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SUBSCRIPTION ECONOMY REPORT

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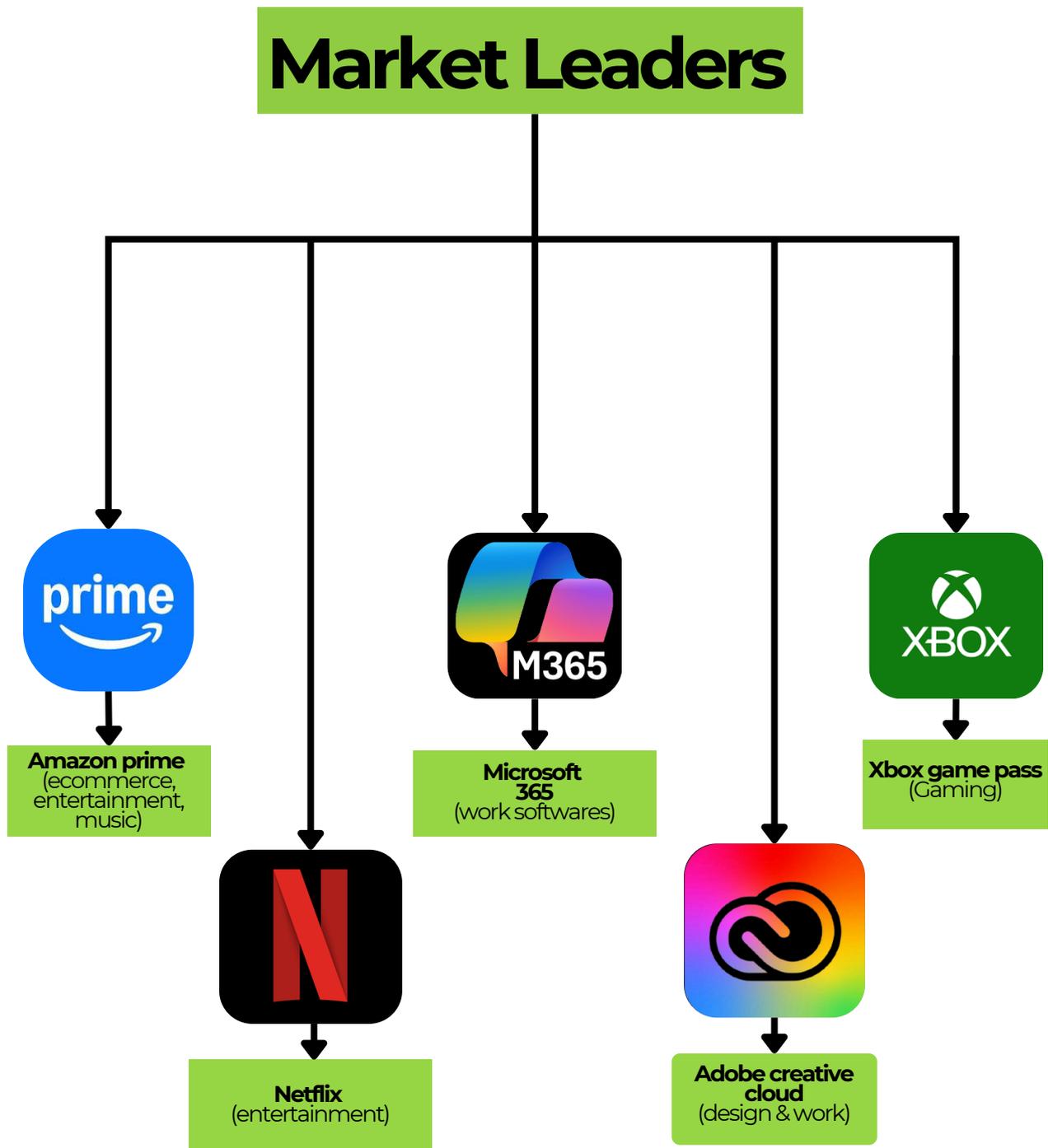
What Is Subscription Economy?

The subscription economy refers to a modern business model of how businesses deliver product and services and generate revenue through a **subscription model** of **recurring** payments be it monthly, quarterly or annually. Unlike earlier times, where people used to buy a product and actually **own** it, the subscription economy made people to only have **access** to whatever they are paying for temporarily until the subscription plan ends and thus the ultimate owner of the product is the company itself. Consumers need to pay regularly to enjoy continuous access to products or services.



The subscription economy has turned out to be a **boon** for the **millennials and Gen Z** as it matches their comfort and convenience levels and can also be altered according to their needs. People now don't have any kind of **burden** or **pressure** of how to maintain, arrange or store the physical goods or products that they buy.

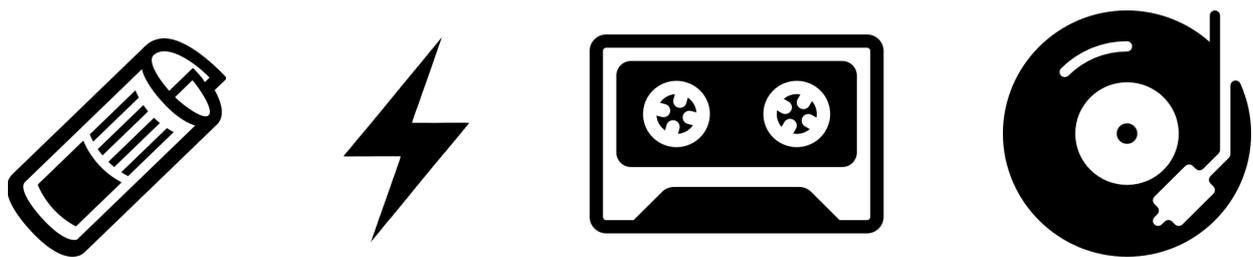
Companies have started to or already have shifted towards the subscription model in order to maintain the **long term interest** and **relationships** with their customers. Few of the famous companies which hold a large share in the subscription economy are **mentioned below**.



