

SUBTA Power Hour - Transcript

Nov 1, 2017

Today's Guest: Paul Jarrett, CEO, Bulu Box

Topic: Box Personalization & Your Business

Headline: How to determine the right level of personalization for your customers and your business.

Michelle: Hello and welcome to today's SUBTA Power Hour. I am Michelle Lange, your SUBTA host, and today we have with us Paul Jarrett, who is the co-founder and CEO of Bulu Box, and is here to talk about box personalization in your business and how we can really use data to help drive a deeper experience with our memberships. Paul, welcome and can you tell us about Bulu Box.

Paul: Hey, everybody out there. I'm the cofounder and CEO of Bulu Box. My wife and I, she's actually our CMO and COO, actually, and cofounder of the company with me. We started, probably around five or six years ago, and the original idea was Birchbox for vitamins and supplements. We grew incredibly quickly. I'm embarrassed to share some of the numbers about our company because, to be quite frank, it was easy back then. We were getting customers at 85 cents and they were worth hundreds of dollars, and anything that we'd do, whether it post to a website or social media, we would get subscribers left and right. We grew to about 500K monthly recurring revenue. Probably about 18 months to two years in, it started to get more challenging. We had raised \$6 million in capital and we just kind of took a big step back and tried to figure out what to do with the company moving forward, and so we decided to do kind of answer--it took a kind of outside third party to come in and tell me, like, "Hey. Everybody is contacting you from large retailers about subscription boxes, and we know people have tried to acquire your business and the price hasn't kind of got to a point that we would sell at. Have you ever thought of servicing other companies?" And immediately, I was like, "No way. That's all of our value." You know, this is much harder than just getting paid to do something and overtime, though, I will say I was--I came to see the light of working with partners. So, not only now do we have BuluBox.com, which does vitamin supplements, we say--again, like, Birchbox for vitamins and supplements, but also we do subscription box both consulting, shipping, fulfillment--we basically say, "We find, facilitate, and fulfill subscription boxes for other companies," and we

have a focus on some larger retail companies, but we do have some other kind of mid- or smaller people layered in, depending on the kind of level of work. So, the majority of our business is now this turn the key subscription box solution. So, in this presentation, I am not allowed to share our clients or their kind of specific numbers, but I can say we're on track to do 5 million boxes next year to ship as both for clients and for Bulu Box. The vast majority of those are gonna be for our clients. Bulu Box is not the largest part of our business anymore, but I will say I can speak in broad terms to our clients, and I think that's the value that I will bring to this presentation is kind of saying, "Well, for Bulu Box we did this, and for our clients, this is what we see," and I would love to have questions in-between and I won't be shy on what I feel comfortable answering and what I don't feel comfortable asking me. So, that's the--

Michelle: First off, thank you so much for walking us through have you have evolved your business model. I believe a lot of companies in the subscription space, start off with one idea and concept, and the ones who stick around and are successful are those who see where to evolve and adapt next, particularly with their business model. So, first off, thank you so much for sharing that right up front.

Paul: Thank you.

Michelle: You're welcome, and it's a wonderful start to diving into the data that you're helping both your clients and Bulu Box grow.

Paul: I am going to focus on how we approached personalizing our own subscription box program. I'm gonna use examples from both Bulu Box and what we call our "Turnkey Subscription Box Solutions." This first stat--there it is right there--this is actually from a SUBTA publication. When I look at this 86% of consumers admit personalization affects their purchase decision, I'm gonna say out of the gate this is the number one discussion point that we have with our clients. So, this isn't just subscription boxes from kind of an independent point of view are seeing this, but also major retailers and/or other companies that decide to kind of launch their own subscription box program. So, one thing that is interesting is that a lot of subscription boxes are all about discovery, right? It's surprise and delight, and at Bulu Box, we promise to introduce customers to these new, exciting products, and in a way, personalization goes completely against the brand promise, right? It's like, "Hey. Try all this new stuff that you don't know about," but people feel comfortable and they feel like personalization is what's for them. So, right out of the gate, it's kind of not aligning with your own brand promise, right? Like, you're signing up for these products, and you want to be exposed to new things, but it doesn't feel

