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THE SUBSCRIPTION ECONOMY IN DIGITAL PRODUCTS AND SERVICES

***Abstract:** this paper examines the subscription economy as a model for monetizing digital products and services. Subscription-based models enable firms to generate recurring revenue, enhance income predictability, and build long-term customer relationships. Their effectiveness depends on user retention, churn management, and perceived value. Evidence from leading digital platforms shows that subscription models dominate across multiple sectors, although their sustainability is constrained by price sensitivity and market saturation. Successful implementation requires combining subscription with hybrid monetization strategies.*

***Keywords:** subscription economy, digital products, monetization, recurring revenue, customer retention, churn.*

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ЭКОНОМИКА ПОДПИСКИ В ЦИФРОВЫХ ПРОДУКТАХ И СЕРВИСАХ

Аннотация: в статье рассматривается экономика подписки как модель монетизации цифровых продуктов и услуг. Модели, основанные на подписке, позволяют компаниям получать постоянный доход, повышать предсказуемость доходов и выстраивать долгосрочные отношения с клиентами. Их эффективность зависит от удержания пользователей, управления оттоком и воспринимаемой ценности. Данные ведущих цифровых платформ показывают, что модели подписки доминируют во многих секторах, хотя их устойчивость ограничена чувствительностью к ценам и насыщенностью рынка. Успешная реализация требует сочетания подписки с гибридными стратегиями монетизации.

Ключевые слова: экономика подписки, цифровые продукты, монетизация, постоянный доход, удержание клиентов, отток.

In the digital economy, not only the sale of a product but also its monetization model plays a crucial role for businesses. Software, streaming platforms, and cloud services are characterized by ongoing costs related to updates, infrastructure, and support, which makes one-time sales models less effective. Advertising-based monetization also has limitations, as it depends on external market conditions and does not ensure revenue stability. In this context, subscription has emerged as a monetization model that enables recurring revenue. However, its effectiveness depends on user retention, churn rates, and customers' willingness to continue payments. Therefore, the analysis of the subscription economy requires consideration of both its advantages and inherent limitations.

Recent studies indicate that the subscription model is not merely a payment mechanism but a broader business logic. Its development is associated with recurring revenue, pricing strategies, and customer relationship management [2]. This is particularly relevant for digital products, whose value is realized through continuous use rather than a one-time transaction. As a result, the focus shifts from single sales to the duration of customer relationships, with key metrics including recurring revenue, average revenue per user, customer lifetime value, and churn probability.

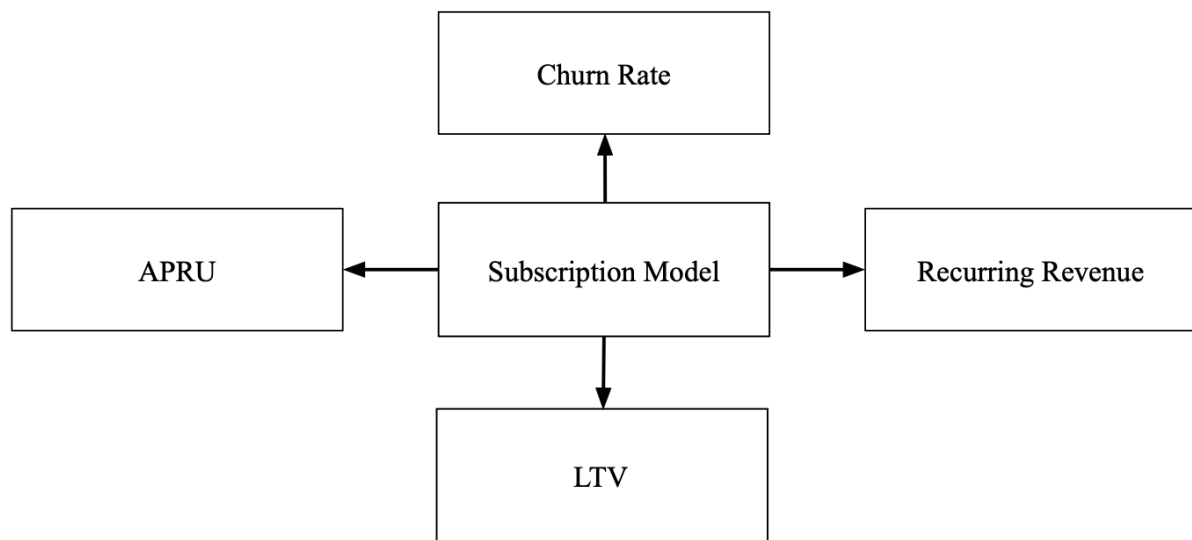


Fig. 1. Key Metrics of the Subscription Economy

The relationships presented in Figure 1 highlight that the performance of subscription-based models depends on the interaction between key metrics, particularly customer retention and churn management.

