

MEMBERS-ONLY E-COMMERCE

Maximizing Sales and Awareness Through
Flash Sales, Subscription Boxes, and Meal
Kit Services

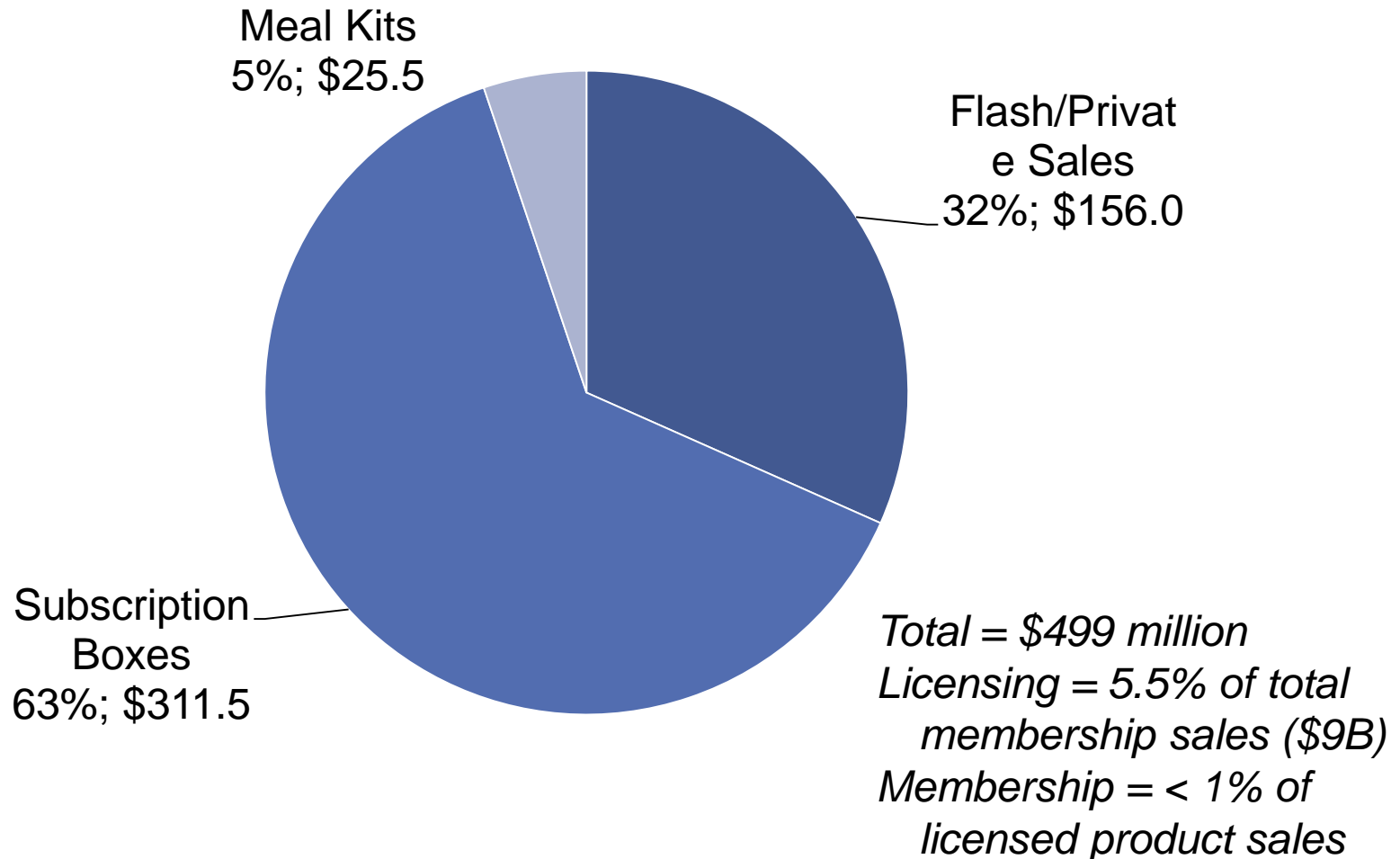
R A U G U S T 
C O M M U N I C A T I O N S

A Short History

- Record clubs, book clubs, subscription encyclopedias, continuity programs around for decades
- Current incarnation: flash sales (2007), subscription boxes (2010), meal kits (2012)
- Licensing a factor since the beginning (e.g. fashion accessories through flash sales); real growth in last 2-3 years



U.S. Retail Sales of Licensed Property-connected Merchandise Through Membership/Subscription E-tail, 2016