personalized because you might not like that flavor or you might not, you know--you kind of caffeine pre-workout product or a melatonin product that helps you sleep might be scary to you and that doesn't feel personalized, but you don't realize that that's like the same reason that you went and purchased a surprise and delight box. So, now, like, don't get me wrong. There's a ton of levels to this and I think that's really what we've found with our clients and other people in this industry. We always say, like, "Words matter." Now, these words--whether you're saying tailored, or customized, or personalized, it's really important that you use the correct language and that you use that language throughout all of your marketing materials and communication, and furthermore, you start to graphically illustrate what that means, right? And I'd say that that is the biggest challenge that our clients kind of end up falling into is everybody wants to say "customized" right away because that feels good or "personalized," but then they don't deliver on that and customers get really frustrated, and then they kind of think, like, "Well, man, we should've said 'tailored,' or 'catered,'" or whatever. So, words really matter. The graphic illustration of those words really matter, and your brand promise--be careful that you're not going against kind of inherently what your company is. So, we spent a ton--let's see if I can get to the next slide. There it is. We spent a ton of money in 2014, and we did a huge customer survey. We hired data scientists, we had economists, we had teachers at the University of Nebraska--everybody kind of like review this program, and it came down to our customer survey said two things. Customers want a personalized box. They want to choose--and which, furthermore, basically said they want to choose what they want, and the second thing was they wanted it cheap. So, we actually didn't know how we were going to do this, but we thought, "Let's give people what they want, and let's figure out how the kind of economics of it work later on." So, we came up with this build your own Bulu Box, and the idea was that the customers got to choose three samples for that month, and our team would round out the other two or three samples, because when it came to logistics and sample opportunities, etc. that made the most sense. We also sold it for \$5, and I can't remember if we were breaking even or losing money, or I think when you layer it all in the kind of marketing, we're actually losing money, but what we wanted to do was get 3,000 of those boxes out there and see what happens, right? So, it was not branded as a test. It was branded as a launch. It went off without a hitch. We spent a ton of time, a ton of energy. We did exactly what people were asking for, and I'm going to share the results of those 3,000 people that signed up for this. Let me see if I can just get over to the next slide here. There it is. So, we set out a goal of actually 30% monthly churn after month one, which I will say we could have a whole new conversation and presentation over churn. The goal of Bulu Box is actually to get customers to churn out of the box and into getting a full sized product of a multivitamin or a protein or a fish oil and get that on repeat delivery. So, the whole, you know, churn model of the box is actually really high with Bulu Box because we wanna get

them on repeat delivery of a whole size product. So, we actually in some cases, are pushing people out of the box and into a full size sale. So, for this project--or this test, we set a goal of 30% monthly churn after month one. What would happen was like way--

Michelle: You said you target 30% churn?

Paul: Yeah.

Michelle: That's bold. Many experts will say say, "Oh, you have to be below 5%," or you know, "10% is unsustainable." What you did is you said strategically you have a reason, and I just wanted us to pause and let that sink in, and I'm just curious--before you move on here--did everybody agree with you in the company?

Paul: We have--you know, when we started the company, I think the lowest that churn was was about 4%, and then it climbed to 8%, and then kind of when the mass of, you know, competitors and just two or three years in, churn just started going through the roof, and you know, we had the economics of what the customer acquisition cost and lifetime value should be for that, but it was a matter of how much money are you willing to spend to kind of get to the point that makes sense for that churn. So, I think so many times when I say, you know, it really is a whole other presentation and a whole other discussion. What I have come to find out--and I have seen thousands of decks--is that what really matters is how you define the customer, how you define the customer acquisition cost, how you define lifetime value, how you define churn. I have seen very, very large subscription box folks define churn as literally an email being canceled. So, they describe our--describe a customer as an email that they acquire, an email that cancels off the list. So, I think there's a lot of ways that you can calculate churn, and for Bulu Box, we just decided, "Hey. When we get somebody buying full size, repeat versions of that product, the margin is much higher, they kind of set it and forget it. So, why are we fighting and losing money trying to get churn," and actually what happened was as the churn increased--we had always planned on selling full sized products, but that just kicked it almost a full year in advance of we had to figure out selling full sized products and a rewards point system. So, and then when you layer on the customer, the churn is much different if you layer them into a box and then into a full-size repeat delivery of the product. Then, the churn starts to get lower, but yeah, I mean, there's a whole strategy and it just boiled down to, like, "Why are we fighting what the--we're fighting the entire market and the only way to kind of fight with that is to either change the company or throw money at the problem. Why don't we evolve?" Right?