Origin

Subscription model came into action almost **2 centuries ago**. The roots of the subscription economy can be traced back to the **17th century** when it started with newspapers and magazine subscriptions where people paid regularly to enjoy continuous content.

It later **shifted** to **sophisticated products** like milk for daily consumption, electricity, and cable TV subscriptions. Companies and local shops also offered products such as cassettes, vinyls, and DVDs on a **rental basis**.



Fast forward to the mid-2000s when the **internet became widely accessible**, everything changed. Companies realized they could now offer services and products globally. Many **launched subscription models online**, and consumers eagerly signed up.

In 2007, Tien Tzuo founded Zuora and **popularized** the term "**Subscription Economy**", providing billing platforms for recurring revenue businesses.

By then, the subscription model had **expanded** across industries including entertainment, food, fashion, medicine, fitness, and more.

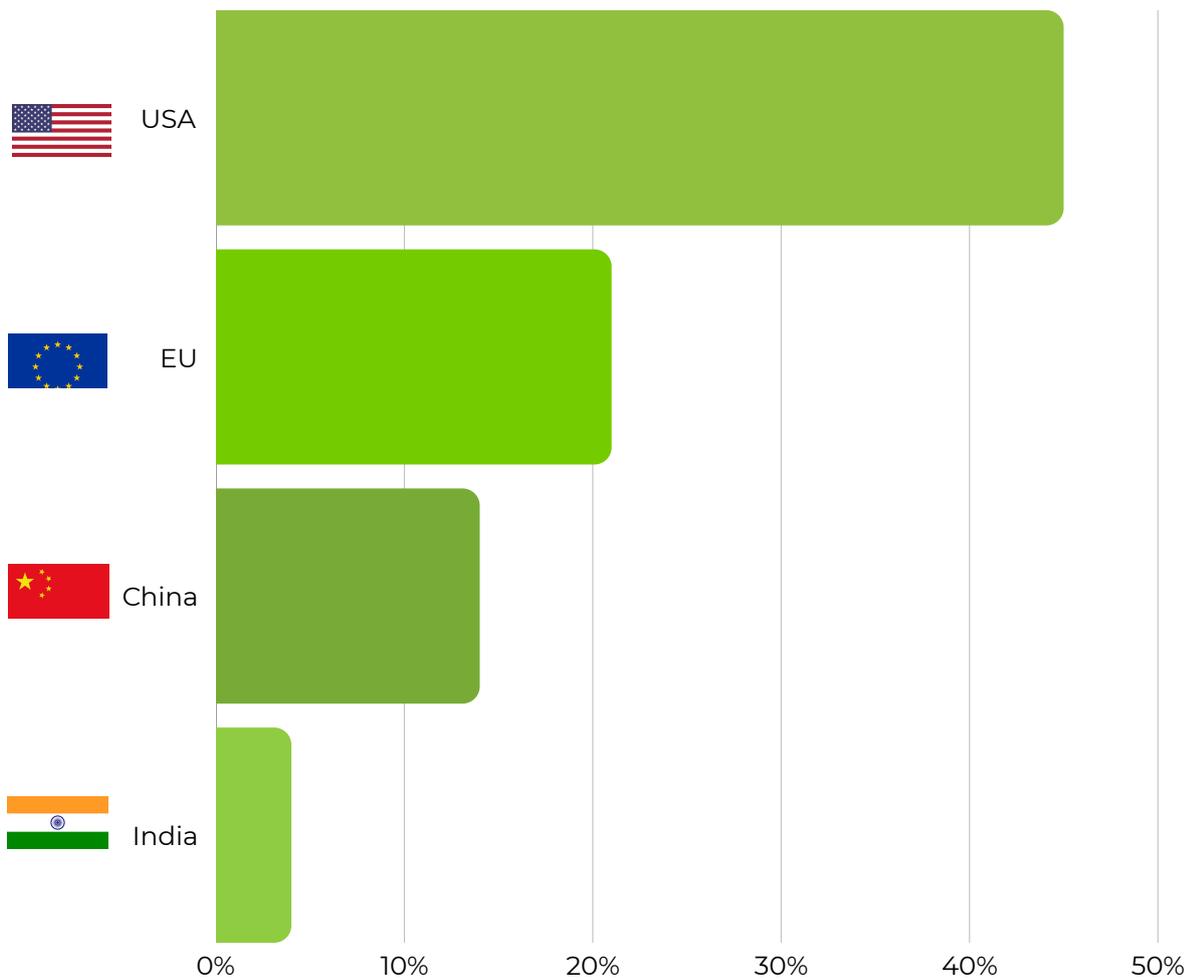
Comparison with Earlier Models: Key Differences

The subscription model operates very differently from traditional business model. To better understand that, it's helpful to compare their key characteristics. The **following table breaks down** the key differences between traditional and subscription-based models, highlighting how each one handles revenue, ownership, customer relationships, and more.

Basis	Traditional	Subscription
REVENUE MODEL	One time payment	Recurring
OWNERSHIP	Transferred to buyer	Owned by company
CUSTOMER RELATIONSHIP	Ends after purchase	Continues till the customer renews the subscription
PRODUCT INNOVATION	Cannot be improved after purchase	Innovation and new technology possible to introduce through updates
DATA OF CONSUMER	Limited data available	Stays with company and maintained to take long term decisions
COST	Higher upfront cost for owning the product	Lower periodic cost to access the service/product

Market Research

India has significantly grown in terms of market size in the subscription economy era. The market size for subscription businesses in India was approximately ₹1,200 crore in 2017-2018 and was expected to reach ₹3.2 lakh crore by the end of 2023. However, these numbers are very less as compared to the giants of the game ([Decentro](#)).



