

CASE STUDY | SFG and OSM Worldwide – An Ideal Partnership

MANAGING A GROWING SUBSCRIPTION-BASED BUSINESS



The subscription commerce industry has seen rapid growth in recent years. The business model seems fairly simple: Customers pay a subscription fee (monthly, annually, etc.) to receive a product that is delivered to them on a recurring schedule.

Given that a vast range of products can potentially be delivered through a subscription-based model, there's no limit to the size of this industry. Organizations in the subscription commerce market need technology solutions to help them grow and manage this business model.

One such company, Annie's Publishing, has been using this business model successfully for more than 15 years, growing it into its largest revenue stream.



THE CLIENT

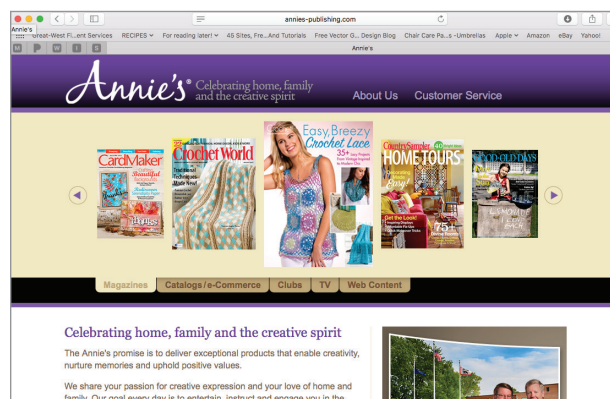
To thrive, Annie's Publishing must meet shipping and logistical needs.

Annie's Publishing has long been considered a leader in media subscription commerce, focusing on products tied to home and family interests. The company specializes in magazines, books, kits, supplies, and more, providing customers with customized products to meet their home décor, crafting, and hobby needs. Using a wide variety of marketing methods — including direct mail, email, SEO, SEM, and more — Annie's attracts consumers from a variety of backgrounds.

Through continuity programs (also known as subscription commerce or “subscription box” programs) like those offered by Annie's, customers receive regular shipments according to their own desired schedules, such as every specified week, once per month, twice per year, annually, or other custom schedules. In a typical program design, customers agree to these periodic deliveries at the beginning of the program.

As a result, Annie's doesn't need to bother customers for permission between shipments, making the process that much simpler. The service allows customers to change the frequency of their packages at any time, as well as modify their accounts and payment information, and enjoy the convenience of receiving their desired products automatically.

Annie's
Celebrating home, family™
and the creative spirit



While continuity programs offer both Annie's and its customers numerous benefits — including increased consumer loyalty and efficient transactions — the business itself can be fairly complex to manage, especially in a high-growth mode.

THE CHALLENGE

Without strong customer service and attention to detail, companies like Annie's would struggle to profitably and effectively run these types of continuity programs.

Subscription commerce organizations require customized operations and specialized reporting tailored to meet consumers' wants and needs. Crucial operational elements include proper processing of new orders, PCI-compliant credit

card processing, tracking of critical metrics, maintaining an efficient fulfillment schedule, handling of recurring charges — especially if issues like card declines and the need for fund recovery arise — and many more.

On the administrative end, continuity programs must monitor customer retention rate, manage inventory and qualifications for particular shipments, track frequency of shipments, and provide a system that allows customers to modify their accounts online.

With so many important business requirements, it's easy to see why organizations like Annie's would struggle to perform all of these tasks on their own while growing their programs quickly.

SFG PROVIDES SCALABLE TECHNOLOGY SOLUTION

Through its streamlined FlexOMS™ system, SFG enables companies like Annie's Publishing to effectively run subscription e-commerce programs with ease.



To meet the needs of its fast-growing subscription commerce business model, Annie's utilizes SFG's FlexOMSTM system, a multi-channel distributed order management system that incorporates front-end and back-end operations, such as receiving and processing customer transactions, managing inventory, and enhancing customer relationships through a unified view of the customer.

Utilizing a unified relational database, SFG's FlexOMS system gives Annie's a

comprehensive, integrated customer database and order management system optimized for this business model.

In addition to providing customer database management, inventory management, payment processing, and returns processing, FlexOMS's unique capabilities allow continuity programs the ability to send out email notifications, manage customer billing and invoicing, handle customer surveys and comments, and provide access to credit card decline recovery assistance, among other features.

Working with SFG's FlexOMS also allows Annie's to send fulfillments at each individual customer's desired frequency, staying on top of arguably the most vital aspect of its business. Whether it's monthly, every six weeks, or any other frequency, customers can change their preferences to hold or alter the amount of time between shipments at their convenience. Additionally, FlexOMS offers the ability to utilize bill-me shipments — where the invoice is included in the package — or credit card-only orders. It also allows for both physical and digital fulfillment options.