Michelle: Mhm. Powerful. Thank you. Thank you for taking a detour with us.

Paul: Absolutely. So, when we did this, though, our churn was actually much higher, which I have 63%--damn, that was a lot. That was way higher. So, that was out of our range and that would not work with the model that we were doing. What we found with this is that customers would not--no matter--that they said--they wanted to try new things. We literally were watching--you know, we can do screen captures. I think Crazy Egg and there's other software that allows you to watch what customers do, and nobody--you know, it boiled down to nobody was logging in to select their products. When they did go to select their products, they were getting products that they already knew. You know, they were getting the chocolate proteins, the granola bars--the products that they always knew. We literally stripped out kind of the whole surprise and delight element of the box, right? So, although on the surveys--and I know the data in the industry all points to--you know, so I'm talking SUBTA, I'm talking Bulu Box, the clients that we work with--the number one--actually, I'll say the number one complaint is always, "When am I getting my box?" And the number two complaint is, "Why isn't this more personalized," or, "How do I get it more personalized?" And I think the reality is that those things might just be what it is for some folks, especially if your big promise is surprise and delight like it is for Bulu Box. So, what we did actually learn, and you know, we licked our wounds, we keeled over, and really quickly there was a lot of apology emails and calls for this small amount of people that were actually using it. I think we just let it run for three months. Almost everybody churned out eventually, but what we learned is that our element and our brand of surprise and delight actually meant more to our customers than selecting their own samples. Customers do not always know what they want. I think that's a big one, and I think that's humans in general. We think we know what we want--like, we all want to work out, but are we actually gonna get up and go work out, right? Like, we think we want a customized box, but are we gonna actually login and choose the products? And we also need to make sure that we trust our own brand promise and that we stick to what we know, but some other things that we did learn were some easy personalization tactics. So, one example is we do pre-determined Bulu Box type. An example is we actually offer--even though if you sign up for a custom--if you sign up for a customary Bulu Box, the way that you answer questions about your profile, we will actually tailor the box for weight loss, or standard strength gaining, or other things, but when you give somebody the option to use an original or a weight loss Bulu Box, they feel empowered. So, even though you're kind of software and backend, you're going to choose that for people based on what they answer in surveys. By letting them choose upfront from a broader sense, people really enjoy--and our numbers went through the roof. We started to kind of like say original and weight loss. So, even though we were doing it on the backend and not saying anything, when we

brought that up to the front and said, "Look. You can choose original or weight loss," people love that and it felt like they were empowered a little bit more. The--when I think of different boxes, options could be like small breed or large breed dog, or [inaudible 00:42:36]. It's the questions that you likely will ask or you'll get to know your customer over, but letting them select those things I think is really empowering for people. Gender--being, you know, gender-specific to people, making sure that those products are gender-specific seems pretty basic, but a lot of people also miss that, and over here, for the best box experience, if you wanna customize your box, all you have to do is fill out your interests. When you activate your account, the more you shop, the better we know what to give you in your box with every purchase you make using your membership, you earn--or with every purchase, you make using your membership, we learn more about what you like, what cool, new products will best suit your personal taste and goals, and so we push a lot of that copy in emails, when people go to sign up, etc. etc., and basically it's another way of saying, "The more that you tell us and the more that you engage, the better we can kind of qualify the box for you."

Michelle: Two items. I do want to remind our audience to ask any questions at any point in time, and I know Paul will be glad to drill down into the data as well and share the insights and learning. I do have a question and an observation as well. So, one of the things that is fairly typical in a lot of discovery and delight boxes is that people gift certain of the items, and I had an experience because, having received the Bulu Box this last month as well, there was an item in there--and it was a full size item. It was actually a different--it wasn't exactly melatonin, but it was something that was a sleep aid and they were like 20 or 30 pills in them. So, it was a very full size one, and I fall asleep extremely fast. So, that is not my issue, but I was talking to somebody in the office and they were sharing with me that their mother has a tremendous difficulty falling asleep, and I said, "Oh. Fantastic. Let me give this to you," and she was able to give it to her mother and use it, and it was a great experience. So, I don't know that people normally think of this product category as having giftable items, but I'd just love to hear what--what have you learned about that component of it as well?

