

## ROLE OF SUBSCRIPTION-BASED BUSINESS MODELS ON ONLINE BUSINESSES STRUGGLE TO REACH CONSISTENT REVENUE AND GROWTH

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### **Abstract**

In recent years the subscription-based business model has impacted the industry dramatically and became more trendy offering both customers and businesses beneficial values. This article investigates advantages and challenges of the companies that successfully implemented SBBM (subscription-based business model) approach. The article demonstrates addressing the problem of inconsistent revenue streams faced by companies and as well as highlighting key strategies and frameworks on successfully adopting subscription-based model. Beneficial insights gathered from real life example demonstrate how this model can transform revenue structures and enhancing customer relationship.

### **Keywords**

subscription-models, consistent revenue, business growth, customer retention, online business.

### **Introduction**

The article investigates the role of subscription-based business models on online businesses struggle to reach consistent revenue streams. The research covers areas in which other business cases successfully implemented SBBM approach into their business and reached revenue consistency and enhanced customer experience. The examples of companies provided in this work include Netflix, Autodesk, and real case example GreatCatalog. All the companies offer different products and services including entertainment, software, and digital products. Statistics and research results are based on reliable sources and the survey conducted on small scale represent the preferences and willingness of individuals to purchase subscription plans. How companies successfully implemented SBBM approach in their business? What to do if the online business struggles to achieve revenue consistency and customer retention? The research will find out answers with the

primary and secondary research results and advantages and challenges on implementation process will be shown. At last, the recommendation based on research, highlights key aspects and benefits of implementing the model.

### **Problem Statement**

Online businesses struggle to achieve consistent revenue streams, making long-term planning and growth difficult.

### **Literature Review**

Girish Punj analyzed the characteristics and willingness of consumers to pay for general online content considering the subscription-based business models. To estimate the model from nationally representative 755 online users are used. As this article provides relevant research data which was analyzed by the author is relevant and can be used as to support our research. (Punj, 2013). The other article which is relevant to the research is about the application of subscription-based business model in the context of firms. It analyzes the way and process of changing from traditional to SBBM (subscription-based business model) to offer value to customers and reach revenue consistency. (Lindström, Vishkaei and Giovanni, 2023). Forrest Hill, and Philip D. Olson researched about the struggle of businesses to grow and reach revenue consistency. Which gives the related information about the business which struggle to grow and have consistent revenue. Combination of the researches about subscription-based models and businesses struggling to grow would explore the area to research on how they implement the model to solve the problem.

### **Research Methodology**

In this article both primary and secondary research are used. The primary research in other words qualitative research is conducted in the form of survey. By asking relevant questions about the purchase intentions of people on online to get the probable amount and their willingness. The secondary research the quantitative research is done by reviewing several reliable internet sources, and related scientific articles. To get better research results, providing relevant up-to date recommendations and research results.

