



**SUBTA**  
Subscription Trade Association

# Covid-19 & Subscription

A Year in Review

Analyzing the Impact of the Coronavirus Pandemic  
on the Subscription Industry throughout 2020

By the **Subscription Trade Association**

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# Executive Summary

For more than a year, the coronavirus pandemic has influenced almost every aspect of our lives and made significant impacts on our economy. Businesses shut down either temporarily or permanently<sup>1</sup> as Covid-19 started spreading across the globe. Lockdowns, quarantines, remote work ensued for what we hoped would be a short time. More than 365 days later, the pandemic is still looming over us, forcing individuals, families, and businesses alike to adjust to the “new norm.”

The Subscription Trade Association (SUBTA) compiled data from several resources, including Zuora, Digital Media Solutions, ReCharge and Deloitte to provide some insight into the pandemic’s impact on the Direct-To-Consumer (DTC) subscription space.

From altering consumer behavior to boosting online and DTC transactions, this report is designed to help bring awareness on how the pandemic changed the subscription industry. E-commerce generated more than \$790 billion in sales for 2020, a record 32% growth year over year (YoY).<sup>2</sup> This online shopping milestone happened two years sooner than anticipated due to the pandemic, according to experts.<sup>3</sup> Additionally, the subscription industry saw an 84% increase in subscribers throughout the year.<sup>4</sup>

This shift in consumership inspired one of the biggest questions surrounding last year: Was 2020’s growth abnormal for the subscription industry, or is there tangible evidence that the pace at which subscription is accelerating will stay steady in the future?

“We believe the 2020 growth helped show the beauty of the options and convenience of subscription to a much larger subset of the U.S., but that consumers were authentic responders rather than temporary ones,” said Emma Nicoletti, Director of Analytics at Wiland, a SUBTA partner.

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<sup>1</sup> <https://www.retaildive.com/news/the-running-list-of-2020-retail-bankruptcies/571159/>

<sup>2</sup> [https://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf)

<sup>3</sup> <https://www.digitalcommerce360.com/article/quarterly-online-sales/>

<sup>4</sup> The State of Subscription Commerce by ReCharge



## Executive Summary (cont.)

In this report, SUBTA analyzes the impact of the pandemic throughout all segments of the subscription industry:

- Subscription Box
- Subscribe & Save
- Membership
- Media & Publication
- Digital/Software
- Streaming (Video/Music)

Since the beginning of the pandemic, 15 million consumers have become paid subscribers to close to 100 million new subscription services between February and July of 2020; nearly 50% of them plan to keep the subscription service they chose even after the global health crisis is over.<sup>5</sup>

The economy experienced significant change over the last year, with some companies seeing exponential growth and others pivoting and refining their offerings. This report helps clarify how certain industries performed better than others amidst the global health crisis. It also highlights companies that grew faster in the last year than ever before because they were “at the right place, at the right time,” according to SUBTA’s Co-Founder and Chairman Chris George.

Lastly, this report provides insights on the opportunities that are now available for subscription businesses to successfully scale in each segment.

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<sup>5</sup> <https://www.pymnts.com/study/subscription-commerce-retention-added-value-recurly>



## About SUBTA

SUBTA is a growing community of innovators, entrepreneurs, thought leaders and dedicated teams eager to scale their businesses and catalyze the subscription industry.

The mission of SUBTA is to provide a comprehensive and reputable library of news, knowledge, and resources. SUBTA cultivates a supportive community through both virtual and in-person experiences. We represent and support subscriptions in all six segments of the industry:



### Subscription Box

From replenishment to discovery and delight, subscription boxes are a medium for consumers to be introduced to and engaged with a recurring delivery of niche products as part of a marketing strategy and a method of product distribution. Subscription boxes are used by subscription-based e-commerce businesses which follow a subscription business model.



### Subscribe & Save

Subscribe and Save businesses give customers both a one-time purchase option, and the option to subscribe to a specific product, receiving it weekly, monthly, quarterly, or even semi-annually, in a specified quantity. Usually, the subscription feature comes with a discount per product, so consumers are incentivised to subscribe.



### Membership

The membership business model invites individuals to pay a recurring fee to access the value an organization creates. It provides the design for different membership levels, revenue sources, marketing activities, events and conferences, and finances.



### Media & Publication

The original subscription service is the main means of mass communication (broadcasting, publishing, and the Internet) regarded collectively. This includes digital media subscriptions as well as print subscriptions.



### Digital/Software

Digital subscription businesses provide access to products and technology from a computer or device. Software as a Services (SaaS) also falls into this category. Digital businesses use technology to create new value in business models, customer experiences and the internal capabilities that support its core operations. The term includes both digital-only brands and traditional players that are transforming their businesses with digital technologies.



### Streaming (Video/Music)

Video and music streaming, one of the largest consumers of downstream internet traffic, is a mainstay of most American households today. Streaming subscriptions allow providers to offer on-demand and live viewing/listening capabilities across a multitude of devices and platforms.