Paul: Yeah. We call those the pass alongs. We used to put stickers on them, and so we would actually--you know, if you were gonna get that product from Bulu Box and we kind of knew it wasn't a good fit, or like, we weren't sure, or--and you'll see it a lot with sleep products because a lot of people think that they sleep fine and then they actually try it, and they go, "Oh. Woah. That's what sleep is supposed to feel--like a deep night's sleep is supposed to feel like?" But we used to put stickers on them. We don't do it anymore due to cost, but we will on occasion do an email or an insert, and we kind of monitor customer complaints and if people are frustrated a lot

with like, "Hey. I didn't want this," or you know, "Hey. You sent me this female product and I'm a male," or whatever it is. We'll respond both via email and we might monitor the group as a whole and say, "Just as a reminder, we're doing 4-5 samples in your box, but if you get extra ones or if you get a pass along like share..." We call it share the health--excuse me.

Michelle: Share the health. Nice.

Paul: Yeah, yeah. But exactly what you said happens happens, and yeah, I hope we can get back to someday putting stickers on those kind of pass along products.

Michelle: Well, I know it was very appreciated, but now you have me second guessing. Maybe I should've kept it, and I'd have even better nights of sleep, so.

Paul: A lot of people, they don't understand how long caffeine is in their body for, and you know, they'll take something with a little melatonin or 5HT--5HPT Gaba and a different mix, and they go, "Oh. Wow. This is--that was a deep night's sleep, right?" When you wake up and you don't know what day it was.

Michelle: Thank you.

Paul: So, for the Bulu Box--I think this is another--you know, this--I'm getting towards the end of what I'll share today, and then I'll open it up for questions, but I think a lot of this also it's really important to understand that Bulu Box [inaudible 00:47:16], and we do not pay for the items that we get, and we're only able to do that because we've established relationships and contracts a long time ago. Other companies, however, you know, most people pay cost for products or some companies actually [inaudible 00:47:32] and have a big enough brand where brands will pay to be in their subscription box. So, chew on that for a minute of some subscription boxes are paying to get products, some are getting them for free, and others are getting paid to feature products in their box, and some are doing a little bit of all that, right? One interesting thing that happened last week was that a client came to us and we hadn't worked with them before, and they said, "You know, we're basically 150,000 boxes short. We need to basically find, facilitate, and fulfill by Friday 150,000 boxes," which is not a good timeframe at all, you know? Typically, we plan ahead six months with clients and we figure out everything, but it is a big client, a big opportunity, we are familiar with kind of all the things that they're doing. So, what we did is we went out and we were able to secure not only free products for the box, but actually were able to get a bunch of brands to pay to be in the box, which the--you know, everybody was really excited about because we were able to do it on such a short timeframe, but one of the issues

that came up is that there was a cut in--you know, they weren't the exact products that the client was looking for, which kind of then, on my next slide you'll see what the kind of big takeaway is from this is that you'll see here--and this is what we call our personalization spectrum, and this is for Bulu Box. So, for minimum personalization on the left and kind of maximum on the right, this is kind of an exercise that we go through with some of our clients, and it's kind of simple, but when you look at it like this and like the next slide that I have I think it really helps you wrap your head around it and communicate it a little bit better. Operationally, it's pretty simple. The more that you customize and personalize, the slower and more expensive it's gonna be to pack and ship, right? So, here's a few, like, touchpoints that you can look at--and this is the example for Bulu Box--and you'll see that the price of Bulu Box is on the cheaper side, which you know, kind of puts it more on the minimum personalization. Now, on the sheer volume per delivery, you know, there's a real number and sacrifice that you kind of have to give up if you're gonna do those massive numbers, right? Because some of our clients and some folks, it'll turn down to a sheer time constraint of getting the boxes out, even if you're packing morning, noon, and night. The different versions of the boxes--I know, when we started, we wanted all of the Bulu Boxes to be the same. We quickly found out that was not gonna be possible. So, for Bulu Box, we'll range anywhere from like 8 to as high as 41 different variations, or I'm sorry--versions--and the more versions that you do, that's just gonna be a higher operational cost because you're kind of changing your fulfillment stations or fulfillment house around. When you're asking for free products, you're gonna kind of get what's available in the market versus if you're paying for products, you can kind of go out and select, you know, what's out there, and if you wanna get paid for products to put in your box, that is going to be more a negotiation of what somebody's willing to pay to put in the box. So, there's all these kind of levers, right? And the last one is kind of discovery versus customization. The one I think that does the best job of it is StitchFix. They have great algorithms, they kind of have a great machine that you fill in social media, you fill in everything about yourself, and they kind of [inaudible 00:51:30] to you. I've been a subscriber of StitchFix for a very long time, and I will stay. You know, they really hit the mark on me and I try new products all the time, but every about third box that I get it is just completely like, "What are these clothes?" Like, I specifically said I don't want white shirts, or I don't want this, or I don't want that. So, even a great company--which I put StitchFix in the top tier of boxes--they're at the mercy at some of the inventory that they have or they quite haven't figured out perfectly how it works, and if you talk to people at StitchFix or you talk to people that subscribe to StitchFix, you'll hear a lot of one or the other of, "They absolutely nailed it for me," or, "Yeah, I got a few good boxes, but then this one that was just totally, you know, didn't make sense at all." So, even at that level, you're seeing kind of a fight of kind of, you know, we call it the good, fast, and cheap, which brings me to my next--

