



Now that we subscribe to music, are tools and toiletries next?

Opportunities and challenges for tangible goods subscriptions

Sustainable transitions | circular economy

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Introduction

Success of information-goods' subscriptions inspires others

Subscriptions for consumer goods have been around for a long time: think about newspaper, magazine or telephone subscriptions. The internet, with its vast reduction in transaction costs, has boosted possibilities for consumer subscriptions. Low-cost video and music-on-demand subscriptions show impressive growth, which is largely driven by negligible marginal costs per extra user, instant access to a personalised product and massive amounts of valuable customer data. This success has inspired other companies to offer **tangible goods (both durable and consumable)** on a subscription basis; vegetables, razor blades, clothes, glasses, laptops and washing machines are now available for subscription in numerous countries.

The big questions for subscriptions to tangible goods

Concerning consumable and durable goods, there is still much to unravel:

“How large is this part of the subscription economy? Does it have potential? What drives it? Can tangible good subscriptions mimic the impressive growth of information goods subscriptions? And what are typical success factors for businesses?”

In this report, the ING Economics Department aims to provide valuable answers to these questions. For this study, 11,000 Europeans were questioned about the subscription economy: 1,000 respondents in 11 countries, representative for their populations. In addition, 12 experts were interviewed about their knowledge and experience of offering goods subscriptions to consumers.

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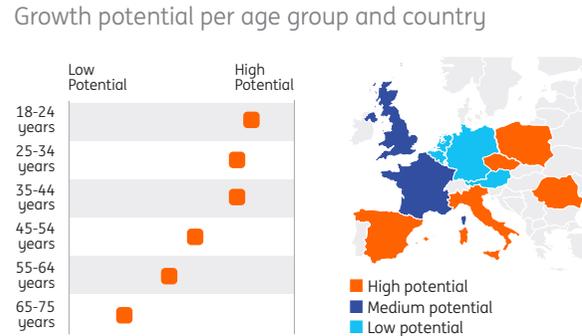
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Summary

1 Europeans households spend a monthly average of € 130 on all subscriptions



3 Younger age groups and Eastern and Southern Europeans most eager to take on more tangible goods subscriptions



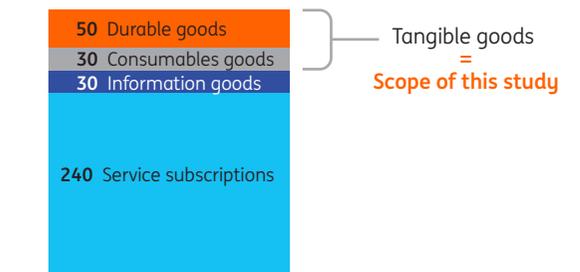
5 In consumable subscriptions, Europeans value the convenience of home delivery and reducing the 'out of stock' risk

Top 3 most valued by Europeans in consumables subscriptions

- Home delivery
- Never out of stock
- Cheaper than buying



2 Subscriptions to tangible goods account for about € 80 billion in total
Share within B2C subscription economy, in billion euros



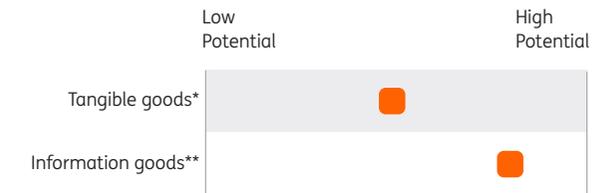
4 In durable goods subscriptions, Europeans value accessibility to a modern product while avoiding repair risk

Top 3 most valued by Europeans in durable goods subscriptions

- No risk of maintenance or repair cost
- Always a modern or up to date product
- High quality product without paying a high purchase price



6 For tangible goods subscriptions the outlook is not as bright as for information goods subscriptions:



* Average of 20 physical goods product types
** Average of 7 information goods product types

What is this study about?

Scope: subscription of tangible goods in B2C market

Scope: only business to consumer

The subscription economy we review in this publication addresses the **business-to-consumer market** (B2C). The business-to-business market (B2B) and sharing economy (C2C) are not within the scope of this study. B2C ‘carsharing’ concepts are within scope if they include a periodical contract. We do not see them as part of the sharing economy, which we see as purely consumer to consumer. For those who are interested, read our previous publications on the sharing economy ([English](#), [Dutch](#)) and [B2B product-as-a-service models](#).

Scope: tangible goods

The main focus of this report: **durable goods** subscriptions and subscriptions to **consumables**. Service subscriptions and information goods subscriptions are only briefly addressed in this study. As mentioned, the nature of tangible goods subscriptions is very different from information goods subscriptions. The question is whether physical goods subscriptions can mimic the impressive growth of information goods subscriptions.

Subscriptions and the circular economy

B2C subscription models can benefit the circular economy...

Subscription models in the B2C market can benefit the circular economy. In a **circular economy**, society and businesses change their production and consumption values from a ‘take, make and waste’ approach to a ‘reduce, reuse and recycle’ approach. Take for instance a producer of washing machines that offers its product as a service through a subscription model. The supplier adds to the circular economy if he gives the washing machine a second life or reuses it after the initial consumer stops using the service.

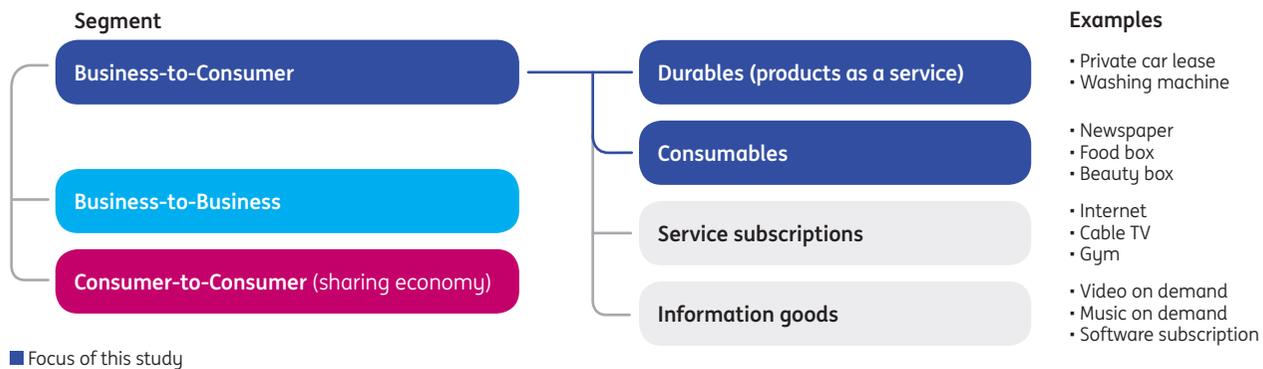
...as they do in the B2B market...

In the B2B market, manufacturers slowly transition from a sales-model via maintenance-model to a service model, **as we reported** earlier. Examples are Managed Print Services (the outsourcing of print management), ‘light-as-a-service’ (Philips) and ‘payment by suitcase’ airport baggage handling (Vanderlande). This trend in the B2B market coincides and is influenced by the transition towards a more circular economy.

...but B2C subscription models are not circular models by definition

A focus on sustainability by producers and consumers is crucial in aligning the subscription economy with the circular economy. Food box and flower subscriptions have less circular potential than durable goods subscriptions because there is less potential for reuse.

Focus of this study



Characteristics of durable and consumable subscriptions

	Consumer owns product	Value of good	Lifespan	Value after use	Delivery frequency
Durables	No	Higher	Long	High	High
Consumables	Yes	Lower	Short	Low	Low/non



Part 1 | Size and potential of subscription economy

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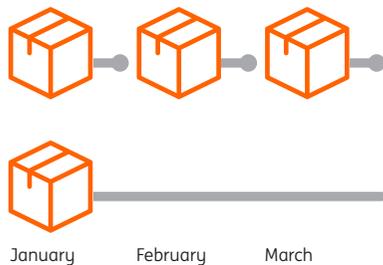
Part 1 | What is a 'subscription?'