# Subscription Box

## Segment Review

With retail stores being forced to close down across the world due to federal legislations, DTC subscription businesses experienced an increase in profits as they provided a safe shopping alternative for consumers.

Around 20% of U.S. consumers subscribed to a box during Covid-19 to enjoy the convenience and safety subscription brands provided. Food and self-care products were among the most popular requests.<sup>6</sup>

The five most popular subscription box companies offer replenishment products:<sup>7</sup>

- HelloFresh - 21%
- BarkBox - 20%
- Blue Apron - 19%
- Dollar Shave Club - 18%
- Stitch Fix - 12%

Men were attracted to food and meal kits, clothing, fashion and technology. Meanwhile, women leaned toward self-care & beauty products, clothes or fashion accessories, and pets' products.\*\*

Spending also varied based on each age group:<sup>8</sup>

- People in their 20s spent roughly \$52
- People in their 30s spent \$62, the most out of any age group
- People in their 40s and 50s spent between \$50 and \$55 on average, with the older population focusing their spending on their pets' needs

Beauty boxes experienced success throughout 2020<sup>9</sup>, with subscription box companies adjusting and including sanitizing products in their box as the pandemic continued to grow. Other larger companies started curating boxes of their own, like Macy's, Walmart and Sephora.<sup>10</sup>

### Segment Snapshot

# 20%

of U.S. Consumers  
subscribed to a box  
during Covid-19

# ~\$52/mo

People in their 20s spend  
on subscriptions

# ~\$62/mo

People in their 30s spend  
on subscription boxes

# ~\$54/mo

People in their 40s+ spend  
on subscription boxes

\*\*The research conducted by Coupon Follow did not include non-binary genders.

<sup>6 7 8</sup> <https://couponfollow.com/research/roi-of-subscription-boxes>

<sup>9</sup> <https://secondmeasure.com/datapoints/beauty-subscription-boxes-glow-during-covid-19/>

<sup>10</sup> <https://secondmeasure.com/datapoints/beauty-subscription-boxes-glow-during-covid-19/>



# Subscription Box

## Segment Review

### SUBTA INSIGHTS

### Areas of Opportunity



**Take advantage of a larger pool of potential subscribers.** “You’ve got this new audience [that is shopping online], so your ad sets should be targeting old potential demographics because those might have gone stale, but now there are more people that fall into that demographic field. The demographics give you an idea of price point.”

Christopher George, Co-Founder & Chairman, SUBTA



**Become a “full-stack” subscription by providing replenishment, discovery & delight, and access.** “Look at how you can offer that trifecta. I think that is a big opportunity for subscription boxes looking forward.”

Paul Chambers, Co-Founder & CEO, SUBTA



**Facilitate the way consumers can manage their subscription.** Whether it’s canceling, pausing or changing the purchase frequency, give more control to your subscribers. “Being able to give the consumer flexibility to manage their subscription is huge. I think a lot of brands need to take that into consideration because that flexibility you offer the consumer is going to result in an increase in customer retention and customer loyalty.”

John Haji, Co-Founder, SUBTA



## Subscription Box Highlight



### Pandemic's Impact

**601M**

Meals delivered in 2020

Compared to 2019<sup>11</sup>

**281M**

**+107%**

YoY growth in revenue  
between 2019 and 2020<sup>12</sup>

**5,300,000**

Active customers in Q4  
2020<sup>13</sup>

Compared to 2019<sup>14</sup>

**2,970,000**

### Future Predictions<sup>15</sup>

**20-25%**

Revenue Growth in 2021

**9-12%**

Earnings Before Interest,  
Taxes, Depreciation, and  
Amortization Margin

“Preparing and eating food at home has taken on a whole new meaning. As the pandemic hopefully winds down over the course of 2021, we expect consumers to continue to rely on e-commerce solutions to shop for food, as many have experienced the superior value proposition that we can offer in terms of price, variety and convenience.”<sup>16</sup>



**Dominik Richter**

CEO and Co-Founder of HelloFresh

<sup>11 12 13 14</sup> <https://ir.hellofreshgroup.com/download/companies/hellofresh/Annual%20Reports/DE000A161408-JA-2020-EQ-E-00.pdf>

<sup>15 16</sup> [https://assets.ctfassets.net/irplh84t0tdt/20y08JUvE1bbmrR5UeKRph/dd6571fea0ddb3cfb15a8eebcf9d12f7/Press\\_release\\_HelloFresh\\_FY\\_2020\\_results.pdf](https://assets.ctfassets.net/irplh84t0tdt/20y08JUvE1bbmrR5UeKRph/dd6571fea0ddb3cfb15a8eebcf9d12f7/Press_release_HelloFresh_FY_2020_results.pdf)





# Subscribe & Save

## Segment Review

With 30 American retailers filing for bankruptcy in 2020<sup>17</sup> (including J. Crew, Art Van and J.C. Penney), Amazon's speedy checkout process, deliveries and subscribe & save feature became increasingly popular last year.