Michelle: If you could go back to the personalization spectrum there, which is a fantastic way to illustrate these different continuums. So, if we could go back. Back. There we go. I have one question from our viewers, or our listeners, and then I also have one question myself in terms of the StitchFix model you were just mentioning. So, one of the questions we have from the audience is, "How does this change based on your experience with different product categories overall?" Is there anything--yeah, talk about that, please.

Paul: Yeah. Well, I would say--I'll be honest, the first thing that comes to mind is like clothes are so hard. Man, clothes are incredibly hard. We do not do any, like, fresh, fresh food, and it's because we went through this exercise, kind of the Blue Aprons of the world and Hello Fresh and anybody doing kind of perishable food. We don't do that because when you look at it on the personalization spectrum, we just kind of wouldn't have the skill set or capacity, and when you look at the investment from kind of a warehouse and logistics point of view, that's a very specific thing. I would say the next most challenging is clothing because there's size and cuts, and that's kind of it's own beast, and I would say that ultimately it is different for every--not only just the category of, let's say, makeup, vitamins, and supplements, head food, clothes, you name it--but it is different for kind of the category within that vertical, if you will. Like, are you a surprise--I'll use us, for example. We are a sample surprise and discovery subscription box, which if I could go back and do it all again, I would probably do things a little bit differently, right? There's other vitamin and supplement boxes out there that focus more on they just wanna get you a repeat delivery of the same products with like one new thing--kind of think, you know, more like a Harry's--I'm sorry--Dollar Shave Club, right? They just wanna get you the razor and get you the refill. So, that's kind of like an auto-refill type program. So, the answer is yes it is different for every single category, but even on a deeper level, going down to the brand promise, and I think the important thing is you have to focus on your brand promise and the whole--which I have on this next slide. If any of you have ever heard the saying, "Good, fast, and cheap. Pick two. You can't have all three," right? Have any of you heard that saying?

Michelle: Well, when I was at General Motors, that was a very common topic when I was working with our manufacturers and suppliers, because of course, everybody wanted a good, fast--but we would consider good quality. So, high quality, cheap, and fast, and you can't have all three at the same time.

Paul: Exactly, yep. I would say, you know, the kind of middle spectrum. So, we say, “Personalized, cheap, and high volume,” and this is kind of like our version of that where we work with our clients and talk with them through these things. This middle part where I say does this even exist right here, I think it does, but it’s in the form of burning money and losing profit, right? So, if you’re [inaudible 00:56:19] and if you’re okay with the box, and Blue Apron, again, is an example that comes to mind or Dollar Shave Club. You know, these companies have [inaudible 00:56:30] of dollars, and they have zero dollars in profit, right? And that’s okay because their goal is to grow their customer base and to leverage and [inaudible 00:56:40] money. So, you know, I would say that it is possible to be [inaudible], but you need to be ready to raise hundreds of millions of dollars in capital and kind of throw it all at those things, and then you know, just basically you’re getting customers to make money off of later. So, when we look at these three categories, personalized kind of means that each box is tailored to the unique preferences of the customer, cheap meaning that customers can sign up for it at a low price, and high volume means that thousands of boxes or tens of thousands of boxes are out. We’ve seen hundreds of thousands of boxes in weeks--or a week--are what you’re kind of dealing with right? And so, you can see each category here. This is time consuming and expensive for your company to produce. It requires a higher price point. This is slightly more expensive for your company to produce, but there’s a higher perceived value, and there’s a more affordable for your company and for your customer, but there’s a low perceived value, right? So, I’d say Bulu Box is probably playing in this space specifically, and I would say a lot of our clients are kind of playing in this space right here, or--and I would say I’m not seeing a ton of people in this, but I think you really get in trouble when you try to accomplish all of these things.

