Response to BEIS consultation: Reforming Competition and Consumer Policy
(AMENDED TO INCLUDE NAME OF ADDITIONAL RESPONDENT)

Respondents:
Beer52 Limited, Edinburgh, EH3 7JA www.beer52.com
Craft Clubs Limited, t/a The Craft Gin Club, Crewe, CW1 6EA www.craftginclub.co.uk
Dogmates Limited t/a Butternut Box, London W12 7FQ www.butternutbox.com
Virgin Wine Online Limited, Norwich, NR3 1TN www.virginwines.co.uk
Wild Cosmetics Limited, London SE1 7SJ www.wearewild.com

The above companies are pleased to make a joint response to the consultation. We are responding to questions 31 to 41 inclusive.

We are happy for our responses to be published but without identifying information.

We are happy for our names to be disclosed in a list of consultation respondents but without direct attribution to our responses.

We ask to be contacted when results of the consultation are published.

Contact:
Nick Martin, Beer52 Limited, 8 Melville Crescent, Edinburgh, EH3 7JA
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Introduction:
We are leading providers of consumer goods through rolling flexible subscriptions. Our business models are innovative and attuned to consumer benefit. The value for money and convenience they provide is demonstrated by our growth: collectively we have over 500,000 active subscribers. We believe that some of the measures proposed by BEIS are not apt for our flexible rolling goods subscriptions and would undermine our business model to the clear detriment of consumers.

Responses:
Q31. We agree with the principles behind 2.13(i) (information being clear and prominent at the pre-contract stage) and 2.13 (iii) (exiting a contract being clear and easy).

The respondents' subscription offerings provide convenient weekly or monthly product deliveries, involve no minimum period of commitment and are cancellable at any time. Effectively the contract rolls over with each delivery. Requiring consumers specifically to agree to every delivery, as implied in 2.13(ii) and detailed in 2.18, would in these circumstances destroy this popular model. Each delivery would require a separate order. The convenience that underpins the benefit that this service provides to consumers would be hugely undermined.

We agree that consumers should know up-front the key terms and features of any subscription contract to which they are signing-up. We believe the measures set out in 2.17 to clarify pre-contract information requirements are appropriate. However, we fail to see the need for further regulation here as we believe that measures currently in place adequately

meet the aims of 2.17. As we already follow them, they should have little impact on our and like businesses.

Q32. As we believe the measures set out in 2.17 are already followed by the respondents, our ease of compliance with such pre-contract requirements should not be affected.

Q33. As stated in our answer to Q31, the respondents' subscription models provide convenient weekly or monthly product deliveries, involve no minimum period of commitment and can be paused or cancelled at any time. Effectively the contract rolls over with each delivery. Expressly requiring consumers to be given the choice to take out a subscription without auto-renewal or rollover would in these circumstances destroy this popular model. Each delivery would require a separate order. The whole rationale for, and benefit to, the consumer is that regular and reliable deliveries are made without the need to interact with the trader.

We also point out that our offerings typically carry a 'no quibble, 100% money back' refund guarantee, further reducing the potential for consumer harm.

The utility provided to consumers by such flexible rolling goods subscriptions has been clearly demonstrated by the sharp acceleration in their use in the last two years.

Q34. This section in the consultation paper is headed "Nudging consumers so they are aware of ongoing subscriptions". We believe that for subscriptions involving the provision of physical goods, the 'nudge' is the product delivery and that a requirement to remind customers of their subscription should not apply to such subscriptions. We believe the case here to be particularly strong for rolling flexible subscriptions where:

- the time period between deliveries is relatively short (typically weekly or monthly with our subscriptions)
- there is no minimum commitment period, with the subscription capable of being paused or cancelled at any time.

We note that BEIS (Impact Assessment BEIS 030(C)-21-CCP) estimates that of all subscription contracts only 30% involve the delivery of goods.

Q35. The respondents' subscription models (as described in the response to Q33) involve no commitment period, as such terminology would be commonly understood. The commitment period is effectively the notice period to cancel, which is typically a few days in such models.

In the case of regular goods deliveries, arrival of the product itself serves as a reminder that the consumer has an active subscription – as does the subsequent daily / weekly consumption of the product, for example in food and drink subscriptions.

Requiring additional reminders with each product delivery would in such circumstances dramatically, and superfluously, increase traders' communication with customers and likely become annoying to the consumer, undermining the attraction to the customer of a regular, reliable and hassle-free service.

We note the potential conflict between government proposals to increase communication with consumers with the thrust of government data protection regulation to minimise the processing of customer data.