Defining 'subscriptions'

We define a 'subscription' as:

'An arrangement that facilitates **regular delivery** or **long-term use** of a service or product. The arrangement settles what the product/service is, **frequency** of usage/delivery, at what **cost**, and within what **timeframe**.'

Regular delivery or long term use



The product or service is delivered frequently (mainly consumables) or available for 'long term' use (mainly services and durable goods). We distinguish long term good subscriptions from short term renting (like renting a bike for a day on holiday). Home rental and education were excluded in the survey, while public transport was included.

Frequency



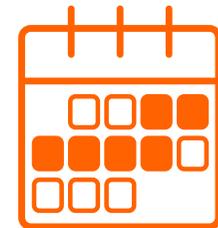
The subscription contract settles delivery frequency (for instance one foodbox per week) or maximum usage (for instance maximum kilometers in a private lease contract).

Costs



The subscription contract settles cost structure (for instance basic fee + pay-per-use, pay per period or hybrid models) and price.

Timeframe



The subscription contract settles minimum (can also be zero) and maximum contract duration (if any) and cancellation policies.

Part 1 | How much do Europeans spend on subscriptions?

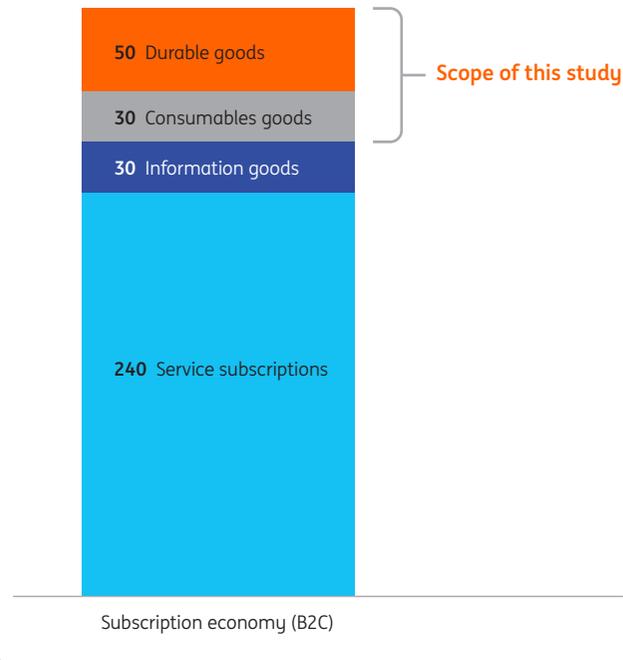
Average household spends € 130 monthly on all subscriptions

5% of European household consumption spent on subscriptions

European households report spending a monthly average of € 130 on all subscriptions in total (services, information goods and tangible goods), our consumer research shows. Extrapolated to the EU28, the total size of the B2C subscription economy can be estimated at around € 350 billion. This equals about 5% of total European household consumption. A large part (about € 240 billion) consists of service subscriptions, such as internet, fixed and mobile phone services and cable TV. For these services, a subscription-based contract is mainstream, and many European households subscribe to these kinds of services. In the last decade, the market for information goods subscriptions, such as software, music, video-on-demand and games, has also grown fast. The market size is now around € 30 billion.

Europeans report a subscription economy size of about € 350 billion

Annual subscription expenditures, € billion



Source: Motivaction, ING calculations

Tangible goods subscriptions account for € 80 billion

For the remainder of this report we focus on subscriptions to tangible goods. We distinguish durables and consumables. Durable goods subscriptions, such as private lease cars, electronic devices and household appliances, account for about € 50 billion. Durable goods subscriptions have been around for a while. Decades ago many Europeans rented durables (like TVs) simply because they could not afford them. For some, this is still an important reason to subscribe to durables, as we will show in this report. The market size of consumables subscriptions, like newspapers, food boxes, razor blades and beauty boxes, is about € 30 billion.

Part 1 | Which groups spend most on tangible goods subscriptions?

Young people will continue to subscribe more to tangible goods

Young Europeans report highest subscription expenditures on tangible goods...

Young Europeans (<25yrs) report significantly higher subscription expenditure on tangible goods than older generations. Young people, in general, are more tech-savvy. They are used to internet platforms and home delivery. Also, most of them haven't accumulated large savings. Especially for more expensive durable goods, the ability to use the product without having to buy it is especially appealing for this age group. The eldest Europeans (>65 years) report

relatively high expenditures on consumable subscriptions. These are mainly 'traditional' consumable subscriptions, like newspapers and magazines.

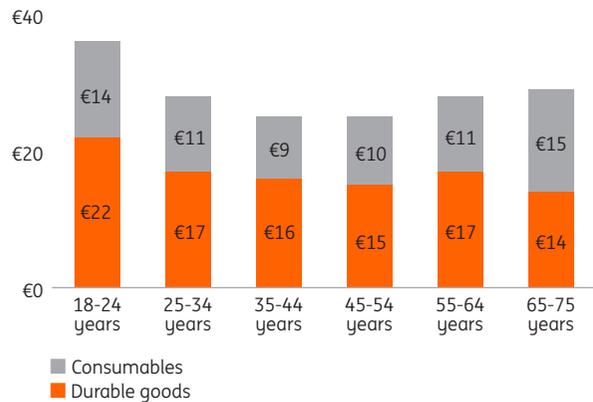
but think about churning. Older people seem to be a less interesting target group, while people aged 34-44 could be promising: they are time constrained, but in general have more money to spend than younger age groups.

...and further growth is likely

There is room for further growth of subscriptions to tangible goods within Europe. For almost all reviewed product types within both durable goods and consumables, the number of people that do not have a subscription but think about taking one, exceeds the number of people that currently subscribe,

Subscriptions to tangible goods driven by younger generations

Average monthly expenditure on subscriptions per household



Source: Motivaction, ING Economics

Most potential for future growth of subscriptions to tangible goods within younger target groups

Growth potential index* per age-group



Source: Motivaction, ING Economics

* For 20 product groups, the % of people indicating to take on a new subscription is subtracted by the % of people indicating to give up their current subscription. The 20 resulting balancing items are then averaged. The higher the resulting balancing item, the higher the 'growth potential index'.

Part 1 | Which groups spend most on tangible goods subscriptions?

High income groups have most potential

The higher the income, the higher the monthly expenditure on subscriptions to tangible goods

Europeans with higher incomes report spending more on durable subscriptions – in absolute terms – than those with a lower income. A large part of this difference is explained through private lease. This relatively new way of ‘subscription-based’ driving is increasingly popular. However it is mainly available for relatively wealthy and creditworthy households.

Higher incomes spend more on subscriptions, mostly on durable goods

Average monthly expenditure on subscriptions to tangible goods



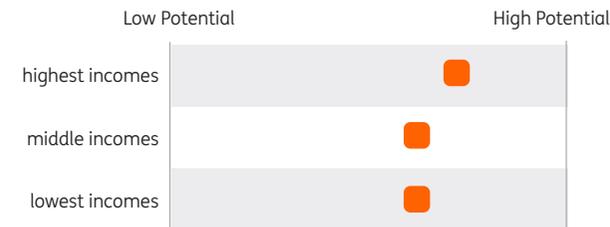
Source: Motivaction, ING Economics

‘Rich’ and ‘poor’ spend comparable amount on consumable subscriptions

In consumable subscriptions, the differences between income groups are smaller. This suggests lower income groups spend a relatively larger share of their income on subscriptions. They report spending less on newspapers and magazines, but a little more on ‘new’ subscription types (such as food, drinks and beauty products).

Most potential for future growth: high income groups

Growth potential index* per income-group



Source: Motivaction, ING Economics

* For 20 product groups, the % of people indicating to take on a new subscription is subtracted by the % of people indicating to give up their current subscription. The 20 resulting balancing items are then averaged. The higher the resulting balancing item, the higher the ‘growth potential index’.

Growth potential highest amongst high income groups

Looking forward, the growth potential for new subscriptions is highest amongst high income groups. They report to be most keen to take on new subscriptions. Especially with respect to private lease, car sharing subscriptions or security equipment, people with high incomes show relatively more interest than low income groups. Since people with high incomes also have more money to spend than lower income groups, they are a logical target group for subscription models. However, low and middle income groups could still be an interesting target group. They show almost as much interest in taking on new subscriptions as high income groups. And especially for them, subscriptions could make expensive and high quality durable goods accessible.