Traffic on the online retail giant's platform increased during the 2020 holiday season compared to 2019, up 23% in November and 14% in December YoY.<sup>18</sup>

Other companies are looking to replicate Amazon's success, and even surpass it. Walmart launched its subscription service Walmart+ in September 2020. In five months, more than seven million members signed up. Walmart is now leading the pack by a slim margin for e-commerce grocery shopping, totaling 30% of online sales for those products while Amazon accounts for 27%.<sup>19</sup> Walmart's lead goes beyond the grocery industry. After the launch of its subscription service, nearly 4,000 Americans switched from Prime to Walmart+. Popularity of the service continues to increase; 60% of men and 40% of women<sup>20\*\*</sup> say they think it could pose a significant threat to Amazon.

Meanwhile, beauty replenishment goods saved U.S. consumers about \$20 on average compared to other purchasing methods.<sup>21</sup> Dollar Shave Club continued its growth during 2020, becoming the fourth most popular subscription box on the market and the most popular brand among male consumers.

With tighter finances, U.S. consumers looked for the best deal available to save the most money possible. The subscribe & save method enabled them to do just that, in addition to building brand loyalty and new long-lasting relationships with the businesses of their choosing.

### Segment Snapshot



# 4,000+

Switched from Prime to Walmart+ subscription at launch



# 30%

of online grocery sales through Walmart



# ~\$20

Avg savings on beauty replenishment goods

\*\*The survey conducted by Piplsay did not include non-binary genders.

<sup>17</sup> <https://www.retaildive.com/news/the-running-list-of-2020-retail-bankruptcies/571159/>

<sup>18</sup> <https://www.digitalcommerce360.com/2021/02/15/ecommerce-during-coronavirus-pandemic-in-charts/>

<sup>19</sup> <https://www.tabsanalytics.com/blog/online-grocery-sees-only-slight-growth-in-new-users-in-covid-19-era-reinforcing-need-for-ecommerce-strategy-changes-according-to-new-tabs-analytics-survey>

<sup>20</sup> [https://piplsay.com/walmart-plus-is-here-how-interested-are-americans/?utm\\_source=Email&utm\\_medium=Text&utm\\_campaign=WalmartPlus](https://piplsay.com/walmart-plus-is-here-how-interested-are-americans/?utm_source=Email&utm_medium=Text&utm_campaign=WalmartPlus)

<sup>21</sup> <https://couponfollow.com/research/roi-of-subscription-boxes>



# Subscribe & Save

## Segment Review

### SUBTA INSIGHTS

### Areas of Opportunity



**The real value lies within the customer's experience.**

“There are a lot of brands competing in the Subscribe & Save segment. You’ve got to provide more value — like contact and access.”

Christopher George, Co-Founder & Chairman, SUBTA

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**Turn your replenishment product into a discovery-and-delight experience.**

“If I’m getting dog food every month sent to me, throw in a couple treats with the package. Then get me hooked on the treats and give me an offer to add those on.”

Paul Chambers, Co-Founder & CEO, SUBTA

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**Sell more than just a product.**

“Enhance the experience on the content of the product, or the use. Can you turn to packaging companies?”

John Haji, Co-Founder, SUBTA



## Subscribe & Save Highlight



### Pandemic's Impact<sup>22</sup>

# +60%

Rise in shares for 2020<sup>23</sup>

# 400k+

People hired between  
Jan-Oct 2020<sup>26</sup>

# +36%

Increase in Prime Day  
spending in Oct 2020<sup>24</sup>

Compared to 2019, when the event  
happened in July

# \$386B

Net sales in 2020 (+38%)<sup>25</sup>

Compared to 2019

# \$281B

### Future Predictions<sup>27</sup>

# \$110-116B

Expected net sales for Q2  
2021, a **24-30% growth**  
compared to Q1 2021

"If you do it right, a few years after a surprising invention, the new thing has become normal. People yawn. That yawn is the greatest compliment an inventor can receive. When you look at our financial results, what you're actually seeing are the long-run cumulative results of invention. Right now I see Amazon at its most inventive ever, making it an optimal time for this transition."<sup>28</sup>

# \$4.5-8B

Expected operating income in  
Q2, compared to **\$5.8B in Q1**



**Jeff Bezos**

Founder and CEO, Amazon

<sup>22</sup> <sup>25</sup> <sup>28</sup> [https://ir.aboutamazon.com/news-release/news-release-details/2021/Amazon.com-Announces-Fourth-Quarter-Results/default.aspx#:~:text=\(NASDAQ%3A%20AMZN\)%20today%20announced,months%20ended%20December%2031%2C%202019](https://ir.aboutamazon.com/news-release/news-release-details/2021/Amazon.com-Announces-Fourth-Quarter-Results/default.aspx#:~:text=(NASDAQ%3A%20AMZN)%20today%20announced,months%20ended%20December%2031%2C%202019)

<sup>23</sup> <https://www.reuters.com/article/us-amazon-com-results/amazon-posts-biggest-profit-ever-at-height-of-pandemic-in-u-s-idUSKCN24V3HL>