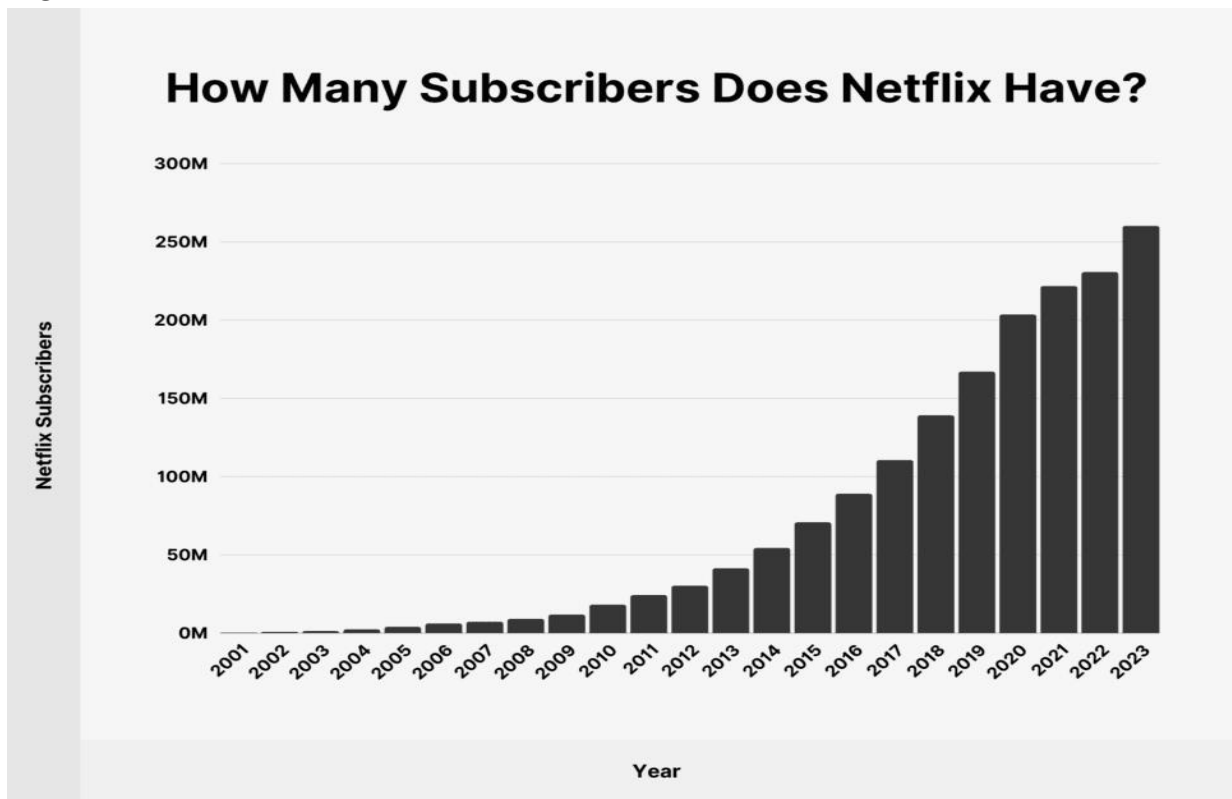
### **Research Findings**

#### **Subscription-based business model**

The idea behind the subscription business models is to sell the product or service to get consistent revenue stream through monthly or yearly plans. This model focuses on retaining customers for a long run. The model is based on long-term making sales and retaining clients so that pay fair price for prolonged access instead of purchasing same product or service one-time for large amount. In

today's life the economy is leading towards to subscription-based models as it creates value for customers and recurring revenue streams for businesses. This model can be seen mostly on online businesses which offer courses, entertainment, software, and digital products. (Tarver, 2022) The roots of subscription-based pricing go to the magazines which people had monthly or yearly membership to get daily or weekly news and others based on the journal's type. Over the years Netflix has huge audience who has subscription plans. This is considered as a successfully implemented subscription-based business model and people are willing to get subscribed monthly or yearly. (Dean, 2024)

Figure1



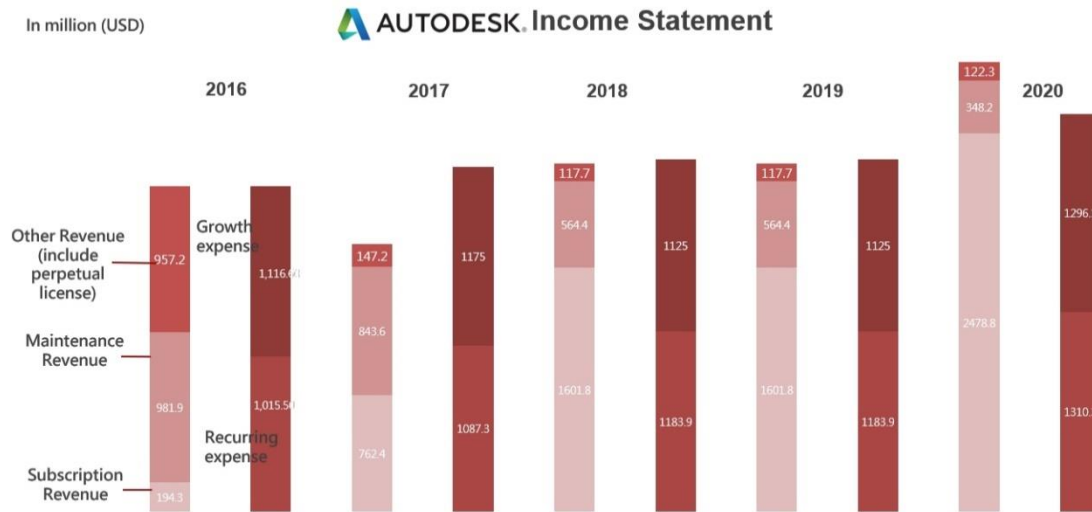
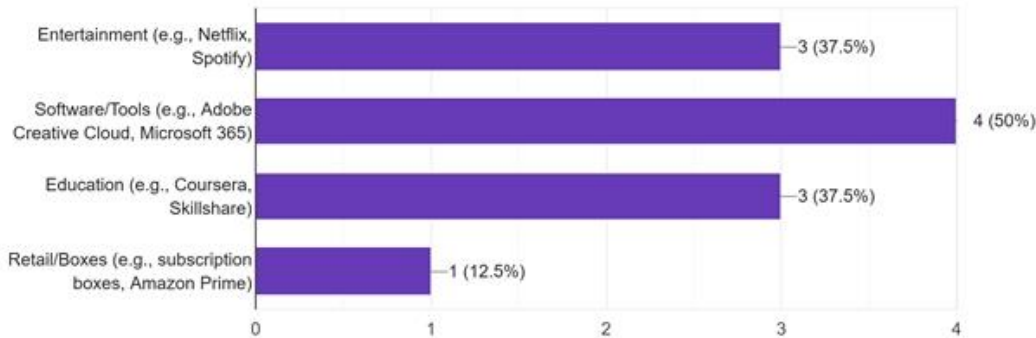


