Note: I had the opportunity to publish this article on the SaaS Industry website. Unfortunately, the startup rebranded themselves and the website was taken down, resulting in my published work being lost.

Despite this setback, I was able to preserve my work in Google Docs. I also want to mention that the website where my articles were published has been archived on the Wayback Machine.

Here is the link to access it:
https://web.archive.org/web/20220716082355/https://saasindustry.com/how-to-guides/the-rise-of-subscription-business-model

Thank you for taking the time to review my work, and please feel free to contact me if you have any questions or would like to discuss my writing further.

The Rise of Subscription Business Model

META: For over a decade now, there has been exponential growth seen in subscription commerce. Nowadays, people have a subscription for anything and everything- music, movies, cosmetics, clothes, meals, groceries, education

Years ago, buying music cassettes or renting a movie CD and video games from a store was an essential activity. However, these creative contents are now accessible and available everywhere on any device at a specific cost.

How did this transition occur? What's the reason for this paradigm shift?

For over a decade now, there has been exponential growth seen in subscription commerce. Nowadays, people have a subscription for anything and everything- music, movies, cosmetics, clothes, meals, groceries, education, etc. Companies often come up with a monthly or annual subscription fee much cheaper than a typical outright purchase for a service individually.

The days when a company approached a customer for a one-time deal are bygone. Offering a subscription extends the consumer's interaction for a longer time; thus, this business model is booming.

Let's analyze the current subscription-based business model and what it offers to companies that provide such a service.

1. Companies want to connect to their most loyal customers and offer them products or services that allow them to return for purchase.

2. The data that the consumer provides help the company to enhance their quality and customer experience and keep the customers from escaping.

3. Sometimes, subscription for physical products is to surpass the selling and generate more revenue. Removing the third party saves not only cost but also improves the customer satisfaction

4. Another important reason is to connect the physical and virtual worlds. Nowadays, digital content is more demanding than offline as everyone wants to operate from the comfort of their home and enjoy the services.

The subscription economy is growing six times, around 430% (if we compare the data from the past nine years). In addition, it is analyzed that the subscription businesses have shown significant growth of 5 to 8 times more than any traditional business.

Today's youth are the major contributors to such a fuelled economy. Around 32% of youngsters (aged between 16 to 24 years) have at least one subscription, whereas only 7% of the old-aged (age above 55 years) have one.

The unfortunate incidence of Covid-19 and the lockdowns all around the world have not only accelerated the digital shift of companies. Still, they have also brought the desire for subscription-based business. This has shaped the consumer experience to a whole new level.

Now, let's discuss some of the reasons for a customer to shift to a subscription-based economy:

One piece of research in the US revealed that people sign up for a subscription because they feel a sense of emotional connection. They feel nice receiving something every month.

Another important reason is the convenience and the power to choose. The core reason is the quick accessibility of a product or service from anywhere and anytime.

The experience of contacting the company directly is further an add-on reason for the people to approach the subscription. The company can understand the user's needs and offer them something more relatable.

Lastly, a subscription to any brand or company allows you to save a considerable amount of money. Unlimited access to the platform services and handpicked related content at an affordable subscription fee is a win-win situation for them.

Mobile Apps

The hassle-free use of mobile apps is convenient and prevalent among everyone. Mobile apps are an excellent target for increasing subscription rates. In 2020, the downloading of such apps increased by 33% due to the lockdown. In addition, the subscribers' revenue increased to 34%.

The education paradigm shift from offline to online emerged as a blessing for ‘n’ a number of EdTech companies. When gyms were closed, people moved towards fitness apps; when theaters were shut, people turned to OTT platforms. The online games, food, and grocery delivery apps flourished massively.

You will be amazed that an average subscriber spends around 4 hours on mobile apps, which accounts for about 90% of their virtual minutes on a mobile screen.

Types of Subscription Commerce Business Models:

There are many different types of subscription-based business models. It all depends upon the company's product and the services it provides.

Have a look at a few popular subscription business models:

Service Subscription:

Service-based subscription is one of the massive companies' most common business models. This business model allows a user to enjoy the services regularly. They connect high value-based experience with affordable pricing plans. They can customize the services according to their needs and get extra benefits. This gives a choice to pay for precisely what the customer requires.

Subscription Box:

This business is an evolution of the product-based subscription model. Customers can subscribe to get the product that is relevant to them. You can get any product you admire, from online meal boxes to books.

Digi Content Subscription:

With the transformation from offline to online, digital content is in demand. Be it movies, series, educational videos, cooking classes, and whatnot. Exclusive accessibility of the range gives you a reserved privilege to enjoy what you prefer. Here, only the consumers who subscribe get special benefits that make them feel good. Thus, increasing their loyalty towards the company.

Miscellaneous Subscriptions:

The companies can offer subscriptions to almost any product—for example, Uber Ride Pass, Zomato Gold, and Nissan Switch.

The trend for Subscription Businesses -Rising.

We know that the subscription-based business is at its peak point. Here are the top 3 reasons behind the trend-

High Customer Retention Ratio- A new customer is more complex to retain than an existing customer. The subscription model eliminates the requirement for acquiring new users. The revenue can increase by upselling or cross-selling the relevant services. High Customer Retention refers to high stability and more loyal customers.

<u>Greater Business Predictability:</u> This is an advantage for a company's business. The company gets an idea about how much to refill a particular product according to the need. Unlike the pay-once business model, the subscription commerce model eliminates the uncertainty about replenishing inventory.

<u>Subscriptions are the future of eCommerce</u>: With such an evolving eCommerce market, subscription-based models are becoming normal. Starting from health, fitness, entertainment, travel, education, and beauty, every sector is embracing the business model.

All thanks to this subscription-based model business that has made all our lives convenient and flexible. This has changed the face of the economy, and it's right to say that the more people join and experience the personalized services explicitly provided to them, they surely won’t go back to what they had before.