

For the attention of the Consumer and Competition Policy Directorate:

Thank you for inviting consultation for the [Reforming competition and consumer policy](#) and also sharing the [Subscriptions regulations impact assessment](#) as part of this consultation process.

tails.com is a direct to consumer pet food business with over 250,000 customers and 300 employees headquartered in Richmond, London. We use a subscription payment model and place great emphasis on ensuring transparency, flexibility and control for our customers, as we know that this will ensure their satisfaction, loyalty and advocacy for [tails.com](#).

We are therefore supportive of initiatives to create a higher level of customer experience across subscription services in the UK by empowering customers to take control of their choices. However, legislation which does not accurately reflect the very varied nature of sectors and services using a subscription model or which fails to examine the impacts of specific policy measures on consumers and/or businesses is a concern and we welcome the opportunity to contribute as any legislation is under development.

Our summary response is below:

- The Subscription Regulations Impact Assessment acknowledges that *'for many consumers, subscription contracts offer a convenient, flexible method for purchasing what they want or need.'*<sup>1</sup> However, the proposed Policy Option 1 will significantly and unnecessarily stifle this £25bn market while reducing the convenience of purchasing for consumers.

We do not believe that the proposed 'requirement from traders to seek an opt in before the end of any initial free or reduced price trial'<sup>2</sup> is a useful route to achieving the objectives outlined in the Impact Assessment of:

- ensuring consumers are provided with complete information about commitments of a subscription service at the point of sale and on an ongoing basis
- empowering consumers to manage their subscriptions by offering real choices up front about the nature of their commitment and by reducing frictions to existing subscriptions.

For example, our subscription allows pet owners to feed their dog or cat a consistent, nutritious diet; it is a regular household necessity and if a customer runs out, or if they were to fail to get a delivery having missed a request to actively opt in, this can be a deep inconvenience.

Knowing this, and hearing frequently how important regular, expected deliveries are to our customers, we have always put them in control of their own subscription. Any

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<sup>1</sup> Consumer and Competition Reform: Subscription Regulation, 1. Introduction, point 2, page 6

<sup>2</sup> Consumer and competition reform: Subscription Regulation, 4. Options considered, point 26, page 8

tails.com customer can change, pause or cancel at any time in one click (or by calling us) via their account and they are proactively reminded of this a minimum of once a month and prior to any billing.

**While the Subscription Regulations Impact Assessment focuses on '£1.8billion per year (£0.9 - £3.3bn) spent per year on subscriptions [consumers] do not think is value for money', any policy tabled should also uphold the £23.2bn subscription which consumers DO believe to provide value for money.**

**We support the need to build trust and put customers in control and we also want to avoid stifling successful subscriptions (for customers and for businesses). There are better ways to improve overall experience and service post a free or reduced price trial than a broad brush 'opt in'.**

- The policy objective to 'reduce consumer detriment from unwanted subscriptions' with the most significant issue noted [in terms of cost] is that people 'forget' to unsubscribe, often for over 24 months<sup>3</sup>. This scenario is a very rare issue at tails.com: unlike an annual digital subscription or service, we provide a sizable physical product which is delivered to a customer's door on a monthly basis. In addition, prior to every delivery, we contact each customer, reminding them of the price, the delivery and how to cancel, pause or make any changes in one click online or by calling us.

**The consumer experience of digital content subscriptions, service subscriptions and physical product subscriptions are very different, and they are motivated by different consumer needs and behaviour. We would strongly recommend considering these sectors, and the different roles of regular and annual subscriptions, for consumers in any proposed policy.**

Our full response to the questions set out in the [Subscriptions regulations impact assessment](#) is below. We are happy to support you with any questions.

Yours sincerely,



tails.com

1st October 2021

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<sup>3</sup> Consumer and Competition Reform: Subscription Regulation, 6.4 Behavioural model of unsubscribing, 6.5 Figure 1: 66% of failures to unsubscribe; an estimated £1.2bn detriment

**1. Do you agree the model of consumer behaviour (Figure 1) reflects the steps needed to exit a subscription, and the allocation of consumers across outcomes (B), (C) and (D) reflect current customer experience?**

No, this model of consumer behaviour does not accurately reflect our customer experience to exit a subscription at tails.com.

The outline in Figure 1 assumes no proactive or customer-led engagement from companies selling products or services which are available on a regular subscription.

We expect a higher level of engagement than referenced in this outline so that we are able to provide a service that our customers value and are loyal to.

The tails.com customer receives a monthly delivery to their door of nutritionally-tailored dog food and the subscription service means that:

- 36 hours before billing any physical delivery (including the first delivery after a reduced price trial) we email to each customer with their price for that month and a direct link to their account for any changes they choose to make (including cancellation without charge). Changes include cancelling, pausing delivery or changing the contents of their box amongst others.
- Our customers are in complete control of their accounts from the moment they register meaning that they can delay, pause or cancel deliveries at any time from their [online dashboard](#) in one click. Customers can also view their next payment date and last date for any changes to be made. If for any reason they are unable to access their dashboard, we also have phone and email lines of communication with our customer experience team.
- On the rare occasion where a customer has cancelled after they have been billed, we are able to refund them the last payment as a goodwill gesture.