Michelle: I have a question. You are referring to this, and I do not believe we can see what you are referring to with this. You’re probably zooming your mouse around, but we don’t know what the this is--there. We can see your mouse. So, if you can--I saw your mouse briefly, but if you could just describe where on this quadrant--north, south, east, west--you were referring to. We missed that part.

Paul: Oh, gotcha. So, I would say Bulu Box is living in the high volume and cheap space, right? We have some level of personalization and customization, but because we’re doing free--we’re requesting free products from clients, we’re at the mercy of the market. We see a lot of brands that we work with, they’re doing high volume and personalized, and the box itself is then usually cofunded from marketing, or it’s part of another program, or it’s expensive to kind of purchase, right?

Michelle: So, I have a question, Paul, about the type of--so, wonderful. So, I now understand where Bulu Box, which is kind of in that light greenish area, and now the companies that you're describing that are time consuming, expensive for the company to produce, I'm curious. Are they making money?

Paul: Yes, but I would say that they are making money--some of them are making money off of the box, but I would say a lot of them are kind of following the customer over a long-term time table and seeing the positive impact that the box has, you know, not just in products of the box, but just in the customer in general, right?

Michelle: So, that could possibly be for other companies where they have other channels where the customer can purchase from? So, this is part of their marketing tool kit, perhaps?

Paul: Exactly, and I think that's so important to understand. Like, where does your box live? Is it an R&D pool? Is it--

Michelle: Where does your box live?

Paul: Yeah, is it an R&D pool? Is it a marketing tool? Is it the actual product itself, right? Are you actually trying to sell a box, make a profit off of it? Which I think that space is really challenging right now because of just the sheer competition. So, I think, you know, where does your box live? Marketing, R&D, or is it the actual product and there's kind of combinations of all those things. I would say, though, everybody--and this is including us and we still fall in the trap of we try to be good, fast, and cheap, or highly personalized, cheap, and high volume, and that's just a constant kind of, you know--kind of topic that you have to review and kind of realign people and get everybody on the same page.

Michelle: Wonderful.

Paul: Yeah. So, here's my big takeaway--don't F up like we did. Understand what you're promising your customers. Test, test, test. Don't change things. I'm so--you know, we lost our asses on BYOB--BYOBB, the whole kind of customer selecting what they wanted. It was still in test and we lost a lot of money on it. Words matter. Personalized, customized, tailored, and the graphics that go with them. Let your end goal be your guide, not just churn, right? Like, what are you really trying to do, what do you really want the customer to do? And don't panic about the churn, because you still might be able to get people there in another way. Do not try to be

something that you're not, right? So, just because StitchFix or Loot Crate--hey, Loot Crate out there if you're watching--Blue Apron, Dollar Shave Club, Birchbox, Ipsy, Barkbox--just because one of the big kind of brands in our space are doing it, doesn't mean that's what you should be doing. So, don't try to be something that you're not. Good, fast, cheap--pick two, or we call it personalized, high volume, and cheap--pick two. You can't have all three unless you have a couple hundred million in capital, and I think most importantly, customer surveys don't always equal subscriber sales, and I think that this quote kind of sums it up nicely, and I know Henry Ford probably didn't actually say this, but it's the point of the quote. It's, "If I had asked people what they wanted, they would've said faster horses," and that's the quote from Henry Ford, and I know that Steve Jobs' similar quote, right? "If you would've asked people what they wanted, it would've never been a computer or an iPhone." They had to kind of like come up with that and provide it to the market, and get there in a different way. So, I think that's the big takeaway from us, what we've seen not only doing this over five years--maybe even six years for Bulu Box--and now servicing other turn of key subscription box solution clients and shipping probably about 5 million boxes next year is surveys are super important, listen to your client--all those things, but you need to do your box and your brand, and if you just listen to customers, sometimes they're not gonna actually tell you what they want.

