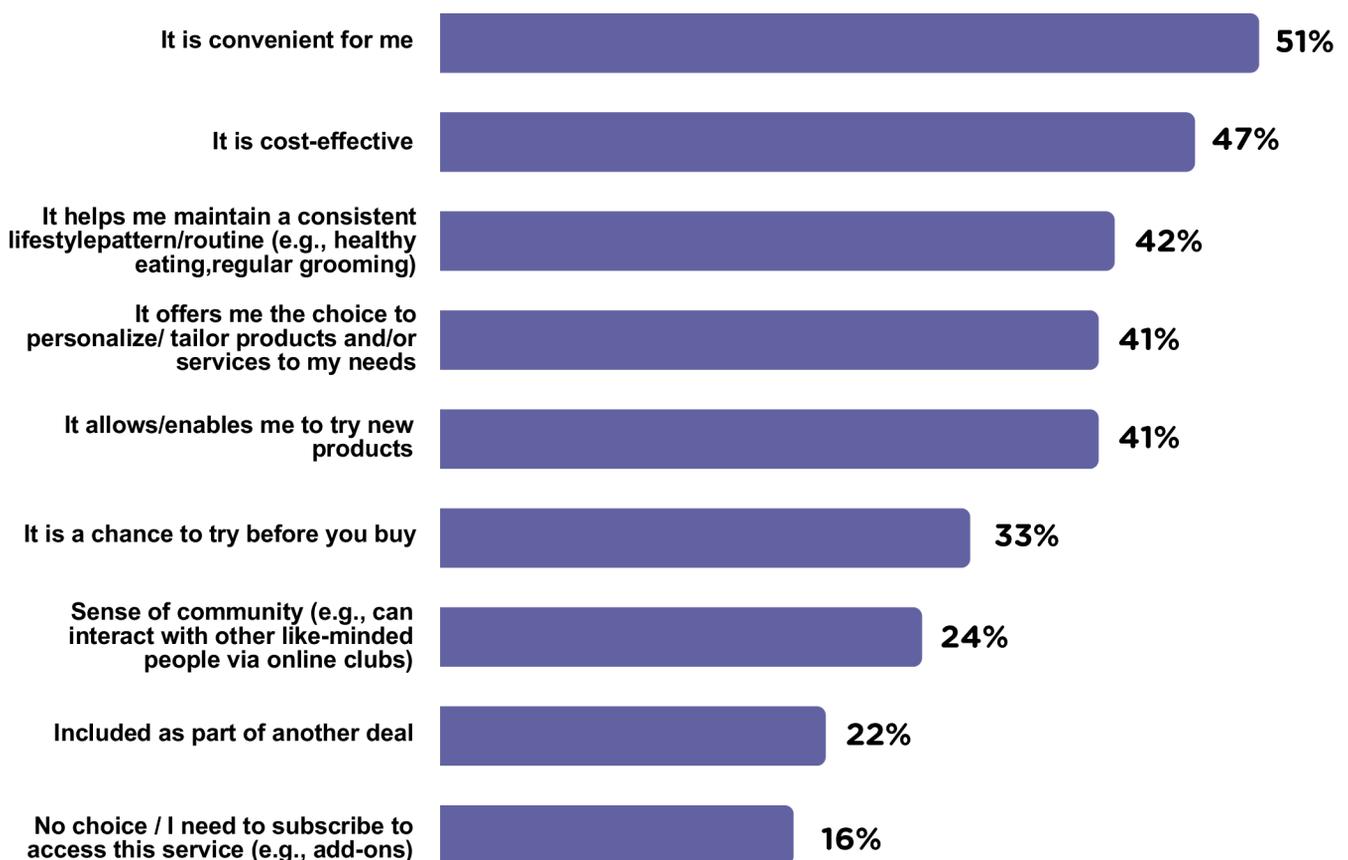
Retailers benefit from recurring revenue and the opportunity to build personalised connections with their customers.

Why Do People Use Subscriptions?

