

Subscription Services— An Exploding Sales Channel

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Countless packages arrive on doorsteps every day, filled with merchandise ranging from gourmet food to cosmetics to medicine for your puppy. These packages are the visible manifestation of the “subscription economy” operating in full mode as brands and retailers convert consumer clicks into convenience and clubs. Lottery products have also been made available by subscription as well. But have they exploited its full potential? It’s time to see subscription as a growth channel, a way to make lottery games more conveniently available to the increasing numbers of consumers who do not frequent convenience stores.

An Old Model with a New Twist

Subscription selling began in the 16th century when printers created the method to generate a market for maps, books, and all manner of printed material. Monthly or annual subscriptions gave the literate (and affluent) access to serial books, art prints, and religious and political papers.

In 1885, the embryonic AT&T began selling subscription access to a new communications device called the telephone. The modern version of the subscription selling segment has been in operation since 1926 when the Book of the Month Club was founded. In 1955, Columbia Record Club

incomes ranging from \$50,000 to \$100,000 annually, and are 60 percent women. One in seven subscription shoppers use more than one service, with 35% using three or more at a time. Men are slightly more likely than women to use multiple services (razor blades, games, and liquor are prevalent).

The subscription segment features three principal models:

Replenishment – This model enables consumers to automate the purchase of commodities or frequently used items (such as razor blades, dog treats, diapers, etc.) Dollar Shave Club is the foremost example of this model. Consumers control the frequency of replenishment (weekly, monthly, quarterly, etc.). **The active subscriptions services in Lottery typically operate in this fashion.**

Curation – This model pivots on surprising consumers with new and/or highly personalized products in such categories as beauty and food. Ipsy’s “Glam Bag” (featuring five products personalized for the subscriber) is a leading example of this model. Within the curation model, there are “mixed boxes” (the consumer controls what a few items will be, but other items are surprises) and “mystery boxes” (in which all contents are surprises).

Access – This model requires subscribers to pay a fee (typically monthly) to obtain lower pricing, members-only products, and other exclusive promotions. Netflix is the iconic example in this space.

Some programs are improperly characterized as subscriptions because they do not require a recurring commitment to participate. In many instances, consumers need only volunteer personal data to gain access to services without further obligation.

Churn is high in the subscription segment; consumers are quick to cancel services that fail to deliver an exemplary end-to-end experience. Nearly 40% of subscribers say they have canceled subscriptions.

“The subscription segment has increased by more than 100% per year for the past five years, generating \$3 billion in sales. For context, this segment was responsible for only \$57 million in sales as recently as 2011.”

The trade form known as subscription services has been around for centuries. Maybe that’s why it does not seem like the most forward-looking channel, as if it can’t be too exciting if it doesn’t require learning new apps and applying new technologies. But big brands have breathed new life into this old model and millions of consumers are now spending billions of dollars in this segment. The combination of convenience, price, and personalization has triggered this channel boom.

In this article, we will examine:

- The exponential growth of the subscription industry
- The consumers most attracted to subscription shopping
- The three principal models of subscription services
- The essential ingredients for a successful subscription enterprise
- Implications for Lottery

began a long-running success story with its establishment of a mail-order recorded music enterprise that featured a sign-up incentive of eight records for one cent!

Even though the business model represents decades of evolution, new twists on the old approach are capturing today’s digital consumers. As many as 2,000 subscription services are up and running in the United States. There are providers of beer and wine, child and baby items, contact lenses, cosmetics, meal kits, video games, apparel, vitamins, and pet foods. The five most popular subscription sites in 2018 were Amazon Subscribe & Save, Dollar Shave Club, Ipsy, Blue Apron, and Birchbox.

The subscription segment has increased by more than 100% per year for the past five years, generating \$3 billion in sales. For context, this segment was responsible for only \$57 million in sales as recently as 2011. Consumers most attracted to this segment are aged 25 to 44, are relatively affluent with

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API initiative. It will allow for a virtually seamless integration with the retailers who have the TCx™ Elevate platform allowing them to sell lottery products through their registers/Epos like everything else that they sell today.

