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Monthly Management E-Release

The Subscription Economy: Why everything is becoming a monthly payment

The Gradual Erosion of Ownership

Imagine youare immersed inyour work, indulging your inner thoughts or listening to your favourite music when an advertisement on Spotify pops up reminding you to purchase a subscription. Ownership, once the defining feature of consumption, is steadily giving way to access. Consumers used to buy products from companies and walk away with their items. But now, more and more aspects of our daily lives, from music to the software we work on, come with a payment that renews itself without asking. What appears to be a minor inconvenience is, in fact, the subscription economy, which drives one towards careful examination: what has driven its rapid expansion, and does it genuinely serve those who pay for it?

The Paradox of Subscription Convenience

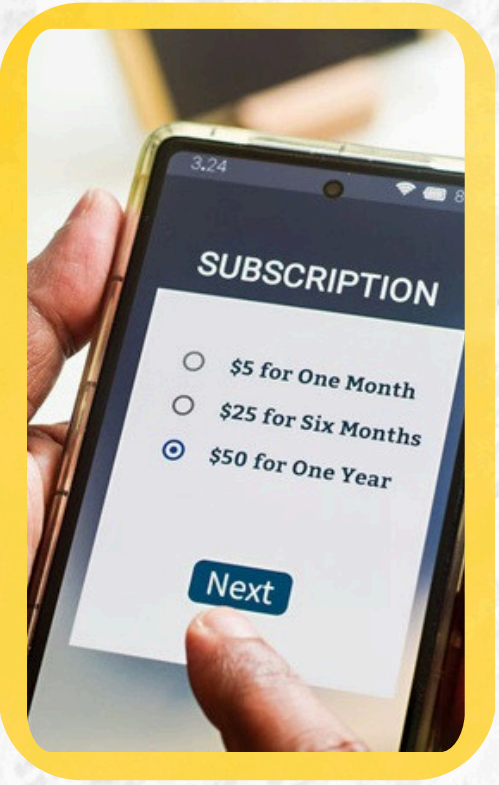
The primary engine behind this shift is the pursuit of predictability. For businesses, one-time sales are inherently volatile: revenue fluctuates with seasons, economic sentiment, and the whims of individual buyers. The ability to build recurrevenue is what subscription companies have in common and makes them different from the ones that operate on a one-time transactions. Besides having a more predictable and consistent revenue stream that makes such organizations more appealing to investors, this benefit encourages the companies to sustain the quality of their offerings and services. Otherwise, they risk losing their clients due to the high competition in the market.



Technology has been an enabler. With the advent of cloud computing, ubiquitous broadband, and digital payments, it has become possible to offer continually updated services at close to zero marginal cost. Companies that used to put up versions of their products once a year are now in a position to constantly update their offerings for subscribed users. Microsoft, for instance, changed Office from a one-off purchase to Microsoft 365, which delivers regular updates and cloud storage. Because companies maintain that relationship, they can also use the data from their users' behaviour to recommend even more products that the user might be interested in, thus improving customer retention.

While the consumers are not passive, since the model is extremely advantageous for them, as it saves money, is flexible, convenient, and allows them to maintain large inventories at a relatively low cost and without the need to take care of the equipment. The option also appears to be more attractive since the customer only pays for the services monthly, which seems to be a smaller commitment compared to a multiyear contract, Although subscriptions are often sold continuously, in many cases they can be cancelled by the subscriber at any time, even if the contract includes a minimum term or other restrictions.

Yet the model has liabilities, writ large. First there's subscription fatigue; as households acquire more and more overlapping subscriptions, the total cost can easily surpass what they were paying for the products it was meant to replace, as when a single household pays separately for Netflix, Spotify, Amazon Prime, and a cloud-storage plan, and too often, those monthly fees aren't as carefully reviewed as point-of-sale purchases. A growing number of regulators are beginning to take action against subscription business practices that bury the cost in fine print, make it too easy to sign up for another service but too hard to cancel recurring payments, or use deceptive "free trials" to hook unwary customers. But beyond the question of value lies a far more fundamental issue: by purchasing access to something rather than the thing itself, you place far less control in your hands. Your Netflix library membership could be terminated at any time, or new content could be moved to a more expensive tier, or features you once paid for could be removed as the product you get is no longer guaranteed to stay the same. Some carmakers have even experimented with charging monthly fees to unlock hardware already installed in the vehicle, such as heated seats.