Sales in millions. Includes licensed products and curated products sold under the umbrella of a licensed property.
Sources: Raugust Communications, eMarketer, Packaged Facts, IBIS World



Benefits of Licensing-Driven Membership E-Commerce

- **For consumers:** constant new merchandise, element of surprise, value, convenience, experiential/storytelling elements, exclusivity
- **For property owners and licensees:** strong marketing platform, builds customer loyalty, generates revenue (ancillary), may convert to sales in traditional channels
- **For membership/subscription e-tail companies:** differentiation, unique product offerings, pipeline of desirable product, opportunity for storytelling

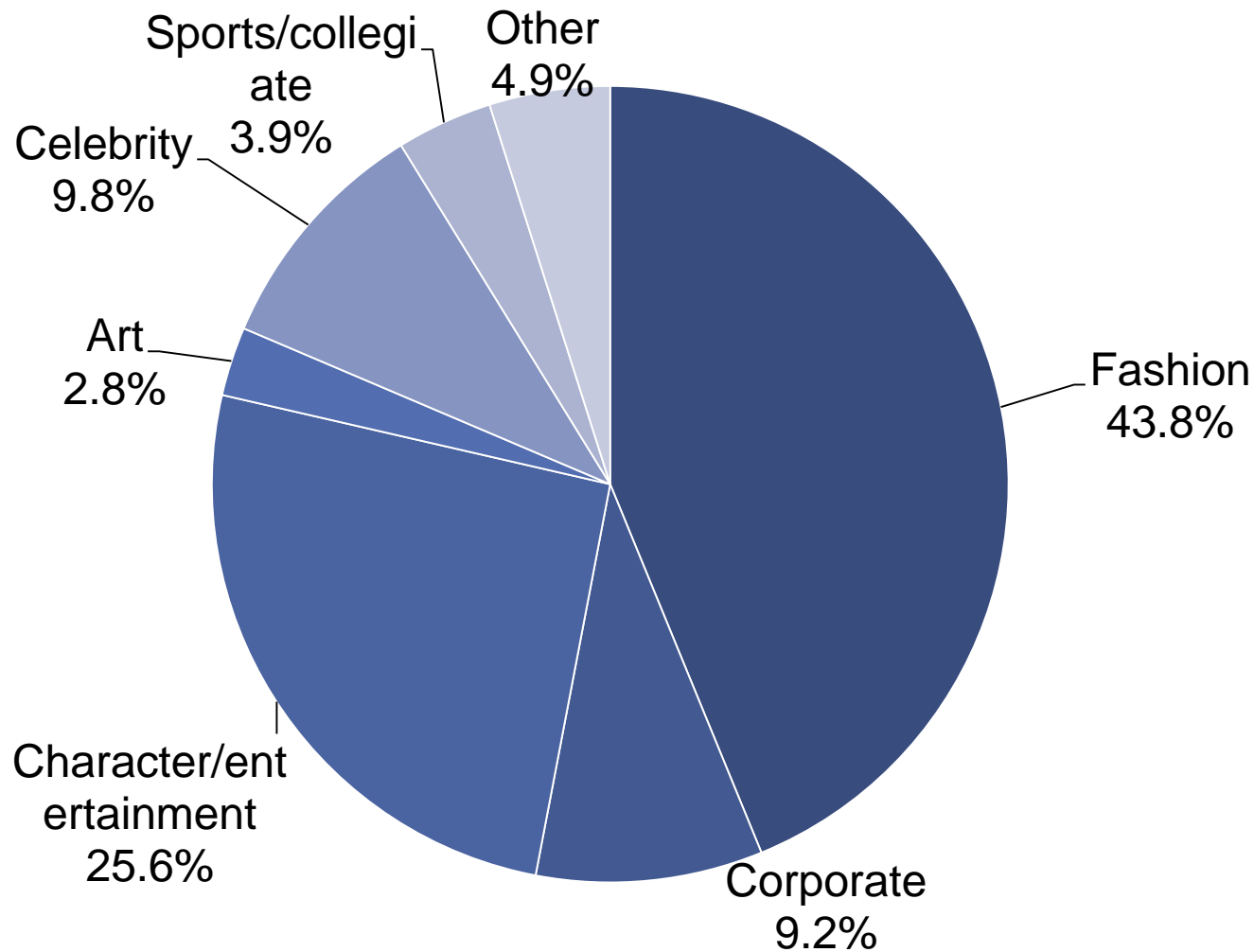
Remember: each sector is unique



Flash Sales

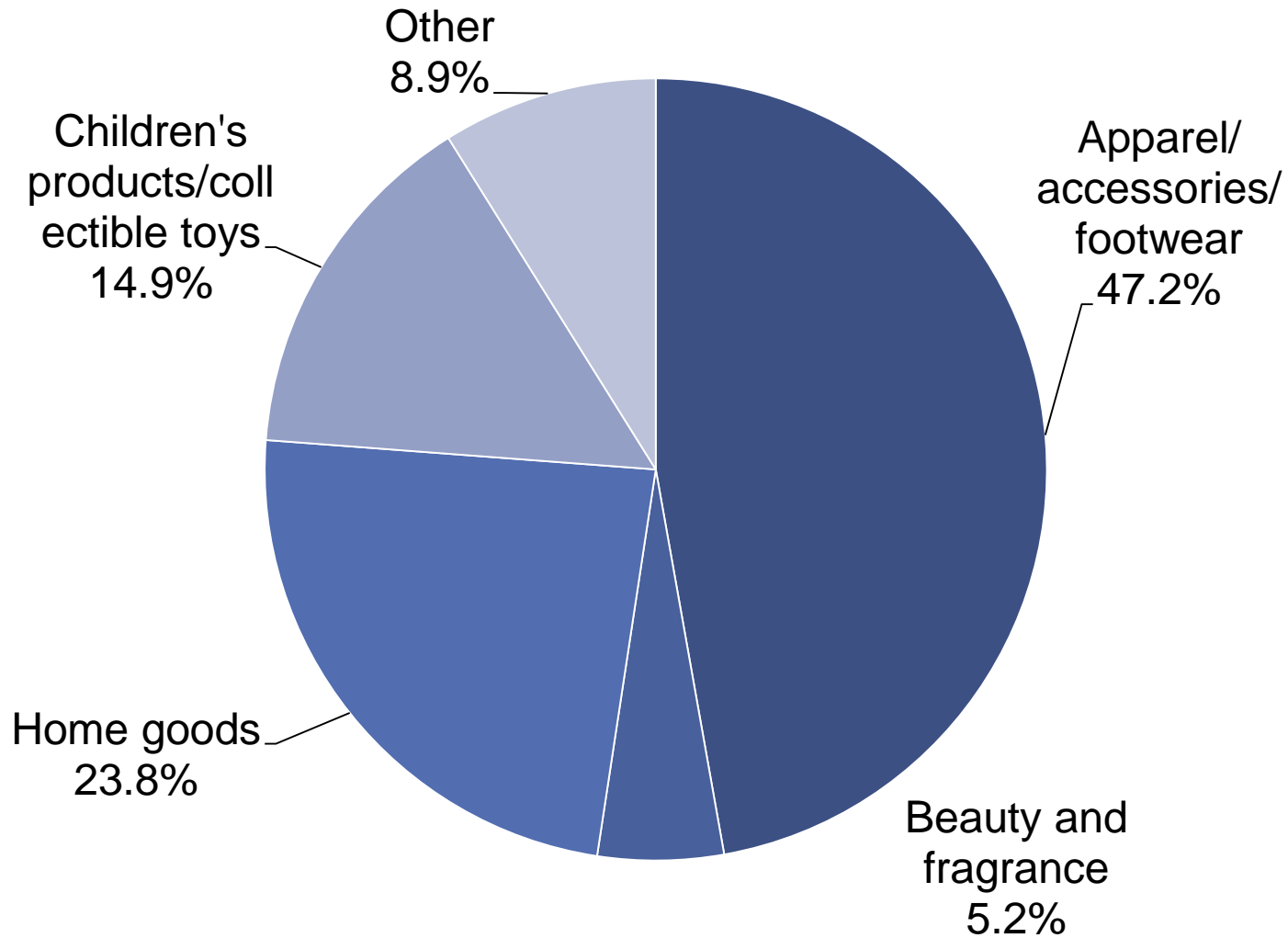


U.S. Retail Sales of Licensed Merchandise Through Flash Sales, by Property Type, 2016



Total: \$156 million. Source: Raugust Communications 

U.S. Retail Sales of Licensed Merchandise Through Flash Sales, by Product Category, 2016



Total = \$156 million. Source: Raugust Communications



Flash Sales: Key Players

- Gilt Groupe
- Zulily
- Joss & Main
- One King's Lane
- Groupon Goods
- Rue La La
- Haute Look

About 50 players in the market



Clair Frederick

President, MerryMakers, Inc.