Note: These figures represent an approximate number of the Market Capture, i.e., the **total value of a publicly traded company's outstanding shares of stock**

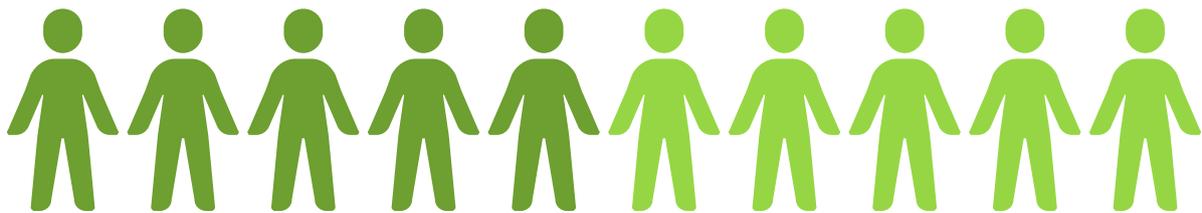
CAGR

According to a **Report from IBEF**, The subscription ecommerce currently Valued at **\$ 10.34 billion** in **2024**, is projected to expand to about **\$ 374.24 billion** by **2033**, growing at a CAGR of **45.13%** during **2025-2033**.

Reasons For Bloom In India

While reasons like **convenience, flexibility, technological advancement** do exist, the caveat is the young and experimental **Millennials** and **GenZs** which account to about **52%** of India's population. They are emerging as the apex consumer segment with higher than average disposable incomes.

India's subscription economy is expanding **rapidly**, driven by advances in **digital technology, wider internet access**, and the growing use of smartphones. This shift also reflects changing **consumer preferences**, as more people seek convenience and personalized experiences over **actual ownership**.



FACTORS AT PLAY

Several factors explain the success of subscription-based models in India.

- **Affordable** and **flexible** pricing plans make these services accessible across income levels.
- **Improved digital infrastructure**-particularly in semi-urban and rural areas-has brought more users online.
- The huge emphasis on **localized** and **personalized** content has helped companies get in touch with diverse audiences, and data-driven information now allows them to **tailor** offerings to individual preferences.

Industry Metrics

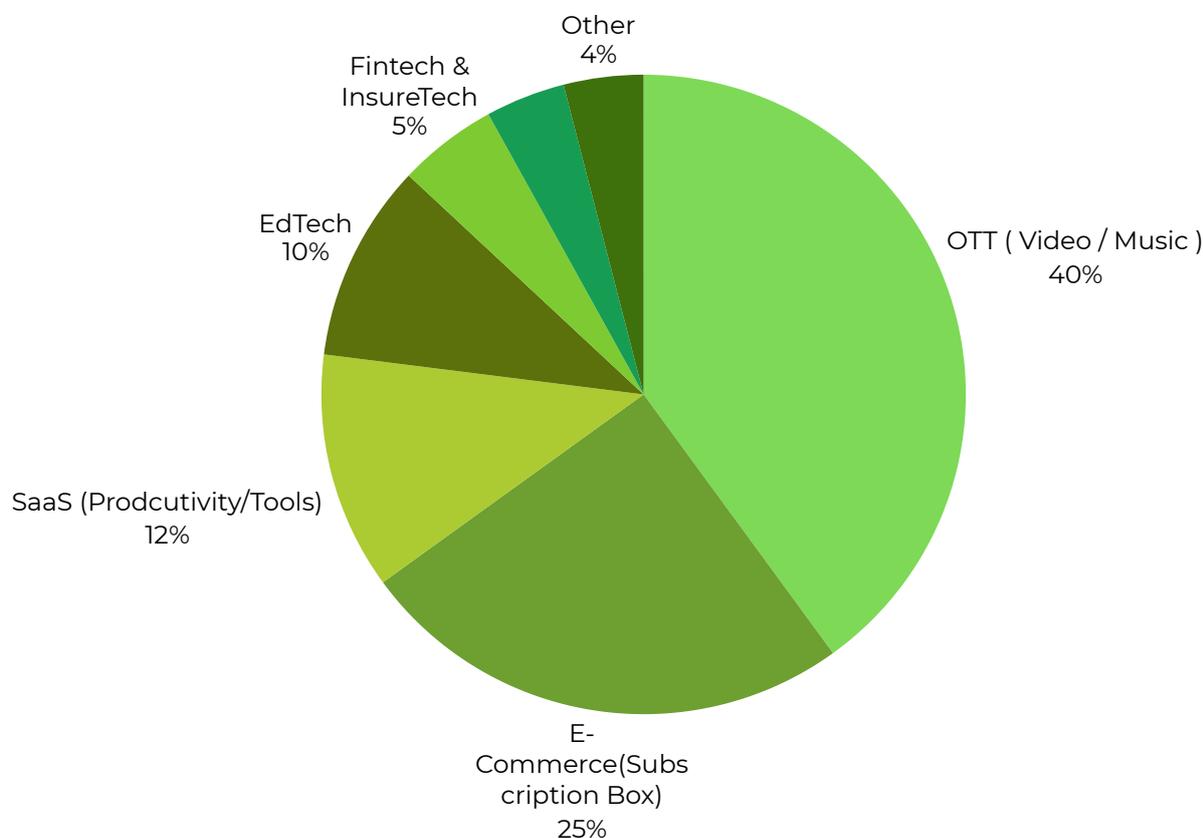
The subscription model has also spread across multiple industries.