In the UK, a 2020 study by Royal Mail found that 47% of consumers opt for subscriptions for price reasons. Meanwhile, 41% preferred them for their convenience, 39% used them for treats and 18% made use of subscriptions for gifting.

These trends are broadly matched across the globe with convenience and price featuring prominently. More recent research by PwC also highlights the desirability of personalisation and community.

Leading reasons to use product/service subscriptions worldwide in 2023



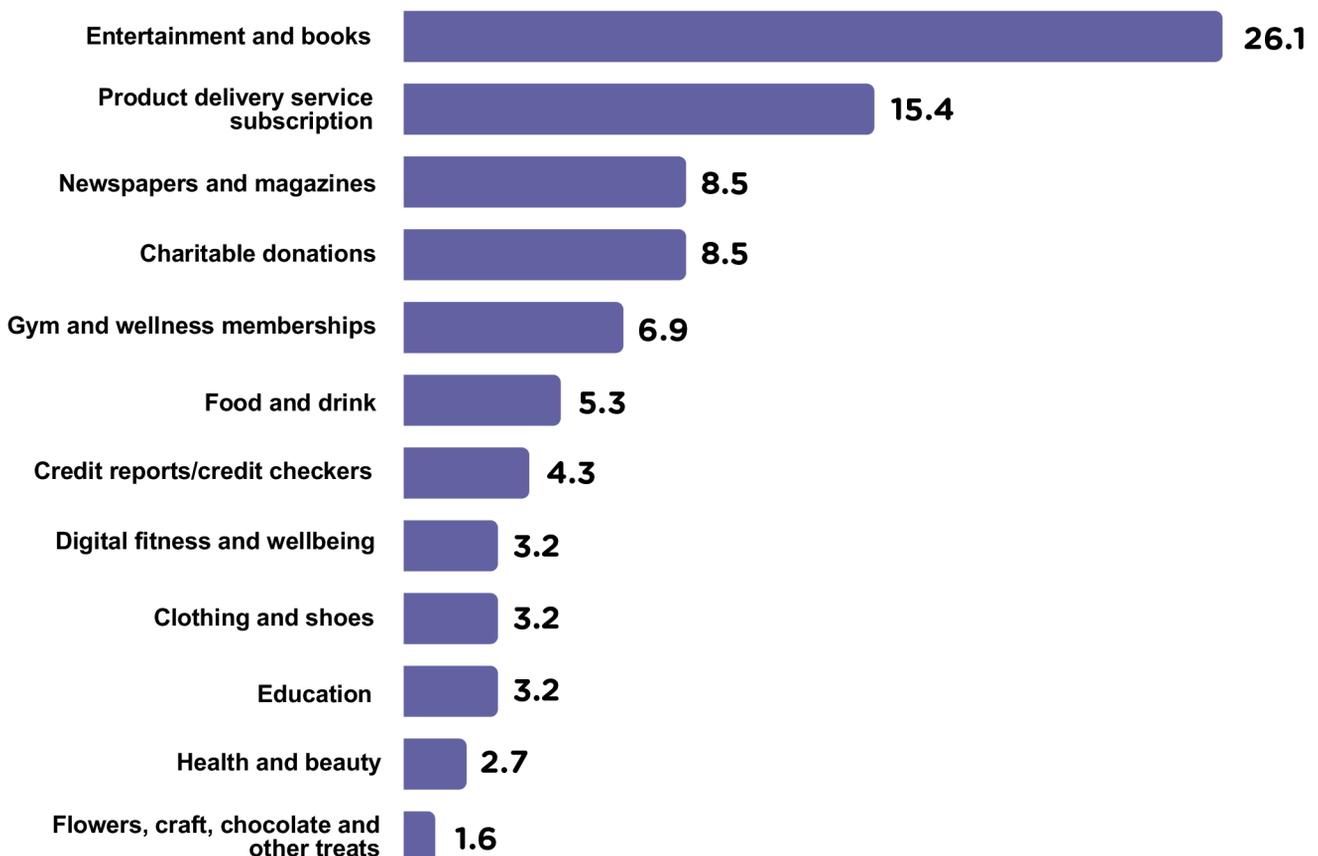
Most Popular UK Subscription Categories

Entertainment is the most popular type of subscription service with UK consumers. Around half (49%) of UK adults regularly pay for platforms such as Netflix or Spotify.