Part 1 | Are there any differences between countries?

Eastern Europeans most positive about subscriptions

Eastern Europeans link the word 'subscription' to 'cheap' and 'flexible'

Most Europeans relate the word 'subscription' to 'convenience' rather than 'hassle' and with 'simplicity' rather than 'complexity'. With respect to 'price' and 'flexibility' however, Europeans are less positive, and clearly

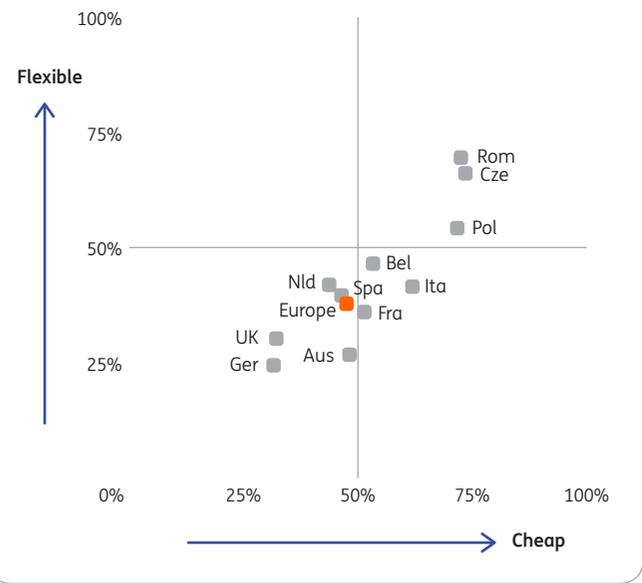
more divided. Less than one-third of Germans associate 'subscription' with 'cheap' or 'flexible', while in Romania the share for both metrics is about 75%. In general, people in Eastern European countries seem more positive about subscriptions than people in 'wealthy' North-Western countries such as the UK, Netherlands, Austria and Germany.

Northwest Europeans are least keen on taking on new subscriptions

Interestingly, the views towards 'subscriptions' are broadly consistent with subscription economy potential per country. Growth perspectives seem good in Middle and Eastern European countries (Poland, Czech Republic and Romania), Spain and Italy. In these countries, many respondents expect to take on new subscriptions to consumables or durable goods. In the Northwest however, the appetite to take on more subscriptions is significantly smaller.

Eastern Europeans associate more positive on 'subscription'

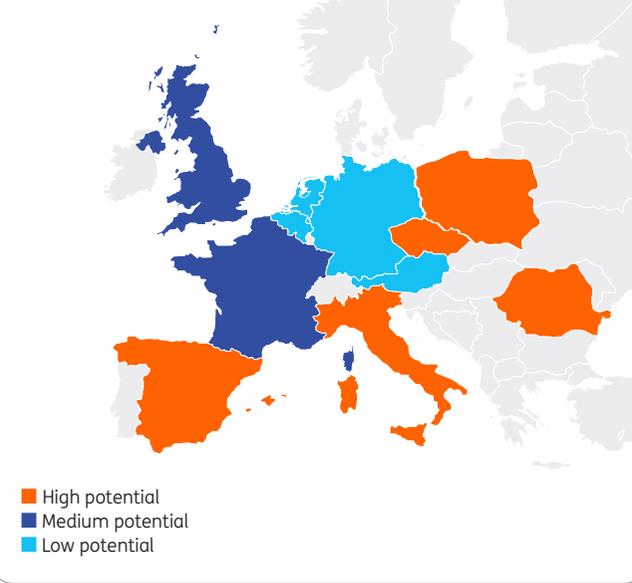
% that relates 'subscription' to 'flexible' and to 'cheap'



Source: Motivaction, ING Economics

People in Southern and Eastern Europe show most appetite to take on new subscriptions

Growth potential index per country*



Source: Motivaction, ING Economics

* In Poland, Romania and Spain, internet penetration is relatively low. This has possibly skewed up observed subscription popularity in these countries.



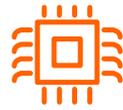
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Part 2 | What enables the subscriptions to tangibles to grow?

Four enablers for subscriptions to tangible goods

Which trends can drive the supply and demand for subscriptions to tangible goods?



Technological developments

The **Internet of Things** and **smart devices** facilitate subscription models (such as Zipcar, bikes or Amazon 'Dash' buttons). **Big data** makes subscription models more attractive for businesses. With sensors they can monitor their products and evaluate the use of customers. The growing **technical complexity** of products also widens the 'knowledge gap' between manufacturer and consumer. With subscriptions, manufacturers of complex products can take away (perceived) risks from consumers by for example optimizing maintenance and residual value.



Shifting consumer preferences

Time constraint consumers are seeking the **convenience** that subscriptions offer. Since many Europeans see their **financial position improve**, more of them are willing and able to pay a premium for this convenience. Spending money to buy time promotes greater happiness amongst working adults, than spending it on material purchases, **research** shows. In addition, many young Europeans do not have the money to buy the durable goods that they want (e.g. cars, latest smartphone). Subscription offerings make these goods accessible to them. However, '**owning**' things still has value for consumers, also for 'millennials'. **Sustainability** is not crucial to consumers yet, but might become more important in the future.



Facilitating rules and regulations

Regulators facilitate subscription economy growth, because it can contribute to circular objectives. In July 2017, for instance, the European Parliament **adopted a resolution** calling for a minimum criteria to be established for product robustness, and greater longevity and repairability, among other things. Products with a longer lifespan facilitate durable goods' subscription models.



Interest rate environment

A **decline in interest rates** lowers financing costs, thereby supporting the durable goods subscription model. Private car lease companies, for instance, can finance cars a lot cheaper than before, facilitating lower prices for the consumer. This can support demand. Also, the **gap in interest rates between consumer loans and business loans is higher** than before. This makes 'borrowing' via a subscription rather than via a loan more attractive for consumers.

Part 2 | Why do businesses start subscription models for tangible goods?

Recurring revenue is the golden goose for business

Why do businesses start a subscription model?

Starting a subscription model may seem very attractive for businesses for a variety of reasons:

Drivers



To decrease costs



To increase revenues



To Improve sustainability

Why/how?

A stable recurring revenue stream helps attract investors (lowering **financing cost**)

Improved predictability makes it easier to facilitate just-in-time (JIT) production, **manage resources and inventory**

Improved predictability helps to **reduce logistics costs**

People who cannot or are not willing to pay the purchase price might be willing to take on a subscription (**lower financial threshold**)

Long-term relationship/customer intimacy makes it easier to get to know customers and meet customer expectations with additional products and services

Long-term **recurring revenues exceed one-off sales** per customer

Subscription model **adds value** for customer. They might be willing to pay a higher price

Higher/better utilisation and/or reuse of products

Increase **sustainable positioning**

Part 2 | Why do consumers take on subscriptions to tangible goods?

Consumers look at added value and price

Consumers look at price and added value

Consumers look at subscription offerings from two perspectives: first, what is the relative price of this subscription versus a one-off transaction? And second, what extra value does this subscription add, compared to one-off transactions?

Added value can be multidimensional

This 'added value' varies from offering to offering and can be single- or multi-dimensional. It can for instance consist of extra services (such as free detergent with a washing machine subscription), extra convenience (home delivery), a reduction in transaction costs (not having to choose between 200 products), the ability to get the latest model, the flexibility to up/downgrade, a lower environmental impact or a combination thereof.