- **OTT platforms** like **Netflix, Amazon Prime Video**, and **Disney+ Hotstar** rule the entertainment space.
- In **education**, platforms such as **BYJU'S** and **Unacademy** provide tiered learning subscriptions for students and professionals.
- Even **e-commerce** has adopted this model through subscription boxes for groceries, beauty, and daily essentials.

Finally, **fintech innovations** play a crucial role by ensuring smooth recurring transactions and enabling flexible payment options like **Buy Now, Pay Later (BNPL)**.

CATEGORY WISE CONSUMER SPENDING SHARE

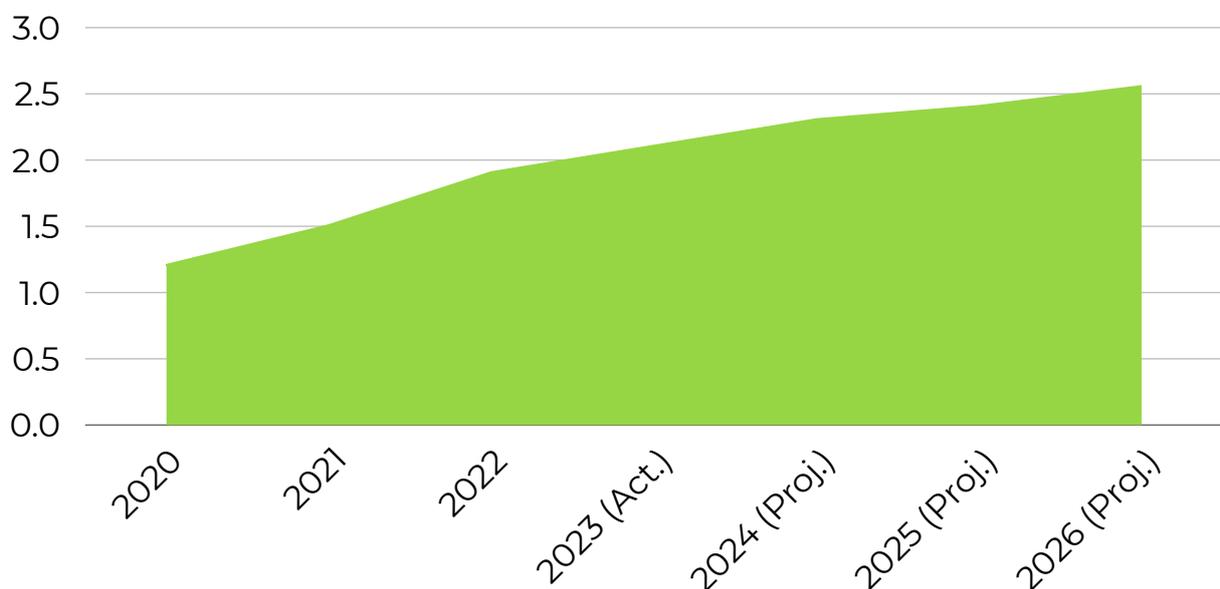
Consumer Spending Share refers to how much of people's total spending goes into different product or service categories. It helps to show where consumers are choosing to put their money.



Category weights are estimated based on reported sector valuations from **IMARC Group, PwC, and Ormax Media**, reflecting OTT's market maturity and E-commerce's high growth rate.

Market growth

The market has shown consistent growth from **2020 to 2023**, rising from **USD 1.2 billion to 2.1 billion**, reflecting strong consumer demand and expansion. The projected figures for **2024–2026** indicate a continued upward trend, though at a slightly slower pace, reaching around **USD 2.55 billion by 2026**. This suggests the market is **maturing but remains healthy and stable**. The steady growth points to **increasing adoption, sustained investor confidence, and room for innovation**. Overall, the outlook remains **positive**, with the industry expected to maintain moderate but reliable progress in the coming years ([PwC Global Entertainment & Media Outlook](#); IBEF).



CHANGING RELATIONSHIP OF CONSUMERS AND BUSINESSES

- Consumers now want **effortless, automatic subscription experiences**, with about **86% using autopay, reflecting convenience as a key priority**.
- They seek **personalization, preferring platforms that offer tailored plans, smart suggestions, and content matching their tastes**.
- **Users expect flexibility and control** to modify or cancel subscriptions easily, without complex steps or strict terms.
- Leading brands go **beyond transactions, building community and connection that turn customers into loyal brand members**.

Is a Subscription Model a Better Choice?

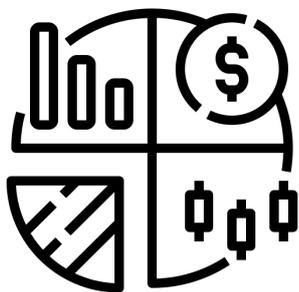
The subscription model has rapidly become one of the most popular business strategies. It allows companies to earn steady income over time while keeping customers engaged. However, it also comes with its own challenges for both businesses and consumers.

Perspective	Benefits	Challenges
FOR CONSUMERS	<ul style="list-style-type: none"> • Automated Decisions: Reduces the need for repeated buying choices. • Affordability: Access to premium services at low monthly rates. • Personalization: Tailored experiences based on user behavior. 	<ul style="list-style-type: none"> • Management Issues: Managing multiple subs is confusing and costly. • Wasted Money: Users often forget to cancel unused services. • Financial Control: Small recurring charges quietly add up.
FOR BUSINESSES	<ul style="list-style-type: none"> • Predictable Income: Regular cash flow replaces one-time sales. • Data & Relationships: Builds stronger bonds and richer user data. • Growth: Opportunities for cross-selling and upgrades. 	<ul style="list-style-type: none"> • Churn Risk: Customers can cancel anytime; requires constant innovation. • Competition: High competition drives up marketing costs. • Complexity: Managing recurring billing systems is complicated.

