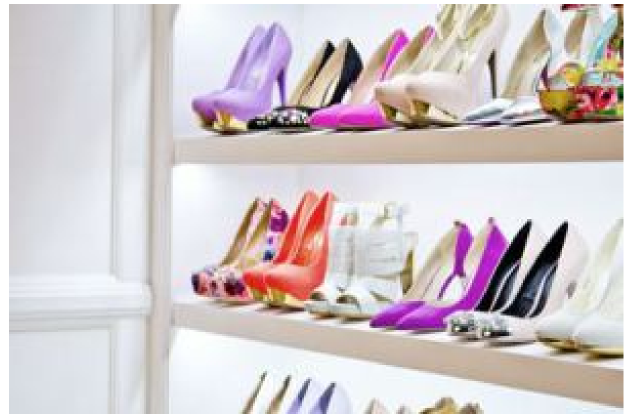
What ShoeDazzle taught us about subscription commerce

ShoeDazzle may no longer be dazzling, but it's delivering useful lessons in subscription commerce.



I still remember the thrill of receiving my first ShoeDazzle delivery. The beautifully wrapped package, the perfect pair of shoes for me inside, the fun welcome letter, and the confidence I had that I could ship it back at no cost if I didn't like it – all for $40! It seemed too good to be true, and perhaps it was.

Four years later, ShoeDazzle has been acquired by its primary competitor, JustFab, after dropping to about a tenth of its $200 million valuation and failing to achieve profitability despite a valiant attempt by boomerang CEO Brian Lee to revive the business. It's a sad outcome for a brand that once held so much promise — great products, cool business model, solid financial backing, celebrity appeal.

In trying to move past the disappointment, I've found some important lessons that apply to future subscription businesses, including the newly combined JustFab. Most of the lessons stem from how different the subscription commerce business model is from other kinds of retail, even e-commerce.

First, there's the need for different metrics. The number of customer acquisitions is much less important than the quality of acquisitions. When Bill Strauss took the reins of ShoeDazzle, he deemed its 10 million members insufficient and set about trying to bring in millions more by jettisoning membership and opening the site to anyone. What he didn't understand was that those initial existing members loved the brand — they were not only acting as brand ambassadors to spread awareness of the site, but were also likely to continue buying over time. Compared to cultivated members, customers are less loyal, more fickle, and harder to please.

Further, the typical retail metric of cost of customer acquisition is less relevant than customer lifetime value. It may cost more to acquire a quality customer, but she will produce a greater return with higher value/more frequent purchases, longer retention, and brand advocacy. A subscription business model requires a longer-term view on metrics.

The value proposition looks different with subscription commerce too. It's not enough to have cool products — they should be exclusive whenever possible. That was part of ShoeDazzle's initial appeal. Because its styles were designed specifically for the site, they generated so much demand. Exclusivity remains JustFab's strongest path forward, and it can be leveraged even further through exclusive prices (special prices depending on membership level), exclusive access (new products available in advance), exclusive services (concierge services and enhanced customer style profiling), and exclusive experiences (interactions with celebrity designers, virtual fashion shows, etc.)

With a subscription, the customer value equation is no longer simply the product divided by the price. It involves status and benefits, which are more intangible but more valuable.

The ShoeDazzle story also teaches us that subscription commerce requires a different kind of brand and brand strategy. In order to capitalize on subscriber value, the best growth comes from expansion into new categories — that is, selling other products and services to the same people (vs. selling the same stuff to other people). A subscription brand, therefore, must be developed with elasticity. A name like ShoeDazzle is limiting, whereas JustFab is more flexible. Beyond the name, the brand personality, visual identity, and cultural associations should also allow for more stretch.

Also a brand position based on relevance makes more sense than one based on accessibility. Offering fewer products that are “just right” for customers and communicating messages that express brand identification increases customers’ feelings of brand affinity, whereas having a huge selection of more random products and a brand that is marketed as “something for everyone” dilutes perceptions of brand value. A subscription brand essence stems less from being a retailer and more from carefully curating the membership experience.

Ultimately, subscription commerce requires a different mindset. Subscription-based companies are building relationships, not selling products. Of course, those relationships must be monetized — it’s a business, not a charity. But the focus needs to be on engagement and shared value. Models to emulate include Lady Gaga’s Little Monsters and American Express, not ProFlowers and Woot.

I may no longer be a customer of ShoeDazzle, but from the company I’ve gotten some valuable insights into subscription businesses — that, and some great shoes.

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