Figure 2 depicts the subscription revenue of Autodesk company through its software services. In 2016, the revenue accounted for 194.3 million, then started to significantly grow withing years 2017, and 2018 consecutively. In 2019 the revenue amount was pretty much stable and same as of 2018. At the end in 2020 when covid-19 spread it accounts for 2478.8 million due to increased remote job and trending subscription-based model. The amounts continue to grow in 2024 (Lower, 2021) According to the research results many organizations changed their business models from traditional which is one time pay to recurring subscription-based pricing strategies. After successful implementations it proved that it is beneficial both financially and operationally, leading to consistent revenue streams. As an example, the company called Microsoft offered Microsoft 365 program into a subscription service, results were tremendous, they faced growth of 27% year by year (Wilhelm, 2020). Organizations offering subscription also provide additional services such as customer support, personalization, continuous updates, leading to better customer experience and retaining loyal customers with it. To analyze the willingness and preferences for online

If yes, what type of subscription plans do you use? (Select all that apply)

responses

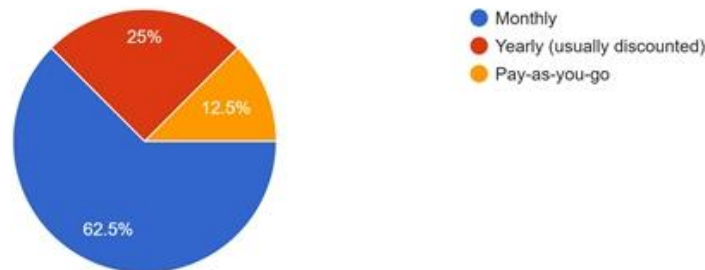


subscription

plans the survey is conducted. Here are the survey results:

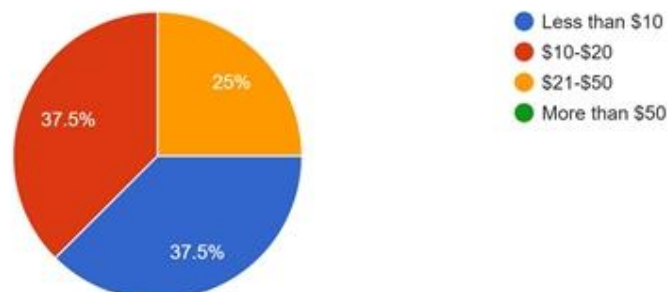
What payment frequency do you prefer for subscription plans?

responses



How much are you willing to spend monthly on subscription services?

responses



As shown on the first response chart shows individuals preferences on using subscription plans on various areas. Entertainment and education account for 37,5% of individuals consecutively. While most people indicating 50% usage on software tools and at least the people who use retail/boxes show 12,5%. As for the

type of payment they prefer 62,5 percentage of them chose monthly and with comparison to last chart 37,5% of them willing to pay less than 10\$. 25% people choose to have yearly subscription while lesser people choose to pay instantly. As for the payment, individuals willing to pay 10\$-20\$ consist 37.5% while 25% of them ready to pay 21\$ to 50\$.

An organization may face fails or problems when adopting subscription-based approach without proper planning. A strategic planning ensures the model to be aligned with the business easily. There are several steps, first considering the pricing. The organization should consider the factors which are value proposition, operational costs, profit margins as it is long-run. Misalignment with one of those would lead to dramatic consequences, even profit loss or losing customers. Next step is the nature of the subscription plan. Offering range of options like monthly, yearly, and starter, standard and premium ones would positively increase the potential of customers to be a member. The last step is to keep up-to date, regularly updating and adding new features, keeping customer interaction email connection would result in better experience (Forbes Councils, 2024).

