

## THE IMPACT OF THE SUBSCRIPTION ECONOMY ON BUSINESS AND PRODUCTION

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**Abstract.** The subscription economy is one of the most important areas of modern business and production. This model provides companies with the opportunity to form long-term relationships with customers and generate stable income.

Currently, the topic of subscription economics is one of the most relevant both for scientific research and in the actual practice of business and production in general. Today, this model is one of the most significant strategic directions for modern enterprises, which allows companies not only to expand their customer base, but also to build long-term relationships with consumers, maintain stability and sustainable development in the face of digitalization. Nowadays, customers strive to receive a wide and diverse portfolio of products and services immediately, efficiently and securely, from the comfort of their homes and with flexible payment methods [1]. For the business, the most significant changes were the transition from episodic and non-permanent transactions to continuous relationships. This changes the financial model on a fundamental level, as instead of chaotic revenue spikes associated with new product releases, the company receives predictable cash flow. This stability becomes the basis for strategic planning and long-term investments, as financial indicators shift from the volume of one-time sales to the customer's lifetime value and retention level. The business begins to operate focusing not on attracting the maximum number of buyers of products, but on maximizing the life cycle of each customer-subscriber, which requires a completely new approach to the quality of service and service. The traditional system is giving way to a closed-loop economy. When a company sells not a product, but its functionality or result, its profit directly depends on the durability, quality and possibility of modernization of the manufactured goods. Companies get the opportunity to receive and process more data on user behavior and requests, which allows them to respond to market changes in almost real time and improve the quality of services offered. This makes the business more flexible and competitive thus increasing the degree of personalization of the offer for different audience segments. In manufacturing and retail, the development of the subscription economy is changing the very approaches to selling physical products. Subscriptions and rentals are increasingly being used instead of one-time sales. This allows the company to predict demand and reduce warehouse costs as well as to use more specific techniques of cross-sell (additional sales) and upsell (related sales). This provides businesses with a planned income and the opportunity to invest in development without fear of sharp sales declines. The subscription economy is changing customer behavior. Convenience, flexibility, personalization and a sense of constant value flow for a regular fee come to the fore. The customer no longer needs to think about buying each product or service separately as everything is included in the subscription, and the consumption process itself becomes protected from price fluctuations and residual costs. The effect of small payments is often effective when a small amount is debited automatically every month. Due to this, the burden on the budget feels minimal and consumption becomes a daily habit. Along with this, the business also develops responsibility. If the service stops meeting expectations, the customer easily unsubscribes. Thus, a new competition is being formed at the level of quality and service.

The subscription model also has weaknesses. One of the problems may be customer fatigue from numerous subscriptions. With a large number of monthly payments, the consumer

loses interest and begins to abandon little-used services. The second problem is the high competition with classic sales schemes and hybrid models, which include subscriptions and micro-payments. For businesses, the issue of controlling the flow of customers constantly increasing the value of the service, and working with consumer feedback is becoming urgent. Excessive automation becomes an important risk for production and sales when it is impossible to offer a unique or individual approach to each client, and the market is saturated with monotonous subscriptions. In the coming years, we can expect further penetration of subscriptions into the world of business and production. New hybrid schemes will appear, the role of personalization through the use of artificial intelligence will increase, and B2B subscriptions will continue to develop. For successful adaptation, the key will be the ability to keep the customer's attention, develop unique subscription formats and combine them with loyalty programs, cashback and exclusive offers. Major subscription service providers maintain comprehensive platform capabilities and extensive customer bases that enable revenue growth due to global market expansion with diverse service offerings [2].

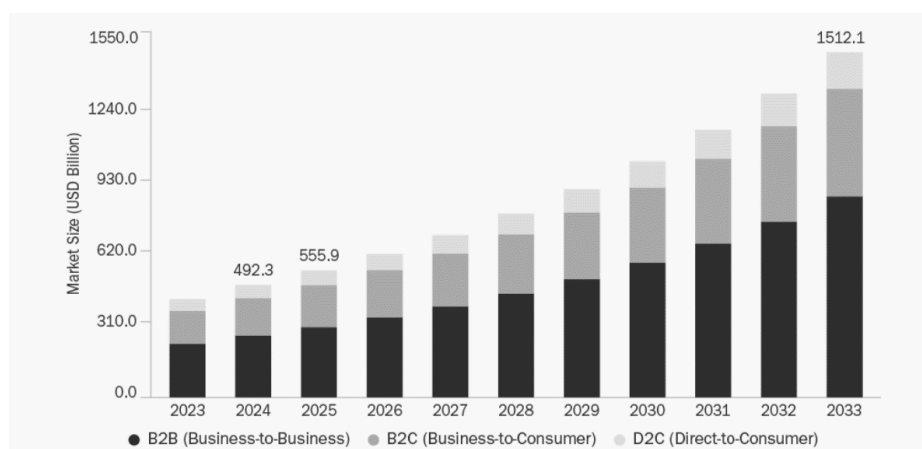


Fig. 1. Forecast of the volume of the global subscription economy market by B2B, B2C and D2C business models until 2033 [3]

Thus, the subscription economy is a multifaceted tool for business and production transformation, with great potential for sustainable growth, forming a new type of interaction between companies and consumers, increasing the quality and variety of goods and services. At the same time, the business needs to take into account the interests of customers and competition in the market. It is critically important to remain flexible, innovative, and attentive to customer needs. High-quality products and the items listed earlier are necessary in order to successfully conduct business in the subscription economy model.

### References

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