Implications and the Future of Ownership

The growing influence of subscriptions goes beyond convenience. It affects how we spend, think, and even interact with the environment and society. The following points explain these broader effects.

ECONOMIC IMPLICATIONS



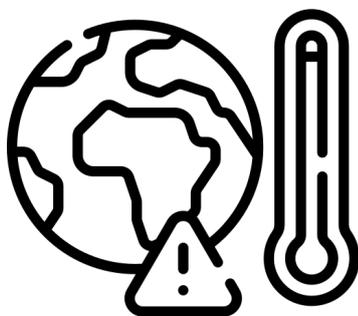
- Turns flexible spending into fixed monthly costs, **reducing financial freedom**.
- Shifts company focus from short-term profits to future **recurring revenue**.
- Makes businesses more vulnerable to inflation and **supply chain disruptions**.

PSYCHOLOGICAL IMPLICATIONS

- Uses **loss aversion** - people stay subscribed because they fear losing access.
- Creates a false sense of ownership through **personalization** and **familiarity**.
- Encourages **consumer inertia**, where users pay for services they no longer use.



ENVIRONMENTAL IMPLICATIONS



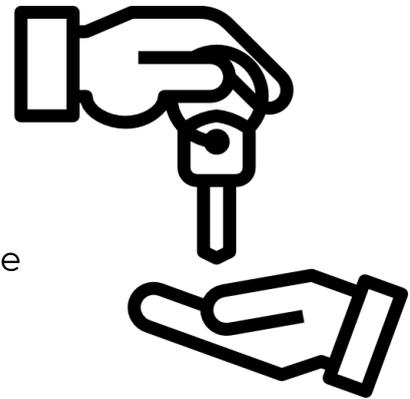
- **Positive:** Supports **sustainability** through rental and sharing models that promote reuse.
- **Negative:** Subscription boxes and shipping create excess **packaging waste**.
- **Hidden cost:** Digital services require **energy-intensive** data centers.

The subscription model offers **undeniable convenience** and **profitability**, but it also transforms how we define **ownership** and **value**. As the world moves toward **access-based consumption**, balancing innovation with affordability, sustainability, and inclusivity will determine the true success of this model.

As subscriptions weave deeper into our daily routines, they **quietly reshape** how we **spend**, **think**, and **even relate** to the world around us.

The **economic predictability** they offer, the psychological comfort of convenience, and the environmental trade-offs they create all reveal one truth: **the subscription economy isn't just a business model but a cultural shift.**

But with every shift comes a question.



If we are continuously renting, accessing, and subscribing, what happens to the idea of ownership itself?

Are we genuinely moving toward a future where possessing less means living more, or are we stepping into a controlled system disguised as convenience?

“The Death of Ownership” Realism or Facade?

- The idea that we are **heading toward a world** where individuals **“own nothing”** is somewhat **exaggerated**.
- It reflects the **realism** of **changing times** and **evolving preferences** among the **modern generation**.
- The rise of the **subscription model represents a clear shift from ownership to access**, where consumers find it more reasonable to **pay for temporary use rather than purchasing products outright**.
- This **does not mark the end of ownership** but redefines the **concept of control and rights** within a digital and service-driven economy.