<sup>24</sup> <https://trends.edison.tech/research/amazon-prime-day-sales-2020.html>

<sup>26</sup> <https://press.aboutamazon.com/news-releases/news-release-details/amazoncom-announces-third-quarter-results>

<sup>27</sup> <https://press.aboutamazon.com/news-releases/news-release-details/amazoncom-announces-first-quarter-results-0>



# Membership

## Segment Review

While Amazon Prime users made the most out of their membership last year, it's the fitness industry that experienced the biggest shift in 2020. Gym memberships were no use for most — if not all — of last year due to fitness facilities being closed for lengthy periods of time in most U.S. states and other countries. As a result, the industry's revenue in the U.S. dropped by nearly 60%,<sup>28</sup> with over a million industry workers being laid off.<sup>29</sup>

Consumers increasingly invested in home gyms, with nearly 30% of global fitness enthusiasts reporting that they had no intentions to return to their gym, even if they were vaccinated.<sup>30</sup> This transition resulted in significant growth for brands like Peloton, the fitness subscription company that brings the workout to people's homes via a bike or a treadmill. The company's total revenue grew by 100% in 2020,<sup>31</sup> registering more than three million memberships.

Another type of sport gained popularity last year: Online gaming. The activity grew by 75% in 2020,<sup>32</sup> with close to 30% of consumers saying they'd rather play an online game than watch a video.<sup>33</sup> Additionally, 7% of all consumers newly subscribed to a gaming service in 2020.<sup>34</sup>

Online gaming brought a social component for some of the users observing a lockdown. It also served as a form of income for others, with Twitch — the video-game streaming platform — experiencing an 83% growth YoY in hours watched.<sup>35</sup>

Companies are partnering up to give customers the ultimate video-gaming experience while maximizing their profits. The latest to do so are Electronic Arts (EA) and Microsoft.<sup>36</sup> The partnership enables both companies to increase their customer base by getting exposure in front of more potential subscribers. This type of partnership could push the industry forward, though video game subscriptions are already expected to keep on growing at an average rate of 11% through 2023.<sup>37</sup>

Both Peloton and online gaming brands offered subscribers the chance to socialize with others in some capacity while remaining at home during the global health crisis. Their rise in popularity is both impressive and telling of the needs of consumers.

### Segment Snapshot



<sup>28</sup> <sup>29</sup> <https://www.ihrsa.org/improve-your-club/industry-news/u-s-fitness-industry-revenue-dropped-58-in-2020/>

<sup>30</sup> <https://runrepeat.com/gyms-post-covid-vaccine>

<sup>31</sup> <https://investor.onepeloton.com/static-files/0160c736-f0d2-400a-8a20-6f6fc3f85659>

<sup>32</sup> <sup>34</sup> [https://www2.deloitte.com/content/dam/insights/us/articles/6456\\_digital-media-trends-covid/DI\\_Digital-media-trends-14th-edition.pdf](https://www2.deloitte.com/content/dam/insights/us/articles/6456_digital-media-trends-covid/DI_Digital-media-trends-14th-edition.pdf)



# Membership

## Segment Review

### SUBTA INSIGHTS

### Areas of Opportunity

**Provide exclusivity with your membership.**

“Why do people go to country clubs? It’s exclusive.” Making your members feel special and part of a club builds brand loyalty and more perceived value.

Christopher George, Co-Founder & Chairman, SUBTA

**Tailor your membership perks to your members.**

“As 2021 takes shape, a lot of people are going to look back at how they spent 2020 and how to get back to feeling normal as best they can or continue to seek comfort through their adjusted lifestyle. There are opportunities to explore those spaces in a post-Covid-19 world.”

Paul Chambers, Co-Founder & CEO, SUBTA

**Build complementary services around your membership.**

“Whatever that primary service or product you’re focusing on, supplement and complement that with other features that drive value. That’s why I keep my gym membership, because there are other things that complement the weights there.”

John Haji, Co-Founder, SUBTA

<sup>33</sup> [https://www2.deloitte.com/content/dam/insights/articles/7157\\_Digital-media-trends-15-ed/DI\\_Digital\\_media-trends-15ed.pdf](https://www2.deloitte.com/content/dam/insights/articles/7157_Digital-media-trends-15-ed/DI_Digital_media-trends-15ed.pdf)

<sup>35</sup> <https://www.dropbox.com/s/bgxnl21lsshetl/2020%20Year%20End%20Data%20Report.pdf?dl=0>

<sup>36</sup> <https://subta.com/ea-to-double-its-subscriber-base-through-deal-with-microsoft/>

<sup>37</sup> <https://www.juniperresearch.com/white-papers/will-cloud-gaming-change-the-way-we-play?ch=cloud%20gaming>



## Membership Highlight



### Pandemic's Impact<sup>38</sup>

# +113%

Connected fitness  
subscription growth in 2020

# +210%

Paid digital subscription  
growth in 2020

# \$1.8B

Total revenue growth in 2020  
(+100%)

