

The Subscription Economy and Its Contribution to the Global Economy

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The subscription economy has become a dominant influence in the current business environment, fundamentally transforming the manner in which organizations interact with customers and create income. This article examines the substantial influence of the subscription economy on the worldwide economy, evaluating its effects on different industries and marketplaces. The research examines relevant literature and case studies to identify the main factors, difficulties, and possibilities related to the subscription economy. Moreover, its objective is to examine the consequences for firms, customers, and economic expansion, elucidating the possibility of continuous value generation and innovation.

Keywords: subscription model, subscription economy, business model shift, new digital economy, global economy

Introduction

The world economy is undergoing a transformational shift due to the advent of the subscription economy (Kowalkowski & Ulaga, 2024). This new business model, which involves paying a set amount each time to access goods or services, has swept through several sectors and is showing to be a major force behind innovation and expansion (Research and Markets, 2023). According to study on Subscription Service Statistics and Costs, the average consumer spends \$133 per month, or more than \$1,600 year, on subscriptions (Okyu, 2023). Based on forecasts, the subscription economy is predicted to develop at a rate of 18% per year and reach a market value of 1.5 trillion dollars by 2025 (Lyakh, 2024). Notably, the subscription economy is gaining popularity in the business-to-business space and changing consumer markets, highlighting its wide-ranging effects. Businesses are shaping the future of supply chain dynamics, forging new revenue streams, and strengthening customer connections as they embrace and capitalize on the possibilities of subscription models.

Furthermore, the subscription economy has an impact on sustainability initiatives as well (Kerschbaumer, Foscht, and Eisingerich, 2023), highlighting its diverse role in the world economy.

This article aims to investigate the multifaceted impacts of the subscription economy, with a focus on its wide-ranging implications for many sectors and its pivotal function in expediting economic growth, particularly in isolated or closed communities or areas affected by violence.

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Amidst the increasing prevalence and impact of the subscription economy, a fundamental research question arises, followed by a more social-oriented one:

RQ1: What are the key factors driving the rapid growth of the subscription economy across consumer and business-to-business sectors, and how is it contributing to the global economy?

RQ2: How does the subscription economy empower closed societies or conflict-affected regions?

The rest of the paper, organized as follows, will address this research question: Section 2: Literature Review, Section 3: Methodology, Section 4: Key Findings; Section 5: Discussion; Section 6: The Evolution of Subscription Models; Section 7: Conclusions.

Literature Review

A literature review provides a comprehensive understanding of the key factors that drive the subscription economy's rapid growth and its contribution to the global economy. There is a scarcity of academic research articles on the topic of the subscription economy, and many sources come from companies and industry journals as reports and management studies of the business model.

We conducted a search for keywords related to the "subscription economy", specifically in the titles and abstracts, on the Scopus data engine. As of May 19, 2024, we have published a total of twenty outcomes between 2017 and 2024. However, we restrict nine of these results to final stage publications published in English and available in free form between 2021 and 2024.

A comprehensive literature study allows us to understand the main factors that drive the rapid growth of the subscription economy and its influence on the global economy. However, our mapping literature study extends beyond these articles.

Therefore, both academic and business sources have recognized crucial aspects that have contributed to the rapid expansion of the subscription economy. Factors such as technical advancements, changing consumer preferences, and innovative alterations to corporate strategies contribute to these developments, as previously stated.

O'Sullivan (2019) highlights the idea that "long-run prosperity hinges on technological change." Thus, business models are the results of long-term and technological transformations. In this case, the technologies of the last decade, such as cloud computing, blockchain, artificial intelligence, machine learning, IoT, or big data, have significantly contributed to the rapid growth of the subscription economy as a digital economic model, although subscriptions are not new and innovative for this analysis.

In 2007, Tien Tzuo, the founder of Zuora, spearheaded the shift towards subscription-based business models, earning him the credit for coining the term "subscription economy" (Thorne, 2018). Innovations circa 2007 (Hammond, 2020) also significantly contributed to the subscription economy. These are some examples:

Smartphones enable subscription-based apps (e.g., Spotify) for continuous content access.

- Amazon Kindle led to Kindle Unlimited, which offered unlimited book access for a monthly fee, despite the perception that these services are free.
- Social media: Platforms like LinkedIn and Twitter introduced premium subscriptions for enhanced features.
- Google Maps supports services like Uber Pass, providing subscription benefits for regular users.
- YouTube launched YouTube Premium for ad-free viewing and exclusive content via subscription.