ISSUES WITHIN THE SUBSCRIPTION ECOSYSTEM

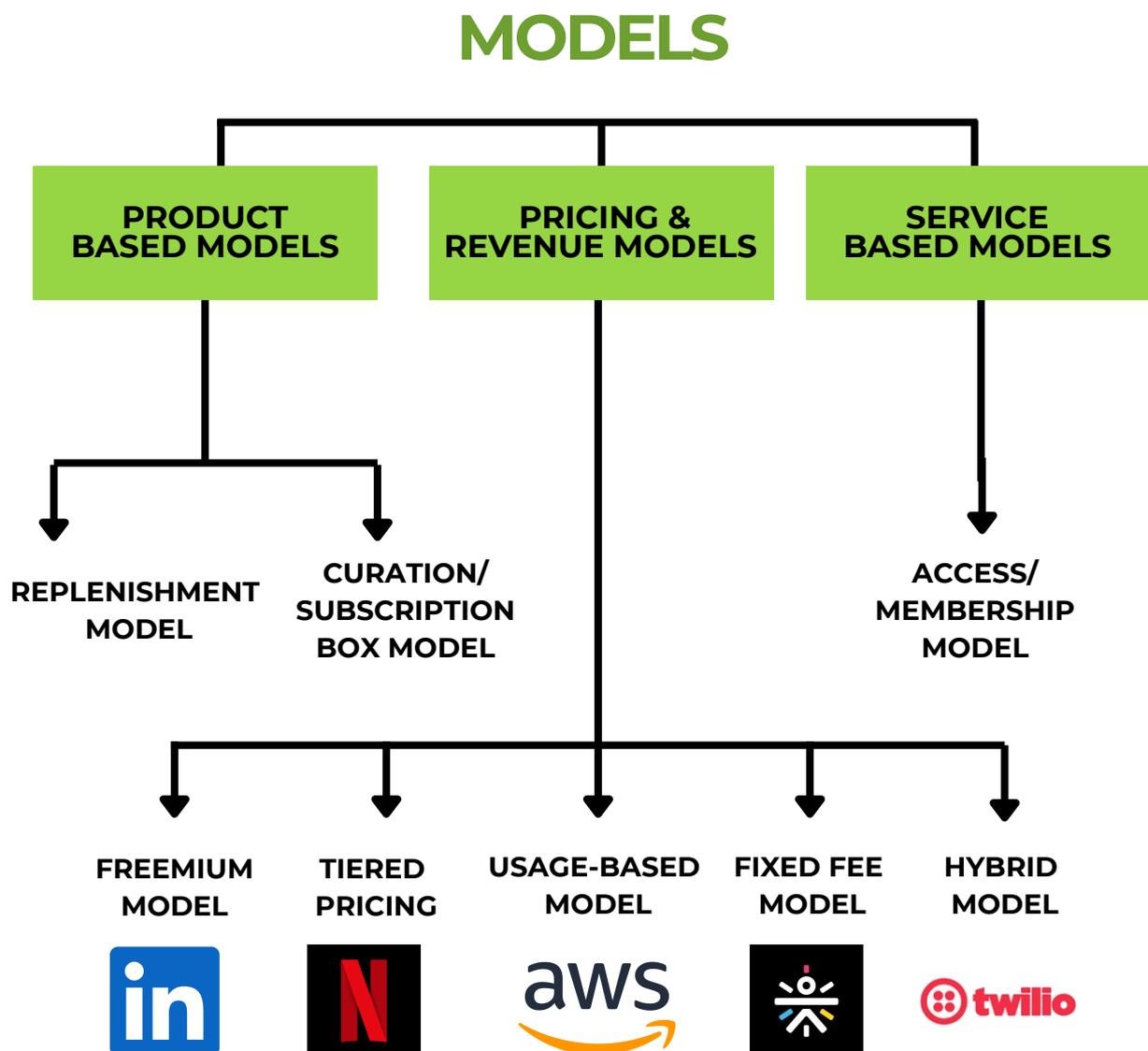
- In the subscription ecosystem, users **do not truly own** the content they pay for; **they merely license access**.
- Content can be **withdrawn** or **altered** at any point.
- Streaming platforms **lose content rights**, causing **popular shows** and **movies to disappear** from the catalog.
- **Netflix**, for example, often **removes entire collections** once licensing agreements expire (e.g., **Daredevil, The Punisher**, etc.).
- This leaves **viewers without access to previously enjoyed content**.

THE FRAGILITY OF DIGITAL OWNERSHIP

- **A woman** in Norway lost her **entire Kindle library** after **Amazon closed her account** because the **app was no longer supported** in her region.
- This shows how **legally purchased digital content can vanish without warning**.
- Gaming companies often **de-license or remove titles from online stores, blocking access to games users have already paid for**.
- A major example was **Ubisoft shutting down The Crew in 2024**, which made the game completely unplayable even for people who had purchased it, **sparking a global controversy over digital ownership**.
- The future is likely to be a blend of **ownership and subscription**.
- People will **continue using subscriptions for convenience and affordability**.
- But they will **still prefer owning items with emotional or financial significance, such as physical collections**.
- **Ownership represents autonomy, permanence, and security-qualities that subscription-based models cannot fully replicate**.

Subscription Economy Models

The subscription economy models are **frameworks that help businesses generate recurring income by providing continuous access to products or services**. Instead of one-time sales, these models focus on long-term relationships with predictable revenue and ongoing customer engagement.



Freemium Model

Offers core features for free while charging for premium functionality. Users experience the product risk-free, then upgrade when they need advanced capabilities.

Tiered Pricing Model

Creates multiple subscription levels (Basic, Pro, Enterprise) with increasing features and prices. Captures different customer segments from individuals to large organizations.

Usage-Based Model

Charges customers based on actual consumption, more usage means higher costs. Aligns pricing directly with value received, ideal for services with variable demand.

Fixed Subscription Model

Simple flat fee regardless of how much customers use the service. Provides predictability for both business and consumer.

Hybrid Model

Combines elements from multiple models, like base subscription plus usage fees or freemium with paid add-ons. Maximizes flexibility and market reach.

Access/Membership Model

Grants subscribers exclusive benefits like discounts, early product releases, VIP events or premium support. Creates a sense of belonging and privilege.

Curation/Subscription Box Model

Delivers personalized, handpicked products periodically based on customer preferences. Creates surprise and discovery experiences.

Case Study

ADOBE CREATIVE CLOUD

The Transformation: In 2013, Adobe abandoned perpetual software licenses (one-time \$2,600 purchase) for a subscription model at \$49.99/month, despite fierce customer pushback.

Consumer Benefits

- **Affordability:** Lowered entry barrier from **\$2,600** upfront to **\$50** monthly payments, democratizing access for students, freelancers, and small businesses
- **Always Current:** Continuous updates and new features automatically included, no waiting years for version upgrades or paying additional costs
- **Cloud Integration:** Built-in cloud storage, collaboration tools, and cross-device syncing enhanced workflow flexibility

Business Success

- **Revenue Explosion:** Grew from **\$4.1 billion (2013) to \$19.41 billion (2023)**—a **373%** increase driven by recurring revenue
- **Predictable Cash Flow:** Subscription revenue now represents **90%+** of total revenue, enabling confident R&D investments and strategic planning
- **Piracy Reduction:** Cloud authentication dramatically reduced illegal software usage
- **Stock Performance:** Share price increased **1,200%** since the transition, validating the strategic shift

MOVIEPASS

The Gamble: MoviePass offered unlimited movie theater visits for just \$9.95/month in 2017, while paying theaters full ticket price for each viewing, banking on most subscribers not using the service enough.