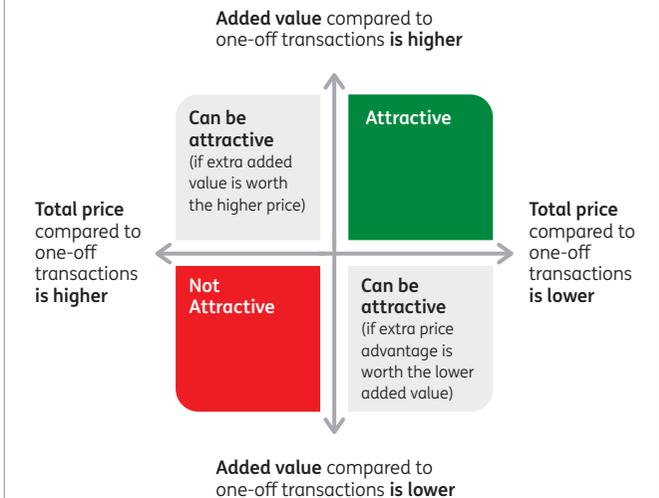
Expensive subscriptions can succeed if added value is high enough

In general, subscriptions that save money will attract customers. Expensive subscriptions will be successful only if the extra value added – as viewed by customers – is high enough. Subscriptions that combine both have a high probability of success.

Added value of subscriptions differs for durable and consumable goods

Both the value added and the price of subscription offerings are influenced by many drivers. In the sections on durables and consumables, we will use this framework to delve further into what drives the value addition and price of these offerings.

Assessing subscription attractiveness for consumers: added value versus price





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Part 3 | What is the added value of durable goods subscriptions for consumers?

Subscriptions help consumers solve 'issues'



Added value of durable subscriptions: a theoretic approach

To determine whether the 'added value' of a particular durable subscription is high or low for consumers, it is helpful to answer the following question: which 'issue' is being addressed with this subscription, compared to a 'one-off' transaction? During the customer journey of buying and using a durable product in a one-off model, consumers can in fact face different issues. Subscription models can address these issues – see details below.

Added value is not always unique

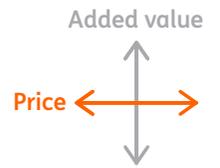
Some of the solutions that subscription models offer are not unique for subscriptions. Consumers could, for instance, buy a new product and pay in instalments, to cope with the upfront investment costs. In addition, they could take on insurance or maintenance contracts to prevent/repair broken products.

Durable goods subscriptions add value through solving 'issues' for consumers

	Issue	Added value of subscription model
 Acquire	The upfront investment to buy the product is too high for me	Supplier offers small periodic payments allowing consumer to pick product with lower total cost of ownership
	I do not like buying new products and throwing them away. It is harmful for the environment	Supplier optimizes product lifetime and focuses on take-back and reuse
 Use	I want to use my product immediately without hassle	Supplier delivers and installs product ready to use
	I want my product to always work properly, without having to plan and conduct maintenance	Supplier offers proactive maintenance and may thus lower costs
 End of usage	If my product breaks down, I face high costs	Supplier offers product repair/replacement without extra costs thus lowering risks
	I am afraid to get a bad price in second-hand market	Supplier accepts burden of risk and incorporates residual value in subscription price
	I want to get rid of the product easily	Supplier collects product after use
	I only need the product temporarily, so why buy?	Consumer pays only for agreed subscription period

Part 3 | Which factors influence price (dis)advantages of durable goods subscriptions?

Many factors influence subscription price



Whether durable goods subscriptions are cheaper than one-off transactions depends on many factors

The subscription model for durables can influence costs and, therefore, price, in numerous ways. Since cost drivers are both positive and negative, it's not at all clear upfront whether a subscription model can be priced competitively, compared to a one-off model. In all phases of the customer journey, a subscription model can have positive or negative effects on costs and price, compared to a one-off model:

Comparing prices is challenging for consumers

It is not easy for consumers to compare durable goods subscription prices with one-off transaction prices. If the consumer buys a product, the price he pays covers only the production costs and the supplier margin. It does not cover all other costs of ownership, such as financing, maintenance, the risk of breakdown and the residual value risk. In a subscription model, all costs of ownership remain with the supplier.

Subscription price often seems higher than it is

Therefore, subscription prices usually **seem** higher than purchasing prices. But when all costs are taken into account, subscriptions are not necessarily more expensive.

Factors that influence price (dis)advantages of durable goods subscriptions, compared to one-off transactions

	Factor	€↓ Drives costs (and price) down	€↑ Drives costs (and price) up
 Acquire	No upfront investment	Potentially larger customer base creates scale advantages , facilitating lower production costs	Adverse selection: might attract customers that are not creditworthy, thus higher risk costs
	Financing	Supplier can negotiate lower interest rate than loan-taking consumer: lower financing costs	Suppliers face higher financing costs than consumers with enough savings to buy the product (opportunity costs of not saving are low)
 Use	Maintenance	Supplier can ensure proper preventive maintenance thereby reducing breakdown risk: lower risk costs	
	Utilization	Higher utilization through 'simultaneous' use of product: lower costs per user (eg. B2C carsharing)	Early termination of contract by consumer may lead to shorter rather than longer lifespan of product.
	Repair	Supplier can negotiate better rates with maintenance companies than individual consumers (scale advantages): lower maintenance costs	Moral hazard: consumers might not be as cautious with products they do not own, thereby increasing breakdown risk: higher risk costs
 End of usage	Sell	Supplier can extract more value out of the residual product than consumer: lower depreciation costs , through better access to/negotiation skills in second-hand market	Moral hazard: consumers might not be as cautious with products they do not own, thereby decreasing residual value: higher risk costs.
	Reuse	More users per product: lower cost per user	Higher costs for refurbishment and logistics

Part 3 | What do Europeans find attractive in durable goods subscriptions?

Attractive: lower risk and always a modern product

From theory to reality: what do Europeans themselves report?

From an empirical perspective, 60% of European consumers report finding something attractive in durable goods subscriptions.

Subscriptions help to avoid risks

In general, avoiding maintenance or repair risks is what they value most, followed by the ability to always use an up-to-date product. Third comes the absence of high investment costs when taking on a subscription. For almost 20%, durable goods subscriptions are attractive because they are 'cheaper than buying'. Our research indicates that older people are less enthusiastic about durable goods subscriptions than the younger generation. More than half the people aged 55+ do not consider anything attractive, while for people aged 35-, this only accounts for one-third.

Environmental concerns are not very important

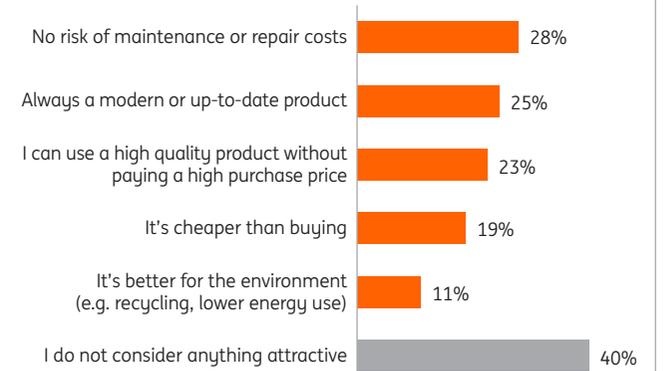
Environmental concerns are not the main driver for durable goods subscription demand. Only 11% mark it as something attractive. As an example, for many consumers the desire to always possess the latest smartphone model is stronger than the willingness to stick to the same phone out of environmental concerns.

Only small differences between countries

There are small differences between countries. While in most countries, 'no repair risks' and 'always a modern, up-to-date product' are valued most, in some countries, such as Romania and Czech Republic, the low upfront investment is considered to be particularly attractive, our consumer research shows.

Europeans value subscriptions for lower risks and modern products

What do you consider attractive in durable goods subscriptions? % of Europeans



Source: Motivation, ING Economics

Part 3 | Which factors increase the chance of building a successful durable goods subscription model?

Creating success in durable goods subscription



Product type

Choose a product that....

- **Focus on maximum lifespan per product:** design for circularity, focus on reuse instead of costs ('screws instead of glue')
- **Customers do not care/need to own.** For some products 'owning' has intrinsic value for consumers
- **Does not lose relevance over time.** Products that are technologically obsolete after few years have less reuse potential
- **Customers only use temporarily,** so purchase is a less attractive alternative
- **Have a high purchase price.** Provide access to people who can not afford to buy the product
- **Can maintain high standards such as quality labels,** guarantees of origin after first use
- **Is easy/cheap to transport,** lowering costs
- **Is easy/cheap to refurbish,** lowering costs
- **Has low default and residual value risk,** lowering costs



Market type

Choose a market....