Flash Site Partnerships



MerryMakers

Improving Sales & Relations

Presenter: Clair Frederick

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Who appreciates the sizzle of a flash site?

- Consumers
- Vendors
- Licensing Community



Multiple advantages for vendor:

- Gift business offers soft goods relating to children's books, museum collections and historical sites.
PLUS!
- Our licensing business representing children's book properties expand the program to categories beyond soft goods.

Zulily understands our business:

- Combination of doll and book
- Selling an EXPERIENCE, rather than just a product
- Long relationship with book publishers (ie. Buy One/Give One for First Book)

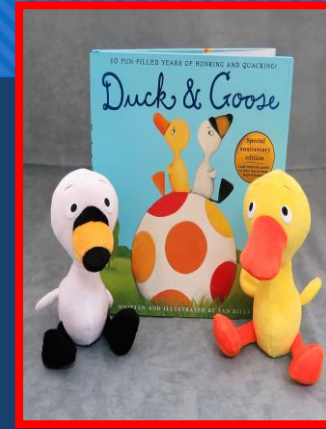
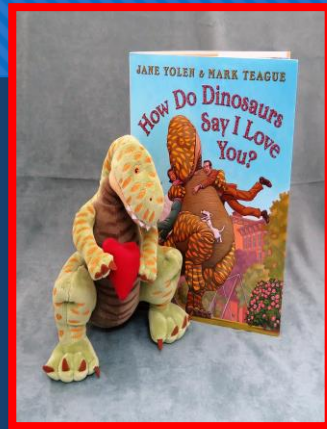


Zulily understands storytelling:



- Aspirational lifestyle—reading, education, open horizons
- Supporting an enthusiasm for a particular licensed character
- A concept (ie. Storybook Friends)

Business advantage:



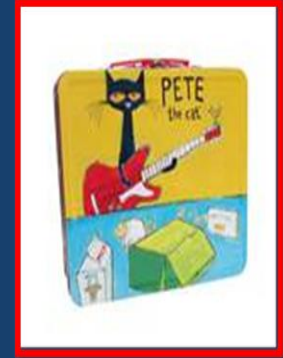
- Up-sell potential: consumer buys multiple items rather than one
- Giving incentive to buy as a combination of SKUs that might not be readily available elsewhere

Our Zulily buyer: Champion!

- Offered an overview of the market
- Noted and shared what categories sold
- Was familiar with all the best-in-category vendors and knew contacts there
- Shared information freely

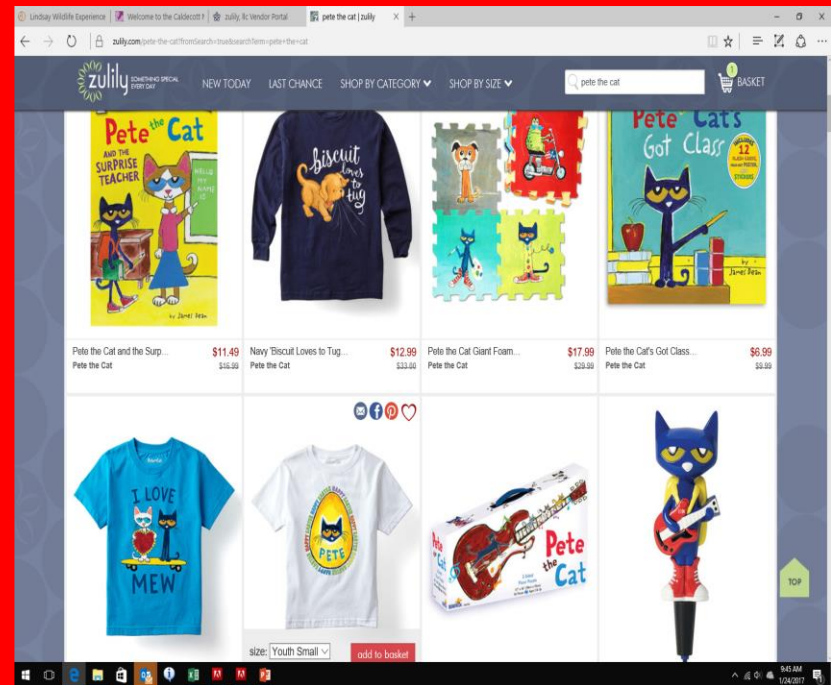
It's about relationships:

- Buyers making introductions to potential licensees
- Licensees suggesting complementary partners
- Organic growth for the long term



Exposure of licensed properties:

- Millions of flash site views raise the recognition and comfort level
- Restrict exposure—limited time and quantity
- Incentive to become a “member”
- Buy because the product limited
- Vendor determines the RIGHT amount of exposure



Importance of careful listing review:

- Review and curate flash site listings with site buyers
- Monitor pricing– modest, standard discounts

Recap: Communicate!