### Future Predictions<sup>39</sup>

# \$3.5-3.7B

Total Revenue in 2021

# 2-2.1M

Connected-fitness  
subscription by EOY 2021

"FY 2020 was a transformative year for Peloton. We made great progress in scaling our business, from manufacturing and logistics, to member support and field operations. We launched operations in Germany, our first foreign language market, and continued to grow our footprint in the United States, Canada, and the United Kingdom."<sup>40</sup>

### Peloton Leadership

<sup>38</sup> <sup>39</sup> <sup>40</sup> <https://investor.onepeloton.com/static-files/0160c736-f0d2-400a-8a20-6f6fc3f85659>



# Media & Publication

## Segment Review

The need for news reached new heights in 2020. Between Covid-19 updates, the presidential election and racial injustices, U.S. residents had a lot to keep up with. “These big events, we can’t create, but when it’s there, we’ve got to make sure we’re in a position to capture it,” said Curtis Huber, Senior Director of Circulation and Audience Revenue at the Seattle Times, at SubSummit 2020.

The coronavirus pandemic occupied a quarter of the news cycle in the U.S. in 2020.<sup>41</sup> Local news outlets saw an increase in viewership and website traffic due to the need for information on the latest Covid-19 numbers near the consumers’ home.<sup>42</sup> However, not every outlet was able to turn that traffic into a sustainable digital subscription, and as a result, more than 36,000 media professionals either lost their job or were furloughed.<sup>43</sup>

The subscription growth rate for digital news and media tripled in 2020<sup>44</sup>, with digital revenue surpassing print for the first time ever for certain companies.<sup>45</sup> Digital subscriptions made up close to 70% of Dow Jones’ subscription revenues.<sup>46</sup>

“We believe that subscriber revenue is quality revenue,” said Jon Slade, Chief Commercial Officer at the Financial Times, at SubSummit 2020. “It’s stable, we’re able to predict where it’s going and we can make significant investments on the back of that.”

Media outlets did experience a drop in advertising revenue during 2020, which became a significant disadvantage for outlets that did not have a subscription model in place. “If you want to build a subscription business, you have to put the reader number one as your customer, not the advertiser,” said Slade.

Building a digital subscriber base is one thing, but keeping it is another challenge. Nearly 20% of digital media subscribers say they’re likely to cancel their subscription once the pandemic is officially over,<sup>47</sup> forcing companies to innovate and curate popular content to limit churn.

### Segment Snapshot

**~70%**

of Dow Jones digital revenue from digital subscriptions in Q3 2020

**36,000+**

Media professional lost their jobs or furloughed

**3x**

Subscription growth for digital news and media in 2020

<sup>41</sup> <https://www.medrxiv.org/content/10.1101/2020.12.24.20248813v1.full>

<sup>42</sup> <https://f.hubspotusercontent20.net/hubfs/7216873/The%20Publishers%20Guide%20to%20Navigating%20COVID-19%20FINAL.pdf>

<sup>43</sup> <https://www.nytimes.com/2020/04/10/business/media/news-media-coronavirus-jobs.html>

<sup>44</sup> [http://info.zuora.com/rs/602-QGZ-447/images/Media%20Subscription%20Impact%20Report\\_%20COVID-19%20Edition.pdf](http://info.zuora.com/rs/602-QGZ-447/images/Media%20Subscription%20Impact%20Report_%20COVID-19%20Edition.pdf)

<sup>45</sup> <https://www.pymnts.com/wp-content/uploads/2020/11/Subscription-Commerce-Tracker-November-2020.pdf>

<sup>46</sup> <https://www.fipp.com/wp-content/uploads/2020/09/GDS-Snapshot-2020-Q3-V2.pdf>

<sup>47</sup> <https://securecdn.pymnts.com/wp-content/uploads/2020/09/Consumer-Subscription-Retail-Services-Report-September-2020.pdf>



# Media & Publication

## Segment Review

### SUBTA INSIGHTS

### Areas of Opportunity

**Focus on exclusivity and the digital space.**

“You’ve got to look at what the data tells you, but getting rid of your print department should be considered.”

Christopher George, Co-Founder & Chairman, SUBTA

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**Find your niche and exploit it.**

“There are tons of micro niches out there for media outlets. We’re seeing companies like Benzinga do tremendously well as more and more people turn to day trading and retail trading during the pandemic. They’re a perfect case and point of something that didn’t exist 10 years ago, and today is an absolute media powerhouse in the finance news space.”

Paul Chambers, Co-Founder & CEO, SUBTA

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**Monetize your content without gating it.**

“Get as many people in the door to read your awesome content. If you’re not credible in the space yet, launch free content, build your list and find ways to monetize it. Maybe it’s building a blog on the back end of the site that you have dynamic ads running on. Maybe you launch a newsletter where you introduce sponsorships once you’ve built a strong following. If you have really great content, think about what makes most sense for your brand.”