With specific reference to point 94 and 95 in the Assessment of Subscription Regulation Paper: *"To allocate the £1.8 bn in subscription overspending to each of (B), (C) and (D) we rely on the responses from the FSI"* which mentions 688 [of the 1,559 respondents with one current unwanted subscription] had forgotten to cancel a subscription.

The key differentiator for delivery services is that unlike digital content or pure service subscriptions, we have a large dog food product regularly delivered to customer's door, usually on a monthly basis, and an email contact in advance of every single delivery. It is not easy or likely to "forget" this subscription over many months or years [unlike an annual digital-only subscription for example] and therefore we would dispute these figures. They don't reflect the varied nature of the services using a subscription model.

**2. Do you agree these estimates reflect the number and approximate size of GB firms offering subscription goods, services and digital content to GB consumers?**

What this estimation doesn't do is break down the subscription sector by product, service and digital content or share the differing expectations for customer service and value across those sectors. As per point 107, the FSI suggests that 40% of consumer subscriptions are for music and video streaming services which are dominated by a small number of firms.

As a physical product provider we (and our customers) have high expectations on our service and experience and the subscription provides ease of use and value on an everyday necessity for pet owners. We also know that if we don't deliver on our brand promise, our customers can pause / cancel at any time and go to the supermarket, elsewhere online, to a specialist pet store for an alternative.

**3. Do you agree the costs to firms estimated in section 8.1 and 8.6 reflect the types and approximate size of costs an individual firm would likely incur complying with these policies?**

The costs to firms estimated in section 8.1 and 8.6 are a fraction of the cost that some of the options will incur.

While many of the suggested policy changes are already in place at tails.com, others such as 'Option 1: Opt in' would generate a significant negative impact for our customers and an immediate cut to our business revenues.

For our customers, the requirement for positive opt-in is likely to result in customers running out of dog food, an essential item, due to inertia or forgetting to do it particularly in a service you expect to be set up to deliver each month. At best this is an inconvenience, at worst more problematic (particularly for customers who aren't able to get to a shop to stock up instead etc).

In addition, given that we provide a physical product delivery service, with a transparent cost which is shared every month prior to billing with immediate cancellation options, we believe it to be unnecessary.

Yes, administration of legislative changes incurs a cost. It is, however, nothing compared to the customer- and business-impact of sweeping and non-sector-specific policy changes.

**4. We make a modelling assumption no subscription services currently meet the standards set out by these policies, and all firms would incur costs to become compliant. Are you aware of evidence that would support or challenge this assumption?**

Some businesses, including tails.com and a number of our other direct to consumer product and service peers already implement many of the suggested policy changes as part of our best practice approach.

For example:

- Option 3: Reminders - YES - at tails.com we send a reminder email to every customer before we bill them each month and this reminder always includes their specific price. We do get a number of cancellations for every email we send out and, we view this as a positive - customers who value our product stay loyal to us and we support those who no longer wish to be customers to leave easily.
- Option 4: Easy Exiting - YES - All our customers are in control of their subscription via their [online dashboard](#) which is reached in one click from any email and accessible to them all the time. In response to table 14, our tails.com customers do not need to call us or suffer any embarrassment from cancelling - they can do it all online. It is also highly unlikely they will forget, given the regular emails and product delivery to their door. It is extremely easy to cancel at any point and, although we will try to 'win back' customers with additional offers as soon as they hit cancel, we stop any billing and they leave us.
- Option 2: Inactive subscriptions - YES - this is a rare concern for us at tails.com but if a subscription or account hasn't been used at all in over 24 months and there is no engagement with the customer it makes sense to reach out to that customer and check if the service is still required.

**5. Do you agree with our estimates in sections 8.2 to 8.6 of the share of customers with unwanted subscriptions that would exit their subscription as a result of these policies?**

No. In the case of tails.com, we don't believe that there are many subscribers who forget their subscription given that we provide a physical product on a monthly basis and send proactive emails from tails.com in advance of every delivery with a one click option to cancel or pause.

**6. Do you agree these reflect the likely wider impacts of the proposed policies? Can you provide additional evidence that could indicate the scale of wider impacts on businesses and consumers?**

As per our answers above, use of policy option 1, the Opt-in would have a sizable negative effect on our customers and it is highly likely to result in customers running out of their dog food, an essential item. This is likely to be due to inertia and/or forgetting particularly given that our service is set up to run each month without customer's having to think about it. At best running out of dog food is an inconvenience, at worst it is more problematic (e.g. particularly for customers who aren't able to get to a shop to stock up instead etc). We do not believe that this policy is a useful route to achieve the overall objective of empowering customers to take control of their choices.

It would also have a significant negative impact on our business.

Based on the above, we welcome the note in point 167 of the Impact Assessment that you '*do not have evidence to estimate the possible size of these effects, but will use the consultation period to explore how businesses could respond.*'

The consumer experience of digital content subscriptions, service subscriptions and physical product subscriptions are very different, and they are motivated by different consumer needs and behaviour. We would strongly recommend considering these sectors separately in any proposed policy.

END