

2018 SNAPFULFIL AND SUBTA STATE OF SUBSCRIPTION COMMERCE REPORT

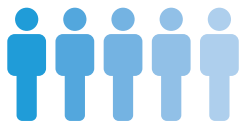
A survey of 86 subscription commerce companies, powered by Snapfulfil WMS and the Subscription Trade Association (SUBTA), provides an inside look at retail's next frontier, from the shipping models dominating the industry to the logistical challenges complicating fulfillment.

SMALL TEAMS, BIG TASKS

Forty-seven percent of today's subscription-based offerings launched in the last 12 months.

The relative infancy of many subcom offerings could explain the typical provider's staff size.

70% of subcom offerings



rely on five or fewer employees to manage their fulfillment operations.

SIGN UP AND STAY TUNED

Many subscription offerings have yet to find a wide audience – **66** percent of providers have 1,000 or fewer monthly subscribers, while **16** percent have 11,000 or more monthly subscribers.

66%
of providers have
1,000 or less monthly
subscribers



The good news: Subscribers tend to stick around. **30** percent of offerings experience **10** percent or less monthly member churn, while only **12** percent experienced more than **25** percent churn.

IT'S THE LITTLE THINGS

Today's subcom providers focus more on specialized offerings than delivering everyday items. **Sixty-five** percent of offerings fall under the curation model, where the provider selects items for customers based on knowledge of their tastes, while **14** percent follow the continuity model, where customers receive needed items – i.e. pet food or razors – on a defined schedule.



The contents of a subcom box might be a surprise, but the arrival date often isn't. **Fifty-seven** percent of providers ship all subscriptions at the same time each month, while **19** percent stagger shipments.

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DON'T STOP THINKING ABOUT TOMORROW

Subcom providers have a vested interest in ensuring speed and accuracy both within the warehouse and once an order has shipped. However, nearly half also said they're concerned about whether their warehouse has the tools to sustain an ever-growing customer base. For the **74** percent of warehouses that still rely on paper- or spreadsheet-based warehouse management processes, these concerns may soon manifest themselves as roadblocks.

Subcom providers' greatest fulfillment challenges:



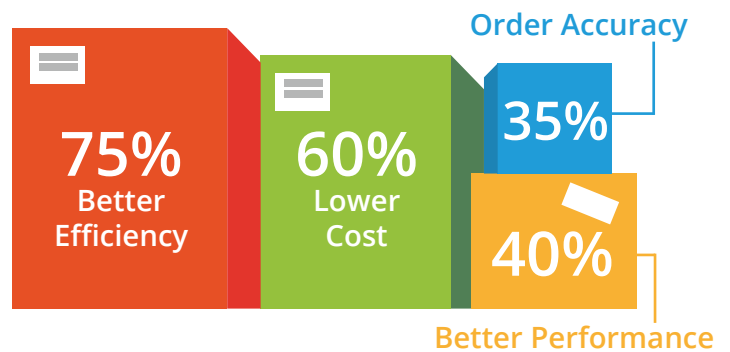
MORE SURPRISES, FEWER STRINGS

Sixty-five percent of subcom providers will consider box returns depending on the circumstances. The caveat: providers often require the entire box to be returned. **Eighty-four** percent of subscription offerings will not consider partial refunds for individual box elements.



FULFILLMENT: CONTROL OR CONVENIENCE?

The majority – **75** percent – of subcom providers choose to maintain control over their fulfillment processes by keeping them in house. The **25** percent who use third-party logistics (3PL) providers chose to outsource because of:



3PL users aren't planning a mass exodus anytime soon. **Seventy-five** percent plan to maintain their current relationships or aren't currently considering a change. 3PL users also tend to be more established; **50** percent have worked with a 3PL for 2-5 years, while another **20** percent have worked with a 3PL for more than five years.

Of the users planning to at least partially revert back to in-house, two reasons are most prevalent: cost (**40** percent) and better control (**40** percent).

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THE SUPPLY'S THE LIMIT

In 2017, most subcom providers (**88** percent) earned \$5 million or less in revenue – but many are quite optimistic about 2018.



40%
believe they'll see revenue growth of **26-100** percent



31%
believe they'll see revenue growth of at least **100** percent

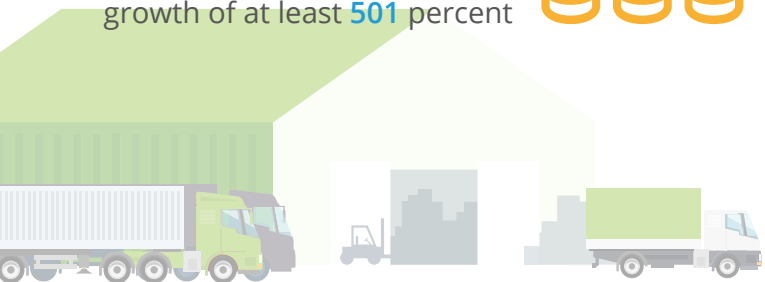
The outlook is even brighter over the next five years.

65%

believe they'll see revenue growth of at least **100** percent

36%

believe they'll see revenue growth of at least **501** percent



ABOUT SNAPFULFIL

Snapfulfil is a best of breed, real-time warehouse management system which drives highly efficient warehouse operations, allowing companies to do more with the same or less resources.

Thanks to its unique blend of Tier 1 WMS functionality, proven delivery methodology and enterprise class IT infrastructure, more and more companies are turning to Snapfulfil to optimize inventory, space and labor within their warehouses.

Offering a range of deployment methods and payment options, including its unique, No Capex model, whatever the warehousing challenge, Snapfulfil offers a solution.

ABOUT SUBTA

The Subscription Trade Association (SUBTA), located in the Detroit suburb of Royal Oak, Mich., is a global network built for today's industry leaders, innovators and partners who are driving the rapid evolution of how consumers discover, buy and experience new products.

Launched in 2017, the association's mission is to support the growth of subscription businesses through: networking, professional development, customer service benchmarking, profitable growth and fostering a socially conscious subscription box industry.

ABOUT THE 2018 SNAPFULFIL AND SUBTA STATE OF SUBSCRIPTION COMMERCE REPORT

Snapfulfil partnered with the Subscription Trade Association (SUBTA) to survey subscription box operators between March and April 2018. Respondents to the online survey included a total of 86 subcom operators.