According to academic research, the widespread availability of digital platforms, coupled with advancements in payment processing and customer relationship management systems, has facilitated the seamless implementation

of subscription models. This has, in turn, provided businesses with the opportunity to offer personalized and convenient subscription services, leading to increased customer retention and acquisition rates (Lindström, Vishkaei, & Giovanni, 2023).

Furthermore, changing consumer preferences have also contributed to the subscription economy's rapid growth. Consumers are increasingly valuing access over ownership, seeking the convenience and flexibility offered by subscription-based services. This shift in mindset has propelled the expansion of subscription offerings across various industries, from entertainment and media to software and beyond.

Business model innovation has been another driving force behind the subscription economy's growth. Companies recognize the potential of recurring revenue streams and are strategically pivoting towards subscription models to capture additional value from their products and services (Kim & Park, 2023).

Baek and Kim (2022) further explore the design factors of subscription models from a supplier's perspective, identifying key elements that influence consumer purchase intentions and vary across industries. Their research also delves into how subscription models transform consumer perceptions of products, suggesting a strategic adjustment to align with these changing perceptions (M. Kim & S. Kim, 2020). Byers (2021) provides a historical perspective, noting how subscription publishing in the 18th century offered women authors a platform outside the commercial marketplace, though it eventually led to a disparaging view of such publications.

One prominent example of a pre-internet subscription model is the Columbia Record Club, which started in the 1950s. Customers could choose from a list of record albums that the mail-order service regularly mailed to them. This enabled people to discover new music from the comfort of their homes, significantly influencing the era's music consumption patterns.

These examples show that while the internet has exponentially expanded the scope and impact of subscription services, the fundamental model of recurring payment for goods or services has a long history and has been applied in various forms well before the digital age.

Iyengar, Park, and Yu's research (2020) demonstrates the significant impact of subscription programs on customer behavior, attributing a large part of the increase in purchases to non-economic effects like the sunk cost fallacy. Mühlbach and Arora (2020) discuss the challenges faced by musicians in the streaming platform-dominated subscription economy, highlighting the shift towards viewing music as a marketing tool rather than an artistic product.

On the other hand, Arioli, Sala, Pirola, and Pezzotta (2022) examine the implementation of subscription models in manufacturing, emphasizing the role of digitalization in facilitating customer-centric solutions despite existing barriers. Researchers are examining the subscription revenue model in SaaS systems, specifically looking at its benefits and possible disadvantages, such as the impact it may have on client loyalty (Ojala, 2014; 2012).

Collectively, these studies offer a comprehensive overview of the subscription economy's multifaceted impact on consumer behavior, business strategies, and product perceptions across different sectors.

Methodology

To investigate the research questions comprehensively, we use a mix of qualitative methods, such as scenario planning (Chermack, 2011), which aims to explore and prepare for multiple plausible future conditions, and systems dynamics modeling (Sterman, 2000), whose purpose is to investigate and simulate complex systems and scenarios, particularly in policy research and business strategy. To prove the effectiveness of our methods, we use some real-life examples as study cases (Yin, 2014).

Scenario planning involves identifying driving forces, exploring uncertainties, and combining them in different ways to create multiple plausible scenarios. This helps organizations plan strategic responses.

The subscription model, on the other hand, is the result of dynamic scenario planning and modeling applied in various companies around the world. The business model gives access not only to physical products but also to (or to) streaming services. Access and connectivity to data and information become a means to knowledge and freedom. Therefore, the subscription economy can also have a substantial impact on empowering closed societies or regions that are afflicted by war. The subscription model can make a significant contribution to these goals in the following ways.

Access to Information and Communication

Digital media and news subscriptions. In closed societies, subscription-based news outlets and digital media platforms can provide citizens with uncensored news and information. These services can bypass traditional media controls imposed by restrictive governments or conflict zones, offering a more diverse perspective and reliable information.

VPN services. VPN subscriptions help individuals in war-affected or closed societies access the internet without restrictions, safeguard their anonymity, and bypass censorship. This is crucial for maintaining access to unfiltered global news and engaging freely with the outside world.

Educational platforms. Subscription-based educational services can offer unrestricted access to courses and knowledge-sharing platforms. This not only aids personal development but also keeps the populace informed and critically engaged, which is essential for societal resilience against propaganda and misinformation.