Michelle: Hey Paul, I have a question from the audience. So, if you wouldn't mind going back to this slide. One of the things that I always wondered is I would imagine if Henry Ford were to do that survey, what he might've learned is that people wanted to get places faster, and if you ask them how to solve it, they would say faster horses. So, this brings me back to I think the power of research, because actually as a starting point, not as an endpoint, and I think people look for endpoint type of answers out of it, "Tell me what to do," but that's what we're all paid the big bucks for, right? It's to figure out what the solution is. So, I think rather it's diving into understanding what the pain points are. People wanted to get from point A to B quicker because it took too long or whatever...that was the real pain point, the real need. What needs are you trying to fulfill with future Bulu Box business models.

Paul: Yeah. So, I would say that, in general, right now, and I would say this isn't really the client--this is kind of everybody and I fill questions all the time about this is it's like, "What is the model?" Right? What is the perfect subscription box model? And I think everybody is trying to figure out or refine that, and the answer is what we figured out--the closest thing to it is there's a few key parts that, you know, hold true to multi-recurring revenue, a shipment of a box, the weight matters, the kind of products on the inside matter, but when we go down and we break out for our clients all of the considerations, we have anywhere from 100-180 different lines in an

Excel sheet that they have to consider for their product, and I think that there's a few things that hold standard for subscription boxes across the board, and that's why, you know, a lot of the discussions are like, "How much does a cardboard box cost you? And should I print on the inside and outside?" And there's those type of things, but I think on a much deeper level, we'll say a hundred additional lines on Excel--people are either figuring out the hard way, or they never, ever figure out to ask those things, and I think that overall people are just saying--what I'm hearing from the market right now is, "Okay. Subscription boxes are a thing. The people are signing up for them, customers are there, but how does it work?" And everybody wants kind of this cookie cutter model and it doesn't exist. The reality is there's a few things that are common across the board, but there's a hundred variables, and just one of those variables is like, "Does the customer actually want this?" Which seems so basic and such an obvious thing, but I can't tell you how many times a big research firm or an ad agency or whoever works with a client, and they actually come to us with a deck and they say, "Here's what we figured out with the client, or this entity--or his my business plan for my new subscription box. Can you just look at it?" And the first question is, "Do you think your target actually wants this?" And they go, "Well, I don't know," and that hesitation is actually them saying no, and then you kind of dig a little bit more and you find out, like, oh what really this started off is that somebody liked the monthly recurring revenue stream in an Excel document, and that's what it started off as, and I think that's the big thing is like to be able to get logistics and operations, finance, and marketing, and whether it's a brand new box or somebody else trying to do it, the how and those kind of hundred different variables all have to be done, and then at the end of it, you have to say, "Do customers really actually want this thing?" And I think if anybody went to like my subscription addiction and looked at all the boxes on there, you know, you'd probably look at things and go, "Is there a market for this or does somebody actually want that box?" Which that's my shoutout to MSA for you--my friends over at My Subscription Addiction. So, I think that's a really basic thing that people miss. I also think that the market of what we're seeing with customers is due to competition, a lot of customers aren't willing to pay much for a box, right? And I don't think that will always be the case. I think that overtime a lot of people are--you know, a lot of companies are gonna consolidate or go in a different direction, and that's actually in my research, really similar to the external hard drive market. There was a few at the beginning, it ballooned up to over 10,000 companies, and at the end, there's only three or four of them and you can kind of look at magazines like Hearst and Conde Nast and American Media all the same way, and I think that's what'll happen with subscription boxes, but right now we're kind of in this space where there's a lot of people doing it, and customers are smart and they're taking advantage of all the discounts and stuff. So, price does matter right now, and to try to make a profit off of the box for right now in this kind of timeframe, it's really challenging to make a good profit off the

box because there's so many variables that, you know, can get screwed up or not be accounted for, and like boom, your profit's gone.

Michelle: So, Paul, I have a couple questions that have come in. One is from Jeff. He wants to know, "What do you think of the Amazon sample box program?"