FlexOMS has integration capabilities and APIs that enable it to communicate with multiple systems in real time, providing lower infrastructure and investment costs as well as fewer vendors in the mix.

CHALLENGES OF DELIVERY NEEDS

Subscription commerce businesses can struggle to manage the prices associated with sending their continuity shipments across the country — and sometimes across the world. Customers who pay for subscription services look forward to receiving their packages on a regular and timely basis.

To keep customers happy, organizations need to make sure the delivery process is as smooth as possible. Not

only should the shipment's packaging identify the piece, it should also be a reflection of the brand and correspond with the tone of the contents to delight the recipient.

While design is important, so too is the functionality of the parcel. The shipment should be an appropriate size and utilize quality materials to ensure what's inside makes it to the customer's doorstep undamaged.

OSM WORLDWIDE PROVIDES OPTIMAL SHIPPING SOLUTION



Annie's required shipping with tailored solutions for optimized and cost-effective deliveries. OSM Worldwide, a preferred partner of the USPS, offers an exclusive shipping network that ships packages quickly and affordably. After pick/pack and processing, OSM utilizes its exclusive OSM Premium Network to expedite the delivery of the parcel directly to the optimal USPS center. Once the USPS has the package, it is delivered to a residential address within 24 hours.

This efficiency means in-route packages are handled less, resulting in less risk of package damage. The exclusive OSM Premium Network offers Annie's reliable, consistent delivery within an average of three days nationwide.

On average, OSM Worldwide processes tens of thousands of parcels and bound printed matter (BPM) packages per month for Annie's. These shipments are delivered to residents reliably each month and there are very few customer service calls inquiring about shipping status.

The OSM Premium Network through OSM Worldwide expedites parcel deliveries to the optimal USPS center, meaning fast and consistent deliveries with less package handling — ideal for a subscription-based company like Annie's.

SFG AND OSM WORLDWIDE TOGETHER – AN IDEAL PARTNERSHIP

The integrated relationship of SFG, a leader in flexible and scalable technology solutions for ecommerce retailers, and OSM Worldwide, a leader in domestic and international parcel delivery solutions, helped Annie's reduce shipping and preparation costs while simplifying the entire process.



To keep costs low while maintaining strong customer service, Annie's partnered with SFG to implement the FlexOMS system.

Through SFG's relationship with OSM Worldwide, Annie's simplified its overall business model, kept costs low, and offered efficient deliveries to valuable customers. As a result, the organization saw improved consumer loyalty and satisfaction — two essential elements to keep businesses growing in the ever-expanding subscription commerce industry.

Managing orders from its FlexOMS system, SFG creates the kits for subscription programs and sends the materials to OSM, along with electronic fulfillment data. OSM handles the labeling and shipping of the packages across the country. This partnership allows Annie's to gain access to postal pricing without postal processing, so labor costs are also reduced. Additionally, Annie's can always access customer data and operational process histories via SFG's FlexOMS system to check the status of specific orders.

Subscription commerce is a quickly growing industry. Organizations like Annie's need solutions that meet both the needs of their company and their customers. Every element of the process is crucial — from order management to fulfillment to packaging and delivery.

With the success of this partnership, SFG and OSM Worldwide now run more than 25 subscription commerce programs for Annie's. And with new products and programs in the works and forward-thinking system enhancements in constant development, more growth is on the horizon.

By utilizing SFG's management system technology and OSM's cost-efficient, reliable shipping solutions together, Annie's Publishing is able to expand its subscription service offerings while remaining competitive.



SFG is an innovative technology company with core strengths in fulfillment services. More than 200 national and international brands entrust their business to our technology and operational services. We offer proven technology solutions for the e-commerce marketplace such as FlexOMSTM, our flexible and scalable order management system, front-end web tool kits, customer database solutions, and business intelligence services. Our technology solutions are bolstered with our own expertise in providing integrated operational services, including pick/pack/ship, customer care, and mail processing. SFG's solutions allow for easy collection of customer and order information, successful execution of marketing plans, and optimization of your company's performance across your brands and channels.

To learn more, visit www.SFGnetwork.com.



A leading provider of domestic and international shipping solutions, OSM Worldwide reaches millions of addresses across the United States and around the globe. Our award-winning OSM Premium Network, available only to our partners, empowers businesses to affordably and reliably ship packages anywhere in the nation in as few as 1-5 days. In addition to being a recognized USPS preferred shipping partner and recipient of the USPS Mail Solutions Award, OSM maintains partnerships with leading postal authorities in nations across the globe. Our partners enjoy a spectrum of individualized delivery options and cost-efficient shipping solutions with professional customer service.

To learn more, visit www.osmworldwide.com.



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