Subscription boxes (product delivery services) are next on the list with over 15.4m Brits taking advantage of their affordability and convenience. Newspapers and magazines also remain popular alongside Food and Drink, Clothing, and Health and Wellbeing subscription options.

Almost half of UK adults (49%) have an entertainment or book subscription

The most popular subscription services, by number of households subscribed, 2023 (in millions)



What Do Subscribers Want?

Here's a few of the emerging trends that are shaping consumer behaviour and attitudes towards their subscriptions:

Flexibility

- Providing self-management tools, including the ability to cancel or customise subscriptions, is a key differentiator.
- Almost a third (28%) of UK consumers think it's important for an online retailer to offer a subscription service.

Personalisation

- A McKinsey report found that personalisation can reduce customer acquisition costs by 50% or more.
- Research commissioned by Forrester revealed that 77% of consumers prefer brands that provide personalised experiences.

Sustainability

- 81% of UK consumers prefer eco-friendly packaging materials.
- Four-fifths (80%) of UK consumers believe online shipments contain too much packaging.

Innovation & Payments

- The subscription software market is predicted to be worth \$US10.5bn by the end of 2025, highlighting both retailer and consumer demand for technology that makes it easier to manage subscriptions.
- Research by payments provider, Bango, found that 78% of consumers would prefer a single platform for all their subscriptions. A similar amount (77%) would like their subscriptions bundled into one monthly payment.

Failure to keep up with consumer demands can have a huge impact on your subscriptions business. According to global research from PwC, these are the main reasons for cancelling a subscription:

- "I no longer had a need for this subscription" (39%)
- "Too expensive" (39%)
- "There were unexpected/increasing fees" (31%)
- "It did not suit my lifestyle" (26%)
- "Product quality was inconsistent" (25%)
- "I was unable to customise my subscription" (23%)

How to Maximise Subscriptions Growth

As the UK subscriptions market continues to grow, competition will intensify. Therefore, having regular insight into current consumer trends and behaviour is essential if you wish to maximise growth and stay ahead of the curve.

Here's 5 ways to optimise your subscriptions offering:

Optimise for Growth

It's important to strike a balance between acquisition and retention. Data released within the SubscriptionX Report 2024 found that 87% of subscription leaders believe that retaining customers is as important or more important than acquiring them. Your entire customer journey needs to be optimised for growth with an easy sign-up process and onboarding matched by an exceptional customer experience that will help to maintain growth and avoid churn.



Know Your Audience

You should continually analyse your customer base as this is likely to change over time. Conducting regular reviews will provide insight into any changes or spot any emerging patterns, particularly as you begin to grow your list of subscribers. Collecting and analysing your reviews is also crucial to understanding your customer's preferences, your products' favourability and quality, as well as attitudes towards your pricing strategy. By opening strong two-way communication channels, you can build better customer relationships.



Nurture Customer Loyalty

Providing a consistently high-quality service and introducing feedback loops is at the heart of building loyalty. But you will also need to maintain interest in what you're selling. To do so you may wish to think about introducing personalised offers or incentives, while changing selections regularly. If your customers lose interest in the service and products, they are more likely to cancel their subscription.



Analyse, Test and Learn

Continuous learning and refinement is the main theme of this list. It extends to all elements of your subscription model, from product selection to packaging, pricing and the cost of your operations.



James Hayes, Director of Business Development at the Whistl Group, says: "Selling more products is excellent, but you'll fail fast if you can't keep up with orders. Stress test your operation to see what output you can achieve, then work out if you need any additional headcount, need to adjust shift patterns or need more space to pack all the new orders."

Be Adaptable

The subscriptions market is evolving rapidly. New competitors with differentiated offerings will continue to enter the market while external factors such as supply chain issues or increased operational costs will remain a potential threat that has to be managed. Your subscription model will need to remain adaptable to ensure growth in a dynamic environment.



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