- **Where regulations favour a subscription model:** this can also differ from country to country
- **In which you have better access to the second-hand market** than consumers
- **Where you can team up with existing players** to increase scale, generating scale advantages



Client relationship & usage of data

- **Beware of adverse selection:** do not accept every customer. Invest in proper credit checks upfront
- **Build a community,** interact with customers, to improve customer relationship and increase loyalty
- **Ask for feedback,** use the subscription as 'free' market research
- **Know where your product is** to reduce moral hazard: let customers know that their product is 'being watched'
- **Know how/when/how much your product is being used** to innovate with additional features or next-generation products or sell associated products and services



Financing subscriptions

- **Gain access to cheap financing** Low financing costs drive costs down and make subscription more attractive
- **Beware of interest rate risks** Low interest rates and the fact that corporates face lower rates than consumers are part of the attractiveness of durable goods subscriptions. Effectively, companies offering subscriptions become credit providers for consumers. This means they also run interest rate risks.

Private car lease – the learning process of Justlease

In the midst of a crisis, car hire company Terberg, started leasing cars to individuals. Looking for new growth opportunities, they launched the brand Justlease.nl. Five years later, Justlease is a successful player in the fast-growing private lease market in the Netherlands, with strong sales growth and satisfied customers.

A different way to access a new car

With shared car services widely available, people still value having their own car at their disposal. Many people want to drive a car, but do not have enough money to buy one. Others do have the money, but would rather use it for something else, like saving for a home or as a buffer for a rainy day.

A better deal than buying a new car

The most accurate explanation for its success seems to be the competitive rates of private lease compared to new cars. These competitive rates are mainly the result of economies of scale: leasing companies have major purchasing advantages (~ 30%) over consumers. In addition, they can maintain the cars better and at lower costs. Being a subsidiary of a large existing lease company, financing costs are relatively low. And finally, they can extract more value out of the car when they sell it after first use. In addition, the intermediary (dealer) disappears from the sales chain. Compared with buying in the second-hand market, private lease is still a lot more expensive, but for consumers that value security (a safe car, no high repair costs) and convenience (no hassle with dealer, clarity on driving costs), it can still be an attractive offer.

Managing risks

Justlease had to deal with 'adverse selection' in the first few years. After applying strict criteria on income and creditworthiness payment morale greatly improved. The customer profile shifted from low education/low income to higher education/higher income. Residual value risks are small. Private lease drivers turn out to be more careful with their cars than business lease drivers. Registration boxes have been installed in all cars, storing data about position, mileage and driving behavior. This leads to better behavior (drivers feel somewhat observed).

A move into e-commerce

Private lease is a fast-growing and highly competitive market with low margins. The bare subscription rate, does not result in any margin. Providing tailor-made additional products and services like foreign insurance cover and automatically end paying parking fees when the driver starts the car, generates value. Hence, it does not come as a surprise that Justlease sees itself more as an e-commerce company than a leasing company.



- Subscription model improves product accessibility
- Derive additional value from product and consumer data
- Economies of scale result in significant cost advantage in comparison with buying new

Lessons
learned

Part 3 | Four case studies

Baby strollers – quite hard to handle

Bugaboo International is a Dutch company that develops and produces mobility products. Founded more than 15 years ago, Bugaboo produced the world's first modular baby stroller. Today, Bugaboo has over 1,400 employees worldwide and its products are sold in more than 50 countries. Its products are designed to be durable with the potential for multiple use cycles through second hand use, and are easy to repair, supported by customer services and spare part availability.

Starting a pilot

Bugaboo explored and trialed a small-scale pilot for its 'Flex plan', which offers a leasing package for new strollers. In addition, Bugaboo also considered the business case for its 'certified refurbished scheme' - where strollers are 'refurbished as new', certified and sold as a "Bugaboo approved" refurbished stroller.

During the pilot period, Bugaboo's Flex Plan, offered customers the opportunity to change their stroller model and accessories according to their changing lifestyle and needs. Customers could subscribe to the Bugaboo Flex Plan to lease a stroller by paying a deposit and a monthly fixed fee. There were a number of barriers and questions that needed to be addressed before implementing the new business model. These included setting up effective reverse logistics, tracking and tracing product returns, ensuring regulatory compliance associated with refurbished products, optimizing design for leasing and refurbishment, and understanding the financial feasibility of the new business model compared to the existing one.



- Extracting sufficient residual value crucial for success of subscription model
- Rules and regulations may prevent the actual success of a theoretically viable model
- Attracting the wrong customers (adverse selection) can significantly impact costs

Outcomes of the pilot

The pilot highlighted a number of challenges that need to be addressed in capturing the full value of the leasing model. These included non-technical aspects, including administration tasks such as credit-checks, or dealing with any difficulties collecting the monthly fee. Offering customers the opportunity to change their strollers throughout the lease period requires finding ways to overcome the increased refurbishment and transportation costs. Additionally, it became apparent that people were likely to treat the products with much less care than if they were their own. In the current ownership scenario, products are expected to be used by two to three families. However, in the leasing pilots, the strollers were sometimes damaged after only a few months, despite customers paying a deposit of € 200.

Going forwards

Bugaboo still sees potential for this business model, and has learned through the pilot that there is room to further optimize the offer, to bring down the cost, and to reduce the greenhouse gas impact. Bugaboo plans to use the outcomes of the Flex Plan pilot to continue to seek ways to further develop 'products to last'.

Source: <http://www.rescoms.eu/case-studies/bugaboo>

Lessons
learned

Washing machines – unbreakable double stalemate of Flown

Flown offers subscriptions to washing machines, dryers, refrigerators and other kitchen appliances. In this market, manufacturers face a number of challenges that could make subscription models attractive: large retailers increasingly gain power through consolidation. More price transparency due to online price-comparisons also push margins down. For manufacturers, an alternative sales channel in the form of a platform may be welcome.

The proposition

The manufacturer remains the owner of the product, the consumer pays a monthly fee and is completely taken care of: the machine is delivered, installed and, if something goes wrong, repaired or replaced at no additional cost. Although consumers value the convenience and positive environmental impact a competitive price is still required. Maintenance and repair charges are likely to be lower for manufacturers than consumers. The price of the machine can also be reduced by cutting out the middleman. These two advantages can be passed on to consumers. However, refurbishing washing machines and transporting them from one customer to the next entail extra costs. In addition, there are risks that increase costs and thus the price: the risk of non-payment (credit risk), not being able to valorize the second-hand appliance (residual value risk), maintenance/repair costs (default risk) and the risk of termination (cancellation risk). The machinery must also be financed (financing risk).

Breaking a double stalemate

In the final stage, when manufacturers have adapted their production lines to optimize the lifespan of devices and residual value after use, additional cost benefits will arise. The manufacturer can then pass on

these benefits to the consumer. But this final stage is difficult to achieve, because Flown appears to be in a double stalemate: firstly, there is a lack of data through which it can assess risk costs. As a result, these risk costs are defensively priced by financiers and manufacturers. This increases the lease price and, therefore, lowers demand, while an increase in demand is needed to obtain the required data. In addition, reuse capabilities of devices (through refurbishment/recycling) are currently not yet fully utilized, because manufacturers do not want to instantly change their highly efficient production lines. Also, this increases the price and lowers demand, while manufacturers need to see an increase in demand to convince them to adjust their production lines.

The challenge to break this double stalemate proved to be fierce. Late 2017, Flown has ceased to offer their subscriptions.



- Financial benefits from redesigning products and the manufacturing process can usually only be achieved in the medium to long run
- The average period a product is used by a customer greatly impacts transportation and refurbishing costs and therefore the financial success
- Risks that are priced in conservatively, lower demand, slowing down the speed at which sufficient amounts of risk data can be gathered to accurately assess these risks.