A key feature of the subscription model is the time lag between customer acquisition and the full monetization of customer value, making retention as critical as acquisition. Revenue growth largely depends on churn levels: when churn is high, firms lose future payments, and customer acquisition costs exceed the value generated. Therefore, the effectiveness of subscription-based models is determined by the ability to retain customers over the long term.

Market data confirm the resilience of the subscription model: according to Zuora, companies with recurring revenue grew 11% faster than the broader market, while the number of subscribers increased by 25%. At the same time, 84% of users reported that the perceived value of services had remained stable or increased. However, price sensitivity remains a key limitation, as 47% of users canceled subscriptions due to price increases [5]. As illustrated in Figure 2, price increase is the dominant factor driving subscription cancellations.

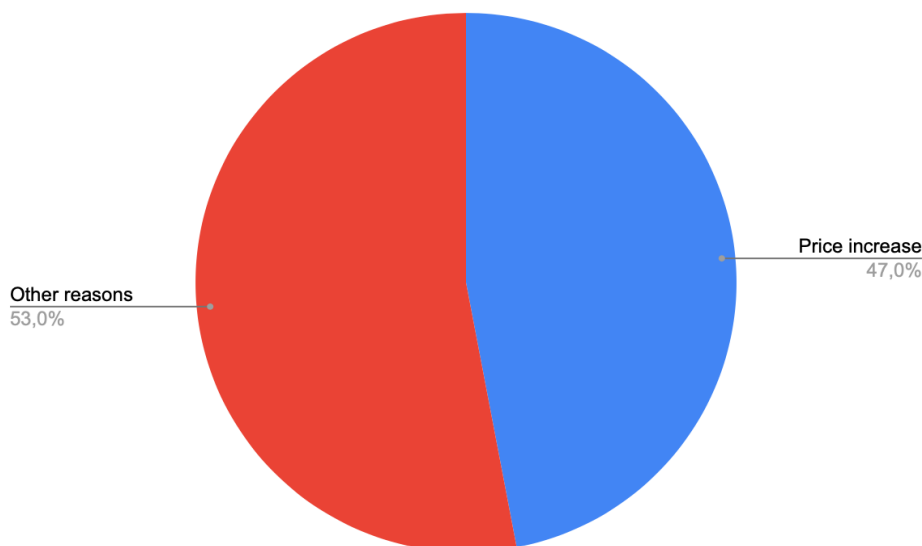


Fig. 2. Main Reasons for Subscription Cancellation

The data highlight the importance of pricing strategies for subscription-based businesses. Therefore, the subscription economy cannot be considered inherently stable. Its sustainability depends on whether users perceive the price-value ratio as fair. In addition, companies with more diversified monetization models tend to achieve higher revenue per account than those relying on a single revenue stream. This leads to an important conclusion: in the digital economy, subscription models are increasingly effective when combined with flexible pricing, advertising, additional services, and other complementary revenue sources.

The advantages of the subscription model are particularly evident in digital services. According to Adobe, in 2024, 95% of the company's revenue was generated through subscriptions, confirming the central role of subscriptions in its business model [1]. A similar pattern is observed in digital content platforms: Netflix reported approximately 302 million paid subscriptions, with revenue primarily driven by recurring payments [3]. In the audio streaming segment, Spotify reached 263 million Premium subscribers, with most revenue derived from paid subscriptions complemented by a free ad-supported tier [4]. These results indicate that even with a free ad-supported tier, the core economics of digital audio services remain

subscription-based. Free access functions as an acquisition channel, while monetization is primarily driven by paying users.

Despite its advantages, the subscription economy is showing signs of market saturation. As growth potential through customer base expansion declines, competition increasingly shifts toward user retention, enhanced perceived value, and personalization. As a result, subscription models are evolving into systems for managing user behavior, where revenue sustainability is determined by product quality and the level of user engagement.

Thus, subscription has become one of the key monetization models for digital products, providing recurring revenue and income predictability. However, its effectiveness depends on user retention, churn levels, and firms' ability to implement hybrid monetization models.

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