# Move Forward or Get Left Behind

## Why Companies Without a Subscription Model Are Risking Irrelevance in 2024

# Netflix & Beyond

## The Shift to Subscription-First Businesses Is Accelerating

In 2024, the subscription economy has become a central pillar of successful business models. While companies like Netflix pioneered the shift, subscription offerings have evolved into far more sophisticated systems that touch nearly every industry. From OpenAI's GPT-powered tools to the rise of the creator economy, where influential figures like Ben Shapiro, Jordan Peterson, and Alex Hormozi monetize their expertise through subscription platforms, businesses are building recurring revenue models not only to increase revenue and retention but to foster long-term relationships with their user base.

Even legacy companies, once hesitant to adopt subscriptions, are seeing the light. Adobe's switch to subscription-based software with Creative Cloud revolutionized the software industry, providing predictable income while giving users ongoing value. Similarly, Microsoft's transition to Office 365 and Autodesk's move to subscription licensing for AutoCAD have positioned these companies as leaders in business model innovation. The recurring theme is that subscription-first businesses are more sustainable, valuable, and better equipped to withstand economic fluctuations.

What makes this even more pressing is the explosive growth in the subscription economy itself. As of 2024, the subscription economy is valued at $593 billion. Moreover, the market is projected to reach $1 trillion by 2028, fueled by diverse subscription services across industries—from content and software to exclusive memberships and generative AI. This unprecedented growth underscores that businesses without a robust subscription strategy risk being sidelined by competitors who have already embraced recurring revenue models.

**"The subscription economy, valued at $593 billion in 2024, is set to reach $1 trillion by 2028, fueled by diverse industries."**

**2024**

**$593B** Subscription Economy

**2028**

**$1T** Projected Subscription Economy

# The Value of Digital Access

## Exclusive Memberships and Premium Digital Offerings Lead the Way

Digital access is becoming a critical driver of consumer behavior. We're now seeing a rise in exclusive memberships that go beyond basic subscriptions. Platforms like YouTube Premium, Amazon Prime, and LinkedIn Premium offer not just access to core products or content, but an enhanced experience, often with personalized, premium services. This model is increasingly prominent in other sectors like travel, education, and even dating (e.g., Wizz Air, Airbnb Plus, MasterClass, Tinder Premium), where customers subscribe for higher-tier access, unique benefits, and exclusivity.

A more recent shift involves companies turning previously free digital services into paid subscriptions. Amazon is at the forefront, now working to monetize Alexa through advanced AI-driven features. As Alexa evolves, the possibility of offering personalized AI insights, recommendations, and household automation through subscription-based services highlights a broader industry trend: converting free, mass-market digital tools into valuable, recurring revenue services.

In smart home monitoring, examples like Google Nest Aware, Ring and SimpliSafe are leading the charge, offering real-time alerts, video storage, and enhanced security features through subscriptions. The smart home ecosystem has become a prime example of how companies can turn convenience into a steady revenue stream through subscription models. This evolution of digital access is paving the way for even more advanced subscription models, particularly those powered by AI.

# AI-Powered Subscription Models

## OpenAI, ChatGPT, and the New Wave of AI Services

The rise of AI subscription models is transforming industries from healthcare to education. Tools like OpenAI's ChatGPT Plus and MidJourney allow users to access cutting-edge AI for a low, recurring fee, democratizing advanced capabilities that once required heavy investments in technology and talent. Whether it's for customer service automation, content generation, or business intelligence, these AI-powered subscriptions are enabling individuals and businesses to unlock value like never before.

Even Google is experimenting with AI-enhanced subscription services in areas like cloud computing, where personalized, intelligent insights are becoming part of premium packages offered to businesses.

The Everything as a Service (XAAS) model has expanded far beyond traditional software. Businesses can now subscribe to infrastructure, platforms, and even business processes. Microsoft Azure and Amazon Web Services (AWS) have capitalized on this model, allowing businesses to subscribe to powerful AI and cloud computing resources on-demand, without needing to build or maintain their own infrastructure.

Moreover, in healthcare, AI subscriptions like Babylon Health and Clover Health are using AI-driven subscription services to provide telemedicine, predictive health monitoring, and personalized treatment plans—paving the way for AI to revolutionize patient care through scalable, recurring models. As AI continues to become a core part of daily life, subscription-based access to its most powerful tools will likely be a key growth area.