John Haji, Co-Founder, SUBTA





## Media & Publication Highlight

# The New York Times

### Pandemic's Impact<sup>48</sup>

## +10%

Increase in subscription revenue

## 2.3M+

Added subscribers in a single year<sup>49</sup>

## -26%

Decrease in ad revenue

### Future Predictions<sup>50</sup>

## 10M+

Subscriptions by 2025

“2020 was a year none of us could have imagined: The pandemic, its devastating human toll and its many economic reverberations; a national reckoning over race and social justice; a bitterly contested US presidential election and an unending hunger for relief from it all,” Times CEO Meredith Kopit Levien said on the company’s earning call Thursday. “The need for quality, independent journalism was as acute as ever and my colleagues across The Times rose to meet that need.”<sup>51</sup>



**Meredith Kopit Levien**

CEO, The New York Times

<sup>48 49</sup> <https://nytco-assets.nytimes.com/2021/02/Press-Release-12.27.2020-Final-for-posting.pdf>

<sup>50</sup> <https://investors.nytimes.com/news-and-events/press-releases/#data-item=The-New-York-Times-Company-Reports-2018-Fourth-Quarter-and-Full-Year-Results-and-Announces-Dividend-Increase>

<sup>51</sup> [https://s23.q4cdn.com/152113917/files/doc\\_downloads/Q42020Earnings\\_Openingremarks.pdf](https://s23.q4cdn.com/152113917/files/doc_downloads/Q42020Earnings_Openingremarks.pdf)



# Digital/Software

## Segment Review

Businesses had to adjust to letting their employees work remotely and find a way to operate smoothly as soon as stay-at-home mandates were declared. It enabled companies within the software as a service (SaaS) sector to generate more revenue than ever before.

Digital and software companies experienced a 20-40% growth in new paid subscriptions during the first five months of the pandemic.<sup>52</sup> Among the most successful ones:

- Google Cloud's revenue increased 43% YoY in Q2 2020<sup>53</sup>
- Microsoft saw a 39% increase with its commercial cloud revenue<sup>54</sup>
- Zoom tripled its total revenue in 2020 compared to 2019<sup>55</sup>

With Zoom, Microsoft and Google leading the way, the Digital/Software segment had a prolific year, experiencing an 18% increase in average revenue growth throughout 2020.<sup>56</sup> The rise in subscription also enabled families and friends to stay connected while being forced to stay at home during lockdowns. While 89% of people used Zoom for work-related reasons, more than 63% used it to converse with friends or relatives.<sup>57</sup>

Consumers are able to rely on SaaS companies in a timely manner and technology is now an even bigger part of their lives. By subscribing to a software, consumers are able to increase efficiencies while receiving instant maintenance and product updates.

### Segment Snapshot

**~40%**

Growth in paid subscriptions during the first five months of the pandemic

**+43%**

Increased Google Cloud revenue YoY in Q2 2020

**+18%**

Avg increase in revenue growth for Digital/Software subscriptions

<sup>52</sup> <https://recurly.com/research/pandemic-impact-subscription-growth-rates/>

<sup>53</sup> [https://abc.xyz/investor/static/pdf/2020Q2\\_alphabet\\_earnings\\_release.pdf?cache=a881c38](https://abc.xyz/investor/static/pdf/2020Q2_alphabet_earnings_release.pdf?cache=a881c38)

<sup>54</sup> <https://www.microsoft.com/en-us/Investor/earnings/FY-2020-Q3/press-release-webcast>

<sup>55</sup> <https://investors.zoom.us/node/8501/pdf>

<sup>56</sup> <https://www.zuora.com/resource/subscription-economy-index/>

<sup>57</sup> <https://usefyi.com/zoom-statistics/>



# Digital/Software

## Segment Review

### SUBTA INSIGHTS

### Areas of Opportunity

**Prioritize usership over ownership.**

“The new-age Gen Z consumes differently; they want more convenience in how they pay for and use services. I think it’ll be all subscription for a long time.”

Christopher George, Co-Founder & Chairman, SUBTA

**Don’t stop innovating.**

“There are still tons of ways to help consumers find ways to make their lives easier: Automations, efficiencies in life, etc.”

Paul Chambers, Co-Founder & CEO, SUBTA

**Offer multiple tiers.**

“Charge monthly, but give me options (starters, enterprise, etc.) based on my level of use with these softwares.”

John Haji, Co-Founder, SUBTA



## Digital/Software Highlight

# zoom

### Pandemic's Impact<sup>58</sup>

## +326%

Increase in total revenue YoY

Reaching close to \$2.7B in 2020

## +470%

More customers with 10+ employees in Q4 2020 (YoY)

## 20x

More daily meeting participants in four months<sup>59</sup>

Dec 2019: 10 million users  
March 2020: 200 million users

### Future Predictions<sup>60</sup>

## \$3.7B

Total Revenue by 2022

“In FY2021, we significantly scaled our business to provide critical communications and collaboration services to our customers and the global community in response to the pandemic. We are humbled by our role as a trusted partner and an engine for the modern work-from-anywhere environment. Our ability to rapidly respond and execute drove strong financial results throughout the year. As we enter FY2022, we believe we are well positioned for strong growth with our innovative video communications platform, on which our customers can build, run, and grow their businesses; our globally recognized brand; and a team ever focused on delivering happiness to our customers.”<sup>61</sup>



**Eric S. Yuan**

Founder and Chief Executive Officer, Zoom

<sup>58</sup> <https://investors.zoom.us/node/8501/pdf>

<sup>59</sup> <https://blog.zoom.us/a-message-to-our-users/>

<sup>60</sup> <sup>61</sup> <https://investors.zoom.us/news-releases/news-release-details/zoom-video-communications-reports-fourth-quarter-and-fiscal-0>



# Streaming (Video/Music)

Sources of entertainment became limited in the face of lockdowns and quarantines. The streaming industry experienced a significant increase in subscribers and recorded its best year to date.