Lessons
learned

Electronics – the economies of scale of Grover

German company, Grover, founded in 2015 as 'Byebuy', makes technology accessible to everyone by enabling people to subscribe to tech products on a monthly basis instead of buying them. It offers a wide range of products, including innovative technologies such as Virtual Reality (VR) headsets, and hobby technologies such as action cameras, as well as massively adopted devices (smartphones and laptops).

Renting as an alternative to buying

In 2016, Grover shipped 2,000 products mainly to young customers who prefer renting over buying and do not want to take on debt. They choose Grover because it gives them the flexibility they need. There is no minimum rental period: for example, it is possible just to rent a GoPro camera or a hover board over the summer holidays. Also, Grover offers the possibility to 'try' out new products without having to commit to a purchase.

Average subscription time: 5 months

The monthly rental fee for products is set at about 10% of the purchase price for all products. After a year, products are fully written-off and rental income after this period is pure profit. From a consumer point of view, this rate does not make long-term subscription very attractive. Why is this aggressive rental price not turning customers away, like it does in other subscription-economy examples? Because Grover is really more about short-term renting than long-term subscribing. The average rental period of their offerings is about five months. Most-shipped products are smartphones (Iphone 8/X), action cameras (GoPro), VR headsets and Smartwatches. Grover's refurbishment costs are generally low. The usage

risk is mitigated with consumers having to pay for 50% of repair-costs when the asset gets broken. In order to deal with non-payment risks, Grover has credit checks in place. The remaining risk costs that Grover faces are easily accounted for in the firm rental price.

Current and future growth

Grover is growing fast—it registered a total subscription value growth of 800% in Q3 2017, shipping to several countries. Grover reports to be one of the fastest growing startups in Germany. Their collaboration with the large European electronics retailer, Mediamarkt, contributes significantly to these strong growth figures. When customers explore products on the Mediamarkt website, they can choose to rent the product via Grover instead of buying it. For Mediamarkt, this serves as an extra sales channel, while for Grover, this generates a large potential customer base. While Grover seems successful in providing (short-term) access to innovative gadgets, they – or competitors – could attract even more customers if they succeed in valorizing residual value of their assets after final usage. This cost benefit could be passed on to the consumer, which could reduce the rental price.



- Partnering with large companies can increase the speed at which the economies of scale can be attained that are required to make a subscription model succeed
- The rental model and the absence of a minimum contract period both increase product accessibility
- Wide range of accessible products attracts customers to return for different products

Lessons
learned



Part 4 | Why consumers subscribe to consumable goods

- Subscriptions help consumers solve 'issues' 25
- Predictability can drive down price 26
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- Creating success in consumables subscriptions 28
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Part 4 | What is the added value of consumable good subscriptions for consumers?

Subscriptions help consumers solve 'issues'



Consumable subscriptions aimed at convenience

For consumables subscriptions the 'added value' can be derived through asking the same question as for durable goods: which 'issue' is being addressed with this subscription compared to a one-off transaction? The overarching issue here seems to be 'inconvenience'. The subscription model tries to offer consumers more convenience than if they would acquire the product through one-off transactions. The added convenience can consist of different things: the meal box, for example, focuses on variation and reduction of 'choice stress'. It prevents the question "what do we eat today?" Other subscription models, like boxes with beauty products, special beers, or candy, focus on surprising the customer.

Added value not always unique for subscription model

Some of the extra convenience – delivery at home - can also be obtained by simply ordering the product online. As a consumer, you do not need a subscription to prevent you from carrying a crate of beer. You can also order the beer online and have it delivered at home. The more issues the subscription model helps to 'solve', the more potential it has.

Consumable subscriptions add value through solving 'issues' for consumers

Issue	How does subscription model address this	Example of existing subscription offerings	Unique for subscription model?
 I need this product frequently , the numerous one-off online transactions cost me lots of time	Reduction of transaction time	food, dinner box, personal hygiene	Yes
 I do not know which product to choose	No stress in taking decisions	Wine	Yes
 I want more variation , I tend to take the same product over and over again	Variation and surprise	Dinner box	Yes
 One-off transaction price 'feels' high	Subscription model reduces 'pain of paying'	Ink , razor blades	Yes
 I want to be surprised	Every time new product	Flowers, beauty products	Yes
 Product is too important to get out of stock	Never out of stock	Diapers	Yes
 I do not want to go to the shop	Delivery at home	Applicable to all	No
 I can not buy the product where I expect it (e.g. in supermarket)	Reduction of transaction time	Razor blades	No
 Product is uneasy to carry/transport	Delivery at home	Toilet paper	No



Part 4 | How do price structures differ between consumables subscriptions and one-off transactions?

Predictability can drive down price

Price structure is not very different

For sure, online vendors have different cost structures than physical stores, but this accounts for all online vendors. It is the comparison between online **one-off transactions** with online **subscriptions** that we are interested in. When taking on a consumable subscription, the customer becomes the owner of the product, like with a one-off transaction. Price structure does therefore not differ that much between consumable subscriptions and one-off transactions as it does with durable goods. The main differences arise from increased **predictability**:

- **Easier planning and logistics**

First, subscriptions make it easier to plan operations. It reduces sudden spikes or falls in demand, facilitating better capacity planning, logistics and negotiating leverage over subcontractors. This can reduce costs and therefore drive prices down.

- **Cheaper financing through increased predictability**

Second, subscriptions increase revenue predictability. Having more certainty about upcoming revenue streams can improve access to financing and therefore lower financing costs. Again, these lower costs can be given back to the customer in lower pricing.

- **Preventing churn requires investments**

For many consumable subscription businesses, upholding a stable revenue stream is easier said than done. Generating new subscribers as well as preventing churn is essential.

Food box subscription businesses invest heavily in sales, marketing and loyalty programs for instance. Depending on the achieved loyalty, marketing costs (and thus prices) may be higher or lower for subscriptions.

Subscribing to multiple goods at once

Large retailers have scale advantages

Products that can be easily grabbed in the supermarket (toilet paper, coffee) might be interesting to subscribe to as long as the supermarket itself doesn't offer subscriptions. However, if supermarkets or other large players decide to intervene with their massive scale advantages, they could probably offer subscriptions to multiple goods at once, for a lower price. This poses a major challenge for independent players offering consumable subscriptions.

Amazon 'subscribe and save'

Take Amazon for instance: In various countries, Amazon offers a 'subscribe and save' consumables subscription programme. Consumers that opt for regular delivery get discounts on their consumables. Adding, changing or cancelling a subscription is easy and can be done with a few clicks. Item prices can change between deliveries, however, due to Amazon's dynamic pricing system. While item prices may seem attractive at first, at the second or third delivery they may exceed a level consumers are willing to pay.

More options available

Varta CR2016 Electronic Battery (Pack of 2)
by Varta

£4.38 **Subscribe & Save**
Save more with regular delivery of this item

£4.61 ~~£5.49~~ **prime**
Get it by **Tomorrow, Dec 2**

Part 4 | What do Europeans find attractive in consumables subscriptions?

Attractive: home delivery and never out of stock

But what do Europeans themselves value?

From an empirical perspective, more than 60% of European consumers consider something attractive in a subscription to consumables, in line with what we observed with durable products. They value 'home delivery' the most, which is interesting, since home delivery is not exclusive to subscriptions. Also, the relief of not having to think about buying new products in time is what consumers like about subscriptions, as well as the idea (be it true or not) that all in all, it is cheaper than one-off transactions.

Never going out of stock especially valued by young people

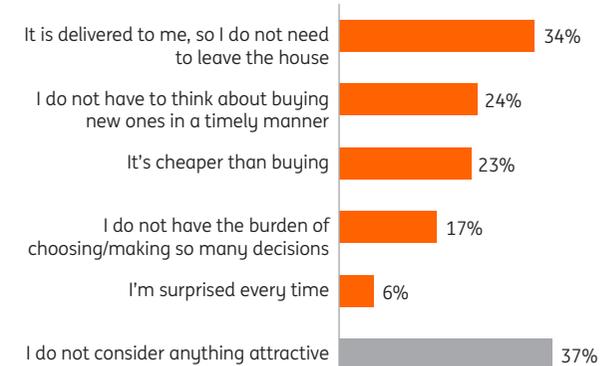
In comparison, older people are somewhat more positive about the price of consumable subscriptions (compared to buying). For younger people, the 'never out of stock' argument is relatively more important. Also, young people value the 'surprise' element of consumable subscriptions more than older people.