Consumer Experience

- **Early Promise:** Seemed like incredible value- watch unlimited movies for less than one ticket's cost
- **Service Collapse:** App constantly crashed; popular movies mysteriously disappeared; cards stopped working at theaters
- **Bait-and-Switch:** Suddenly imposed surge pricing (**\$2-\$6** extra), blocked blockbuster films on weekends, and limited users to one viewing per movie
- **Trapped Users:** When customers tried to cancel, the website crashed; trust evaporated completely

Business Catastrophe

- **Bleeding Money:** Lost **\$104 million** in just Q2 2018 alone as heavy users exploited the unsustainable pricing
- **Subscriber Exodus:** Users dropped **92.3%** (from **3 million** to **230,000**) between July-August 2018 as service quality tanked
- **Cash Crisis:** Ran out of money to pay theater partners; MasterCard blocked all MoviePass cards when company couldn't settle bills
- **Complete Failure:** Stock fell to **\$0**, kicked off NASDAQ, and investigated by NY Attorney General for misleading investors

Challenges and Risks of Subscription Economy

The subscription economy may seem like the future of business offering convenience, flexibility, and constant innovation but it's not without its own set of challenges. As more companies move toward this model, especially in the Software-as-a-Service (SaaS) industry, they face complex issues that can affect profitability, customer satisfaction, and longterm survival.



CUSTOMER CHURN AND RETENTION ISSUES

- Customer churn is the percentage of subscribers who cancel within a given period (basically how many paying users walk away).
- High churn weakens subscription businesses by reducing stable, recurring revenue.
- Replacing lost customers is expensive, especially since SaaS firms spend heavily on marketing, acquisition, and free trials.
- Too many pricing tiers confuse customers and push them away instead of helping them choose.
- Free users rarely convert, increasing service and maintenance costs without generating revenue.
- Frequent or unclear price changes frustrate users and contribute to cancellations.
- Raising prices without adding value makes customers feel cheated, accelerating churn.

WHY CUSTOMERS LEAVE

Many users cancel their subscriptions when they don't see enough value for what they pay. Some struggle to understand the product, face technical issues, or simply find a cheaper or easier alternative. Poor onboarding, lack of regular updates, or bad customer

IMPACT

High churn rates lead to revenue instability and reduce a company's overall growth potential. Every customer lost adds pressure to acquire new ones, increasing marketing costs and lowering profit margins.

EXAMPLE

Groove (Helpdesk SaaS) once faced a 4.5% monthly churn. After analyzing customer behavior, they redesigned their onboarding process, helped new users understand the software better, and successfully reduced churn.

In contrast, Atlassian's 2022 cloud outage caused major frustration for over 400 companies, damaging customer trust and leading to subscription cancellations

GROOVE

 **ATLASSIAN**

Pricing Strategies

Pricing in the subscription world isn't as simple as just setting a cost. It's about balancing value and perception. Companies often struggle to find the right price that attracts users while keeping profits healthy.

COMMON PRICING MODELS

TIERED PRICING



Different plans for different user needs (e.g., basic, premium).

USAGE PRICING



Payment depends on how much customers use the product.

FREEMIUM MODEL



Free access to basic features with paid upgrades.

REAL-WORLD EXAMPLES



Zoom succeeded by offering a smart freemium model letting people experience core features for free, which encouraged upgrades.



Mailchimp's 2021 pricing changes, however, led to backlash and user cancellations because customers felt they were paying more for the same service.

In short, pricing in the subscription economy is both a science and an art it requires constant testing, feedback, and transparency to build trust. As more companies shift to subscriptions, markets are becoming crowded with similar products. Every SaaS tool today seems to have five competitors doing almost the same thing from project management apps to CRMs and collaboration platforms.

Future of Subscription Economy

Nowadays, it feels like everything and everyone is moving towards subscriptions. We don't just buy movies or music anymore, we **subscribe** to them.

From Netflix to grocery deliveries, car services and even skincare or personalized wellness plans, the world is slowly shifting from owning stuff to having access whenever we need it.

Smart AI, ad supported options, and flexible plans make it easier than ever to get exactly what we want without the long term commitment.

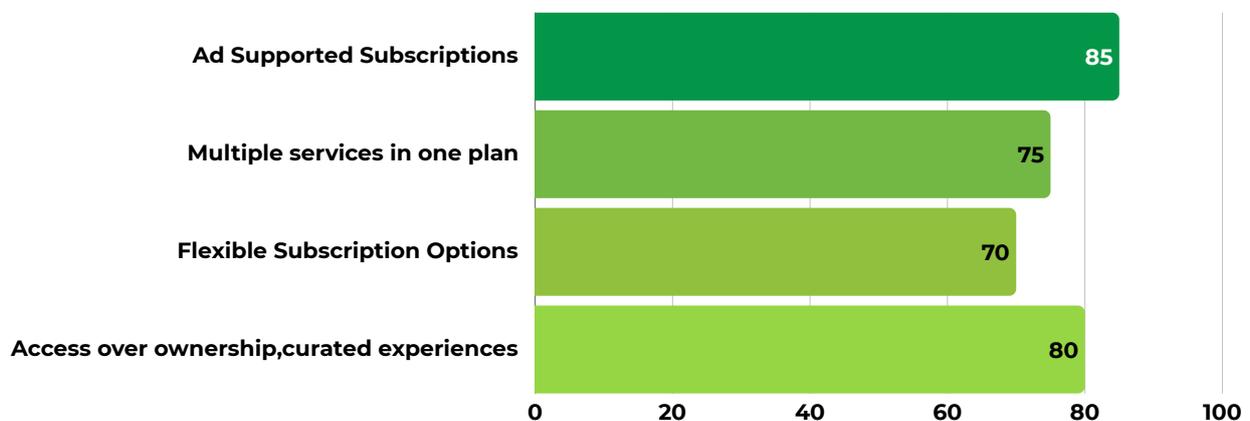
But with all this convenience comes **new choices** and responsibilities, for businesses figuring out how to keep us hooked and for us figuring out what's worth subscribing to.