Today, over 80% of U.S. consumers subscribe to at least one paid streaming service.<sup>62</sup> Netflix and Disney separated themselves from the rest of the industry, with Disney+ acquiring 100 million subscribers<sup>63</sup> in 16 months, something Netflix took 10 years to accomplish.<sup>64</sup>

“Now, people can kind of pick out much more specifically the type of content that they want, and they can create their own bundle.” John Giegengack, Principal and Founder of HUB, said during SubSummit 2020.

The relationship between production companies and streaming organizations also evolved. With movie theatres being shut down and a growing need for entertainment, streaming companies went from last resort to first option for content releases. For example, *Wonder Woman 1984* was released on HBO Max the same day it came out in theatres (Dec. 25, 2020, when many were still shut down<sup>65</sup>). The movie tripled the viewing hours for the streaming service on the same day.<sup>66</sup>

Streaming companies are also producing their own content. “[They] are spending more and making more movies than their traditional studio rivals, and it isn’t just about numbers,” award-winning Producer Jeffrey Kirschenbaum told SUBTA.<sup>67</sup> “They are able and willing to take on greater creative challenges. For example, mid-level budgeted dramas, which had become a precarious bet for theatrical release, found great success on these digital platforms.”

The subscription growth rate for Over-The-Top (OTT) video streaming companies increased 600% in March 2020 compared to the growth rate in the 12 months prior.<sup>68</sup> YouTube’s share of all traffic increased by 7% YoY.<sup>69</sup>

Additionally, artists broadcasted remote concerts and performances through Twitch for the majority of 2020. The sharing platform’s Music and Arts Category increased by 387% YoY in July 2020, accumulating more than 17 million views compared to less than four million in July 2019.<sup>70</sup> The music industry adjusted well, with the average number of subscriptions growing by more than 15 million in just a year, a new record.<sup>71</sup>

## Segment Snapshot

**82%**

of U.S. consumers subscribe to at least one paid streaming service

**600%**

Subscription growth rate for Over-The-Top (OTT) video streaming companies

**387%**

increase in views on Twitch’s Music and Arts category in 2020



# Streaming (Video/Music)

## SUBTA INSIGHTS

## Areas of Opportunity



### Be ready for an unpredictable future.

“I think that you’re gonna find probably a handful of streaming services that are gonna do well. On the flip side, I think the cable companies are going to have big problems. It could be the end of cable TV, but I’m not a fortune teller.”

Christopher George, Co-Founder & Chairman, SUBTA



### Single-product offerings could begin to struggle.

“As Netflix has continued to amass subscribers during 2020, they may begin to run into the challenge of revenue growth. With only having a single source of revenue through its subscribers, the only way the company will be able to continue revenue growth is by increasing its price. Companies such as Hulu that have multiple offerings to its subscription will continue to be able to enhance their offering and grow their revenue.”

Paul Chambers, Co-Founder & CEO, SUBTA



### Become the centralized hub for your subscribers’ needs.

“We are simplified consumers. I don’t want 18 apps. One of those platforms needs to partner up and start simplifying things, like Verizon does with Xfinity.” Establishing strategic partnerships to offer services like internet, entertainment, communication can attract customers looking for convenience.”

John Haji, Co-Founder, SUBTA

<sup>62</sup> [https://www2.deloitte.com/content/dam/insights/articles/7157\\_Digital-media-trends-15-ed/DI\\_Digital\\_media-trends-15ed.pdf](https://www2.deloitte.com/content/dam/insights/articles/7157_Digital-media-trends-15-ed/DI_Digital_media-trends-15ed.pdf)

<sup>63</sup> <https://thewaltdisneycompany.com/disney-tops-100-million-global-paid-subscriber-milestone/>

<sup>64</sup> [https://s22.q4cdn.com/959853165/files/doc\\_financials/annual\\_reports/0001065280-18-000069.pdf](https://s22.q4cdn.com/959853165/files/doc_financials/annual_reports/0001065280-18-000069.pdf)

<sup>65</sup> <https://www.bbc.com/news/world-europe-55058362>

<sup>66</sup> <https://pressroom.warnermedia.com/us/media-release/hbo-max/warner-bros-pictures-fast-tracks-development-wonder-woman-3>

<sup>67</sup> <https://subta.com/what-the-78th-golden-globes-taught-us-about-hollywood-streaming/>