Building Networks

Social media and collaboration tools. Subscriptions to platforms like professional networking sites or collaboration tools can help individuals and businesses from closed societies connect with peers in free countries. These connections can lead to collaborations, the exchange of ideas, and support networks that are vital for cultural and economic resilience.

Crowdfunding and patronage platforms. Subscription models on platforms like Patreon or crowdfunding initiatives can facilitate ongoing support for artists, journalists, and activists. This financial backing is crucial for sustaining the voices that advocate for freedom and reform from within closed societies.

Facilitating Aid and Services

Health and psychological support services. Subscription-based telehealth and online counseling services can provide crucial health and psychological support to individuals in conflict zones. Remote access to these services helps in areas where traditional medical infrastructure might be vulnerable.

Supply chain and delivery services. Subscription services in the logistics and delivery sectors can ensure the continuous supply of essential goods in conflict areas. During continuous conflict or disruptions to traditional supply chains, regular deliveries of food, medicine, and other essentials can be lifesaving.

Enhancing Transparency and Accountability

Data collection and reporting tools. Organizations can use subscription-based tools for data collection and analysis to effectively monitor, report, and respond to crises. Documenting human rights abuses and informing international responses require accurate data collection.

Satellite and mapping services. In conflict zones, providing updates on geographical and situational changes through satellite images and mapping services can be critical for strategic planning and safety measures.

By leveraging the subscription economy, individuals and organizations in closed or war-affected societies can maintain a lifeline to the outside world, access essential services, and support efforts towards freedom and transparency. This model's recurring nature ensures that support is not a one-off but a sustained effort, providing continuous access to vital resources and networks.

Here's an example of a subscription economy that makes free information possible:

(1) Online news subscriptions

Platforms like *The New York Times*, *The Washington Post*, and *The Guardian* offer digital subscriptions that provide readers worldwide with reliable news and comprehensive coverage on global events. This is especially crucial in regions where local media may face censorship or state control.

(2) Educational platforms

Subscription-based platforms like Coursera, Udemy, and Khan Academy offer courses on a wide range of subjects, including topics on civic education, human rights, and digital literacy, which are fundamental for fostering informed societies.

(3) VPN services

Nord VPN or Express VPN provides subscription-based access to VPNs that allow users in restrictive regimes to bypass censorship, block connections, and safely obtain information without government surveillance.

In conclusion, this study employs methods like scenario planning and systems dynamics modeling to figure out how the subscription economy helps people get better access to important services and information, especially in areas with limited access. The subscription model proves vital not only for continuous consumer engagement and business innovation, but also as a crucial support mechanism for societies facing challenges due to conflict or censorship, ensuring sustained access to essential resources and freedom of information.

Key Findings

Over the years, the subscription economy has seen significant growth, with companies across various industries adopting this model. Numerous factors have contributed to this increase, including the shift in consumer preferences from ownership to access, the development of digital technologies that enable seamless subscription experiences, and the advantages that recurring revenue brings in terms of finances and operations. Furthermore, studies have shown that subscription models can save customers' money compared to traditional buying methods.

As a response to the first research question, we state that the global subscription economy has emerged as a major growth engine across various industries, including both consumer and business-to-business sectors (Lindström et al., 2023).

Businesses are increasingly adopting subscription models, which involve customers paying a recurring fee for access to products or services. Advances in digital technologies have facilitated this shift toward subscription models, offering consumers convenience and ensuring a steady stream of income for businesses. The growth of the subscription economy has also contributed significantly to the global economy (Kowalkowski & Ulaga, 2024). It has led to the creation of new revenue streams for businesses, increased customer retention and acquisition rates, and enhanced customer experiences.

Additionally, the subscription economy has modified supply chain relationships and partnerships, influencing the next generation of supply chains and networks. Furthermore, the subscription economy has the potential to contribute to sustainability efforts by linking with circular economy paradigms.

Furthermore, the subscription economy is playing a crucial role in driving growth and innovation in various industries (Lindström et al., 2023). Note that B2B firms are also adopting subscription models to expand their offerings and generate recurring revenue, demonstrating that the subscription economy extends beyond B2C markets (Kowalkowski & Ulaga, 2024).

These subscription models have become a strategic imperative for many industries, allowing companies to leverage the potential of recurring revenue and enhance the customer experience. The subscription economy has become a major growth engine for both consumer and business-to-business sectors, contributing significantly to the global economy.