### **Real case of company that struggled to reach revenue consistency.**

The company called GreatCatalog is an emerging online marketplace for selling and buying 3d models. In this type of area, there are number of competitors such as CgTrader, Turbosquid, 3dsky and others. The GreatCatalog faced a problem of revenue consistency to sustain their business day-to day operations and cover their expenses. Their business model was traditional pay and go strategy. This struggle lasted for several month, as from statistics of vendor's dashboard was a single sale of digital products or zero income which means no sales and no profit for the company as well. Then the company decided to announce their subscription-based business model, they made agreement with vendors to apply for new model and sales started to grow slightly. The company offered 3 types of plans for their clients ensuring customer preferences and their convenience. The GreatCatalog faced consistent revenue streams and increase on vendors sales through subscription plan. This real case was one the successful ones which had successful implementation of SBBM (subscription-based business model). (GreatCatalog 2024)

### **Challenges**

While having positive aspects of subscription-based model there are certain drawbacks and challenges for companies to implement. It is true that not all industries would reach recurrent revenue streams by the model. Not all companies fit to offer subscription. There are also companies in the same online business field

which fail to implement the model due to several factors. As mentioned above planning beforehand and setting right pricing to the subscription model matters. By offering wide range of options as mentioned above in the real case, would increase the success rate for the companies. This creates a convenience for individuals willing to purchase a subscription. Next point is about maintenance, keeping updated. Businesses which cannot do in this way would likely to fail. By regularly keeping in touch and connecting with clients through email sending them updates, news would likely retain them and make them more loyal to the service offered (Begin, 2024).

### **Recommendation**

Online business organizations that are struggling to reach consistent revenue streams should consider implementing subscription-based business model as provided above statistics, research and challenges of the model. Clear understanding and use of real-world case would positively impact on successful implementation and reaching overall company's goals and objectives, more importantly reaching customer retention and revenue consistency. According to survey results, companies in entertainment, software, and education fields would highly be successful on introducing SBBM strategy to their clients. They also need to consider the willingness of them and their preferences on pricing of subscription plans to meet their expectations. Overall, companies that struggled to achieve constant revenue in the past addressed the problem by implication of SBBM based on the research outcomes of this article, that is why this approach would be beneficial for those online companies in the same fields as mentioned.

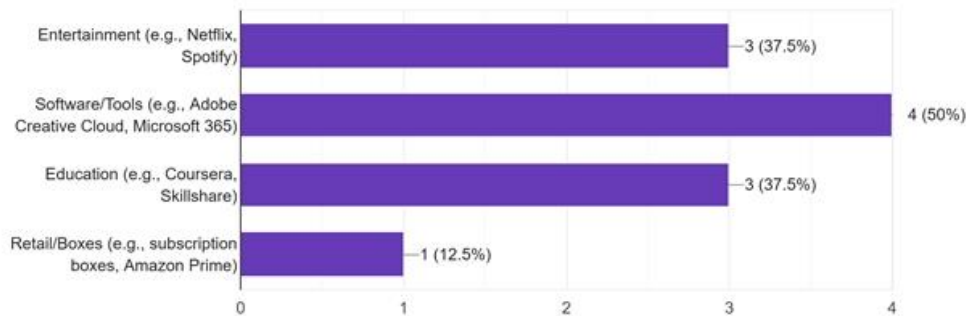
### **Conclusion**

Overall, the article demonstrates clear understanding of SBBM approach its benefits and challenges and how other online businesses and real-life case implemented and reached revenue consistency as well as better customer retention. All the research are supported by the relevant scientific articles and researchers work along with primary research survey results are provided. Research clearly demonstrates that by successfully implementing subscription-based business model, businesses which struggle to achieve revenue consistency can reach their goals and objective by doing so.

### **Appendix**

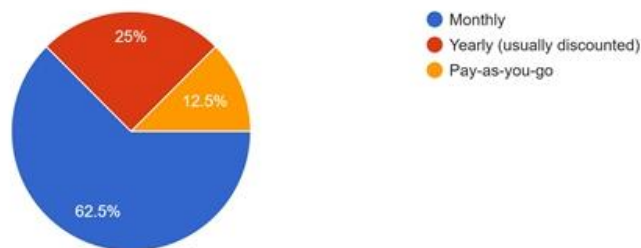
If yes, what type of subscription plans do you use? (Select all that apply)

responses



What payment frequency do you prefer for subscription plans?

responses



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