So to go back to school and our equation where

$$X = \text{change}$$

we see “X” as the Abacus Toshiba partnership driving forward sales into new areas and increasing that all important market presence. We can therefore say that “X” is:-

$$(\text{Abacus} + \text{Toshiba}) = \text{change}$$

So our final equation would look like this:

$$\text{lottery} + (\text{Abacus} + \text{Toshiba}) = \text{growth}$$

Thirty years ago, the restraint on growth was the bottleneck that sight verification created. This bottleneck was broken by the introduction of the lottery terminal into the marketplace. Retail has changed and continues to change rapidly. We are at a crossroads again, but the restraint on growth is now this very terminal. Moving our transactions into the Epos will literally put “Lottery Everywhere” and lead to the next burst of sustained growth in sales and profits for good causes.



So put the Abacus Fusion Platform at the heart of connecting lotteries, retailers and your consumers. ■

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It is important for marketers to understand that subscription services do not represent competition, but rather augmentation to existing channels of sales and distribution. Sephora (cosmetics) has mastered this dynamic with its PLAY! Program, which offers subscribers access to new products through home delivery while using this consumer touch-point to encourage them to shop at local stores to acquire points for redemption for prizes and experiences.

Implications for Lottery

State lotteries in New York, Maine, Maryland, and other states have adopted various approaches to subscription sales for such games as Mega Millions, Powerball, Cash4 Life, and Lucky for Life. A player can select favorite numbers and apply them to games 52 weeks in the year or buy packages of various periodicity. In some states, winning pay-outs can be automatically credited to a player’s on-line account, although the award dollar threshold varies by jurisdiction.

Subscription sales represent an excellent way for players to manage the amount of money they spend on lottery tickets. As such subscription sales provide a seamless method for lotteries to contribute to **Responsible Gaming**. Limits could be placed on an individual player’s purchases by dollar amount and/or by frequency. Age restrictions and secure payment methods are easier to administer in a subscription model than they are in a busy retail environment. RG resources could be made available through a subscription portal, with 24-7 live access to counselors and other “members only” benefits such as on-going coaching check-ins and account-ability updates.

For Lottery jurisdictions that permit subscriptions, here are some of the key ingredients to keep in mind when launching or enhancing such a service:

- Select the optimal web architecture – A subscription site or page should promote customer engagement, long-term utility, and seamless payment (and pay-out) functionality.
- It’s all about conversions – Develop a deep understanding of the shopper’s journey, from researching to exploring, to making the commitment to subscribing. Incentivize players with an introductory discount, free gift, or special service.
- Go mobile – Optimize digital content assets for all devices. Minimum requirements include “tap to call” customer service, real-time alerts, and game status monitoring.
- Build community – Engender a “members-only club” feeling through live chat, special events, product previews, and stories of Good Works.

The old subscription trade style is new again, and it promises benefits to consumers and incremental sales for providers.

Sign up now! ■

the threats and opportunities and chart a course to lead us forward.

All games, all products and business models are vulnerable to disruption and need to step on the gas to innovate and lead. And it’s true that draw-based games need to press even harder to stay relevant and grow our player-base. We do recognize the threats, we do understand the nature of the issues we face, we are tackling the challenge head-on and will power forward with a game-plan to keep EuroMillions on a pathway of growth and sustainability.

Does the product need to change, or just the messaging?

A. Pilkington: The positive thing is that we have three pathways to differentiation. One, innovate on the product side. That, as you pointed out, poses some challenges as there are only so many moving parts to a draw-game. But we’re working on that. Fortunately, in the mean-time, millions of players continue to love the game and we think will continue to play for a very long time to come. Two, get more creative on the messaging and promotion side. EuroMillions is a fabulous product with a unique consumer appeal. Three, push further into new trade-styles and channels of distribution and continue to develop the digital/Mobile channels as well as expand the retail footprint.



SLE exists to serve its member lottery operators. And EuroMillions exists to augment the portfolio of products offered by our member lotteries. All of our member lotteries have their own national jurisdictional lotto game and we want to make sure the positioning of EuroMillions supports optimization of their entire portfolio of products. To that purpose as well, differentiation is key to our growth strategies. ■