**"AI-powered subscriptions are transforming industries by unlocking unprecedented value for users and businesses."**

# Recurring Revenue Drives Valuation in Emerging Sectors

## Automotive, SAAS, and Beyond

The subscription trend has deeply impacted even the most traditional industries, such as automotive. Companies like Ford, General Motors, and Tesla are now pioneering the integration of recurring services for connected car features and on-demand upgrades. For instance, Tesla's Full-Self Driving (FSD) system allows customers to subscribe monthly for advanced driver-assistance technology, transforming what was once a one-time purchase into a long-term source of recurring revenue.

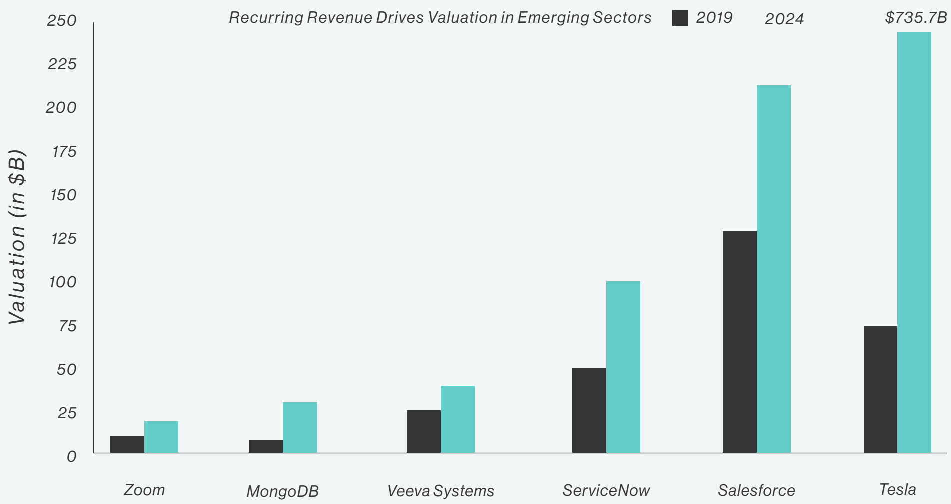
Furthermore, traditional car ownership and leasing are being replaced by car subscription services. For example, Porsche Passport allows customers to pay a monthly fee in exchange for access to a range of Porsche models, which they can swap out on-demand. This "car-as-a-service" approach is gaining traction, offering consumers flexibility and variety without long-term ownership commitments.

Other automakers, like Volvo with its Care by Volvo subscription, are offering similar services, bundling maintenance, insurance, and upgrades into a single monthly fee. This shift from one-time vehicle purchases to subscription services creates an entirely new revenue stream for automakers, allowing them to monetize convenience and exclusivity while keeping customers engaged long after the initial transaction.

In the SaaS (Software as a Service) space, companies like Zoom and Salesforce have long demonstrated the profound impact that subscription-based models can have on valuations. Zoom's explosive growth during the pandemic is a prime example, as businesses and individuals rapidly adopted video conferencing, driving a surge in the company's valuation. Similarly, Salesforce has established itself as a market leader in CRM (Customer Relationship Management) software, leveraging its subscription model to ensure a steady stream of revenue.

However, new players are now making waves in the SaaS space, including ServiceNow, Veeva Systems, and MongoDB. These companies have seen their valuations rise as they benefit from the predictability and stability of recurring revenue. ServiceNow's workflow automation tools, Veeva Systems' specialized life sciences platforms, and MongoDB's cloud database services have all proven to be drivers of growth.

Whether we look at the automotive industry or legacy SaaS giants, one thing is clear: the power of recurring revenue lies in its ability to generate future cash flows, reduce earnings volatility, and enhance valuation multiples. Investors are increasingly rewarding companies with subscription-based models, recognizing their capacity to foster customer loyalty and ensure stable, ongoing revenue. As a result, subscription strategies have become more than just a growth mechanism—they are now a fundamental driver of enterprise value.




## Access and Loyalty Programs

### Paid Memberships Create a Sticky Customer Base

Paid loyalty programs are rapidly replacing the traditional free points model. Programs like Amazon Prime, Walmart+, and Uber One show that customers are willing to pay for exclusive perks, faster services, and personalized benefits. Once customers have "skin in the game," their engagement increases. For example, Amazon Prime members shop more frequently to justify their membership fee, driving higher usage, better engagement, and lower breakage across the board.