NETFLIX



Emerging trends



Source: [Daily Herald Business \(Subscription Economy Statistics\)](#) and [eMarketer \(Subscription Economy to Hit \\$1.2 Trillion by 2030\)](#).

- **Rise of Ad-Supported Subscription Plans-**

One of the most visible shifts recently is the rise of **ad supported subscription plans**. For instance, Amazon now offers a Prime Video subscription that comes with ads for users who want a cheaper monthly price.

- **“Pay More, Get More Options” Strategy-**

This strategy signals a broader trend that is that companies are experimenting with **“pay more, get more options”** to cater to different budgets while still retaining customers within their ecosystem.

- **Consumer Advantage, The choice Between Cost and Convenience-**

For consumers, this is a win as they can choose between paying more for an ad free experience or saving money with a slightly interrupted yet still premium service.

- **Growing Trend of Multi-Service Subscription Bundles-**

Another major trend is the companies offering **multiple services in one subscription**. Tech giants like Apple and Google are leading the way with packages like Apple One and YouTube Premium Family which is basically combining multiple services under one monthly payment.

- **Value Creation and Reduced Customer Drop-Off-**

These services not only provide value for consumers but also help companies reduce the number of people quitting the service. The more services users engage with, the harder it is to switch to a competitor **creating a win-win situation**.

- **A More Diverse and Flexible Subscription Economy-**

The subscription economy is evolving into a more diverse and flexible system. Ad supported models like Amazon Prime, multiple services etc are all reshaping how consumers access goods and services.

Subscription in New Sectors

Subscriptions aren't just for Netflix or Spotify anymore, they're popping up everywhere. Cars, fashion, healthcare and even housing are now available through subscription models.

Think of Tesla or BMW letting you pay monthly for premium features or fashion brands letting you rent clothes instead of buying.

- The appeal is simply **access without the stress of ownership**.
- **AI is powering this growth** and companies use it to understand what you like, suggest new products and even predict when you might leave a service so they can keep you engaged.
- Imagine a food delivery app recommending meals based on your past orders or a music app creating playlists that feel tailor made like something made exclusively **FOR YOU**.

Personalization takes it further.

- Services are no longer **one size fits all**, they adapt to you.
- For instance, Fitness subscriptions suggest workouts based on your progress, skincare brands recommend products for your skin type and entertainment apps curate content that you'll actually enjoy.
- It makes users feel seen and valued, turning casual subscribers into loyal ones.

Automation smooths the experience.

- Billing, renewals, delivery adjustments and customer support can all happen without manual effort.
- Everything feels seamless and hassle free, letting consumers focus on using the service rather than managing it.

In short, subscriptions are evolving into smart, personalized and automated experiences. They're making life easier, giving consumers flexibility and choice, while helping companies build loyal, engaged subscribers. The future isn't just about owning products, it's about access, convenience and experiences tailored **just for you**.

The Future of Ownership

WILL WE STOP OWNING THINGS?

The short answer is **not completely**, but the way we think about ownership is definitely changing. Subscriptions, rentals and access based models are making it easier for people to enjoy things without buying them outright.

For example, instead of owning a car, many now use subscription mobility services or carsharing apps. Fashion lovers can rent designer clothes and even housing is seeing shifts with co living or furnished apartment subscriptions.

So where will ownership decline the most?

Mostly in high cost, high maintenance or quickly changing goods like cars, electronics, fashion, streaming content and even furniture. People value **flexibility** and **convenience**, so anything that's expensive to own but easy to access through a service becomes a prime candidate.

How will this happen?

AI, personalization and automation make access smooth and tailored. Subscription platforms predict your needs and adjust services dynamically. With better data and smarter systems, companies can offer products almost as if they were **"yours"** without the hassle of ownership.

To what extent?

Essentials and sentimental items will still be owned like your home, personal things or items that hold emotional value. But for most consumer goods, especially those linked to experiences or convenience, access will dominate. We're moving toward a **hybrid** world where some things we own and many more we access.

In short, ownership won't vanish, but it will transform. The focus is shifting from **"having"** to **"experiencing"** and the future belongs to those who embrace flexibility and smarter access.

Business and Consumer Priorities

FOR BUSINESSES:

- **Focus on engagement, not just sign-ups-** Getting a subscriber is only the first step and keeping them is what matters.
- **Personalize experiences-** AI and data insights can help with the tailor services, recommendations and pricing to individual needs.
- **Be transparent and flexible-** Clear communication about costs, renewal policies and easy opt out options builds trust and loyalty.
- **Automate smartly-** Streamlined billing, customer support and dynamic service adjustments save time and reduce errors, making customers happy.
- **Innovate constantly-** Stay ahead with new offerings, bundles, or access-based models to meet changing customer expectations.

FOR CONSUMERS:

- **Review your subscriptions regularly-** Make sure you're getting real value and not paying for things you don't use.
- **Understand the terms-** Know what each plan includes, cancellation policies and hidden costs.
- **Take advantage of flexibility-** Ad supported or micro subscription options can save money while still giving access.
- **Value personalization wisely-** Use AI driven suggestions but remain aware of privacy and data sharing implications.

In short, the subscription economy offers **flexibility, convenience and smarter experiences**, but success depends on **trust, clarity and engagement**. Businesses that deliver value and consumers who stay informed will both win in this evolving landscape.

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REACH US