Most important in Italy: subscription is 'cheaper than buying'

Italy is the only country where 'home delivery' is not considered to be most important, our consumer research shows: many Italians value consumable subscriptions because they view them as 'cheaper than buying'. The 'fewer choices to make' argument comes in third in France, Germany, Austria and Romania. The 'surprise' argument doesn't make it to the top 3 in any country researched.

Consumers value convenience of home delivery

What do you consider attractive in a subscription to consumables?



Source: Motivation, ING Economics

Part 4 | Which factors increase the chance of building a successful consumables subscription model?

Creating success in consumables subscriptions



Product type

Choose a product with....

- **High usage predictability**, thereby reducing your costs while preventing oversupply
- **'High' transaction price per unit.** A subscription reduces the 'pain of paying' for consumers
- **High usage frequency.** This maximizes transaction cost reductions of the subscription



Market type

Choose a market....

- **where there is not much online competition yet.** Be first and grow fast to generate scale advantages
- **that is not driven by discount offerings.** This reduces churning of price-sensitive customers
- **where 'transaction costs' of one-off transactions are high.**



Client relationship

- **Offer free trials** to get people 'hooked'
- **Communicate personally** to increase brand loyalty
- **Build a community**, interact with customers, to improve customer relationship and increase loyalty
- **Surprise customers** to increase loyalty
- **Constantly improve customer experience**, focus on simple processes and pricing
- **Offer maximum flexibility.** Locking in customers is not sustainable



Usage of data

- **Know how/when/how much your product is being used** to innovate with additional features next-generation products or associated products or services
- **Ask for feedback**, use the subscription as 'free' market research
- **Use data** to improve customer experience and increase loyalty

Part 4 | Four case studies

Ink – gaining direct access to consumers by HP

HP is constantly looking for new service models in B2B and B2C markets. While thinking about the B2C market, HP identified two major issues consumers are facing with regards to printing. First: they run out of ink when they need to print. Second: the price per cartridge feels very high. In September 2013, HP decided to tackle these issues with its 'Instant ink' programme, a 'pay per use' subscription model for printing.

Pay-per-page

Consumers get cartridges delivered to their home. They pay a monthly fee, based on pages printed, not cartridges used. Consumers never run out of ink as the internet-connected printers send an order automatically when it's time for replacement. The new cartridge is delivered, together with a return-bag to send the old cartridge back for recycling, resulting in twice as high recycling rates as those for bought cartridges. This recycling stream does not generate extra profits, but reducing materials costs do help offset the reverse logistics costs and significantly lower the carbon footprint.

Cheaper by reducing fixed costs

In addition to the added convenience for consumers, HP claims a huge price advantage of at least 50%. And indeed, Instant ink seems cheaper compared to buying HP cartridges on a transaction basis. One reason: HP focused on eliminating 'waste', mainly by reducing material costs. The Instant ink cartridges can contain a lot more ink than traditional cartridges. The need for cartridge selection and retail packaging are obviated. The fixed costs (packaging, plastics, logistics) per unit of ink are, therefore, lower. Retention and satisfaction rates are high and the service

has been quickly rolled out internationally. Consumers in 14 countries can already subscribe to the service. The biggest challenge, thus far, has been tackling the different logistics processes in these countries.

Three main reasons for profitability

How can the model be profitable for HP? There are three main reasons: first of all, the data on printing behaviour has value: knowing how customers use their printers can help HP in designing their new generation printers. Second: many customers will probably not use their full print bundle, while the number of pages that can be taken over to the next month are restricted. While this creates oversupply, the price per month is probably too low for consumers to really care. And third: with Instant ink, HP gets direct access to the customer base, investing in the long-term customer relationship, while completely cutting out the margin for the middle man.



- Derive additional value from product and consumer data.
- The subscription model fosters client retention, increasing the customer base for cartridges.
- Clients have a different price perception to buying a single cartridge due to the subscription model. This increases product accessibility.

Lessons learned

Diapers – abandoning subscriptions at Family Supply

Family Supply has been selling diapers, baby milk and other care products for young families since July 2016. Its proposition: everything young families need on one platform, at an attractive rate and delivered at home. They launched a subscription model, in addition to an existing one-off sales model.

A somewhat complicated subscription offering

Customers could subscribe to boxes being delivered to their homes every four weeks. Unique in their offering was the huge flexibility: the box contents could be customized every time and customers could even request new products. The subscription had no minimum duration and cancellation was very easy. In addition, subscribers received a 5% to 10% extra discount on certain products, compared to 'normal' customers. Through collecting the birthdates of children, Family Supply could respond to 'life-events' (birthday, first time to school, etc.) with extras or suggestions to surprise the customers and strengthen the relationship.

Multiple factors speak against a subscription model

One year on, Family Supply halted its subscription model. The added value of subscribing turned out to be insufficient for their consumers. The extra convenience obtained through less 'transaction costs' was minimal for them, because they would change the contents of the box every month. "We called it a four-week service, because the word 'subscription' is kind of smudged, but still people were hesitant to 'subscribe'", according to one of the founders. Finally and very importantly, the market characteristics proved to be unfavorable. The diaper market is a very specific market,

driven by numerous special discount offerings. In this market, consumers are used to shop around and are not easily attracted to a subscription service with fixed prices.

Focus on one off sales model

Family Supply invested quite some time and effort in building and maintaining a subscription customer base, while noticing, at the same time, that those who made one-off purchase orders also remained loyal to them and returned for more (yielding higher margins). The added value of upholding the subscription model no longer weighed against the investment. Family Supply now focuses solely on one off sales. In addition to product sales, they valorize customer data. Prices are still very competitive, and margins are kept low to grow.



- Offering additional service and adding surprises and extras to the subscribed product can strengthen the client relationship needed for customer retention.
- A product that has a less predictable usage/consumption pattern may limit the attractiveness of a subscription

Lessons
learned

Part 4 | Four case studies

Razor blades – the search for the perfect mix at Boldking

Boldking has been offering razor blades since 2013 through a delivery service. It is active in 10 European countries. While traditional giant players Gillette and Wilkinson focus primarily on product quality, Boldking is completely “customer journey” centric.

Enabling a better customer journey

The traditional customer journey brought about a lot of annoyances for customers, according to founder Rochdi Darazzi. First of all, it's not possible to buy the blades in the supermarket, but only behind the counter. In addition, the packaging is annoying, and very important: the blades are expensive. In addition, men are often late to buy new blades, because they simply do not care enough: the product is not top of mind. By taking on a subscription with Boldking, all these issues disappear. They get good quality blades for a fair price.

Adding single orders to the subscription model

While Boldking originally focused solely on the subscription model, it now also delivers single orders, because, on the one hand, this increases the target group. On the other hand, it proved to be complicated to estimate actual razor need when only offering limited choices in frequency. Boldking is currently working on an improved and tailored algorithm to predict individual blade need. The variety of people with their own shaving frequency, which depends on factors such as hair growth, hair type, prevailing trend, weekly rhythm and type of work, makes individual blade needs highly dispersed.

International expansion challenging

Another challenge is controlled international expansion. Cultural differences and practical issues – such as mailbox size, which is not the same everywhere – ask for a differentiated approach. With regard to the product itself, Boldking deliberately chooses simplicity and focus to be able to optimize product quality and processes.



- The fact that two dominant players essentially had the same focus enabled Boldking to enter the market with a different proposition.
- The perceived obstacles in buying a product in store offer an opportunity for making the buying process easy through online ordering and/or automatic delivery.
- Focus on one product makes it easier to improve processes and product quality.

Lessons
learned

Part 4 | Four case studies

Toilet paper – the small room of Happy Toilet

Online toilet paper supplier 'Happy Toilet' has been offering subscriptions since 2016, in addition to one-off sales. They now service a small client base of fifty, mainly double-income, high-end families, on a subscription basis.