Q36. For subscriptions involving the delivery of goods, the marginal cost of fulfilling a customer subscription is relatively high, involving the sourcing, purchase, storage, assembly and delivery of product, compared for instance with the negligible marginal cost, for example, of giving a subscriber access to an online newspaper. The cancellation rate for goods subscriptions is also relatively high (see response to Q40). These factors mean that introductory offers for product delivery are generally of short duration and typically one-off first box discounts.

We believe that any requirement to (i) remind customers of the end of an introductory offer or (ii) obtain explicit consent to continue supply, would be superfluous where introductory offers or trial periods are of short duration (for example, three months or less) and would undermine the rationale and attraction for the customer of a convenient subscription service.

Q37/38. We do not believe that in the case of goods it is possible to have inactive subscriptions over a long period of time.

For subscriptions involving regular product delivery, the proposals would have little impact on traders, other than adding unnecessary regulation. Our preference is that subscriptions involving the regular delivery of goods should be exempt from them.

Q39. We agree that the process to enter a subscription contract can be quicker than the process to cancel. However, we do not agree that speed has to equate with straightforwardness.

Q40. We believe that it should be easy for a customer to find out how to cancel and that the process should be straightforward. We do not believe that this means a ‘one click’ or automated process is always appropriate.

We do believe that it is entirely appropriate that a trader has an opportunity to respond to a customer’s cancellation request and, without any ‘hard sell’ techniques, fix any problems that may have led to dissatisfaction. We have plenty of evidence showing where a trader has been able to fix delivery issues or inform the customer of the ability to alter the product mix better to suit their requirements - all to the ultimate satisfaction of the customer. These are recent Trustpilot reviews relating to one trader:

A day ago

> A really lovely chat today with a very helpful chap who sorted the reason I rang very swiftly and professionally. Was keen to hear my feedback on xxxxxx and as a result I ordered another box! And he wasn’t pushy at all just explained about the credit I had, I hadn’t realised, so super helpful.

2 days ago

I rang up to cancel my order with xxxxxx but upon chatting with KIrsty I actually stayed on with them. She laid out what bonuses I had in my account and I realised what a good deal it would be to stay on for at least another month.

She was very polite and very helpful.

Aug 25, 2021

Scott was great and we came to a great conclusion, he was able to pause my subscription for another 2 months instead of cancelling it as I'm having some money issues right now, and didn't want to cancel outright.

Really appreciate his top customer service, cheers Scott!

Jul 15, 2021

A lovely and helpful chat with Jamie today. He was very clear on what xxxxxx has to offer which resulted in me extending my subscription another month before starting uni!
Wonderful customer service, Jamie is a great asset to the company and I look forward to my next box of xxxxxx!

As our other answers have demonstrated, the respondents' business models, providing goods on flexible rolling subscriptions, are not onerous as regards minimum commitment periods, the ability to cancel on demand and 'no quibble, 100% money back' guarantees We believe that in such contracts the trader's considerable investment in sourcing, purchasing and storing product, often well ahead of anticipated delivery, and in providing introductory offers at a loss, should be recognised in allowing the trader a valid opportunity to engage with and 're-market' the service individually to the customer.

We fully accept that where automated cancellation is not available, there are customer response standards that should apply:

- The cancellation process should be easy to find on trader's website.
- Call centres should at least be open for standard business hours.
- An email and postal address for the trader should be easy to find, with email boxes regularly monitored at least during normal business hours,
- In call centre conversations no barriers should be placed in the way of a customer who wishes to cancel and there should be no 'hard sell'.

Evidence indicates that customers who wish to terminate goods subscriptions are readily able to do so. Reliable or definitive industry data on customer 'churn' are not easily available but it is generally accepted that the rate of cancellation is high in goods subscriptions relative to that for services, and within goods, particularly high for food and drink subscriptions. A McKinsey article reports that "more than one third of consumers who sign up for a [goods] subscription service cancel in less than three months, and over half cancel within six" *(https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/thinking-inside-the-subscription-box-new-research-on-ecommerce-consumers).*

Q41. As argued in the previous responses, we believe that rolling flexible subscriptions, i.e. subscriptions involving the regular delivery of goods, which:

- have no minimum commitment period;
- can be paused or cancelled at any time;
- have no extended introductory offer period,

should be exempt from the rules proposed in:

- 2.13(ii) and 2.18 (Q31 and 33);
- 2.20, 2.21 and 2.22 (Q34 and 35);
- 2.24 (Q36);
- 2.28, with respect to automated cancellation (Q39 and 40).

(Note: The qualifications in the answer to Q41 are all readily definable.)

[END]