These programs not only enhance customer loyalty but also create a sticky customer base that generates consistent, recurring revenue. As consumers continue to seek convenience and value, the role of paid loyalty programs in building customer retention will only grow more critical.

**"Programs like Amazon Prime, Walmart+, and Uber One show that customers are willing to pay for exclusive perks, faster services, and personalized benefits."**

# The New Subscription Frontier: Education, Travel, and Home Services

### Exploring the Next Wave of Subscription Opportunities

While tech, entertainment, and consumer goods are leading the way, other sectors are following suit with subscription models. Ed-Tech platforms like Duolingo, Coursera, and Kajabi are now prioritizing continuous learning through low-cost, recurring subscriptions. With a growing focus on learning and skill development, these platforms have embraced the idea that education is no longer a one-time purchase but a journey that evolves over time.

In travel, companies like Inspirato, Trip Advisor Plus, and Surf Air (private aviation) are revolutionizing the market by offering all-inclusive memberships. Subscription-based models have even expanded into hospitality, offering travelers flexibility and premium experiences that go far beyond traditional one-time bookings. These services provide access to high-end vacation homes or corporate travel solutions, turning once-occasional purchases into consistent revenue streams.

The home services sector is also undergoing transformation. Traditionally one-off services like Handy and Angi are moving toward subscription-based offerings. Customers can now subscribe to recurring home cleaning, maintenance, and repair services, ensuring that home upkeep becomes a continuous and hassle-free experience. By automating tasks that used to be manual, these services tap into consumers' desires for convenience.

**"Subscription models are turning one-time services into continuous, hassle-free experiences, driving consistent revenue across industries."**

# Managing Subscriptions: Transparency and Control

### Subscription Management Tools Are Shaping the Consumer Experience

With the rapid growth of subscription services, consumers are more aware of their spending habits than ever before. This newfound awareness is largely driven by subscription management tools like Rocket Money, Visa's Subscription Manager, and Mastercard's Smart Subscriptions, which help users track, manage, and optimize their subscriptions in one place. These tools ensure that consumers have full control and visibility into their active subscriptions, reducing the likelihood of churn and "subscription fatigue."

For businesses, the trend means that offering transparency and control over subscription services is no longer optional—it's essential. Companies that provide easy access to subscription management, cancellation options, and even pause functions are more likely to retain customers in the long run.

**"Rocket Money, Visa's Subscription Manager, and Mastercard's Smart Subscriptions help users track, manage, and optimize subscriptions in one place."**

# The Flywheel Effect: NY Times and Other Media Giants Embrace Subscription Models

The New York Times has mastered the art of the flywheel, where its digital subscription base drives new product lines, from podcasts and newsletters to cooking apps and games. By continuously adding value, The Times has expanded its offerings, creating a self-reinforcing cycle of growth. We've seen this playbook before, from Amazon, whose flywheel is second to none. Media giants like The Washington Post, The Atlantic, and Spotify have adopted similar strategies, turning readers, listeners, and viewers into long-term subscribers.

As these media companies expand into new verticals, the flywheel effect has proven that subscription isn't just about access—it's about creating an ecosystem of value that keeps customers engaged.

**"Subscription models are more than just about recurring revenue; they're a growth strategy that locks in customer loyalty, enhances experiences, and future-proofs businesses in an ever-evolving market."**

# Subscription Is Now a Growth Strategy, Not Just a Business Model

For businesses still on the fence about adopting a subscription model, the writing is on the wall: subscription isn't just a product strategy, it's a growth strategy. With the rise of AI-driven subscriptions, digital access, paid communities, and expanding use cases across sectors, the future of commerce is undeniably subscription-first.

As we look toward 2025 and beyond, the success of companies like Microsoft, OpenAI, Google, Amazon, and The New York Times demonstrates that embracing subscription models is not only a pathway to steady revenue but a blueprint for future-proofing business strategies in a rapidly evolving market.

**A timeline of key subscription services introduced by Amazon, marking its strategic shift from a product-focused company to one driven by recurring revenue growth.**

| 1995 | 2005 | 2006 | 2011 |
|---|---|---|---|
| amazon | prime | aws | prime video |

| 2014 | 2014 | 2016 | 2020 |
|---|---|---|---|
| | kindle | music | luna |

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