In response to the second research question, we state that the subscription economy can play a significant role in empowering closed societies or conflict-affected regions by facilitating a subscription model to access products, services, and information that promote freedom and connectivity. These positive results can only be achieved if the model developed by the methodology sections is fully realized.

Discussion

The subscription economy has become a major driver of economic growth, with revenue from subscription businesses growing approximately five times faster than the retail sector and the economy. In addition, the subscription economy has led to a shift in consumer behavior as individuals increasingly prioritize access over ownership. This shift has not only fueled the success of subscription-based businesses but has also prompted traditional industries to rethink their business models and offerings of economic growth, foster innovation, and reshape consumer behaviors. By analyzing the key aspects of this economic model, we aim to emphasize its significance in influencing consumer spending patterns, business strategies, and supply chain dynamics.

Furthermore, the examination of the subscription economy's potential to contribute to sustainability efforts sheds light on its multifaceted impact. As we delve deeper into this exploration, it is essential to consider the varied applications of subscription models in both B2C and B2B contexts, acknowledging the strategic imperative they present for businesses seeking to capitalize on recurring revenue and elevate customer experiences. Overall, the subscription economy has had a positive impact on the global economy.

However, it is important to consider the potential drawbacks and limitations of the subscription economy. While recurring revenue streams can provide stability for businesses, they can also lead to complacency and reduced innovation.

Companies may have less incentive to consistently improve their products and services to retain customers once they lock customers into a subscription. This could ultimately result in a decline in overall product quality and innovation, as companies focus more on maintaining their subscriber base than innovating to attract new customers.

Furthermore, the industry is genuinely concerned about subscription weariness. Businesses are increasingly adopting subscription models, overwhelming consumers with a multitude of subscriptions, leading to a phenomenon known as subscription fatigue. This may result in a higher rate of customer attrition as consumers strive to reduce the number of ongoing subscription obligations they have.

Furthermore, the growing abundance of subscription options might pose a challenge for consumers in making well-informed decisions, resulting in decision fatigue and possibly dissatisfaction with their selected subscriptions.

The Evolution of Subscription Models

Advances in digital technology have fueled the evolution of subscription models. These technologies have not only enabled the seamless delivery and management of subscription services but have also facilitated personalized and targeted offerings, thereby enhancing the overall customer experience. The flexibility and convenience offered by subscription models have resonated with consumers, leading to higher retention rates and increased customer lifetime value for businesses. Moreover, the diversification of subscription offerings, ranging from streaming services and software solutions to curated product subscriptions, reflects the adaptability and scalability of this business model across diverse sectors.

The rise of the subscription economy has necessitated a reevaluation of traditional business operations and supply chain dynamics. Companies are increasingly seeking agility and responsiveness to meet the demands of a subscription-based market. This has led to the emergence of agile and customer-centric supply chains, where the focus is not only on product delivery but also on providing continuous value throughout the customer lifecycle.

Furthermore, the subscription economy has prompted collaborations and partnerships among businesses to create bundled offerings and deliver comprehensive solutions to subscribers, thereby fostering a networked and interconnected ecosystem.

Alternatively, we recommend that academic research and legislative standardization follow technological innovation and its economic application, ensuring consistency and clarity for future growth (Awasthy, Flint, Sankarnarayana, & Jones, 2020).

Conclusions

The paper discusses the substantial growth of the subscription economy, attributing it to various factors such as changing consumer preferences from ownership to access, advancements in digital technologies, and the financial benefits of recurring revenue models. The study highlights the implementation of subscription models in both consumer and B2B sectors, which improves customer retention, produces additional sources of revenue, and enriches customer experiences.

The text's key points include:

- **Industry impact:** The subscription economy has become a significant growth engine across various industries, influencing supply chains and fostering innovations.
- **Economic contributions:** The adoption of subscription models contributes significantly to the global economy, offering businesses steady income and enhancing the customer service experience.
- **Sustainability and innovation:** The model promotes sustainability by aligning with circular economy principles and driving innovation within industries.
- **Empowerment in closed societies:** Subscription models can also empower regions affected by conflicts or closed societies by providing access to essential products and services, promoting freedom and connectivity.

As the authors of the paper, we discovered a new aspect of the emerging digital economies during the initial stages of research, focusing on the technological perspective and potential that have flourished since Zuora's coining of the term in 2007. We also emphasize the transformative impact of the subscription economy on both

the global economic landscape and societal levels, especially in facilitating access and fostering economic resilience in challenging environments.

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