Paul: They stole our damn idea. Yeah. So, it's funny because I think one of them they have a supplement sample box. I think literally we had a box named Healthy Discoveries or whatever and they have the same thing. So, what do I think of it? Amazon, you have to figure out how to work with them. So, they have a platform--I think it's public now--you can sell--it's--we'll put it this way. You better figure out how you're going to deal with Amazon, and I think you can join them or you can, you know, get slowly eaten alive by them, or you can go try to start an Amazon competitor, and I think for the longest time we fought Amazon because our simple thinking was, "No, we want them to come to our website," but as we've slowly started to layer--you know, I think we sell like limited edition Bulu Boxes. We do work with clients on Amazon. It's actually, you know--it ends up being more profitable in the end working with Amazon versus trying not to. So, it's a necessary thing.

Michelle: Thank you for commenting on that. Question for you. You were mentioning how you see the industry where it started--expansion, consolidation. I always believe life is both expansion and consolidation. Do you believe that the subscription box industry overall can take on a little bit more of the reflection of Main Street America as well? And I mention that--and you take lesson learned from whether it's department stores, retailers, whoever is that in most environments, there will always be the big players who are the enterprise organizations, but that there's also room for the mom and pop shops, whether that's your favorite coffee house down the street that sometime you don't wanna do the Starbucks, and I think of some of our mom and pop Main Street America--you know, they might only wanna sell 100-200 of the best jerky from Southern Texas that you could ever get. Talk to that because I think subscription has the beauty--because of the distribution channel, and because of the ability to connect with experiences, to represent Main Street America as well. I'm curious what you think.

Paul: Yeah. So, I think there's absolutely a place for different variations of the boxes, and I think when I'm thinking of the boxes, I'm thinking of those companies that are typically shipping over, we'll say, a couple hundred thousand boxes a year, and what's gonna happen to those is that they're gonna probably be consolidated or [inaudible 01:13:08] for people that are shipping all to say a quarter of the million boxes or more a year, I think that's kind of what will happen to those,

but when it comes to hyper local or hyper customization we're probably focusing on--you know, we had personalized, high volume, and cheap. Probably the more focused on one of those categories that you become, there's absolutely like a space to live, right? Like, there's always gonna be a Nebraska subscription box that I wanna send to my friends for 3-6 months, right? There's I think a Michigan one, too, right?

Michelle: Mitten Crate. You know, the Mitten? Mitten Crate.

Paul: Yeah, so, there's always gonna be a place for those, and I also think, "Yay, capitalism." Like, if there's something you wanna take over or go after, you have the ability to do that and raising capital is one quick way to do that. So, there's a Dollar Shave Club, but there's no reason that somebody couldn't raise capital and do a better Dollar Shave Club. You know, Harry's kind of trying to do, or somebody could do a different variation of that. I think what's gonna happen now is we'll see kind of a prolific change of there will be really big brands and then there will be really smaller kind of--or I'll say really big brands doing boxes and then there's gonna be smaller, premium, limited quantity boxes, and I think everything in-between is gonna either--they gotta pick which route they wanna go, but I don't think that will happen for a while, but I think eventually similar to retail, you know, really it's turning into either you're the cheapest or you have the best [inaudible 01:14:57], and everything in-between, including Target are struggling to find their place, and so I think it's just gonna be more of a drastic change, and so you gotta pick kind of one or the other. Do you wanna go and become a huge, giant, big branded box, or do you wanna be more of a premium, expensive, [inaudible 01:15:17] everything kind of middle--and I would actually throw Bulu Box in that category, too. You know, we gotta figure out what the future for that is, but we don't have to figure that out in the next year.

Michelle: I have one last question for you, what is your final advice you'd like to share with today's listeners?

Paul: At the end of the day, I think the main thing is the good, fast, cheap--pick two, you can't pick all three and that's okay, right? And customers are always gonna have something that they want and something that you could do better. I think at the end of the day, and this sounds so simple, but go order a box for yourself from your company and then go have one of your trusted friends or family members order a box from your company and get it, and just meet back up and talk about everything from the experience to delivery, and that simple action, like, will tell you so much. It's something that people just forget to do, but go get your own box under a different

name so nobody knows who you are, and then have a trusted friend do it, and that will tell you probably more about your company than you'll ever learn at a webinar like this.

Michelle: In other words, eat your own dog food?

Paul: There you go.

Michelle: Thank you to our audience who tuned in and future listeners as well. Paul, you and your team play fearless each and every day, and I think you really embody the spirit of what this industry is about, which is getting out there, trying new things, and changing how people shop, learn, and discover new products. Thank you very much for being with us today, and we are out.