<sup>68</sup> <https://www.zuora.com/resource/subscription-impact-report/>



## Streaming (Video/Music) Highlight



### Pandemic's Impact

# 100M

Subscribers in 16 months<sup>72</sup>

# +73%

Streaming business increase YoY (\$3.5B in revenue)<sup>73</sup>

# -22%

Decrease in Disney's revenue in 2020 due to Covid-19<sup>74</sup>

### Future Predictions<sup>75</sup>

# 230-260M

Paid subscribers by 2024

# 300-350M

Global subscribers to streaming services by 2024

"The single most effective way to grow our subscriber base is with great content. And as we increase our output, the emphasis will always be on quality, not volume. Quality holds its value. And that has been our mantra for as long as we've been telling stories."



**Bob Iger**  
Disney Executive Chairman

<sup>69</sup> [https://www.sandvine.com/hubfs/Sandvine\\_Redesign\\_2019/Downloads/2020/Phenomena/COVID%20Internet%20Phenomena%20Report%20200507.pdf](https://www.sandvine.com/hubfs/Sandvine_Redesign_2019/Downloads/2020/Phenomena/COVID%20Internet%20Phenomena%20Report%20200507.pdf)

<sup>70</sup> <https://blog.streamelements.com/state-of-the-stream-july-2020-just-chatting-is-still-1-therealknossi-camps-his-way-to-2-and-ca5feb2b835a>

<sup>71</sup> <https://www.riaa.com/wp-content/uploads/2021/02/2020-Year-End-Music-Industry-Revenue-Report.pdf>

<sup>72</sup> <https://thewaltdisneycompany.com/disney-tops-100-million-global-paid-subscriber-milestone/>

<sup>73</sup> <sup>74</sup> <https://thewaltdisneycompany.com/the-walt-disney-company-reports-first-quarter-earnings-for-fiscal-2021/>

<sup>75</sup> <https://thewaltdisneycompany.com/the-walt-disney-company-surpasses-137m-paid-subscriptions-across-its-direct-to-consumer-services-shattering-previous-guidance-increases-paid-subscriptions-target-to-300-350m-by-2024/>

# The Future of Subscription

The recurring-revenue business model is more popular than ever in 2021. Subscriptions helped consumers adjust to the new norm by making online transactions easier and more personalized.

Since 2012, subscription revenue growth increased by close to 450%.<sup>76</sup> DTC companies are likely to grow five to eight times faster than traditional businesses due to their ability to adjust to their subscribers' needs and ever-changing behaviors.<sup>77</sup>

2020 changed the way we live and think. Consumer behavior is forever altered, with the focus shifting away from ownership and onto usership.<sup>78</sup>

Subscription enabled people to find innovative ways to connect while allowing the economy to survive with a recurring revenue stream that provided safety, comfort and a new sense of routine for everyone involved. "People are finding how subscription can make their lives easier and enhance them," says Paul Chambers.

Subscription did not act as a spare tire, though. All of the companies highlighted in this report are predicting more revenue and growth in the near future. Disney+ plans on surpassing Netflix's subscriber count by 2024. Zoom estimates close to \$4 billion in revenue next year. The New York Times expects to reach 10 million subscribers in 2025.

Subscription businesses have not only helped us transition at a time when we needed it most, they will continue to adjust to the consumer's needs and wants. "I feel like every brand out there, in some capacity, can implement some form of subscription within the six segments," says John Haji.

Bold Commerce reports that 71% of e-commerce brands see the subscription business model as an important part of the future. Additionally, more than 400 brands say that subscriptions represent 20% of their total sales.<sup>79</sup> "The idea of subscription has been around for centuries," says George, "it's just more prevalent on the DTC side now. My prediction is that, by the end of 2022, you will see subscription in every part of our lives."

"What happened last year with DTC subscription businesses is not just a phase, it's a window into the future of the global economy," Chambers said. "No one expected 2020 to alter so many elements of our lives. These changes forever shaped consumer buying habits and vastly accelerated the growth of subscriptions. This industry provides consumers with a unique sense of convenience, efficiency and trust. Subscribing isn't just about making a transaction, it's about building a mutually beneficial relationship with a brand that can carry on for months, years, even decades! There's a reason more than 80% of Americans are active subscribers."<sup>80</sup>

<sup>76</sup> <sup>77</sup> <https://www.zuora.com/resource/subscription-economy-index/>

<sup>78</sup> <https://www.zuora.com/the-subscription-experience-on-demand/>

<sup>79</sup> <https://boldcommerce.com/drivers-of-success-2021-subscription-trends-whitepaper>

<sup>80</sup> <https://www.inmyarea.com/research/subscription-economy-2020>



## List of Sources





**SUBTA**  
Subscription Trade Association

The Subscription Trade Association (SUBTA) is a growing community of innovators, entrepreneurs, thought leaders and dedicated teams eager to scale their businesses and catalyze the subscription industry.

Email us [\*\*info@subta.com\*\*](mailto:info@subta.com)