Looking into the future, the subscription economy will continue to evolve and grow. Initial excitement is waning, and the market is becoming more mature: customers are looking to balance their commitments while providers look to get ahead by differentiating on a compelling business proposition. Bundles, tiers, and usage-based billing are dominating the discourse, and new industries as well as approaches to existing ones are experimenting with other recurring monetization schemes.

Balancing Convenience with Responsibility

The development of the phenomenon of monthly payments is driven by three main factors: the desire of companies to provide a stable income, technologies that allow providing a continuous flow of services for a low price, and the growing consumer preference for accessibility. However, convenience often has its drawbacks, and subscription services are no exception. Thus, in addition to security and cost, the hidden costs of loss of control and the inability to quit at any time are significant. However, the usefulness of subscriptions should not be denied just because of these downsides. The real value of convenience lies in the balance between these two aspects.

The two sides of this business will continue to develop, and the future of the subscription economy will be determined by honest companies that honestly tell their clients what they offer for their money and provide the opportunity to quit without conditions. Nevertheless, consumers should also take responsibility and control of their own subscriptions, checking their costs and conditions.

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The Dissolution of ownership

From ownership to rental access consumers are moving from having a product to renting it. A car used to be something you bought and financed for years. But now there is a car subscription which allows one to rent a car without the initial investment and reselling concerns. Same with music, movies, software and education all become subscription-based, when instead of paying once for the ownership of the item, you get recurring payments for using the product. And thus, the subscription economy has emerged as a defining model of corporate revenue generation, consumer expenditure, and product design.

The Hegemony of recurring consumption

Subscription-based businesses benefit from reducing barriers to a purchase and providing a frictionless experience. For instance, with Netflix, the user pays a fixed price and gets access to a large catalogue of movies and TV shows. Similarly, Spotify offers music subscription. The Adobe example shows that the company moved from a one-time payment for Photoshop to a subscription-based business model. Finally, YouTube introduced a subscription option as an alternative to traditional paid TV. All these companies witnessed the need to offer a more accessible way to buy their products and services.

India demonstrates the scale of the transition. According to the FICCI-EY Media and Entertainment report 2025, the digital subscription revenue increased by 15% in 2024 to approximately ₹10,200 crore, even though traditional subscription categories of linear TV and print have declined. Video subscription paid has reached 111 million users across 47 million households.

For businesses, the subscription-based approach smooths the revenues from intermittent and unpredictable transactions into steady, regular payments, making cash flow more stable and predictable for the company in the long run. Even more importantly, such a model forces the seller to constantly to raise the value of the product for the customer to retain them as a client.

The model makes the economic equation move from the large one-time selling to recurring small payments, thus the company profits if the client stays long enough for his payments to cover all the costs of retaining and attracting him. And that makes retention much more important than acquisition.

At a broader scale, it means the movement of the spending pattern from occasional big payments to recurring ones. Subscription economies can work only with the help of digital technologies – cloud computing, digital distribution, mobile technology and data analytics. Amazon Web Services provides scalable infrastructure, which allows companies to provide their services over the internet. For instance, such platforms as Coursera use the subscription model to provide educational services to their clients.

Data analytics is another vital component of subscription business models as they should be personalized and provide value to customers. Otherwise, people will not renew their subscriptions as they will not find the information relevant or it will not suit their needs

The drawback is the accumulation. Each monthly payment may seem affordable on its own yet taken collectively they begin to steadily cut into the family budget, eroding the family's savings and expenses. Plus, because the payments renew automatically, many consumers find that they are paying for services they rarely use.



The Economics of perpetual dependence

The subscription economy is a phenomenon that goes beyond innovation in the field of payment methods. It has had an impact on entertainment, learning, and the software and service industries, among others. Its continued growth depends on companies providing genuine value for money while maintaining low costs and consumers being more rational in choosing what to subscribe to, as there are many options available. The most optimal subscription is the one that offers the best cost-performance balance.

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