Focus on top-end

Depending on household size and composition, the toilet paper is delivered in a fixed quantity and frequency. Happy Toilet is not trying to compete with price competitors, but focuses on the top-end segment that is willing to pay extra for a premium product (high number of sheets per roll, multiple layers, quality label). In addition to high quality, Happy Toilet offers convenience: consumers never have to drag large bags of toilet paper or find themselves without it when they need it most.

Never out of rolls

If customers still happen to run out of toilet paper before the new delivery has arrived, they can simply order some extra rolls for free to have a sufficient amount of paper until the next delivery. This 'never out of stock' service is just one of the ways Happy Toilet tries to strengthen customer relations. The company also includes extras like fragrance samples or flyers from other subscription services with their deliveries.

Complicated to estimate right usage frequency

The added value of a toilet paper subscriptions for customers is debatable. It is indeed a must-have product, but estimating usage frequency is not easy. While oversupply might disturb customers – having to stock large amounts of toilet paper rolls – undersupply compromises the idea of 'convenience'. In addition, Happy Toilet does not seem to have many cost benefits compared to large retailers, which reduces its competitiveness and potential customer base.



- Too much flexibility and options in the subscription offering make logistics too complicated, erasing advantages over a one off sales model.
- Derive additional value from product and consumer data.
- A market characteristic like consumers focused on shopping around can limit the attractiveness of a subscription offering.

Lessons
learned

Conclusion: Growth in subscriptions to tangible goods requires value for money

Good growth potential for the subscription economy

European households report spending a monthly average of € 130 on all subscriptions. Extrapolated to all 28 European Union countries, the total size of the B2C subscription economy is estimated to be around € 350 billion annually. This amounts to some 5% of total European household consumption. The subscription economy will grow further, enabled by technological developments, shifting consumer preferences, favourable regulation for product design and the current low-interest rate environment. If all those considering any subscription in the future were to convert, the amount spent could grow by an additional € 190 billion yearly.

Potential for tangible goods falls behind information goods

The success of video and music-on-demand subscriptions has inspired others to offer tangible goods on a subscription basis. Subscriptions to durable goods (such as laptops, washing machines and private lease cars) and consumables (such as vegetables, razor blades and beauty boxes) now account for about € 80 billion per year. There is potential for further growth: more Europeans expect to subscribe to additional tangibles than to churn. The potential is higher than for subscriptions to traditional services such as internet or cable TV. However, the expected growth rate is lower for tangible goods than for information goods. Tangible goods subscriptions do not have near-zero marginal costs. Rather, the opposite may be true. Subscriptions can be more expensive than one-off purchases because additional services are included in the price. Consumers will be willing to pay only if the added value is seen as higher.

One-off purchase often still seen as attractive

About 40% of consumers do not see any benefits in subscribing to tangible goods. Consumers carefully weigh subscriptions against one-off purchases. Only a fifth of consumers believes that subscriptions are cheaper than buying the product outright. Many people see subscriptions as expensive and rigid, especially in north-western European countries, such as Belgium, Germany, France and the Netherlands. It, therefore, comes as no surprise that in several business cases presented, subscription-only suppliers decided to switch to one-off sales.

Convenience is key for subscriptions to consumables

Time-constrained consumers are seeking the convenience that subscriptions offer. Since many Europeans are seeing their financial position improve, more of them are willing and able to pay a premium for this convenience. Automated subscriptions to consumables such as ink, flowers or food boxes, which reduce the time spent travelling, browsing and shopping can have a significant positive effect on mood. Spending money to buy time is particularly popular among younger generations.

Risks and the financial hurdles drive subscriptions to durables

The circular economy may be an important reason that comes to mind when thinking about subscriptions to durables. Consumers, however, do not see this as an important reason for subscribing. Their first concern is the financial hurdle they face to buy the durable goods they want (such as cars or the latest smartphone model). Subscription offerings make these goods accessible to them. This is relevant, particularly for younger people. Also, a subscription can lower maintenance costs and risks for consumers. With

more technologically complex goods, this may prove an important added value for subscriptions. Producers will have to carefully design their products and business models to deliver to this consumer need at competitive prices.

The need for clever business cases

With an entrepreneurial mindset, it is clear that the learnings of other suppliers offer valuable lessons to find the sweet spot for subscriptions to tangibles.

We see the potential for successful consumable subscriptions as slightly lower than for durables. The sweet spot is high-usage frequency and predictability combined with high transaction costs, such as transport hassle, at every purchase. Cutting out the middleman may also help keep costs low. This can increase the added value for consumers at acceptable costs.

The potential for durable goods subscriptions is slightly higher than for consumables. Specifically, a business that can keep operational, financing and risk costs down while offering access to a product with a high purchase price has a good starting position. That explains the success of private leasing of cars. Technological complexity and regulation on design for a longer lifespan may help the subscription model for household appliances and electronics in the future.

All in all, we do see consumers as being more prone to subscribe to tangible goods now that they are used to subscribing to music and video. Not all tangibles will have the same appeal; subscriptions to cars, electronics and food will probably feel more pull than subscriptions to tools and toilet paper. For subscriptions to any tangible goods, winning consumers over will require cleverly designed business models. It still all comes down to value for money for consumers in the subscription age.

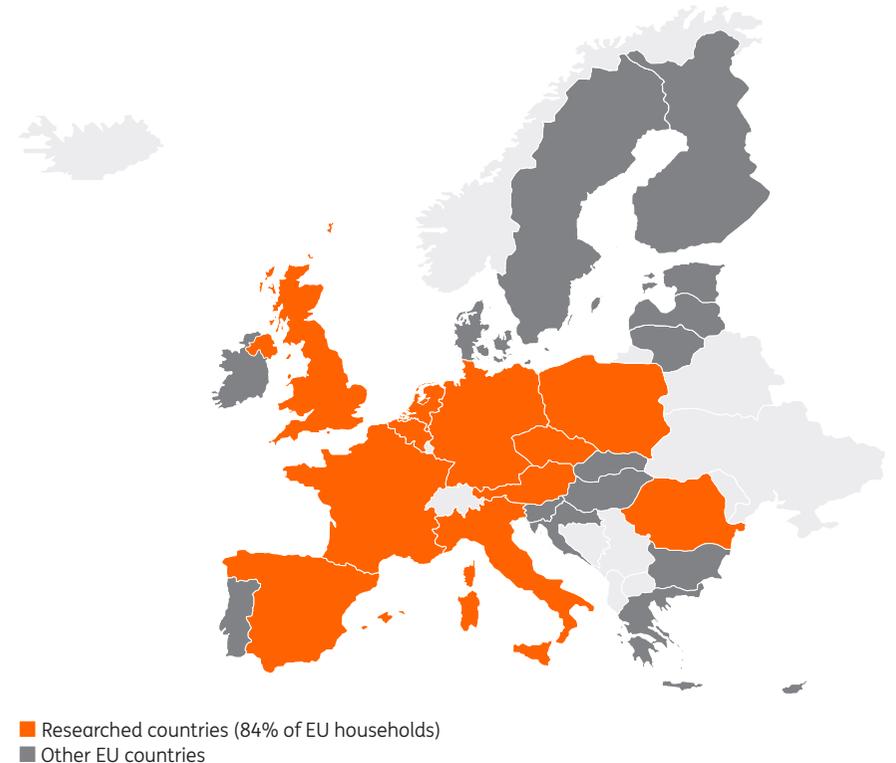
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Methodology

As input for this study, Motivaction conducted representative consumer market research in 11 European countries. Together, these countries account for 84% of EU households. 11,000 respondents (1,000 per country, representative for the population) were questioned about the subscription economy. Average subscription expenditure per household was calculated, based on reported subscription shares and expenditures per product category. Results were multiplied by number of households and extrapolated to provide a rough estimate of B2C subscription economy size in the EU28.



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Look at ing.nl/kennis or follow us on [Twitter](#)

Or contact:

Marieke Blom

ING Economics Department
marieke.blom@ing.com

Ferdinand Nijboer

ING Economics Department
ferdinand.nijboer@ing.com

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