- Communication between buyer and vendor helped launch the licensed merch program
- Communication between licensees regarding ways to complement each other
- Story the licensor, licensee, buyer and vendor develop to impart the consumer

Subscription Boxes



Characteristics

- **Number of boxes on the market:** 2,000+
- **Number of items per box:** 1 to 12, sweet spot of 5-7; a few allow consumers to return unwanted products
- **Frequency:** monthly, quarterly, seasonally, some one-offs
- **Cost:** \$0 (for samples) to \$100+ per box; high value for the money
- **Focus:** built around a product category, theme, demographic group



Subscription Boxes (Total), by Theme, 2016

Beauty/style	13.1%	Educational	2.3%
General lifestyle	10.8%	Artisan goods	2.2%
		Pro-social/charitable/eco-friendly	2.2%
Crafting/hobbies	6.4%	Pet lovers	2.1%
Pop culture	6.2%	Adult/erotic	1.9%
Fitness/wellness	6.1%	Mystery/deals	1.9%
Life events/stages	5.6%	Sports participation/fan	1.7%
Travel/culture	5.6%	Religious/spiritual	0.9%
Literary	3.1%		

Blue trends toward curation/branding (magazine, celebrity, etc.)

Red tends to be licensed products included in the box (character/entertainment, sports, etc.)

Source: Raugust Communications



Sourcing Models

- Products sourced from existing licensees
- Products are curated by licensor but are not licensed
- Box marketer serves as licensee, creating unique product in collaboration with licensor
- Manufacturers donate samples

*All methods used, whether box is curated, licensor/
licensee-branded, or sold under box brand*



Challenges

- Finding pricing/sourcing model that works for partners and provides value for consumers (for small runs of unique product at a discount)
- Ensuring sustainable stream of desirable, high-quality, and unique merchandise over a long period
- Meeting compressed timeframes for product sourcing and especially approvals
- Dealing with entrepreneurial marketplace
- Managing expectations, especially for bigger brands



Key Players

- **Character/entertainment:** Loot Crate, Nerd Block, Isaac Morris, Funko, Box Boulevard
- **Sports/fan:** Fan Essentials, My Game Day Box
- **Lifestyle:** Quarterly Co., Out of the Box, PopSugar
- **Beauty/style:** Birchbox

More than 2,000 individual boxes in the market



Meal Kits



Market Overview

- **Licensing:** emerging; key sectors are chefs, publications, and food, diet, and appliance brands
- **Competition:** crowded landscape already; few players profitable yet
- **Customers:** millennials; fast-growing but still niche consumer base
- **Potential concerns:** waste, freshness, delivery logistics



Working With Meal Kit Companies

- Content licensing (recipes)
- Trademark licensing (full branded programs)
- Ongoing sponsorship (e.g., food, appliance brands)
- Short-term promotions



Key Players

- Chef'd (140+ partners)
- Blue Apron (food and wine associations)
- Marley Spoon (Martha Stewart)
- Hello Fresh (Jamie Oliver, etc.)
- Purple Carrot (Mark Bittman)

150 players in the market



The Future



Flash and Private Sales

- After financial turmoil and consolidation, most key players have stabilized, still some closures ahead
- Purchases by big players (and other factors) create synergies among flash sales, traditional e-commerce, sub boxes, and bricks-and-mortar retail
- Some new licensing players enter market (e.g. more celebrities); overall low to moderate growth in licensed product availability and sales
- More custom/print on demand merchandise to satisfy need for unique products, fit financial constraints, solve inventory concerns



Subscription Boxes

- More big players (from within and outside the industry), but still entrepreneurial overall
- Likely some shakeout due to sheer competition and preponderance of small players
- Continued strong growth in licensing, at least in short term, especially in branded boxes
- More diversity in properties active in market (e.g. more corporate, more sports)



Meal Kits

- More licensing deals coming in 2017 in this still-emerging sector
- Potential diversification beyond core food-related properties (e.g. athletes, “lifestyle” celebrities)
- Some shakeout due to competitive factors, lack of profits to date, and small size of opportunity for big players
- Still early in life cycle; promising, but prospects are uncertain



Thank You

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